CITY OF FREMONT
SANDUSKY COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2008

Mary Taylor, CPA
Auditor of State

CITY OF FREMONT
SANDUSKY COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Fremont, Sandusky County, Ohio (the City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards.* Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Fremont, Sandusky County, Ohio, as of December 31, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund and the Municipal Income Tax Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The federal award expenditures schedule is required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is also not a required part of the basic financial statements. We subjected the federal awards expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic statements taken as a whole.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 8, 2009

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, 2008. 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 2008 are as follows:

- The total net assets of the City increased $1,241,443 or 1.63% from 2007. Net assets of governmental activities increased $49,372 or 0.15% from 2007 and net assets of business-type activities increased $1,192,071 or 2.79% over 2007.

- General revenues accounted for $11,434,640 or 81.95% of total governmental activities revenue. Program specific revenues accounted for $2,518,281 or 18.05% of total governmental activities revenue.

- The City had $13,238,879 in expenses related to governmental activities; $2,518,281 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of $10,720,598 were offset by general revenues (primarily income taxes, property taxes and unrestricted grants and entitlements) of $11,434,640.

- The general fund had revenues and other financing sources of $7,659,848 in 2008. This represents a decrease of $673,932 or 8.09% from 2007. The expenditures and other financing uses of the general fund, which totaled $8,426,065 in 2008, increased $273,825 or 3.36% from 2007. The net decrease in fund balance for the general fund was $766,217 or 25.07%.

- The municipal income tax fund had revenues and other financing sources of $7,507,508 in 2008. The expenditures of the municipal income tax fund totaled $499,095 in 2008. The municipal income tax fund had transfers out to other funds in the amount of $7,380,000. The net decrease in fund balance for the municipal income tax fund was $371,587.

- The capital improvement fund had revenues and other financing sources of $1,976,726 in 2008. The expenditures of the capital improvement fund totaled $1,842,758 in 2008. The net increase in fund balance for the capital improvement fund was $133,968.

- Net assets for the business-type activities, which are made up of the Water and Sewer enterprise funds, increased in 2008 by $1,192,071. This increase in net assets was due primarily to transfers in from governmental funds.

- In the general fund, actual revenues and other financing sources were $246,930 lower than the final budget revenues and actual expenditures were $469,243 less than the final budget expenditures. These variances are the result of the City's conservative budgeting. Budgeted expenditures increased $122,000 from the original budget to the final budget, primarily due to an increase in security of persons and property expenditures.

Using this Annual Financial Report

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

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

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds

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

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

The table below provides a summary of the City's net assets for 2008 and 2007:

Net Assets

	Governmental Activities		Business-type Activities		2008	2007
	2008	2007	2008	2007	Total	Total
Assets						
Current and other assets	$ 15,725,445	$ 15,967,655	$ 7,366,705	$ 6,688,589	$ 23,092,150	$ 22,656,244
Capital assets	23,931,482	24,060,409	46,765,507	46,590,000	70,696,989	70,650,409
Total assets	39,656,927	40,028,064	54,132,212	53,278,589	93,789,139	93,306,653
Liabilities						
Long-term liabilities outstanding	4,741,864	4,955,214	9,426,532	9,866,294	14,168,396	14,821,508
Other liabilities	1,507,524	1,714,683	712,382	611,068	2,219,906	2,325,751
Total liabilities	6,249,388	6,669,897	10,138,914	10,477,362	16,388,302	17,147,259
Net Assets						
Invested in capital assets, net of related debt	20,801,482	20,715,409	37,724,466	37,124,735	58,525,948	57,840,144
Restricted	3,142,475	3,343,308			3,142,475	3,343,308
Unrestricted	9,463,582	9,299,450	6,268,832	5,676,492	15,732,414	14,975,942
Total net assets	$ 33,407,539	$ 33,358,167	$ 43,993,298	$ 42,801,227	$ 77,400,837	$ 76,159,394

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2008, the City's assets exceeded liabilities by $77,400,837. At year-end, net assets were $33,407,539 and $43,993,298 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 assets. At year-end, capital assets represented 75.38% of total assets. Capital assets include land, land improvements, buildings and improvements, machinery and equipment, infrastructure and construction in progress. Capital assets, net of related debt to acquire the assets at December 31, 2008, were $20,801,482 and $37,724,466 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.

As of December 31, 2008, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net assets, $3,142,475 represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of $9,463,582 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net assets for fiscal years 2008 and 2007.

Change in Net Assets

	Governmental Activities 2008	Governmental Activities 2007	Business-type Activities 2008	Business-type Activities 2007	2008 Total	2007 Total
Revenues						
Program revenues:						
Charges for services	$ 1,058,203	$ 1,016,102	$ 7,427,783	$ 7,466,979	$ 8,485,986	$ 8,483,081
Operating grants and contributions	1,084,873	1,592,896		14,362	1,084,873	1,607,258
Capital grants and contributions	375,205	141,867	1,022,094	1,866	1,397,299	143,733
Total program revenues	2,518,281	2,750,865	8,449,877	7,483,207	10,968,158	10,234,072
General revenues:						
Property taxes	1,152,753	1,159,989			1,152,753	1,159,989
Income taxes	8,311,486	7,590,310			8,311,486	7,590,310
Unrestricted grants and entitlements	1,168,915	1,247,187			1,168,915	1,247,187
Investment earnings	436,156	831,562	19,458	58,595	455,614	890,157
Miscellaneous	365,330	532,232	32,027	42,515	397,357	574,747
Total general revenues	11,434,640	11,361,280	51,485	101,110	11,486,125	11,462,390
Total revenues	13,952,921	14,112,145	8,501,362	7,584,317	22,454,283	21,696,462
Expenses:						
General government	2,308,464	2,278,024			2,308,464	2,278,024
Security of persons and property	5,916,690	5,534,509			5,916,690	5,534,509
Public health and welfare	14,809	11,118			14,809	11,118
Transportation	1,811,647	3,487,774			1,811,647	3,487,774
Community environment	402,923	609,384			402,923	609,384
Leisure time activity	2,179,115	2,213,110			2,179,115	2,213,110
Economic development	409,798	124,159			409,798	124,159
Other	1,037				1,037	
Interest and fiscal charges	194,396	193,860			194,396	193,860
Water			4,493,285	4,481,684	4,493,285	4,481,684
Sewer			3,480,676	3,606,959	3,480,676	3,606,959
Total expenses	13,238,879	14,451,938	7,973,961	8,088,643	21,212,840	22,540,581
Increase in net assets before transfers	714,042	(339,793)	527,401	(504,326)	1,241,443	(844,119)
Transfers	(664,670)	(1,121,832)	664,670	1,121,832		
Increase in net assets	49,372	(1,461,625)	1,192,071	617,506	1,241,443	(844,119)
Net assets at beginning of year	33,358,167	34,819,792	42,801,227	42,183,721	76,159,394	77,003,513
Net assets at end of year	$ 33,407,539	$ 33,358,167	$ 43,993,298	$ 42,801,227	$ 77,400,837	$ 76,159,394

Governmental Activities

Governmental activities net assets increased $49,372 in 2008. This increase is a result of decreased expenses and transfers to the business-type activities.

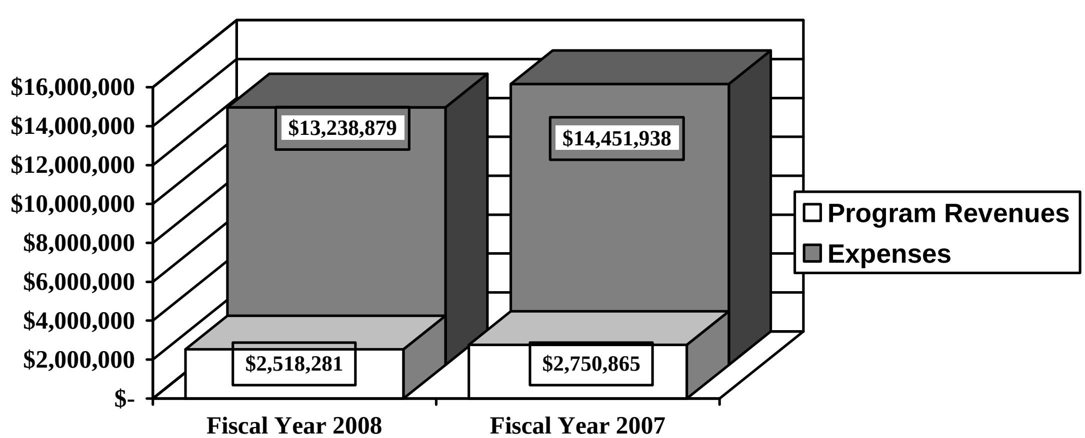
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for $5,916,690 of the total expenses of the City. These expenses were partially funded by $670 in direct charges to users of the services. General government expenses totaled $2,308,464. General government expenses were partially funded by $500,167 in direct charges to users of the services.

The state and federal government contributed to the City a total of $1,084,873 in operating grants and contributions and $375,205 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total capital grants and contributions, $375,205 subsidized transportation programs. Of the total operating grants and contributions, $768,368 subsidized transportation programs, $281,302 subsidized community environment programs and $21,502 subsidized security of persons and property activities.

General revenues totaled $11,434,640, and amounted to 81.95% of total governmental revenues. These revenues primarily consist of property and income tax revenue of $9,464,239. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up $1,168,915.

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

Governmental Activities – Program Revenues vs. Total Expenses

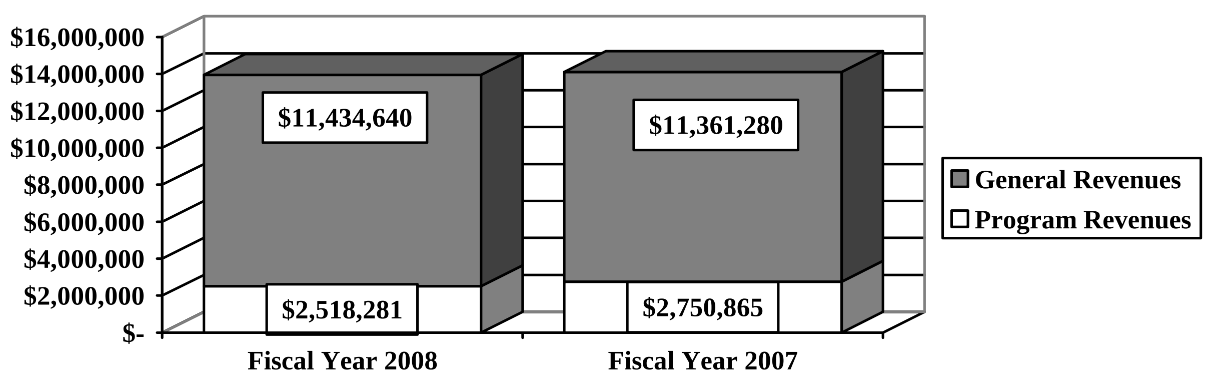


Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program Expenses:				
General government	$ 2,308,464	$ 1,794,596	$ 2,278,024	$ 2,096,605
Security of persons and property	5,916,690	5,894,518	5,534,509	5,126,303
Public health and welfare	14,809	14,809	11,118	10,219
Transportation	1,811,647	612,740	3,487,774	2,426,044
Community environment	402,923	121,621	609,384	90,603
Leisure time activity	2,179,115	1,677,183	2,213,110	1,641,323
Economic development	409,798	409,698	124,159	116,116
Other	1,037	1,037		
Interest and fiscal charges	194,396	194,396	193,860	193,860
Total	$ 13,238,879	$ 10,720,598	$ 14,451,938	$ 11,701,073

The dependence upon general revenues for governmental activities is apparent, with 80.98% of expenses supported through taxes and other general revenues.

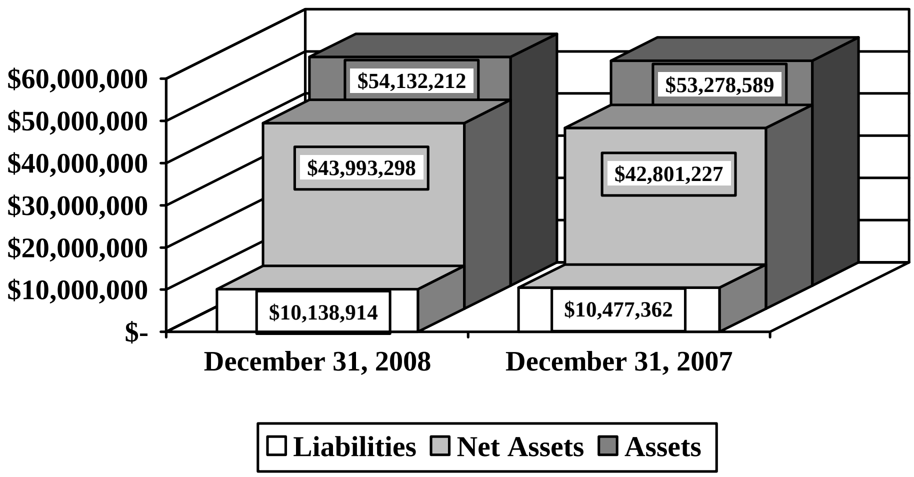
Governmental Activities – General and Program Revenues



Business-type Activities

Business-type activities include the water and sewer enterprise funds. These programs had program revenues of $8,449,877, general revenues of $51,485, transfers in of $664,670 and expenses of $7,973,961 for 2008. The graph below shows the business-type activities assets, liabilities and net assets at year-end.

Net Assets in Business – Type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds reported a combined fund balance of $12,400,745 which is $1,113,047 below last year's total of $13,513,792. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2008 for all major and nonmajor governmental funds.

	Fund Balances 12/31/08	Fund Balances 12/31/07	Increase (Decrease)
Major funds:			
General	$ 2,290,016	$ 3,056,233	$ (766,217)
Municipal income tax	4,264,029	4,635,616	(371,587)
Capital improvement	1,369,397	1,235,429	133,968
Other nonmajor governmental funds	4,477,303	4,586,514	(109,211)
Total	$ 12,400,745	$ 13,513,792	$ (1,113,047)

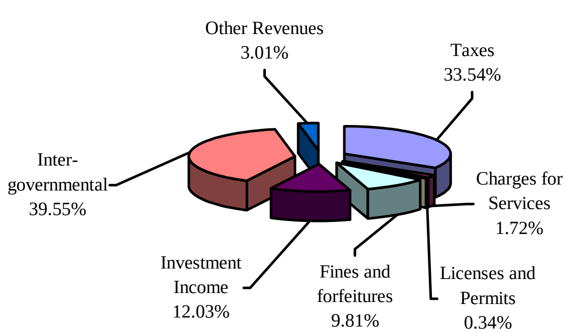
General Fund

The City's general fund balance decreased $766,217, primarily due to a decrease in revenues. The table that follows assists in illustrating the revenues of the general fund.

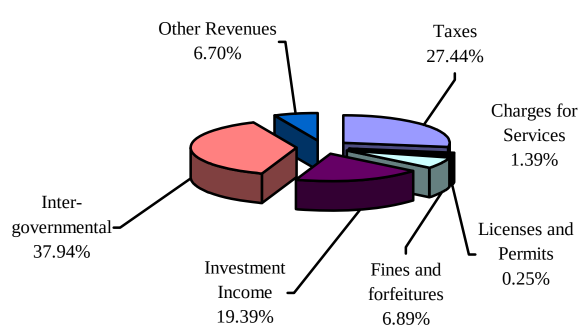
	2008 Amount	2007 Amount	Percentage Change
Revenues			
Taxes	$ 966,749	$ 975,166	(0.86) %
Charges for services	49,494	49,284	0.43 %
Licenses and permits	9,814	8,868	10.67 %
Fines and forfeitures	282,738	244,922	15.44 %
Intergovernmental	1,139,857	1,348,734	(15.49) %
Investment income	346,739	689,166	(49.69) %
Other	86,634	238,167	(63.62) %
Total	$ 2,882,025	$ 3,554,307	(18.91) %

Tax revenue represents 33.54% of all general fund revenue. Tax revenue decreased slightly by 0.86% from the prior year. The decrease in taxes revenue is due to a decrease in the collections of real and other taxes. The decrease in investment income is due to lower interest rates on the City's investment portfolio. Intergovernmental revenues decreased 15.49% due to the City getting less state and federal grants. All other revenue remained comparable to 2007.

Revenues – Fiscal Year 2008



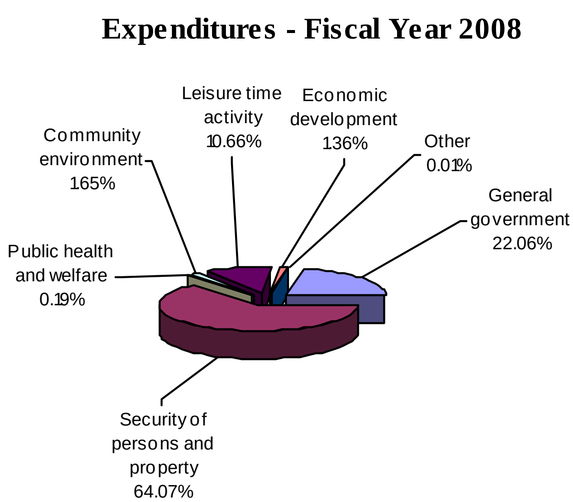
Revenues – Fiscal Year 2007

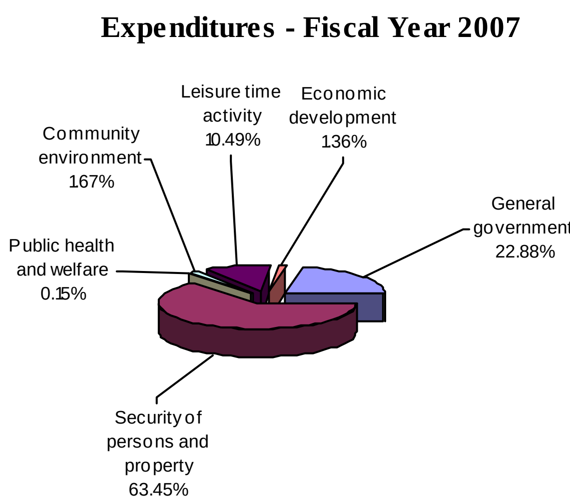


The table that follows assists in illustrating the expenditures of the general fund.

	2008 Amount	2007 Amount	Percentage Change
Expenditures			
General government	$ 1,738,246	$ 1,740,441	(0.13) %
Security of persons and property	5,049,556	4,827,533	4.60 %
Public health and welfare	15,114	11,532	31.06 %
Community environment	130,337	126,721	2.85 %
Leisure time activity	840,227	797,927	5.30 %
Economic development	107,525	103,086	4.31 %
Other	60		100.00 %
Total	$ 7,881,065	$ 7,607,240	3.60 %

The most significant increase was in the area of public health and welfare. These increases are primarily due to the control of expenditures by the City. All other expenditures remained comparable to 2007. The largest expenditure line item, security of persons and property, increased slightly, which is primarily attributed to wage and benefit increases and overall cost increases in purchased goods and services.





Municipal Income Tax Fund

The municipal income tax fund had revenues and other financing sources of $7,507,508 in 2008. The expenditures of the municipal income tax fund totaled $499,095 in 2008. The municipal income tax fund had transfers out to other funds in the amount of $7,380,000. The net decrease in fund balance for the municipal income tax fund was $371,587.

Capital Improvement Fund

The capital improvement fund had revenues and other financing sources of $1,976,726 in 2008. The expenditures of the capital improvement fund totaled $1,842,758 in 2008. The net increase in fund balance for the capital improvement fund was $133,968.

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 and municipal income tax fund. In the general fund, one of the most significant changes was between the original and final budgeted amount in the area of expenditures, which increased $122,000 from $8,169,223 to $8,291,223. Actual revenues and other financing sources of $7,683,070 were less than final budgeted revenues by $246,930. The other significant change was between the final budgeted expenditures and actual expenditures. Actual expenditures came in $469,243 lower than the final budgeted amounts.

Proprietary Funds

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2008, the City had $70,696,989 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, machinery and equipment, infrastructure and construction in progress (CIP). Of this total, $23,931,482 was reported in governmental activities and $46,765,507 was reported in business-type activities. The following table shows fiscal 2008 balances compared to 2007:

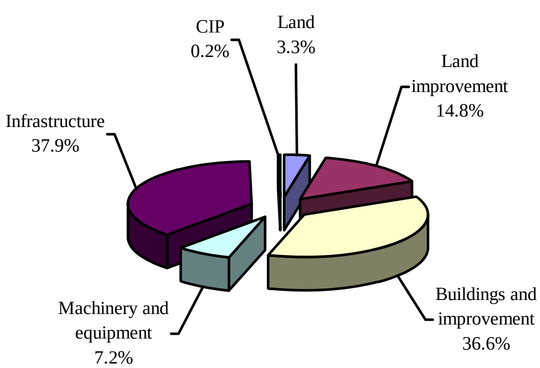
CITY OF FREMONT, OHIO
SANDUSKY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)

Capital Assets at December 31
(Net of Depreciation)

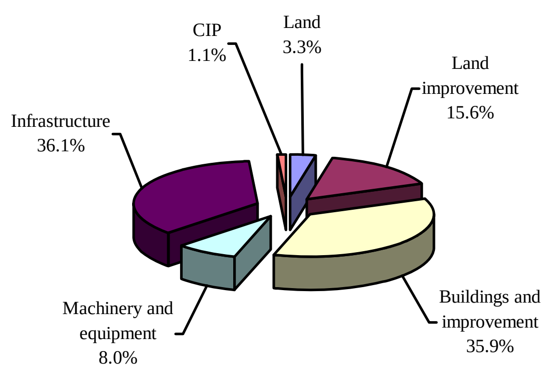
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	$ 798,709	$ 798,709	$ 898,891	$ 898,891	$ 1,697,600	$ 1,697,600
Land improvements	3,553,016	3,754,211	1,381,329	1,394,157	4,934,345	5,148,368
Buildings and improvements	8,739,118	8,631,867	23,832,058	24,876,526	32,571,176	33,508,393
Machinery and equipment	1,728,153	1,915,194	3,216,058	3,362,704	4,944,211	5,277,898
Infrastructure	9,074,711	8,690,602	15,695,048	15,397,031	24,769,759	24,087,633
Construction in progress	37,775	269,826	1,742,123	660,691	1,779,898	930,517
Totals	$ 23,931,482	$ 24,060,409	$ 46,765,507	$ 46,590,000	$ 70,696,989	$ 70,650,409

The following graphs show the breakdown of governmental capital assets by category for 2008 and 2007.

Capital Assets - Governmental Activities 2008



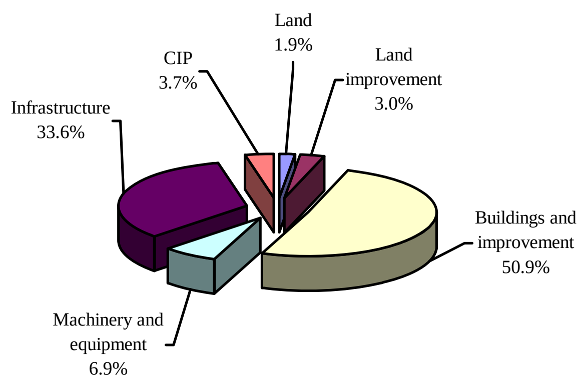
Capital Assets - Governmental Activities 2007



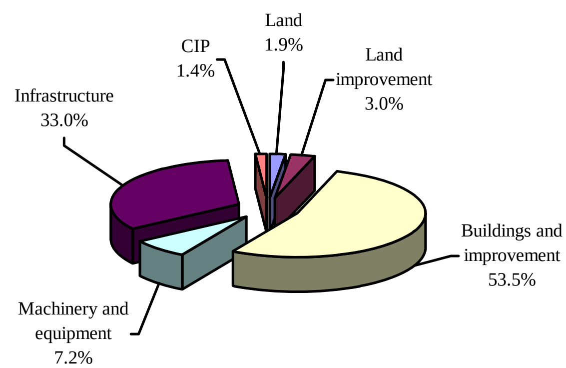
The City's largest capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks and curbs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 37.9% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2008 and 2007.

Capital Assets - Business-Type Activities 2008



Capital Assets - Business-Type Activities 2007



The City's second largest business-type capital asset category is infrastructure that primarily includes water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 33.6% of the City's total business-type capital assets.

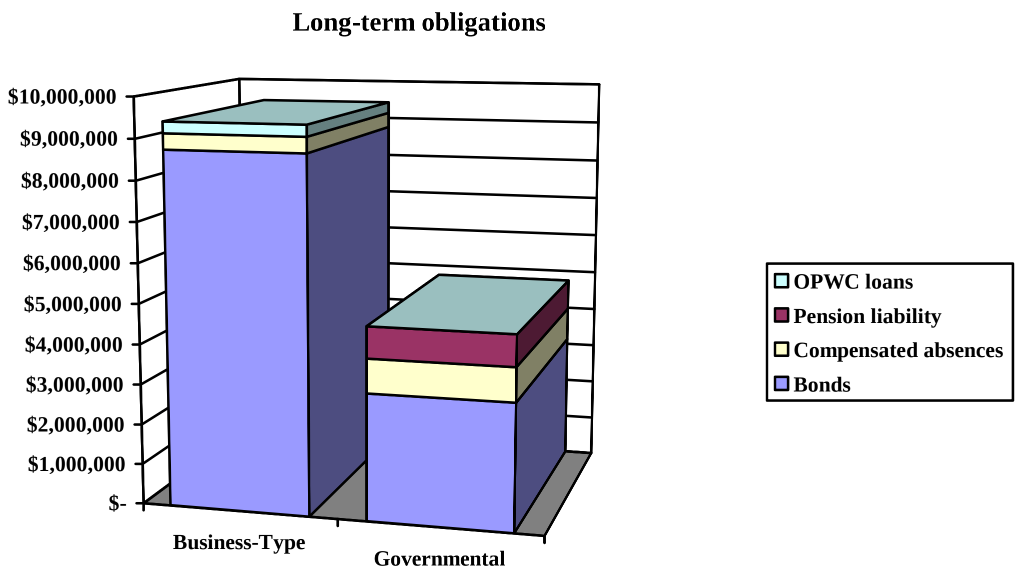
Debt Administration

The City had the following long-term obligations outstanding at December 31, 2008 and 2007:

	Governmental Activities	
	2008	2007
Compensated absences	$ 837,033	$ 819,757
General obligation bonds	3,130,000	3,345,000
Pension liability	774,831	790,457
Total long-term obligations	$ 4,741,864	$ 4,955,214

	Business-type Activities	
	2008	2007
General obligation bonds	$ 8,760,000	$ 9,165,000
OPWC loans	281,041	300,265
Compensated absences	385,491	401,029
Total long-term obligations	$ 9,426,532	$ 9,866,294

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



Economic Conditions and Outlook

Curwood Inc., a division of Bemis Company, Inc., announced plans on August 5, 2008 to expand its operations in Fremont. Curwood is a preferred supplier of innovation packaging materials and systems for the food, beverage, household, industrial and personal care industries. Growth in their existing product lines as well as the development and production of new packaging for the meat, cheese and coffee markets caused the need for additional space, equipment and people.

The Fremont facility was competing against Bemis divisions in two other states for the expansion project. Because of the Fremont plant's excellent safety performance and positive workforce attitude, the decision was made to make the investment here. An additional 128,000 sq. ft. is being added to the existing 80,000 sq. ft. building. New equipment will be delivered during the first quarter of 2009. Fifty new jobs will be added to the existing 141 employees. The construction cost is estimated at $6.5 million and the new machinery and equipment will cost $4 million.

On January 31, 2008, FirstEnergy Corp. announced the United States Bankruptcy Court approved the purchase by its subsidiary, FirstEnergy Generation Corp. of the partially completed Fremont Energy Center. The January 28, 2008 auction attracted multiple bidders and FirstEnergy's bid of $253.6 million bettered the next highest bidder by $500,000. Calpine Corp. had invested approximately $304.2 million in construction of the facility before they went bankrupt.

The goal for FirstEnergy was to have the 707-megawatt natural gas, combined-cycle generating plant completed and operating by the end of 2009. Well over 200 skilled craftsmen were hired and construction resumed at the site. On December 3, 2008, FirstEnergy's Executive Vice President & President of Generation, called the Mayor and Economic Development Director to announce they will be pushing the project back two years and will be laying off 200 craftsmen that afternoon. The economic recession has caused a sharp decline in demand for industrial, commercial and residential power. Limited critical activity will be continued at the site with some employees being retained. If the economy makes a drastic change for the better, construction could resume earlier than expected.

The former Clauss Cutlery site on N. Prospect Street has been closed and abandoned since 2004. Studies were conducted immediately after the facility closed to determine whether there may be releases of hazardous substances on or around the site as a result of previous operations. Volatile organic compounds (VOCs) and metals were found.

The owner of the property, Alco Industries, Inc., has been working with the City of Fremont to address the environmental concerns. With the assistance of Alco, Partners Environmental, ERM and Frantz Ward, LLP, the City of Fremont submitted a $2 million Clean Ohio Revitalization Fund (CORF) grant application to the Ohio Department of Development. The City was notified on December 17, 2008 that it was successful in receiving the grant.

It is a requirement of the grant that the Clauss site become the property of the City of Fremont. A Property Transfer and Development Agreement has been entered into by the City and Alco. The site will become the City's property in early 2009. All cleanup cost above the $2 million CORF grant will be the responsibility of Alco. The clean up will be completed within three years at which time the City will be able to redevelopment the property.

Dr. Jerome McTague, MD, JD and Dr. John J. Wukie, DO are investing in the development of Physician's Choice Hospital on Enterprise St. off SR 53. Features of the new hospital will include private rooms with natural lighting, round-the-clock food service and a coffee house in the lobby. Groundbreaking took place on October 17, 2008 with a completion date slated for May 2009.

The 11,000 sq. ft. one-story hospital will cost $7 million to build, equip and staff. Up to 40 new jobs will be created. The state-of-the-art hospital will be equipped with flat screen TVs, electronic medical records, and digital radiography and CT scans.

Activity continues to flourish in Downtown Fremont. The Farmer's Markets continued to attract hundreds of visitors to the historic district. Held every third Saturday of the month beginning in June, the 3rd Annual Farmer's Market added a fifth market in October. A special event was held during each of the markets and sponsorships continued to grow. The Farmer's Markets will continue in 2009.

KF Ventures, Ltd. completed the construction of a $3,150,000 facility in Fremont North Industrial Park in March 2008. Positioned on 8.2 acres, this building will be used to attract a manufacturing, warehousing or distribution company. The 126,000 sq. ft. building has rail access and is available for sale or lease. It is currently being used as a warehouse and distribution center and 4 new employees run the operation.

American Welding and Tank, a division of Taylor-Wharton International LLC, announced on November 18, 2008 the consolidation of propane tank manufacturing and refurbishing service operations at the Jesup, Georgia factory into the company's four remaining facilities in Fremont, Ohio, Crossville, Tennessee, Bloomfield, Iowa and Salt Lake City, Utah.

The restructuring will provide the opportunity for approximately 6-10 additional jobs at the Fremont plant located in Bark Creek Center. A 3,000 sq. ft. expansion to the existing building will accommodate the propane tank refurbishing operation. Future expansion opportunities for American Welding and Tank were being discussed. However, because of today's economy the focus is on survival rather then expansion.

Walgreens drug store opened on March 5, 2009. Between 25 and 30 jobs have been created. The 13,650 sq. ft. store will have a pharmacy drive-thru and will offer customers a variety of options to refill medications. A photo finishing department will offer one-hour processing.

A ribbon cutting ceremony was held on June 5, 2008 for the opening of PostNet at 1409 E. State Street. PostNet is owned and operated by Troy and Barbara Wildermuth and offer black & white/color copies, printing services, binding/laminating, bulk mail services, computer rental stations, internet access, graphic design, scanning & archiving, UPS/FedEx/DHL & USPS expert packaging services, boxes & packaging supplies, crating & freighting, notary public, fax services, office supplies, and greeting cards.

CVS pharmacy purchased the northwest corner of Fifth Ave. and E. State Street from Rudy Sprenger bringing to close Rudy's Restaurant which was frequented by locals for many years. The construction of a new CVS pharmacy was completed during the fourth quarter of 2008 and then opened on January 18, 2009. It is unclear as to how many employees will be needed for the new store that will replace the old CVS located next to Kroger on Fifth Ave.

Goodwill had a ribbon cutting on December 11, 2008 to open its new store in Potter Village Shopping Center. The new building was constructed next to Rite Aid Pharmacy and has 10,000 sq. ft. of floor space. An area was designed on the end of the building to improve the drop off of donated items.

Robert and Stephan Carter purchased the former indoor go-kart Race Place and converted it into a family-oriented amusement center. A ribbon cutting ceremony was held on October 25, 2008. Journey's Family Amusement Center is a 28,000 sq. ft. facility at 1811 Dickinson Street next to Super K-Mart. It offers 18 holes of glow in the dark mini golf, an arcade and prize area, three party rooms, a concession area and a small indoor train for children that will go around a circular track. One area contains a giant inflatable slide, bounce house and obstacle course. Inflatables will be available for renting out to the community and businesses. Mr. Carter said 45 employees will be hired to run the operation.

Kellogg's in Fremont made 80% of the cheese for Cheez-It Crackers. The 27,500 sq. ft. facility had a daily capacity to produce 820,000 pounds of milk, 52,000 pounds of cheese, 63,000 pounds of cream and 35,000 pounds of dry whey. A decision was made to consolidate the cheese production and move it to Brewster, Idaho. The plant was shut down at the end of May 2008. Fifty employees were laid off and the building and equipment were auctioned off.

A City of Fremont project involving the separation and upgrading of storm and sewer lines on Liberty St. and Milton St. was completed by June 30, 2008. The $462,407 improvements were necessary in order for the Fremont Company to complete major infrastructure improvements that will ultimately create six new jobs to the existing 75 full-time and 15 seasonal workers. A $100,000 grant from the Ohio Department of Development's Roadway (629) Development Fund and a $362,407 grant from Fremont's Revolving Loan Fund were used to pay for the upgrades. Liberty was then resurfaced under the street paving program.

As a part of the project, The Fremont Company separated their storm, sanitary and processing wastewater lines. A new parking lot was constructed off of Milton Street and the whole area was repaved. All of this work was necessary in order for The Fremont Company to continue production in Fremont. The improvements that were made in 2008 could result in an expansion of the facility in the near future.

Building the Bridge to Tomorrow: The Sandusky County Comprehensive Plan 2003 is a long range plan to guide growth and development. It identifies where development may best be accommodated and the resources available to revitalize declining commercial/industrial areas as well as obsolete facilities through redevelopment, rehabilitation and other means. In order to keep pace with changing needs, the Comprehensive Plan was reviewed by the Sandusky County Economic Development Practitioners in July 2008 and the Goals, Objective and Strategies were re-evaluated with recommendations made to update the Comprehensive Plan.

The Economic Development Section was thoroughly reviewed with an Addendum prepared to update the plan. This process moved up the redevelopment of the Clauss Cutlery site on the priority list which was necessary in order to apply for the CORF grant.

Many local and regional communities ramped up their efforts in 2008 to position themselves to be a destination for companies involved in the alternative energy markets. The State of Ohio recognized the importance by introducing the Advanced Energy Job Stimulus Program in 2008.

Meetings are being held across the state to discuss alternative energy issues and opportunities. The Great Lakes Wind Network conducted several half-day workshops to discuss how companies can benefit by becoming part of the fast-growing wind market. Companies that produce power electronics, control systems, hydraulics, fasteners, brakes, blades, nacelles, or supplemental equipment such as ladders, elevators, hoists, fire suppression, lighting, or meteorological equipment can supply the wind market. Companies that operate a foundry, forge, machine shop, or fabricating plant also have opportunities to enter into the wind market.

Webinars are being conducted by USA Energy Advisors on Advanced Energy and Fuel Efficient funding opportunities. A local company hosted a meeting on November 17, 2008 to discuss using wind and solar power in Fremont's industrial parks and residential areas.

The City of Fremont needs to be ready to assist existing companies who want to enter into the alternative energy market and be prepared to attract new companies with interest in the alternative energy industry.

In addition, zoning regulations related to placement of windmills and solar panels should be addressed by the City of Fremont. The alternative fuel industry will continue to grow as our country works toward becoming more dependent on locally produced green energy.

Contacting the City's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mr. John Lauer, City Auditor, City of Fremont, 323 South Front Street, Fremont, Ohio 43420-3037.

CITY OF FREMONT, OHIO
SANDUSKY COUNTY

STATEMENT OF NET ASSETS

DECEMBER 31, 2008

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	$ 10,647,199	$ 5,163,659	$ 15,810,858
Receivables (net of allowances for uncollectibles):			
Income taxes	2,631,413		2,631,413
Property and other local taxes	850,198		850,198
Accounts	184,941	1,216,877	1,401,818
Loans	428,946		428,946
Accrued interest	36,286		36,286
Due from other governments	894,654		894,654
Materials and supplies inventory	51,782	303,336	355,118
Deferred bond issuance costs		352,584	352,584
Internal balance	26	(26)	
Restricted assets:			
Equity in pooled cash and cash equivalents		45,275	45,275
Cash with fiscal and escrow agents		285,000	285,000
Capital assets:			
Land and construction-in-progress	836,484	2,641,014	3,477,498
Depreciable capital assets, net	23,094,998	44,124,493	67,219,491
Total capital assets	23,931,482	46,765,507	70,696,989
Total assets	39,656,927	54,132,212	93,789,139
Liabilities:			
Accounts payable	28,390	168,932	197,322
Accrued wages and benefits	430,665	184,388	615,053
Pension obligation payable	209,801	12,467	222,268
Due to claimants	8,925		8,925
Accrued interest payable	49,694	16,320	66,014
Unearned revenue	780,049		780,049
Payable from restricted assets:			
Refundable deposits		45,275	45,275
Retainage payable		285,000	285,000
Long-term liabilities:			
Due within one year	371,698	526,248	897,946
Due in more than one year	4,370,166	8,900,284	13,270,450
Total liabilities	6,249,388	10,138,914	16,388,302
Net assets:			
Invested in capital assets, net of related debt	20,801,482	37,724,466	58,525,948
Restricted for:			
Debt service	194,436		194,436
Transportation projects	1,257,442		1,257,442
Other purposes	1,690,597		1,690,597
Unrestricted	9,463,582	6,268,832	15,732,414
Total net assets	$ 33,407,539	$ 43,993,298	$ 77,400,837

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

		Program Revenues		
	Expenses	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Governmental Activities:				
General government	$ 2,308,464	$ 500,167	$ 13,701	
Security of persons and property	5,916,690	670	21,502	
Public health and welfare	14,809			
Transportation	1,811,647	55,334	768,368	$ 375,205
Community environment	402,923		281,302	
Leisure time activity	2,179,115	501,932		
Economic development	409,798	100		
Other	1,037			
Interest and fiscal charges	194,396			
Total governmental activities	13,238,879	1,058,203	1,084,873	375,205
Business-type Activities:				
Water	4,493,285	3,553,868		1,015,316
Sewer	3,480,676	3,873,915		6,778
Total business-type activities	7,973,961	7,427,783		1,022,094
Total primary government	$ 21,212,840	$ 8,485,986	$ 1,084,873	$ 1,397,299

General Revenues:
Income taxes levied for:
Special purposes
Property taxes levied for:
General purposes
Police pension
Fire pension
Grants and entitlements not restricted to specific programs
Investment earnings
Miscellaneous

Total general revenues

Transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net Revenue (Expense) and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
$ (1,794,596)		$ (1,794,596)
(5,894,518)		(5,894,518)
(14,809)		(14,809)
(612,740)		(612,740)
(121,621)		(121,621)
(1,677,183)		(1,677,183)
(409,698)		(409,698)
(1,037)		(1,037)
(194,396)		(194,396)
(10,720,598)		(10,720,598)
	$ 75,899	75,899
	400,017	400,017
	475,916	475,916
(10,720,598)	475,916	(10,244,682)
8,311,486		8,311,486
970,768		970,768
90,992		90,992
90,993		90,993
1,168,915		1,168,915
436,156	19,458	455,614
365,330	32,027	397,357
11,434,640	51,485	11,486,125
(664,670)	664,670	
49,372	1,192,071	1,241,443
33,358,167	42,801,227	76,159,394
$ 33,407,539	$ 43,993,298	$ 77,400,837

CITY OF FREMONT, OHIO

SANDUSKY COUNTY

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2008

	General	Municipal Income Tax	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents	$ 2,700,812	$ 2,637,806	$ 1,369,397	$ 3,921,519	$ 10,629,534
Receivables (net of allowance for uncollectibles):					
Income taxes		2,631,413			2,631,413
Property and other local taxes	690,796			159,402	850,198
Accounts	37,284	127,237		20,420	184,941
Accrued interest	36,286				36,286
Loans				428,946	428,946
Due from other funds	5				5
Due from other governments	514,498			380,156	894,654
Materials and supplies inventory				51,782	51,782
Total assets	$ 3,979,681	$ 5,396,456	$ 1,369,397	$ 4,962,225	$ 15,707,759
Liabilities:					
Accounts payable	$ 21,340	$ 493		$ 6,516	$ 28,349
Accrued wages and benefits	367,222	7,684		52,445	427,351
Compensated absences payable	63,487			11,485	74,972
Pension obligation payable	205,485	520		3,590	209,595
Due to claimants	8,925				8,925
Due to other funds				5	5
Deferred revenue	389,415	1,123,730		264,623	1,777,768
Unearned revenue	633,791			146,258	780,049
Total liabilities	1,689,665	1,132,427		484,922	3,307,014
Fund balances:					
Reserved for encumbrances	18,132	1,084	87,652	233,035	339,903
Reserved for materials and supplies inventory				51,782	51,782
Reserved for loans				372,891	372,891
Reserved for unclaimed monies	8,925				8,925
Unreserved:					
Designated for workers compensation	271,444				271,444
Undesignated, reported in:					
General fund	1,991,515				1,991,515
Special revenue funds		4,262,945		3,093,643	7,356,588
Debt service funds				244,130	244,130
Capital projects funds			1,281,745	481,822	1,763,567
Total fund balances	2,290,016	4,264,029	1,369,397	4,477,303	12,400,745
Total liabilities and fund balances	$ 3,979,681	$ 5,396,456	$ 1,369,397	$ 4,962,225	$ 15,707,759

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2008

Total governmental fund balances		$ 12,400,745
Amounts reported for governmental activities on the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		23,931,482
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Income tax	$ 1,123,730	
Property and other local taxes	70,149	
Intergovernmental	551,891	
Interest income	31,998	
Total		1,777,768
Internal service funds are used by management to charge the costs of internal equipment service and employee benefits to individual funds. The assets and liabilities of the internal service funds are included in governmental activities on the statement of net assets.		14,104
An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type actvities.		26
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(49,694)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:		
General obligation bonds	3,130,000	
Ohio Police and Fire pension obligation	774,831	
Compensated absences	762,061	
Total		(4,666,892)
Net assets of governmental activities		$ 33,407,539

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FREMONT, OHIO

SANDUSKY COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2008

	General	Municipal Income Tax	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:					
Income taxes		$ 7,322,069			$ 7,322,069
Property and other local taxes	$ 966,749			$ 181,061	1,147,810
Charges for services	49,494			502,532	552,026
Licenses, permits and fees	9,814				9,814
Fines and forfeitures	282,738			121,822	404,560
Intergovernmental	1,139,857		$ 100,000	1,379,819	2,619,676
Special assessments			91,803		91,803
Investment income	346,739		9,923	47,496	404,158
Other	86,634	185,405		74,700	346,739
Total revenues	2,882,025	7,507,474	201,726	2,307,430	12,898,655
Expenditures:					
Current:					
General government	1,738,246	499,095		48,103	2,285,444
Security of persons and property	5,049,556			739,397	5,788,953
Public health and welfare	15,114				15,114
Transportation				799,955	799,955
Community environment	130,337			277,723	408,060
Leisure time activity	840,227			908,688	1,748,915
Economic development and assistance	107,525			301,839	409,364
Other	60			1,000	1,060
Capital outlay			1,842,758	307,824	2,150,582
Debt service:					
Principal retirement				230,626	230,626
Interest and fiscal charges				192,220	192,220
Total expenditures	7,881,065	499,095	1,842,758	3,807,375	14,030,293
Excess (deficiency) of revenues over (under) expenditures	(4,999,040)	7,008,379	(1,641,032)	(1,499,945)	(1,131,638)
Other financing sources (uses):					
Transfers in	4,760,000		1,775,000	1,390,000	7,925,000
Transfers out	(545,000)	(7,380,000)			(7,925,000)
Sale of capital assets	17,823	34		734	18,591
Total other financing sources (uses)	4,232,823	(7,379,966)	1,775,000	1,390,734	18,591
Net change in fund balances	(766,217)	(371,587)	133,968	(109,211)	(1,113,047)
Fund balances at beginning of year	3,056,233	4,635,616	1,235,429	4,586,514	13,513,792
Fund balances at end of year	$ 2,290,016	$ 4,264,029	$ 1,369,397	$ 4,477,303	$ 12,400,745

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FREMONT, OHIO
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, 2008

Net change in fund balances - total governmental funds			$	(1,113,047)
Amounts reported for governmental activities in the statement of activities are different because:				
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.				
Capital asset additions	$	1,911,719		
Current year depreciation		(1,488,916)		
Total				422,803
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a loss is reported for each disposal.				(551,730)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.				
Delinquent property taxes		989,417		
Intergovernmental		4,943		
Municipal income taxes		9,317		
Interest		31,998		
Total				1,035,675
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.				230,626
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.				(2,176)
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.				27,384
Internal service funds used by management to charge the costs of internal equipment service and employee benefits to individual funds are not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds, including internal balances, is allocated among the governmental activities.				(163)
Change in net assets of governmental activities			$	49,372

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FREMONT, OHIO
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, 2008

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues:				
Property and other local taxes	$ 967,800	$ 968,166	$ 938,019	$ (30,147)
Charges for services	51,066	51,085	49,494	(1,591)
Licenses, permits and fees	10,125	10,129	9,814	(315)
Fines and forfeitures	288,796	288,905	279,909	(8,996)
Intergovernmental	1,189,175	1,189,625	1,152,582	(37,043)
Investment income	353,122	353,256	342,256	(11,000)
Other	137,401	137,453	133,173	(4,280)
Total revenues	2,997,485	2,998,619	2,905,247	(93,372)
Expenditures:				
Current:				
General government	1,968,455	1,968,455	1,728,836	239,619
Security of persons and property	5,106,230	5,201,230	5,032,765	168,465
Public health and welfare	23,424	23,424	15,642	7,782
Community environment	147,287	147,287	128,598	18,689
Leisure time activity	811,482	836,482	809,150	27,332
Economic development and assistance	112,345	112,345	106,929	5,416
Other		2,000	60	1,940
Total expenditures	8,169,223	8,291,223	7,821,980	469,243
Deficiency of revenues under expenditures	(5,171,738)	(5,292,604)	(4,916,733)	375,871
Other financing sources (uses):				
Sale of capital assets	18,389	18,396	17,823	(573)
Transfers in	4,911,126	4,912,985	4,760,000	(152,985)
Transfers out	(545,000)	(545,000)	(545,000)	
Total other financing sources (uses)	4,384,515	4,386,381	4,232,823	(153,558)
Net change in fund balance	(787,223)	(906,223)	(683,910)	222,313
Fund balance at beginning of year	3,253,642	3,253,642	3,253,642	
Prior year encumbrances appropriated	88,058	88,058	88,058	
Fund balance at end of year	$ 2,554,477	$ 2,435,477	$ 2,657,790	$ 222,313

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MUNICIPAL INCOME TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Income taxes	$ 7,653,018	$ 7,407,729	$ 7,372,794	$ (34,935)
Other	146,947	142,237	141,566	(671)
Total revenues	7,799,965	7,549,966	7,514,360	(35,606)
Expenditures:				
Current:				
General government	573,996	673,996	498,633	175,363
Excess of revenues over expenditures	7,225,969	6,875,970	7,015,727	139,757
Other financing uses:				
Sale of capital assets	35	34	34	
Transfers out	(7,380,000)	(7,380,000)	(7,380,000)	
Total other financing uses	(7,379,965)	(7,379,966)	(7,379,966)	
Net change in fund balance	(153,996)	(503,996)	(364,239)	139,757
Fund balance at beginning of year	2,997,447	2,997,447	2,997,447	
Prior year encumbrances appropriated	3,021	3,021	3,021	
Fund balance at end of year	$ 2,846,472	$ 2,496,472	$ 2,636,229	$ 139,757

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2008

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents	$ 2,809,717	$ 2,353,942	$ 5,163,659	$ 17,665
Receivables (net of allowance for uncollectibles):				
Accounts	538,737	678,140	1,216,877	
Materials and supplies inventory	259,660	43,676	303,336	
Noncurrent assets:				
Restricted assets:				
Equity in pooled cash and cash equivalents.	45,275		45,275	
Cash with fiscal and escrow agents	285,000		285,000	
Deferred bond issuance costs.	352,584		352,584	
Capital assets:				
Land and construction-in-progress.	2,112,986	528,028	2,641,014	
Depreciable capital assets, net	34,327,168	9,797,325	44,124,493	
Total capital assets	36,440,154	10,325,353	46,765,507	
Total assets	40,731,127	13,401,111	54,132,238	17,665
Liabilities:				
Current liabilities:				
Accounts payable.	150,100	18,832	168,932	41
Accrued wages and benefits	78,908	105,480	184,388	3,314
Pension obligation payable	5,292	7,175	12,467	206
Accrued interest payable	16,320		16,320	
Current portion of compensated absences.	46,789	45,234	92,023	
Current portion of general obligation bonds payable .	415,000		415,000	
Current portion of OPWC loans payable		19,225	19,225	
Payable from restricted assets:				
Refundable deposits	45,275		45,275	
Retainage payable	285,000		285,000	
Total current liabilities.	1,042,684	195,946	1,238,630	3,561
Long-term liabilities:				
Compensated absences	106,653	186,815	293,468	
General obligation bonds payable.	8,345,000		8,345,000	
OPWC loans payable.		261,816	261,816	
Total long-term liabilities.	8,451,653	448,631	8,900,284	
Total liabilities	9,494,337	644,577	10,138,914	3,561
Net assets:				
Invested in capital assets, net of related debt	27,680,154	10,044,312	37,724,466	
Unrestricted	3,556,636	2,712,222	6,268,858	14,104
Total net assets.	$ 31,236,790	$ 12,756,534	43,993,324	$ 14,104
Adjustment to reflect the consolidation of the internal service fund activity related to enterprise funds			(26)	
Net assets of business-type activities			$ 43,993,298	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FREMONT, OHIO

SANDUSKY COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2008

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
Operating revenues:				
Charges for services	$ 3,553,868	$ 3,873,915	$ 7,427,783	$ 80,523
Tap-in fees	11,621		11,621	
Special assessments	15,316	6,778	22,094	
Other	3,379	11,976	15,355	
Total operating revenues	3,584,184	3,892,669	7,476,853	80,523
Operating expenses:				
Personal services	1,483,746	1,930,615	3,414,361	62,719
Contractual services	345,281	298,735	644,016	3,312
Materials and supplies	560,368	228,529	788,897	5,080
Utilities expense	241,708	395,523	637,231	8,606
Depreciation	1,379,053	551,429	1,930,482	
Other	75,601	75,838	151,439	1,006
Total operating expenses	4,085,757	3,480,669	7,566,426	80,723
Operating income (loss)	(501,573)	412,000	(89,573)	(200)
Nonoperating revenues (expenses):				
Interest revenue	16,874	2,584	19,458	
Interest and fiscal charges	(407,498)		(407,498)	
Gain on sale of capital assets	3,238	1,813	5,051	
Intergovernmental	1,000,000		1,000,000	
Total nonoperating revenues (expenses)	612,614	4,397	617,011	
Net income (loss) before transfers and capital contributions	111,041	416,397	527,438	(200)
Capital contributions	661,962	2,708	664,670	
Changes in net assets	773,003	419,105	1,192,108	(200)
Net assets at beginning of year	30,463,787	12,337,429		14,304
Net assets at end of year	$ 31,236,790	$ 12,756,534		$ 14,104
Adjustment to reflect the consolidation of the internal service fund activity related to enterprise funds			(37)	
Change in net assets of business-type activities			$ 1,192,071	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	**Sewer**	**Total**	**Funds**
Cash flows from operating activities:				
Cash received from charges for services	$ 3,483,285	$ 3,657,496	$ 7,140,781	$ 80,523
Cash received from tap-in fees	11,621		11,621	
Cash received from special assessments	15,316	6,778	22,094	
Cash received from other operations	6,104	11,976	18,080	
Cash payments for personal services	(1,475,849)	(1,912,159)	(3,388,008)	(61,974)
Cash payments for contractual services	(216,158)	(324,409)	(540,567)	(3,362)
Cash payments for materials and supplies	(593,230)	(245,361)	(838,591)	(5,080)
Cash payments for utilities expense	(243,415)	(414,267)	(657,682)	(9,101)
Cash payments for other expenses	(75,601)	(75,838)	(151,439)	(1,006)
Net cash provided by (used in) operating activities	912,073	704,216	1,616,289	
Cash flows from capital and related financing activities:				
Cash payments for the acquisition of capital assets	(959,140)	(470,179)	(1,429,319)	
Cash received from capital grant	1,000,000		1,000,000	-
Cash received from proceeds of the sale of capital assets	3,238	1,813	5,051	
Cash payments for principal retirement	(405,000)	(19,224)	(424,224)	
Cash payments for interest and fiscal charges	(393,533)		(393,533)	
Net cash used in capital and related financing activities	(754,435)	(487,590)	(1,242,025)	
Cash flows from investing activities:				
Cash received from interest earned	16,874	2,584	19,458	
Net decrease in cash and cash equivalents	174,512	219,210	393,722	
Cash and cash equivalents at beginning of year	2,965,480	2,134,732	5,100,212	17,665
Cash and cash equivalents at end of year	$ 3,139,992	$ 2,353,942	$ 5,493,934	$ 17,665
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ (501,573)	$ 412,000	$ (89,573)	$ (200)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,379,053	551,429	1,930,482	
Changes in assets and liabilities:				
Increase in accounts receivable	(70,583)	(216,419)	(287,002)	
(Increase) decrease in materials and supplies inventory	(20,641)	8,493	(12,148)	
Increase(decrease) in accounts payable	115,364	(70,571)	44,793	(539)
Increase in accrued wages and benefits	15,409	24,876	40,285	708
Decrease in compensated absences payable	(8,575)	(6,963)	(15,538)	
Increase in pension obligation payable	894	1,371	2,265	31
Increase in refundable deposits liability	2,725		2,725	
Net cash provided by (used) operating activities	$ 912,073	$ 704,216	$ 1,616,289	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FREMONT, OHIO

SANDUSKY COUNTY

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

DECEMBER 31, 2008

		Agency
Assets:		
Equity in pooled cash and cash equivalents	$	7,820
Cash in segregated accounts		9,901
Receivables:		
Accounts		1,933
Total assets	$	19,654
Liabilities:		
Due to other governments.	$	4,292
Deposits held and due to others.		15,362
Total liabilities	$	19,654

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE CITY

The City of Fremont (the "City") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City operates under a Council/Mayor form of government and provides the following services to its residents: Public Safety, Highways and Streets, Water, Sanitation, Health and Social Services, Culture Recreation, Public Improvements, Planning and Zoning and General Administration Services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The City has elected not to apply these FASB Statements and Interpretations. The most significant of the City's accounting policies are described below.

A. Reporting Entity

A reporting entity is 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".

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's Governing Board and (1) the City is able to influence significantly the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. Based upon these criteria, the City has no component units, but is a member of an insurance pool described in Note 13.

B. Basis of Presentation - Fund Accounting

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

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

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

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

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

C. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

The following are the City's major governmental funds:

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

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

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

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

PROPRIETARY FUNDS

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

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

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

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

Internal Service Funds - The internal service funds account for the financing of services provided by one fund or department to other funds or departments of the City on a cost-reimbursement basis. The City's internal service funds report on the operations of the servicing of internal equipment and the accumulation of monies for the payment of insurance premiums for employee benefits.

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

FIDUCIARY FUNDS

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

E. Basis of Accounting

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2008, but which were levied to finance year 2009 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as unearned revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2008, are recorded as deferred revenue.

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

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

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

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

F. Budgetary Process

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

Estimated Resources - The County Budget Commission reviews the estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The County Budget Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. Prior to December 31, the City must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include the actual unencumbered fund balances from the preceding year. The certificate of estimated resources may be further amended during the year if the City Auditor determines that revenue to be collected will be greater than or less than prior estimates and the County Budget Commission find the revised estimates to be reasonable. The amounts set forth in the financial statements represent estimates from the first and final amended official certificate of estimated resources issued during 2008.

Appropriations - A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department, and within each department, the amount for personal services. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council. The amounts set forth in the financial statements represent the original and final appropriations approved by City Council during 2008.

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.

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

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

G. Cash and Investments

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

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

During fiscal year 2008, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, repurchase agreements and nonnegotiable certificates of deposit.

Investments are reported at fair value, except for non-negotiable certificates of deposit which are reported at cost. Fair value is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2008.

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 2008 was $346,739, which includes $268,652 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.

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

I. Inventories of Materials and Supplies

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

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

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of $2,500. The City's governmental infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers and streets. The City's proprietary and business-type infrastructure consists of water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of proprietary capital assets is also capitalized. There was no interest capitalized during fiscal 2008.

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:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
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

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

K. Compensated Absences

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

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Interfund Activity

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

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.

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

N. Fund Balance Reserves and Designations

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

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

O. Restricted Assets

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

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

Restricted assets at December 31, 2008 are comprised of the following:

	Cash and Cash Equivalents
Customer deposits	$ 45,275
Retainage payable	285,000
Total restricted assets	$ 330,275

P. Unamortized Bond Issuance Costs

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

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.

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 2008, the water enterprise fund received $661,962 and the sewer enterprise fund received $2,708 in capital contributions.

S. Net Assets

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

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2008.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles

For 2008, the City has implemented GASB Statement No. 49, "Accounting And Financial Reporting For Pollution Remediation Obligations", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the City.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the City.

B. Compliance

Contrary to section 5705.10 of the Ohio Revised Code, the following fund had a cash basis deficit at fiscal year-end.

	Deficit
Nonmajor Governmental Fund	
Community Housing	$ 5

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in securities listed above provide that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool;

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

8. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the City's interim monies available for investment.

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

1. Bonds of the State of Ohio;

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

3. Obligations of the City.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

Restricted Equity in Pooled Cash: At year-end, the City had $45,275 in restricted assets for refundable deposits from customers of the water fund. The City also had $285,000 in restricted assets for escrow accounts whose use is limited to payment of retainage to contractors. These amounts are included in the "deposits with financial institutions" below.

A. Deposits with Financial Institutions

As of December 31, 2008, the carrying amount of all City deposits was $9,721,461. At December 31, 2008, $1,665,406 of the City's bank balance of $10,314,100 was covered by the Federal Deposit Insurance Corporation and $8,648,694 was exposed to custodial credit risk as discussed below.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. As permitted by Ohio Revised Code, the City's deposits are collateralized by a pool of eligible securities deposited with Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the depository bank and pledged as a pool of collateral against all public deposits held by the depository. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

B. Investments

As of December 31, 2008, the City had the following investments and maturities:

		Investment Maturities	
Investment type	Fair Value	6 months or less	13 to 18 months
FNMA	$ 503,855		$ 503,855
STAR Ohio	5,923,637	$ 5,923,637	
Total	$ 6,427,492	$ 5,923,637	$ 503,855

The weighted average maturity of investments is 0.11 years.

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

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

Credit Risk: STAR Ohio carries a rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The City's other investments were rated AAA and Aaa by Standard & Poor's.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The City's investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities. The following table includes the percentage of each investment type held by the City at December 31, 2008:

Investment type	Fair Value	% of Total
FNMA	$ 503,855	7.84%
STAR Ohio	5,923,637	92.16%
Total	$ 6,427,492	100.00%

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

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net assets as of December 31, 2008:

Cash and investments per note disclosure	
Carrying amount of deposits	$ 9,721,461
Investments	6,427,492
Cash in segregated accounts	9,901
Total	$ 16,158,854

Cash and investments per statement of net assets	
Governmental activities	$ 10,647,199
Business type activities	5,493,934
Agency funds	17,721
Total	$ 16,158,854

NOTE 5 - INTERFUNDS

A. Transfers

Interfund transfers for the year ended December 31, 2008 consisted of the following, as reported in the fund financial statements:

Transfers out of general fund to:	
Nonmajor governmental funds	$ 545,000
Transfers out of municipal income tax fund to:	
General fund	4,760,000
Capital improvement fund	1,775,000
Nonmajor governmental funds	845,000
Total	$ 7,925,000

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

Net transfers between governmental activities and business-type activities are reported on the statement of activities. Net transfers of $664,670 reported on the statement of activities include $661,962 of capital asset capital contributions from governmental activities to the water fund and $2,708 of capital asset capital contributions from governmental activities to the sewer fund.

B. Due From/To Other Funds

Amounts due from and to other funds at December 31, 2008 consisted of the following, as reported in the fund financial statements:

Due to general fund from:	
Nonmajor governmental funds	$ 5
Total	$ 5

Amounts due from and to other funds represent amounts owed between funds in order to cover a cash basis deficit at fiscal year-end (see Note 3.B), which is contrary to section 5705.10 of the Ohio Revised Code. Amounts due from and to other funds within governmental funds are eliminated for reporting in the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal 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. These taxes will be collected and are intended to finance operations. Assessed values for real property taxes are established by State Statue at 35 percent of appraised market value. All property is required to be revaluated every six years. The last revaluation was completed in 2003, and the last triennial update was completed in 2006. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

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

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2008-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Fremont. The County Auditor periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2008 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2008 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.

NOTE 6 - PROPERTY TAXES - (Continued)

The full tax rate for all City operations for the year ended December 31, 2008 was $3.20 per $1,000 of assessed value. The assessed values of real, public utility, and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real property	
Residential/agricultural	$ 155,791,160
Commercial/industrial/mineral	91,972,340
Public utility	
Real	71,230
Personal	9,023,210
Tangible personal property	
Total assessed valuation	$ 256,857,940

NOTE 7 - LOCAL INCOME TAX

The City levies and collects an income tax of 1.5 percent based on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Income tax receipts are credited to the municipal income fax fund and amounted to $7,322,069 in 2008.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2008 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, 2008, as well as intended to finance fiscal 2008 operations.

NOTE 8 – RECEIVABLES (Continued)

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

Receivables:	Governmental Activities	Business-Type Activities
Income taxes	$ 2,631,413	
Property and other local taxes	850,198	
Accounts	184,941	$ 1,216,877
Loans	428,946	
Accrued interest	36,286	
Due from other governments	894,654	
Total	$ 5,026,438	$ 1,216,877

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

NOTE 9 - LOANS RECEIVABLE

The Fremont City Council created the Revolving Loan Committee and granted them the authority to act on behalf of the City of Fremont in making loans from the City's revolving loan fund to qualified applicants within the revolving loan fund geographic area. At the close of 2008, there were loans to six businesses with a total principal balance of $428,946. $56,055 is the amount due within one year, and $372,891 is due in more than one year.

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 was as follows:

Governmental activities:	Balance 12/31/07	Additions	Deletions	Balance 12/31/08
Capital assets, not being depreciated:				
Land	$ 798,709			$ 798,709
Construction-in-progress	269,826	$ 681,330	$ (913,381)	37,775
Total capital assets, not being depreciated	1,068,535	681,330	(913,381)	836,484
Capital assets, being depreciated:				
Land improvements	4,565,862			4,565,862
Buildings and improvements	12,078,744	459,904		12,538,648
Machinery and equipment	4,849,193	195,007	(247,765)	4,796,435
Infrastructure	15,410,227	1,488,859	(915,686)	15,983,400
Total capital assets, being depreciated	36,904,026	2,143,770	(1,163,451)	37,884,345
Less: accumulated depreciation:				
Land improvements	(811,651)	(201,195)		(1,012,846)
Buildings and improvements	(3,446,877)	(352,653)		(3,799,530)
Machinery and equipment	(2,933,999)	(344,544)	210,261	(3,068,282)
Infrastructure	(6,719,625)	(590,524)	401,460	(6,908,689)
Total accumulated depreciation	(13,912,152)	(1,488,916)	611,721	(14,789,347)
Total capital assets, being depreciated, net	22,991,874	654,854	(551,730)	23,094,998
Total capital assets, net	$ 24,060,409	$ 1,336,184	$ (1,465,111)	$ 23,931,482

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

Governmental activities:	
General government	$ 73,956
Security of persons and property	220,658
Transportation	699,371
Leisure time activities	473,504
Economic development	21,427
Total depreciation expense	$ 1,488,916

NOTE 10 - CAPITAL ASSETS - (Continued)

Business-type activities:	Balance 12/31/07	Additions	Deletions	Balance 12/31/08
Capital assets, not being depreciated:				
Land	$ 898,891			$ 898,891
Construction-in-progress	660,691	$ 1,512,449	$ (431,017)	1,742,123
Total capital assets, not being depreciated	1,559,582	1,512,449	(431,017)	2,641,014
Capital assets, being depreciated:				
Land improvements	1,574,240	33,349		1,607,589
Buildings and improvements	36,048,540			36,048,540
Machinery and equipment	7,634,272	266,184	(53,993)	7,846,463
Infrastructure	20,968,326	725,024		21,693,350
Total capital assets, being depreciated	66,225,378	1,024,557	(53,993)	67,195,942
Less: accumulated depreciation:				
Land improvements	(180,083)	(46,177)		(226,260)
Buildings and improvements	(11,172,014)	(1,044,468)		(12,216,482)
Machinery and equipment	(4,271,568)	(412,830)	53,993	(4,630,405)
Infrastructure	(5,571,295)	(427,007)		(5,998,302)
Total accumulated depreciation	(21,194,960)	(1,930,482)	53,993	(23,071,449)
Total capital assets, being depreciated, net	45,030,418	(905,925)		44,124,493
Total capital assets, net	$ 46,590,000	$ 606,524	$ (431,017)	$ 46,765,507

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

Business-type activities:	Depreciation Expense
Water fund	$ 1,379,053
Sewer fund	551,429
Total depreciation expense	$ 1,930,482

NOTE 11 - LONG-TERM OBLIGATIONS

A. Governmental Activities

The City's governmental activities long-term obligations at December 31, 2008 were as follows:

Governmental activities:	Balance 12/31/07	Increases	Decreases	Balance 12/31/08	Amount Due Within One Year
General obligation bonds					
Community center	$ 3,345,000		$ (215,000)	$ 3,130,000	$ 225,000
Pension liability					
Police and fire pension	790,457		(15,626)	774,831	16,297
Other long-term obligations					
Compensated absences	819,757	$ 102,421	(85,145)	837,033	130,401
Total long-term obligations	$ 4,955,214	$ 102,421	$ (315,771)	$ 4,741,864	$ 371,698

General Obligation Bonds

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

B. Business-Type Activities

The City's business-type activities long-term obligations at December 31, 2008 were as

Balance 12/31/07	Increases	Decreases	Balance 12/31/08	Amount Due Within One Year
$ 4,950,000		$ (215,000)	$ 4,735,000	$ 220,000
2,175,000		(100,000)	2,075,000	105,000
2,040,000		(90,000)	1,950,000	90,000
9,165,000		(405,000)	8,760,000	415,000
144,655		(10,332)	134,323	10,333
155,610		(8,892)	146,718	8,892
300,265		(19,224)	281,041	19,225
401,029	$ 32,696	(48,234)	385,491	92,023
$ 9,866,294	$ 32,696	$ (472,458)	$ 9,426,532	$ 526,248

follows:

General Obligation Bonds: Water - Series 2003

The general obligation bonds were originally issued in 1994 for $6,130,000, were reissued in 2003 for $5,710,000, and carry an interest rate of 2.00 - 5.00 percent. The general obligation bonds are a general obligation of the City, and the principal and interest payments are paid out of the water fund. The general obligation bonds were issued for improvements to the water plant and facilities. A portion of the proceeds of the bonds were used for the advance refunding of the 1994 general obligation bonds. These proceeds were used to purchase state and local government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The balance of the refunded bonds at December 31, 2008 is $4,390,000, but is not included in the City's outstanding debt since the City has satisfied its obligations through the advance refunding.

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

General Obligation Bonds: Water - Series 2003

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

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

General Obligation Bonds: Water - Series 2003

The general obligation bonds were originally issued in 1993 for $2,745,000, were reissued in 2003 for $2,350,000, and carry an interest rate of 2.00 - 5.00 percent. The general obligation bonds are a general obligation of the City, and the principal and interest payments are paid from the water fund. The general obligation bonds were issued for improvements to the water plant and facilities. A portion of the proceeds of the bonds were used for the advance refunding of the 1994 mortgage revenue bonds. These proceeds were used to purchase state and local government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The balance of the refunded bonds at December 31, 2008 is $1,975,000, but is not included in the City's outstanding debt since the City has satisfied its obligations through the advance refunding.

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

OPWC Loans

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

C. Principal and interest requirements to retire the general obligation bonds, the OPWC loans, and the police and fire pension liability as of December 31, 2008 are as follows:

Fiscal Year Ending December 31,	General Obligation Bonds - Community Center Principal	Interest	Total	Pension Liability - Police and Fire Pension Principal	Interest	Total
2009	$ 225,000	$ 148,363	$ 373,363	$ 16,297	$ 32,759	$ 49,056
2010	235,000	138,687	373,687	16,997	32,059	49,056
2011	245,000	127,995	372,995	17,727	31,329	49,056
2012	255,000	116,848	371,848	18,489	30,567	49,056
2013	265,000	105,245	370,245	19,283	29,773	49,056
2014 - 2018	1,550,000	318,887	1,868,887	109,572	135,708	245,280
2019 - 2023	355,000	17,217	372,217	135,214	110,066	245,280
2024 - 2028				166,855	78,425	245,280
2029 - 2033				205,902	39,378	245,280
2034 - 2035				68,495	2,886	71,381
Total	$ 3,130,000	$ 973,242	$ 4,103,242	$ 774,831	$ 522,950	$ 1,297,781

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Fiscal Year Ending December 31,	General Obligation Bonds - Water - Series 2003 Principal	Interest	Total	General Obligation Bonds - Water - Series 2003 Principal	Interest	Total
2009	$ 220,000	$ 206,784	$ 426,784	$ 105,000	$ 89,431	$ 194,431
2010	225,000	199,634	424,634	105,000	86,019	191,019
2011	230,000	191,759	421,759	110,000	82,344	192,344
2012	240,000	182,846	422,846	115,000	78,081	193,081
2013	250,000	173,246	423,246	120,000	73,481	193,481
2014 - 2018	1,410,000	706,048	2,116,048	675,000	290,456	965,456
2019 - 2023	1,755,000	367,710	2,122,710	845,000	127,971	972,971
2024	405,000	20,250	425,250			
Total	$ 4,735,000	$ 2,048,277	$ 6,783,277	$ 2,075,000	$ 827,783	$ 2,902,783

Fiscal Year Ending December 31,	General Obligation Bonds - Water - Series 2003 Principal	Interest	Total
2009	$ 90,000	$ 85,168	$ 175,168
2010	90,000	82,242	172,242
2011	95,000	79,093	174,093
2012	100,000	75,411	175,411
2013	105,000	71,411	176,411
2014 - 2018	580,000	290,446	870,446
2019 - 2023	725,000	151,090	876,090
2024	165,000	8,250	173,250
Total	$ 1,950,000	$ 843,111	$ 2,793,111

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Fiscal Year Ending December 31,	OPWC Loans - Sewer - Series 2001			OPWC Loans - Sewer - Series 2004		
	Principal	Interest	Total	Principal	Interest	Total
2009	$ 10,333		$ 10,333	$ 8,892		$ 8,892
2010	10,332		10,332	8,892		8,892
2011	10,333		10,333	8,892		8,892
2012	10,332		10,332	8,892		8,892
2013	10,333		10,333	8,892		8,892
2014 - 2018	51,662		51,662	44,460		44,460
2019 - 2023	30,998		30,998	44,460		44,460
2024 - 2025				13,338		13,338
Total	$ 134,323		$ 134,323	$ 146,718		$ 146,718

D. The Ohio Revised Code provides that voted net general obligation debt of the City shall never exceed 9% of the total assessed valuation of the City. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the City. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the City.

The assessed valuation used in determining the City's legal debt margins has been modified by House Bill 530, which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the City's legal debt margin calculations excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

The effects of these debt limitations at December 31, 2008 are a legal voted debt margin of $14,095,736 and a legal unvoted debt margin of $13,593,999.

NOTE 12 - OTHER EMPLOYEE BENEFITS

Compensated Absences

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

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

NOTE 12 - OTHER EMPLOYEE BENEFITS – (Continued)

As of December 31, 2008, the governmental activities liability for compensated absences was $837,033, the business-type activities liability for compensated absences was $385,491, and the City's total liability for compensated absences was $1,222,524.

NOTE 13 - RISK MANAGEMENT

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

Risk Pool Membership

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgements, settlements, and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage
For an occurrence prior to January 1, 2006, PEP retains casualty risks up to $250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding $250,000, up to $1,750,000 per claim and $10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, PEP retains casualty risk up to $350,000 per occurrence, including loss adjustment expenses. Claims exceeding $350,000 are reinsured with APEEP in an amount not to exceed $2,650,000 for each claim and $10,000,000 in the aggregate per year. Governments can elect up to $10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to $5,000,000 per year, subject to a per-claim limit of $2,000,000 (for claims prior to January 1, 2006) or $3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage
Through 2004, PEP retained property risks, including automobile physical damage, up to $100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding $100,000 up to $500 million per occurrence.

Beginning in 2005, APEEP established a risk-sharing property program. Under the program travelers reinsures specific losses exceeding $250,000 up to $600 million per occurrence. APEEP reinsures members for specific losses exceeding $100,000 up to $300,000 per occurrence, subject to an annual aggregate loss payment. Travelers Indemnity Company provides aggregate stop loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between $100,000 and $300,000, Travelers will reinsure specific losses exceeding $100,000 up to their $600 million per occurrence limit. The aggregate stop-loss limit for 2007 (the latest information available) was $2,014,548.

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

Property and casualty settlements did not exceed insurance coverage for any of the past three fiscal years.

NOTE 13 - RISK MANAGEMENT (Continued)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities, and retained earnings at December 31, 2007 and 2006 (the latest information available).

Assets	$ 37,560,071	$ 36,123,164
Liabilities	(17,340,825)	(16,738,904)
Members' Equity	$ 20,219,246	$ 19,384,260

At December 31, 2007 and 2006 (the latest information available), respectively, casualty coverage liabilities noted above include approximately $15.0 million and $14.4 million of estimated incurred claims payable. The casualty coverage assets and retained earnings above also include approximately $15.0 million and $14.4 million of unpaid claims to be billed to approximately 447 member political subdivisions in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The City's share of these unpaid claims collectible in future years is approximately $210,000. This payable includes the subsequent year's contribution due if it terminates participation, as described in the last paragraph below.

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. The City's contributions to PEP for the fiscal year ended December 31, 2008 are as follows:

Contributions to PEP	
Fiscal Year	Amount
2008	$ 182,798

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 PEP. 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 14 - PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined

NOTE 14 - PENSION PLANS - (Continued)

plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 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 statutory authority for member and employer contributions. For the year ended December 31, 2008, members in state and local classifications contributed 10% of covered payroll, public safety members contributed 10.1%, and law enforcement members contributed 10.1%.

The City's contribution rate for 2008 was 14 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.40 percent of covered payroll. For the period January 1 through June 30, a portion of the City's contribution equal to 5 percent of covered payroll was allocated to fund the post-employment health care plan; for the period July 1 through December 31, 2008 this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State Statute sets a maximum contribution rate for the City of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006, were $736,249, $730,729, and $709,009, respectively; 100 percent has been contributed for 2008, 2007, and 2006.

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

NOTE 14 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City’s contribution was 19.5 percent for police officers and 24 percent for firefighters. Contribution rates are established by State statute. For 2008, a portion of the City’s contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City’s pension contributions to OP&F for police and firefighters were $366,990 and $333,262 for the year ended December 31, 2008, $359,173 and $316,958 for the year ended December 31, 2007, and $343,822 and $326,322 for the year ended December 31, 2006. 72.24 percent has been contributed for police and 74.36 percent has been contributed for firefighters for 2008. The full amount has been contributed for 2007 and 2006.

NOTE 15 - POSTEMPLOYMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described by GASB Statement 45. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report interested parties may obtain 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 ORC provides the statutory authority requiring public employees to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14 percent of covered payroll (17.40 percent for public safety and law enforcement). The ORC currently limits the employer contribution to a rate not to exceed 14% of covered payroll for local employees and 18.1% of covered payroll for law and public safety employees. Active members do not make contribution to the OPEB plan. OPERS Post-Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 7.00 percent of covered payroll.

NOTE 15 - POSTEMPLOYMENT BENEFIT PLANS - (Continued)

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006, were $368,125, $290,181, and $232,886 respectively; 100 percent has been contributed for 2008, 2007, and 2006.

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

B. Ohio Police and Fire Pension Fund

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

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

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding policy - OP&F's post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent and 24.00 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

NOTE 15 - POSTEMPLOYMENT BENEFIT PLANS - (Continued)

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2008, the employer contribution allocated to the healthcare plan was 6.75% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were $127,035 and $93,730 for the year ended December 31, 2008, $124,329 and $89,144 for the year ended December 31, 2007, and $136,647 and $105,375 for the year ended December 31, 2006. 72.24 percent has been contributed for police and 74.36 percent has been contributed for firefighters for 2008. The full amount has been contributed for 2007 and 2006.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balances - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

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

2. Expenditures/expenses and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP);

3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP); and,

4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements.

Net Change in Fund Balance

	General	Municipal Income Tax
Budget basis	$ (683,910)	$ (364,239)
Net adjustment for revenue accruals	(23,222)	(6,886)
Net adjustment for expenditure accruals	(97,907)	(2,039)
Adjustment for encumbrances	38,822	1,577
GAAP basis	$ (766,217)	$ (371,587)

NOTE 17 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2008.

B. Litigation

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

CITY OF FREMONT
SANDUSKY COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2008

FEDERAL GRANTOR ***Pass Through Grantor*** Program Title	Pass Through Entity Number	Federal CFDA Number		Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed Through Ohio Department of Development:				
Community Development Block Grant (CDBG) State's Program				
Community Development Program	A-F-07-123-1	14.228	$	78,816
Community Housing Improvement Program	A-C-07-123-1	14.228		114,481
Total Community Housing Improvement Program				193,297
CDBG Revolving Loans	A-X-01-123-1	14.228		541,839
Total Community Development Block Grants/State's Program				735,136
Home Investment Partnership Program				
Community Housing Improvement Program	A-C-07-123-2	14.239		84,027
Total Federal Awards Expenditures			**$**	**819,163**

The accompanying notes to this schedule are an integral part of this schedule.

CITY OF FREMONT
SANDUSKY COUNTY

NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The initial loan of this money and administrative fees are recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans; and therefore, are reported as federal expenditures in the year of disbursement. Prior year outstanding loan balances are reported in the schedule below.

These loans are collateralized by mortgages on the property, business assets to include equipment, inventory and receivables, and personal assets. At December 31, 2008, the gross amounts of loans outstanding under this program were $428,946. A court judgment has been filed on a delinquent amount due of $21,818.

Activity in the CDBG revolving loan fund during 2008 is as follows:

Beginning loans receivable balance as of January 1, 2008	$250,267
Loans made	240,000
Loan principal repaid	61,321
Ending loans receivable balance as of December 31, 2008	$428,946
Cash balance on hand in the revolving loan fund as of December 31, 2008	$111,676
2008 revolving loan expenditures:	
Loans made	240,000
Administrative costs expended	2,339
Grant made with revolving loan funds	299,500
Total revolving loan expenditures	$541,839

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Fremont, Sandusky County, (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 8, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

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

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

We also noted certain internal control matters that we reported to the City's management in a separate letter dated December 8, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards.*

We did note certain noncompliance or other matters that we reported to the City's management in a separate letter dated December 8, 2009.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 8, 2009

Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the City Council:

Compliance

We have audited the compliance of the City of Fremont, Sandusky County, (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Fremont, Sandusky County complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2008.

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Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that the City's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the City's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, City Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 8, 2009

CITY OF FREMONT
SANDUSKY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2008

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	**Unqualified**
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	**Yes**
(d)(1)(ii)	**Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	**No**
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	**No**
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	**No**
(d)(1)(iv)	**Were there any other significant deficiencies in internal control reported for major federal programs?**	**No**
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	**Unqualified**
(d)(1)(vi)	**Are there any reportable findings under § .510?**	**No**
(d)(1)(vii)	**Major Programs (list):**	**Community Development Block Grant CDBG State's Program CFDA 14.228**
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	**Type A: > $ 300,000** **Type B: all others**
(d)(1)(ix)	**Low Risk Auditee?**	**No**

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

FINDING NUMBER 2008-001

Material Weakness

Financial Reporting

As a result of the audit procedures performed, an error was noted in the financial statements that required a material audit adjustment. Capital grants and contributions in the amount of $1,000,000 were recorded as operating grants and contributions on the statement of activities. The accompanying financial statements have been adjusted to show this amount in the correct category.

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

To ensure the City's financial statements and notes to the statements are complete and accurate, the Council should adopt policies and procedures, including a final review of the IPA compilation report by the City Auditor, to identify and correct errors and omissions. We recommend the City Auditor meet with the IPA prior to the 2009 GAAP conversion to assure the prior audit adjustments have been addressed.

Officials' Response

The City Auditor stated "the City of Fremont contracts with an IPA for GAAP conversions. We as the City of Fremont will consult with the IPA to assure all prior audit adjustments will be addressed in the 2009 conversion. We will also review all statements for accuracy upon completion."

3. FINDINGS FOR FEDERAL AWARDS

None.

CITY OF FREMONT
SANDUSKY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2007-001	Weakness in financial reporting.	No	Not corrected. Repeated as finding 2008-001 in this report.

CITY OF FREMONT

SANDUSKY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 24, 2009

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