



**CITY OF FREMONT
SANDUSKY COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2009



Mary Taylor, CPA
Auditor of State

**CITY OF FREMONT
SANDUSKY COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of 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, 2009, 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, 2009, and the respective changes in financial position and where applicable, cash flows, thereof and the respective 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

September 27, 2010

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED

The management's discussion and analysis of the City of Fremont's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2009. 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 2009 are as follows:

- The total net assets of the City increased \$4,024,352 or 5.20% from 2008. Net assets of governmental activities increased \$432,084 or 1.29% from 2008 and net assets of business-type activities increased \$3,592,268 or 8.17% over 2008.
- General revenues accounted for \$11,034,757 or 81.91% of total governmental activities revenue. Program specific revenues accounted for \$2,437,643 or 18.09% of total governmental activities revenue.
- The City had \$12,906,462 in expenses related to governmental activities; \$2,437,643 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$10,468,819 were offset by general revenues (primarily income taxes, property taxes and unrestricted grants and entitlements) of \$11,034,757.
- The general fund had revenues and other financing sources of \$8,375,537 in 2009. This represents an increase of \$715,689 or 9.34% from 2008. The expenditures and other financing uses of the general fund, which totaled \$8,229,783 in 2009, decreased \$196,282 or 2.33% from 2008. The net increase in fund balance for the general fund was \$145,754 or 6.36%.
- The municipal income tax fund had revenues and other financing sources of \$7,245,605 in 2009. The expenditures of the municipal income tax fund totaled \$537,337 in 2009. The municipal income tax fund had transfers out to other funds in the amount of \$7,355,000. The net decrease in fund balance for the municipal income tax fund was \$646,732.
- Net assets for the business-type activities, which are made up of the Water and Sewer enterprise funds, increased in 2009 by \$3,592,268. This increase in net assets was due primarily to capital grants received during the year.
- In the general fund, actual revenues and other financing sources were \$845,096 higher than the final budget revenues and other financing sources and actual expenditures were \$381,365 less than the final budget expenditures. These variances are the result of the City's conservative budgeting. Budgeted expenditures increased \$49,000 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 2009?" 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.

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Governmental Funds

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and non-major funds. The City's major governmental funds are the general fund and municipal income tax 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.

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(Continued)

Government-Wide Financial Analysis

The table below provides a summary of the City's net assets for 2009 and 2008:

	Net Assets					
	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>2009</u>	<u>2008</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>Total</u>	<u>Total</u>
Assets						
Current and other assets	\$ 16,575,875	\$ 15,725,445	\$ 7,692,313	\$ 7,366,705	\$ 24,268,188	\$ 23,092,150
Capital assets	<u>23,427,739</u>	<u>23,931,482</u>	<u>49,258,743</u>	<u>46,765,507</u>	<u>72,686,482</u>	<u>70,696,989</u>
Total assets	<u>40,003,614</u>	<u>39,656,927</u>	<u>56,951,056</u>	<u>54,132,212</u>	<u>96,954,670</u>	<u>93,789,139</u>
Liabilities						
Long-term liabilities						
outstanding	4,601,665	4,741,864	8,965,153	9,426,532	13,566,818	14,168,396
Other liabilities	<u>1,562,326</u>	<u>1,507,524</u>	<u>400,337</u>	<u>712,382</u>	<u>1,962,663</u>	<u>2,219,906</u>
Total liabilities	<u>6,163,991</u>	<u>6,249,388</u>	<u>9,365,490</u>	<u>10,138,914</u>	<u>15,529,481</u>	<u>16,388,302</u>
Net Assets						
Invested in capital assets, net of related debt	20,428,984	20,801,482	40,651,927	37,724,466	61,080,911	58,525,948
Restricted	3,225,598	3,142,475			3,225,598	3,142,475
Unrestricted	<u>10,185,041</u>	<u>9,463,582</u>	<u>6,933,639</u>	<u>6,268,832</u>	<u>17,118,680</u>	<u>15,732,414</u>
Total net assets	<u>\$ 33,839,623</u>	<u>\$ 33,407,539</u>	<u>\$ 47,585,566</u>	<u>\$ 43,993,298</u>	<u>\$ 81,425,189</u>	<u>\$ 77,400,837</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2009, the City's assets exceeded liabilities by \$81,425,189. At year-end, net assets were \$33,839,623 and \$47,585,566 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 74.97% 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, 2009, were \$20,428,984 and \$40,651,927 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, 2009, 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.

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A portion of the City's governmental net assets, \$3,225,598 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 \$10,185,041 may be used to meet the government's ongoing obligations to citizens and creditors.

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The table below shows the changes in net assets for fiscal years 2009 and 2008.

	Change in Net Assets				2009	2008
	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities		
Revenues						
Program revenues:						
Charges for services	\$ 949,113	\$ 1,058,203	\$ 7,240,652	\$ 7,427,783	\$ 8,189,765	\$ 8,485,986
Operating grants and contributions	1,199,757	1,084,873	19,600		1,219,357	1,084,873
Capital grants and contributions	288,773	375,205	4,175,260	1,022,094	4,464,033	1,397,299
Total program revenues	2,437,643	2,518,281	11,435,512	8,449,877	13,873,155	10,968,158
General revenues:						
Property taxes	1,163,604	1,152,753			1,163,604	1,152,753
Income taxes	8,089,579	8,311,486			8,089,579	8,311,486
Unrestricted grants and entitlements	1,264,926	1,168,915			1,264,926	1,168,915
Investment earnings	149,554	436,156	7,389	19,458	156,943	455,614
Miscellaneous	367,094	365,330		32,027	367,094	397,357
Total general revenues	11,034,757	11,434,640	7,389	51,485	11,042,146	11,486,125
Total revenues	13,472,400	13,952,921	11,442,901	8,501,362	24,915,301	22,454,283
Expenses:						
General government	2,399,122	2,308,464			2,399,122	2,308,464
Security of persons and property	6,022,092	5,916,690			6,022,092	5,916,690
Public health and welfare	10,759	14,809			10,759	14,809
Transportation	1,697,722	1,811,647			1,697,722	1,811,647
Community environment	539,979	402,923			539,979	402,923
Leisure time activity	2,005,079	2,179,115			2,005,079	2,179,115
Economic development	132,527	409,798			132,527	409,798
Other		1,037				1,037
Interest and fiscal charges	99,182	194,396			99,182	194,396
Water			4,398,278	4,493,285	4,398,278	4,493,285
Sewer			3,586,209	3,480,676	3,586,209	3,480,676
Total expenses	12,906,462	13,238,879	7,984,487	7,973,961	20,890,949	21,212,840
Increase in net assets before transfers	565,938	714,042	3,458,414	527,401	4,024,352	1,241,443
Transfers	(133,854)	(664,670)	133,854	664,670		
Increase in net assets	432,084	49,372	3,592,268	1,192,071	4,024,352	1,241,443
Net assets at beginning of year	33,407,539	33,358,167	43,993,298	42,801,227	77,400,837	76,159,394
Net assets at end of year	\$ 33,839,623	\$ 33,407,539	\$ 47,585,566	\$ 43,993,298	\$ 81,425,189	\$ 77,400,837

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental Activities

Governmental activities net assets increased \$432,084 in 2009. This increase is a result of decreased expenses and transfers to the business-type activities.

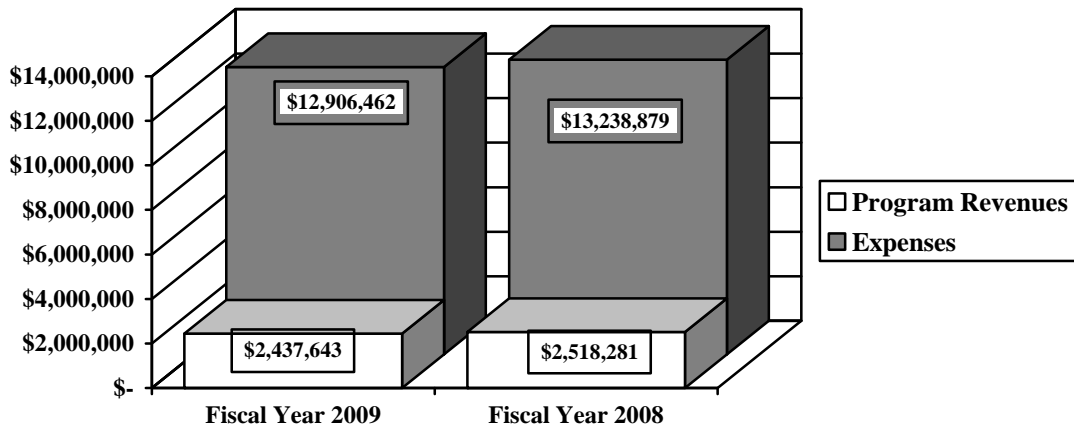
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$6,022,092 of the total expenses of the City. These expenses were partially funded by \$1,608 in direct charges to users of the services. General government expenses totaled \$2,399,122. General government expenses were partially funded by \$441,693 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$1,199,757 in operating grants and contributions and \$288,773 in capital grants and contributions. These revenues are restricted to a particular program or purpose. The total capital grants and contributions, \$288,773 subsidized transportation programs. Of the total operating grants and contributions, \$754,152 subsidized transportation programs, \$397,284 subsidized community environment programs and \$42,658 subsidized security of persons and property activities.

General revenues totaled \$11,034,757, and amounted to 81.91% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$9,253,183. 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 \$1,264,926.

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

Governmental Activities – Program Revenues vs. Total Expenses



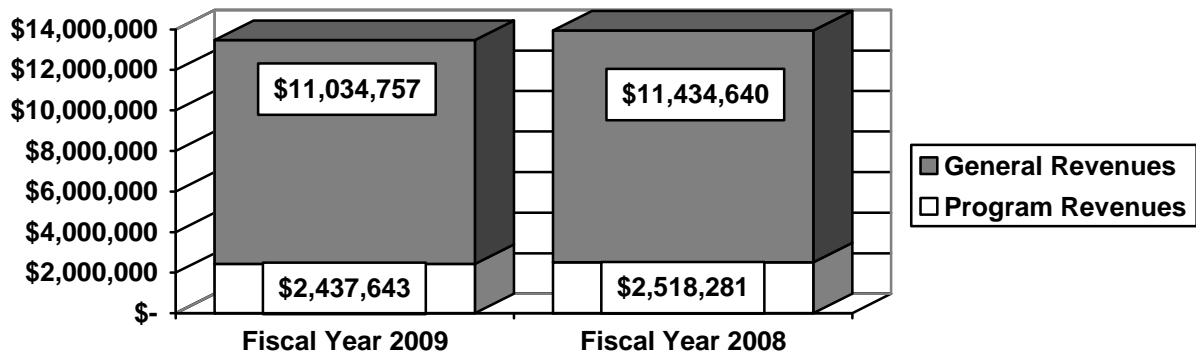
CITY OF FREMONT, OHIO
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Governmental Activities

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Program Expenses:				
General government	\$ 2,399,122	\$ 1,951,766	\$ 2,308,464	\$ 1,794,596
Security of persons and property	6,022,092	5,977,826	5,916,690	5,894,518
Public health and welfare	10,759	10,759	14,809	14,809
Transportation	1,697,722	599,537	1,811,647	612,740
Community environment	539,979	142,695	402,923	121,621
Leisure time activity	2,005,079	1,554,527	2,179,115	1,677,183
Economic development	132,527	132,527	409,798	409,698
Other			1,037	1,037
Interest and fiscal charges	<u>99,182</u>	<u>99,182</u>	<u>194,396</u>	<u>194,396</u>
Total	<u>\$ 12,906,462</u>	<u>\$ 10,468,819</u>	<u>\$ 13,238,879</u>	<u>\$ 10,720,598</u>

The dependence upon general revenues for governmental activities is apparent, with 81.11% of expenses supported through taxes and other general revenues.

Governmental Activities – General and Program Revenues

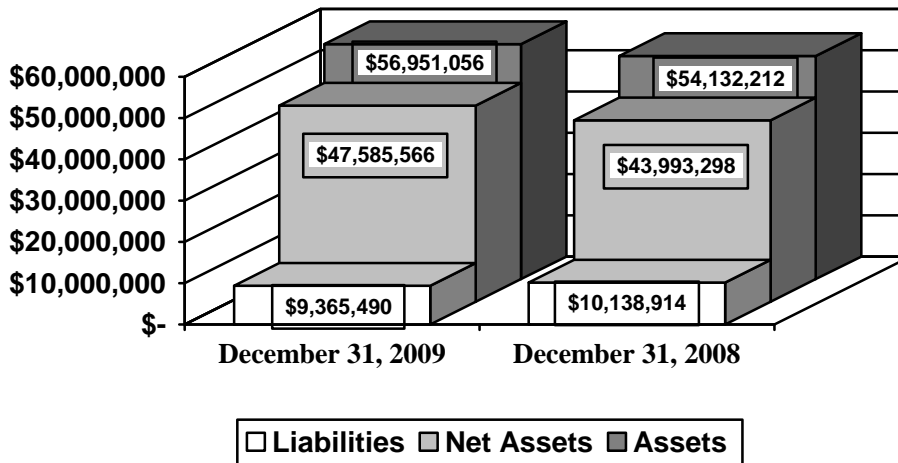


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Business-type Activities

Business-type activities include the water and sewer enterprise funds. These programs had program revenues of \$11,435,512, general revenues of \$7,389, transfers in of \$133,854 and expenses of \$7,984,487 for 2009. 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 \$12,204,481 which is \$196,264 below last year's total of \$12,400,745. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2009 for all major and nonmajor governmental funds.

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	<u>Fund Balances</u> 12/31/09	<u>Fund Balances</u> 12/31/08	<u>Increase</u> <u>(Decrease)</u>
Major funds:			
General	\$ 2,435,770	\$ 2,290,016	\$ 145,754
Municipal income tax	3,617,297	4,264,029	(646,732)
Other nonmajor governmental funds	<u>6,151,414</u>	<u>5,846,700</u>	<u>304,714</u>
 Total	 <u>\$ 12,204,481</u>	 <u>\$ 12,400,745</u>	 <u>\$ (196,264)</u>

General Fund

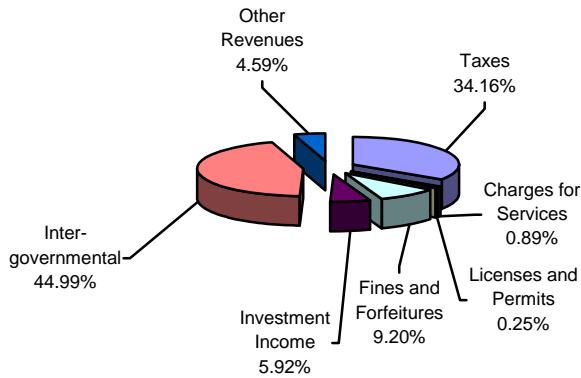
The City's general fund balance increased \$145,754, primarily due to a decrease in expenditures. The table that follows assists in illustrating the revenues of the general fund.

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 978,988	\$ 966,749	1.27 %
Charges for services	25,531	49,494	(48.42) %
Licenses and permits	7,283	9,814	(25.79) %
Fines and forfeitures	263,518	282,738	(6.80) %
Intergovernmental	1,289,243	1,139,857	13.11 %
Investment income	169,509	346,739	(51.11) %
Other	<u>131,465</u>	<u>86,634</u>	51.75 %
Total	<u>\$ 2,865,537</u>	<u>\$ 2,882,025</u>	(0.57) %

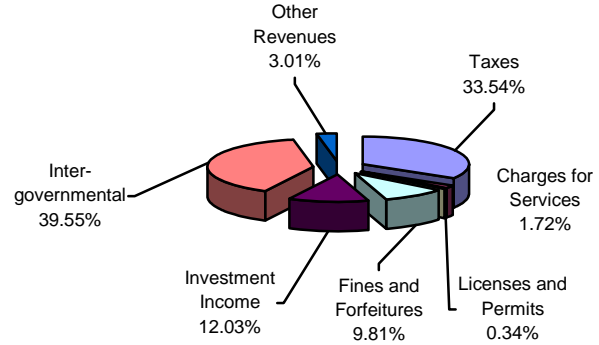
Tax revenue represents 34.16% of all general fund revenue. Tax revenue increased slightly by 1.27% from the prior year. The increase in taxes revenue is due to an increase in the collections of real and other taxes. The decrease in investment income is due to lower interest rates on the City's investment portfolio. Intergovernmental revenues increased 13.11% due to the City getting more state and federal grants. All other revenue remained comparable to 2008.

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Revenues – Fiscal Year 2009



Revenues – Fiscal Year 2008



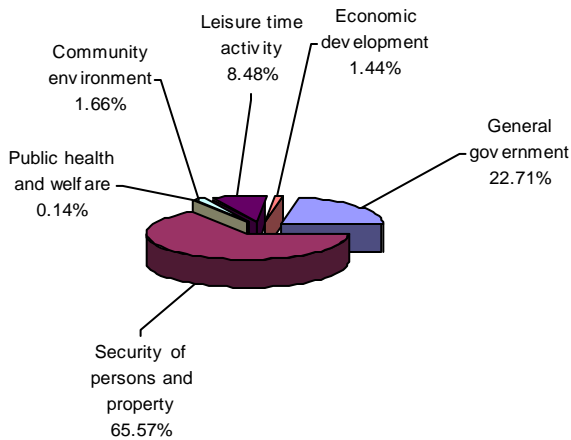
The table that follows assists in illustrating the expenditures of the general fund.

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 1,730,674	\$ 1,738,246	(0.44) %
Security of persons and property	4,996,048	5,049,556	(1.06) %
Public health and welfare	10,615	15,114	(29.77) %
Community environment	126,374	130,337	(3.04) %
Leisure time activity	646,320	840,227	(23.08) %
Economic development	109,752	107,525	2.07 %
Other	<u>60</u>	<u>60</u>	(100.00) %
Total	<u>\$ 7,619,783</u>	<u>\$ 7,881,065</u>	(3.32) %

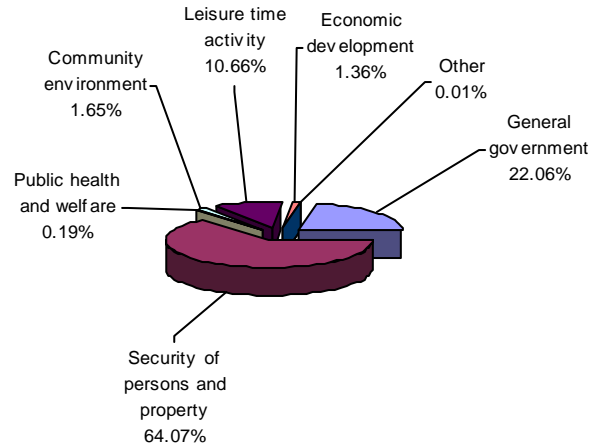
The most significant decrease was in the area of public health and welfare. These decreases are primarily due to the control of expenditures by the City. All other expenditures remained comparable to 2008. The largest expenditure line item, security of persons and property, decreased slightly, which is primarily attributed to wage and benefit increases and overall cost decreases in purchased goods and services.

**CITY OF FREMONT, OHIO
SANDUSKY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

Expenditures - Fiscal Year 2009



Expenditures - Fiscal Year 2008



Municipal Income Tax Fund

The municipal income tax fund had revenues and other financing sources of \$7,245,605 in 2009. The expenditures of the municipal income tax fund totaled \$537,337 in 2009. The municipal income tax fund had transfers out to other funds in the amount of \$7,355,000. The net decrease in fund balance for the municipal income tax fund was \$646,732. Decrease was mainly due to overall decrease of tax collections.

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 \$49,000 from \$8,092,297 to \$8,141,297. Actual revenues and other financing sources of \$8,375,096 were more than final budgeted revenues and other financing sources by \$845,096. The other significant change was between the final budgeted expenditures and actual expenditures. Actual expenditures came in \$381,365 lower than the final budgeted amounts.

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)

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

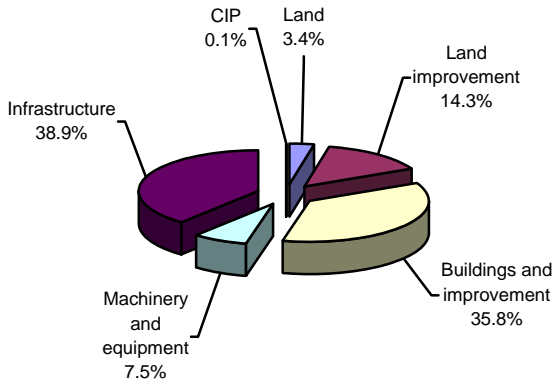
At the end of fiscal 2009, the City had \$72,686,482 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, machinery and equipment, infrastructure and construction in progress (CIP). Of this total, \$23,427,739 was reported in governmental activities and \$49,258,743 was reported in business-type activities. The following table shows fiscal 2009 balances compared to 2008:

	Capital Assets at December 31					
	(Net of Depreciation)					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 803,959	\$ 798,709	\$ 898,891	\$ 898,891	\$ 1,702,850	\$ 1,697,600
Land improvements	3,350,218	3,553,016	1,335,415	1,381,329	4,685,633	4,934,345
Buildings and improvements	8,378,141	8,739,118	22,812,318	23,832,058	31,190,459	32,571,176
Machinery and equipment	1,753,431	1,728,153	2,880,535	3,216,058	4,633,966	4,944,211
Infrastructure	9,110,651	9,074,711	15,794,933	15,695,048	24,905,584	24,769,759
Construction in progress	<u>31,339</u>	<u>37,775</u>	<u>5,536,651</u>	<u>1,742,123</u>	<u>5,567,990</u>	<u>1,779,898</u>
Totals	<u>\$ 23,427,739</u>	<u>\$ 23,931,482</u>	<u>\$ 49,258,743</u>	<u>\$ 46,765,507</u>	<u>\$ 72,686,482</u>	<u>\$ 70,696,989</u>

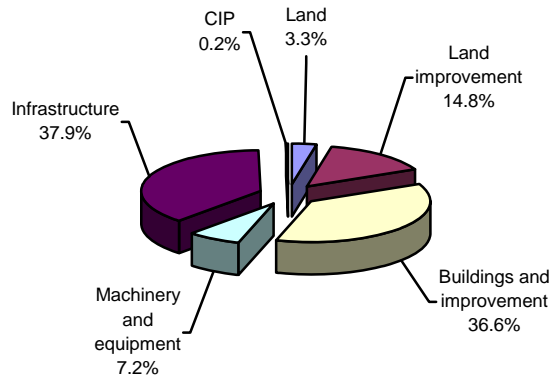
The following graphs show the breakdown of governmental capital assets by category for 2009 and 2008.

**CITY OF FREMONT, OHIO
SANDUSKY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

Capital Assets - Governmental Activities 2009



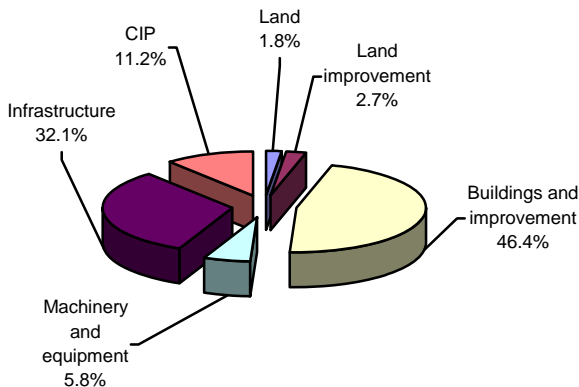
Capital Assets - Governmental Activities 2008



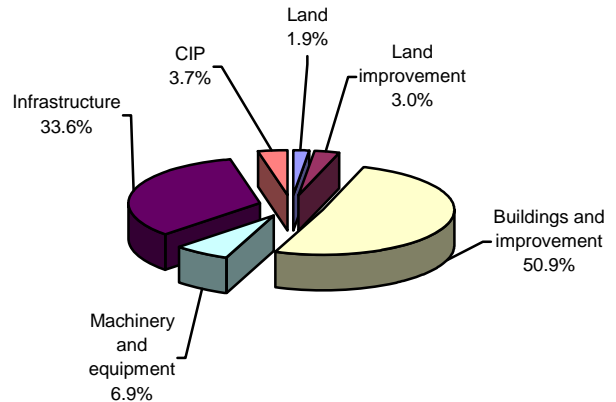
The City's largest capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks and curbs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 38.9% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2009 and 2008.

Capital Assets - Business-Type Activities 2009



Capital Assets - Business-Type Activities 2008



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 32.1% of the City's total business-type capital assets.

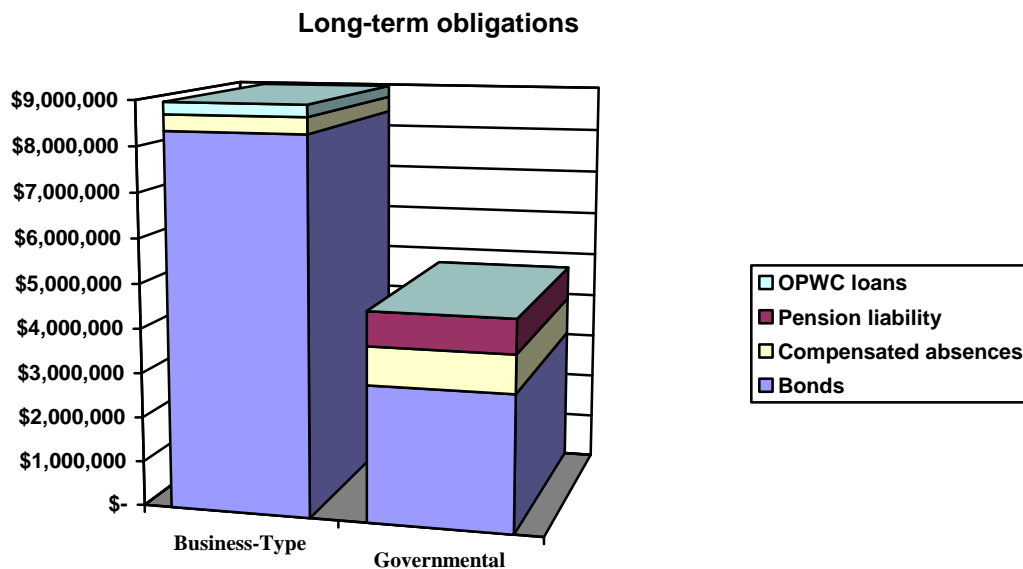
**CITY OF FREMONT, OHIO
SANDUSKY COUNTY**
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2009 and 2008:

Governmental Activities		
	<u>2009</u>	<u>2008</u>
Compensated absences	\$ 844,376	\$ 837,033
General obligation bonds	3,040,000	3,130,000
Pension liability	<u>758,534</u>	<u>774,831</u>
 Total long-term obligations	 <u><u>\$ 4,642,910</u></u>	 <u><u>\$ 4,741,864</u></u>
Business-type Activities		
	<u>2009</u>	<u>2008</u>
General obligation bonds	\$ 8,345,000	\$ 8,760,000
OPWC loans	261,816	281,041
Compensated absences	<u>358,337</u>	<u>385,491</u>
 Total long-term obligations	 <u><u>\$ 8,965,153</u></u>	 <u><u>\$ 9,426,532</u></u>

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



CITY OF FREMONT, OHIO
SANDUSKY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)

Economic Conditions and Outlook

This past year was the most challenging economic development period for the City of Fremont since the early 1980's. During 1992, Sandusky County's average monthly unemployment rate was 9.5%. We were then able to take advantage of the upswing of the economy and prosper for many years with the monthly unemployment rate bottoming out at 3.6% during four months in 2000. Due to the recession we are in, Sandusky County experienced double digit unemployment rates every month in 2009. With a high of 13.3% in January, the average monthly unemployment rate through the end of November was 11.9%. The last time rates were in double digits each month was in 1982.

The City must continue to work toward fostering Fremont's pro-business attitude and remain prepared for when opportunities arise. As predicted, there were several green industry prospects that evaluated Fremont in 2009 as a place to call home. Companies involved in wind and solar energy have visited locations in our community as part of their due diligence.

Although the recovery from this recession will be a long process, good things continue to happen in Fremont, Ohio.

Sierra Lobo, Inc. is a Hispanic-American owned business headquartered in Fremont with offices in Ohio, Alabama, California, Florida, Louisiana, Texas, and Virginia. The company has a staff of more than 400 high-achieving engineers, technicians, and administrative personnel that design, construct, and operate R&D facilities. Specializing in Cryogenic Fluid and Thermal Management Systems, Sierra Lobo has a state-of-the-art manufacturing, fabrication, and testing facility in Milan, Ohio.

In December 2009, Sierra Lobo purchased property in Pinnacle Office Park to construct a new headquarters. The 3,500 sq. ft. business office is expected to be completed by September 1, 2010. The City of Fremont will provide real property tax abatement under the Community Reinvestment Area program.

Terra Community College is investing \$8 million in the construction of a new skilled trades center and the renovation of its industrial technologies building. A groundbreaking ceremony took place on September 14, 2009 for the 25,000 sq. ft. skilled trades center. The building will house programs in welding, HVAC, and truck driving. The construction of the skilled trades center will open up room in the industrial technologies building to expand the music, arts and allied health programs. This is the first major development at Terra since 1997.

Curwood Inc., a division of Bemis Company, Inc., completed an expansion project in 2009 by adding 128,000 sq. ft. onto their existing 80,000 sq. ft. plant in Fremont North Industrial Park. The Fremont facility was competing against two other company divisions in two states for the project. New equipment was installed during the early part of 2009 and fifty new jobs were added to the existing 141 employees. The total investment reached \$10,500,000 of which \$6.5 million was used toward the building expansion and \$4 million for machinery and equipment.

The City of Fremont provided Curwood with a 15 year real property tax abatement saving the company \$61,756 annually in exchange for the project investment, job creation and a \$20,600 annual contribution to the public school system during the term of the abatement.

Additionally, the State of Ohio provided a \$56,439 Ohio Job Creation Tax Credit, \$40,000 Rapid Outreach Grant and \$15,000 for training programs.

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)

FirstEnergy Corp. purchased Fremont Energy Center from Calpine Corporation in January 2008 during that company's bankruptcy proceedings. FirstEnergy's intentions were to complete the construction of the electric generating plant by the end of 2010. On December 8, 2008, Gary Leidich, Executive Vice President of FirstEnergy and President of its FirstEnergy Generation Corp. subsidiary, announced the plant's construction schedule would be extended through 2012 in response to the slowing economy and lower electricity demand. Over 200 skilled craftsmen were laid off.

A fortunate turn of events occurred when FirstEnergy announced on September 22, 2009, that they expect to complete the construction of Fremont Energy Center by the end of 2010 as originally planned and have the plant available to operate in 2011. Over 200 skilled craftsmen were hired back to the site and with the changes in construction scheduling the company now estimates it will cost \$200 million to complete the plant.

Mr. Leidich made the statement that "completing construction of the Fremont Energy Center in 2010, as originally announced, helps support the economy now by bringing jobs to the region and positions us to respond to our customers' future electricity needs as the economy recovers".

The Fremont Energy Center includes two natural gas combined-cycle combustion turbines and a steam turbine capable of producing 544 megawatts (MW) of load-following capacity and 163 MW of peaking capacity.

Memorial Hospital's growth spurred the need for a \$1.7 million renovation of its emergency room and lobby area. The renovation will include upgrades to the hospital's finishes, lighting, storage, clinical space, waiting area, registration, nurses station, and support space.

When Alco Industries, Inc. completed a Voluntary Action Program (VAP) after the closing of its Clauss Cutlery plant in 2004, hazardous substances were detected on and around the site as a result of previous operations. The Phase I Environmental Site Assessment completed in November 2005 reported findings of Volatile Organic Compounds (VOCs) and metals. VOCs are emitted as gases from certain solids or liquids, such as paints and lacquers, paint strippers, cleaning supplies and other materials. The primary constituent detected in soil and groundwater is Trichloroethylene (TCE). TCE was an industrial solvent commonly used for degreasing from the 1940s to the 1970s.

The City of Fremont and Alco continues to collaborate to address the environmental concerns that made this property at 223 N. Prospect Street a brownfield site. In order for the City of Fremont to be awarded a \$2 million Clean Ohio Revitalization Fund (CORF) grant, ownership of the property had to be transferred from Alco to the City. A Property Transfer and Development Agreement was signed by the City and Alco on November 10, 2008 paving the way for the City to take ownership of the property on May 20, 2009 when it was donated from Alco.

Prior to the City acquiring the deed to the property, a \$135,000 maintenance account was placed in escrow by Alco for the City's use during the three-year clean up project. Alco also agreed to contribute \$1.3 million toward the clean up of the site.

Partners Environmental Consulting, Inc. was hired by the City on April 30, 2009 to be the consultants providing Professional Environmental Services.

Significant activities that have been completed to date include the removal of asbestos containing materials, demolition of the plating area structure, removal of underground storage tanks, and monitoring of groundwater and sewers. Activities currently underway include the demolition of the hazardous waste storage building and scrap storage building, designing of a ground water interceptor trench around the perimeter of the property, and a pilot study for a biostimulation program.

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)

The goals of this project are to clean the site to Ohio EPA standards by June 2011 so they will issue a "no further action" to sue letter and to develop a useable piece of property that will create jobs in a business environment acceptable to the abutting residential neighborhood.

Crown Battery announced on September 26, 2009 that it is increasing SLI battery manufacturing by 30%. A \$1 million investment in new equipment will result in 30 new jobs added to the existing 340 employee workforce. This growth is in response to increased demand for high-performance batteries for electric vehicles, golf cars, floor care machines, aerial equipment, and renewable energy systems. New jobs at the Fremont plant include assemblers, quality assurance technicians, and engineers.

To ramp up production, Crown is adding a fifth assembly line that will operate on a two ten-hour shift basis. The new line includes automated work cells and advanced material handling systems, and will be housed in the existing 225,000 square-foot Fremont plant.

Fastenal opened in a multi-tenant facility in Bark Creek Center during 1997. The company carries locally tailored inventories and modern merchandising giving local industry immediate access to items that can help prevent a shut down of operations.

The success of Fastenal required an expansion of their operation in 2009. An investment of \$500,000 was made to construct a new 6,000 sq. ft. facility at 1615 North River Road.

During the first quarter of 2009, American Welding and Tank expanded its operation in Bark Creek Center to accommodate a propane tank refurbishing operation. The new operation created around 6-10 new jobs. Additionally, the consolidation of their Bloomfield, Iowa factory in May 2009 resulted in production and service operations being relocated to the Fremont, Ohio, Crossville, Tennessee and Salt Lake City, Utah facilities.

An important economic development function when attracting new businesses into the community is to make sure the central business district is vibrant. Regardless of the state of the economy, communities of all sizes are often judged by how well their downtown is doing. We were very fortunate that Downtown Fremont had many successes this past year.

Sending business owners to Jon Schallerts' Destination Business BootCamp has been a two-year effort by Angie Morelock, Executive Director of Downtown Fremont Inc. This 2½ day BootCamp is for business owners who want to accelerate their learning curve, receive in-depth instruction, strategies, and specific tactics on how to become a dominant Destination Business, which can pull consumers past their competition. Funding was never available until Croghan Colonial Bank announced in early December that they will provide \$10,500 to help the merchants make the trip.

"The mission of a bank is to help the community. And what better way is there to grow our business than to help these business owners grow theirs?" Croghan's Marketing Director Michelle McGovern said. Although Croghan Colonial Bank is providing \$10,500 in scholarships, business owners must pay their own travel expenses. Soon after the BootCamp, Mr. Schallert will conduct on-site visits at the attendees businesses and then provide a seminar for other local merchants.

Downtown Fremont Inc. was established in 2001 and until last year it has been operating without a logo. Green Bay Packaging volunteered to assist with developing a logo which was then adopted by the Organization Committee.

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)

A couple of efforts have been undertaken to encourage more bicycle traffic in Downtown Fremont. When the Great Ohio Bicycle Adventure (GOBA) passed through Fremont on June 21, 2009, signage was posted on the Northcoast Inland Trail directing them to the Downtown historical shopping district. In addition, Flatlanders Bike Club agreed to help fund permanent bike racks for local bicycle enthusiasts.

Downtown's newest business, Bark Avenue Pet Boutique, opened its doors at 114 S. Front St. on November 2, 2009. The store provides a variety of supplies for local pet owners.

Two issues of the Downtown NEWs were printed and distributed in the spring and fall of 2009. The newsletter contains a combination of exclusive offers and special events information. The bi-annual publication is distributed by local downtown merchants, emailed to interested shoppers and placed in waiting rooms at doctor offices and lobbies of businesses throughout town.

An attractive looking brochure was printed for the purpose of encouraging businesses to locate in Downtown Fremont. This promotional piece lists advantages of doing business in downtown and contains testimonials from downtown business owners. Specific businesses have been targeted and are in the process of being contacted to be encouraged to consider Downtown Fremont as a location to expand their business.

Downtown supporters have adopted the 3/50 Project. This project encourages consumers to identify three independently owned businesses they would miss if they disappeared, and then spend \$50 each month at those businesses. For every \$100 spent in locally owned independent stores, \$68 returns to the community in taxes, payroll and other expenditures.

Ralph's Joy of Living was once again the title sponsor of the Downtown Farmers Markets. The weather cooperated for each of the five markets held the third Saturday of the month beginning in June through October. The crowds were huge and vendors were extremely happy with the success they had. These annual events bring hundreds of people into Historical Downtown Fremont.

A special event was held in conjunction with each market. Fremont Federal Credit Union sponsored a Car Show, AEP Sponsored an Arts and Music Festival, Croghan Colonial Bank sponsored the Creative Construction Contest, Carbo Forge sponsored the Service Clubs Olympics and Memorial Hospital sponsored the Scarecrow Decorating Contest.

A new Holiday venue was developed for downtown during the week of November 28 – December 5, 2009. Live entertainment, many different activities for all ages and shopping specials were held every day during the event.

Cousins Larry and Christa Michaels did extensive research on the historical buildings in Fremont and wrote a book titled *Fremont, Then and Now*. Many downtown buildings were featured in the book and they developed a brochure for a self-guided walking tour. During the Holiday festivities, Larry and Christa conducted a walking tour of the Downtown area. Signs were printed and hung in the windows of certain Downtown buildings listing all the businesses that were once located at that site.

The newly coated tree grates weren't the only things that improved Downtown's streetscape. The demolition of two blighted houses at 425 Bidwell Avenue and 108 Hayes Avenue vastly improved the look of Downtown. Several other property owners have spent resources to improve the look of their buildings. There are, however, a few areas that need improving and they will be addressed during the coming year.

A ribbon cutting ceremony was held on March 5, 2009 at the newly constructed 13,650 sq. ft. Walgreens at the corner of Oak Harbor Road and West State Street. The \$1 million project resulted in the hiring of 25-30 new employees.

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)

The \$900,000 investment of a new CVS pharmacy at 600 East State Street was completed during the fourth quarter of 2008 but did not open until January 18, 2009.

Little Caesars Pizza returned to Fremont after once having two locations in town. The 1,500 sq. ft. pizza store at 1119 West State Street opened September 2009.

Tim Hortons expended \$600,000 to develop a new restaurant at 1116 West State Street. The business opened in April 2009 and employs 25-30 people.

Wang's Buffet, owned by Leifei and Hai Bo Wang, opened in August 2009 at 1114 Oak Harbor Rd. in Potter Village Shopping Center. The restaurant is 7,000 square feet and has a hibachi and large buffet and dining area along with a party room available for banquets.

Richard Sebetto Jr. announced at the September 3, 2009 City Council meeting that the closed Legendz restaurant will reopen at the end of September as Tailgaters under the ownership of Ryan Magrum. The downstairs will be closed except for private parties & meetings. The restaurant business is to be family style and will bring back the popular broasted chicken once offered by Serwin's Restaurant.

The most disappointing business news was the closing of Swint-Reineck Do-it Center. Swint-Reineck catered to locals for 160 years. The employees earned a reputation for solving problems on a daily basis for the do-it-yourselfers. Seldom would a customer walk out of the store without a solution to their problem and a part in hand.

Another popular retail business, Wonder Bread and Wonder Hostess Thriftshop, closed in 2009. The store at the corner of Sugar and Dickinson Streets was frequented by countless people for many years.

Ponderosa Steakhouse, opened since the mid-1970's at 1424 Oak Harbor Rd., closed without notice in early December.

Two manufacturing businesses closed their doors last year. Global Accessories, Inc., formerly known as Saddleman or LeBra, had been downsizing for several years and laid off the final 24 employees in October. Another manufacturing establishment, Aruis-Eickert Co., locally owned by the Eickert family, sold their assets to another cutlery business that took the equipment and production to an out-of-town location.

Many companies were forced to lay off employees throughout the year. Other companies tried creative approaches to offset the effects of the economy on their business. Top executives from a local manufacturing plant took voluntary non-paid time off to help in any way they could to cut costs. The plant manager and human resource director of a local manufacturer said they decided to take the voluntary leave because everyone in the company had to do their part to help.

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, 2009

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 10,516,381	\$ 6,014,606	\$ 16,530,987
Receivables (net of allowances for uncollectibles):			
Income taxes	3,600,108		3,600,108
Property and other local taxes	856,782		856,782
Accounts	147,031	1,012,889	1,159,920
Loans	387,942		387,942
Accrued interest	5,601		5,601
Due from other governments	879,755		879,755
Materials and supplies inventory	56,870	279,769	336,639
Deferred bond issuance costs	125,442	337,182	462,624
Internal balance	(37)	37	
Restricted assets:			
Equity in pooled cash and cash equivalents		47,830	47,830
Capital assets:			
Land and construction-in-progress	835,298	6,435,542	7,270,840
Depreciable capital assets, net	22,592,441	42,823,201	65,415,642
Total capital assets	<u>23,427,739</u>	<u>49,258,743</u>	<u>72,686,482</u>
Total assets	<u>40,003,614</u>	<u>56,951,056</u>	<u>96,954,670</u>
Liabilities:			
Accounts payable	37,139	90,878	128,017
Contracts payable	141,270	88,375	229,645
Accrued wages and benefits	345,836	145,445	491,281
Pension obligation payable	212,366	12,262	224,628
Due to claimants	9,715		9,715
Accrued interest payable	34,751	15,547	50,298
Unearned revenue	781,249		781,249
Payable from restricted assets:			
Refundable deposits		47,830	47,830
Long-term liabilities:			
Due within one year	374,419	549,907	924,326
Due in more than one year	4,227,246	8,415,246	12,642,492
Total liabilities	<u>6,163,991</u>	<u>9,365,490</u>	<u>15,529,481</u>
Net assets:			
Invested in capital assets, net of related debt	20,428,984	40,651,927	61,080,911
Restricted for:			
Debt service	271,326		271,326
Transportation projects	1,130,144		1,130,144
Other purposes	1,824,128		1,824,128
Unrestricted	<u>10,185,041</u>	<u>6,933,639</u>	<u>17,118,680</u>
Total net assets	<u>\$ 33,839,623</u>	<u>\$ 47,585,566</u>	<u>\$ 81,425,189</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 2,399,122	\$ 441,693	\$ 5,663	
Security of persons and property	6,022,092	1,608	42,658	
Public health and welfare	10,759			
Transportation.	1,697,722	55,260	754,152	\$ 288,773
Community environment	539,979		397,284	
Leisure time activity	2,005,079	450,552		
Economic development.	132,527			
Interest and fiscal charges.	99,182			
Total governmental activities	12,906,462	949,113	1,199,757	288,773
Business-type Activities:				
Water	4,398,278	3,570,686		4,175,260
Sewer	3,586,209	3,669,966	19,600	
Total business-type activities	7,984,487	7,240,652	19,600	4,175,260
Total primary government	\$ 20,890,949	\$ 8,189,765	\$ 1,219,357	\$ 4,464,033

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
\$ (1,951,766)		\$ (1,951,766)
(5,977,826)		(5,977,826)
(10,759)		(10,759)
(599,537)		(599,537)
(142,695)		(142,695)
(1,554,527)		(1,554,527)
(132,527)		(132,527)
(99,182)		(99,182)
<u>(10,468,819)</u>		<u>(10,468,819)</u>
	\$ 3,347,668	3,347,668
	103,357	103,357
	<u>3,451,025</u>	<u>3,451,025</u>
(10,468,819)	3,451,025	(7,017,794)
8,089,579		8,089,579
983,360		983,360
90,122		90,122
90,122		90,122
1,264,926		1,264,926
149,554	7,389	156,943
367,094		367,094
<u>11,034,757</u>	<u>7,389</u>	<u>11,042,146</u>
(133,854)	133,854	
432,084	3,592,268	4,024,352
<u>33,407,539</u>	<u>43,993,298</u>	<u>77,400,837</u>
<u>\$ 33,839,623</u>	<u>\$ 47,585,566</u>	<u>\$ 81,425,189</u>

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	<u>General</u>	<u>Municipal Income Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 2,740,562	\$ 1,991,202	\$ 5,766,952	\$ 10,498,716
Receivables (net of allowance for uncollectibles):				
Income taxes.		3,600,108		3,600,108
Property and other local taxes.	696,142		160,640	856,782
Accounts.	31,285	103,456	12,290	147,031
Accrued interest.	5,601			5,601
Loans			387,942	387,942
Due from other governments.	504,576		375,179	879,755
Materials and supplies inventory.			56,870	56,870
Total assets	<u><u>\$ 3,978,166</u></u>	<u><u>\$ 5,694,766</u></u>	<u><u>\$ 6,759,873</u></u>	<u><u>\$ 16,432,805</u></u>
Liabilities:				
Accounts payable.	\$ 23,975	\$ 783	\$ 11,764	\$ 36,522
Contracts payable.			141,270	141,270
Accrued wages and benefits	295,311	6,327	41,743	343,381
Compensated absences payable	28,772			28,772
Pension obligation payable.	208,048	533	3,581	212,162
Due to claimants	9,715			9,715
Deferred revenue.	341,810	2,069,826	263,617	2,675,253
Unearned revenue.	634,765		146,484	781,249
Total liabilities	<u><u>1,542,396</u></u>	<u><u>2,077,469</u></u>	<u><u>608,459</u></u>	<u><u>4,228,324</u></u>
Fund balances:				
Reserved for encumbrances	27,548	39,307	805,608	872,463
Reserved for materials and supplies inventory			56,870	56,870
Reserved for loans			351,929	351,929
Reserved for debt service.			306,077	306,077
Reserved for unclaimed monies	9,715			9,715
Unreserved:				
Designated for workers compensation	234,824			234,824
Undesignated, reported in:				
General fund	2,163,683			2,163,683
Special revenue funds.		3,577,990	3,212,915	6,790,905
Capital projects funds.			1,418,015	1,418,015
Total fund balances.	<u><u>2,435,770</u></u>	<u><u>3,617,297</u></u>	<u><u>6,151,414</u></u>	<u><u>12,204,481</u></u>
Total liabilities and fund balances	<u><u>\$ 3,978,166</u></u>	<u><u>\$ 5,694,766</u></u>	<u><u>\$ 6,759,873</u></u>	<u><u>\$ 16,432,805</u></u>

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, 2009

Total governmental fund balances		\$	12,204,481
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			23,427,739
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.			
Income tax receivable	\$	2,069,826	
Property and other local taxes receivable		75,533	
Intergovernmental receivable		525,556	
Interest income receivable		4,338	
Total			2,675,253
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.			14,389
An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities.			(37)
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.			(34,751)
Deferred bond issuance costs are not recognized in the funds.			125,442
Unamortized premiums on bond issuances are not recognized in the funds.			(88,155)
Unamortized deferred losses on refundings are not recognized in the funds.			129,400
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		(3,040,000)	
Ohio Police and Fire pension obligation		(758,534)	
Compensated absences		(815,604)	
Total			(4,614,138)
Net assets of governmental activities		\$	33,839,623

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, 2009

	General	Municipal Income Tax	Other Governmental Funds	Total Governmental Funds
Revenues:				
Income taxes		\$ 7,143,483		\$ 7,143,483
Property and other local taxes	\$ 978,988		\$ 179,232	1,158,220
Charges for services	25,531		451,052	476,583
Licenses, permits and fees	7,283			7,283
Fines and forfeitures	263,518		124,028	387,546
Intergovernmental	1,289,243		1,490,548	2,779,791
Special assessments			77,701	77,701
Investment income	169,509		7,705	177,214
Other	127,213	102,117	133,507	362,837
Total revenues.	<u>2,861,285</u>	<u>7,245,600</u>	<u>2,463,773</u>	<u>12,570,658</u>
Expenditures:				
Current:				
General government	1,730,674	537,337	22,586	2,290,597
Security of persons and property	4,996,048		756,726	5,752,774
Public health and welfare	10,615			10,615
Transportation			875,252	875,252
Community environment	126,374		409,231	535,605
Leisure time activity	646,320		833,957	1,480,277
Economic development and assistance	109,752			109,752
Capital outlay			1,329,198	1,329,198
Debt service:				
Principal retirement			16,297	16,297
Interest and fiscal charges			106,940	106,940
Bond issuance costs			130,848	130,848
Total expenditures	<u>7,619,783</u>	<u>537,337</u>	<u>4,481,035</u>	<u>12,638,155</u>
Excess (deficiency) of revenues over (under) expenditures	(4,758,498)	6,708,263	(2,017,262)	(67,497)
Other financing sources (uses):				
Sale of capital assets	4,252	5		4,257
Issuance of refunding bonds			3,040,000	3,040,000
Payment to refunded bond escrow agent			(3,264,978)	(3,264,978)
Premium on bond issuance			91,954	91,954
Transfers in	5,510,000		2,455,000	7,965,000
Transfers out	(610,000)	(7,355,000)		(7,965,000)
Total other financing sources (uses)	<u>4,904,252</u>	<u>(7,354,995)</u>	<u>2,321,976</u>	<u>(128,767)</u>
Net change in fund balances	145,754	(646,732)	304,714	(196,264)
Fund balances at beginning of year.	2,290,016	4,264,029	5,846,700	12,400,745
Fund balances at end of year	<u>\$ 2,435,770</u>	<u>\$ 3,617,297</u>	<u>\$ 6,151,414</u>	<u>\$ 12,204,481</u>

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, 2009

Net change in fund balances - total governmental funds \$ (196,264)

*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	\$ 1,013,334	
Current year depreciation	(1,497,638)	
Total		(484,304)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (19,439)

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

Delinquent property taxes	5,384	
Intergovernmental	(26,335)	
Municipal income taxes	946,096	
Special assessments		
Interest	(27,660)	
Total		897,485

Bond issuance costs are reported as expenditures in the governmental funds; however, in the statement of activities the costs are amortized over the life of the bonds. 130,848

Payments to refunded bond escrow agents are reported as an other financing use in the governmental funds; however, in the statement of activities they are not reported as expenses as they reduce liabilities on the statement of net assets. 3,264,978

Issuance of bonds are reported as an other financing source in the governmental funds; however, in the statement of activities they are not reported as revenues as they increase liabilities on the statement of net assets. (3,040,000)

Premiums on bonds issued are reported as an other financing source in the governmental funds; however, in the statement of activities they are amortized over the life of the bonds. (91,954)

Repayment of the long-term police and fire pension obligation is an expenditure in the governmental funds; however, in the statement of activities it is not recorded as an expense as it decreases liabilities on the statement of net assets. 16,297

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. The following items resulted in less interest being reported in the statement of activities:

Decrease in accrued interest	14,943	
Amortization of bond premium	3,799	
Amortization of deferred loss on refunding	(5,578)	
Amortization of bond issuance costs	(5,406)	
Total		7,758

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. (53,543)

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 balance of \$63, is allocated among the governmental activities. 222

Change in net assets of governmental activities \$ 432,084

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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other local taxes	\$ 838,115	\$ 832,495	\$ 951,918	\$ 119,423
Charges for services	45,153	44,850	25,531	(19,319)
Licenses, permits and fees	8,439	8,382	7,283	(1,099)
Fines and forfeitures	278,137	276,269	266,581	(9,688)
Intergovernmental	922,443	916,251	1,301,918	385,667
Investment income	185,422	184,185	177,464	(6,721)
Other	127,946	179,576	130,149	(49,427)
Total revenues.	<u>2,405,655</u>	<u>2,442,008</u>	<u>2,860,844</u>	<u>418,836</u>
Expenditures:				
Current:				
General government	1,899,050	1,916,050	1,782,071	133,979
Security of persons and property.	5,170,009	5,202,009	5,044,441	157,568
Public health and welfare	23,128	23,128	10,686	12,442
Community environment.	137,716	137,716	129,275	8,441
Leisure time activity	746,002	746,002	682,602	63,400
Economic development and assistance	114,392	114,392	110,857	3,535
Other	2,000	2,000	2,000	2,000
Total expenditures	<u>8,092,297</u>	<u>8,141,297</u>	<u>7,759,932</u>	<u>381,365</u>
Deficiency of revenues under expenditures.	<u>(5,686,642)</u>	<u>(5,699,289)</u>	<u>(4,899,088)</u>	<u>800,201</u>
Other financing sources (uses):				
Sale of capital assets	13,904	13,810	4,252	(9,558)
Transfers in.	5,108,441	5,074,182	5,510,000	435,818
Transfers out	(610,000)	(610,000)	(610,000)	-
Total other financing sources (uses)	<u>4,512,345</u>	<u>4,477,992</u>	<u>4,904,252</u>	<u>426,260</u>
Net change in fund balance.	(1,174,297)	(1,221,297)	5,164	1,226,461
Fund balance at beginning of year.	2,657,790	2,657,790	2,657,790	-
Prior year encumbrances appropriated	38,822	38,822	38,822	-
Fund balance at end of year.	<u>\$ 1,522,315</u>	<u>\$ 1,475,315</u>	<u>\$ 2,701,776</u>	<u>\$ 1,226,461</u>

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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Income taxes	\$ 7,359,345	\$ 7,159,390	\$ 7,120,884	\$ (38,506)
Other	140,655	127,610	125,898	(1,712)
Total revenues.	<u>7,500,000</u>	<u>7,287,000</u>	<u>7,246,782</u>	<u>(40,218)</u>
Expenditures:				
Current:				
General government	626,102	626,102	578,292	47,810
Excess of revenues over expenditures	<u>6,873,898</u>	<u>6,660,898</u>	<u>6,668,490</u>	<u>7,592</u>
Other financing sources (uses):				
Sale of capital assets			5	5
Transfers out	(7,355,000)	(7,355,000)	(7,355,000)	
Total other financing sources (uses)	<u>(7,355,000)</u>	<u>(7,355,000)</u>	<u>(7,354,995)</u>	<u>5</u>
Net change in fund balance.	(481,102)	(694,102)	(686,505)	7,597
Fund balance at beginning of year	2,636,229	2,636,229	2,636,229	
Prior year encumbrances appropriated	1,577	1,577	1,577	
Fund balance at end of year.	<u>\$ 2,156,704</u>	<u>\$ 1,943,704</u>	<u>\$ 1,951,301</u>	<u>\$ 7,597</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2009

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 3,013,088	\$ 3,001,518	\$ 6,014,606	\$ 17,665
Receivables (net of allowance for uncollectibles):				
Accounts	489,430	523,459	1,012,889	
Materials and supplies inventory	240,447	39,322	279,769	
Noncurrent assets:				
Restricted assets:				
Equity in pooled cash and cash equivalents.	47,830		47,830	
Deferred bond issuance costs.	337,182		337,182	
Capital assets:				
Land and construction-in-progress.	5,849,862	585,680	6,435,542	
Depreciable capital assets, net	33,442,281	9,380,920	42,823,201	
Total capital assets	39,292,143	9,966,600	49,258,743	
Total assets	43,420,120	13,530,899	56,951,019	17,665
Liabilities:				
Current liabilities:				
Accounts payable.	42,726	48,152	90,878	617
Contracts payable.	88,375		88,375	
Accrued wages and benefits	61,919	83,526	145,445	2,455
Pension obligation payable	5,207	7,055	12,262	204
Accrued interest payable	15,547		15,547	
Current portion of compensated absences.	28,139	82,544	110,683	
Current portion of general obligation bonds payable	420,000		420,000	
Current portion of OPWC loans payable		19,224	19,224	
Payable from restricted assets:				
Refundable deposits	47,830		47,830	
Total current liabilities.	709,743	240,501	950,244	3,276
Long-term liabilities:				
Compensated absences	111,961	135,693	247,654	
General obligation bonds payable.	7,925,000		7,925,000	
OPWC loans payable.		242,592	242,592	
Total long-term liabilities.	8,036,961	378,285	8,415,246	
Total liabilities	8,746,704	618,786	9,365,490	3,276
Net assets:				
Invested in capital assets, net of related debt	30,947,143	9,704,784	40,651,927	
Unrestricted	3,726,273	3,207,329	6,933,602	14,389
Total net assets.	\$ 34,673,416	\$ 12,912,113	47,585,529	\$ 14,389
Adjustment to reflect the consolidation of the internal service fund activity related to enterprise funds			37	
Net assets of business-type activities			\$ 47,585,566	

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, 2009

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
Operating revenues:				
Charges for services.	\$ 3,549,445	\$ 3,659,820	\$ 7,209,265	\$ 83,029
Tap-in fees.	10,903		10,903	
Other.	10,338	10,146	20,484	
Total operating revenues	<u>3,570,686</u>	<u>3,669,966</u>	<u>7,240,652</u>	<u>83,029</u>
Operating expenses:				
Personal services	1,453,550	1,919,304	3,372,854	56,940
Contractual services.	144,177	311,828	456,005	3,495
Materials and supplies	756,632	387,239	1,143,871	13,508
Utilities expense.	205,058	367,858	572,916	8,018
Depreciation	1,381,134	534,246	1,915,380	
Other	61,765	64,326	126,091	783
Total operating expenses.	<u>4,002,316</u>	<u>3,584,801</u>	<u>7,587,117</u>	<u>82,744</u>
Operating income (loss)	<u>(431,630)</u>	<u>85,165</u>	<u>(346,465)</u>	<u>285</u>
Nonoperating revenues (expenses):				
Interest revenue.	6,603	786	7,389	
Interest and fiscal charges	(396,012)		(396,012)	
Loss on sale of capital assets		(1,421)	(1,421)	
Intergovernmental		19,600	19,600	
Total nonoperating revenues (expenses)	<u>(389,409)</u>	<u>18,965</u>	<u>(370,444)</u>	
Net income (loss) before capital contributions	<u>(821,039)</u>	<u>104,130</u>	<u>(716,909)</u>	<u>285</u>
Capital contributions	<u>4,257,665</u>	<u>51,449</u>	<u>4,309,114</u>	
Changes in net assets	<u>3,436,626</u>	<u>155,579</u>	<u>3,592,205</u>	<u>285</u>
Net assets at beginning of year	<u>31,236,790</u>	<u>12,756,534</u>		<u>14,104</u>
Net assets at end of year	<u>\$ 34,673,416</u>	<u>\$ 12,912,113</u>		<u>\$ 14,389</u>
Adjustment to reflect the consolidation of the internal service fund activity related to enterprise funds			<u>63</u>	
Change in net assets of business-type activities			<u>\$ 3,592,268</u>	

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, 2009

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
Cash flows from operating activities:				
Cash received from charges for services	\$ 3,598,752	\$ 3,814,501	\$ 7,413,253	\$ 83,029
Cash received from tap-in fees	10,903		10,903	
Cash received from other operations	26,513	10,146	36,659	
Cash payments for personal services	(1,484,643)	(1,955,367)	(3,440,010)	(57,807)
Cash payments for contractual services	(442,308)	(285,622)	(727,930)	(2,912)
Cash payments for materials and supplies.	(741,618)	(383,808)	(1,125,426)	(13,508)
Cash payments for utilities expense.	(206,050)	(363,644)	(569,694)	(8,019)
Cash payments for other expenses	(75,385)	(64,326)	(139,711)	(783)
	<u>686,164</u>	<u>771,880</u>	<u>1,458,044</u>	
Net cash provided by operating activities				
Cash flows from noncapital financing activities:				
Cash received operating grants		19,600	19,600	
Cash flows from capital and related financing activities:				
Cash payments for the acquisition of capital assets.	(4,150,718)	(125,465)	(4,276,183)	
Cash received from capital grants	4,175,260		4,175,260	
Cash payments for principal retirement.	(415,000)	(19,225)	(434,225)	
Cash payments for interest and fiscal charges	(381,383)		(381,383)	
	<u>(771,841)</u>	<u>(144,690)</u>	<u>(916,531)</u>	
Net cash used in capital and related financing activities.				
Cash flows from investing activities:				
Cash received from interest earned.	6,603	786	7,389	
Net increase (decrease) in cash and cash equivalents	(79,074)	647,576	568,502	
Cash and cash equivalents at beginning of year	3,139,992	2,353,942	5,493,934	17,665
Cash and cash equivalents at end of year.	<u>\$ 3,060,918</u>	<u>\$ 3,001,518</u>	<u>\$ 6,062,436</u>	<u>\$ 17,665</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss).	\$ (431,630)	\$ 85,165	\$ (346,465)	\$ 285
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,381,134	534,246	1,915,380	
Changes in assets and liabilities:				
Decrease in accounts receivable.	49,307	154,681	203,988	576
Decrease in materials and supplies inventory.	19,213	4,354	23,567	
Increase (decrease) in accounts payable.	(107,374)	29,320	(78,054)	
Increase in contracts payable	88,375		88,375	
Decrease in accrued wages and benefits.	(16,989)	(21,954)	(38,943)	(859)
Decrease in compensated absences payable.	(13,342)	(13,812)	(27,154)	
Decrease in pension obligation payable.	(85)	(120)	(205)	(2)
Decrease in retainage payable	(285,000)		(285,000)	
Increase in refundable deposits liability	2,555		2,555	
	<u>\$ 686,164</u>	<u>\$ 771,880</u>	<u>\$ 1,458,044</u>	
Net cash provided by operating activities				

Non-Cash Transactions:

During 2009, the Water fund and Sewer fund received \$82,405 and \$51,449, respectively, in contributed capital from the governmental activities.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 DECEMBER 31, 2009

		Agency
Assets:		
Equity in pooled cash and cash equivalents	\$	11,859
Cash in segregated accounts		7,106
Receivables:		
Accounts		1,967
Total assets	\$	20,932
 Liabilities:		
Due to other governments.	\$	4,326
Deposits held and due to others.		16,606
Total liabilities	\$	20,932

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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) guidance 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 guidance 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 this FASB guidance. 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 significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the organization's budget, the issuance of its debt or the levying of its taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the City and the organization is such that exclusion by the City would render the City's financial statements incomplete or misleading. Based upon these criteria, the City has no component units but is a member of an insurance pool described in Note 13.

B. Basis of Presentation - Fund Accounting

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

**CITY OF FREMONT, OHIO
SANDUSKY COUNTY**
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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.

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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.

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) 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 residential and commercial users located within the City.

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

FIDUCIARY FUNDS

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

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

E. Basis of Accounting

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

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income taxes, charges for services, State-levied locally shared taxes (including gasoline taxes, local government funds and permissive taxes), fines and forfeitures, 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, 2009, but which were levied to finance year 2010 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, 2009, are recorded as deferred revenue.

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

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

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

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

F. Budgetary Process

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

Estimated Resources - The County Budget Commission reviews the estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The County Budget Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. Prior to December 31, the City must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include the actual unencumbered fund balances from the preceding year. The certificate of estimated resources may be further amended during the year if the City Auditor determines that revenue to be collected will be greater than or less than prior estimates and the County Budget Commission find the revised estimates to be reasonable. The amounts set forth in the financial statements represent estimates from the first and final amended official certificate of estimated resources issued during 2009.

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 2009.

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

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

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

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 2009, 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, 2009.

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 2009 was \$169,509, which includes \$138,575 assigned from other City funds.

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

H. Loans Receivable

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

I. Inventories of Materials and Supplies

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

On fund financial statements, reported material and supplies inventory is equally offset by a 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.

**CITY OF FREMONT, OHIO
SANDUSKY COUNTY**
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

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 2009.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land improvements	10-50 years	10-50 years
Buildings	25-50 years	25-50 years
Building improvements	5-50 years	5-25 years
Machinery and equipment	3-30 years	5-10 years
Infrastructure - Streets, Sidewalks, and Storm Sewers	25-50 years	50 years
Infrastructure - Bridges and Culverts	25-50 years	25-50 years

K. Compensated Absences

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

CITY OF FREMONT, OHIO
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

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.

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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, debt service, 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.

Restricted assets at December 31, 2009 are comprised of the following:

	<u>Cash and Cash Equivalents</u>
Customer deposits	<u>\$ 47,830</u>

P. Unamortized Bond Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements and on the proprietary fund statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized issuance costs are recorded as deferred bond issuance costs on the statement of net assets.

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

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. The reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 11.

CITY OF FREMONT, OHIO
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

Q. Estimates

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

R. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, 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 2009, the water enterprise fund received \$4,257,665 and the sewer enterprise fund received \$51,449 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 2009.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles

For 2009, the City has implemented GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards", and GASB Statement No. 57, "Other Postemployment Benefit (OPEB) Measurements by Agent Employers and Agent Multiple-Employers".

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating

CITY OF FREMONT, OHIO
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the City.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the City.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the City.

GASB Statement No. 57 establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the City.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;
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 \$47,830 in restricted assets for refundable deposits from customers of the water fund. This amount is included in the "deposits with financial institutions" below.

A. Deposits with Financial Institutions

As of December 31, 2009, the carrying amount of all City deposits was \$15,184,502. At December 31, 2009, \$5,604,066 of the City's bank balance of \$15,702,485 was covered by the Federal Deposit Insurance Corporation and \$10,098,419 was exposed to custodial credit

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

risk as discussed below.

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

B. Investments

As of December 31, 2009, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Maturities</u>	
		<u>6 months or less</u>	<u>19 to 24 months</u>
FHLB	\$ 499,125		\$ 499,125
STAR Ohio	907,049	\$ 907,049	
Total	\$ 1,406,174	\$ 907,049	\$ 499,125

The weighted average maturity of investments is 0.70 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.

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, 2009:

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$ 499,125	35.50%
STAR Ohio	<u>907,049</u>	<u>64.50%</u>
Total	<u>\$ 1,406,174</u>	<u>100.00%</u>

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

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net assets as of December 31, 2009:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 15,184,502
Investments	1,406,174
Cash in segregated accounts	<u>7,106</u>
Total	<u>\$ 16,597,782</u>

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 10,516,381
Business type activities	6,062,436
Agency funds	<u>18,965</u>
Total	<u>\$ 16,597,782</u>

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2009 consisted of the following, as reported in the fund financial statements:

<u>Transfers out of general fund to:</u>	
Nonmajor governmental funds	\$ 610,000
<u>Transfers out of municipal income tax fund to:</u>	
General fund	5,510,000
Nonmajor governmental funds	<u>1,845,000</u>
Total	<u>\$ 7,965,000</u>

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

Net transfers between governmental activities and business-type activities are reported in the statement of activities. Net transfers of \$133,854 reported in the statement of activities include \$82,405 of capital asset capital contributions from governmental activities to the Water fund and \$51,449 of capital asset capital contributions from governmental activities to the Sewer fund.

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 6 - PROPERTY TAXES

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Beginning in calendar year 2009 tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property tax collections in calendar year 2009 represent delinquent collections.

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 was 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 2009-2010, 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. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2009 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 2009 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.

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 6 - PROPERTY TAXES - (Continued)

The full tax rate for all City operations for the year ended December 31, 2009 was \$3.20 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

<u>Real Property</u>	
Residential/Agricultural	\$ 151,938,430
Commercial/Industrial/Mineral	95,789,150
<u>Public Utility</u>	
Real	79,360
Personal	<u>9,363,190</u>
Total Assessed Value	<u><u>\$ 257,170,130</u></u>

NOTE 7 - LOCAL INCOME TAX

The City levies and collects an income tax of 1.5 percent based on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Income tax revenue is credited to the municipal income tax fund and amounted to \$7,143,483 in 2009.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2009 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, 2009, as well as intended to finance 2009 operations. A summary of the principal items of receivables reported on the statement of net assets follows:

<u>Receivables:</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Income taxes	\$ 3,600,108	
Property and other local taxes	856,782	
Accounts	147,031	\$ 1,012,889
Loans	387,942	
Accrued interest	5,601	
Due from other governments	879,755	
Total	<u><u>\$ 5,877,219</u></u>	<u><u>\$ 1,012,889</u></u>

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 8 – RECEIVABLES (Continued)

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 loans (see Note 9).

NOTE 9 - LOANS RECEIVABLE

The Fremont City Council created the Revolving Loan Committee and granted them the authority to act on behalf of the City of Fremont in making loans from the City's revolving loan fund to qualified applicants within the revolving loan fund geographic area. At the close of 2009, there were loans to five businesses with a total principal balance of \$387,942. \$36,013 is the amount due within one year and \$351,929 is due in more than one year.

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 was as follows:

<u>Governmental activities:</u>	<u>Balance</u> <u>12/31/08</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/09</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 798,709	\$ 5,250		\$ 803,959
Construction-in-progress	<u>37,775</u>	<u>31,339</u>	\$ (37,775)	<u>31,339</u>
<i>Total capital assets, not being depreciated</i>	<u>836,484</u>	<u>36,589</u>	<u>(37,775)</u>	<u>835,298</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	4,565,862		(2,696)	4,563,166
Buildings and improvements	12,538,648			12,538,648
Machinery and equipment	4,796,435	333,714	(200,010)	4,930,139
Infrastructure	<u>15,983,400</u>	<u>680,806</u>	<u>(132,843)</u>	<u>16,531,363</u>
<i>Total capital assets, being depreciated</i>	<u>37,884,345</u>	<u>1,014,520</u>	<u>(335,549)</u>	<u>38,563,316</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,012,846)	(201,517)	1,415	(1,212,948)
Buildings and improvements	(3,799,530)	(360,977)		(4,160,507)
Machinery and equipment	(3,068,282)	(308,436)	200,010	(3,176,708)
Infrastructure	<u>(6,908,689)</u>	<u>(626,708)</u>	<u>114,685</u>	<u>(7,420,712)</u>
<i>Total accumulated depreciation</i>	<u>(14,789,347)</u>	<u>(1,497,638)</u>	<u>316,110</u>	<u>(15,970,875)</u>
Total capital assets, being depreciated, net	<u>23,094,998</u>	<u>(483,118)</u>	<u>(19,439)</u>	<u>22,592,441</u>
Total capital assets, net	<u>\$ 23,931,482</u>	<u>\$ (446,529)</u>	<u>\$ (57,214)</u>	<u>\$ 23,427,739</u>

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 10 - CAPITAL ASSETS - (Continued)

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

Governmental activities:

General government	\$ 73,322
Security of persons and property	193,992
Transportation	736,628
Leisure time activities	472,269
Economic development	<u>21,427</u>
Total depreciation expense	<u><u>\$ 1,497,638</u></u>

<u>Business-type activities:</u>	<u>Balance</u> <u>12/31/08</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/09</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 898,891			\$ 898,891
Construction-in-progress	<u>1,742,123</u>	\$ 4,105,389	\$ (310,861)	<u>5,536,651</u>
<i>Total capital assets, not being depreciated</i>	<u>2,641,014</u>	<u>4,105,389</u>	<u>(310,861)</u>	<u>6,435,542</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,607,589			1,607,589
Buildings and improvements	36,048,540			36,048,540
Machinery and equipment	7,846,463	76,131	(23,018)	7,899,576
Infrastructure	<u>21,693,350</u>	<u>539,378</u>		<u>22,232,728</u>
<i>Total capital assets, being depreciated</i>	<u>67,195,942</u>	<u>615,509</u>	<u>(23,018)</u>	<u>67,788,433</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(226,260)	(45,914)		(272,174)
Buildings and improvements	(12,216,482)	(1,019,740)		(13,236,222)
Machinery and equipment	(4,630,405)	(410,233)	21,597	(5,019,041)
Infrastructure	<u>(5,998,302)</u>	<u>(439,493)</u>		<u>(6,437,795)</u>
<i>Total accumulated depreciation</i>	<u>(23,071,449)</u>	<u>(1,915,380)</u>	<u>21,597</u>	<u>(24,965,232)</u>
Total capital assets, being depreciated, net	<u>44,124,493</u>	<u>(1,299,871)</u>	<u>(1,421)</u>	<u>42,823,201</u>
Total capital assets, net	<u><u>\$ 46,765,507</u></u>	<u><u>\$ 2,805,518</u></u>	<u><u>\$ (312,282)</u></u>	<u><u>\$ 49,258,743</u></u>

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

<u>Business-type activities:</u>	<u>Depreciation</u> <u>Expense</u>
Water fund	\$ 1,381,134
Sewer fund	<u>534,246</u>
Total depreciation expense	<u><u>\$ 1,915,380</u></u>

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 11 - LONG-TERM OBLIGATIONS

A. Governmental Activities

The City's governmental activities long-term obligations at December 31, 2009 were as follows:

<u>Governmental activities:</u>	<u>Balance</u> <u>12/31/08</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/09</u>	<u>Amount Due</u> <u>Within</u> <u>One Year</u>
<u>General obligation bonds</u>					
Community center	\$ 3,130,000	\$ 3,040,000	\$(3,130,000)	\$ 3,040,000	\$ 275,000
<u>Pension liability</u>					
Police and fire pension	774,831		(16,297)	758,534	16,997
<u>Other long-term obligations</u>					
Compensated absences	<u>837,033</u>	<u>137,744</u>	<u>(130,401)</u>	<u>844,376</u>	<u>82,422</u>
Total	<u>\$ 4,741,864</u>	<u>\$ 3,177,744</u>	<u>\$(3,276,698)</u>	4,642,910	<u>\$ 374,419</u>
Unamortized premium on bonds				88,155	
Deferred loss on advance refunding				<u>(129,400)</u>	
Total long-term obligations				<u>\$ 4,601,665</u>	

General Obligation Bonds

The general obligation bonds were originally issued in 1999, carried an interest rate of 3.25% - 4.85%, and were issued for the construction of a community center. These general obligation bonds were advance refunded in 2009 with the proceeds of a \$3,040,000 refunding bond issue. The refunding bonds carry an interest rate of 2.50% - 4.00%. The bonds are a general obligation of the City, and the principal and interest payments are paid out of the debt service fund. The proceeds of the 2009 general obligation bonds were used for the advance refunding of the 1999 general obligation bonds by purchasing state and local government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The balance of the refunded bonds at December 31, 2009 is \$2,905,000; however, this amount is not included in the City's outstanding debt since the City has satisfied its obligations through the advance refunding.

The advance refunding was undertaken to reduce the total debt service payments by \$429,744, and resulted in an economic gain of \$404,761.

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

B. Business-Type Activities

The City's business-type activities long-term obligations at December 31, 2009 were as follows:

<u>Business-type activities:</u>	Balance 12/31/08	Increases	Decreases	Balance 12/31/09	Amount Due Within One Year
<u>General obligation bonds</u>					
Water - series 2003	\$ 4,735,000		\$ (220,000)	\$ 4,515,000	\$ 225,000
Water - series 2003	2,075,000		(105,000)	1,970,000	105,000
Water - series 2003	1,950,000		(90,000)	1,860,000	90,000
Total	8,760,000		(415,000)	8,345,000	420,000
<u>OPWC loans</u>					
Sewer - series 2001	134,323		(10,333)	123,990	10,332
Sewer - series 2004	146,718		(8,892)	137,826	8,892
Total	281,041		(19,225)	261,816	19,224
<u>Other long-term obligations</u>					
Compensated absences	385,491	\$ 64,869	(92,023)	358,337	110,683
Total long-term obligations	\$ 9,426,532	\$ 64,869	\$ (526,248)	\$ 8,965,153	\$ 549,907

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, 2009 is \$4,170,000, 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.

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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, 2009 is \$1,885,000, 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, 2009 are as follows:

Year Ending December 31.	General Obligation Bonds - Community Center			Pension Liability - Police and Fire Pension		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 275,000	\$ 96,643	\$ 371,643	\$ 16,997	\$ 32,059	\$ 49,056
2011	285,000	83,025	368,025	17,727	31,329	49,056
2012	285,000	75,900	360,900	18,489	30,567	49,056
2013	290,000	68,775	358,775	19,283	29,773	49,056
2014	295,000	61,525	356,525	20,111	28,945	49,056
2015 - 2019	1,610,000	173,450	1,783,450	114,278	131,002	245,280
2020 - 2024				141,022	104,258	245,280
2025 - 2029				174,021	71,259	245,280
2030 - 2034				214,746	30,534	245,280
2035				21,860	465	22,325
Total	\$ 3,040,000	\$ 559,318	\$ 3,599,318	\$ 758,534	\$ 490,191	\$ 1,248,725

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Year Ending December 31,	General Obligation Bonds - Water - Series 2003			General Obligation Bonds - Water - Series 2003		
	Principal	Interest	Total	Principal	Interest	Total
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	260,000	163,246	423,246	125,000	68,681	193,681
2015 - 2019	1,465,000	647,212	2,112,212	705,000	262,295	967,295
2020 - 2024	1,845,000	283,550	2,128,550	690,000	87,451	777,451
Total	\$ 4,515,000	\$ 1,841,493	\$ 6,356,493	\$ 1,970,000	\$ 738,352	\$ 2,708,352

Year Ending December 31,	General Obligation Bonds - Water - Series 2003		
	Principal	Interest	Total
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	110,000	67,211	177,211
2015 - 2019	605,000	266,250	871,250
2020 - 2024	755,000	116,325	871,325
Total	\$ 1,860,000	\$ 757,943	\$ 2,617,943

Year Ending December 31,	OPWC Loans - Sewer - Series 2001			OPWC Loans - Sewer - Series 2004		
	Principal	Interest	Total	Principal	Interest	Total
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	10,332		10,332	8,892		8,892
2015 - 2019	51,663		51,663	44,460		44,460
2020 - 2024	20,665		20,665	44,460		44,460
2025				4,446		4,446
Total	\$ 123,990		\$ 123,990	\$ 137,826		\$ 137,826

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

- 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, 2009 are a legal voted debt margin of \$14,678,990 and a legal unvoted debt margin of \$13,673,643.

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

As of December 31, 2009, the governmental activities liability for compensated absences was \$844,376, the business-type activities liability for compensated absences was \$358,337, and the City's total liability for compensated absences was \$1,202,713.

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (YORK), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administrated by ARPCO. Member governments pay annual

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 13 - RISK MANAGEMENT - (Continued)

contributions to fund PEP. PEP pays judgments, 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 (Travelers) 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 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 2008 (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 years.

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, 2009 and 2008.

	<u>2009</u>	<u>2008</u>
Assets	\$ 36,374,898	\$ 35,769,535
Liabilities	<u>15,256,862</u>	<u>15,310,206</u>
Net assets - unrestricted	<u>\$ 21,118,036</u>	<u>\$ 20,459,329</u>

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 13 - RISK MANAGEMENT - (Continued)

At December 31, 2009 and 2008, respectively, casualty coverage liabilities noted above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The casualty coverage assets and retained earnings above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member political subdivisions in the future, as of December 31, 2009 and 2008, 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 \$163,000. 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 years ended December 31, 2009 and 2008 are as follows:

<u>Contributions to PEP</u>	
<u>Fiscal Year</u>	<u>Amount</u>
2009	\$ 173,839
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 plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional pension 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.

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 14 - PENSION PLANS - (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and the 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 E. Town St., Columbus, OH 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 2009, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan. The 2009 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.10%. The City's contribution rate for 2009 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.63% of covered payroll.

The City's contribution rate for 2009 was 7.00% from January 1 through March 31, 2009 and 8.50% from April 1 through December 31, 2009, except for those plan members in law enforcement and public safety. For those classifications, pension contributions were 10.63% from January 1 through March 31, 2009 and 12.13% from April 1 through December 31, 2009. 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, 2009, 2008, and 2007, were \$731,920, \$736,249, and \$730,729, respectively; 100% has been contributed for 2009, 2008, and 2007.

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 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.

Funding Policy - Plan members are required to contribute 10.0 percent of their annual covered salary. The City's contribution was 19.50 percent for police officers and 24.00 percent for firefighters. Contribution rates are established by State statute. For 2009, the portion of the City's contributions to fund pension obligations was 12.75 percent for police officers and 17.25 percent for firefighters. The City's pension contributions to OP&F for police officers and firefighters were \$364,142 and \$344,682 for the year ended December 31, 2009, \$366,990 and \$333,262 for the year ended December 31, 2008, and \$359,173 and \$316,958 for the year ended December 31, 2007. 75.69% has been contributed for 2009. The full amount has been contributed for 2008 and 2007.

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 15 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy - The ORC provides the statutory authority requiring public employers 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 2009, local government employers contributed 14.00 percent of covered payroll (17.63 percent for public safety and law enforcement). The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan. OPERS' Post Employment Health Care plan was established under, and is administrated 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 postemployment health care benefits. The amount of employer contributions allocated to fund post-employment healthcare for 2009 was 7.00 percent from January 1 through March 31, 2009 and 5.50 percent from April 1 through December 31, 2009 over covered payroll.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retirees 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, 2009, 2008, and 2007, were \$307,114, \$368,125, and \$290,181, respectively; 100% has been contributed for 2009, 2008, and 2007.

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

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

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

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

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 provides for contribution requirements of the 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.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan into the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2009, 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 the pension benefits are adequately funded and also is limited by the provisions of 401(h).

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 15 - POSTRETIREMENT BENEFIT PLANS – (Continued)

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 healthcare benefits for police and firefighters were \$126,049 and \$96,942 for the year ended December 31, 2009, \$127,035 and \$93,730 for the year ended December 31, 2008, and \$124,329 and \$89,144 for the year ended December 31, 2007. 75.69% has been contributed for 2009. The full amount has been contributed for 2008 and 2007.

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 and the municipal income tax fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

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

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

CITY OF FREMONT, OHIO
SANDUSKY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Change in Fund Balance

	<u>General</u>	<u>Municipal Income Tax</u>
Budget basis	\$ 5,164	\$ (686,505)
Net adjustment for revenue accruals	441	(1,182)
Net adjustment for expenditure accruals	100,638	1,054
Adjustment for encumbrances	<u>39,511</u>	<u>39,901</u>
GAAP basis	<u>\$ 145,754</u>	<u>\$ (646,732)</u>

NOTE 17 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2009.

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 except for a contractual matter the City is a defendant. The extent of the City's liability is in dispute and the range of potential loss is very uncertain. The City is currently seeking to settle all matters between the parties, however, is prepared to vigorously prosecute its position.



Mary Taylor, CPA

Auditor of State

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

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fremont, Sandusky County (The City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 27, 2010. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of in internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the City's financial statement will not be prevented, or detected and timely corrected.

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

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 a certain matter not requiring inclusion in this report that we reported to the City's management in a separate letter dated September 27, 2010.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 27, 2010

**CITY OF FREMONT
SANDUSKY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Weakness in Financial Reporting	Yes	

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Mary Taylor, CPA
Auditor of State

CITY OF FREMONT

SANDUSKY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 14, 2010**