

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDED JUNE 30, 2018



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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2018

Prepared by the Finance Department

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Letter of Transmittal



Finance Department

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510 494-4610 *ph* | 510 494-4611 *fax* | www.fremont.gov

December 28, 2018

To the Honorable Mayor, Members of the City Council and Citizens of the City of Fremont, California

Various financing covenants and rules associated with restricted funding sources require the City of Fremont, California (City) to publish a complete set of audited financial statements presented in conformance with generally accepted accounting principles (GAAP). This report is published to fulfill that requirement for the fiscal year ended June 30, 2018.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that is established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

Macias Gini & O'Connell LLP, a firm of licensed certified public accountants, has issued an unmodified ("clean") opinion on the City's financial statements for the fiscal year ended June 30, 2018. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Fremont, incorporated in 1956, is located at the southeast end of the San Francisco Bay. With a population of over 235,000, Fremont is the fourth largest city in the Bay Area, the 16th largest in California, and the 96th most populous city in the nation. The City of Fremont is approximately 92 square miles in size. In addition to a large cluster of high tech companies, Fremont has attracted many biotechnology and clean technology companies and serves as a center for advanced manufacturing in the region.

Letter of Transmittal

The City of Fremont has operated under the council-manager form of government since its incorporation in 1956. Until the election held in November 2018, policy-making and legislative authority were vested in a five-member governing council consisting of the Mayor and four Councilmembers. On June 13, 2017, the City Council adopted an ordinance establishing six council districts and a by-district election process for six Councilmembers, with the Mayor continuing to be separately elected to a four-year term by a citywide vote. At-large Councilmembers will continue in office until the expiration of the full term to which they were elected. At the end of the term of each Councilmember, that Councilmember's successor will be elected on a by-district basis.

The election held in November 2018 included District 1 (Northwest portion of the City), District 2 (Central north portion), District 3 (Central portion), and District 4 (Eastern portion), with a two-year term for the Councilmember elected to Council District 1. In the November 2020 election, voters in District 1, District 5 (South portion) and District 6 (Central south portion) will each elect a City Councilmember, and all voters will vote for Mayor. The City Council is elected on a non-partisan basis, and the Mayor and Councilmembers are subject to a two-term limit.

The City Council is responsible for, among other things, passing ordinances, adopting the budget, approving the Mayor's nominees to commissions, and hiring both the City's manager and its attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments.

The City of Fremont provides a broad range of services, including police and fire protection, construction and maintenance of streets, parks, storm drains and other infrastructure, building inspections, licenses and permits, recreational and cultural activities, and human services programs. The City also manages franchises for solid waste, cable television, and energy.

The City of Fremont is a general law city and, as such, does not operate under the provisions of a voter-approved charter. As with other California cities, Fremont has limited ability to set tax rates. The State Constitution establishes a maximum rate for property tax and limits the growth of assessed value. The property tax collected by the County is allocated among the taxing jurisdictions in the County based on criteria established by the State Legislature. The rate and tax base of the City's other major general tax, sales tax, are also controlled by the State Legislature or the Constitution, rather than the City Council.

Increases of existing local taxes and any new taxes require voter approval. Taxes used for general purposes are subject to approval by a simple majority of voters, while taxes levied for specific purposes require a two-thirds majority of voters, as do property tax levies used to pay for debt issued to acquire real property and build capital assets.

Assessments have varying requirements for voter approval, ranging from approval through Council action unless challenged by a majority protest, to two-thirds voter approval, with voting rights apportioned based on the amount of the assessment. In addition, fees for facilities and services are subject to requirements that they be set at levels that do not exceed the reasonable costs of providing those services. As a result, fund balances generated by differences between fee revenue and related expenses are restricted or committed for services and facilities that benefit fee payers.

The City of Fremont budget policies are subject to California State law, GAAP, and actions of the City Council. The City's annual operating budget is adopted by the City Council by July 1 each year. The annual budget sets appropriations by fund, with further allocation by department or program. At the fund level, expenditures may not legally exceed appropriations. The City Manager is authorized to transfer budgeted amounts between departments or programs within any fund. The annual budget resolution authorizes the City Manager to increase appropriations for operating expenditures due to increases in grant or activity-based revenues in an amount not to exceed the increased grant or activity-based revenues. All other revisions or transfers that alter the total appropriations of other funds must be approved by the City Council, which also may adopt supplemental appropriations at any time during the year.

Local Economy

Fremont is the fourth largest city in Silicon Valley, with a vibrant and diversified globally connected economy with important assets such as a centralized Bay Area location, access to the Bay Area Rapid Transit (BART) commuter rail system, and a world class workforce. For these reasons, Fremont is home to dozens of innovative firms, including Tesla Motors, Lam Research, Seagate Technology, Western Digital, ThermoFisher Scientific, Delta Products and more.

Considered the advanced manufacturing hub of Silicon Valley, approximately 22% of working adults in Fremont are employed in manufacturing. An August 2017 survey from the San Francisco Business Times shows that of the top 10 cities in the Bay area, Fremont is home to almost half of the manufacturing jobs. Growth continues to occur in this sector with Tesla recently adding several hundreds of thousands of square feet to its facility, approved as part of a planned four million square-foot expansion to facilitate production of its Model 3.

Two of Fremont's most prominent sectors are clean technology and biomedical both of which rely on Fremont's production capacity and the right ecosystem to scale operations as companies expand. Growing industries and employment sectors include:

- Advanced Manufacturing
- Electric and Autonomous Vehicles
- High-tech and Information Technology
- Clean Technology
- Biomedical Devices and Equipment
- Logistics, and Goods Movement
- Medical and Health Care
- Robotics, Automation, and IoT (Internet of Things)

According to a report completed by San Francisco-based SizeUp.com, Fremont is ranked No. 1 in the country for technology start-up business per capita, with 21 for every 100,000 residents. Fremont was voted the 2nd Most Inventive City in America for number of patents in 2010 by *The Daily Beast/Newsweek*, and ranks 4th in Silicon Valley for number of patents obtained in the past decade. Corporate expansion has long been a major source of Fremont's growth, and more

Letter of Transmittal

recently, Fremont has also seen a large influx of new corporate tenants including Kuka Robotics, ElringKlinger, DMG Mori, Smiths Group, Envia Systems, Cerenovus, Molex, TUV Rheinland, Cintas, Pony.ai, PrinterPrezz, and many more.

To meet continued demand, significant new Research and Development and Advanced Manufacturing space has been proposed. The 2.7 million square foot “Pacific Commons South” industrial “spec” project broke ground this year. And in the Ardenwood district north of Highway 84, new higher intensity zoning recently approved has spurred land acquisition and development activity to accommodate companies who have outgrown the Peninsula. New and expanding tenants like Tesla and Facebook established large operations in the district in 2017, leasing nearly 250,000 and 1 million square feet of space, respectively. Both will undoubtedly utilize talent from Ecole 42, the French coding university which also recently established its US operation in Ardenwood. Meanwhile, existing Ardenwood biotechnology tenant Boehringer Ingelheim is significantly expanding operations and capacity for pharmaceutical manufacturing.

Fremont is one of the most ethnically and culturally diverse cities in the Bay Area, with highly educated residents and high-paying jobs in a variety of business sectors. The average household income is \$133,076, and 54% of Fremont’s residents have bachelor’s, graduate, or professional degrees. Fremont was recently ranked the least stressed city and ranked 3rd as the best city in America to raise a family by WalletHub.

Long-Term Financial Planning and Major Initiatives

The City maintains a multi-year forecasting model for operating revenues and expenditures, and also produces a five-year capital plan that includes debt service. The multi-year forecast is regularly updated to reflect current revenue and expenditure assumptions and is presented to the City Council at mid-year and during the budget process for the next fiscal year. The City’s five-year capital plan is updated every two years.

The City Council has continued to focus attention on the long-term benefits of transportation infrastructure improvements, recruitment of consumer retail uses to balance the City’s business-to-business sales tax base, development of a pedestrian-oriented urban center in the City’s Downtown area, and development opportunities for employment-based advanced manufacturing businesses and their partners in the City’s Warm Springs Innovation District.

Fremont celebrated the extension of the BART line to the South Fremont/Warm Springs station in March 2017. The nearly completed 10-mile BART extension to San Jose should be in service by next year, opening Fremont up to the rest of Silicon Valley and positioning itself as a major mid-point employment hub, accessible from all directions. District anchors Tesla Motors, ThermoFisher Scientific, Lam Research, Seagate and Western Digital and many other Innovation District companies are already taking advantage of this accessibility and visibility. Plans for a district last-mile shuttle are underway.

The repositioning of the 850-acre Warm Springs District has started in earnest. Major accomplishments include:

- Lennar’s mixed use project, which includes 2,200 residential units (of which 290 units are affordable rental units) and 1.4 million square feet of industrial/commercial Class A office space, began in fall 2016.
- Toll Brothers’ 1,001 unit residential project which includes 132 affordable rental units is also underway east of the BART station.
- Valley Oak Partners is progressing on their approved project, including 785 additional residential units (of which 102 units are affordable rental units), 330,000 square feet of commercial/Class A office space, a hotel, incubator/accelerator space, and live/work units.
- Sobrato has an approved master plan to develop 700,000-square-foot commercial tech center on their 21.5-acre property.
- The new Fremont Unified School District elementary school just west of the new BART station along Innovation Way should be open by the next school year.
- Construction of the Warm Springs West Access Bridge and Plaza has commenced, which will connect the existing and proposed workforce to the new BART station. The project is funded in part by \$25 million in Measure BB funds administered by the Alameda County Transportation Commission (ACTC).
- Design for a new bike/pedestrian bridge over Interstate 880, connecting Warm Springs to the Bayside employment district, is in preliminary design.

Downtown Fremont has made equally impressive strides in becoming a vibrant urban mixed use district within the City Center that will serve as a destination for the City and region. Specific accomplishments include:

- Downtown is becoming a sustainable, walkable urban environment. The multimodal improvements of the new main street, Capitol Avenue, were completed in late 2016. Electric vehicle charging stations for up to 30 cars have been activated along Capitol Avenue. The last segment of connectivity enhancements between the Fremont BART station and Downtown is currently under construction. These enhancements will continue the multimodal improvements as seen on Capitol Avenue, which include wider sidewalks, pedestrian-scaled lighting, improved bike lanes, and additional landscaping.
- Phase 1 of the Civic Center project continues with the final design of a sustainable and catalytic multi-purpose community hall and plaza. Construction is anticipated to break ground late next year.
- Through the City’s partnership with Public Space Authority, an interim event venue – a temporary or “pop-up” plaza – on the future Civic Center project site is currently open. It brings year-round activation of the site with music, a food truck village and beer garden, maker spaces, and other community identified activities.
- The “Locale@State Street” mixed-use project under construction by TMG Partners/Sares Regis/SummerHill is nearing completion, and will include 157 ownership housing units including condos, stacked flats, and row homes. In addition, the project includes 21,000 square feet of critical ground floor retail space.

Letter of Transmittal

- Way-finding and directional signage strengthening the Downtown brand will be placed at strategic locations from the Fremont BART station to Downtown, and at other landmarks in the city to help residents, commuters and visitors navigate their way to and from the station.
- New retailers are seizing the opportunity and joining Downtown, reinforcing the area's growth. Recent additions include Mod Pizza, Inchin Bamboo Garden, Philz Coffee, and Rita's Frozen Custard.

All of these changes in the Downtown have spurred interest from adjacent property owners, with major renovations being contemplated.

The FY 2018/19 budget as adopted by the City Council includes allocations to increase police staffing, replace aging public safety communications radios, improve park maintenance, and enhance the City's use of geographic information systems (GIS) to support public safety and other critical services.

Relevant Financial Policies

The City of Fremont has adopted a comprehensive set of financial policies. These policies address topics like cash management, risk management, reserves and stabilization accounts, and debt capacity, issuance and management. The policies are included with the annual operating budget, and are reviewed each year in conjunction with the adoption of the annual operating budget.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fremont for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. This was the 34th consecutive year the City has received this prestigious award. To be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

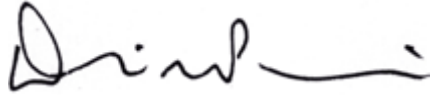
A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for FY 2017/18. This was the 21st consecutive year the City received this prestigious award. To qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance Department. We wish to thank all City departments for their assistance in providing the data necessary to prepare this report. Credit and thanks are also due to the City Manager, and the Mayor and City Councilmembers for their unfailing support for

maintaining the highest standards of professionalism in the management of the City of Fremont's finances.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "David Persselin". The signature is fluid and cursive, with a long horizontal stroke at the end.

David Persselin
Finance Director/Treasurer

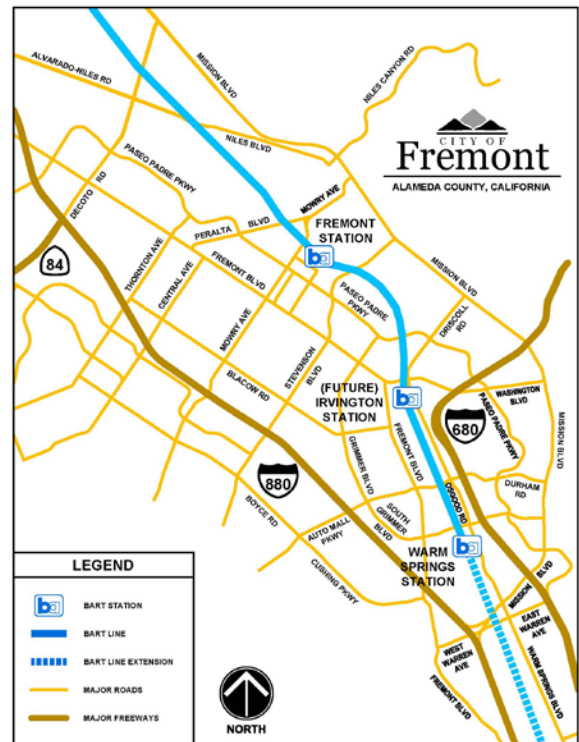
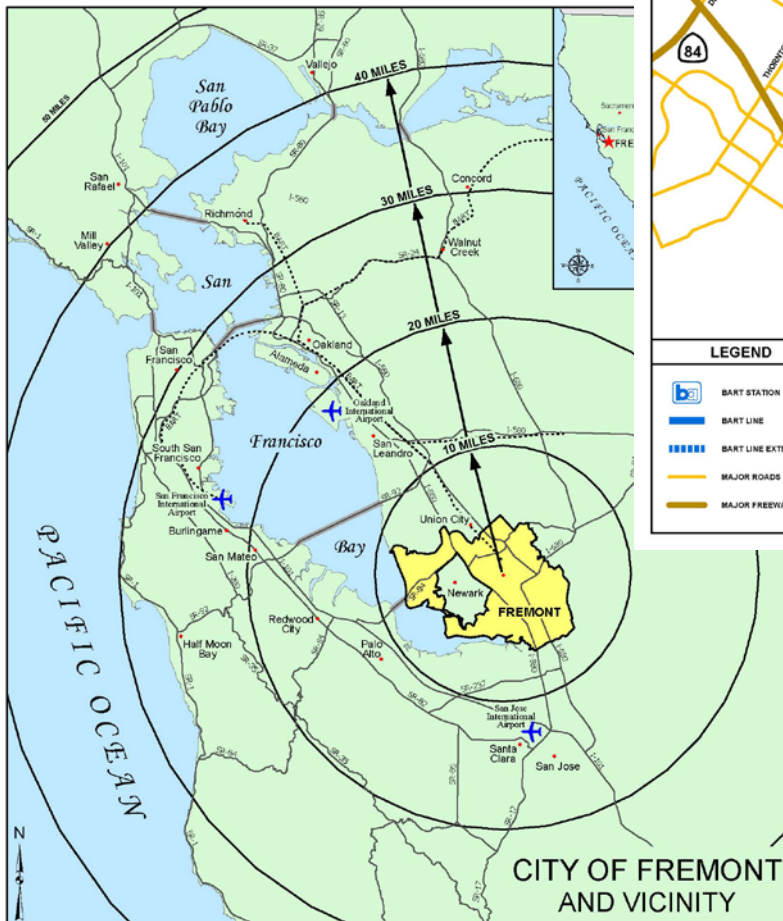
Location Map



Located on the southeast side of the San Francisco Bay, Fremont is a city of over 235,439 people with an area of 92 square miles, making it the fourth largest city in the San Francisco Bay Area and ranks 96th among the most populous cities in the nation according to the U.S. Census Bureau. With its moderate climate and its proximity to major universities, shopping areas, recreational and cultural activities, employment centers, major airports, and the Bay Area Rapid Transit system, Fremont captures metropolitan living at its best.

Spanish. In the mid-1840s, John C. Fremont mapped a trail through Mission Pass to provide access for American settlers into the southeastern San Francisco Bay Area. In 1853, Washington Township was established, taking in the communities of Mission San Jose, Centerville, Niles, Irvington, and Warm Springs. On January 23, 1956, these communities joined together to form the City of Fremont.

The Fremont area was first settled with the establishment of Mission San Jose by the





City Council

Lily Mei, Mayor
Vinnie Bacon, Vice Mayor
Rick Jones, Councilmember
Raj Salwan, Councilmember
David Bonaccorsi, Councilmember



City Executive Staff

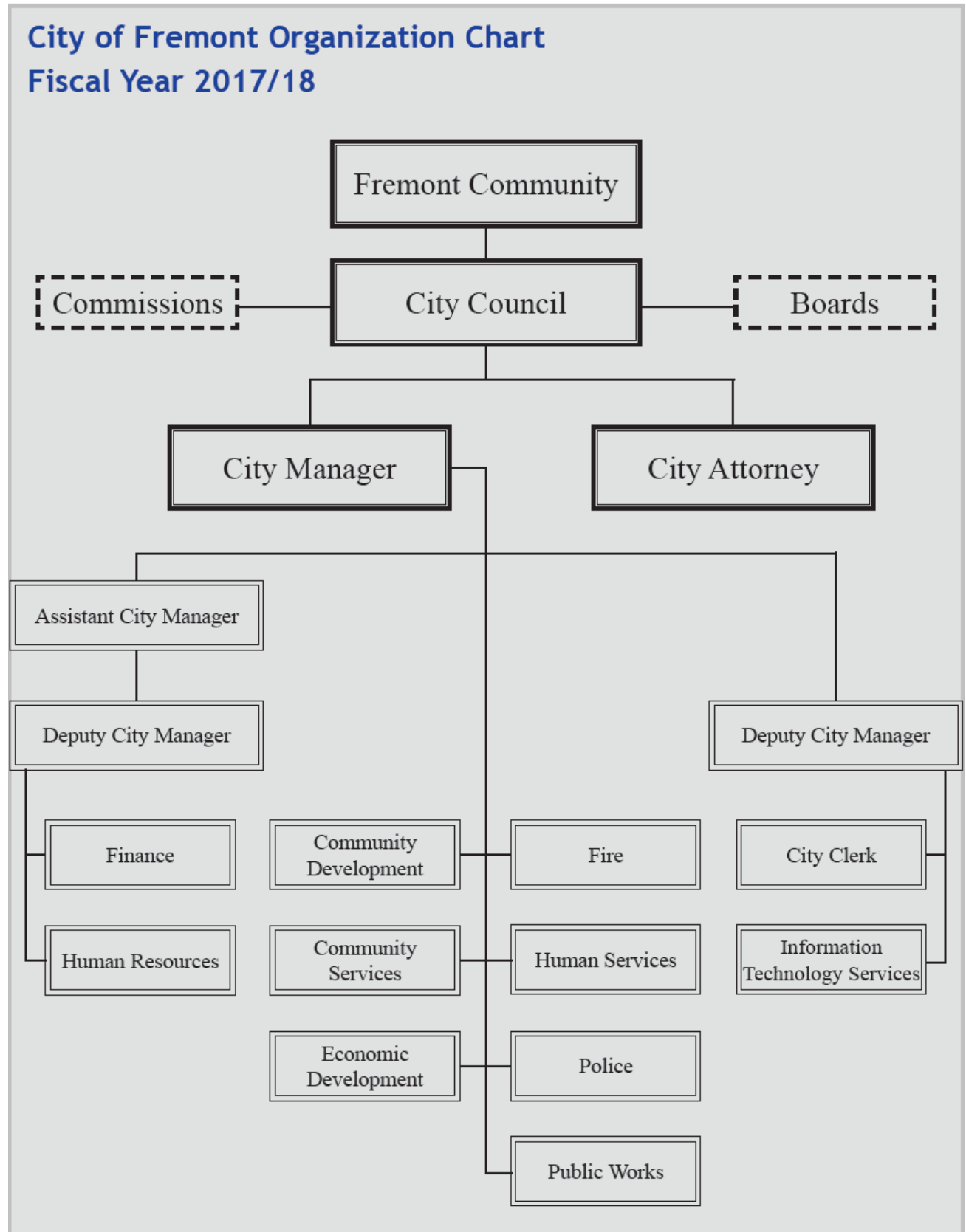
Fred Diaz, City Manager
Harvey Levine, City Attorney
Karena Shackelford, Deputy City Manager
Brian Stott, Deputy City Manager
Allen DeMers, Human Resources Director
Susan Gauthier, City Clerk
Curtis Jacobson, Fire Chief
Kelly Kline, Economic Development Director
Hans Larsen, Public Works Director
Richard Lucero, Police Chief
Saul Melara, Information Technology Services Director
David Persselin, Finance Director
Dan Schoenholz, Interim Community Development Director
Suzanne Shenfil, Human Services Director
Suzanne Wolf, Community Services Director



CAFR Team

Anita Chang, Accounting Technician
Elisa Chang, Administrative Analyst/Graphic Artist
Tricia Fan, Senior Accountant
Tish Saini, Senior Accountant
Mike Sung, Deputy Director of Finance
Ellen Zhou, Accountant

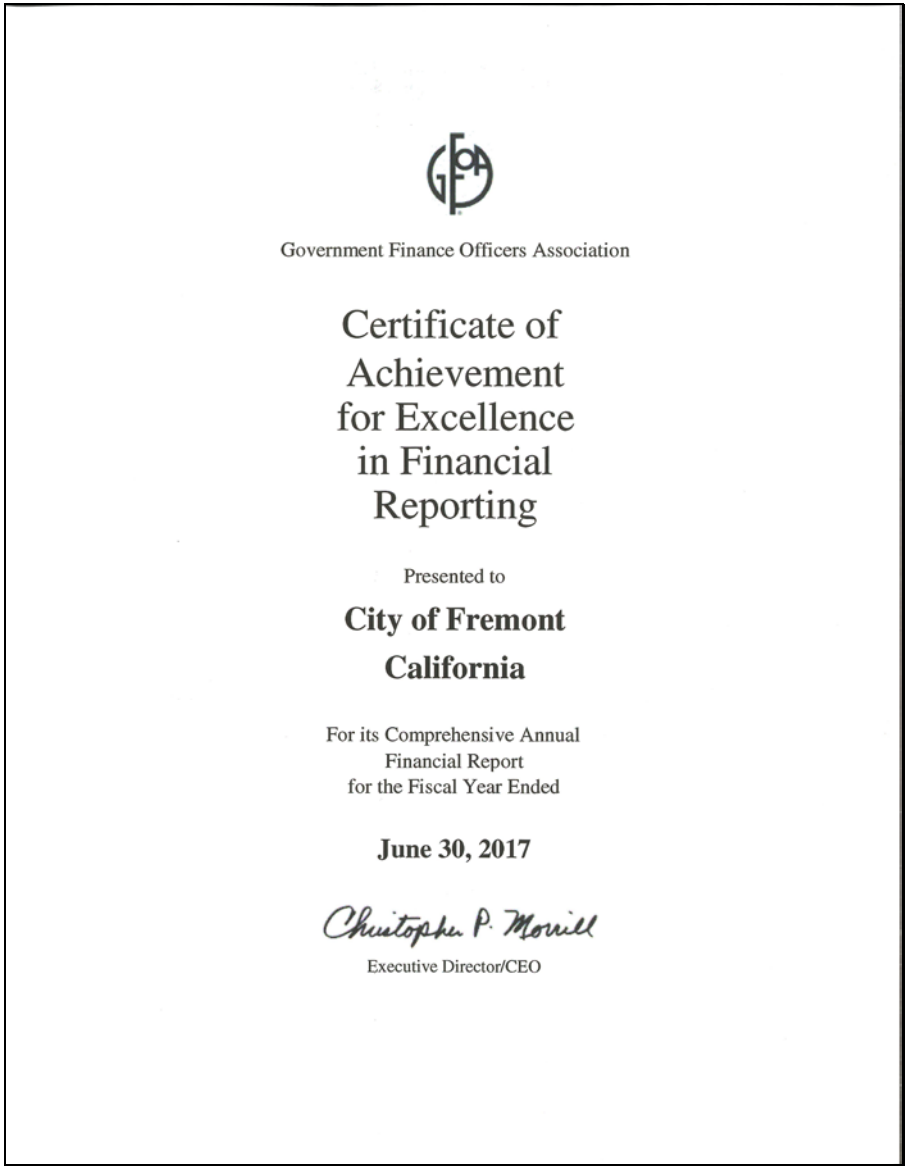
Organization Chart



Certification of Achievement for Excellence in Financial Reporting



The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fremont for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. This was the 34th consecutive year the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and legal requirements. A Certificate of Achievement is valid for one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.




Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to
**City of Fremont
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill
Executive Director/CEO

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Financial Section



Certified
Public
Accountants

Sacramento

Walnut Creek

Oakland

Los Angeles

Century City

Newport Beach

San Diego

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Fremont, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Fremont, California (City), as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1(H) to the financial statements, effective as of July 1, 2017, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Independent Auditors' Report

Other Matters

Prior-Year Comparative Information

We have previously audited the City's financial statements as of and for the fiscal year ended June 30, 2017, and we expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 12, 2017. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules, the modified approach for the City's infrastructure information, the schedules of changes in the net pension liability and related ratios, the schedule of pension plan contributions, the schedule of changes in the net OPEB liability and related ratios, and the schedule of OPEB plan contributions as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules designated as supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
December 28, 2018

Introduction

As management of the City of Fremont (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on pages 1-7 of this report.

Financial Highlights

- Beginning with the fiscal year ended June 30, 2018, the City implemented Statement No. 75 of the Governmental Accounting Standards Board (GASB 75) which requires the City to include its net other post-employment benefits (OPEB) liability in the financial statements. In previous years, the City has reported this long-term obligation in the notes to the basic financial statements as the unfunded actuarial accrued liability for OPEB. Similar to the City's retirement benefits, the OPEB liability is payable over an extended time horizon and does not represent a claim on current financial resources. For more information on implementation of GASB 75, please refer to the note titled *Effects of New Pronouncements* (Note 1.H.) in the Notes to the Basic Financial Statements.
- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$734.2 million (net position). Excluding the \$377.8 million net pension liability and \$80.8 million net OPEB liability, \$221.8 million of unrestricted net position is available to meet the City's ongoing obligations to residents and creditors.
- The City's net position, excluding the impact to the beginning balance for the implementation of GASB 75 of \$43.4 million as of June 30, 2017, increased by \$32.3 million from the prior year.
- As of June 30, 2018, the City's governmental funds reported combined fund balances of \$340.8 million, an increase of \$33.6 million from the prior year. Of this amount, 14.1% (\$48.0 million) is available for spending at the City's discretion (unassigned fund balance).
- As of June 30, 2018, unassigned fund balance in the General Fund was \$48.8 million, or approximately 25.5% of total General Fund expenditures and transfers out. Of this amount, \$19.1 million was set aside by City Council policy to address severe unforeseen events (contingencies), \$3.7 million was set aside by City Council policy to offset uncertainty in the multi-year budget forecast, \$4.7 million was set aside by Council policy to provide a source of working capital for new programs or undertakings that have potential for receiving significant funding from outside sources, organization retooling, process improvement, and strategic entrepreneurial opportunities, and \$4.7 million was set aside by City Council policy to mitigate the effects of future economic downturns and unanticipated cost increases beyond the City's control. For more information, please refer to the note titled *Minimum Fund Balance Policies* (Note 1.I.14.) in the Notes to the Basic Financial Statements.
- The City's total outstanding long-term debt decreased by \$8.8 million during the fiscal year ended June 30, 2018.

Management's Discussion and Analysis

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements, which consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, and earned but unused vacation and other compensated leave).

All of the City's activities are considered to be governmental in nature and, as a result, no business-type activities are reported in these statements. Governmental activities are those that are principally supported by taxes, fees, and other revenues. For the City, governmental activities include general government administration, police services, fire services, human services, capital assets maintenance and operations, recreation and leisure services, and community development and environmental services.

The City is the primary government in this report. There are no discretely presented component units. However, these financial statements include two other entities that, although legally separate, are important because the City is financially accountable for them. These component units are the Fremont Public Financing Authority (Financing Authority) and the Fremont Social Services Joint Powers Authority (Social Services JPA). The financial activities of the Financing Authority and the Social Services JPA are integrally related to those of the City and are "blended" with those of the City.

The government-wide financial statements can be found on pages 29-34 of this report.

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. The fund financial statements either reinforce information in the government-wide financial statements or provide additional information.

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 assessing a government's near-term financing requirements.

Because the focus of 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, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds 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 31 individual governmental funds. Information is presented in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances for the following individual funds that are considered to be major funds:

- General Fund
- Development Impact Fees
- Development Cost Center
- Recreation Services
- Capital Improvement
- Human Services
- Intermodal Surface Transportation Efficiency Act
- Inclusionary Housing In-Lieu

Data for the other twenty-three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules in the supplementary information section of this report.

The City adopts an annual appropriated budget for its General Fund, Development Cost Center, Recreation Services, Human Services, and Inclusionary Housing In-Lieu funds. Budgetary comparison schedules are provided in the required supplementary information section of this report to demonstrate compliance with the adopted budget.

The basic governmental fund financial statements can be found on pages 35-42 of this report.

Proprietary funds. The only proprietary funds the City has are internal service funds, which are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the risk management, information technology, and retiree healthcare benefits services provided to City departments on a cost-reimbursement basis, as well as funds accumulated for vehicle replacement and Fire Department

capital replacement. Because these services benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Management's Discussion and Analysis

The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements and schedules in the supplementary information section of this report.

The basic proprietary funds financial statements can be found on pages 43-46 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City's fiduciary funds are comprised of agency funds, which report resources held by the City in a custodial capacity for individuals, private organizations, and other governments. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on page 47-48 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 49-100 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information. This information includes budgetary comparison schedules, as well as more detailed information about the City's use of the modified approach for certain of its infrastructure assets. Also included are schedules of changes in the net pension liability and related ratios, schedules of pension contributions, and similar schedules showing changes in the net OPEB liability and related ratios, and OPEB contributions. Required supplementary information can be found on pages 101-116 of this report.

The combining statements and schedules referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 117-170 of this report.

Government-Wide Financial Analysis

As noted earlier, changes in net position over time may serve as a useful indicator of the City's financial health. At the close of FY 2017/18, net position stood at \$734.2 million — a 4.6% increase from the prior year after restating the prior year net position to reflect the impact of GASB 75. Information about net position is presented in the summary schedule below:

**CITY OF FREMONT'S CONDENSED STATEMENT OF NET POSITION
JUNE 30, 2018 AND 2017**

(dollars in thousands)

	2018	2017	Percentage Change
Current and other assets	\$ 401,000	\$ 366,817	9.3%
Capital assets	912,843	912,176	0.1%
Assets	1,313,843	1,278,994	2.7%
Deferred outflows related to pensions and OPEB	102,334	76,688	33.4%
Deferred Outflows of Resources	102,334	76,688	33.4%
Current liabilities	42,268	43,996	(3.9%)
Noncurrent liabilities	630,806	557,075	13.2%
Liabilities	673,074	601,071	12.0%
Deferred inflows related to pensions and OPEB	8,947	9,419	(5.0%)
Deferred Inflows of Resources	8,947	9,419	(5.0%)
Net position:			
Net investment in capital assets	753,493	750,502	0.4%
Restricted	217,455	185,640	17.1%
Unrestricted*	(236,792)	(190,950)	24.0%
Net position	734,155	745,192	(1.5%)
Impact of restatement for GASB 75		(43,360)	N/A
Adjusted net position	\$ 734,155	\$ 701,832	4.6%

* Unrestricted net position for June 30, 2018, includes the City's \$377.8 million net pension liability and \$80.8 million net OPEB liability, which are not a claim on current financial assets.

At June 30, 2018, the City reported positive balances in all categories of net position, except for unrestricted net position due to the impact of the inclusion of the net pension and net OPEB liabilities.

The largest portion of the City's net position, \$753.5 million, reflects its net investment in capital assets (e.g., land, infrastructure, buildings, machinery and equipment) less any related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

Management's Discussion and Analysis

An additional portion of the City's net position represents \$217.5 million of restricted resources that are subject to external restrictions on how they may be used. Excluding the \$377.8 million net pension liability and \$80.8 million net OPEB liability, \$221.8 million of unrestricted net position is available to meet the City's ongoing obligations to residents and creditors. Information about changes in net position is presented in the summary schedule, below:

CITY OF FREMONT'S CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

(dollars in thousands)

	<u>2018</u>	<u>2017</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 70,457	\$ 77,199	(8.7%)
Operating grants and contributions	16,921	13,362	26.6%
Capital grants and contributions	31,176	31,754	(1.8%)
General revenues:			
Property tax	96,599	89,916	7.4%
Sales tax	58,903	49,536	18.9%
Business tax	12,117	12,621	(4.0%)
Transient occupancy tax	8,620	8,391	2.7%
Property transfer tax	1,894	1,916	(1.1%)
Franchise fees	10,467	10,320	1.4%
Investment earnings	1,613	802	101.1%
Gain on sale of capital assets	-	172	N/A
Miscellaneous	9,623	7,607	26.5%
Total revenues	318,390	303,595	4.9%
Program expenses:			
General government	16,672	15,491	7.6%
Police services	82,325	73,201	12.5%
Fire services	51,360	46,108	11.4%
Human services	13,125	11,477	14.4%
Capital assets maintenance and operations	68,126	66,390	2.6%
Recreation and leisure services	10,040	9,059	10.8%
Community development/environmental services	39,594	25,369	56.1%
Interest on debt	4,824	4,683	3.0%
Total program expenses	286,066	251,778	13.6%
Increase in net position	32,324	51,817	(37.6%)
Net position, beginning of year	701,832	693,375	1.2%
Net position, end of year	734,156	745,192	(1.5%)
Impact of restatement for GASB 75		(43,360)	N/A
Adjusted Net position, end of year	\$ 734,156	\$ 701,832	4.6%

Major changes in government-wide revenues include the following:

- Charges for services decreased by \$6.7 million from the prior year primarily due to higher charges for inclusionary housing for large development projects in the prior year.
- Operating grants and contributions increased by \$3.5 million from the prior year, including a \$1.7 million grant that reimburses costs incurred in the Inclusionary Housing Fund paid from local revenue sources for affordable housing.
- Sales tax increased \$9.4 million from the prior year primarily due to high growth in auto sales and leases and online sales.
- Investment earnings increased by \$0.8 million reflecting the rising interest rate environment.

Major changes in government-wide expenses include the following:

- Police services expenses increased by \$9.1 million primarily due to higher personnel costs.
- Fire services expenses increased by \$5.3 million primarily due to higher personnel costs.
- Community development and environmental services expenses increased by \$14.2 million primarily due to increased housing loan activity, including \$6.9 million for the Stevenson Place project, \$4.0 million for the Mission Court project, and \$1.1 million for the City Center project.

Financial Analysis of The City's Major Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2018, the City's governmental funds reported combined ending fund balances of \$340.8 million, an increase of \$33.6 million from the prior year. Of this amount, 0.1% (\$0.2 million) represents pre-paid assets that are considered unavailable, 63.2% (\$215.6 million) is legally restricted for specific purposes by enabling legislation or external funding source providers, 4.1% (\$13.9 million) is committed for specific purposes by the City Council, and 18.5% (\$63.1 million) is assigned for specific purposes by the City. The remaining 14.1% (\$48.0 million) is unassigned fund balance available for spending at the City's discretion, but is also subject to Council-established policies for future contingencies.

The following are the major funds that either qualified under the reporting criteria or were considered to be important to financial statement users:

General Fund – The General Fund is the City's chief operating fund. As of June 30, 2018, total fund balance was \$49.9 million, of which \$48.8 million was unassigned. The primary components of this unassigned amount are: \$19.1 million (10.0% of budgeted expenditures and transfers out) set aside by City Council policy for use for costs associated with unforeseen events (contingencies); \$4.7 million (2.5% of budgeted expenditures and transfers out) set aside by Council policy as a source of working capital for new programs or undertakings that have potential for receiving significant funding from outside sources, organization retooling, process improvement, and strategic entrepreneurial opportunities; \$4.7 million (2.5% of budgeted expenditures and transfers out) set aside by Council policy to offset the effects of future economic downturns and unanticipated cost increases beyond the City's control; \$3.7 million set aside by Council policy to offset uncertainty in the multi-year budget forecast; and \$16.6 million of unallocated fund balance.

As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures and transfers out. Unassigned fund balance represents approximately 25.5% and total fund balance represents approximately 26.1% of total General Fund expenditures and transfers out.

The fund balance of the City's General Fund increased by \$10.2 million during the 2017/18 fiscal year, compared to an increase of \$0.5 million in the prior year. Revenues and transfers in of \$201.7 million were 8.4% (\$15.7 million) higher than in FY 2016/17. Expenditures and transfers out of \$191.5 million were 3.2% (\$6.0 million) higher than in FY 2016/17.

Development Impact Fees – This fund represents the aggregate total of park land, park facilities, fire, traffic, and capital facility impact fees. These fees are levied on all new development in the City to pay for the construction and improvement of public facilities needed to serve new development. Revenues in FY 2017/18 totaled \$18.4 million, slightly below the FY 2016/17 total

of \$18.8 million. During FY 2017/18, 64% of this fund's expenditures (\$5.0 million) were for park-related projects and 36% (\$2.8 million) were for mitigating traffic-related impacts. In addition, \$850,000 was transferred to pay debt service related to capital facilities. As of June 30, 2018, the fund balance totaled \$86.5 million, up from \$76.8 million in the prior year.

Development Cost Center – This fund was established to account for engineering, planning, and building and construction inspection activities related to the City's land use planning and construction regulatory responsibilities. Its customers are not only the development community, but also the City itself for its own capital projects. User fees collected in this cost center recover the City's costs of administering development- and construction-related regulatory programs. As of June 30, 2018, the fund balance totaled \$19.4 million, up from \$16.9 million in the prior year, due to increasing development activity. This fund balance is restricted for uses related to ensuring continuity of critical community development services.

Recreation Services – This fund was established to account for the transactions and activities related to delivery of recreation services. Fees collected for recreation services are used for the development of programs and facilities benefiting fee payers. Total revenues in the amount of \$8.2 million were 0.3% higher in FY 2017/18 than in the prior year (\$8.1 million). Expenditures increased 0.6% (from \$8.9 million to \$9.0 million). As of June 30, 2018, the fund balance was \$8.3 million, an increase of \$0.4 million from the prior year. This committed fund balance will be used to develop or maintain recreation facilities and preserve the continuity of recreation services during economic downturns.

Capital Improvement – This fund is used to account for capital improvements for the City, including public safety improvements, infrastructure, and other public works projects. Amounts in this fund are received as transfers from the General Fund, interest earned on invested cash balances, proceeds from the sale of certain parcels of land, or as proceeds of debt. As of June 30, 2018, the fund balance was \$62.6 million. During FY 2017/18, fund balance decreased by \$3.7 million primarily due to large expenditures for the Pavement Maintenance and Rehabilitation projects and the Downtown Plan project.

Human Services – This fund represents the activities for City's social service infrastructure to promote a healthy and safe environment for families, the elderly and youth. Services and programs include self-sufficiency, counseling, and housing assistance to support a vibrant community. As of June 30, 2018, the fund balance was \$7.4 million, an increase of \$0.2 million from the prior year, due to lower than anticipated expenditures from Paratransit (Measure B and BB) offset by an increase in expenditures for the Family Resource Center.

Intermodal Surface Transportation Efficiency Act (ISTEA) – This fund accounts for federal funding for transportation projects. Among ISTEA's many programs, three provide capital improvement funds for local governments. These programs are known as the Surface Transportation Program, the Congestion Mitigation and Air Quality Improvement Program, and the Transportation Enhancement Activity Program. Funds are applied for on a project-by-project basis. As of June 30, 2018, the ISTEA fund had a negative fund balance of \$0.8 million, representing expenditures which have not yet been reimbursed within the City's availability period.

Inclusionary Housing In Lieu Fund – This fund is used to account for the affordable housing fees collected from developers. The developer can either build affordable housing units or pay an

Management’s Discussion and Analysis

“affordable housing fee” (based on the type of construction, time line, etc.) upon applying for new housing construction permits. This fund is used to account for loans disbursed to developers for affordable housing projects and the associated legal and consulting fees. As of June 30, 2018, fund balance was \$53.1 million, an increase of \$15.8 million from the prior year. This increase is mainly due to more developers opting to pay the affordable housing fee.

General Fund Budgetary Highlights

Original Budget Compared to Final Budget. The final budget fund balance and appropriations include prior-year encumbrances of \$1.0 million as authorized by the Council-adopted budget resolution. In December 2017, as part of the FY 2016/17 Year-End Update, the City Council authorized an additional pension contribution of \$2.2 million and appropriated \$0.3 million to the Police Department to increase police staffing. In April 2018, as part of the FY 2017/18 Mid-Year Budget Review, the revenue estimate was decreased by \$1.5 million, and the City Council authorized transfers to the Capital Improvement Fund for the purchase of replacement radios (\$1.5 million) and traffic safety projects (\$0.2 million) and appropriated \$0.8 million to address issues related to homelessness.

Final Budget Compared to Actual Results. The General Fund budget is prepared in accordance with generally accepted accounting principles. A summary of the budgetary comparison schedule for the General Fund, located in the required supplementary information following the notes to the financial statements, follows.

SUMMARY OF GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2018

(dollars in thousands)

	Original Budget	Final Budget	Actual Results	Favorable (Unfavorable) Variance from Final Budget
Beginning fund balance	\$ 33,695	\$ 38,869	\$ 39,651	\$ 782
Resources:				
Revenues	185,681	184,192	195,834	11,642
Transfers in	6,477	6,477	5,904	(573)
Total resources	192,158	190,669	201,738	11,069
Charges to appropriations:				
Expenditures	177,313	181,863	176,274	5,589
Transfers out	13,464	15,224	15,224	-
Total charges	190,777	197,087	191,498	5,589
Net change in fund balance	1,381	(6,418)	10,240	16,658
Ending fund balance	\$ 35,076	\$ 32,451	\$ 49,891	\$ 17,440

The actual beginning fund balance was \$0.8 million higher than the final budget amount due to the year-end adjustment for unrealized fair value gain or loss on investments, which is not considered available for budgetary purposes. Total revenues and transfers in during FY 2017/18 were \$11.1

million greater than the final budget estimate. Actual expenditures and transfers out were \$5.6 million less than final budget. The net result of these variances was an actual ending fund balance \$17.4 million higher than the final budget estimate.

The most significant differences between estimated revenues and actual revenues were as follows (dollars in thousands):

<u>Revenue Source</u>	<u>Estimated Revenues</u>	<u>Actual Revenues</u>	<u>Difference</u>	<u>Percent</u>
Sales tax	\$ 48,817	\$ 58,903	\$ 10,086	20.7%
Property tax	91,729	93,363	1,634	1.8%
Business tax	11,081	12,117	1,036	9.3%
Charges for Services	9,404	9,980	576	6.1%
Investment Earnings	331	(904)	(1,235)	(373.1%)
Transfers In	6,477	5,904	(573)	(8.8%)

Most of the positive variance in sales tax revenue is attributable to an increase in automobile sales activity and online sales, along with \$2.1 million of misallocated revenue that the City anticipates will be reallocated by the state in FY 2018/19. The property tax variance reflects higher supplemental property tax collections from transfer in ownership. Business tax revenue was higher due to greater than anticipated construction activity within the City, and the charges for services variance is attributable to an emergency services support payment from the County.

The large negative variance in investment earnings reflects the unrecognized loss in market value resulting from increasing interest rates. The transfers in budget included overhead reimbursements from internal service funds which were recognized in the financial statements as reductions to expenditures.

The majority of the \$5.6 million expenditure savings is the result of lower than anticipated salary and benefits expenditures due to vacant positions (partially offset by increased overtime) and reduced expenditures for contract services and utilities.

Management's Discussion and Analysis

Capital Assets and Long-term Debt

Capital Assets. The City's investment in capital assets as of June 30, 2018, amounts to \$912.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, and highways. The increase in capital assets for the current fiscal year was less than 0.1%. Following is a summary of the City's capital assets (net of depreciation) at June 30, 2018 and 2017:

CITY OF FREMONT'S CAPITAL ASSETS
JUNE 30, 2018 AND 2017
(dollars in thousands)

	2018	2017	Percentage Change
Land	\$ 220,008	\$ 220,064	0.0%
Land improvements	5,448	5,448	0.0%
Infrastructure	504,991	505,551	(0.1%)
Buildings and improvements	141,473	144,024	(1.8%)
Equipment	8,369	7,066	18.4%
Vehicles	16,907	15,141	11.7%
Construction in progress	15,647	14,882	5.1%
Total capital assets	\$ 912,843	\$ 912,176	0.1%

Major capital asset events during the current fiscal year included the following:

- The purchase of various vehicles at a cost of \$4.7 million, including \$2.9 million for new fire engines
- Additions to Buildings of \$1.6 million for the Downtown Plan Project

Additional information about the City's capital assets can be found in Note 1.I.3., and Note 4, following the basic financial statements.

Long-term Debt. As of June 30, 2018, the City had \$159.7 million in long-term debt outstanding. Of this amount, \$37.7 million was for general obligation bonds, \$117.4 million was related to General Fund lease obligations or loans, and \$4.6 million was for unamortized bond premium. Following is a summary schedule of outstanding debt:

CITY OF FREMONT'S LONG-TERM DEBT
JUNE 30, 2018
(dollars in thousands)

	<u>Balance</u> <u>July 1, 2017</u>	<u>Incurred or</u> <u>Issued</u>	<u>Satisfied or</u> <u>Matured</u>	<u>Balance</u> <u>June 30, 2018</u>
General Obligation Bonds:				
2009 Fire Safety Bonds	\$ 13,760	\$ -	\$ 13,760	\$ -
2012 Fire Safety Bonds	6,775	-	335	6,440
2013 Fire Safety Bonds	19,820	-	790	19,030
2017 Fire Safety Bonds	-	12,215	-	12,215
Subtotal	<u>40,355</u>	<u>12,215</u>	<u>14,885</u>	<u>37,685</u>
General Fund Lease/Loan Obligations:				
2008 Certificates of Participation	23,455	-	23,455	-
2012A Certificates of Participation	8,905	-	865	8,040
2016 Energy Efficiency Financing	9,100	-	1,830	7,270
2017A Lease Revenue Bonds	85,205	-	3,640	81,565
2017B Lease Revenue Bonds	-	19,725	-	19,725
2017 PG&E On-Bill Financing	-	1,000	182	818
Subtotal	<u>126,665</u>	<u>20,725</u>	<u>29,972</u>	<u>117,418</u>
Unamortized Bond Premium	1,406	3,410	262	4,554
Total	<u>\$ 168,426</u>	<u>\$ 36,350</u>	<u>\$ 45,119</u>	<u>\$ 159,657</u>

51.1% of the outstanding debt bears interest at a variable rate that is reset on a monthly basis; 2.125% as of June 30, 2018.

The City maintains Standard & Poor's ratings of AA+ (stable outlook) on its general obligation bonds and AA (stable outlook) on its lease revenue bonds and certificates of participation.

State law provides for a legal debt limit of 15% of gross assessed valuation; however, this provision was enacted when assessed valuation was based upon 25% of market value. The City's computation of the debt limit reflects a conversion of assessed valuation data from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted. The current debt limitation for the City is \$1.8 billion, which is significantly in excess of the City's outstanding general obligation debt.

In addition to State law, the City Council adopted a debt policy in February 1996 that limits annual debt service payments in the General Fund to 7% of budgeted expenditures and transfers out. As of July 1, 2018, debt service payments were approximately 4.4% of budgeted expenditures and transfers out in compliance with the policy. Additional information about the City's long-term debt can be found in Note 5, following the basic financial statements.

Management's Discussion and Analysis

Use of Modified Approach to Accounting for Infrastructure

The City has elected to use the modified approach to accounting for infrastructure assets, as defined by GASB Statement No. 34, for its street network. The street network is composed of all City streets, and includes all physical features associated with the operation of motorized vehicles that exist within the limits of the City rights of way.

Pursuant to the modified approach, the City has committed to preserving and maintaining its street network at an appropriate condition level as determined by the City Council. Through June 30, 2018, the City's policy was to maintain an average pavement condition index (PCI) rating of 50 or "fair" for the entire street network. As of June 30, 2018, the City's overall street network was rated at a computed PCI index of 72.

In addition to performing periodic condition assessments, governments that use the modified approach must also estimate at the start of each reporting period the amount of spending needed that period to maintain and preserve infrastructure at the government's selected condition level. For the year ended June 30, 2018, the maintenance estimate was \$19.0 million, but the amount actually spent was \$9.3 million. Under the City's expanded pavement preservation program, the majority of street areas were treated using a combination of base repairs and surface treatments such as cape seals and slurry seals. This approach is more economical than a pavement rehabilitation program such as overlays, enabling the available funds to cover a larger pavement area.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's financial activities. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Finance Director at 3300 Capital Avenue, P. O. Box 5006, Fremont, California 94537-5006.

Basic Financial Statements

Government-Wide Financial Statements

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City of Fremont
Statement of Net Position

June 30, 2018

(With comparative totals for June 30, 2017)

	Governmental Activities	
	2018	2017
ASSETS		
Current assets:		
Cash and investments held by City	\$ 361,508,459	\$ 324,659,731
Restricted cash and investments held by fiscal agent or City	3,079,330	9,343,383
Receivables, net	29,701,709	26,437,127
Condemnation deposits	15,000	15,000
Prepaid assets	189,552	-
Total current assets	394,494,050	360,455,241
Noncurrent assets:		
Housing loans receivable, net	1,051,504	1,329,343
Land held for resale	2,821,430	2,821,430
Prepaid assets	2,633,408	2,211,088
Capital assets:		
Nondepreciable assets	733,741,970	733,014,034
Depreciable assets, net	179,100,891	179,162,431
Total capital assets, net	912,842,861	912,176,465
Total noncurrent assets	919,349,203	918,538,326
Total assets	1,313,843,253	1,278,993,567
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions and OPEB	102,333,592	76,688,415
LIABILITIES		
Current liabilities:		
Accounts payable	11,246,146	11,783,247
Salaries and wages payable	6,859,565	7,841,282
Claims payable	4,702,000	5,753,000
Pollution remediation obligation - due within one year	1,200,000	700,000
Interest payable	1,677,322	1,574,385
Unearned revenue	5,967,770	6,321,135
Compensated absences - due within one year	2,577,299	2,419,238
Long-term debt - due within one year	8,038,462	7,604,238
Total current liabilities	42,268,564	43,996,525
Noncurrent liabilities:		
Claims payable	12,252,000	12,353,000
Pollution remediation obligation - due in more than one year	552,170	1,073,769
Net other post employment benefits liability	80,829,000	-
Net other post employment benefits obligation	-	30,451,000
Net pension liability	377,822,524	345,117,903
Compensated absences - due in more than one year	7,731,899	7,257,715
Long-term debt - due in more than one year	151,618,245	160,821,511
Total noncurrent liabilities	630,805,838	557,074,898
Total liabilities	673,074,402	601,071,423
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions and OPEB	8,947,068	9,418,810
NET POSITION		
Net investment in capital assets	753,492,779	750,501,959
Restricted:		
Social service programs	7,399,880	13,072,642
Debt service	2,799,248	2,626,031
Public safety	1,348,931	1,033,874
Street improvements	13,741,954	13,586,551
Community development	192,152,812	155,296,602
Other purposes	12,230	23,961
Total restricted	217,455,055	185,639,661
Unrestricted	(236,792,459)	(190,949,871)
Total net position	\$ 734,155,375	\$ 745,191,749

See accompanying Notes to Basic Financial Statements.

Government-Wide Financial Statements

City of Fremont

Statement of Activities

For the fiscal year ended June 30, 2018

(With comparative totals for the fiscal year ended June 30, 2017)

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 16,671,874	\$ 3,145,550	\$ -	\$ -	\$ 3,145,550
Police services	82,324,804	3,653,991	893,646	-	4,547,637
Fire services	51,360,238	2,888,359	36,018	-	2,924,377
Human services	13,125,104	2,506,936	5,860,374	-	8,367,310
Capital assets maintenance and operations	68,126,300	1,682,698	6,204,688	31,176,013	39,063,399
Recreation and leisure services	10,040,149	7,924,710	-	-	7,924,710
Community development and environmental services	39,593,450	48,653,460	3,925,212	-	52,578,672
Interest on debt	4,823,731	-	-	-	-
Total	\$ 286,065,650	\$ 70,455,704	\$ 16,919,938	\$ 31,176,013	\$ 118,551,655

General revenues:

Property tax

Sales tax

Business tax

Transient occupancy tax

Property transfer tax

Total taxes

Franchise fees

Investment earnings

Gain on sale of capital assets

Miscellaneous

Total general revenues

Change in net position

Net position - beginning of year, as reported

Restatement for GASB 75

Net position - beginning of year

Net position - end of year

See accompanying Notes to Basic Financial Statements.

Government-Wide Financial Statements

Net (Expense) Revenue and Changes in Net Position

Governmental	
Activities	
2018	2017
\$ (13,526,324)	\$ (13,392,548)
(77,777,167)	(68,403,860)
(48,435,861)	(43,257,518)
(4,757,794)	(2,885,154)
(29,062,901)	(28,503,661)
(2,115,439)	(1,044,016)
12,985,222	32,705,509
(4,823,731)	(4,682,803)
<u>(167,513,995)</u>	<u>(129,464,051)</u>
96,598,896	89,916,085
58,902,744	49,535,813
12,116,637	12,620,629
8,620,269	8,390,862
1,893,591	1,916,237
178,132,137	162,379,626
10,467,485	10,320,411
1,612,637	801,454
-	172,005
9,625,362	7,607,282
199,837,621	181,280,778
32,323,626	51,816,727
745,191,749	693,375,022
(43,360,000)	-
701,831,749	693,375,022
<u>\$ 734,155,375</u>	<u>\$ 745,191,749</u>

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Governmental Funds Financial Statements

Governmental Funds Financial Statements

City of Fremont Balance Sheet Governmental Funds June 30, 2018

(With comparative totals for June 30, 2017)

	Major Funds			
	General Fund	Development Impact Fees	Development Cost Center	Recreation Services
ASSETS				
Cash and investments held by City	\$ 36,008,110	\$ 87,501,236	\$ 23,632,854	\$ 10,381,322
Restricted cash and investments held by fiscal agent or City	-	-	-	-
Receivables:				
Property tax	1,090,703	-	-	-
Sales tax	11,939,169	-	-	-
Due from other governmental agencies	532,760	-	-	-
Housing loans receivable, net	21,823	-	-	-
Accrued interest	1,048,709	-	-	-
Transient occupancy tax	872,230	-	-	-
Franchise fees	1,002,538	-	-	-
Accounts receivable	775,045	-	572,068	-
Other	159,810	-	-	-
Land held for resale	-	-	-	-
Prepaid assets	189,552	-	-	-
Due from other funds	5,694,221	-	-	-
Total assets	\$ 59,334,670	\$ 87,501,236	\$ 24,204,922	\$ 10,381,322
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 3,400,093	\$ 954,347	\$ 446,551	\$ 184,622
Salaries and wages payable	5,881,030	-	493,710	205,802
Due to other funds	-	-	-	-
Unearned revenue	140,395	-	3,836,122	1,695,598
Total liabilities	9,421,518	954,347	4,776,383	2,086,022
Deferred inflows of resources-unavailable revenue	21,823	-	-	-
Fund Balances:				
Nonspendable:				
Prepaid assets	189,552	-	-	-
Restricted for:				
Social service programs	-	-	-	-
Debt service	-	-	-	-
Public safety	-	-	-	-
Street improvements	-	-	-	-
Community development	-	86,546,889	19,428,539	-
Other purposes	-	-	-	-
Committed for:				
Social service programs	-	-	-	-
Community development	-	-	-	-
Recreation programs	-	-	-	8,295,300
Assigned for:				
Other capital projects	-	-	-	-
Purchase orders and contracts	854,411	-	-	-
Unassigned	48,847,366	-	-	-
Total fund balances	49,891,329	86,546,889	19,428,539	8,295,300
Total liabilities, deferred inflows of resources, and fund balances	\$ 59,334,670	\$ 87,501,236	\$ 24,204,922	\$ 10,381,322

See accompanying Notes to Basic Financial Statements.

Governmental Funds Financial Statements

Major Funds					Total Governmental Funds	
Capital Improvement	Human Services	Intermodal Surface Transportation Efficiency Act	Inclusionary Housing In Lieu	Non-major Funds	2018	2017
\$ 60,944,696	\$ 6,627,795	\$ -	\$ 53,117,900	\$ 51,386,923	\$ 329,600,836	\$ 295,861,482
305,127	-	-	-	2,774,203	3,079,330	9,343,383
-	-	-	-	26,543	1,117,246	900,971
-	-	-	-	-	11,939,169	10,204,888
255,439	2,438,721	2,550,011	-	4,753,857	10,530,788	9,112,125
-	1,029,681	-	-	-	1,051,504	1,329,343
-	-	-	-	-	1,048,709	960,389
-	-	-	-	-	872,230	824,031
-	-	-	-	-	1,002,538	989,797
58,148	94,196	-	-	777,604	2,277,061	2,331,251
-	-	-	-	-	159,810	269,927
2,821,430	-	-	-	-	2,821,430	2,821,430
-	-	-	-	-	189,552	-
-	-	-	-	-	5,694,221	3,813,064
<u>\$ 64,384,840</u>	<u>\$ 10,190,393</u>	<u>\$ 2,550,011</u>	<u>\$ 53,117,900</u>	<u>\$ 59,719,130</u>	<u>\$ 371,384,424</u>	<u>\$ 338,762,081</u>
\$ 1,807,663	\$ 571,463	\$ 326,246	\$ 1,758	\$ 3,171,427	\$ 10,864,170	\$ 11,074,510
-	126,342	-	-	61,771	6,768,655	7,765,754
-	892,088	2,223,765	-	812,168	3,928,021	3,813,064
-	-	-	-	295,655	5,967,770	6,321,135
<u>1,807,663</u>	<u>1,589,893</u>	<u>2,550,011</u>	<u>1,758</u>	<u>4,341,021</u>	<u>27,528,616</u>	<u>28,974,463</u>
-	1,183,784	763,535	-	1,074,913	3,044,055	2,603,397
-	-	-	-	-	189,552	-
-	6,212,411	-	-	3,685	6,216,096	5,880,385
-	-	-	-	2,800,746	2,800,746	4,436,594
305,127	-	-	-	1,348,931	1,654,058	1,306,807
-	-	-	-	12,740,898	12,740,898	18,067,746
-	-	-	53,116,142	33,046,242	192,137,812	161,201,801
-	-	-	-	12,230	12,230	23,961
-	1,204,305	-	-	-	1,204,305	1,329,011
-	-	-	-	4,424,321	4,424,321	7,142,887
-	-	-	-	-	8,295,300	7,848,770
62,272,050	-	-	-	-	62,272,050	61,382,193
-	-	-	-	-	854,411	976,914
-	-	(763,535)	-	(73,857)	48,009,974	37,587,152
<u>62,577,177</u>	<u>7,416,716</u>	<u>(763,535)</u>	<u>53,116,142</u>	<u>54,303,196</u>	<u>340,811,753</u>	<u>307,184,221</u>
<u>\$ 64,384,840</u>	<u>\$ 10,190,393</u>	<u>\$ 2,550,011</u>	<u>\$ 53,117,900</u>	<u>\$ 59,719,130</u>	<u>\$ 371,384,424</u>	<u>\$ 338,762,081</u>

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City of Fremont
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2018

(With comparative totals for June 30, 2017)

	2018	2017
Total Fund Balances - Total Governmental Funds	\$ 340,811,753	\$ 307,184,221
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet, net of Internal Service Funds capital assets of \$10,563,196 and \$7,959,631 at June 30, 2018 and 2017, respectively.	902,279,665	904,216,834
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet.	(1,677,322)	(1,574,385)
Condemnation deposits are reported as current assets; however, such deposits are reported as expenditures in Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances.	15,000	15,000
Internal Service Funds are used to charge the costs of insurance, information technology, vehicle replacements, employee benefits, and fire equipment replacement to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Government-Wide Statement of Net Position.	20,595,825	15,128,784
Deferred inflows of resources recorded in governmental funds financial statements resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in the Government-Wide Financial Statements.	3,044,055	2,603,397
Accruals for compensated absences are long-term liabilities and are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(10,309,198)	(9,676,953)
Pollution remediation obligations are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet.	(1,752,170)	(1,773,769)
Deferred outflows of resources resulting from the changes in the net pension liability and net OPEB liability are not due and payable and therefore are not reported in the Governmental Funds Balance Sheet.	100,250,814	74,845,181
Deferred inflows of resources resulting from the changes in the net pension liability and net OPEB liability are not due and payable and therefore are not reported in the Governmental Funds Balance Sheet.	(8,715,761)	(9,206,842)
Net pension liability on Government-Wide Statement of Net Position is not due and payable and therefore is not reported in the Governmental Funds Balance Sheet.	(369,901,579)	(337,692,970)
Net OPEB liability on Government-Wide Statement of Net Position is not due and payable and therefore is not reported in the Governmental Funds Balance Sheet.	(80,829,000)	-
Other post employment benefits obligation on Government-Wide Statement of Net Position is not due and payable and therefore is not reported in the Governmental Funds Balance Sheet.	-	(30,451,000)
Long-term debt is not due and payable in the current period and therefore is not reported in the Governmental Funds Balance Sheet.	(159,656,707)	(168,425,749)
Net Position of Governmental Activities	\$ 734,155,375	\$ 745,191,749

See accompanying Notes to Basic Financial Statements.

Governmental Funds Financial Statements

City of Fremont Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the fiscal year ended June 30, 2018 (With comparative totals for the fiscal year ended June 30, 2017)

	Major Funds				
	General Fund	Development Impact Fees	Development Cost Center	Recreation Services	Capital Improvement
REVENUES					
Property tax	\$ 93,362,902	\$ -	\$ -	\$ -	\$ -
Sales tax	58,902,744	-	-	-	-
Intergovernmental	283,341	-	-	-	205,439
Business tax	12,116,637	-	-	-	-
Other taxes	10,513,860	-	-	-	-
Impact fees	-	17,727,292	-	-	-
Franchise fees	10,061,410	-	-	-	-
Charges for services	9,980,083	-	21,998,096	7,916,148	40,688
Investment earnings	(903,701)	687,992	166,959	128,687	515,990
Other	1,482,817	-	4,623	130,222	1,080,048
Total revenues	195,800,093	18,415,284	22,169,678	8,175,057	1,842,165
EXPENDITURES					
Current:					
General government	15,776,538	-	-	-	-
Police services	76,686,610	-	-	-	-
Fire services	46,939,773	-	-	-	-
Human services	3,756,733	-	-	-	-
Capital assets maintenance and operations	22,764,780	7,446,807	4,112,683	-	11,857,994
Recreation and leisure services	-	-	-	8,951,998	-
Community development and environmental services	1,505,200	-	11,924,777	-	-
Capital outlay	699,996	341,799	92,363	-	2,589,787
Debt service:					
Principal	5,757,126	-	-	-	1,000,000
Interest and fiscal charges	2,387,460	-	-	-	-
Payment to refunding escrow	-	-	-	-	-
Total expenditures	176,274,216	7,788,606	16,129,823	8,951,998	15,447,781
REVENUES OVER (UNDER) EXPENDITURES	19,525,877	10,626,678	6,039,855	(776,941)	(13,605,616)
OTHER FINANCING SOURCES (USES)					
Debt issuance	-	-	-	-	1,000,000
Premium on debt issuance	-	-	-	-	-
Payment to refunding escrow	-	-	-	-	-
Proceeds from sale of capital assets	34,000	-	-	-	446,410
Transfers in	5,903,967	-	2,568,151	2,417,471	8,413,510
Transfers out	(15,224,083)	(850,000)	(6,032,824)	(1,194,000)	-
Total other financing sources (uses)	(9,286,116)	(850,000)	(3,464,673)	1,223,471	9,859,920
Net change in fund balances	10,239,761	9,776,678	2,575,182	446,530	(3,745,696)
FUND BALANCES					
Beginning of year	39,651,568	76,770,211	16,853,357	7,848,770	66,322,873
End of year	\$ 49,891,329	\$ 86,546,889	\$ 19,428,539	\$ 8,295,300	\$ 62,577,177

See accompanying Notes to Basic Financial Statements.

Governmental Funds Financial Statements

Major Funds				Total Governmental Funds	
Human Services	Intermodal		Non-major Funds	2018	2017
	Surface Transportation Efficiency Act	Inclusionary Housing In Lieu			
\$ -	\$ -	\$ -	\$ 3,235,994	\$ 96,598,896	\$ 89,916,085
-	-	-	-	58,902,744	49,535,813
6,550,312	3,242,649	1,737,995	18,264,896	30,284,632	26,579,029
-	-	-	-	12,116,637	12,620,629
-	-	-	-	10,513,860	10,307,099
-	-	-	-	17,727,292	18,628,880
-	-	-	406,075	10,467,485	10,320,411
1,781,980	-	18,236,054	10,061,997	70,015,046	77,974,788
56,740	-	247,965	396,956	1,297,588	753,237
3,592,485	-	-	3,198,226	9,488,421	7,483,894
<u>11,981,517</u>	<u>3,242,649</u>	<u>20,222,014</u>	<u>35,564,144</u>	<u>317,412,601</u>	<u>304,119,865</u>
-	-	-	-	15,776,538	15,620,852
-	-	-	399,511	77,086,121	71,333,981
-	-	-	37,987	46,977,760	44,524,281
8,869,790	-	-	-	12,626,523	11,767,260
-	3,045,746	-	17,287,809	66,515,819	64,558,439
-	-	-	-	8,951,998	8,902,312
2,929,491	-	4,422,606	18,113,236	38,895,310	26,412,682
-	47,445	-	174,184	3,945,574	19,689,002
395,000	-	-	37,705,000	44,857,126	6,515,000
56,809	-	-	2,538,987	4,983,256	4,659,251
-	-	-	-	-	1,150,000
<u>12,251,090</u>	<u>3,093,191</u>	<u>4,422,606</u>	<u>76,256,714</u>	<u>320,616,025</u>	<u>273,983,060</u>
(269,573)	149,458	15,799,408	(40,692,570)	(3,203,424)	28,986,805
-	-	-	31,940,000	32,940,000	85,205,000
-	-	-	3,410,546	3,410,546	-
-	-	-	-	-	(85,205,000)
-	-	-	-	480,410	130,001
1,206,461	-	-	4,478,220	24,987,780	37,422,956
(725,883)	-	-	(960,990)	(24,987,780)	(41,752,847)
<u>480,578</u>	<u>-</u>	<u>-</u>	<u>38,867,776</u>	<u>36,830,956</u>	<u>(4,199,890)</u>
211,005	149,458	15,799,408	(1,824,794)	33,627,532	24,786,915
7,205,711	(912,993)	37,316,734	56,127,990	307,184,221	282,397,306
<u>\$ 7,416,716</u>	<u>\$ (763,535)</u>	<u>\$ 53,116,142</u>	<u>\$ 54,303,196</u>	<u>\$ 340,811,753</u>	<u>\$ 307,184,221</u>

Governmental Funds Financial Statements

City of Fremont

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities For the fiscal year ended June 30, 2018

(With comparative totals for the fiscal year ended June 30, 2017)

	2018	2017
Net Change in Fund Balances - Total Governmental Funds	\$ 33,627,532	\$ 24,786,915
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report cost incurred for capital additions as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets additions recorded in the current period along with the condemnation deposit increase/decrease due to land acquired and legal expenses paid during the year.	5,830,616	19,689,002
Contributions of capital assets from developers are not reported as revenue in governmental funds.	205,971	16,424
Pension contribution made subsequent to the measurement date is an expenditure in the governmental funds, but reported as a deferred outflow of resources in the government-wide financial statements.	34,496,155	31,904,019
Pension expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(49,015,050)	(30,872,852)
OPEB contribution made subsequent to the measurement date is an expenditure in the governmental funds, but reported as a deferred outflow of resources in the government-wide financial statements.	8,487,000	-
OPEB expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(7,298,000)	-
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but it does not require the use of current financial resources. Therefore, depreciation, net of \$1,547,667 and \$3,387,001, for the years ended June 30, 2018 and 2017, respectively, from the Internal Service Funds is not reported as expenditures in governmental funds.	(6,419,231)	(5,495,986)
Disposals of capital assets are reported in the Government-Wide Statement of Activities, but do not require the use of current financial resources. Therefore, these activities are not reported as expenditures in governmental funds.	(777,923)	-
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Position.	(36,350,546)	(85,205,000)
Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Position.	44,857,126	92,870,000
Revenues earned but not available are deferred in the governmental funds but are recognized as revenues in the government-wide financial statements. Also, revenues recognized in the governmental funds during the current year that were earned and recognized in previous years in the government-wide financial statements are reported as beginning net position in the statement of activities.	440,658	(775,732)
The net change in interest payable on long-term debt is reported in the Government-Wide Statement of Activities, but it does not require the use of current financial resources.	(102,937)	(144,765)
Unamortized long-term premium is deferred and amortized in the Government-Wide Statement of Activities, but it does not require the use of current financial resources. Therefore, the amortization of long-term premium is not reported as an expenditure in governmental funds.	262,462	121,213
Internal Service Funds are used to charge the costs of insurance, information technology, vehicle replacements, employee benefits, and fire equipment replacement to individual funds. The change in net position of the Internal Service Funds is reported with governmental activities.	5,467,041	11,663,782
Capital assets transferred from governmental activities to internal service funds are reported as a capital contribution in the internal service funds. Capital assets retirements do not require the use of current financial resource. The capital contribution and capital assets retirements are not reported in the Government-Wide Statement of Activities.	(776,602)	(6,991,364)
The City's net OPEB obligation on the Government-Wide Statement of Net Position is not due and payable in the current period and therefore the changes are not reported in the governmental funds.	-	8,000
Pollution remediation obligations are not due and payable in the current period and therefore the changes are not reported in the governmental funds.	21,599	801,990
Long-term compensated absences are not due and payable in the current period and therefore the changes are not reported in the governmental funds.	(632,245)	(558,919)
Change in Net Position of Governmental Activities	\$ 32,323,626	\$ 51,816,727

See accompanying Notes to Basic Financial Statements.

Proprietary Funds Financial Statements

Proprietary Funds Financial Statements

City of Fremont Statement of Net Position Proprietary Funds June 30, 2018

(With comparative totals for June 30, 2017)

	Internal Service	
	2018	2017
ASSETS		
Current assets:		
Cash and investments held by City	\$ 32,528,108	\$ 29,243,135
Other receivables	754,158	843,748
Total current assets	33,282,266	30,086,883
Noncurrent assets:		
Prepaid assets	2,633,408	2,211,088
Depreciable assets	28,473,069	26,661,542
Less accumulated depreciation	(17,909,873)	(18,701,911)
Total noncurrent assets	13,196,604	10,170,719
Total assets	46,478,870	40,257,602
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	2,082,778	1,843,234
LIABILITIES		
Current liabilities:		
Accounts payable	381,976	708,737
Salaries and wages payable	90,910	75,528
Due to other funds	1,766,200	-
Cash overdraft	620,485	444,886
Claims payable	4,702,000	5,753,000
Total current liabilities	7,561,571	6,982,151
Noncurrent liabilities:		
Claims payable	12,252,000	12,353,000
Net pension liability	7,920,945	7,424,933
Total noncurrent liabilities	20,172,945	19,777,933
Total liabilities	27,734,516	26,760,084
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	231,307	211,968
NET POSITION		
Net investment in capital assets	10,563,196	7,959,631
Unrestricted	10,032,629	7,169,153
Total net position	\$ 20,595,825	\$ 15,128,784

See accompanying Notes to Basic Financial Statements.

City of Fremont
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the fiscal year ended June 30, 2018
(With comparative totals for the fiscal year ended June 30, 2017)

	Internal Service	
	2018	2017
OPERATING REVENUES		
Charges for services	\$ 27,569,999	\$ 23,915,733
Other	14,997	14,808
Total operating revenues	<u>27,584,996</u>	<u>23,930,541</u>
OPERATING EXPENSES		
Salaries and wages	13,900,071	11,991,449
Insurance premiums	2,097,045	1,668,258
Provision for claim losses	2,764,594	2,888,453
Claims administration	274,663	274,529
Materials and supplies	2,683,249	3,411,939
Depreciation	1,547,667	3,387,001
Other	60,029	56,606
Total operating expenses	<u>23,327,318</u>	<u>23,678,235</u>
OPERATING INCOME	4,257,678	252,306
NONOPERATING REVENUES		
Investment income	315,049	48,217
Gain on disposal of capital assets	117,712	42,004
Income (loss) before capital contributions and transfers	<u>4,690,439</u>	<u>342,527</u>
Contributed capital assets	776,602	6,991,364
Transfers in	-	4,329,891
CHANGE IN NET POSITION	<u>5,467,041</u>	<u>11,663,782</u>
Net position - beginning of year	15,128,784	3,465,002
Net position - ending	<u>\$ 20,595,825</u>	<u>\$ 15,128,784</u>

See accompanying Notes to Basic Financial Statements.

Proprietary Funds Financial Statements

City of Fremont Statement of Cash Flows Proprietary Funds For the fiscal year ended June 30, 2018 (With comparative totals for the fiscal year ended June 30, 2017)

	Internal Service	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from users	\$ 27,759,556	\$ 24,138,915
Other revenue	14,997	14,808
Less: Payments to suppliers	(13,983,845)	(12,470,269)
Payments for employee services	(5,106,722)	(5,108,140)
Payments for claims paid	(3,916,594)	(3,965,453)
Payments to others	(60,029)	(56,606)
Net cash provided by operating activities	4,707,363	2,553,255
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(3,393,630)	(1,922,997)
Prepayment for acquisition of capital assets	(422,320)	(2,211,088)
Proceeds from sale of capital assets	136,712	164,531
Net cash used in capital and related financing activities	(3,679,238)	(3,969,554)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfer in from other funds	-	3,935,331
Cash received for borrowing from other funds	1,941,799	444,886
Net cash provided by non-capital financing activities	1,941,799	4,380,217
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on cash and investments	315,049	48,218
Net change in cash and cash equivalents	3,284,973	3,012,136
CASH AND CASH EQUIVALENTS		
Beginning of year	29,243,135	26,230,999
End of year	<u>\$ 32,528,108</u>	<u>\$ 29,243,135</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 4,257,678	\$ 252,306
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	1,547,667	3,387,001
Changes in operating assets and liabilities:		
Other receivables	89,590	(91,523)
Prepaid assets	-	314,706
Accounts payable	(326,761)	183,177
Salaries and wages payable	15,382	(164,879)
Claims payable	(1,152,000)	(1,077,000)
Deferred outflow resources - pension plan	(239,544)	(1,148,784)
Deferred inflow resources - pension plan	19,339	(381,186)
Net pension liability	496,012	1,279,437
Net cash provided by operating activities	\$ 4,707,363	\$ 2,553,255
Noncash non-capital financing activities		
Transfer in of prepaid assets from governmental funds	\$ -	\$ 97,410
Transfer in of other receivables from governmental funds	-	668,206
Transfer in of accounts payable from governmental funds	-	371,056
Noncash capital financing activities		
Transfer in of capital assets	\$ 776,602	\$ 6,991,364

See accompanying Notes to Basic Financial Statements.

Agency Funds Financial Statements

Agency Funds Financial Statements

City of Fremont Statement of Assets and Liabilities Agency Funds June 30, 2018 (With comparative totals for June 30, 2017)

	Agency Funds	
	2018	2017
ASSETS		
Cash and investments held by City	\$ 15,618,807	\$ 19,401,957
Restricted cash and investments held by fiscal agent or City	7,116,316	7,062,655
Land held for resale	678,979	678,979
Accounts receivable	10,808	79,578
Total assets	\$ 23,424,910	\$ 27,223,169
LIABILITIES		
Accounts payable	\$ 223,593	\$ 103,533
Due to other governmental agencies	678,979	678,979
Cash overdraft	-	2,304
Deposits	22,522,338	26,438,353
Total liabilities	\$ 23,424,910	\$ 27,223,169

See accompanying Notes to Basic Financial Statements.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Fremont, California (City) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Description of the Government-Wide Financial Statements

The government-wide financial statements (the Statement of Net Position and Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. Data from the governmental funds and internal service funds financial statements are summarized as governmental activities in the government-wide financial statements. All fiduciary activities are reported only in the fund financial statements.

B. Financial Reporting Entity

The City was incorporated in January 1956. The City has a council-manager form of government and provides a wide range of municipal services. These basic financial statements present the City and its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the primary government's exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The following is a brief overview of the component units included in the accompanying basic financial statements of the City. Financial information for these component units can be obtained from the City's Finance Department.

Fremont Public Financing Authority (Financing Authority) – A joint powers authority formed by the City and the former Redevelopment Agency of the City of Fremont (RDA), organized for the purpose of financing certain capital projects for the City or the Agency. Separate financial statements are not issued for the Financing Authority. After the RDA was dissolved in January 2012, the Successor Agency to the RDA took over its role as a party to the joint powers authority agreement until it was terminated in May 2015. On June 13, 2017, the Fremont Industrial Development Authority became an additional party to the Financing Authority joint powers agreement.

Fremont Social Services Joint Powers Authority (Social Services JPA) – A joint powers authority formed by the City and the RDA, organized for the purpose of facilitating the activities of the Family Resource Center. In 1998, the Social Services JPA entered into a 40-year lease with the City for the two buildings that house the Family Resource Center. The Social Services JPA has committed to subleasing this space to CDBG-eligible tenants at below-market rents over the 40-year lease term. Rents collected from

Notes to Basic Financial Statements

CDBG-eligible tenants are used to make payments on the debt service obligations incurred in connection with the purchase of the buildings. Separate financial statements are not issued for the Social Services JPA. Although the RDA ceased to exist after January 31, 2012, that occurrence had no effect on the existence of the Social Services JPA.

The City Council serves in separate session as the governing body of the Financing Authority and the Social Services JPA and a financial benefit/burden relationship exists between the City and these entities. As a result, the financial activities of the Financing Authority and the Social Services JPA are integrally related to those of the City and are “blended” with those of the City.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The City reports the following governmental activities:

General Government – These services are those that are associated with the general administration of the government. These services are primarily provided by the following departments: City Council, City Manager, City Attorney, City Clerk, Finance, and Human Resources. These departments provide services that support external as well as other internal government functions of the City.

Public Safety - Police Services – The Police Department is responsible for the safeguarding of citizens’ lives and property, the preservation of constitutional rights, and neighborhood problem solving. These services also include the animal shelter and jail bookings.

Public Safety - Fire Services – The Fire Department is responsible for providing fire and life safety emergency services, including emergency response, paramedic services, public education, emergency-preparedness training and hazardous materials management services.

Human Services – The Human Services Department offers a range of services to the community including a senior center, paratransit services, counseling, and support for seniors, families and youth.

Capital Assets Maintenance and Operations – These services are provided by the Public Works Department and the Community Services Department and include maintenance of the City’s capital assets and infrastructure such as public buildings, parks, streets and vehicles.

Recreation and Leisure Services – Services provided by the Community Services Department include performing and visual arts, youth and adult sports, youth and early childhood enrichment programs, park visitor services, and management of the community centers, special facilities, and historic sites.

Community Development and Environmental Services – These services are provided by the Community Development Department and the Environmental Services Division of the Community Services Department and include community planning, engineering, code enforcement, building permit and inspection services, and environmental services that enhance and preserve a high quality living environment within the City.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables; however, interfund services provided and used are not eliminated in the process of consolidation.

D. Basis of Presentation – Fund Financial Statements

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, deferred outflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and aggregated non-major funds. Accompanying statements are presented to reconcile and explain the differences in fund balances and change in fund balances as presented in these statements to the net position and change in net position presented in the government-wide financial statements. The fund types presented in the fund financial statements include the General Fund, special revenue funds, debt service funds, and capital projects funds. The City has presented all major funds that meet the criteria prescribed in GASB Statement No. 34.

The City reports the following major governmental funds:

General Fund – This fund is the City’s primary operating fund. It accounts for all financial resources and outlays of the general government. The General Fund receives the City’s discretionary funding sources (e.g., property tax, sales tax, charges for services, etc.) and uses its resources for the general operations of the City (e.g., police, fire, general government) not accounted for in other funds.

Development Impact Fees – This is a capital projects fund that accounts for impact fees levied under California Government Code Sections 66000 et seq., “Fees for Development Projects” (commonly referred to as AB1600) and Section 66477 (commonly referred to as the Quimby Act). The City assesses fees for fire, capital facilities, traffic, park dedication in lieu, and park facilities. These fees are used to

Notes to Basic Financial Statements

defray all or a portion of the cost of additional public facilities needed to provide service to new development.

Development Cost Center – This is a special revenue fund that accounts for user fees and costs of services related to planning, engineering and inspection of public and private development construction projects.

Recreation Services – This is a special revenue fund that accounts for all of the City’s recreation programs and services, including Central Park and activities of the community centers. User fees are generated from the various classes and programs offered to the public.

Capital Improvement – By Council resolution, this capital projects fund can be used only to finance capital improvements for the City, including the acquisition, construction, and initial equipping of parks, recreation areas, public safety facilities, or other public works projects. Amounts in this fund are primarily received as transfers from the General Fund, as interest earned on invested cash balances, as proceeds from the sale of certain parcels of land, or as proceeds of debt.

Human Services – This special revenue fund accounts for services provided to the community that include: a senior center; paratransit services; counseling; support for seniors, families and youth; and housing related services.

Intermodal Surface Transportation Efficiency Act (ISTEA) – This is a capital projects fund used to account for federal funding for transportation projects. Among ISTEA’s many programs, three provide capital improvement funds for local governments. These programs are known as the Surface Transportation Program, the Congestion Mitigation and Air Quality Improvement Program, and the Transportation Enhancement Activity Program. Funds are applied for on a project-by-project basis.

Inclusionary Housing In Lieu – This special revenue fund accounts for inclusionary housing in-lieu fee payments received from developers. The Inclusionary Housing Program requires a minimum amount of affordable housing to be created in conjunction with market rate residential development.

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for all proprietary funds.

The City reports the following proprietary fund type:

Internal Service – This fund type accounts for the Risk Management and Information Technology services provided to other City departments on a cost-reimbursement basis, as well as funds accumulated for Vehicle Replacement, Employee Benefits, and Fire Capital Replacement.

Internal service fund balances and activities have been incorporated into governmental activities in the government-wide financial statements.

Fiduciary fund financial statements consist of a Statement of Assets and Liabilities and a Statement of Changes in Assets and Liabilities. The City's fiduciary funds consist of four agency funds. The City's agency funds are custodial in nature and do not involve measurement of results of operations.

The City reports the following agency funds:

Local Improvement Districts – This fund accounts for the accumulation of City of Fremont Community Facilities District No. 1 (CFD 1) facilities and services special tax revenue, payment of principal and interest for the outstanding CFD 1 special tax bonds, and payment for maintenance of the public improvements at Pacific Commons financed with the special tax bonds.

Narcotics Assets Seizure – This fund accounts for assets confiscated by the Southern Alameda County Major Crimes Task Force (SACMCTF), which consists of police officers from the cities of Fremont, Newark and Union City. These assets may only be used by SACMCTF for future narcotics investigations.

Performance Bonds, Deposits and Confiscated Assets – This fund accounts for bonds and deposits received in conjunction with construction activity within the City, assets confiscated by the police, and other deposits held by the City in a fiduciary capacity.

Southern Alameda County GIS – This fund accounts for monies collected from agencies participating in a JPA for the administration of the Southern Alameda County Geographic Information System (GIS). The City is the administrator of the GIS, which serves the participating agencies. The parties to the JPA are the City of Fremont, City of Newark, Union Sanitary District, and Alameda County Water District.

During the year, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds are eliminated. Similarly, activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. However, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between funds are eliminated.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets

Notes to Basic Financial Statements

and liabilities, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which the liability is incurred.

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Revenues not meeting the availability criteria are considered deferred inflows of resources. Property tax revenues are recognized in the current year if they are collected within 60 days of year-end. All other revenues are recorded when received in cash, except that revenues subject to accrual (generally received within 90 days after year-end) are recognized when due. The primary revenue sources that have been treated as susceptible to accrual by the City are property tax, sales tax, special assessments, intergovernmental revenues, other taxes, interest revenue, rental revenue and certain charges for services. Fines, forfeitures, licenses, and permits are not susceptible to accrual because they are usually not measurable until received in cash. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

F. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of revenues and expenses. Actual results could differ from these estimates and assumptions.

G. Comparative Data

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be

read in conjunction with the City's fiscal year 2016/17 financial statements, from which the summarized information was derived. Comparative total data for the prior year have been presented to provide an understanding of the overall changes in the financial position and operations of the City. Certain fiscal year 2016/17 amounts presented as summarized comparative financial information in the basic financial statements have been reclassified for comparative purposes to conform to the presentation in the fiscal year 2017/18 basic financial statements.

H. Effects of New Pronouncements

The City implemented the following GASB Statements during the year:

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, to improve guidance for accounting and reporting for Other Post-Employment Benefits (OPEB) that governments provide for their employees.

Key changes include:

- Separating the determination of accounting and financial reporting from how OPEB is funded.
- Employers with an OPEB plan will recognize a net OPEB liability, as defined by the standard, in their government-wide, proprietary and fiduciary fund financial statements.
- Using a discount rate that applies (a) the expected long-term rate of return on OPEB plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) the yield or index rate on tax-exempt 20-year general obligation municipal bonds with an average rating of AA/Aa or higher to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
- Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six actuarial cost methods.
- Requiring more extensive note disclosures and required supplementary information.

As of July 1, 2017, the City restated its governmental activities' net position by \$43,360,000 to record a net OPEB liability of \$81,373,000, record deferred outflows of resources related to OPEB contributions made after the measurement date of \$7,562,000, and remove the net OPEB obligation recorded in accordance with GASB Statement No. 45 of \$30,451,000.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The statement provides recognition and measurement guidance for situations in which a government is a beneficiary of these agreements. The implementation of this statement

Notes to Basic Financial Statements

did not have a significant impact on the City's financial statements for the fiscal year ended June 30, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of the statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. The statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The implementation of this statement did not have a significant impact on the City's financial statements for the fiscal year ended June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of the statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. The implementation of this statement did not have a significant impact on the City's financial statements for the fiscal year ended June 30, 2018.

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The requirements of this statement are effective for the City's fiscal year ending June 30, 2019.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for the City's fiscal year ending June 30, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease

liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the City's fiscal year ending June 30, 2021.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established and requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The requirements of this statement are effective for the City's fiscal year ending June 30, 2019.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the end of a Construction Period*. The objectives of this statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. The requirements of this statement are effective for the City's fiscal year ending June 30, 2021.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The requirements of this statement are effective for the City's fiscal year ending June 30, 2020.

Notes to Basic Financial Statements

I. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Investments

The City pools cash resources from all funds in order to facilitate and maximize the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other fixed income investments with varying terms.

In addition, Note 2 provides information about the City's deposits and investments, interest sensitive investments, the credit quality of the investments held at year-end, and fair value measurement. Investments are presented at fair value except as noted below. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Money market investments (such as short-term, highly liquid debt instruments including bankers' acceptances) and securities (notes, bills, and obligations of the U.S. government and its agencies), and participating interest-earning investment contracts (such as negotiable certificates of deposit and repurchase agreements) that have a remaining maturity at the time of purchase of one year or less, are reported at amortized cost, which approximates fair value. Interest earned on investments is allocated monthly to all funds on the basis of daily cash and investment balances.

The City participates in two investment pools, the first managed by the State of California, the Local Agency Investment Fund (LAIF) and the second managed by PFM Asset Management LLC, the California Asset Management Program (CAMP). LAIF has invested a portion of the pool funds in structured notes and asset-backed securities, which are subject to interest rate risk. The fair value of participants' positions in the external investment pools is the same as the value of the investment pool's shares and investment income, which includes changes in fair value (i.e., realized and unrealized gains or losses).

Cash and cash equivalents are considered to be cash on hand, amounts in demand deposits and short-term investments with original maturities of three months or less from the date acquired by the City.

2. Restricted Cash and Investments

Restricted cash and investments are held by a fiscal agent or the City for the redemption of bonded debt and for acquisition and construction of certain capital projects.

3. Capital Assets

Capital assets are stated at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are stated at their acquisition value. City policy has set the capitalization threshold for reporting infrastructure capital assets at \$25,000 and

for all other capital assets at \$5,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets, as follows:

Infrastructure	15 – 100 years
Buildings	50 years
Building Improvements	20 years
Vehicles	5 – 27 years
Machinery and Equipment	5 – 25 years

The City defines infrastructure as the basic physical assets that allow the City to function. These assets include the street network, park and recreation lands and improvements network, storm water collection network, and site amenities associated with buildings, such as parking and landscaped areas, used by the City in the conduct of its business. All of the City’s infrastructure networks are depreciated over their estimated useful lives, with the exception of the street network for which the City has elected to use the modified approach as defined by GASB Statement No. 34.

Pursuant to the modified approach to accounting for infrastructure assets, the City has committed to preserving and maintaining its street network at an appropriate condition level as determined by the City Council. Consequently, no depreciation expense is reported for the capital assets comprising the street network, nor are amounts capitalized in connection with improvements that lengthen the lives of those capital assets, unless those improvements also increase their service capacity. The City maintains an inventory of its street network infrastructure assets and performs periodic condition assessments to establish that the predetermined condition level is being maintained. Additionally, the City makes annual estimates of the amount that must be expended to preserve and maintain the street network at the predetermined condition level.

4. Compensated Absences

In accordance with negotiated labor agreements, employees accumulate earned but unused vacation and other compensated leave, and sick pay benefits. There is no liability for unpaid accumulated sick leave because the City does not pay any amounts when employees separate from service with the City. All vacation and other compensated leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds when due and payable only if it is expected to be settled with current financial resources.

5. Claims Payable

The City records a liability to reflect an actuarial estimate of ultimate uninsured losses for both general liability claims (including property damage claims) and workers’ compensation claims. The estimated liability for workers’ compensation claims and general liability claims includes incurred but not reported (IBNR) claims and loss adjustment expenses. There is no fixed payment schedule to pay any of these liabilities.

6. Unearned Revenue

Unearned revenues arise when the City receives resources before it has a legal claim to them, as when grant monies are received before all eligibility requirements imposed by the grantor have been met (i.e. before incurring qualifying expenditures or performing related services). In subsequent periods, when the City has met all eligibility requirements, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

7. Interfund Transactions

During the normal course of operations, the City has numerous transactions among funds. The significant interfund transactions that occurred during the year can be classified into two types:

Transfers – Transactions to allocate resources or the occurrence of specific expenditures to the receiving fund. These transactions are recorded as transfers in and out in the year in which they are approved.

Loans Between Funds – Transactions to loan resources from one fund to another. Short-term loans are recorded as “due from other funds” in the disbursing fund and “due to other funds” in the receiving fund.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental-type funds recognize bond premiums and discounts during the period they occur. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources, while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Fremont’s California Public Employees’ Retirement System (CalPERS) plans (the “Plans”) and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. Other Post-Employment Benefits

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City of Fremont's CalPERS California Employers' Retiree Benefit Trust (CERBT) plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. For the year ended June 30, 2018, the City is reporting deferred outflows of resources related to pensions and OPEB.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For the year ended June 30, 2018, the City has two types of items to report in this category: the first, unavailable revenue which arises only under the modified accrual basis of accounting, is reported only in the governmental funds balance sheet; the second, pension and OPEB items, is reported in the government-wide and proprietary funds statement of net position. The unavailable revenues in the governmental funds will be recognized as an inflow of resources during the period that the amounts become available.

12. Net Position and Fund Balance

In the government-wide financial statements, net position is reported in one of three categories:

Net Investment in Capital Assets – groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance of this category.

Restricted Net Position – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally

Notes to Basic Financial Statements

enforceable enabling legislation restriction is one that a party external to a government—such as citizens, public interest groups, or the judiciary—can compel a government to honor.

Unrestricted Net Position – represents net position of the City that are not restricted for any project or purpose.

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2018, fund balances for governmental funds are reported in the following categories:

Nonspendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance or resolution (either action is equally binding as the other), commit fund balances. Commitments may be changed or lifted only by the City Council taking the same formal action that imposed the constraint originally.

Assigned Fund Balance – comprises amounts intended to be used by the City for specific purposes through budgetary actions or delegation of authority by the City Council. Intent is expressed by the City Council or an official to whom the City Council has delegated the authority (generally, the City Manager) to assign amounts to be used for specific purposes.

Unassigned Fund Balance – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. The amount also includes negative fund balances for other governmental funds.

At June 30, 2018, the City’s Intermodal Surface Transportation Efficiency Act (ISTEA) major capital projects fund had a deficit fund balance of \$763,535. The Transportation Development Act non-major capital project fund had a deficit fund balance of \$3,581. The Traffic System Management non-major capital project fund had a deficit fund balance of \$68,067, and the Miscellaneous State Capital Grant non-major capital projects fund had a deficit fund balance of \$2,209. These deficits are due to the timing

of receipt of revenues to fund capital expenditures. The deficits are expected to be funded by future intergovernmental revenues.

13. Use of Restricted/Unrestricted Net Position and Fund Balances

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first.

With respect to fund balance, the City considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance are available. Additionally, the City considers committed amounts to have been spent first, assigned amounts to have been spent second, and unassigned amounts to have been spent last when an expenditure is incurred for purposes for which committed, assigned, and unassigned fund balance is available.

14. Minimum Fund Balance Policies

Budget policies adopted by the City Council and incorporated into the annual operating budget require the City to maintain the following four General Fund reserves: the Contingency Reserve, the Program Investment Reserve, the Economic Volatility Reserve, and the Budget Uncertainty Reserve.

Contingency Reserve – helps mitigate the effects of unanticipated situations such as natural disasters and severe, unforeseen events. The Contingency Reserve also serves as back-up liquidity to the Risk Management Fund if the need arises. The Contingency Reserve is funded at a level at least equal to 10% of annual operating expenditures and transfers out. All uses of the Contingency Reserve must be approved by City Council. Any such uses are to be repaid to the Contingency Reserve over a period of no more than three years. This reserve balance is reported as unassigned fund balance in the General Fund because it does not meet the requirements of a “stabilization arrangement,” as defined in GASB Statement No. 54. At June 30, 2018, the Contingency Reserve was approximately \$19.1 million.

Program Investment Reserve – provides a source of working capital for the following: a) new programs or undertakings that have potential for receiving significant funding from outside sources, and b) organization retooling, process improvement, and strategic entrepreneurial opportunities. The Program Investment Reserve is funded at a level equal to 2.5% of annual operating expenditures and transfers out. All uses of the Program Investment Reserve must be approved by the City Council. Any such uses are to be repaid to the Program Investment Reserve over a period to be determined by the City Council at the time of usage approval, with a target repayment period of no more than three years. This reserve balance is reported as unassigned fund balance in the General Fund because it does not meet the requirements of a “stabilization arrangement,” as defined in GASB Statement No. 54. At June 30, 2018, the Program Investment Reserve was approximately \$4.7 million.

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Economic Volatility Reserve – is intended to offset the effects of future economic downturns and unanticipated cost increases beyond the City’s control. The Economic Volatility Reserve is funded at a level equal to 2.5% of annual operating expenditures and transfers out. All uses of the Economic Volatility Reserve must be approved by the City Council. Any such uses are to be repaid to the Economic Volatility Reserve over a period to be determined by the City Council at the time of usage approval, with a target repayment period of no more than three years. This reserve balance is reported as unassigned fund balance in the General Fund because it does not meet the requirements of a “stabilization arrangement,” as defined in GASB Statement No. 54. At June 30, 2018, the Economic Volatility Reserve was approximately \$4.7 million.

Budget Uncertainty Reserve – is intended to offset quantifiable uncertainty in the multi-year forecast. The long-term funding level for this reserve is determined by measuring the level of financial risk associated with the following three areas of uncertainty:

Revenue risks: Revenues falling short of budget projections, causing budget shortfalls.

State budget risks: Possibility of State implemented budget solutions that legislatively reallocate intergovernmental revenues from local jurisdictions to the State (in the absence of guarantees or constitutional protection of these revenues).

Uncontrollable costs: The City requires a source of supplemental funding for things like further increases in the California Public Employees’ Retirement System (CalPERS) retirement rates resulting from CalPERS investment performance falling short of actuarial assumptions; and other cost increases beyond City control (e.g., various fuel and utility charges).

All uses of this reserve must be approved by the City Council. If the risk factors described above are eliminated as a result of new revenue sources, legislation, or major changes in economic conditions, the basis for the reserve will be reviewed and the funding level may be adjusted accordingly. In the event the reserve has accumulated funding beyond the established level reasonably required to offset the risks above, excess funds will be assigned for capital projects, budgeted for service enhancement, or returned to the General Fund for other purposes. This reserve is reported as unassigned fund balance in the General Fund because it does not meet the requirements of a “stabilization arrangement,” as defined in GASB Statement No. 54. At June 30, 2018, the Budget Uncertainty Reserve was approximately \$3.7 million.

J. Revenues, Expenditures/Expenses

1. Program Revenues

The types of transactions reported as program revenues for the City are reported in three categories: (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Allocation of Indirect Expense to Functions in the Government-Wide Statement of Activities

The City charges funds and departments for certain centralized expenses (risk management, information technology, OPEB, and vehicle maintenance and replacement) which include an administrative overhead component. As a result, those indirect expenses are included along with the direct expenses shown for each of the governmental activities in the government-wide statement of activities.

3. Property Tax

Under California law, property taxes are assessed and collected by the counties at a rate of up to 1% of assessed value, plus other increases approved by the voters. Property taxes go into a pool and are then allocated to cities based on complex formulas. Property taxes are collected by the Auditor-Controller of the County of Alameda (County) and are remitted upon collection to the various taxing entities, including the City. Accordingly, the City accrues only those taxes that are received from the County within sixty days after year-end for governmental funds.

For assessment and collection purposes, property is classified as either “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed property and real property having a tax lien that is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Unsecured property comprises all taxable property not attached to land, such as personal property or business property. Every tax levied by a county that becomes a lien on secured property has priority over all present and future private liens arising pursuant to State law on the secured property, regardless of the time of the creation of the other liens. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on other property owned by the taxpayer.

Valuation of secured property and establishment of a statutory tax lien occur as of January 1 prior to the tax year (the tax year is the July 1 – June 30 fiscal year of the State) of the related tax levy, and the secured and unsecured tax rolls are certified on or before July 31 of the tax year by the County Assessor.

The County assesses property values, levies bills, and collects taxes as follows:

Notes to Basic Financial Statements

	<u>Secured</u>	<u>Unsecured</u>
Lien Dates	January 1	January 1
Levy Dates	January 1	January 1
Due Dates	50% on November 1 50% on February 1	July 1
Delinquent after	December 10 (for November) April 10 (for February)	August 31

The City does not have the ability to control the levy rate or the amount of property taxes remitted by the County because these are governed by State law.

4. Operating and Nonoperating Revenues and Expenses in the Proprietary Funds

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

5. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2018, the CUPA Administration non-major special revenue fund had an excess of expenditures over appropriations, which was expected to be covered with existing fund balance.

2. CASH AND INVESTMENTS

The City maintains an internal cash and investment pool for all funds. Certain restricted funds that are held and invested by independent outside custodians through contractual agreements are not pooled, and are reported as cash with fiscal agent. Investment income earned on pooled cash and investments is allocated monthly to the various funds based on average daily cash balances. Investment income from cash and investments with fiscal agent is credited directly to the related funds.

A. Authorized Investments

The City's investment policy is adopted annually by the City Council in accordance with California Government Code Section 53601, and has as its objectives the following (in order of priority):

- **Safety:** Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in the portfolio's composition.
- **Liquidity:** The portfolio shall remain sufficiently liquid to meet all operating requirements that can be reasonably anticipated. Liquidity refers to the ability to sell an investment at any given moment with a minimal chance of losing some portion of principal or interest.
- **Yield:** The portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Under provisions of the City's investment policy, the City may invest in the following types of investments:

- Bonds and notes issued by the City.
- U.S. Treasury bills, notes, bonds, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
- Registered state warrants or treasury notes or bonds issued by the State of California in the third highest rating category or better by a nationally recognized statistical rating organization (NRSRO).
- Registered treasury notes or bonds of any of the other 49 states in addition to California in the third highest rating category or better by a NRSRO.
- Bonds, notes, warrants, or other evidence of debt issued by a local agency within the State of California in the third highest rating category or better by a NRSRO.
- The Local Agency Investment Fund (LAIF) maintained by the State of California.

Notes to Basic Financial Statements

- Obligations issued by agencies or instrumentalities of the U.S. Government.
- Bankers' acceptances with a term not to exceed 180 days in the highest short-term rating category by a NRSRO.
- Prime commercial paper with a term not to exceed 270 days and the highest rating issued by Moody's Investors Service or Standard & Poor's Corporation on the date of purchase. Eligible paper shall be issued by corporations that are organized and operating within the United States, having total assets in excess of \$500,000,000, rated A-1, and if the issuer has issued long-term debt, it must be rated in the third highest rating category or better by a NRSRO.
- Negotiable certificates of deposit issued by federally chartered or state-chartered banks or associations or by a state-licensed branch of a foreign bank in the third highest rating category or better by at least two NRSROs.
- Repurchase agreements that comply with statutory requirements, are documented by a written agreement, are fully collateralized by delivery to an independent third-party custodian or the counterparty's bank's trust department or safekeeping department, and are for a term of one year or less.
- Medium-term notes issued by corporations organized and operating in the United States and rated in the third highest rating category or better by at least two NRSROs.
- Shares of beneficial interest issued by diversified management companies investing in authorized securities and obligations categorized as money market mutual funds with the highest rating by at least two NRSROs (e.g., money market mutual funds).
- Shares of beneficial interest issued by a joint powers authority organized pursuant to section 6509.7 of the California Government Code that invests in the securities and obligations authorized in subdivisions (a) and (o), inclusive of Section 53601 of the California Government Code.
- Insured or collateralized time deposits or savings accounts secured in accordance with the provisions of Sections 53651 and 53652 of the California Government Code.
- Any pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond rated in the second highest rating category or better by at least two NRSROs.
- Senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, rated in the second highest rating category or better by an NRSRO.

No more than a five-year maximum maturity for each investment is allowed, unless an extension of maturity is granted by the City Council.

In accordance with Section 53651 of the California Government Code, the City cannot invest in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, or in any security that could result in zero interest accrual if held to maturity. The limitation does not apply to investments in shares of beneficial interest issued under the Investment Company Act of 1940 that are authorized investments under Section 53601 of the California Government Code.

The City’s investment policy specifies that the provisions of the related bond indentures or resolutions shall govern investments of bond proceeds.

The following is a summary of pooled cash and investments, including cash and investments with fiscal agent, at June 30, 2018:

	Governmental Activities	Fiduciary Funds	Totals
Cash and investments held by the City	\$ 361,508,459	\$ 15,618,807	\$ 377,127,266
Restricted cash and investments held by fiscal agent or City	3,079,330	7,116,316	10,195,646
Total cash and investments	364,587,789	22,735,123	387,322,912
Less: cash and deposits not meeting the definition of investments	(20,289,511)	(2,038,095)	(22,327,606)
Total investments	\$ 344,298,278	\$ 20,697,028	\$ 364,995,306

B. Risk Disclosures - Deposits

At June 30, 2018, the carrying and bank amounts of the City’s cash and deposits were \$22,327,606 and \$24,444,624, respectively. Of the bank balance, \$500,405 was insured by the Federal Deposit Insurance Corporation (FDIC) and \$23,944,219 was collateralized. The California Government Code and the City’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City’s deposits by pledging first trust deed mortgage notes having a value of 150% of secured public deposits.

C. Risk Disclosure - Investments

In the governmental funds, restricted cash and investments held by the City in the Fire General Obligation Bonds Debt Service Fund are related to general obligation bonds. Restricted cash and investments held by fiscal agent in the Fremont Public Financing Authority Debt Service Fund and in the Capital Improvement Fund are restricted for the payment of principal and interest on lease obligations and capital project expenditures. In

Notes to Basic Financial Statements

the fiduciary funds, restricted cash and investments relate to special tax bonds and the pollution mitigation escrow for the Centerville Unified Site.

Interest Rate Risk. At June 30, 2018, the City did not hold investments that are “highly sensitive to interest rate fluctuations,” as defined by GASB Statement No. 40. As a means of limiting exposure to fair value losses arising from rising interest rates, the City’s investment policy provides that final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs. The weighted-average life of the portfolio was 472 days, without regard to call features of many of the bonds held in the portfolio.

Credit Risk. It is the City’s policy that commercial paper must have a credit rating of A1 by Standard & Poor’s or P-1 by Moody’s Investors Service at time of purchase. Corporate bonds and medium-term notes must have a rating of A or better by at least two nationally recognized statistical rating organizations (NRSROs) at time of purchase. Mutual funds must have the highest rating issued by at least two NRSROs. The Local Agency Investment Fund (LAIF), administered by the State of California, has a separate investment policy, governed by Government Code Sections 16480-16481.2, that provides credit standards for its investments.

As of June 30, 2018, the City’s investments consisted of the following:

Investment Type	Lowest Rating Category*	Fair Value	Investment Maturities				
			1 Year or Less	1-2 Years	2-3 Years	3-4 Years	4-5 Years
Pooled investments held by the City:							
U.S. Treasuries	AA	\$ 57,390,483	\$ -	\$ 1,755,179	\$ 22,415,372	\$ 21,382,889	\$ 11,837,043
U.S. Agencies:							
Federal Home Loan Bank (FHLB)	AA	9,060,669	-	3,630,160	-	5,430,509	-
Federal National Mortg. Assn. (FNMA)	AA	7,292,109	-	5,617,744	-	1,674,365	-
Medium-Term Corporate Notes	AAA/Aaa	2,799,570	-	-	1,968,466	831,104	-
Medium-Term Corporate Notes	AA/Aa	7,526,724	-	790,368	4,813,697	968,956	953,703
Medium-Term Corporate Notes	A	29,830,738	-	7,887,151	10,205,436	8,619,172	3,118,979
Medium-Term Corporate Notes	BBB	2,512,457	-	1,682,272	830,185	-	-
Municipal Bonds	AA/Aa	877,906	-	-	877,906	-	-
Municipal Bonds	A	695,247	695,247	-	-	-	-
Asset-Backed Securities	AAA/Aaa	16,308,359	26,249	991,229	3,953,199	7,013,020	4,324,662
Collateralized Mortgage Obligations	AA	2,543,834	105,784	376,166	-	1,186,544	875,340
Money Market Mutual Fund	AAA	56,777,310	56,777,310	-	-	-	-
Negotiable Certificates of Deposit	A-1/P-1	2,439,582	2,439,582	-	-	-	-
Negotiable Certificates of Deposit	A	11,745,275	-	11,745,275	-	-	-
Negotiable Certificates of Deposit	AA/Aa	9,328,969	-	3,382,065	5,946,904	-	-
Supranational Notes	AAA/Aaa	11,467,604	-	1,715,210	9,752,394	-	-
LAIF**	Not Rated	64,878,246	64,878,246	-	-	-	-
CAMP**	AAA	66,099,853	66,099,853	-	-	-	-
Total pooled investments held by the City		<u>359,574,935</u>	<u>191,022,271</u>	<u>39,572,819</u>	<u>60,763,559</u>	<u>47,106,559</u>	<u>21,109,727</u>
Investments held by fiscal agent:							
Money market mutual funds**	AAA/Aaa	5,420,371	5,420,371	-	-	-	-
Total investments		<u>\$ 364,995,306</u>	<u>\$ 196,442,642</u>	<u>\$ 39,572,819</u>	<u>\$ 60,763,559</u>	<u>\$ 47,106,559</u>	<u>\$ 21,109,727</u>

* Rating categories are shown for Standard and Poor’s (AAA, AA, A, BBB) and Moody’s (Aaa, Aa, A) and are shown without modifications (+,-,1,2, or 3).

** Weighted average maturity.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All securities, with the exception of the money market funds, time deposits, LAIF, and CAMP, are held by a third-party custodian, Bank of New York Mellon (BNYM). BNYM is a registered member of the Federal Reserve Bank. The securities held by BNYM are in street name, and a customer number assigned to the City identifies ownership.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an investor's holdings in a single issuer. The City diversifies its portfolio by limiting the percentage of the portfolio that can be invested in any one issuer's name to 5%. Investments in U.S. Treasury securities, Federal Agency securities, mutual funds and investment pools (LAIF, CAMP) are not subject to the City's 5% limit on credit concentration. At June 30, 2018, no investments that are subject to the 5% limit accounted for more than 5% of total pooled investments held by the City.

D. Fair Value Adjustment

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and GASB Statement No. 72, *Fair Value Measurement and Application*, require that the City's investments be carried at fair value instead of cost. Accordingly, the City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end and the effects of these adjustments are included in income for that fiscal year. The total amount of the unrealized fair value loss as of June 30, 2018 was \$3,990,539. At June 30, 2017, the total unrealized fair value loss was \$1,138,845. The change in value between the two periods amounted to an unrealized loss of \$2,851,694 for fiscal year 2017/18.

E. External Investment Pools

Local Agency Investment Fund – The City voluntarily invests in the California Local Agency Investment Fund (LAIF), a State of California external investment pool. LAIF is part of the Pooled Money Investment Account (PMIA). PMIA oversight is provided by the Pooled Money Investment Board (PMIB) and an in-house Investment Committee. PMIB members are the State Treasurer, State Director of Finance, and State Controller. The Local Investment Advisory Board (LIAB) provides oversight for LAIF. The Board consists of five members as designated by statute. The Chairman is the State Treasurer or his designated representative. Two members are qualified by training and experience in the field of investment or finance, and the State Treasurer appoints two members who are treasurers, finance or fiscal officers, or business managers employed by any county, city or local district or municipal corporation of the state.

The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the City's pool share. The City measures the value of its LAIF investment by multiplying its account balance by the ratio of the portfolio fair value to amortized cost (a factor of 0.998126869). The balance available for withdrawal is based on the accounting records maintained by the State, which are recorded on an amortized cost

Notes to Basic Financial Statements

basis. As of June 30, 2018, the City had \$65,000,000 invested in LAIF, and the fair value of the City's investment in LAIF was \$64,878,246.

At June 30, 2018, PMIA had a total portfolio of approximately \$88.8 billion and of that amount, 97.33% was invested in non-derivative financial products and 2.67% was invested in structured notes and asset-backed securities. These investments include the following:

- Structured notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.
- Asset-backed securities entitle the purchasers to receive a share of the cash flows from a pool of assets, such as principal and interest repayments from a pool of mortgages (e.g., CMOs), small business loans, or credit card receivables.

California Asset Management Program – The City voluntarily invests in the California Asset Management Program (CAMP), a California Joint Powers Authority established in 1989 to provide California public agencies with professional investment services. The CAMP Pool is a permitted investment for all local agencies under California Government Code Section 53601(p). CAMP is directed by a Board of Trustees, which is made up of experienced local government finance directors and treasurers.

CAMP determines fair value on its investment portfolio based on amortized cost. The City measures the value of its CAMP investment at the fair value amount provided by CAMP. As of June 30, 2018, the fair value of the City's investment in CAMP was \$66,099,853.

At June 30, 2018, CAMP had a total portfolio of approximately \$3.8 billion of which all was invested in non-derivative financial products.

F. Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The City does not measure any of its investments using level 3 inputs.

The following is a summary of the fair value and net asset value measurements of the City as of June 30, 2018:

<u>Investments</u>	<u>Balance at 6/30/2018</u>	<u>Fair Value Measurements Using</u>	
		<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>
Investments by fair value level:			
U.S. Treasuries	\$ 57,390,483	\$ 57,390,483	\$ -
U.S. Agencies	16,352,778	-	16,352,778
Medium-Term Corporate Notes	42,669,489	-	42,669,489
Municipal Bonds	1,573,153	-	1,573,153
Asset-Backed Securities	16,308,359	-	16,308,359
Collateralized Mortgage Obligations	2,543,834	-	2,543,834
Negotiable Certificates of Deposit	23,513,826	-	23,513,826
Supranational Notes	11,467,604	-	11,467,604
Total investments by fair value level	<u>171,819,526</u>	<u>\$ 57,390,483</u>	<u>\$ 114,429,043</u>
Investments measured at the net asset value (NAV):			
LAIF	64,878,246		
CAMP	66,099,853		
Money Market Mutual Funds	<u>62,197,681</u>		
Total investments measured at the NAV	<u>193,175,780</u>		
Total investments measured at fair value	<u>\$ 364,995,306</u>		

U.S. Treasury securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Securities classified in Level 2 of the fair value hierarchy are valued using prices determined by the use of matrix pricing techniques maintained by the pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

3. HOUSING LOANS RECEIVABLE

The City purchased ten rehabilitation loans from the former Successor Agency to the Redevelopment Agency of the City of Fremont (SARA) on June 30, 2013 for the discounted net present value of \$364,442. The SARA assigned to the City all the SARA's rights, title, and interest in and to the loan documents, including, without limitation, the rights to receive and enforce payment of the loan repayments. The balance due on these loans at June 30, 2018 is \$148,348 in the General Fund. The City has recorded an allowance in anticipation of the amount to be forgiven for these loans in the amount of \$126,525, resulting in a receivable balance of \$21,823. Because these loans do not meet the City's availability criteria for revenue recognition, the City has deferred the inflow of resources in the governmental funds financial statements.

At June 30, 2018, the City was owed \$1,029,681 in its Human Services special revenue fund for various housing assistance loans to homeowners made by the City. The terms of repayment are for 20 years at 5% interest per annum. Because the notes do not meet the City's availability criteria for revenue recognition, the City has deferred the inflow of resources in the governmental funds financial statements.

Notes to Basic Financial Statements

The City has issued various other housing loans that are expected to be forgiven in future years. As a result, the City has recorded an allowance in anticipation of the amount to be forgiven for loans receivable in the same amount as the outstanding principal on those loans, resulting in a zero balance in the basic financial statements. Accrued interest on the loans is recorded as interest receivable with an offsetting allowance for uncollectible amounts in anticipation of the amount to be forgiven together with the loan principal. The cumulative principal amount of these housing loans receivable as of June 30, 2018 is \$105,585,210, and the accumulated interest receivable is \$23,590,531.

4. CAPITAL ASSETS

Capital assets activities of the governmental activities of the primary government for the year ended June 30, 2018, consist of the following:

	Balance 7/1/2017	Increase	Decrease	Transfers	Balance 6/30/2018
Nondepreciable Assets:					
Land	\$ 220,064,159	\$ 19,952	\$ (75,784)	\$ -	\$ 220,008,327
Land improvements	5,448,471	-	-	-	5,448,471
Infrastructure	492,619,484	19,170	-	-	492,638,654
Construction in progress	14,881,920	764,598	-	-	15,646,518
Total nondepreciable assets	<u>733,014,034</u>	<u>803,720</u>	<u>(75,784)</u>	<u>-</u>	<u>733,741,970</u>
Depreciable Assets:					
Building and improvements	217,442,314	1,570,180	-	-	219,012,494
Equipment	22,829,332	2,188,987	(19,000)	-	24,999,319
Vehicles	34,748,549	4,661,360	(2,016,427)	-	37,393,482
Infrastructure	328,820,371	205,970	-	-	329,026,341
Total depreciable assets	<u>603,840,566</u>	<u>8,626,497</u>	<u>(2,035,427)</u>	<u>-</u>	<u>610,431,636</u>
Less Accumulated Depreciation For:					
Building and improvements	(73,418,541)	(4,121,372)	-	-	(77,539,913)
Equipment	(15,763,587)	(866,278)	-	-	(16,629,865)
Vehicles	(19,607,629)	(2,193,517)	1,314,288	-	(20,486,858)
Infrastructure	(315,888,378)	(785,731)	-	-	(316,674,109)
Total accumulated depreciation	<u>(424,678,135)</u>	<u>(7,966,898)</u>	<u>1,314,288</u>	<u>-</u>	<u>(431,330,745)</u>
Total depreciable assets, net	<u>179,162,431</u>	<u>659,599</u>	<u>(721,139)</u>	<u>-</u>	<u>179,100,891</u>
Total capital assets, net	<u>\$ 912,176,465</u>	<u>\$ 1,463,319</u>	<u>\$ (796,923)</u>	<u>\$ -</u>	<u>\$ 912,842,861</u>

Depreciation expense was charged to functions and programs of the primary government, as follows:

Governmental Activities:	
General government	\$ 357,679
Police services	545,826
Fire services	2,172,585
Human services	66,455
Capital assets maintenance and operations	2,839,243
Recreation services	335,960
Community development and environmental services	101,483
Amount reported in the internal service funds	<u>1,547,667</u>
Total depreciation expense, governmental activities	<u><u>\$ 7,966,898</u></u>

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-Wide Statement of Net Position. The City elected to use the modified approach, as defined by GASB Statement No. 34, for infrastructure reporting for its roads and street network. As a result, no accumulated depreciation expense has been recorded for this system. A more detailed discussion of the modified approach is presented in the Required Supplementary Information section of this report. All other capital assets, including other infrastructure systems, are reported using the basic approach whereby accumulated depreciation and depreciation expense have been recorded.

Notes to Basic Financial Statements

5. LONG-TERM OBLIGATIONS

A summary of changes in governmental activities long-term debt for the year ended June 30, 2018, is as follows:

	Interest Rates	Amounts Outstanding June 30, 2017	Incurred or Issued	Satisfied or Matured and Net Decreases	Amounts Outstanding June 30, 2018	Amounts Due Within One Year	Amounts Due in More than One Year
General Obligation Bonds							
2009 Fire Safety Bonds Maturity - 08/01/2038	4.00-5.125%	\$ 13,760,000	\$ -	\$ (13,760,000)	\$ -	\$ -	\$ -
2012 Fire Safety Bonds Maturity - 08/01/2032	3.00-3.25%	6,775,000	-	(335,000)	6,440,000	345,000	6,095,000
2013 Fire Safety Bonds Maturity - 08/01/2034	4.00-4.50%	19,820,000	-	(790,000)	19,030,000	820,000	18,210,000
2017 Fire Safety Bonds Maturity - 08/01/2038	3.00-5.00%	-	12,215,000	-	12,215,000	370,000	11,845,000
Total General Obligation Bonds		40,355,000	12,215,000	(14,885,000)	37,685,000	1,535,000	36,150,000
General Fund Lease/Loan Obligations							
2008 Certificates of Participation Maturity - 08/01/2038	4.00-5.30%	23,455,000	-	(23,455,000)	-	-	-
2012A Certificates of Participation Maturity - 08/01/2025	3.00-4.00%	8,905,000	-	(865,000)	8,040,000	885,000	7,155,000
2016 Energy Efficiency Financing Maturity - 02/01/2027	2.01%	9,100,000	-	(1,830,308)	7,269,692	744,649	6,525,043
2017A Lease Revenue Bonds Maturity - 08/01/2038	Variable	85,205,000	-	(3,640,000)	81,565,000	3,750,000	77,815,000
2017B Lease Revenue Bonds Maturity - 10/01/2038	3.00-5.00%	-	19,725,000	-	19,725,000	565,000	19,160,000
2017 PG&E On-Bill Financing Program Maturity - 06/01/2021	0.00%	-	1,000,000	(181,818)	818,182	272,727	545,455
Total General Fund Lease/Loan Obligations		126,665,000	20,725,000	(29,972,126)	117,417,874	6,217,376	111,200,498
Total long-term debt		167,020,000	32,940,000	(44,857,126)	155,102,874	7,752,376	147,350,498
Unamortized long-term bond premium		1,405,749	3,410,546	(262,462)	4,553,833	286,086	4,267,747
Total long-term debt with unamortized bond premium		\$ 168,425,749	\$ 36,350,546	\$ (45,119,588)	\$ 159,656,707	\$ 8,038,462	\$ 151,618,245

Amounts of long-term debt payable in the government-wide financial statements are generally payable from amounts available in related debt service funds and from annual property tax and certain other revenues collected for the purpose of retiring the respective debt obligations.

The annual principal and interest requirements of long-term debt are as follows:

Year Ending June 30	General Obligation Bonds		General Fund Lease Obligations/Loans	
	Principal	Interest	Principal	Interest *
2019	\$ 1,535,000	\$ 1,467,963	\$ 6,217,376	\$ 2,903,285
2020	1,585,000	1,405,313	6,397,419	2,751,418
2021	1,650,000	1,338,100	6,587,765	2,593,327
2022	1,710,000	1,266,013	6,525,695	2,426,124
2023	1,780,000	1,193,463	6,726,668	2,249,360
2024 - 2028	9,925,000	4,817,603	33,822,951	8,448,599
2029 - 2033	11,965,000	2,583,828	24,405,000	4,596,141
2034 - 2038	6,695,000	542,706	21,875,000	1,934,688
2039	840,000	12,600	4,860,000	59,147
Total	\$ 37,685,000	\$ 14,627,588	\$ 117,417,874	\$ 27,962,088

* Variable-rate interest requirements for the 2017A Public Financing Authority Lease Revenue Bonds (2017 A Bonds) are estimated using the interest rate in effect as of June 30, 2018, 2.125%. U.S. Bank agreed to direct purchase the 2017A Bonds.

Lease payments for the following City assets constitute the principal and interest payments for the related lease obligations:

- 2012A Certificates of Participation
 - Animal Shelter
 - Police Detention and Property Evidence Storage Facility
- 2016 Energy Efficiency Financing
 - City Streetlights
- 2017A Lease Revenue Bonds
 - Police Facility
 - Main Library
 - Fire Stations 2, 3, 6, 8, and 9
 - Fire Department Tactical Training Facility
 - Family Resource Center
- 2017B Lease Revenue Bonds
 - Fire Stations 1, 4, 10, and 11

A. *Debt Issuance*

General Obligation Bonds Issuance

On July 11, 2017, the City Council adopted a resolution authorizing the issuance of City of Fremont 2017 General Obligation Refunding Bonds (Election of 2002) (the “2017 GO Bonds”). The \$12,215,000 2017 GO Bonds were sold on a competitive basis to J.P. Morgan on August 10, 2017 and the sale closed on August 23, 2017. The proceeds of the 2017 GO Bonds were used to current refund all of the City’s 2009 General Obligation Bonds (the “2009 GO Bonds”). Debt service on the 2017 GO Bonds is payable from ad valorem taxes levied upon all property subject to taxation by the City.

2017 GO Bonds net proceeds and cash remaining in the debt service fund of the 2009 GO Bonds were used to establish an irrevocable refunding deposit for the refunded bonds on the date of issuance of the 2017 GO Bonds. The refunding deposit provided for the principal, call premium and accrued interest through the date of redemption for the refunded COPs. The 2009 GO Bonds maturing on and after August 1, 2018, in the amount of \$13,375,000 were redeemed on August 23, 2017. The refunded bonds have been removed from the City’s basic financial statements.

This refunding generated approximately \$3,919,000 of aggregate debt service savings (net of available funds) and \$3,024,000 of net economic gain, representing 22.6% of the refunded debt. The 2017 GO Bonds bear interest at fixed rates ranging from 3.00% to 5.00% and have a final maturity date of August 1, 2038.

Lease Revenue Bonds Issuance

On July 11, 2017, the City Council adopted a resolution authorizing the issuance of Fremont Public Financing Authority Lease Revenue Bonds, Series 2017B (2017 Fixed Rate Refinancing Project) (the “2017B Bonds”). The \$19,725,000 2017B Bonds were sold on a competitive basis to Morgan Stanley on August 8, 2017 and the sale closed on August 22, 2017. The proceeds of the 2017B Bonds were used to current refund all of the Authority’s Series 2008 Certificates of Participation (the “2008 COPs”). The leased assets consist of Fire Stations 1, 4, 10, and 11, and the lease payments are payable from general revenues of the City.

2017B Bonds net proceeds and cash remaining in the debt service and debt service reserve funds of the 2008 COPs were used to establish a refunding escrow for the refunded COPs on the date of issuance of the 2017B Bonds. The refunding escrow provided for the principal, call premium and accrued interest through the date of redemption for the refunded COPs. The 2008 COPs maturing on and after August 1, 2018, in the amount of \$22,820,000 were redeemed on August 22, 2017. The refunded COPs have been removed from the City’s basic financial statements.

This refunding generated approximately \$6,990,000 of aggregate debt service savings (net of available funds) and \$4,907,000 of net economic gain, representing 21.5% of the refunded debt. The 2017B Bonds bear interest at fixed rates ranging from 3.00% to 5.00%

and have a final maturity date of October 1, 2038. As of June 30, 2018, \$19,725,000 of 2017B Bonds remained outstanding.

PG&E On-Bill Financing

On October 10, 2017, the City received a \$1 million interest-free loan from PG&E to offset a portion of the cost of converting the City's streetlights to energy-saving LEDs. The City will make 44 monthly payments under the PG&E On-Bill Financing program, with the first payment made in November 2017.

Staff anticipated this loan from PG&E when it completed the 2016 Energy Efficiency Financing, and the financing agreement for that borrowing provided for a prepayment of up to \$1 million. Accordingly, the PG&E loan proceeds were applied to reduce the 2016 Energy Efficiency Financing outstanding principal amount by \$1 million on February 1, 2018. Since the 2016 Energy Efficiency Financing bears interest at 2.01% and the PG&E loan is interest-free, the prepayment is expected to save the City over \$100,000 in interest costs over the remaining term of the financing.

B. Community Facilities District Special Tax Bonds (No City Commitment)

Pacific Commons Community Facilities District No. 1 (the "CFD") was formed by the City Council in 1996 pursuant to the Mello-Roos Community Facilities Act of 1982 for the construction of infrastructure improvements to be acquired and maintained by the City of Fremont within the CFD. The CFD is a business park with commercial and industrial facilities.

On June 12, 2001, the City Council approved the issuance of \$30,000,000 of Community Facilities District No. 1, Special Tax, Series 2001 (Pacific Commons) bonds (the Series 2001 Bonds). These bonds were issued on June 27, 2001. The proceeds of the Series 2001 Bonds were utilized to finance the acquisition of specified public capital improvements for the development of the CFD.

On June 26, 2005, the City Council approved the issuance of \$38,000,000 of Community Facilities District No. 1, Special Tax, Series B (Pacific Commons) bonds (the Series 2005 Bonds). These bonds were issued on July 21, 2005. The net proceeds of the Series 2005 Bonds were used to reimburse the developers for the costs of specified public improvements conveyed to public agencies in conjunction with the development of Pacific Commons.

On August 25, 2015, the City issued \$79,700,000 of Community Facilities District No. 1 (Pacific Commons) Special Tax Bonds, Series 2015 (the Series 2015 Bonds). A portion of the Series 2015 Bonds was issued to fully refund the Series 2001 Bonds and the Series 2005 Bonds. Additionally, a portion of the Series 2015 Bonds was issued to reimburse the developer for the cost of certain public facilities and improvements previously completed and accepted by the City.

The property owners are obligated to pay the interest and principal on the Series 2015 Bonds through an annual levy pursuant to the Rate and Method of Apportionment approved by the City Council and the qualified electors of the CFD. The Series 2015 Bonds are not a

Notes to Basic Financial Statements

general debt liability of the City and are solely payable from the annual facilities special tax levy and the reserve fund. As of June 30, 2018, the Series 2015 Bond indebtedness was \$79,045,000.

C. Pledged Revenues for Bonds

The City, through the Fremont Public Financing Authority, has issued COPs and lease revenue bonds, and entered into a direct placement energy efficiency lease financing to finance and refinance city facilities and equipment. All of these financings are secured by a pledge of lease revenues payable by the City, pursuant to the Lease Agreements between the City and the Financing Authority (COPs and lease revenue bonds) and the City and Pinnacle Public Finance, Inc. (energy efficiency lease financing).

The City has covenanted that as long as the leased properties are available for its use, the City will take such action as may be necessary to include all lease payments in its annual budgets and to make the necessary annual appropriations. Total debt service requirements remaining on the COPs, lease revenue bonds, and lease financing are \$145,379,961, payable through August 1, 2038. For the year ended June 30, 2018, the total lease payments made by the City and total debt service payments paid by the Financing Authority and the City totaled \$8,404,571.

At the City's municipal general election held on November 5, 2002, voters approved Measure R authorizing the issuance of Fire Safety Project General Obligation Bonds in the not-to-exceed amount of \$51,000,000 and an override property tax to pay debt service on the bonds. Measure R specified that the Fire Safety Project General Obligation Bonds proceeds be used to replace three older fire stations with new modern stations, to construct public safety training facilities, and to remodel and to upgrade seven existing fire stations to meet current earthquake standards. Three bond series totaling \$51,000,000 were issued to fund the authorized capital projects. Subsequently, each of those three series has been refinanced with the issuance of three series of refunding bonds.

The City's General Obligation bonds are payable from pledged ad valorem property taxes until August 1, 2038, the final maturity date of the bonds. The total principal and interest remaining on these bonds is \$52,312,588. For the fiscal year ended June 30, 2018, the City collected \$3,235,994 in ad valorem property taxes and made total debt service payments in the amount of \$3,122,780.

D. Compensated Absences

The City records a liability to recognize the financial effect of unused vacation and other compensated leaves. During FY 2017/18, employees earned \$8,211,938 of compensated absences and used \$7,579,692. As of June 30, 2018, the total liability for vacation and other compensated leaves is \$10,309,198. Of that balance, \$2,577,299 is expected to be used within one year, with the remaining \$7,731,899 to be used in subsequent years. The City typically uses the General Fund to liquidate the majority of its compensated absences.

6. POLLUTION REMEDIATION OBLIGATIONS

The properties for which the City bears pollution remediation responsibilities are described in the following paragraphs. At June 30, 2018, the City estimated that \$1,200,000 or 68% of the total obligation of \$1,752,170 is due and payable (due within one year) with the remaining portion due in more than one year.

A. Police Firing Range

In November 2010 the City entered into a ten year Amendment to a Lease Agreement with the Alameda County Water District (ACWD) for the use of a portion of its property as an outdoor police firing range. ACWD plans to use the land for other purposes when the City lease expires at the end of 2020. Under the terms of the Amendment, the City is obligated to remove the lead contamination from the ACWD property at the termination of the lease. The Amendment also provides for a reassessment of the remediation costs every two years, and if the reassessment exceeds the current estimate by 10% the City is to increase the amount of funds held in the Capital Improvement Program (CIP) to cover the costs. The estimated remaining obligation was \$521,571 at June 30, 2018.

B. Warm Springs Meeting Room and Restroom Replacement

Asbestos in the structure includes black sink undercoating and there is lead based paint on the metal window sash. This work will be completed in 2018/19 when the buildings are demolished. The estimated remaining obligation was \$30,599 as of June 30, 2018.

C. Former Union Pacific Railroad Corridor

Under an Operations and Maintenance Plan (the “Plan”), the City is responsible for annual monitoring of the former Union Pacific Railroad (UPRR) corridor located between Paseo Padre Parkway and Washington Boulevard. Under the Plan, the City monitors to ensure the encapsulated contamination has not been exposed and remediates any damage to the cap before any exposure could occur. Except for the staff time required for the annual monitoring, no significant pollution remediation obligation is expected as of June 30, 2018.

D. Centerville Unified Site

The City is currently in the process of completing environmental remediation work for the approximately 6-acre site known as the “Centerville Unified Site” with the principal address of 37070 Fremont Boulevard (“property”) that was previously owned by the former Redevelopment Agency (“RDA”) of the City. As a result of a former dry cleaning operation and automobile-related uses on the property, the former RDA retained an environmental consultant, TRC Solutions, Inc., to prepare environmental remediation work plans to: 1) remove an old utility corridor, remnant foundation, and surface oil spill; and 2) remediate subsurface chlorinated solvents—perchloroethylene (“PCE”) in the form of soil vapors—discovered at the property and a neighboring property to the northwest, 37000 Fremont Boulevard (presently Carl’s Jr.), by active remediation with implementation of a soil-vapor

extraction (“SVE”) system. The first phase of the work (removal of the old utility corridor, remnant foundation, and surface oil spill) was completed in October 2014. The second phase of the work (installing the Full Scale SVE system) was completed in October 2016. The last phase of remediation work (removal of subsurface chlorinated solvents and site closure) started in October 2016. The estimated remaining obligation is \$1,200,000 as of June 30, 2018.

7. RISK MANAGEMENT

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

A. Risk Management Program

The City established the Risk Management Internal Service Fund to account for and finance its uninsured risks of loss. Under the City’s risk management program, the City retains risk for up to \$500,000 for each workers’ compensation claim, up to \$500,000 and in excess of \$40,000,000 for each general liability claim, and up to \$25,000 for each property claim. The liability for general liability claims and workers’ compensation claims in excess of \$500,000 is discussed below.

The City records estimated liabilities for claims filed or expected to be filed up to the amounts for which it retains risk in the Risk Management Internal Service Fund. Charges to the General Fund and other funds are based on a percentage of payroll costs for general liability and a three-year moving average cost of claims for workers’ compensation. They are recorded in the funds as expenditures or expenses and revenues of the Risk Management Internal Service Fund.

The City retained an independent actuary in 2018 to perform an analysis of the City’s potential liability for its retained risk portions of the general liability and workers’ compensation programs. The amount recorded as a liability consists of the specific reserves (self-insured retention) for individual known claims or lawsuits and estimates for incurred but not reported claims. The present value of estimated outstanding losses is calculated using a 3.50% discount rate to reflect anticipated future investment earnings.

Changes in the balances of claim liabilities (shown as claims payable in the accompanying basic financial statements) during the past two fiscal years ended June 30, 2017 and 2018, are as follows:

	2017	2018
Balance, beginning of year	\$ 19,183,000	\$ 18,106,000
Provision for claims losses	2,888,453	2,764,594
Claims payments	(3,965,453)	(3,916,594)
Balance, end of year	\$ 18,106,000	\$ 16,954,000
Due in one year	\$ 5,753,000	\$ 4,702,000
Due in more than one year	12,353,000	12,252,000
Total claim liabilities	\$ 18,106,000	\$ 16,954,000

B. Participation in Public Entity Risk Pools

In February 1986, the City joined with other municipalities and regional municipal joint powers authorities to form the California Joint Powers Risk Management Authority (CJPRMA), a public entity risk pool currently operating as a general liability risk management and insurance program for 21 member entities. The purpose of the CJPRMA is to spread the adverse effects of losses among the member agencies. General liability claims in excess of \$500,000 and up to \$40,000,000 per occurrence are covered by the CJPRMA. Five years after settlement of all claims for a program year, CJPRMA retroactively adjusts premium deposits for any excess or deficiency in deposits related to paid claims and reserves.

Summary financial information for CJPRMA for the year ended June 30, 2017 (latest available date), is as follows:

Current assets	\$ 75,868,073
Noncurrent assets	3,087,877
Total assets	78,955,950
Deferred outflows of resources	248,530
Total assets and deferred outflows	\$ 79,204,480
Total liabilities	\$ 42,992,530
Deferred inflows of resources	82,819
Net position	36,129,131
Total liabilities, deferred inflows, and net position	\$ 79,204,480
Operating revenues	\$ 13,254,708
Loss provisions and claims and premiums paid	(9,724,195)
General and administrative expenses	(1,983,766)
Net operating loss	1,546,747
Net investment and (losses)	(402,907)
Net income before refunds to members	1,143,840
Refunds to members	(2,785,603)
Change in net position	\$ (1,641,763)

Notes to Basic Financial Statements

The CJPRMA refunds excess premium deposits to members from time to time, based on the results of actuarial studies of each program year's claims experience. These refunds include cumulative earnings on program year contributions, but may be reduced by amounts required to fund prior or subsequent year unfavorable claims experience.

The CJPRMA governing board consists of a representative from each member entity. All members have a single vote for policy and charter changes. An executive committee of seven is elected to handle administration. Complete financial statements for the CJPRMA can be obtained from CJPRMA, 3201 Doolan Road, Suite 285, Livermore, CA 94551.

In June 2006, the City joined the CSAC Excess Insurance Authority (CSAC EIA). CSAC EIA membership includes 55 California counties and 299 public entities (cities, school districts, special districts and other JPAs). Workers' compensation claims in excess of \$500,000 are covered by CSAC EIA through reinsurance up to a limit of \$250,000,000.

Summary financial information for CSAC EIA for the year ended June 30, 2017 (latest available date), is as follows:

Current assets	\$ 237,545,370
Noncurrent assets	553,817,983
Total assets	<u>791,363,353</u>
Deferred outflows of resources	1,537,233
Total assets and deferred outflows	<u>\$ 792,900,586</u>
Total liabilities	\$ 650,912,971
Deferred inflows of resources	1,466,353
Net position	140,521,262
Total liabilities, deferred inflows, and net position	<u>\$ 792,900,586</u>
Operating revenues	\$ 766,572,158
Loss provisions and claims and premiums paid	(736,450,620)
General and administrative expenses	<u>(29,109,502)</u>
Net operating income	1,012,036
Net investment and other income	<u>4,807,405</u>
Net income before refunds to members	5,819,441
Refunds to members	<u>(2,970,796)</u>
Change in net position	<u>\$ 2,848,645</u>

Complete financial statements for CSAC EIA can be obtained from CSAC Excess Insurance Authority, 75 Iron Point Circle, Suite 200, Folsom, CA 95630.

8. INTERFUND TRANSACTIONS

A. Interfund Receivables and Payables

Interfund receivables and payables represent short-term loans owed by the Human Services Fund, Intermodal Surface Transportation Efficiency Act Fund, non-major governmental

funds, and internal service funds to the General Fund for purposes of covering short-term negative cash positions. These interfund transactions are routine year-end adjustments. At June 30, 2018, the General Fund was due \$892,088 from the Human Services Fund, \$2,223,765 from the Intermodal Surface Transportation Efficiency Act Fund, \$812,168 from the non-major governmental funds, and \$1,766,200 from the internal service funds.

B. Interfund Transfers

The General Fund transfers resources to other funds to support activities that cannot be supported through fees, grants, or charges for service. These activities include capital projects, debt service, and certain cost center operations. There are also a variety of similar transfers between and among other funds and the General Fund.

Interfund transfers for the year ended June 30, 2018, were as follows:

		<u>Transfers Out</u>						<u>Total</u>
		General Fund	Development Impact Fees	Development Cost Center	Recreation Services	Human Services	Non-Major Governmental Funds	
<u>Transfers In</u>	General Fund	\$ -	\$ 850,000	\$ 2,719,314	\$ 1,194,000	\$ 725,883	\$ 414,770	\$ 5,903,967
	Development Cost Center	2,568,151						2,568,151
	Recreation Services	2,417,471						2,417,471
	Capital Improvement	7,600,000		813,510				8,413,510
	Human Services	1,206,461						1,206,461
	Non-Major Governmental Funds	1,432,000		2,500,000			546,220	4,478,220
Total	\$ 15,224,083	\$ 850,000	\$ 6,032,824	\$ 1,194,000	\$ 725,883	\$ 960,990	\$ 24,987,780	

9. RETIREMENT BENEFITS

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City’s separate City of Fremont Safety (police and fire) and City of Fremont Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers.

Benefits Provided – All regular City employees classified as full-time, as well as part-time regular employees and temporary City workers who work 1,000 or more hours per year, are required to participate in CalPERS. The City’s pension plans provide retirement and disability benefits, annual cost-of-living adjustments (COLA), and death benefits to plan members and beneficiaries through CalPERS. Benefits are based on years of credited service, equal to one year of full time employment, and vest after five years of service. These benefit provisions and all other requirements are established by State statute and City ordinance.

City employees are entitled to an annual retirement benefit, payable monthly for life, the amount of which is based on a formula which varies depending on the employee’s retirement plan, date of hire, and participation in a public retirement plan prior to City employment. As of December 31, 2012, the City had established two tiers of retirement benefits: a “Tier 1” benefit applicable to employees hired prior to April 8, 2012; and a “Tier 2” benefit applicable to employees hired on or after April 8, 2012. On January 1, 2013, the Public Employees’ Pension Reform Act of 2013 (PEPRA) took effect. PEPRA distinguishes between so-called "classic" employees, who were in a public retirement plan (not necessarily PERS) prior to January 1, 2013, and "new" employees, who first became a member of a public retirement plan on or after January 1, 2013. Classic employees hired by the City on or after April 8, 2012, are eligible for the City’s Tier 2 benefit, while new employees are eligible for the retirement benefits established by PEPRA.

A summary of the City’s benefit formulas is provided below:

	Tier 1		Tier 2		PEPRA	
	Safety	Misc	Safety	Misc	Safety	Misc
Retirement Age	50	55	55	60	57	62
Benefit Formula	3.0%	2.5%	3.0%	2.0%	2.7%	2.0%
Average Final Compensation Period	12 months	12 months	36 months	36 months	36 months	36 months
Maximum % of Final Compensation	90%	No Max	90%	No Max	90%	No Max
COLA	2.0%	3.0%	2.0%	2.0%	2.0%	2.0%

Covered Employees – At June 30, 2017, the most recent information available, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	787	506
Inactive employees entitled to but not yet receiving benefits	530	100
Active employees	575	316
Total	1,892	922

Contribution Requirements – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both City plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The required Miscellaneous Plan employer contribution rate for fiscal year 2016/17 was 27.291% of covered payroll, resulting in \$13,885,280 being recognized by CalPERS as employer contributions. The required Safety Plan employer contribution rate was 47.037% of covered payroll, resulting in \$18,933,463 being recognized by CalPERS as employer contributions.

Pension Plan Financial Reports – The City’s pension plans do not issue stand-alone financial reports; however, CalPERS issues a variety of reports and publications, including its audited financial statements, which are available at the following link:
<https://www.calpers.ca.gov>.

Notes to Basic Financial Statements

B. Net Pension Liability

The City's net pension liability for each plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the plans is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures.

Assumptions and Other Inputs – A summary of significant assumptions and other inputs used to measure the total pension liability is shown below.

Assumptions and Other Inputs Used to Measure the Total Pension Liability

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation	2.75%
Salary Increases	Varies by entry age and service
Discount Rate/Investment Rate of Return	7.15% net of pension plan investment expenses, includes inflation
Mortality Rate Table	Probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB
Post-Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter
Other Assumptions	All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The experience study report can be obtained at CalPERS' website under forms and publications.

Change of Assumptions – In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

Discount Rate – The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2016.

Asset Class	Current Target Allocation	Real Return Years 1–10 ^(a)	Real Return Years 11+ ^(b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	(0.40%)	(0.90%)
Total	100.0%		

(a) An expected inflation rate of 2.5% used for this period.

(b) An expected inflation rate of 3.0% used for this period.

Fiduciary Net Position – The City’s pension plans do not issue stand-alone financial reports, so information about the elements of the pension plans’ basic financial statements is not directly available. However, the City’s plans constitute a portion of the CalPERS PERF A Pension Trust Fund, for which a Statement of Fiduciary Net Position – Fiduciary Funds is included in the CalPERS Comprehensive Annual Financial Report located at the following link: <https://www.calpers.ca.gov/docs/forms-publications/cafr-2017.pdf>. The accompanying Notes to the Basic Financial Statements disclose information related to the basis of accounting, including the policies with respect to benefit payments and the valuation of pension plan investments.

Notes to Basic Financial Statements

C. Changes in the Net Pension Liability

A schedule of changes in the Net Pension Liability for the period ending June 30, 2017, is presented below for each City pension plan.

<i>Miscellaneous Plan:</i>	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
Balance as of June 30, 2016	\$453,736,604	\$319,389,224	\$134,347,380
Changes during the year			
Service cost	9,137,675	-	9,137,675
Interest on the total pension liability	33,486,855	-	33,486,855
Changes of assumptions	27,992,306	-	27,992,306
Differences between expected and actual experience	(7,378,205)	-	(7,378,205)
Contributions from the employer	-	13,885,280	(13,885,280)
Contributions from employees	-	4,049,729	(4,049,729)
Pension plan net investment income	-	35,589,139	(35,589,139)
Benefit payments, including refunds of employee contributions	(21,143,831)	(21,143,831)	-
Administrative expense	-	(471,557)	471,557
Net changes	42,094,800	31,908,760	10,186,040
Balance as of June 30, 2017	\$495,831,404	\$351,297,984	\$144,533,420
 <i>Safety Plan:</i>			
	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
Balance as of June 30, 2016	\$602,834,398	\$392,063,875	\$210,770,523
Changes during the year			
Service cost	11,313,858	-	11,313,858
Interest on the total pension liability	44,697,929	-	44,697,929
Changes of assumptions	35,313,488	-	35,313,488
Differences between expected and actual experience	(1,980,053)	-	(1,980,053)
Contributions from the employer	-	18,933,463	(18,933,463)
Contributions from employees	-	5,044,137	(5,044,137)
Pension plan net investment income	-	43,427,897	(43,427,897)
Benefit payments, including refunds of employee contributions	(33,357,752)	(33,357,752)	-
Administrative expense	-	(578,856)	578,856
Net changes	55,987,470	33,468,889	22,518,581
Balance as of June 30, 2017	\$658,821,868	\$425,532,764	\$233,289,104

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following table presents the net pension liability of the City for each plan, calculated using the current discount rate for each plan, as well as what the net pension liability would be if it were

Notes to Basic Financial Statements

calculated using a discount rate that is one percentage-point lower or one percentage-point higher.

	<u>Miscellaneous</u>	<u>Safety</u>
Discount rate 1% lower	6.15%	6.15%
Net Pension Liability	\$212,273,573	\$317,707,186
Current discount rate	7.15%	7.15%
 Net Pension Liability	\$144,533,420	\$233,289,104
Discount rate 1% higher	8.15%	8.15%
Net Pension Liability	\$88,671,190	\$163,349,658

Pension Expense – For the year ended June 30, 2018 (measurement period ending June 30, 2017), the City recognized pension expense of \$18,990,123 for the Miscellaneous Plan and \$31,060,473 for the Safety Plan; a total expense of \$50,050,596.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Miscellaneous</u>		<u>Safety</u>		<u>Total</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$13,900,508	\$ -	\$21,355,386	\$ -	\$35,255,894	\$ -
Changes of assumptions	18,339,787	-	26,700,442	(1,821,896)	45,040,229	(1,821,896)
Differences between expected and actual experience	-	(5,348,059)	3,221,325	(1,497,113)	3,221,325	(6,845,172)
Net difference between projected and actual earnings on pension plan investments	4,499,674	-	5,829,470	-	10,329,144	-
Total	\$36,739,969	\$(5,348,059)	\$57,106,623	\$(3,319,009)	\$93,846,592	\$(8,667,068)

\$35,255,894 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30</u>	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
2019	\$ 6,443,543	\$ 7,964,217	\$ 14,407,760
2020	11,725,183	16,233,246	27,958,429
2021	1,925,100	10,577,904	12,503,004
2022	(2,602,424)	(2,343,139)	(4,945,563)
Total	\$ 17,491,402	\$ 32,432,228	\$ 49,923,630

10. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. General Information about the OPEB Plan

Plan Description – The City has established a retiree healthcare plan (the OPEB plan), and participates in an agent multiple-employer defined benefit plan, administered through the California Employers’ Retiree Benefit Trust (CERBT) by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Employees who retire directly from the City under CalPERS at the minimum age of 50 with at least 5 years of CalPERS service or disability are eligible to participate in the OPEB plan. CalPERS issues a publicly available financial report, which includes information about the CERBT, that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2017.pdf>.

Benefits Provided – The City reimburses all or part of premium payments for medical insurance. The reimbursement amount is subject to a negotiation process and varies by bargaining unit and retirement date. The benefit is paid monthly to the retiree subject to proof of coverage and attestation of premium payment. The benefit generally ceases upon death of the retiree. Detailed information about retiree medical reimbursement benefits for each bargaining unit can be found in the City’s Benefits Summary at <https://www.fremont.gov/DocumentCenter/View/38980/Benefits-Matrix---09132018>.

Employees Covered – As of the June 30, 2017 measurement date, the following employees were covered by the benefit terms of the OPEB plan:

	Plan Members
Inactive employees or beneficiaries currently receiving benefits	625
Inactive employees entitled to but not yet receiving benefits	135
Active employees	811
Total	1,571

Contribution Requirements – The OPEB plan and its contribution requirements are established by Memoranda of Understanding (MOUs) with the applicable employee bargaining units and may be amended by agreements between the City and the bargaining units. The annual contribution is based on the actuarially determined contribution amount. Under the current MOUs, the City is responsible for all OPEB Plan contributions. For the fiscal year ended June 30, 2018, the City’s contributions totaled to \$8,487,000, which included \$259,000 from the amount set aside for OPEB from the SARA.

B. Net OPEB Liability

The City’s net OPEB liability is measured as the total OPEB liability less the OPEB plan’s fiduciary net position. The net OPEB liability is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures.

Assumptions and Other Inputs – A summary of significant assumptions and other inputs used to measure the total OPEB liability is shown below.

Assumptions and Other Inputs Used to Measure the Total OPEB Liability

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation	3.00%
Salary Increases	3.25%
Discount Rate/Investment Rate of Return	6.75% net of OPEB plan investment expenses, includes inflation
Healthcare Cost Trend	Non-Medicare: 6.5% for 2018, decreasing to an ultimate rate of 5.0% in 2021 and later years Medicare: 6.7% for 2018, decreasing to an ultimate rate of 5.0% in 2021 and later years
Mortality Rate Table	Probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Mortality projected fully generational with Scale MP-2014 modified to converge to ultimate rates in 2022
Other Assumptions	All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The experience study report can be obtained at CalPERS’ website under forms and publications.

Discount Rate – The discount rate used to measure the total OPEB liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Notes to Basic Financial Statements

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The City has selected the CERBT “Strategy 1” target allocation for its OPEB plan investments. The table below summarizes the target asset allocation of the City’s OPEB plan portfolio and the long-term expected real rate of return by asset class. These rates of return are net of administrative expenses.

Asset Class	Current Target Allocation	Expected Real Rate of Return
Global Equity	57.0%	4.82%
Fixed Income	27.0%	1.47%
Treasury Inflation-Protected Securities (TIPS)	5.0%	3.76%
Real Estate Investment Trusts (REITs)	8.0%	2.80%
Commodities	3.0%	0.84%
Total	100.0%	
	Assumed long-term rate of inflation	2.75%
	Expected long-term net rate of return, rounded	6.75%

C. Changes in the Net OPEB Liability

A schedule of changes in the Net OPEB Liability for the measurement period ending June 30, 2017, is presented below.

	Increase (Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance as of June 30, 2016	\$ 85,013,000	\$ 3,640,000	\$ 81,373,000
Changes during the year			
Service cost	2,215,000	-	2,215,000
Interest on the total OPEB liability	5,754,000	-	5,754,000
Contributions from the employer	-	7,562,000	(7,562,000)
OPEB plan net investment income	-	971,000	(971,000)
Benefit payments	(3,968,000)	(3,968,000)	-
Administrative expense	-	(20,000)	20,000
Net changes	4,001,000	4,545,000	(544,000)
Balance as of June 30, 2017	\$ 89,014,000	\$ 8,185,000	\$ 80,829,000

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Trend Rate – The following table presents the net OPEB liability of the City, calculated using the current discount rate for each plan, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-

point higher. Similarly, the net OPEB liability is presented calculated using the current healthcare trend rate as well as rates that are one percentage-point lower or one percentage-point higher.

	<u>Discount Rate</u>	<u>Healthcare Trend Rate (Non-Medicare/Medicare)</u>
Rate 1% lower	5.75%	5.5% to 4.0% 5.7% to 4.0%
Net OPEB Liability	\$92,019,000	\$74,708,000
Current rate	6.75%	6.5% to 5.0% 6.7% to 5.0%
Net OPEB Liability	\$80,829,000	\$80,829,000
Rate 1% higher	7.75%	7.5% to 6.0% 7.7% to 6.0%
Net OPEB Liability	\$71,547,000	\$87,810,000

OPEB Plan Fiduciary Net Position – The City’s OPEB plan does not issue a stand-alone financial report, so information about the elements of the OPEB plan’s basic financial statements is not directly available. However, the City’s plan constitutes a portion of the CalPERS CERBT for which a Schedule of Changes in Fiduciary Net Position by Employer is located at the following link: <https://www.calpers.ca.gov/docs/forms-publications/gasb-75-schedule-changes-fiduciary-net-position-2017.pdf>. The accompanying Notes disclose information related to the description of the CERBT and a summary of significant accounting and reporting policies.

OPEB Expense – For the year ended June 30, 2018 (measurement period ending June 30, 2017), the City recognized OPEB expense of \$7,298,000

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to its OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$8,487,000	\$ -
Net difference between projected and actual earnings on OPEB plan investments	-	280,000
Total	\$8,487,000	\$ 280,000

Notes to Basic Financial Statements

\$8,487,000 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30	Deferred Outflows/Inflows of Resources
2019	\$ (70,000)
2020	(70,000)
2021	(70,000)
2022	(70,000)
Total	\$ (280,000)

11.COMMITMENTS AND CONTINGENCIES

Litigation - The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Grant Adjustments - Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Affordable Housing Funds - The City has issued various housing loans that are expected to be forgiven in future years. As a result, the City has recorded an allowance in anticipation of the amount to be forgiven for loans receivable in the same amount as the outstanding principal on those loans, resulting in a zero balance in the basic financial statements.

At its June 9, 2015 meeting, the City Council authorized the City Manager or his designee to execute loan documents totaling \$11,910,000 to Mid-Pen Housing for the development of the Stevenson Family Apartments. On December 1, 2015, the City and Mid-Pen Housing entered into an Acquisition and Predevelopment Loan Agreement in the amount of \$5,007,115. On November 1, 2017, the City and Mid-Pen entered into a new loan agreement totaling \$11,910,000 which includes the \$5,007,115 original loan. Funding sources include: \$6,683,502 from the Inclusionary Housing In-Lieu Fund, \$2,509,679 from the Low and Moderate Income Housing Asset Fund, and \$2,716,819 from the City Funded Affordable Housing Fund. As of June 30, 2018, \$11,900,000 had been disbursed, with a retention amount of \$10,000 to be disbursed on completion of the project.

Also at its June 9, 2015 meeting, the City Council committed all remaining available affordable housing funds plus future affordable housing revenue, up to a total of \$6,970,000, for the Mission Court (formerly Parc 55 Senior Apartment) project. Subsequently, at the June 14, 2016

meeting, the City Council committed an additional \$520,000 of HOME funds. On March 14, 2017 Council appropriated an additional \$1,000,000 for a total commitment of \$8,490,000. On June 1, 2017, the City entered into a loan agreement with Mission Court Nine, L.P. for a total loan of \$8,490,000. Funding sources include: \$5,300,000 from the Inclusionary Housing In-Lieu Fund, \$1,000,000 from the Low and Moderate Income Housing Asset Fund, \$1,670,000 from the City Funded Affordable Housing Fund, and \$520,000 from the HOME Fund. As of June 30, 2018, \$8,480,000 had been disbursed, with a retention amount of \$10,000 to be disbursed on completion of the project.

At its September 19, 2017 meeting, the City Council authorized a loan of \$500,000 to Resources for Community Development (RCD) for pre-development activities related to the Islander Motel conversion project. On November 1, 2017, the City and RCD entered into a loan agreement for \$500,000. Subsequently, at its April 17, 2018 meeting, the City Council appropriated an additional \$370,000, and on May 1, 2018, an amended loan agreement for \$870,000 was executed. Funding for this loan will come from the City’s Inclusionary Housing In-Lieu Fund. As of June 30, 2018, \$280,234 had been disbursed.

At its November 7, 2017 meeting, the City Council authorized loans totaling \$4,123,364 to Allied Housing for the City Center Apartments project. On January 15, 2018, the City and Allied Housing entered into a loan agreement for \$4,123,364. As of June 30, 2018, \$2,200,000 had been disbursed from the CDBG Fund and \$1,100,000 had been disbursed from the Inclusionary Housing In-Lieu Fund.

At its December 5, 2017 meeting, the City Council appropriated \$2,200,000 in the City Funded Affordable Housing Fund to cover the cost of land acquisition for the Warm Springs Senior Center. As of June 30, 2018, no funds had been disbursed.

Encumbrances - Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental fund types. Encumbrances outstanding at year-end are reported as part of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. At June 30, 2018, encumbrances of the governmental funds are as follows:

Fund	Fund Balances			
	Restricted	Committed	Assigned	Total
General Fund	\$ -	\$ -	\$ 854,411	\$ 854,411
Development Impact Fees	6,933,101	-	-	6,933,101
Development Cost Center	135,717	-	-	135,717
Capital Improvement	-	-	9,613,861	9,613,861
Human Services	50,937	-	-	50,937
Non-major governmental funds	4,190,013	-	-	4,190,013
Total	\$ 11,309,768	\$ -	\$ 10,468,272	\$ 21,778,040

As of June 30, 2018, the City has also entered into commitments for the purchase of vehicles (\$956,271), fire apparatus and safety equipment (\$471,635), and technology equipment (\$150,881) in its internal service funds.

Notes to Basic Financial Statements

In addition to the encumbrances and commitments identified above, the City has entered into commitments for construction or other services to be paid on a reimbursement basis. At June 30, 2018, such commitments totaled \$1,828,333 in the Intermodal Surface Transportation Efficiency Act Fund, \$24,060,024 in the Alameda County Transportation Commission Capital Grants Fund, and \$4,190,013 in the non-major governmental funds.

Former Successor Agency Property Held for Resale - In June 2014, two Successor Agency properties were transferred to the City under the terms of the Long Range Property Management Plan (LRPMP). The Centerville Unified Site was sold on October 30, 2015 at its MAI (Member Appraisal Institute) appraised market value of \$6,795,000. \$4,782,000 of the net proceeds was remitted to the County for distribution to the taxing agencies. \$13,000 of the proceeds was used to pay for closing costs plus reimbursement of “Allowed City Costs” pursuant to the Compensation Agreement by and between the City, Successor Agency and each of the affected taxing entities in Alameda County. The remaining \$2,000,000 of the proceeds is being held in an escrow as a contingency as the full cost of environmental remediation is not known until a “no further action” letter is granted by the environmental regulatory oversight agency, the Alameda County Water District. The remaining property, the Union Pacific Site in the Niles district, remains with the City and is reported as \$678,979 land held for resale in the City’s Agency Fund. Upon sale, the proceeds will be remitted to the County for distribution to the taxing agencies.

12. SUBSEQUENT EVENTS

A. Housing Loan

At its July 10, 2018 meeting, the City Council authorized a loan of \$6,200,000 to Allied Housing for the Irvington Affordable Senior Apartments project. The funds will be used to purchase the site and to fund predevelopment costs for 90 units of senior affordable housing at 4038 Irvington Avenue. Funding for this loan will come from the Inclusionary Housing In-Lieu Fund. On August 22, 2018, the City and Allied Housing entered into a loan agreement for \$6,200,000. An initial disbursement of \$5,277,321 was made on August 30, 2018.

Required Supplementary Information

1. BUDGETARY INFORMATION

A. Budgetary Basis of Accounting

Budgets are adopted annually on a budgetary basis consistent with GAAP for the general fund, special revenue funds, debt service funds, and internal service funds. Project-length budgets are adopted biennially for all capital projects funds.

The annual budget sets appropriations by fund or with further allocation by department or program. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. The City Manager is authorized to transfer budgeted amounts between departments or programs within any fund. The City Council may adopt supplemental appropriations during the year.

The annual budget resolution authorizes the City Manager to increase appropriations for operating expenditures for the Development Services and Recreation Services cost centers when estimated fee revenue in those funds exceeds the amount identified in the budget because of increased activity. It also authorizes the City Manager to increase appropriations for operating expenditures due to increases in grant or activity-based revenues in an amount not to exceed the increased grant or activity-based revenues. It additionally authorizes the City Manager to appropriate and transfer unencumbered ending fund balance to the Risk Management Fund in the amounts necessary to maintain adequate funding of the workers' compensation and general liability reserves. All other revisions or transfers that alter the total appropriations of other funds must be approved by the City Council.

B. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental fund types. Encumbrances outstanding at year-end are reported as restricted, committed, assigned or unassigned fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Unexpended annual appropriations lapse at the end of the fiscal year; encumbered appropriations are re-budgeted in the next fiscal year. Unexpended capital improvement appropriations are carried forward until the improvements or programs are complete.

Required Supplementary Information

1. BUDGETARY INFORMATION (continued)

C. Budgetary Comparison Schedules

Following are the budgetary comparison schedules for the General Fund and each major special revenue fund with a legally adopted annual budget (Development Cost Center, Recreation Services, Human Services, and Inclusionary Housing In-Lieu).

General Fund – Budgetary Comparison Schedule (For the Fiscal Year Ended June 30, 2018)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund Balance - Beginning of year*	\$ 33,694,876	\$ 38,868,598	\$ 39,651,568	\$ 782,970
Resources (inflows):				
Property tax	91,318,000	91,729,000	93,362,902	1,633,902
Sales tax	50,717,000	48,817,000	58,902,744	10,085,744
Intergovernmental	328,000	328,000	283,341	(44,659)
Business tax	11,081,000	11,081,000	12,116,637	1,035,637
Other taxes	10,774,000	10,774,000	10,513,860	(260,140)
Franchises	10,200,000	10,200,000	10,061,410	(138,590)
Charges for services	9,404,000	9,404,000	9,980,083	576,083
Investment Earnings	331,000	331,000	(903,701)	(1,234,701)
Other	1,528,000	1,528,000	1,516,817	(11,183)
Transfers in	6,477,000	6,477,000	5,903,967	(573,033)
Total resources	<u>192,158,000</u>	<u>190,669,000</u>	<u>201,738,060</u>	<u>11,069,060</u>
Charges to appropriations (outflows):				
General government	15,740,108	17,043,136	15,776,538	1,266,598
Police services	77,618,973	80,563,384	76,686,610	3,876,774
Fire services	49,766,915	49,730,115	46,939,773	2,790,342
Human services	3,562,021	3,910,382	3,756,733	153,649
Capital assets maintenance and operations	23,101,359	23,392,023	22,764,780	627,243
Community development and environmental services	1,683,189	1,607,033	1,505,200	101,833
Capital outlay	-	699,996	699,996	-
Non-Departmental	3,320,476	2,396,566	-	2,396,566
Citywide Savings	(5,730,000)	(5,730,000)	-	(5,730,000)
Debt service:				
Interest and Fiscal Charges	8,250,136	8,250,136	8,144,586	105,550
Transfers out	13,464,000	15,224,083	15,224,083	-
Total charges to appropriations	<u>190,777,177</u>	<u>197,086,854</u>	<u>191,498,299</u>	<u>5,588,555</u>
Net change in fund balance	<u>1,380,823</u>	<u>(6,417,854)</u>	<u>10,239,761</u>	<u>16,657,615</u>
Fund Balance - End of year*	<u>\$ 35,075,699</u>	<u>\$ 32,450,744</u>	<u>\$ 49,891,329</u>	<u>\$ 17,440,585</u>

* Final budget fund balance and appropriations include prior-year encumbrances of \$976,914. Actual fund balance includes the year-end adjustment for unrealized fair value gain or loss on investments.

The significant variance in sales tax is due to greater than anticipated revenue from auto sales and online sales.

1. BUDGETARY INFORMATION (continued)

C. Budgetary Comparison Schedules (continued)

Development Cost Center Fund – Budgetary Comparison Schedule
(For the Fiscal Year Ended June 30, 2018)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Fund Balance - Beginning of year*	\$ 12,783,540	\$ 16,995,256	\$ 16,853,357	\$ (141,899)
Resources (inflows):				
Charges for services	16,767,723	17,776,240	21,998,096	4,221,856
Investment Earnings	107,365	107,365	166,959	59,594
Other	-	-	4,623	4,623
Transfers in	2,556,506	2,568,149	2,568,151	2
Total resources	<u>19,431,594</u>	<u>20,451,754</u>	<u>24,737,829</u>	<u>4,286,075</u>
Charges to appropriations (outflows):				
Capital assets maintenance and operations	4,623,399	4,683,826	4,112,683	571,143
Community development and environmental services	12,417,647	13,217,348	11,924,777	1,292,571
Capital outlay	92,363	92,363	92,363	-
Transfers out	5,219,314	6,032,824	6,032,824	-
Total charges to appropriations	<u>22,352,723</u>	<u>24,026,361</u>	<u>22,162,647</u>	<u>1,863,714</u>
Resources over (under) charges to appropriations	<u>(2,921,129)</u>	<u>(3,574,607)</u>	<u>2,575,182</u>	<u>6,149,789</u>
Fund Balance - End of year*	<u>\$ 9,862,411</u>	<u>\$ 13,420,649</u>	<u>\$ 19,428,539</u>	<u>\$ 6,007,890</u>

* Final budget fund balance and appropriations include prior-year encumbrances of \$421,130. Original and final budget inflows and outflows have been reduced to reflect activity budgeted and expensed in the amount of \$9,052,761 in the capital improvement funds. Actual fund balance includes the year-end adjustment for unrealized fair value gain or loss on investments.

The significant variance in charges for services reflects a greater than anticipated volume of development activity. The significant variance in community development and environmental services charges is attributable to vacancies and contract services costs being lower than anticipated.

Required Supplementary Information

1. BUDGETARY INFORMATION (continued)

C. Budgetary Comparison Schedules (continued)

Recreation Services Fund – Budgetary Comparison Schedule (For the Fiscal Year Ended June 30, 2018)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund Balance - Beginning of year*	\$ 7,789,059	\$ 7,958,572	\$ 7,848,770	\$ (109,802)
Resources (inflows):				
Charges for services	8,626,581	8,626,581	7,916,148	(710,433)
Investment Earnings	65,000	65,000	128,687	63,687
Other	121,756	121,756	130,222	8,466
Transfers in	2,394,000	2,417,471	2,417,471	-
Total resources	11,207,337	11,230,808	10,592,528	(638,280)
Charges to appropriations (outflows):				
Recreation and leisure services	9,717,328	9,777,214	8,951,998	825,216
Transfers out	1,194,000	1,194,000	1,194,000	-
Total charges to appropriations	10,911,328	10,971,214	10,145,998	825,216
Resources over (under) charges to appropriations	296,009	259,594	446,530	186,936
Fund Balance - End of year*	\$ 8,085,068	\$ 8,218,166	\$ 8,295,300	\$ 77,134

* Final budget fund balance and appropriations include prior-year encumbrances of \$1,000. Actual fund balance includes the year-end adjustment for unrealized fair value gain or loss on investments.

The significant variance in charges for services reflects a combination of a reduction in Waterpark revenue due to a cooler summer and an unanticipated power outage, and a dip in overall recreation class registrations and facility rentals. The significant variance in recreation and leisure services charges is attributed to vacancies and contract services costs being lower than anticipated

1. BUDGETARY INFORMATION (continued)

C. Budgetary Comparison Schedules (continued)

Human Services Fund – Budgetary Comparison Schedule
(For the Fiscal Year Ended June 30, 2018)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund Balance - Beginning of year*	\$ 7,136,000	\$ 7,247,359	\$ 7,205,711	\$ (41,648)
Resources (inflows):				
Intergovernmental	7,795,409	7,809,272	6,550,312	(1,258,960)
Charges for services	1,975,165	1,975,165	1,781,980	(193,185)
Investment Earnings	152,080	152,080	56,740	(95,340)
Other	704,010	3,125,067	3,592,485	467,418
Transfers in	1,194,745	1,206,458	1,206,461	3
Total resources	<u>11,821,409</u>	<u>14,268,042</u>	<u>13,187,978</u>	<u>(1,080,064)</u>
Charges to appropriations (outflows):				
Human services	9,475,387	9,574,747	8,869,790	704,957
Community development and environmental services	1,673,279	4,493,640	2,929,491	1,564,149
Debt Service	551,200	551,200	451,809	99,391
Transfers out	730,886	730,886	725,883	5,003
Total charges to appropriations	<u>12,430,752</u>	<u>15,350,473</u>	<u>12,976,973</u>	<u>2,373,500</u>
Resources over (under) charges to appropriations	<u>(609,343)</u>	<u>(1,082,431)</u>	<u>211,005</u>	<u>1,293,436</u>
Fund Balance - End of year*	<u>\$ 6,526,657</u>	<u>\$ 6,164,928</u>	<u>\$ 7,416,716</u>	<u>\$ 1,251,788</u>

* Original budget fund balance and appropriations include prior-year encumbrances of \$195,520. Actual fund balance includes the year-end adjustment for unrealized fair value gain or loss on investments.

The variance in intergovernmental resources is attributable to spending unanticipated one-time program income (other resources) rather than drawing down the City's CDBG (Community Development and Block Grant) line of credit, and a delay in the start of a CDBG-funded project (Mission Falls).

The variance in human services charges is attributable to vacancies and contract services costs being lower than anticipated. The variance in community development and environmental services charges is attributable to the delay in the start of the Mission Falls project.

Required Supplementary Information

1. BUDGETARY INFORMATION (continued)

C. Budgetary Comparison Schedules (continued)

Inclusionary Housing In Lieu Fund (For the Fiscal Year Ended June 30, 2018)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Fund Balance - Beginning of year*	\$ 33,544,000	\$ 37,531,496	\$ 37,316,734	\$ (214,762)
Resources (inflows):				
Charges for services	18,985,976	18,985,976	18,236,054	(749,922)
Intergovernmental	-	-	1,737,995	1,737,995
Investment Earnings	-	-	247,965	247,965
Total resources	18,985,976	18,985,976	20,222,014	1,236,038
Charges to appropriations (outflows):				
Community development and environmental services	13,922,478	13,922,478	4,422,606	9,499,872
Total charges to appropriations	13,922,478	13,922,478	4,422,606	9,499,872
Resources over (under) charges to appropriations	5,063,498	5,063,498	15,799,408	10,735,910
Fund Balance - End of year*	\$ 38,607,498	\$ 42,594,994	\$ 53,116,142	\$ 10,521,148

* Actual fund balance includes the year-end adjustment for unrealized fair value gain or loss on investments.

The significant variance in intergovernmental resources reflects receipt of a State Local Housing Trust Fund grant that was not anticipated when the budget was developed. The significant variance in community development and environmental services charges is primarily due to lower than anticipated loan disbursements.

2. MODIFIED APPROACH FOR THE CITY’S INFRASTRUCTURE

The City has elected to use the modified approach to accounting for infrastructure assets, as defined by GASB Statement No. 34, for its street network. The street network is composed of all City streets, and includes all physical features associated with the operation of motorized vehicles that exist within the limits of the City rights of way. The City street network is constructed primarily of asphalt pavement. Further, based on land use, access and traffic utilization, the street network is subdivided into the following three classifications: arterial/major, collector, and residential/local.

In conjunction with the Metropolitan Transportation Commission, the City maintains a Pavement Management System (PMS) database that contains all of the pavement information for the street network. The PMS contains a complete inventory of all street segments including the length, width, area, classification, maintenance and rehabilitation history and the records of all inspections of the pavement condition. Also, the PMS contains the inspection based Pavement Condition Index (PCI) for each street segment and has the functionality to compute the overall City area-weighted PCI.

A. Condition Assessment Data

Pursuant to GASB Statement No. 34, a government that wishes to use the modified approach must assess the condition of the network for which that approach is used at least once every three years. Consequently, the City hires external consultants to conduct condition assessments every two to three years for arterial and collector streets, and every five years for residential streets. In 2015, the entire City street network of arterial, collector and residential streets was inspected and assessed.

For the pavement condition assessment, the street segment is inspected and the physical condition is recorded based on a system of sampling and measuring eight defined pavement distress types. The PCI, a nationally recognized index, is calculated based on the inspection data. The PCI is expressed as a rating from 0 to 100, where 0 is the least acceptable condition and 100 is the rating for a street in excellent condition or a new street. The following condition categories with their corresponding PCI rating ranges are defined:

Condition	PCI Rating
Excellent	86-100
Good	70-85
Fair	50-69
Poor	25-49
Very Poor	<25

2. MODIFIED APPROACH FOR THE CITY’S INFRASTRUCTURE (continued)

A. Condition Assessment Data (continued)

The PCI for each street segment is entered into the database at the time of the latest periodic inspection. Between the inspections, the PMS computes “real time” PCI values based on standardized deterioration curves for pavement materials.

Through June 30, 2018, the City’s policy was to maintain an average PCI rating of 50 for the entire street network. This rating means that more pavement distresses ranging from surface defects such as cracking and raveling to more serious load related distresses, such as “alligator” cracking and rutting will become noticeable to drivers traveling at the posted speeds. As of June 30, 2018, the City’s overall street network was rated at a computed PCI index of 72, with the detail condition as follows:

Condition	PCI Rating	% of Street Pavement Area			
		6/30/15	6/30/16	6/30/17	6/30/18
Good to Excellent	70-100	64	66	66	70
Fair	50-69	18	18	19	18
Poor to Very Poor	0-49	18	16	15	12

In the table above, it can be seen that in fiscal year 2017/18 approximately 70% of the City’s streets were rated above PCI 70, the lower limit for streets in good condition. This is an increase to the rating from fiscal year 2016/17 when the percentage of streets rated above PCI 70 was 66%. The pavement preservation program continues to maintain streets in good condition to keep them in the good category while also bringing streets that were in a lower condition category back into a higher condition category.

B. Estimated Maintenance and Preservation Costs

In addition to performing periodic condition assessments, governments that use the modified approach must also estimate at the start of each reporting period the amount of spending needed that period to maintain and preserve infrastructure at the government’s selected condition level.

2. MODIFIED APPROACH FOR THE CITY’S INFRASTRUCTURE *(continued)*

B. Estimated Maintenance and Preservation Costs *(continued)*

The table below compares estimated annual amounts required to maintain the City street network at the prior-year-ending PCI level with the actual expenditures for street maintenance and actual PCI levels computed at the close of the fiscal year:

Fiscal Year	Maintenance Estimate	Actual Expenditure	Computed Overall City PCI Rating (Condition Assessments)
2013/14	\$ 19,140,000	\$ 9,823,000	66
2014/15	19,140,000	11,392,340	68
2015/16	19,000,000	4,504,282	72
2016/17	19,000,000	10,086,448	71
2017/18	19,000,000	9,256,048	72

The actual expenditures over the years have remained below the estimated levels, but the overall City PCI has remained relatively stable with some recent improvement. Under the City’s expanded pavement preservation program, the majority of street areas were treated using a combination of base repairs and surface treatments such as cape seals and slurry seals. This approach is more economical than a pavement rehabilitation program such as overlays, enabling the available funds to cover a larger pavement area.

Required Supplementary Information

3. SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years*

(For the Measurement Periods Ended June 30)

A. Miscellaneous Plan

	2017	2016	2015	2014
Total Pension Liability				
Service Cost	\$ 9,137,675	\$ 7,790,208	\$ 7,507,286	\$ 7,924,529
Interest on the Total Pension Liability	33,486,855	32,676,179	31,320,840	30,270,566
Changes of Assumptions	27,992,306	-	(7,685,566)	-
Difference between Expected and Actual Experience	(7,378,205)	(1,799,221)	(5,745,910)	-
Benefit Payments, including Refunds of Employee Contributions	(21,143,831)	(19,948,526)	(18,958,554)	(18,521,044)
Net Change in Total Pension Liability	42,094,800	18,718,640	6,438,096	19,674,051
Total Pension Liability - Beginning	453,736,604	435,017,964	428,579,868	408,905,817
Total Pension Liability - Ending (a)	\$ 495,831,404	\$ 453,736,604	\$ 435,017,964	\$ 428,579,868
Plan Fiduciary Net Position				
Contributions from the Employer	\$ 13,885,280	\$ 12,253,772	\$ 10,615,278	\$ 10,225,328
Contributions from Employees	4,049,729	3,716,987	3,603,542	3,714,276
Net Investment Income	35,589,139	1,668,179	7,088,364	47,792,502
Benefit Payments, including Refunds of Employee Contributions	(21,143,831)	(19,948,526)	(18,958,554)	(18,521,044)
Plan to Plan Resource Movement	-	-	11,897	-
Administrative Expense	(471,557)	(196,178)	(362,448)	-
Net Change in Plan Fiduciary Net Position	31,908,760	(2,505,766)	1,998,079	43,211,062
Plan Fiduciary Net Position - Beginning	319,389,224	321,894,990	319,896,911	276,685,849
Plan Fiduciary Net Position - Ending (b)	\$ 351,297,984	\$ 319,389,224	\$ 321,894,990	\$ 319,896,911
Plan Net Pension Liability - Ending (a) - (b)	\$ 144,533,420	\$ 134,347,380	\$ 113,122,974	\$ 108,682,957
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	70.39%	74.00%	74.64%
Covered Payroll	\$ 49,979,076	\$ 46,428,322	\$ 43,728,370	\$ 43,467,334
Plan Net Pension Liability as a Percentage of Covered Payroll	289.19%	289.37%	258.69%	250.03%

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2016. There were no benefit changes in the measurement period ending June 30, 2016.

Changes of Assumptions: In 2017, the accounting discount rate reduced from 7.65% percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

* Historical information is required only for measurement periods for which GASB Statement 68 is applicable. Future years' information will be displayed up to ten years as information becomes available.

3. SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS (continued)

*Last Ten Fiscal Years**

(For the Measurement Periods Ended June 30)

B. Safety Plan

	2017	2016	2015	2014
Total Pension Liability				
Service Cost	\$ 11,313,858	\$ 10,018,091	\$ 9,445,690	\$ 9,428,558
Interest on the Total Pension Liability	44,697,929	43,600,023	41,504,625	39,695,994
Changes of Assumptions	35,313,488	-	(9,630,020)	-
Difference between Expected and Actual Experience	(1,980,053)	6,056,024	1,432,189	-
Benefit Payments, including Refunds of Employee Contributions	(33,357,752)	(31,419,219)	(28,384,236)	(26,957,919)
Net Change in Total Pension Liability	55,987,470	28,254,919	14,368,248	22,166,633
Total Pension Liability - Beginning	602,834,398	574,579,479	560,211,231	538,044,598
Total Pension Liability - Ending (a)	\$ 658,821,868	\$ 602,834,398	\$ 574,579,479	\$ 560,211,231
Plan Fiduciary Net Position				
Contributions from the Employer	\$ 18,933,463	\$ 17,528,095	\$ 15,067,536	\$ 13,719,650
Contributions from Employees	5,044,137	4,317,323	4,310,000	3,757,435
Net Investment Income	43,427,897	2,138,128	8,918,712	60,180,612
Benefit Payments, including Refunds of Employee Contributions	(33,357,752)	(31,419,219)	(28,384,236)	(26,957,919)
Administrative Expense	(578,856)	(243,623)	(449,882)	-
Net Change in Plan Fiduciary Net Position	33,468,889	(7,679,296)	(537,870)	50,699,778
Plan Fiduciary Net Position - Beginning	392,063,875	399,743,171	400,281,041	349,581,263
Plan Fiduciary Net Position - Ending (b)	\$ 425,532,764	\$ 392,063,875	\$ 399,743,171	\$ 400,281,041
Plan Net Pension Liability - Ending (a) - (b)	\$ 233,289,104	\$ 210,770,523	\$ 174,836,308	\$ 159,930,190
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.59%	65.04%	69.57%	71.45%
Covered Payroll	\$ 40,323,111	\$ 39,414,922	\$ 36,612,618	\$ 34,812,281
Plan Net Pension Liability as a Percentage of Covered Payroll	578.55%	534.75%	477.53%	459.41%

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2016. There were no benefit changes in the measurement period ending June 30, 2016.

Changes of Assumptions: In 2017, the accounting discount rate reduced from 7.65% percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

* Historical information is required only for measurement periods for which GASB Statement 68 is applicable. Future years' information will be displayed up to ten years as information becomes available.

Required Supplementary Information

4. SCHEDULE OF PENSION PLAN CONTRIBUTIONS

*Last Ten Fiscal Years**

(For the Fiscal Years Ended June 30)

A. Miscellaneous Plan

	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 13,900,508	\$ 13,885,280	\$ 12,253,772	\$ 10,615,278	\$ 10,225,328
Contributions in Relation to the Actuarially Determined Contribution	(13,900,508)	(13,885,280)	(12,253,772)	(10,615,278)	(10,225,328)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 52,885,006	\$ 49,979,076	\$ 46,428,322	\$ 43,728,370	\$ 43,467,334
Contributions as a Percentage of Covered Payroll	26.28%	27.78%	26.39%	24.28%	23.52%

Notes to Schedule:

Methods and Assumptions Used to Calculate the Actuarially Determined Contribution for the Fiscal Year Ended June 30, 2018

Valuation Date	June 30, 2015
Actuarial Cost Method	Entry age normal
Amortization Method	Level percent of payroll
Asset Valuation Method	Market value
Inflation	2.75%
Salary Increases	3.20% to 12.20% depending on age and service
Payroll Growth	3.00%
Discount Rate/Investment Rate of Return	7.50% net of pension plan investment and administrative expenses; includes inflation
Retirement Age	Probabilities of retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011
Mortality	Probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries

* Historical information is required only for measurement periods for which GASB Statement 68 is applicable. Future years' information will be displayed up to ten years as information becomes available.

4. SCHEDULE OF PENSION PLAN CONTRIBUTIONS (continued)

*Last Ten Fiscal Years**

(For the Fiscal Years Ended June 30)

B. Safety Plan

	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 19,155,386	\$ 18,933,463	\$ 17,528,095	\$ 15,067,536	\$ 13,719,650
Contributions in Relation to the Actuarially Determined Contribution	(21,355,386)	(18,933,463)	(17,528,095)	(15,067,536)	(13,719,650)
Contribution Deficiency (Excess)	<u>\$ (2,200,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 42,341,809	\$ 40,323,111	\$ 39,414,922	\$ 36,612,618	\$ 34,812,281
Contributions as a Percentage of Covered Payroll	50.44%	46.95%	44.47%	41.15%	39.41%

Notes to Schedule:

Methods and Assumptions Used to Calculate the Actuarially Determined Contribution for the Fiscal Year Ended June 30, 2018

Valuation Date	June 30, 2015
Actuarial Cost Method	Entry age normal
Amortization Method	Level percent of payroll
Asset Valuation Method	Market value
Inflation	2.75%
Salary Increases	3.40% to 20.00% depending on age, service, and type of employment
Payroll Growth	3.00%
Discount Rate/ Investment Rate of Return	7.50% net of pension plan investment and administrative expenses; includes inflation
Retirement Age	Probabilities of retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011
Mortality	Probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries

* Historical information is required only for measurement periods for which GASB Statement 68 is applicable. Future years' information will be displayed up to ten years as information becomes available.

Required Supplementary Information

5. SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

*Last Ten Fiscal Years**

(For the Measurement Periods Ended June 30)

	<u>2017</u>
Total OPEB Liability	
Service Cost	\$ 2,215,000
Interest on the Total OPEB Liability	5,754,000
Benefit Payments	<u>(3,968,000)</u>
Net Change in Total OPEB Liability	4,001,000
Total OPEB Liability - Beginning	<u>85,013,000</u>
Total OPEB Liability - Ending (a)	<u><u>\$ 89,014,000</u></u>
Plan Fiduciary Net Position	
Contributions from the Employer	\$ 7,562,000
Net Investment Income	971,000
Benefit Payments	(3,968,000)
Administrative Expense	<u>(20,000)</u>
Net Change in Plan Fiduciary Net Position	4,545,000
Plan Fiduciary Net Position - Beginning	<u>3,640,000</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 8,185,000</u></u>
Plan Net OPEB Liability - Ending (a) - (b)	<u><u>\$ 80,829,000</u></u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	9.20%
Covered Employee Payroll	\$ 112,648,039
Plan Net OPEB Liability as a Percentage of Covered Employee Payroll	71.75%

Notes to Schedule:

Benefit Changes. There were no benefit changes in the measurement period ending June 30, 2017.

Changes of Assumptions. There were no assumption changes in the measurement period ending June 30, 2017.

* Historical information is required only for measurement periods for which GASB Statement 75 is applicable. Future years' information will be displayed up to ten years as information becomes available.

6. SCHEDULE OF OPEB PLAN CONTRIBUTIONS

*Last Ten Fiscal Years**

(For the Fiscal Years Ended June 30)

	2018	2017
Actuarially Determined Contribution	\$ 8,228,000	\$ 7,562,000
Contributions in Relation to the Actuarially Determined Contribution	(8,487,000)	(7,562,000)
Contribution Deficiency (Excess)	\$ (259,000)	\$ -
Covered Employee Payroll	\$ 115,466,447	\$ 112,648,039
Contributions as a Percentage of Covered Employee Payroll	7.35%	6.71%

Notes to Schedule:

Methods and Assumptions Used to Calculate the Actuarially Determined Contribution for the Fiscal Year Ended June 30, 2018

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry age normal
Amortization Method	Level percent of payroll
Amortization Period	20 years
Asset Valuation Method	Investment gains and losses spread over five-year rolling period
Inflation	3.00%
Healthcare Cost Trend	Non-Medicare: 6.5% for 2018, decreasing to an ultimate rate of 5.0% in 2021 and later years Medicare: 6.7% for 2018, decreasing to an ultimate rate of 5.0% in 2021 and later years
Salary Increases	3.25%
Investment Rate of Return	6.75% net of OPEB plan investment and administrative expenses; includes inflation
Retirement Age	Probabilities of retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011
Mortality	Probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Mortality projected fully generational with Scale MP-2014 modified to converge to ultimate rates in 2022

* Historical information is required only for measurement periods for which GASB Statement 75 is applicable. Future years' information will be displayed up to ten years as information becomes available.

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Non-Major Governmental Funds

Special Revenue Funds

Special Revenue Funds

Special revenue funds are used to account for City revenues from sources that, by law or administrative action, are designated to finance particular functions or activities of government. The individual special revenue funds are as follows:

HOME Grant – This fund accounts for monies received under the HOME Investment Partnership Act. HOME funds can be used to acquire, rehabilitate, finance, and construct affordable housing and provide tenant-based rental assistance.

Integrated Waste Management – This fund accounts for monies received by the City to comply with the provisions of AB939 for the purpose of addressing recycling, household hazardous waste and solid waste management issues. These revenues may only be spent for integrated waste management and waste reduction programs.

Urban Runoff – The Clean Water Fee special assessment funds the Urban Runoff Clean Water Program. This program is based on the Stormwater Management Plan of the Alameda Countywide Clean Water Program. The plan is required for and a part of the National Pollutant Discharge Elimination System permit. Included in the plan are tasks for municipalities to carry out, including public information, municipal maintenance activities, new development requirements, illicit discharge elimination, industrial discharge identification and control, monitoring and special studies.

Traffic Safety OTS – This fund accounts for monies received from the State, to be used to reduce alcohol involved fatalities and injuries, and raise general public awareness regarding the problems associated with drinking and driving.

Abandoned Vehicle – This fund accounts for monies received by the City under California Vehicle Code Sections 9250.7 and 22710 and used for the abatement, removal, and disposal as public nuisances of any abandoned, wrecked, dismantled, or inoperative vehicles from private or public property.

City Asset Seizure – This fund accounts for assets confiscated by the City. The revenues will be used for police activity and equipment.

COPS AB3229 – This fund accounts for State funds distributed by the County for front-line law enforcement services, including anti-gang and community crime prevention programs.

CUPA Administration – The Certified Unified Program Agencies (CUPA) administration fund accounts for the collection of Fire CUPA fines and penalties. Assets are used for hazardous material management.

Justice Assistance Grant – This fund accounts for federal pass-through money and allows states, tribes and local government to support a broad range of activities to prevent and control crime based on local needs and conditions, such as initiatives technical assistance, training personnel, and equipment supplies.

City Funded Affordable Housing Fund – This fund accounts for the City’s funding for the City general fund allocations for affordable housing, monitoring payments, and other miscellaneous revenues.

Low and Moderate Income Housing Asset – This fund accounts for the administration of housing assets and functions related to the Low and Moderate Income Housing Program.

Metropolitan Medical Response System (MMRS) – This fund accounts for federal grants to fund the purchase of anti-terrorism equipment, medications, and training and exercise for terrorism responses.

Miscellaneous Federal Grants – This fund accounts for federal monies received from various individual federal grants that are subject to the Single Audit.

Miscellaneous State Support – This fund accounts for one-time miscellaneous funds received from State agencies.

State Gas Tax – This fund accounts for monies apportioned to the City from State-collected gasoline taxes. The annual allocation may be spent for street maintenance or construction. Funds are apportioned by the State on the basis of population.

Rent Review – This fund accounts for the administration of the Rent Review Program, which provides a formal hearing for proposed rent increases in excess of 5 percent in any 12-month period by the Rent Review Board.

Maintenance District – This fund accounts for lighting and landscape maintenance activities in new subdivisions within the City. These activities are funded by special assessments on property within the benefited area.

Debt Service Funds, Capital Project Funds

Debt Service Funds

Debt service funds are used to record the accumulation of resources for, and the payment of, principal, interest and fiscal charges on general long-term debt. The individual debt service funds are as follows:

Fire General Obligation Bonds – This fund accounts for the accumulation of property tax revenue and payment of principal and interest for the City’s general obligation bonds. In November 2002, Fremont voters approved Measure R, which authorized the City to issue \$51 million of general obligation bonds to provide funding to replace three fire stations, build a public safety training center, and make remodeling and seismic improvements to seven existing fire stations. Three bond series totaling \$51 million have been issued and subsequently refinanced. The City is obligated to annually levy ad valorem taxes upon all taxable properties within the City for the payment of the principal and interest for these bonds.

Fremont Public Financing Authority – This fund reports activity in the debt service and reserve accounts held by trustee banks for the benefit of investors in the City’s lease revenue bonds and certificates of participation. Principal and interest expenditures are budgeted and reported in the General Fund, with the portion of the 2017A Lease Revenue Bonds expenditures related to the Fremont Family Resource Center reported in the Human Services Fund.

Capital Project Funds

Capital project funds are used to account for the acquisition or construction of major capital facilities and improvements. The specific capital project funds are listed below:

Transportation Development Act – This fund accounts for funds received under the Transportation Development Act (Article 3) to be used for street construction projects.

Miscellaneous State Grants Capital – This fund accounts for one-time miscellaneous funds received from State agencies.

Capital Improvement Outside Sources – This fund accounts for contributions received from other outside sources that are intended to help fund specific capital projects.

ACTC, MTC, Measure B, BB & F Grants, Streets, Bikes and Pedestrian – These funds account for the portion of monies from Measure B, BB and Measure F to be used to fund transportation-related capital projects. Under Measure B, the City receives the proceeds of an additional half-cent sales tax for use on transportation-related expenditures. In November 2014 voters approved Measure BB which augments and extends the existing Alameda County Measure B half-cent transportation sales tax by a half-cent to April 1, 2045. In November 2010, voters of Alameda County approved Measure F, the Vehicle Registration Fee (VRF) program. The City receives proceeds from a fee on each annual motor vehicle registration or renewal in Alameda County.

Traffic System Management – This fund receives monies from the Bay Area Quality Management District under AB434. The fund’s expenditures relate to the implementation of the City’s trip reduction ordinance – a State-mandated activity.

Proposition 1B Highway-Railroad Crossing Safety Account (HRCSA) – This fund accounts for monies from Proposition 1B, approved by California voters in November 2006, for grade separation and railroad crossing safety improvements.

Non-Major Governmental Funds

City of Fremont Combining Balance Sheet Non-Major Governmental Funds June 30, 2018

(With comparative totals for June 30, 2017)

	Special Revenue Funds		
	HOME Grant	Integrated Waste Management	Urban Runoff
ASSETS			
Cash and investments held by City	\$ -	\$ 8,233,479	\$ 451,347
Restricted cash and investments held by fiscal agent or City	-	-	-
Receivables:			
Property tax	-	-	-
Due from other governmental agencies	672,579	552,945	7,589
Accounts receivable	-	654,616	-
Other	-	-	-
Total assets	\$ 672,579	\$ 9,441,040	\$ 458,936
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 7,247	\$ 348,327	\$ 32,651
Salaries and wages payable	-	34,628	16,739
Due to other funds	661,647	-	-
Unearned revenue	-	-	-
Total liabilities	668,894	382,955	49,390
Deferred inflows of resources-unavailable revenue	-	-	-
Fund Balances (Deficits):			
Restricted for:			
Social service programs	3,685	-	-
Debt service	-	-	-
Public safety	-	-	-
Street improvements	-	-	-
Community development	-	9,058,085	409,546
Other purposes	-	-	-
Committed for:			
Social service programs	-	-	-
Unassigned	-	-	-
Total fund balances (deficits)	3,685	9,058,085	409,546
Total liabilities, deferred inflows of resources, and fund balances (deficits)	\$ 672,579	\$ 9,441,040	\$ 458,936

Non-Major Governmental Funds

Special Revenue Funds

Abandoned Vehicle	City Asset Seizure	COPS AB3229	CUPA Administration	Justice Assistance Grant
\$ -	\$ 29,024	\$ 530,789	\$ 710,993	\$ 22,196
-	-	-	-	-
-	-	-	-	-
60,542	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 60,542</u>	<u>\$ 29,024</u>	<u>\$ 530,789</u>	<u>\$ 710,993</u>	<u>\$ 22,196</u>
\$ -	\$ -	\$ 14,789	\$ -	\$ -
-	-	-	-	-
60,542	-	-	-	-
-	-	-	-	-
<u>60,542</u>	<u>-</u>	<u>14,789</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	29,024	516,000	710,993	22,196
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	29,024	516,000	710,993	22,196
<u>\$ 60,542</u>	<u>\$ 29,024</u>	<u>\$ 530,789</u>	<u>\$ 710,993</u>	<u>\$ 22,196</u>

(Continued)

Non-Major Governmental Funds

City of Fremont Combining Balance Sheet Non-Major Governmental Funds (continued) June 30, 2018

(With comparative totals for June 30, 2017)

	Special Revenue Funds		
	City Funded Affordable Housing Fund	Low and Moderate Income Housing Asset	Metropolitan Medical Response System
ASSETS			
Cash and investments held by City	\$ 4,456,611	\$ 3,339,653	\$ 34,699
Restricted cash and investments held by fiscal agent or City	-	-	-
Receivables:			
Property tax	-	-	-
Due from other governmental agencies	-	-	36,019
Accounts receivable	-	-	-
Other	-	-	-
Total assets	\$ 4,456,611	\$ 3,339,653	\$ 70,718
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 32,290	\$ 2,706	\$ -
Salaries and wages payable	-	8,242	-
Due to other funds	-	-	-
Unearned revenue	-	295,655	-
Total liabilities	32,290	306,603	-
Deferred inflows of resources-unavailable revenue	-	-	-
Fund Balances (Deficits):			
Restricted for:			
Social service programs	-	-	-
Debt service	-	-	-
Public safety	-	-	70,718
Street improvements	-	-	-
Community development	-	3,033,050	-
Other purposes	-	-	-
Committed for:			
Community development	4,424,321	-	-
Unassigned	-	-	-
Total fund balances (deficits)	4,424,321	3,033,050	70,718
Total liabilities, deferred inflows of resources, and fund balances (deficits)	\$ 4,456,611	\$ 3,339,653	\$ 70,718

Non-Major Governmental Funds

Special Revenue Funds				
Miscellaneous Federal Grants	State Gas Tax	Rent Review Fund	Maintenance District	Total Non-major Special Revenue Funds
\$ -	\$ 6,728,292	\$ 253,867	\$ 554,952	\$ 25,345,902
-	-	-	-	-
-	-	-	-	-
32,144	493,793	-	1,116	1,856,727
-	25,298	96	-	680,010
-	-	-	-	-
<u>\$ 32,144</u>	<u>\$ 7,247,383</u>	<u>\$ 253,963</u>	<u>\$ 556,068</u>	<u>\$ 27,882,639</u>
\$ 45	\$ 451,550	\$ 6,775	\$ 19,268	\$ 915,648
-	-	2,162	-	61,771
19,869	-	-	-	742,058
-	-	-	-	295,655
<u>19,914</u>	<u>451,550</u>	<u>8,937</u>	<u>19,268</u>	<u>2,015,132</u>
-	-	-	-	-
-	-	-	-	3,685
-	-	-	-	-
-	-	-	-	1,348,931
-	6,795,833	245,026	-	7,040,859
-	-	-	536,800	13,037,481
12,230	-	-	-	12,230
-	-	-	-	4,424,321
-	-	-	-	-
<u>12,230</u>	<u>6,795,833</u>	<u>245,026</u>	<u>536,800</u>	<u>25,867,507</u>
<u>\$ 32,144</u>	<u>\$ 7,247,383</u>	<u>\$ 253,963</u>	<u>\$ 556,068</u>	<u>\$ 27,882,639</u>

(Continued)

Non-Major Governmental Funds

City of Fremont Combining Balance Sheet Non-Major Governmental Funds (continued) June 30, 2018

(With comparative totals for June 30, 2017)

	Debt Service Funds		Total Non-major Debt Service Funds
	Fire General Obligation Bonds	Fremont Financing Authority	
ASSETS			
Cash and investments held by City	\$ -	\$ -	\$ -
Restricted cash and investments held by fiscal agent or City	2,772,705	1,498	2,774,203
Receivables:			
Property tax	26,543	-	26,543
Due from other governmental agencies	-	-	-
Accounts receivable	-	-	-
Other	-	-	-
Total assets	\$ 2,799,248	\$ 1,498	\$ 2,800,746
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Salaries and wages payable	-	-	-
Due to other funds	-	-	-
Unearned revenue	-	-	-
Total liabilities	-	-	-
Deferred inflows of resources-unavailable revenue	-	-	-
Fund Balances (Deficits):			
Restricted for:			
Social service programs	-	-	-
Debt service	2,799,248	1,498	2,800,746
Public safety	-	-	-
Street improvements	-	-	-
Community development	-	-	-
Other purposes	-	-	-
Committed for:			
Social service programs	-	-	-
Unassigned	-	-	-
Total fund balances (deficits)	2,799,248	1,498	2,800,746
Total liabilities, deferred inflows of resources, and fund balances (deficits)	\$ 2,799,248	\$ 1,498	\$ 2,800,746

Non-Major Governmental Funds

Capital Projects Funds							Total Non-major Capital Projects Funds
Transportation Development Act	Miscellaneous State Grants Capital	Capital Improvement - Outside Sources	ACTC & MTC Measure B, BB & F , Grants, Streets, Bike & Pedestrian	Traffic System Management	Prop 1B HRCSA		
\$ -	\$ -	\$ 20,136,411	\$ 5,904,610	\$ -	\$ -	\$ 26,041,021	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
3,581	2,209	1,019,043	1,760,272	112,025	-	2,897,130	
-	-	97,594	-	-	-	97,594	
-	-	-	-	-	-	-	
<u>\$ 3,581</u>	<u>\$ 2,209</u>	<u>\$ 21,253,048</u>	<u>\$ 7,664,882</u>	<u>\$ 112,025</u>	<u>\$ -</u>	<u>\$ 29,035,745</u>	
\$ -	\$ -	\$ 680,788	\$ 1,527,286	\$ 47,705	\$ -	2,255,779	
-	-	-	-	-	-	-	
3,581	2,209	-	-	64,320	-	70,110	
-	-	-	-	-	-	-	
<u>3,581</u>	<u>2,209</u>	<u>680,788</u>	<u>1,527,286</u>	<u>112,025</u>	<u>-</u>	<u>2,325,889</u>	
<u>3,581</u>	<u>2,209</u>	<u>563,499</u>	<u>437,557</u>	<u>68,067</u>	<u>-</u>	<u>1,074,913</u>	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	5,700,039	-	-	5,700,039	
-	-	20,008,761	-	-	-	20,008,761	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
(3,581)	(2,209)	-	-	(68,067)	-	(73,857)	
<u>(3,581)</u>	<u>(2,209)</u>	<u>20,008,761</u>	<u>5,700,039</u>	<u>(68,067)</u>	<u>-</u>	<u>25,634,943</u>	
<u>\$ 3,581</u>	<u>\$ 2,209</u>	<u>\$ 21,253,048</u>	<u>\$ 7,664,882</u>	<u>\$ 112,025</u>	<u>\$ -</u>	<u>\$ 29,035,745</u>	

(Continued)

Non-Major Governmental Funds

City of Fremont Combining Balance Sheet Non-Major Governmental Funds (continued) June 30, 2018

(With comparative totals for June 30, 2017)

	Total Non-major Governmental Funds	
	2018	2017
ASSETS		
Cash and investments held by City	\$ 51,386,923	\$ 47,237,525
Restricted cash and investments held by fiscal agent or City	2,774,203	4,402,703
Receivables:		
Property tax	26,543	33,891
Due from other governmental agencies	4,753,857	3,305,823
Accounts receivable	777,604	737,020
Other	-	105,291
Total assets	\$ 59,719,130	\$ 55,822,253
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 3,171,427	\$ 4,152,960
Salaries and wages payable	61,771	41,247
Due to other funds	812,168	1,059,193
Unearned revenue	295,655	-
Total liabilities	4,341,021	5,253,400
Deferred inflows of resources-unavailable revenue	1,074,913	361,061
Fund Balances (Deficits):		
Restricted for:		
Social service programs	3,685	3,685
Debt service	2,800,746	4,436,594
Public safety	1,348,931	1,033,874
Street improvements	12,740,898	13,399,999
Community development	33,046,242	24,341,300
Other purposes	12,230	23,961
Committed for:		
Social service programs	4,424,321	7,142,887
Unassigned	(73,857)	(174,508)
Total fund balances (deficits)	54,303,196	50,207,792
Total liabilities, deferred inflows of resources, and fund balances (deficits)	\$ 59,719,130	\$ 55,822,253

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Non-Major Governmental Funds

City of Fremont

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds

For the fiscal year ended June 30, 2018

(With comparative totals for the fiscal year ended June 30, 2017)

	Special Revenue Funds		
	HOME Grant	Integrated Waste Management	Urban Runoff
REVENUES:			
Property tax	\$ -	\$ -	\$ -
Intergovernmental	647,659	849,620	-
Franchise fees	-	-	-
Charges for services	-	7,978,652	1,441,342
Investment earnings	-	92,742	8,433
Other	-	-	2,565
Total revenues	647,659	8,921,014	1,452,340
EXPENDITURES:			
Current:			
Police services	-	-	-
Fire services	-	-	-
Human services	-	-	-
Capital assets maintenance and operations	-	-	-
Community development and environmental services	646,329	7,164,589	1,514,822
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Payment to bond refunding escrow	-	-	-
Total expenditures	646,329	7,164,589	1,514,822
REVENUES OVER (UNDER) EXPENDITURES	1,330	1,756,425	(62,482)
OTHER FINANCING SOURCES (USES):			
Debt proceeds	-	-	-
Premium on debt issuance	-	-	-
Payment to refunding escrow	-	-	-
Transfers in	-	-	-
Transfers out	(1,330)	(637,984)	(222,982)
Total other financing sources (uses)	(1,330)	(637,984)	(222,982)
Net change in fund balances	-	1,118,441	(285,464)
FUND BALANCES (DEFICITS):			
Beginning of year	3,685	7,939,644	695,010
End of year	\$ 3,685	\$ 9,058,085	\$ 409,546

Non-Major Governmental Funds

Special Revenue Funds

Abandoned Vehicle	City Asset Seizure	COPS AB3229	CUPA Administration	Justice Assistance Grant
\$ -	\$ -	\$ -	\$ -	\$ -
114,677	-	493,654	-	-
-	-	-	-	-
-	-	(914)	9,572	-
-	-	-	-	-
<u>114,677</u>	<u>-</u>	<u>492,740</u>	<u>9,572</u>	<u>-</u>
114,677	-	149,648	-	9,869
-	-	-	6,250	-
-	-	-	-	-
-	-	-	-	-
-	-	16,786	-	-
-	-	-	-	-
-	-	-	-	-
<u>114,677</u>	<u>-</u>	<u>166,434</u>	<u>6,250</u>	<u>9,869</u>
-	-	326,306	3,322	(9,869)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>326,306</u>	<u>3,322</u>	<u>(9,869)</u>
-	29,024	189,694	707,671	32,065
<u>\$ -</u>	<u>\$ 29,024</u>	<u>\$ 516,000</u>	<u>\$ 710,993</u>	<u>\$ 22,196</u>

(Continued)

Non-Major Governmental Funds

City of Fremont

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds (continued)

For the fiscal year ended June 30, 2018

(With comparative totals for the fiscal year ended June 30, 2017)

	Special Revenue Funds		
	City Funded	Low and	Metropolitan
	Affordable Housing Fund	Moderate Income Housing Asset	Medical Response System
REVENUES:			
Property tax	\$ -	\$ -	\$ -
Intergovernmental	-	-	36,018
Franchise fees	-	-	-
Charges for services	-	-	-
Investment earnings	52,022	88,624	129
Other	283,024	1,215,704	-
Total revenues	335,046	1,304,328	36,147
EXPENDITURES:			
Current:			
Police services	-	-	-
Fire services	-	-	20,006
Human services	-	-	-
Capital assets maintenance and operations	-	-	-
Community development and environmental services	4,485,612	4,132,309	-
Capital outlay	-	-	20,843
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Payment to refunding escrow	-	-	-
Total expenditures	4,485,612	4,132,309	40,849
REVENUES OVER (UNDER) EXPENDITURES	(4,150,566)	(2,827,981)	(4,702)
OTHER FINANCING SOURCES (USES):			
Debt proceeds	-	-	-
Premium on debt issuance	-	-	-
Payment to refunding escrow	-	-	-
Transfers in	1,432,000	-	-
Transfers out	-	(59,167)	-
Total other financing sources (uses)	1,432,000	(59,167)	-
Net change in fund balances	(2,718,566)	(2,887,148)	(4,702)
FUND BALANCES (DEFICITS):			
Beginning of year	7,142,887	5,920,198	75,420
End of year	\$ 4,424,321	\$ 3,033,050	\$ 70,718

Non-Major Governmental Funds

Special Revenue Funds				
Miscellaneous Federal Grants	State Gas Tax	Rent Review Fund	Maintenance District	Total Non-major Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -
123,918	6,204,688	-	-	8,470,234
-	-	-	-	-
-	-	441,335	200,668	10,061,997
-	27,712	(2,179)	2,037	278,178
-	-	-	-	1,501,293
<u>123,918</u>	<u>6,232,400</u>	<u>439,156</u>	<u>202,705</u>	<u>20,311,702</u>
123,918	-	-	-	398,112
11,731	-	-	-	37,987
-	-	-	-	-
-	7,997,888	-	168,196	8,166,084
-	-	169,575	-	18,113,236
-	92,364	-	-	129,993
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>135,649</u>	<u>8,090,252</u>	<u>169,575</u>	<u>168,196</u>	<u>26,845,412</u>
<u>(11,731)</u>	<u>(1,857,852)</u>	<u>269,581</u>	<u>34,509</u>	<u>(6,533,710)</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	1,432,000
-	-	(24,555)	(14,972)	(960,990)
-	-	(24,555)	(14,972)	471,010
<u>(11,731)</u>	<u>(1,857,852)</u>	<u>245,026</u>	<u>19,537</u>	<u>(6,062,700)</u>
<u>23,961</u>	<u>8,653,685</u>	<u>-</u>	<u>517,263</u>	<u>31,930,207</u>
<u>\$ 12,230</u>	<u>\$ 6,795,833</u>	<u>\$ 245,026</u>	<u>\$ 536,800</u>	<u>\$ 25,867,507</u>

(Continued)

Non-Major Governmental Funds

City of Fremont

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds (continued)

For the fiscal year ended June 30, 2018

(With comparative totals for the fiscal year ended June 30, 2017)

	Debt Service Funds		Total Non-major Debt Service Funds
	Fire General Obligation Bonds	Fremont Financing Authority	
REVENUES:			
Property tax	\$ 3,235,994	\$ -	\$ 3,235,994
Intergovernmental	-	-	-
Franchise fees	-	-	-
Charges for services	-	-	-
Investment earnings	14,995	6,604	21,599
Other	-	-	-
Total revenues	3,250,989	6,604	3,257,593
EXPENDITURES:			
Current:			
Police services	-	-	-
Fire services	-	-	-
Human services	-	-	-
Capital assets maintenance and operations	-	-	-
Community development and environmental services	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal	14,885,000	22,820,000	37,705,000
Interest and fiscal charges	1,927,133	611,854	2,538,987
Payment to refunding escrow	-	-	-
Total expenditures	16,812,133	23,431,854	40,243,987
REVENUES OVER (UNDER) EXPENDITURES	(13,561,144)	(23,425,250)	(36,986,394)
OTHER FINANCING SOURCES (USES):			
Debt proceeds	12,215,000	19,725,000	31,940,000
Premium on debt issuance	1,519,361	1,891,185	3,410,546
Payment to refunding escrow	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	13,734,361	21,616,185	35,350,546
Net change in fund balances	173,217	(1,809,065)	(1,635,848)
FUND BALANCES (DEFICITS):			
Beginning of year	2,626,031	1,810,563	4,436,594
End of year	\$ 2,799,248	\$ 1,498	\$ 2,800,746

Non-Major Governmental Funds

Capital Projects Funds							Total Non-major Capital Projects Funds
Transportation Development Act	Miscellaneous State Grants Capital	Capital Improvement - Outside Sources	ACTC & MTC Measure B, BB & F, Grants, Streets, Bike & Pedestrian	Traffic System Management	Prop 1B HRCSA		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
11,575	446,334	662,156	8,455,388	113,221	105,988	9,794,662	
-	-	406,075	-	-	-	406,075	
-	-	-	-	-	-	-	
-	-	97,515	(336)	-	-	97,179	
-	-	1,696,933	-	-	-	1,696,933	
<u>11,575</u>	<u>446,334</u>	<u>2,862,679</u>	<u>8,455,052</u>	<u>113,221</u>	<u>105,988</u>	<u>11,994,849</u>	
-	-	1,399	-	-	-	1,399	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
9,000	448,543	2,076,756	6,468,502	101,860	17,064	9,121,725	
-	-	-	-	-	-	-	
-	-	44,191	-	-	-	44,191	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
<u>9,000</u>	<u>448,543</u>	<u>2,122,346</u>	<u>6,468,502</u>	<u>101,860</u>	<u>17,064</u>	<u>9,167,315</u>	
2,575	(2,209)	740,333	1,986,550	11,361	88,924	2,827,534	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	3,046,220	-	-	-	3,046,220	
-	-	-	-	-	-	-	
-	-	3,046,220	-	-	-	3,046,220	
<u>2,575</u>	<u>(2,209)</u>	<u>3,786,553</u>	<u>1,986,550</u>	<u>11,361</u>	<u>88,924</u>	<u>5,873,754</u>	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	3,046,220	-	-	-	3,046,220	
<u>2,575</u>	<u>(2,209)</u>	<u>3,786,553</u>	<u>1,986,550</u>	<u>11,361</u>	<u>88,924</u>	<u>5,873,754</u>	
(6,156)	-	16,222,208	3,713,489	(79,428)	(88,924)	19,761,189	
<u>\$ (3,581)</u>	<u>\$ (2,209)</u>	<u>\$ 20,008,761</u>	<u>\$ 5,700,039</u>	<u>\$ (68,067)</u>	<u>\$ -</u>	<u>\$ 25,634,943</u>	

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Non-Major Governmental Funds

City of Fremont

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds (continued)

For the fiscal year ended June 30, 2018

(With comparative totals for the fiscal year ended June 30, 2017)

	Total Non-major Governmental Funds	
	2018	2017
REVENUES:		
Property tax	\$ 3,235,994	\$ 3,218,461
Intergovernmental	18,264,896	14,404,478
Franchise fees	406,075	433,290
Charges for services	10,061,997	9,163,031
Investment earnings	396,956	257,387
Other	3,198,226	2,233,551
Total revenues	35,564,144	29,710,198
EXPENDITURES:		
Current:		
Police services	399,511	1,416,909
Fire services	37,987	160,922
Human services	-	169,371
Capital assets maintenance and operations	17,287,809	16,678,109
Community development and environmental services	18,113,236	8,811,203
Capital outlay	174,184	1,221,853
Debt service:		
Principal	37,705,000	6,515,000
Interest and fiscal charges	2,538,987	4,011,858
Payment to refunding escrow	-	1,150,000
Total expenditures	76,256,714	40,135,225
REVENUES OVER (UNDER) EXPENDITURES	(40,692,570)	(10,425,027)
OTHER FINANCING SOURCES (USES):		
Debt proceeds	31,940,000	85,205,000
Premium on debt issuance	3,410,546	-
Payment to refunding escrow	-	(85,205,000)
Transfers in	4,478,220	10,389,915
Transfers out	(960,990)	(4,282,149)
Total other financing sources (uses)	38,867,776	6,107,766
Net change in fund balances	(1,824,794)	(4,317,261)
FUND BALANCES (DEFICITS):		
Beginning of year	56,127,990	54,525,053
End of year	\$ 54,303,196	\$ 50,207,792

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Special Revenue and Debt Service Funds

City of Fremont Budgetary Comparison Schedule Special Revenue and Debt Service Funds For the fiscal year ended June 30, 2018

	Special Revenue Funds					
	HOME Grant			Integrated Waste Management		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:						
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	835,476	647,659	(187,817)	744,000	849,620	105,620
Charges for services	-	-	-	7,730,042	7,978,652	248,610
Investment earnings	-	-	-	60,000	92,742	32,742
Other	-	-	-	-	-	-
Total revenues	835,476	647,659	(187,817)	8,534,042	8,921,014	386,972
EXPENDITURES:						
Current:						
Police services	-	-	-	-	-	-
Fire services	-	-	-	-	-	-
Human services	-	-	-	-	-	-
Capital assets maintenance and operations	-	-	-	-	-	-
Community development and environmental services	831,199	646,329	184,870	8,304,602	7,164,589	1,140,013
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Payment to bond refunding escrow	-	-	-	-	-	-
Total expenditures	831,199	646,329	184,870	8,304,602	7,164,589	1,140,013
REVENUES OVER (UNDER) EXPENDITURES	4,277	1,330	(2,947)	229,440	1,756,425	1,526,985
OTHER FINANCING SOURCES (USES):						
Debt proceeds	-	-	-	-	-	-
Premium on debt issuance	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	(4,277)	(1,330)	2,947	(637,984)	(637,984)	-
Total other financing sources (uses)	(4,277)	(1,330)	2,947	(637,984)	(637,984)	-
Net change in fund balances	\$ -	\$ -	\$ -	\$ (408,544)	1,118,441	\$ 1,526,985
FUND BALANCES:						
Beginning of year		3,685			7,939,644	
End of year		\$ 3,685			\$ 9,058,085	

Special Revenue and Debt Service Funds

Special Revenue Funds								
Urban Runoff			Abandoned Vehicle			City Asset Seizure		
Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	120,000	114,677	(5,323)	-	-	-
1,447,441	1,441,342	(6,099)	-	-	-	-	-	-
11,000	8,433	(2,567)	-	-	-	-	-	-
2,565	2,565	-	-	-	-	-	-	-
<u>1,461,006</u>	<u>1,452,340</u>	<u>(8,666)</u>	<u>120,000</u>	<u>114,677</u>	<u>(5,323)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	120,000	114,677	5,323	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1,776,165	1,514,822	261,343	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>1,776,165</u>	<u>1,514,822</u>	<u>261,343</u>	<u>120,000</u>	<u>114,677</u>	<u>5,323</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(315,159)</u>	<u>(62,482)</u>	<u>252,677</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
(222,982)	(222,982)	-	-	-	-	-	-	-
<u>(222,982)</u>	<u>(222,982)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (538,141)</u>	<u>(285,464)</u>	<u>\$ 252,677</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
	<u>695,010</u>			<u>-</u>			<u>29,024</u>	
	<u>\$ 409,546</u>			<u>\$ -</u>			<u>\$ 29,024</u>	

(Continued)

Special Revenue and Debt Service Funds

City of Fremont Budgetary Comparison Schedule Special Revenue and Debt Service Funds (continued) For the fiscal year ended June 30, 2018

	Special Revenue Funds					
	COPS AB3229			CUPA Administration		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:						
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	355,000	493,654	138,654	-	-	-
Charges for services	-	-	-	-	-	-
Investment earnings	-	(914)	(914)	-	9,572	9,572
Other	-	-	-	-	-	-
Total revenues	355,000	492,740	137,740	-	9,572	9,572
EXPENDITURES:						
Current:						
Police services	414,547	149,648	264,899	-	-	-
Fire services	-	-	-	-	6,250	(6,250)
Human services	-	-	-	-	-	-
Capital assets maintenance and operations	-	-	-	-	-	-
Community development and environmental services	-	-	-	-	-	-
Capital outlay	167,493	16,786	150,707	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Payment to bond refunding escrow	-	-	-	-	-	-
Total expenditures	582,040	166,434	415,606	-	6,250	(6,250)
REVENUES OVER (UNDER) EXPENDITURES	(227,040)	326,306	553,346	-	3,322	3,322
OTHER FINANCING SOURCES (USES):						
Debt proceeds	-	-	-	-	-	-
Premium on debt issuance	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	\$ (227,040)	326,306	\$ 553,346	\$ -	3,322	\$ 3,322
FUND BALANCES (DEFICITS):						
Beginning of year		189,694			707,671	
End of year		\$ 516,000			\$ 710,993	

Special Revenue and Debt Service Funds

Special Revenue Funds

Justice Assistance Grant			City Funded Affordable Housing			Low & Moderate Income Housing Asset		
Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
21,872	-	(21,872)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	15,000	52,022	37,022	60,000	88,624	28,624
-	-	-	1,800,000	283,024	283,024	1,200,000	1,215,704	1,215,704
21,872	-	(21,872)	1,815,000	335,046	320,046	1,260,000	1,304,328	1,244,328
20,000	9,869	10,131	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	4,548,819	4,485,612	63,207	4,088,808	4,132,309	(43,501)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
20,000	9,869	10,131	4,548,819	4,485,612	63,207	4,088,808	4,132,309	(43,501)
1,872	(9,869)	(11,741)	(2,733,819)	(4,150,566)	383,253	(2,828,808)	(2,827,981)	1,200,827
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	1,432,000	1,432,000	-	-	-	-
-	-	-	-	-	-	(59,167)	(59,167)	-
-	-	-	1,432,000	1,432,000	-	(59,167)	(59,167)	-
<u>\$ 1,872</u>	<u>(9,869)</u>	<u>\$ (11,741)</u>	<u>\$ (1,301,819)</u>	<u>(2,718,566)</u>	<u>\$ 383,253</u>	<u>\$ (2,887,975)</u>	<u>(2,887,148)</u>	<u>\$ 1,200,827</u>
	<u>32,065</u>			<u>7,142,887</u>			<u>5,920,198</u>	
	<u>\$ 22,196</u>			<u>\$ 4,424,321</u>			<u>\$ 3,033,050</u>	

(Continued)

Special Revenue and Debt Service Funds

City of Fremont Budgetary Comparison Schedule Special Revenue and Debt Service Funds (continued) For the fiscal year ended June 30, 2018

	Special Revenue Funds					
	Metropolitan Medical Response System			Miscellaneous Federal Grants		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:						
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	60,000	36,018	(23,982)	163,989	123,918	(40,071)
Charges for services	-	-	-	-	-	-
Investment earnings	-	129	129	-	-	-
Other	-	-	-	-	-	-
Total revenues	60,000	36,147	(23,853)	163,989	123,918	(40,071)
EXPENDITURES:						
Current:						
Police services	-	-	-	163,989	123,918	40,071
Fire services	111,729	20,006	91,723	-	11,731	(11,731)
Human services	-	-	-	-	-	-
Capital assets maintenance and operations	-	-	-	-	-	-
Community development and environmental services	-	-	-	-	-	-
Capital outlay	-	20,843	(20,843)	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Payment to bond refunding escrow	-	-	-	-	-	-
Total expenditures	111,729	40,849	70,880	163,989	135,649	28,340
REVENUES OVER (UNDER) EXPENDITURES	(51,729)	(4,702)	47,027	-	(11,731)	(11,731)
OTHER FINANCING SOURCES (USES):						
Debt proceeds	-	-	-	-	-	-
Premium on debt issuance	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	\$ (51,729)	(4,702)	\$ 47,027	\$ -	(11,731)	\$ (11,731)
FUND BALANCES (DEFICITS):						
Beginning of year		75,420			23,961	
End of year		<u>\$ 70,718</u>			<u>\$ 12,230</u>	

Special Revenue and Debt Service Funds

Special Revenue Funds

State Gas Tax			Rent Review Fund			Maintenance District		
Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6,204,688	6,204,688	-	-	-	-	-	-	-
-	-	-	503,127	441,335	(61,792)	300,000	200,668	(99,332)
27,712	27,712	-	-	(2,179)	(2,179)	-	2,037	2,037
-	-	-	-	-	-	-	-	-
6,232,400	6,232,400	-	503,127	439,156	(63,971)	300,000	202,705	(97,295)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
7,997,888	7,997,888	-	-	-	-	300,000	168,196	131,804
-	-	-	442,407	169,575	272,832	-	-	-
92,364	92,364	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
8,090,252	8,090,252	-	442,407	169,575	272,832	300,000	168,196	131,804
(1,857,852)	(1,857,852)	-	60,720	269,581	208,861	-	34,509	34,509
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	(60,720)	(24,555)	36,165	(14,972)	(14,972)	-
-	-	-	(60,720)	(24,555)	36,165	(14,972)	(14,972)	-
<u>\$ (1,857,852)</u>	<u>(1,857,852)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>245,026</u>	<u>\$ 245,026</u>	<u>\$ (14,972)</u>	<u>19,537</u>	<u>\$ 34,509</u>
	<u>8,653,685</u>			<u>-</u>			<u>517,263</u>	
	<u>\$ 6,795,833</u>			<u>\$ 245,026</u>			<u>\$ 536,800</u>	

(Continued)

Special Revenue and Debt Service Funds

City of Fremont Budgetary Comparison Schedule Special Revenue and Debt Service Funds (continued) For the fiscal year ended June 30, 2018

	Debt Service Funds					
	Fire General Obligation Bonds			Fremont Financing Authority		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:						
Property tax	\$ 3,235,994	\$ 3,235,994	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Investment earnings	-	14,995	14,995	-	6,604	6,604
Other	-	-	-	-	-	-
Total revenues	3,235,994	3,250,989	14,995	-	6,604	6,604
EXPENDITURES:						
Current:						
Police services	-	-	-	-	-	-
Fire services	-	-	-	-	-	-
Human services	-	-	-	-	-	-
Capital assets maintenance and operations	-	-	-	-	-	-
Community development and environmental services	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	14,885,000	14,885,000	-	22,820,000	22,820,000	-
Interest and fiscal charges	1,927,133	1,927,133	-	-	611,854	(611,854)
Payment to bond refunding escrow	-	-	-	-	-	-
Total expenditures	16,812,133	16,812,133	-	22,820,000	23,431,854	(611,854)
REVENUES OVER (UNDER) EXPENDITURES	(13,576,139)	(13,561,144)	14,995	(22,820,000)	(23,425,250)	(605,250)
OTHER FINANCING SOURCES (USES):						
Debt proceeds	-	12,215,000	-	-	19,725,000	-
Premium on debt issuance	-	1,519,361	-	-	1,891,185	-
Transfers in	-	-	-	22,820,000	-	(22,820,000)
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	13,734,361	13,734,361	22,820,000	21,616,185	(1,203,815)
Net change in fund balances	\$ (13,576,139)	173,217	\$ 13,749,356	\$ -	(1,809,065)	\$ (1,809,065)
FUND BALANCES (DEFICITS):						
Beginning of year		2,626,031			1,810,563	
End of year		\$ 2,799,248			\$ 1,498	

(Concluded)

Special Revenue and Debt Service Funds

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Internal Service Funds

Internal Service Funds

Internal service funds are used to report activities that provide goods or services to other funds or departments on a cost-reimbursement basis. The individual internal service funds are as follows:

Risk Management – This fund accounts for the City’s retained self-insured risks of loss from vehicle and property damage, earthquakes and floods, workers’ compensation claims, general liability claims, and unemployment claims. Administrative costs, including insurance coverage through the City’s membership in the California Joint Powers Risk Management Authority, are also accounted for in this fund. Resources for this fund are provided through allocation “charges” to the departments and special revenue fund operations that receive these services.

Information Technology Services – This fund accounts for the City’s information systems support and technology services. It funds Information Technology Services operations and equipment replacement. Resources for this fund are provided through allocation “charges” to the departments and special revenue fund operations that receive these services.

Vehicle Replacement – The City maintains a fleet of over 500 police and civilian vehicles including automobiles, vans, trucks, motorcycles, and specialized maintenance and construction equipment. This fund accumulates annual contributions from each of the City’s operating funds based on assigned vehicles, and accounts for the associated vehicle replacement purchases.

Employee Benefits – This internal service fund accumulates retiree healthcare benefit contributions from each of the City’s operating funds and accounts for the payments to the California Employers’ Retirement Benefit Trust (CERBT), benefit payments to retirees, and reimbursements from the CERBT for those benefit payments.

Fire Capital Replacement – The Fire Department maintains a fleet of fire apparatus (engines, aerial ladder trucks, and other specialized auxiliary apparatus) as well as a complement of personal protection and life-saving capital equipment (self-contained breathing apparatus, turnout (thermal protection) suits, cardiac monitors, and automated CPR devices). To facilitate timely replacement of these critical capital assets, this fund accumulates annual contributions from the General Fund and accounts for the associated capital expenditures.

Internal Service Funds

City of Fremont

Combining Statement of Net Position

Internal Service Funds

June 30, 2018

(With comparative totals for June 30, 2017)

	Risk Management	Information Technology	Vehicle Replacement
ASSETS			
Current assets:			
Cash and investments held by City	\$ 21,397,382	\$ 6,252,299	\$ 4,084,403
Other receivables	-	109,171	-
Total current assets	<u>21,397,382</u>	<u>6,361,470</u>	<u>4,084,403</u>
Noncurrent assets:			
Prepaid assets	-	-	-
Depreciable assets	-	9,149,527	16,572,522
Less accumulated depreciation	-	<u>(7,502,607)</u>	<u>(10,319,573)</u>
Total noncurrent assets	<u>-</u>	<u>1,646,920</u>	<u>6,252,949</u>
Total assets	<u>21,397,382</u>	<u>8,008,390</u>	<u>10,337,352</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	<u>249,392</u>	<u>1,833,386</u>	<u>-</u>
LIABILITIES			
Current liabilities:			
Accounts payable	10,301	113,520	158,188
Salaries and wages payable	18,181	72,499	-
Due to other funds	-	-	-
Cash overdraft	-	-	-
Claims payable	<u>4,702,000</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>4,730,482</u>	<u>186,019</u>	<u>158,188</u>
Noncurrent liabilities:			
Claims payable	12,252,000	-	-
Net pension liability	<u>1,061,133</u>	<u>6,859,812</u>	<u>-</u>
Total noncurrent liabilities	<u>13,313,133</u>	<u>6,859,812</u>	<u>-</u>
Total liabilities	<u>18,043,615</u>	<u>7,045,831</u>	<u>158,188</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	<u>48,025</u>	<u>183,282</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	-	1,646,920	6,252,949
Unrestricted	<u>3,555,134</u>	<u>965,743</u>	<u>3,926,215</u>
Total net position	<u>\$ 3,555,134</u>	<u>\$ 2,612,663</u>	<u>\$ 10,179,164</u>

Internal Service Funds

Employee Benefits	Fire Capital Equipment Replacement	Totals	
		2018	2017
\$ -	\$ 794,024	\$ 32,528,108	\$ 29,243,135
644,987	-	754,158	843,748
<u>644,987</u>	<u>794,024</u>	<u>33,282,266</u>	<u>30,086,883</u>
-	2,633,408	2,633,408	2,211,088
-	2,751,020	28,473,069	26,661,542
-	(87,693)	(17,909,873)	(18,701,911)
-	5,296,735	13,196,604	10,170,719
<u>644,987</u>	<u>6,090,759</u>	<u>46,478,870</u>	<u>40,257,602</u>
-	-	2,082,778	1,843,234
-	99,967	381,976	708,737
230	-	90,910	75,528
-	1,766,200	1,766,200	-
620,485	-	620,485	444,886
-	-	4,702,000	5,753,000
<u>620,715</u>	<u>1,866,167</u>	<u>7,561,571</u>	<u>6,982,151</u>
-	-	12,252,000	12,353,000
-	-	7,920,945	7,424,933
-	-	20,172,945	19,777,933
<u>620,715</u>	<u>1,866,167</u>	<u>27,734,516</u>	<u>26,760,084</u>
-	-	231,307	211,968
-	2,663,327	10,563,196	7,959,631
24,272	1,561,265	10,032,629	7,169,153
<u>\$ 24,272</u>	<u>\$ 4,224,592</u>	<u>\$ 20,595,825</u>	<u>\$ 15,128,784</u>

Internal Service Funds

City of Fremont Combining Statement of Revenues, Expenses and Changes in Net Position Internal Service Funds For the fiscal year ended June 30, 2018

(With comparative totals for the fiscal year ended June 30, 2017)

	Risk Management	Information Technology	Vehicle Replacement
OPERATING REVENUES			
Charges for services	\$ 7,099,288	\$ 8,603,503	\$ 1,969,208
Other	-	14,997	-
Total operating revenues	7,099,288	8,618,500	1,969,208
OPERATING EXPENSES			
Salaries and wages	627,176	4,710,374	60,361
Insurance premiums	2,097,045	-	-
Provision for claim losses	2,764,594	-	-
Claims administration	274,663	-	-
Materials and supplies	8,358	2,423,001	151,923
Depreciation	-	309,877	1,150,097
Other	-	60,029	-
Total operating expenses	5,771,836	7,503,281	1,362,381
OPERATING INCOME /(LOSS)	1,327,452	1,115,219	606,827
NONOPERATING REVENUES (EXPENSES)			
Investment income	246,721	29,018	40,434
Gain (loss) on disposal of capital assets	(19,000)	-	136,712
Income (loss) before capital contributions and transfers	1,555,173	1,144,237	783,973
Contributed capital assets	-	-	776,602
Transfers in	-	-	-
CHANGE IN NET POSITION	1,555,173	1,144,237	1,560,575
Net position - beginning of year	1,999,961	1,468,426	8,618,589
Net position - ending	\$ 3,555,134	\$ 2,612,663	\$ 10,179,164

Internal Service Funds

Employee Benefits	Fire Capital Equipment Replacement	Totals	
		2018	2017
\$ 8,228,000	\$ 1,670,000	\$ 27,569,999	\$ 23,915,733
-	-	\$ 14,997	14,808
<u>8,228,000</u>	<u>1,670,000</u>	<u>27,584,996</u>	<u>23,930,541</u>
8,502,160	-	13,900,071	11,991,449
-	-	2,097,045	1,668,258
-	-	2,764,594	2,888,453
-	-	274,663	274,529
-	99,967	2,683,249	3,411,939
-	87,693	1,547,667	3,387,001
-	-	60,029	56,606
<u>8,502,160</u>	<u>187,660</u>	<u>23,327,318</u>	<u>23,678,235</u>
(274,160)	1,482,340	4,257,678	252,306
(5,783)	4,659	315,049	48,217
-	-	117,712	42,004
<u>(279,943)</u>	<u>1,486,999</u>	<u>4,690,439</u>	<u>342,527</u>
-	-	776,602	6,991,364
-	-	-	4,329,891
<u>(279,943)</u>	<u>1,486,999</u>	<u>5,467,041</u>	<u>11,663,782</u>
<u>304,215</u>	<u>2,737,593</u>	<u>15,128,784</u>	<u>3,465,002</u>
<u>\$ 24,272</u>	<u>\$ 4,224,592</u>	<u>\$ 20,595,825</u>	<u>\$ 15,128,784</u>

Internal Service Funds

City of Fremont

Combining Statement of Cash Flows

Internal Service Funds

For the fiscal year ended June 30, 2018

(With comparative totals for the fiscal year ended June 30, 2017)

	Risk Management	Information Technology	Vehicle Replacement
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from users	\$ 7,099,288	\$ 8,588,749	\$ 1,969,208
Other revenue	-	14,997	-
Less: Payments to suppliers	(2,514,200)	(2,607,226)	(260,292)
Payments for employee services	(583,978)	(4,462,383)	(60,361)
Payments for claims paid	(3,916,594)	-	-
Payments to others	-	(60,029)	-
Net cash provided/(used) by operating activities	84,516	1,474,108	1,648,555
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Acquisition of capital assets	-	(190,999)	(739,828)
Prepayment for acquisition of capital assets	-	-	-
Proceeds from sale of capital assets	-	-	136,712
Net cash used in capital and related financing activities	-	(190,999)	(603,116)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfer in from other funds	-	-	-
Cash received for borrowing from other funds	-	-	-
Net cash provided by non-capital financing activities	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on cash and investments	246,721	29,018	40,434
Net change in cash and cash equivalents	331,237	1,312,127	1,085,873
CASH AND CASH EQUIVALENTS			
Beginning of year	21,066,145	4,940,172	2,998,530
End of year	<u>\$ 21,397,382</u>	<u>\$ 6,252,299</u>	<u>\$ 4,084,403</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 1,327,452	\$ 1,115,219	\$ 606,827
Adjustments to reconcile operating income (loss) to net cash provided/(used) by operating activities:			
Depreciation	-	309,877	1,150,097
Changes in operating assets and liabilities:			
Other receivables	-	(14,754)	-
Prepaid assets	-	-	-
Accounts payable	(134,134)	(184,225)	(108,369)
Salaries and wages payable	9,843	5,539	-
Claims payable	(1,152,000)	-	-
Deferred outflow resources - pension plan	(30,966)	(208,578)	-
Deferred inflow resources - pension plan	2,338	17,001	-
Net pension liability	61,983	434,029	-
Net cash provided/(used) by operating activities	\$ 84,516	\$ 1,474,108	\$ 1,648,555
Noncash non-capital financing activities			
Transfer in of prepaid assets from governmental funds	\$ -	\$ -	\$ -
Transfer in of other receivables from governmental funds	-	-	-
Transfer in of accounts payable from governmental funds	-	-	-
Noncash capital financing activities			
Transfer in of capital assets from governmental funds	\$ -	\$ -	\$ 776,602

Internal Service Funds

Employee Benefits	Fire Capital Equipment Replacement	Totals	
		2018	2017
\$ 8,332,344	\$ 1,769,967	\$ 27,759,556	\$ 24,138,915
-	-	14,997	14,808
(8,502,160)	(99,967)	(13,983,845)	(12,470,269)
-	-	(5,106,722)	(5,108,140)
-	-	(3,916,594)	(3,965,453)
-	-	(60,029)	(56,606)
<u>(169,816)</u>	<u>1,670,000</u>	<u>4,707,363</u>	<u>2,553,255</u>
-	(2,462,803)	(3,393,630)	(1,922,997)
-	(422,320)	(422,320)	(2,211,088)
-	-	136,712	164,531
<u>-</u>	<u>(2,885,123)</u>	<u>(3,679,238)</u>	<u>(3,969,554)</u>
-	-	-	3,935,331
175,599	1,766,200	1,941,799	444,886
<u>175,599</u>	<u>1,766,200</u>	<u>1,941,799</u>	<u>4,380,217</u>
(5,783)	4,659	315,049	48,218
-	555,736	3,284,973	3,012,136
-	238,288	29,243,135	26,230,999
<u>\$ -</u>	<u>\$ 794,024</u>	<u>\$ 32,528,108</u>	<u>\$ 29,243,135</u>
\$ (274,160)	\$ 1,482,340	4,257,678	\$ 252,306
-	87,693	1,547,667	3,387,001
104,344	-	89,590	(91,523)
-	-	-	314,706
-	99,967	(326,761)	183,177
-	-	15,382	(164,879)
-	-	(1,152,000)	(1,077,000)
-	-	(239,544)	(1,148,784)
-	-	19,339	(381,186)
-	-	496,012	1,279,437
<u>\$ (169,816)</u>	<u>\$ 1,670,000</u>	<u>\$ 4,707,363</u>	<u>\$ 2,553,255</u>
\$ -	\$ -	\$ -	\$ 97,410
-	-	-	668,206
-	-	-	371,056
\$ -	\$ -	\$ 776,602	\$ 6,991,364

Agency Funds

Agency Funds

Agency funds are used to account for assets held by the City on behalf of others as their agent. Specific agency funds are as follows:

Local Improvement Districts - This fund accounts for the accumulation of City of Fremont Community Facilities District No. 1 (CFD 1) facilities and services special tax revenue, payment of principal and interest for the outstanding CFD 1 special tax bonds, and payment for maintenance of the public improvements at Pacific Commons financed with the special tax bonds.

Narcotics Asset Seizure - This fund accounts for assets confiscated by the Southern Alameda County Major Crimes Task Force (SACMCTF), which consists of police officers from the cities of Fremont, Newark, and Union City. These assets may only be used by SACMCTF for future narcotics investigations.

Performance Bonds, Deposits and Confiscated Assets - This fund accounts for bonds and deposits received in conjunction with construction activity within the City, assets confiscated by the police and other deposits, held by the City in a fiduciary capacity.

Southern Alameda County GIS - This fund accounts for monies collected from participating agencies for the administration of the program. The City of Fremont is the administrator of the Geographic Information System which serves the participating agencies. The program operates under a JPA that was approved by the City of Fremont, City of Newark, Union Sanitary District and Alameda County Water District.

Agency Funds

City of Fremont Combining Statement of Assets and Liabilities Agency Funds June 30, 2018

(With comparative totals for June 30, 2017)

	Local Improvement Districts	Narcotics Asset Seizure	Performance Bonds, Deposits and Confiscated Assets	Southern Alameda County GIS	Total	
					2018	2017
<u>All Agency Funds</u>						
Assets:						
Cash and investments held by City	\$ 12,066,639	\$ 829,509	\$ 2,656,227	\$ 66,432	\$ 15,618,807	\$ 19,401,957
Restricted cash and investments held by fiscal agent	5,113,745	-	2,002,571	-	7,116,316	7,062,655
Land held for resale	-	-	678,979	-	678,979	678,979
Accounts receivable	-	-	-	10,808	10,808	79,578
Total assets	\$ 17,180,384	\$ 829,509	\$ 5,337,777	\$ 77,240	\$ 23,424,910	\$ 27,223,169
Liabilities:						
Accounts payable	\$ 13,896	\$ 3,801	205,896	-	223,593	103,533
Due to other governments	-	-	678,979	-	678,979	678,979
Cash overdraft	-	-	-	-	-	2,304
Deposits	17,166,488	825,708	4,452,902	77,240	22,522,338	26,438,353
Total liabilities	\$ 17,180,384	\$ 829,509	\$ 5,337,777	\$ 77,240	\$ 23,424,910	\$ 27,223,169

City of Fremont
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the fiscal year ended June 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Local Improvement Districts				
Assets:				
Cash and investments held by City	\$ 11,300,843	\$ 12,122,647	\$ (11,356,851)	\$ 12,066,639
Restricted cash and investments held by fiscal agent	5,058,055	5,132,111	(5,076,421)	5,113,745
Total assets	\$ 16,358,898	\$ 17,254,758	\$ (16,433,272)	\$ 17,180,384
Liabilities:				
Accounts payable	\$ -	\$ 46,501	\$ (32,605)	\$ 13,896
Deposits	16,358,898	10,485,334	(9,677,744)	17,166,488
Total liabilities	\$ 16,358,898	\$ 10,531,835	\$ (9,710,349)	\$ 17,180,384
Narcotics Asset Seizure				
Assets:				
Cash and investments held by City	\$ 729,565	\$ 474,209	\$ (374,265)	\$ 829,509
Total assets	\$ 729,565	\$ 474,209	\$ (374,265)	\$ 829,509
Liabilities:				
Accounts payable	\$ 28,967	\$ 127,723	\$ (152,889)	\$ 3,801
Deposits	700,598	476,191	(351,081)	825,708
Total liabilities	\$ 729,565	\$ 603,914	\$ (503,970)	\$ 829,509
Performance Bonds, Deposits and Confiscated Assets				
Assets:				
Cash and investments held by City	\$ 7,371,549	\$ 1,606,328	\$ (6,321,650)	\$ 2,656,227
Restricted cash and investments held by fiscal agent	2,004,600	919	(2,948)	2,002,571
Land held for resale	678,979	-	-	678,979
Total assets	\$ 10,055,128	\$ 1,607,247	\$ (6,324,598)	\$ 5,337,777
Liabilities:				
Accounts payable	\$ 74,566	\$ 5,990,428	\$ (5,859,098)	\$ 205,896
Due to other governments	678,979	-	-	678,979
Deposits	9,301,583	1,363,070	(6,211,751)	4,452,902
Total liabilities	\$ 10,055,128	\$ 7,353,498	\$ (12,070,849)	\$ 5,337,777
Southern Alameda County GIS				
Assets:				
Cash and investments held by City	\$ -	\$ 151,581	\$ (85,149)	\$ 66,432
Accounts receivable	79,578	10,808	(79,578)	10,808
Total assets	\$ 79,578	\$ 162,389	\$ (164,727)	\$ 77,240
Liabilities:				
Cash overdraft	\$ 2,304	\$ -	\$ (2,304)	\$ -
Deposits	77,274	173,393	(173,427)	77,240
Total liabilities	\$ 79,578	\$ 173,393	\$ (175,731)	\$ 77,240
Total Agency Funds				
Assets:				
Cash and investments held by City	\$ 19,401,957	\$ 14,354,765	\$ (18,137,915)	\$ 15,618,807
Restricted cash and investments held by fiscal agent	7,062,655	5,133,030	(5,079,369)	7,116,316
Land held for resale	678,979	-	-	678,979
Accounts receivable	79,578	10,808	(79,578)	10,808
Total assets	\$ 27,223,169	\$ 19,498,603	\$ (23,296,862)	\$ 23,424,910
Liabilities:				
Accounts payable	\$ 103,533	\$ 6,164,652	\$ (6,044,592)	\$ 223,593
Due to other governments	678,979	-	-	678,979
Cash overdrafts	2,304	-	(2,304)	-
Deposits	26,438,353	12,497,988	(16,414,003)	22,522,338
Total liabilities	\$ 27,223,169	\$ 18,662,640	\$ (22,460,899)	\$ 23,424,910

Human Services Fund

Human Services Fund

The Human Services Fund is a special revenue fund used to account for revenues from federal, state, and local sources that, by law or administrative action, are designated to sustain the City's social service infrastructure to promote a healthy and safe environment for families, the elderly, and youth. Services and programs include self-sufficiency, counseling, and housing assistance. The individual sub-funds included in the Human Services Fund are as follows:

Community Development Block Grant – This fund accounts for grants from the U.S. Department of Housing and Urban Development for the primary purpose of developing viable urban communities.

SHP Grant – This fund accounts for funds from the Department of Housing and Urban Development to implement the Homeless Outreach for People Empowerment project.

Older Americans Grant – This fund accounts for federal and local grant monies received under the Older Americans Act. Case management services are provided to enable functionally impaired older persons to age in place.

Tri-City Elders & Eden Housing – This fund accounts for the Tri-City Elders Coalition which works to identify and effectively meet the needs of seniors to enable them to remain independent in their own homes and communities, as well as the Eden Housing fund, which supports a program coordinator providing services at three senior housing complexes in Fremont.

Senior Center – This fund accounts for revenues and expenditures for programs conducted by the Senior Citizens Center.

Multipurpose Senior Services Program – This fund accounts for Federal monies received via the State Department of Aging to provide services aimed at allowing frail elders to remain in their homes.

Area Agency on Aging – This fund accounts for Federal and local monies received via the Alameda County Area Agency on Aging (AAA) to provide services aimed at allowing frail elders to remain in their homes.

Alameda Behavioral Health Care – This fund accounts for the monies received from the Alameda County Behavioral Health Care Services Department to support a multi-disciplinary team approach to family support at the Family Resource Center, as well as a Senior Mobile Mental Health team.

Family Resource Center – This fund accounts for monies received from leases and service contracts at the Family Resource Center. This revenue is used for maintenance, operating and program costs of the center, as well as the portion of the 2017A Lease Revenue Bonds principal and interest expenditures related to the Family Resource Center.

Family Resource Center Corporation – This fund accounts for the operations of a 501(c)(3) non-profit supporting organization for the Fremont Family Resource Center, organized to accept grants and donations from organizations and foundations.

Human Services Fund

Youth Service Center – This fund accounts for Youth Service Center grants received from the State Council for Criminal Justice via the Alameda County Probation Department.

Every Child Counts Grant – This fund accounts for monies allocated through Alameda County from State Proposition 10 (tobacco taxes) to support early childhood programs in Youth and Family Services.

Measure B & BB Para-Transit – Under Measure B and Measure BB, the City receives the proceeds of an additional half-cent sales tax for use on transportation-related expenditures. This fund accounts for the portion of these monies used to partially fund the City’s paratransit program.

Medi-Cal Administrative Activities – This fund accounts for Federal Medi-Cal reimbursement earned by the Human Services Department for participation in the Medi-Cal Administrative activities program, via the Alameda County Health Care Services Agency.

Targeted Case Management – This fund accounts for Federal Medi-Cal reimbursement earned by the Human Services Department for participation the Targeted Case Management program via the Alameda County Health Care Services Agency.

Community Donations – This fund accounts for donations that support Human Services Department programs, awarded to the department by private contributors.

Human Services Operating – This fund accounts for the Transfer In of General Fund support for the administrative staff and operating expenditures necessary to administer the above funds; as well as service fees from Fremont Unified School District.

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Human Services Fund

City of Fremont Supplemental Information Summary of Human Services Fund Balance Sheet June 30, 2018

(With comparative totals for June 30, 2017)

	Community Development Block Grant	SHP Grant	Older Americans Grant
ASSETS			
Cash and investments held by City	\$ -	\$ -	\$ -
Receivables:			
Due from other governmental agencies	596,195	-	10,610
Housing loans receivable, net	1,029,681	-	-
Accounts receivable	-	-	-
Total assets	<u>\$ 1,625,876</u>	<u>\$ -</u>	<u>\$ 10,610</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 201,996	\$ -	\$ -
Salaries and wages payable	5,766	-	-
Due to other funds	388,433	-	10,610
Total liabilities	<u>596,195</u>	<u>-</u>	<u>10,610</u>
Deferred inflows of resources-unavailable revenue	<u>1,029,681</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted for social service programs	-	-	-
Committed for social service programs	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,625,876</u>	<u>\$ -</u>	<u>\$ 10,610</u>

Human Services Fund

Tri-City Elders & Eden Housing	Senior Center	Multipurpose Senior Services Program	Area Agency on Aging	Alameda Behavioral Health Care	Family Resource Center	Family Resource Center Corporation
\$ 632	\$ 487,348	\$ -	\$ -	\$ -	\$ 1,274,378	\$ 253,429
59,001	-	66,612	32,576	263,586	187,424	41,797
-	-	-	-	-	-	-
-	-	-	-	-	-	8,590
<u>\$ 59,633</u>	<u>\$ 487,348</u>	<u>\$ 66,612</u>	<u>\$ 32,576</u>	<u>\$ 263,586</u>	<u>\$ 1,461,802</u>	<u>\$ 303,816</u>
\$ 27	\$ 15,692	\$ 1,202	\$ -	\$ 13,810	\$ 19,278	\$ 14,384
-	11,502	-	-	-	33,207	-
-	-	65,410	32,576	249,776	-	-
27	27,194	66,612	32,576	263,586	52,485	14,384
-	-	-	-	103,142	7,678	-
59,606	-	-	-	(103,142)	1,401,639	289,432
-	460,154	-	-	-	-	-
59,606	460,154	-	-	(103,142)	1,401,639	289,432
<u>\$ 59,633</u>	<u>\$ 487,348</u>	<u>\$ 66,612</u>	<u>\$ 32,576</u>	<u>\$ 263,586</u>	<u>\$ 1,461,802</u>	<u>\$ 303,816</u>

(Continued)

Human Services Fund

City of Fremont Supplemental Information Summary of Human Services Fund Balance Sheet *(continued)* June 30, 2018

(With comparative totals for June 30, 2017)

	Youth Service Center	Every Child Counts Grant	Measure B & BB Para-Transit
ASSETS			
Cash and investments held by City	\$ -	\$ 635,618	\$ 1,497,021
Receivables:			
Due from other governmental agencies	145,721	356,806	457,334
Housing loans receivable, net	-	-	-
Accounts receivable	-	-	-
Total assets	\$ 145,721	\$ 992,424	\$ 1,954,355
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 438	\$ 255	\$ 153,682
Salaries and wages payable	-	-	305
Due to other funds	145,283	-	-
Total liabilities	145,721	255	153,987
Deferred inflows of resources-unavailable revenue	-	30,520	-
Fund Balances:			
Restricted for social service programs	-	961,649	1,800,368
Committed for social service programs	-	-	-
Total fund balances	-	961,649	1,800,368
Total liabilities, deferred inflows of resources, and fund balances	\$ 145,721	\$ 992,424	\$ 1,954,355

Human Services Fund

Medi-Cal Administrative Activities	Targeted Case Management	Community Donations	Human Services Operating	Total Summary of Human Services Fund	
				2018	2017
\$ 386,997	\$ 975,485	\$ 237,472	\$ 879,415	\$ 6,627,795	\$ 5,810,198
-	207,046	-	14,013	2,438,721	2,074,701
-	-	-	-	1,029,681	1,272,056
-	-	-	85,606	94,196	173,191
<u>\$ 386,997</u>	<u>\$ 1,182,531</u>	<u>\$ 237,472</u>	<u>\$ 979,034</u>	<u>\$ 10,190,393</u>	<u>\$ 9,330,146</u>
\$ -	\$ 2,875	\$ 946	\$ 146,878	\$ 571,463	\$ 391,110
-	-	320	75,242	126,342	107,167
-	-	-	-	892,088	354,102
-	2,875	1,266	222,120	1,589,893	852,379
-	-	-	12,763	1,183,784	1,272,056
386,997	1,179,656	236,206	-	6,212,411	5,876,700
-	-	-	744,151	1,204,305	1,329,011
<u>386,997</u>	<u>1,179,656</u>	<u>236,206</u>	<u>744,151</u>	<u>7,416,716</u>	<u>7,205,711</u>
<u>\$ 386,997</u>	<u>\$ 1,182,531</u>	<u>\$ 237,472</u>	<u>\$ 979,034</u>	<u>\$ 10,190,393</u>	<u>\$ 9,330,146</u>

(Concluded)

Human Services Fund

City of Fremont

Supplemental Information

Summary of Human Services Fund Revenues, Expenditures, and Changes in Fund Balance For the fiscal year ended June 30, 2018

(With comparative totals for the fiscal year ended June 30, 2017)

	Community Development Block Grant	SHP Grant	Older Americans Grant
REVENUES:			
Intergovernmental	\$ 632,667	\$ -	\$ 68,137
Charges for services	-	-	-
Investment earnings	-	-	-
Other	2,776,258	-	-
Total revenues	3,408,925	-	68,137
EXPENDITURES:			
Current:			
Human services	471,594	-	68,137
Community development and environmental services	2,929,491	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	3,401,085	-	68,137
REVENUES OVER (UNDER) EXPENDITURES	7,840	-	-
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	(7,840)	-	-
Total other financing sources (uses)	(7,840)	-	-
Net change in fund balances	-	-	-
FUND BALANCES:			
Beginning of year	-	-	-
End of year	\$ -	\$ -	\$ -

Human Services Fund

Tri-City Elders & Eden Housing	Senior Center	Multipurpose Senior Services Program	Area Agency on Aging	Alameda Behavioral Health Care	Family Resource Center	Family Resource Center Corporation
\$ -	\$ -	\$ 209,965	\$ 171,441	\$ 843,229	\$ 176,529	\$ -
24,215	138,985	-	-	30,371	1,240,981	-
273	6,366	-	-	-	29,658	1,990
176,188	147,477	-	-	-	42,150	377,444
<u>200,676</u>	<u>292,828</u>	<u>209,965</u>	<u>171,441</u>	<u>873,600</u>	<u>1,489,318</u>	<u>379,434</u>
185,701	722,217	209,965	171,441	901,970	1,059,797	347,341
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	395,000	-
-	-	-	-	-	56,809	-
<u>185,701</u>	<u>722,217</u>	<u>209,965</u>	<u>171,441</u>	<u>901,970</u>	<u>1,511,606</u>	<u>347,341</u>
14,975	(429,389)	-	-	(28,370)	(22,288)	32,093
-	490,716	-	-	-	-	-
(9,254)	-	-	-	(74,772)	(327,651)	(18,724)
<u>(9,254)</u>	<u>490,716</u>	<u>-</u>	<u>-</u>	<u>(74,772)</u>	<u>(327,651)</u>	<u>(18,724)</u>
5,721	61,327	-	-	(103,142)	(349,939)	13,369
53,885	398,827	-	-	-	1,751,578	276,063
<u>\$ 59,606</u>	<u>\$ 460,154</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (103,142)</u>	<u>\$ 1,401,639</u>	<u>\$ 289,432</u>

(Continued)

Human Services Fund

City of Fremont

Supplemental Information *(continued)*

Summary of Human Services Fund Revenues, Expenditures, and Changes in Fund Balance For the fiscal year ended June 30, 2018

(With comparative totals for the fiscal year ended June 30, 2017)

	Youth Service Center	Every Child Counts Grant	Measure B & BB Para-Transit
REVENUES:			
Intergovernmental	\$ 410,265	\$ 1,056,450	\$ 1,933,867
Charges for services	-	-	94,156
Investment earnings	-	-	2,965
Other	-	-	-
Total revenues	410,265	1,056,450	2,030,988
EXPENDITURES:			
Current:			
Human services	410,265	806,688	1,498,363
Community development and environmental services	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	410,265	806,688	1,498,363
REVENUES OVER (UNDER) EXPENDITURES	-	249,762	532,625
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	-	(81,558)	(128,186)
Total other financing sources (uses)	-	(81,558)	(128,186)
Net change in fund balances	-	168,204	404,439
FUND BALANCES:			
Beginning of year	-	793,445	1,395,929
End of year	\$ -	\$ 961,649	\$ 1,800,368

Human Services Fund

Medi-Cal Administrative Activities	Targeted Case Management	Community Donations	Human Services Operating	Fund Revenues, Expenditures, and Changes in Fund Balances	
				2018	2017
\$ 536,986	\$ 453,505	\$ 57,271	\$ -	\$ 6,550,312	\$ 7,008,924
-	-	190	253,082	1,781,980	1,958,515
519	-	1,337	13,632	56,740	41,489
-	-	72,828	140	3,592,485	1,390,776
<u>537,505</u>	<u>453,505</u>	<u>131,626</u>	<u>266,854</u>	<u>11,981,517</u>	<u>10,399,704</u>
434,675	267,995	145,009	1,168,632	8,869,790	11,597,889
-	-	-	-	2,929,491	1,303,242
-	-	-	-	-	9,929
-	-	-	-	395,000	-
-	-	-	-	56,809	49,533
<u>434,675</u>	<u>267,995</u>	<u>145,009</u>	<u>1,168,632</u>	<u>12,251,090</u>	<u>12,960,593</u>
<u>102,830</u>	<u>185,510</u>	<u>(13,383)</u>	<u>(901,778)</u>	<u>(269,573)</u>	<u>(2,560,889)</u>
-	-	-	715,745	1,206,461	5,041,339
<u>(36,525)</u>	<u>(37,503)</u>	<u>(3,870)</u>	<u>-</u>	<u>(725,883)</u>	<u>(2,652,179)</u>
<u>(36,525)</u>	<u>(37,503)</u>	<u>(3,870)</u>	<u>715,745</u>	<u>480,578</u>	<u>2,389,160</u>
66,305	148,007	(17,253)	(186,033)	211,005	(171,729)
<u>320,692</u>	<u>1,031,649</u>	<u>253,459</u>	<u>930,184</u>	<u>7,205,711</u>	<u>7,377,440</u>
<u>\$ 386,997</u>	<u>\$ 1,179,656</u>	<u>\$ 236,206</u>	<u>\$ 744,151</u>	<u>\$ 7,416,716</u>	<u>\$ 7,205,711</u>

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Statistical Section

This part of the City of Fremont's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	172
These schedules contain trend information to help the reader understand how the City's financial performance and fiscal well-being have changed over time.	
Revenue Capacity	181
These schedules contain information to help the reader assess the factors affecting the City's ability to generate property tax.	
Debt Capacity	184
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	188
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	
Operating Information	191
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	

Sources: unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Statistical Section

City of Fremont Net Position by Component Last Ten Fiscal Years *accrual basis of accounting* (Unaudited)

	2008/09	2009/10 ⁽¹⁾	2010/11 ⁽¹⁾	2011/12
Governmental activities				
Net investment in capital assets	\$ 617,287,566	\$ 682,627,226	\$ 685,667,798	\$ 691,660,486
Restricted	258,314,734	194,716,786	204,033,227	117,039,150
Unrestricted	39,138,468	42,803,743	38,008,379	59,650,042
Total primary government net position	\$ 914,740,768	\$ 920,147,755	\$ 927,709,404	\$ 868,349,678

Notes:

- (1) All components of net position restated for prior period adjustment in FY 2010/11 to reflect allowance for uncollectible affordable housing loan interest accruals.
- (2) Unrestricted net position restated for implementation of GASB Statment No. 65 in FY 2013/14 to eliminate items previously reported as assets.
- (3) The City implemented GASB Statement No. 68 in FY 2014/15; unrestricted net position for FY 2014/15 and subsequent years includes the impact of the net pension liability.
- (4) The City implemented GASB Statement No. 75 in FY 2017/18; unrestricted net position for FY 2017/18 and subsequent years includes the impact of the net OPEB liability.

Schedule 1

2012/13 ⁽²⁾	2013/14	2014/15 ⁽³⁾	2015/16	2016/17	2017/18 ⁽⁴⁾
\$ 705,897,097	\$ 711,439,311	\$ 727,727,677	\$ 734,700,673	\$ 750,501,959	\$ 753,492,779
127,702,933	128,637,828	137,108,141	149,630,295	185,639,661	217,455,055
52,010,409	56,054,426	(230,307,996)	(190,955,946)	(190,949,871)	(236,792,459)
\$ 885,610,439	\$ 896,131,565	\$ 634,527,822	\$ 693,375,022	\$ 745,191,749	\$ 734,155,375

Statistical Section

City of Fremont
Changes in Net Position
Last Ten Fiscal Years
accrual basis of accounting
(Unaudited)

Expenses				
Governmental activities:	2008/09	2009/10⁽¹⁾	2010/11	2011/12
General government	\$ 13,767,479	\$ 11,430,814	\$ 11,971,463	\$ 10,747,362
Police services	55,686,039	55,616,399	54,925,765	54,904,248
Fire services	34,614,856	33,959,301	34,482,857	35,276,141
Human services	8,543,626	8,939,110	8,908,446	9,187,754
Capital assets maintenance and operations	38,893,562	46,719,842	42,075,801	56,293,833
Recreation and leisure services	6,929,936	6,868,067	6,731,068	7,240,833
Community development and environmental services	42,224,384	52,910,594	45,447,180	18,982,320
Intergovernmental	12,740,670	-	-	-
Interest on debt	9,616,078	4,284,166	6,373,866	6,101,394
Total primary government expenses	223,016,630	220,728,293	210,916,446	198,733,885
Program Revenues				
Governmental activities				
Charges for services:				
General government	1,686,609	916,917	1,000,218	835,913
Police services	5,202,320	4,386,919	4,200,213	4,063,168
Fire services	2,810,650	2,909,491	2,819,447	2,825,041
Human services	2,069,671	1,864,397	1,563,341	1,518,996
Capital assets maintenance and operations	1,759,999	2,051,575	2,901,266	4,632,786
Recreation and leisure services	4,604,871	5,480,873	5,540,566	5,981,911
Community development and environmental services	14,598,875	15,953,963	12,755,944	14,213,061
Operating grants and contributions	22,954,564	22,854,182	20,877,645	28,521,019
Capital grants and contributions	14,611,426	15,359,351	7,492,536	11,564,087
Total primary government program revenues	70,298,985	71,777,668	59,151,176	74,155,982
Net (Expense)/Revenue				
Total primary government net expense	(152,717,645)	(148,950,625)	(151,765,270)	(124,577,903)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property tax	103,503,472	102,848,091	100,080,165	81,383,794
Sales tax	31,631,408	26,769,511	30,089,204	33,065,829
Business taxes	7,009,869	7,106,402	6,820,327	7,495,975
Transient occupancy tax	2,864,442	2,866,987	3,475,913	4,132,665
Property transfer tax	840,065	975,982	1,031,249	861,352
Franchise fees	8,328,847	7,928,716	8,215,061	8,255,221
Investment earnings(loss)	8,981,569	6,358,774	4,296,980	2,289,171
Gain on sale of capital assets	-	-	-	-
Miscellaneous	4,257,342	9,027,871	5,318,020	5,239,731
Total primary government general revenues and other changes in net position	167,417,014	163,882,334	159,326,919	142,723,738
Pollution remediation obligation	(2,900,000)	475,000	-	-
Extraordinary loss	-	-	-	(77,505,561)
Total primary government change in net position	\$ 11,799,369	\$ 15,406,709	\$ 7,561,649	\$ (59,359,726)

Notes:

- (1) Investment earnings restated for prior period adjustment in FY 2010/11 to reflect allowance for uncollectible affordable housing loan interest accruals.
- (2) Interest on debt expense restated for implementation of GASB Statment No. 65 in FY 2013/14 to eliminate items previously reported as assets.

Schedule 2

	2012/13 ⁽²⁾	2013/14	2014/15	2015/16	2016/17	2017/18
\$	12,306,781	\$ 12,963,908	\$ 13,900,314	\$ 13,604,679	\$ 15,491,087	\$ 16,671,874
	56,697,425	60,187,955	62,265,880	64,837,566	73,201,163	82,324,804
	35,696,189	37,797,969	38,969,266	42,310,730	46,108,174	51,360,238
	9,461,291	9,973,326	10,418,215	10,619,068	11,477,446	13,125,104
	48,651,872	55,110,254	57,971,103	67,776,490	66,390,001	68,126,300
	7,797,737	8,428,819	8,397,409	8,186,587	9,059,389	10,040,149
	16,868,885	21,263,989	20,092,103	23,600,633	25,368,797	39,593,450
	-	-	1,990,040	-	-	-
	5,107,813	4,839,848	3,896,781	3,828,360	4,682,803	4,823,731
	192,587,993	210,566,068	217,901,111	234,764,113	251,778,860	286,065,650
	822,395	837,196	1,152,052	1,666,658	2,098,539	3,145,550
	4,291,487	4,505,971	4,528,822	4,175,223	4,021,692	3,653,991
	2,801,995	2,793,384	2,845,539	2,804,753	2,816,131	2,888,359
	2,384,329	2,890,542	1,899,386	2,093,782	2,326,619	2,506,936
	2,931,189	2,290,082	2,325,489	2,152,983	1,801,264	1,682,698
	6,253,791	6,929,386	7,633,759	8,260,807	8,015,373	7,924,710
	15,623,890	18,096,122	24,225,397	32,185,970	56,119,438	48,653,460
	20,783,010	16,288,849	14,033,697	14,169,917	13,361,747	16,919,938
	15,478,715	21,109,773	19,065,618	27,856,531	31,754,006	31,176,013
	71,370,801	75,741,305	77,709,759	95,366,624	122,314,809	118,551,655
	(121,217,192)	(134,824,763)	(140,191,352)	(139,397,489)	(129,464,051)	(167,513,995)
	77,314,901	72,130,472	79,611,885	82,484,888	89,916,085	96,598,896
	34,404,123	38,862,070	40,743,875	48,580,024	49,535,813	58,902,744
	7,368,022	7,828,030	9,420,130	10,125,832	12,620,629	12,116,637
	4,871,866	6,155,212	7,181,438	8,086,529	8,390,862	8,620,269
	1,202,361	1,494,656	1,758,406	1,800,905	1,916,237	1,893,591
	8,470,739	8,924,582	9,298,688	9,605,547	10,320,411	10,467,485
	(453,486)	1,957,784	1,764,197	4,659,270	801,454	1,612,637
	-	-	15,985,118	22,934,023	172,005	-
	7,813,719	7,993,083	9,562,197	9,967,671	7,607,282	9,625,362
	140,992,245	145,345,889	175,325,934	198,244,689	181,280,778	199,837,621
	-	-	-	-	-	-
	-	-	-	-	-	-
\$	19,775,053	\$ 10,521,126	\$ 35,134,582	\$ 58,847,200	\$ 51,816,727	\$ 32,323,626

Statistical Section

City of Fremont
Fund Balances of Governmental Funds
Last Ten Fiscal Years
modified accrual basis of accounting
(Unaudited)

	2008/09	2009/10 ^(1,2)	2010/11 ⁽²⁾	2011/12
General Fund				
Nonspendable:				
Long term loans receivable	\$ -	\$ -	\$ -	\$ -
Prepaid assets	-	10,335	10,827	-
Assigned for:				
Encumbrances	-	648,851	962,406	1,354,230
Unassigned	-	28,241,476	27,088,371	29,647,776
Reserved	386,227	-	-	-
Unreserved	30,713,126	-	-	-
Total general fund	\$ 31,099,353	\$ 28,900,662	\$ 28,061,604	\$ 31,002,006
All Other Governmental Funds				
Nonspendable:				
Prepaid assets	\$ -	\$ 3,764,808	\$ 1,259,814	\$ -
Restricted For:				
Social service programs	-	6,430,993	5,678,205	6,299,201
Debt service	-	7,100,039	7,167,486	4,273,390
Public safety	-	7,043,810	13,983,749	8,475,758
Street improvements	-	25,516,365	23,021,363	29,640,961
Community development	-	141,502,159	148,381,813	69,628,179
Other purposes	-	774,382	488,071	566,102
Committed for:				
Social service programs	-	184,559	2,820,714	3,976,129
Community development	-	-	-	-
Recreation programs	-	3,986,842	4,265,262	4,983,869
Assigned for:				
Vehicle replacement	-	4,578,109	4,240,492	3,842,513
Other capital projects	-	18,244,729	13,447,852	30,058,124
Unassigned	-	-	-	-
Reserved	48,982,849	-	-	-
Unreserved, designated for:				
Special revenue funds	47,612,657	-	-	-
Capital projects fund	175,423,906	-	-	-
Unreserved, undesignated for:				
Special revenue funds	(490,498)	-	-	-
Total all other governmental funds	\$ 268,382,353	\$ 219,126,795	\$ 224,754,821	\$ 161,744,226

Notes:

- (1) Fund balance categories restated for implementation of GASB Statment No. 54 in FY 2010/11.
- (2) Fund balance reclassified and restated to conform to the presentation in FY 2011/12 and subsequent years.
- (3) In FY 2016/17 the City began reporting its vehicle replacement activities in the Vehicle Replacement internal service fund.

Schedule 3

2012/13	2013/14	2014/15	2015/16	2016/17 ⁽³⁾	2017/18
\$ -	\$ 314,556	\$ -	\$ -	\$ -	\$ -
-	-	2,173,335	2,193,530	-	189,552
1,455,165	1,010,793	1,833,795	644,427	976,914	854,411
29,855,144	31,144,540	37,240,565	36,288,656	38,674,653	48,847,366
-	-	-	-	-	-
-	-	-	-	-	-
\$ 31,310,309	\$ 32,469,889	\$ 41,247,695	\$ 39,126,613	\$ 39,651,567	\$ 49,891,329
\$ -	\$ -	\$ -	\$ 242,699	\$ -	\$ -
11,707,520	9,820,703	9,038,913	10,942,559	11,800,584	6,216,096
4,251,981	3,055,835	4,460,258	4,390,396	4,436,594	2,800,746
4,958,094	3,275,314	2,892,597	3,384,148	1,306,807	1,654,058
27,807,373	28,169,721	16,882,384	28,949,426	18,067,746	12,740,898
72,719,309	79,059,198	102,427,173	111,384,135	155,281,602	192,137,812
544,412	498,172	267,364	23,961	23,961	12,230
1,897,039	7,002,800	6,637,434	7,605,287	1,329,011	1,204,305
-	-	-	-	7,142,887	4,424,321
5,563,377	6,291,555	7,269,011	7,436,031	7,848,770	8,295,300
3,702,187	3,407,645	2,708,119	2,355,508	-	-
35,550,435	36,690,483	41,638,392	67,965,564	61,382,193	62,272,050
(134,557)	(42,547)	(140,281)	(1,409,021)	(1,087,501)	(837,392)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ 168,567,170	\$ 177,228,879	\$ 194,081,364	\$ 243,270,693	\$ 267,532,654	\$ 290,920,424

Statistical Section

City of Fremont
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
modified accrual basis of accounting
(Unaudited)

Revenues	2008/09	2009/10	2010/11	2011/12
Taxes:				
Property tax	\$ 103,503,472	\$ 102,848,091	\$ 100,080,165	\$ 81,383,794
Sales tax	31,631,408	26,769,511	30,089,204	33,065,829
Business taxes	7,009,869	7,106,402	6,820,327	7,495,975
Transient occupancy tax	2,864,442	2,866,987	3,475,913	4,132,665
Property transfer tax	840,065	975,982	1,031,249	861,352
Total taxes	145,849,256	140,566,973	141,496,858	126,939,615
Development impact fees	4,104,115	6,976,919	6,790,105	6,193,879
Franchise fees	8,328,847	7,928,716	8,215,061	8,255,221
Charges for services	30,910,844	31,553,854	30,763,760	33,500,728
Investment earnings	8,760,151	7,325,832	4,062,605	2,056,182
Intergovernmental	33,371,140	31,344,757	22,333,769	33,418,008
Other revenues	3,460,782	8,326,595	4,259,458	4,790,435
Total revenues	234,785,135	234,023,646	217,921,616	215,154,068
Expenditures				
General government	11,711,458	11,126,970	11,626,724	10,326,841
Police services	54,573,391	53,798,999	53,438,082	53,386,351
Fire services	32,710,995	31,471,578	32,088,475	32,968,266
Human services	8,582,926	8,929,839	8,937,090	9,132,699
Capital assets maintenance and operations	39,069,515	40,386,402	37,741,086	52,839,416
Recreation and leisure services	6,876,778	6,720,593	6,509,957	6,904,449
Community development and environmental services	42,360,414	28,393,990	30,765,728	19,250,687
Intergovernmental	12,753,545	26,182,316	16,404,213	-
Capital outlay	39,318,636	41,936,766	24,358,920	11,413,444
Debt service:				
Principal	20,390,000	8,130,000	4,680,000	4,890,000
Interest and fiscal charges	10,235,890	7,021,913	6,730,327	6,672,770
Payment to refunding escrow	-	-	-	2,844,665
Total expenditures	278,583,548	264,099,366	233,280,602	210,629,588
Excess of revenues over (under) expenditures	(43,798,413)	(30,075,720)	(15,358,986)	4,524,480
Other Financing Sources (Uses)				
Debt issuance	92,360,000	-	15,000,000	53,280,000
Premium on debt issue	353,665	-	-	1,272,726
Payment to escrow agent	(57,815,000)	(22,085,000)	-	(53,245,335)
Proceeds from HELP Loan	1,500,000	-	-	-
Proceeds from sale of capital assets	-	-	4,372,117	60,449
Transfers in	71,731,048	51,893,739	48,045,240	37,006,086
Transfers out	(71,155,437)	(51,187,268)	(47,269,403)	(37,006,086)
Total other financing sources (uses)	36,974,276	(21,378,529)	20,147,954	1,367,840
Extraordinary gain (loss)	-	-	-	(64,462,513)
Net change in fund balances	\$ (6,824,137)	\$ (51,454,249)	\$ 4,788,968	\$ (58,570,193)
Debt service as a percentage of noncapital expenditures	12.8%	6.8%	5.5%	7.2%

Schedule 4

2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
\$ 77,314,901	\$ 72,130,472	\$ 79,611,885	\$ 82,484,888	\$ 89,916,085	\$ 96,598,896
34,404,123	38,862,070	40,743,875	48,580,024	49,535,813	58,902,744
7,368,022	7,828,030	9,420,130	10,125,832	12,620,629	12,116,637
4,871,866	6,155,212	7,181,438	8,086,529	8,390,862	8,620,269
1,202,361	1,494,656	1,758,406	1,800,905	1,916,237	1,893,591
125,161,273	126,470,440	138,715,734	151,078,178	162,379,626	178,132,137
7,371,151	8,262,911	6,966,643	11,792,744	18,628,880	17,727,292
8,470,739	8,924,582	9,298,688	9,605,547	10,320,411	10,467,485
34,880,896	37,815,036	47,547,582	55,183,568	77,974,788	70,015,046
(411,290)	1,795,130	1,625,206	4,261,090	753,237	1,297,588
28,525,586	27,054,592	26,077,980	29,557,304	26,579,029	30,284,632
7,670,743	7,940,974	9,419,190	9,863,178	7,483,894	9,488,421
211,669,098	218,263,665	239,651,023	271,341,609	304,119,865	317,412,601
11,705,622	12,325,158	13,687,288	14,534,805	15,620,852	15,776,538
52,983,058	56,526,938	60,977,009	67,907,604	71,333,981	77,086,121
32,028,985	34,122,657	37,123,963	43,597,692	44,524,281	46,977,760
9,289,812	9,835,921	10,523,242	11,388,813	11,767,260	12,626,523
44,241,372	49,542,065	54,164,969	60,687,792	64,558,439	66,515,819
6,984,149	7,546,990	7,847,547	8,318,171	8,902,312	8,951,998
19,145,502	18,912,045	19,033,162	24,997,659	26,412,682	38,895,310
-	-	1,990,040	-	-	-
19,490,281	9,929,862	17,756,829	15,742,759	19,689,002	3,945,574
5,430,000	5,435,000	6,105,000	6,290,000	6,515,000	44,857,126
4,957,514	5,054,471	4,055,742	3,941,681	4,659,251	4,983,256
-	-	-	-	1,150,000	-
206,256,295	209,231,107	233,264,791	257,406,976	275,133,060	320,616,025
5,412,803	9,032,558	6,386,232	13,934,633	28,986,805	(3,203,424)
-	22,005,000	-	9,100,000	85,205,000	32,940,000
-	726,480	-	-	-	3,410,546
-	(22,145,000)	-	-	(85,205,000)	-
-	-	-	-	-	-
218,444	1,202,251	19,244,059	24,033,614	130,001	480,410
36,398,411	35,667,820	37,855,620	37,094,464	37,422,956	24,987,780
(34,898,411)	(36,667,820)	(37,855,620)	(37,094,464)	(41,752,847)	(24,987,780)
1,718,444	788,731	19,244,059	33,133,614	(4,199,890)	36,830,956
-	-	-	-	-	-
\$ 7,131,247	\$ 9,821,289	\$ 25,630,291	\$ 47,068,247	\$ 24,786,915	\$ 33,627,532
5.6%	5.3%	4.7%	4.2%	4.8%	15.8%

Statistical Section

City of Fremont

Assessed Value and Actual Value of Taxable Property

Schedule 5

Last Ten Fiscal Years

in thousands of dollars

(Unaudited)

Fiscal Year	Secured	Unsecured	Less Exemptions	Public Utilities	Taxable Assessed Value⁽¹⁾	Direct Rate⁽²⁾
2009	\$32,521,734	\$2,185,774	\$ (753,714)	\$ 3,090	\$ 33,956,884	-
2010	32,197,081	2,445,549	(809,531)	3,090	33,836,189	-
2011	32,096,417	2,550,780	(841,788)	3,093	33,808,502	-
2012	31,689,717	2,435,867	(835,287)	3,093	33,293,390	0.1573%
2013	32,152,556	2,461,490	(833,858)	67,380	33,847,568	0.1569%
2014	33,986,979	2,299,499	(826,210)	59,209	35,519,477	0.1527%
2015	36,409,171	2,284,533	(888,111)	52,259	37,857,852	0.1598%
2016	39,250,284	2,348,141	(849,704)	52,259	40,800,980	0.1505%
2017	43,064,886	2,215,574	(850,961)	3,444	44,432,943	0.1504%
2018	45,835,860	2,391,771	(894,592)	8,303	47,341,342	0.1500%

Notes:

- (1) In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% of the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" limited to a maximum increase of 2%. With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the property is reassessed at its purchase price. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.
- (2) The direct rate shown is the City's share of the 1% countywide rate in City of Fremont Tax Rate Area 12-001 and the City's general obligation bond rate. Comparable data is not available for fiscal years prior to 2011/12.

Sources: Alameda County Assessor; Alameda County Auditor-Controller.

City of Fremont
Direct and Overlapping Government Tax Rates
Last Ten Fiscal Years
(Unaudited)

Schedule 6

Fiscal Year Ended June 30,	City Direct Rate		Total Direct Rate	Overlapping Rates			Total Direct and Overlapping Rate
	City ⁽¹⁾	General Obligation Debt Service		County	School District	Special Districts	
2008	-	0.0042%	0.0042%	1.0000%	0.0610%	0.0402%	1.1054%
2009	-	0.0079%	0.0079%	1.0000%	0.0594%	0.0453%	1.1126%
2010	-	0.0107%	0.0107%	1.0000%	0.0622%	0.0293%	1.1022%
2011	-	0.0095%	0.0095%	1.0000%	0.0540%	0.0374%	1.1009%
2012	0.1475%	0.0098%	0.1573%	0.8525%	0.0844%	0.0375%	1.1317%
2013	0.1475%	0.0094%	0.1569%	0.8525%	0.0803%	0.0344%	1.1241%
2014	0.1475%	0.0052%	0.1527%	0.8525%	0.0706%	0.0510%	1.1268%
2015	0.1475%	0.0123%	0.1598%	0.8525%	0.1270%	0.0394%	1.1787%
2016	0.1434%	0.0071%	0.1505%	0.8566%	0.1188%	0.0481%	1.1740%
2017	0.1434%	0.0070%	0.1504%	0.8566%	0.1178%	0.0448%	1.1696%
2018	0.1434%	0.0066%	0.1500%	0.8566%	0.1145%	0.0430%	1.1641%

Notes:

⁽¹⁾ In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% of the assessed value of the property being taxed. This 1% of assessed value is shared by all taxing agencies within which whose jurisdiction the subject property resides. The City direct rate shown is the City's share of the 1% countywide rate in City of Fremont Tax Rate Area 12-001. Comparable data is not available for fiscal years prior to 2011/12.

Source: Alameda County Auditor-Controller; California Municipal Statistics, Inc.

Statistical Section

City of Fremont
Principal Property Tax Payers
Current Year and Nine Years Ago
in thousands of dollars
(Unaudited)

Schedule 7

Tax Payer	2018			2009		
	Total Assessed Value	Rank	% of Total City Taxable Assessed Value	Total Assessed Value	Rank	% of Total City Taxable Assessed Value
Tesla Motors Inc	\$ 1,571,873	1	3.32%	\$ -	-	-
LAM Research Corporation	386,426	2	0.82%	-	-	-
Western Digital (Fremont) LLC	367,799	3	0.78%	-	-	-
Hart Pacific Commons LLC	343,704	4	0.73%	-	-	-
Seagate Technology LLC	299,433	5	0.63%	-	-	-
BRE Properties, Inc.	245,645	6	0.52%	-	-	-
John T. Arrillaga & Richard T. Peery	211,110	7	0.45%	231,801	4	0.68%
Essex Briarwood L P	204,187	8	0.43%	-	-	-
BTMU Capital Leasing and Finance, Inc.	182,968	9	0.39%	-	-	-
SCI LP I	181,716	10	0.38%	209,883	5	0.62%
New United Motors Manufacturing, Inc.	-	-	-	1,087,910	1	3.20%
Catellus Development Corporation	-	-	-	537,867	2	1.58%
Jer Bayside LLD	-	-	-	76,221	6	0.22%
Jer BTP II LLC	-	-	-	73,936	7	0.22%
Legacy Partners I Fremont LLC	-	-	-	62,424	9	0.18%
AMB Property Limited Partnership	-	-	-	62,271	10	0.18%
Sobrato Interests II LP	-	-	-	240,456	3	0.71%
BNP Paribas Leasing Corporation	-	-	-	72,828	8	0.21%
Total	\$ 3,994,861		8.45%	\$ 2,655,597		7.80%

Source: Alameda County Assessor.

City of Fremont
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

Schedule 8

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year ⁽¹⁾	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections ⁽³⁾
		Amount Collected ⁽²⁾	Percentage of Levy	
2009	\$ 43,388,269	\$ 42,805,006	98.66%	2,341,001
2010	43,147,792	42,782,214	99.15%	2,454,033
2011	43,850,035	43,356,624	98.87%	1,633,325
2012	46,408,439	45,729,845	98.54%	1,575,887
2013	49,964,034	49,306,560	98.68%	1,529,406
2014	52,673,395	51,433,790	97.65%	558,860
2015	56,311,310	55,104,240	97.86%	961,460
2016	59,079,814	58,251,685	98.60%	771,520
2017	64,204,230	63,549,026	98.98%	670,439
2018	68,477,951	68,410,663	99.90%	722,461

Notes:

- (1) Taxes levied are based on revenue estimate provided annually by the Alameda County Auditor-Controller Agency.
- (2) Beginning January 2012, amounts collected include the City's share of Successor Agency un-obligated property tax revenue.
- (3) The City does not have access to data showing delinquent tax collections by fiscal year of delinquency. Amounts shown are total collections of delinquent property taxes during the year.

Source: Alameda County Auditor-Controller.

Statistical Section

City of Fremont
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Schedule 9

in thousands of dollars, except per capita

(Unaudited)

Fiscal Year Ended June 30,	Governmental Activities ⁽¹⁾			Total Outstanding Debt	Percentage of Taxable Assessed Value ⁽²⁾	Percentage of Personal Income ⁽³⁾	Debt Per Capita ⁽⁴⁾
	General Obligation Bonds	Redevelop- ment Bonds	General Fund Lease Obligations				
2009	\$ 49,627	\$ 26,213	\$ 140,510	\$ 216,350	0.64%	2.74%	\$ 1,023
2010	48,639	-	137,014	185,653	0.55%	2.41%	867
2011	47,607	-	148,393	196,000	0.58%	2.44%	910
2012	47,503	-	142,739	190,242	0.57%	2.30%	875
2013	46,220	-	138,503	184,723	0.55%	1.93%	839
2014	45,497	-	134,257	179,754	0.51%	1.98%	802
2015	44,095	-	129,431	173,526	0.46%	1.75%	762
2016	42,647	-	133,565	176,212	0.43%	1.64%	768
2017	41,145	-	127,281	168,426	0.38%	1.45%	720
2018	39,885	-	119,772	159,657	0.34%	1.36%	678

Notes:

- (1) Outstanding debt includes unamortized bond premium. Details regarding the City's outstanding debt can be found in the Notes to the Basic Financial Statements.
- (2) Property value data is disclosed in Schedule 5.
- (3) Personal income data is disclosed in Schedule 13.
- (4) Population data is disclosed in Schedule 13.

City of Fremont
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
in thousands of dollars, except per capita
(Unaudited)

Schedule 10

Fiscal Year Ended June 30,	General Bonded Debt Outstanding ⁽¹⁾				Percentage of Taxable Assessed Value ⁽³⁾	Debt Per Capita ⁽⁴⁾
	General Obligation Bonds	Redevelop- ment Bonds	Less Amounts Available in Debt Service Fund ⁽²⁾	Total		
2009	\$ 49,627	\$ 26,213	\$ 1,763	\$ 74,077	0.22%	\$ 350
2010	48,639	-	2,391	46,248	0.14%	216
2011	47,607	-	2,382	45,225	0.13%	210
2012	47,503	-	2,407	45,096	0.14%	207
2013	46,220	-	2,420	43,800	0.13%	199
2014	45,497	-	1,235	44,262	0.12%	197
2015	44,095	-	2,643	41,452	0.11%	182
2016	42,647	-	2,586	40,061	0.10%	175
2017	41,145	-	2,626	38,519	0.09%	165
2018	39,885	-	2,787	37,098	0.08%	158

Notes:

- (1) Outstanding debt includes unamortized bond premium. Details regarding the City's outstanding debt can be found in the Notes to the Basic Financial Statements.
- (2) This is the amount restricted for debt service payments in the Fire General Obligation Bonds debt service fund.
- (3) Property value data is disclosed in Shedule 5.
- (4) Population data is disclosed in Schedule 13.

Statistical Section

City of Fremont
Direct and Overlapping Governmental Activities Debt
As of June 30, 2018
(Unaudited)

Schedule 11

Overlapping Government Unit ⁽¹⁾	Debt Outstanding	Estimated Percentage Applicable	Amount Applicable to Primary Government
Alameda County	\$ 240,000,000	17.564%	\$ 42,153,600
Bay Area Rapid Transit District	837,820,000	6.843%	57,332,023
Chabot-Las Positas Community College District	693,595,000	0.007%	48,552
Ohlone Community College District	388,431,407	82.894%	321,986,331
Fremont Unified School District	363,825,000	100.000%	363,825,000
City of Fremont Community Facilities District No. 1	79,045,000	100.000%	79,045,000
Washington Township Healthcare District	332,425,000	70.315%	233,744,639
East Bay Regional Park District	187,800,000	10.699%	20,092,722
Alameda County General Fund Obligations	905,132,000	17.564%	158,977,472
Alameda County Pension Obligations	8,937,324	17.564%	1,569,752
Alameda-Contra Costa Transit District Certificates of Participation	13,795,000	20.788%	2,867,705
Fremont Unified School District Certificates of Participation	64,455,000	100.000%	64,455,000
Subtotal, overlapping debt			1,346,097,796
City of Fremont, direct debt⁽²⁾			159,656,708
Total direct and overlapping debt			\$ 1,505,754,504

Notes:

(1) Overlapping governments are those that coincide, at least in part, with geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the City of Fremont. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(2) Outstanding debt includes unamortized bond premium. Changed from source to reflect the amount shown in the Notes to the Financial Statements.

Source: California Municipal Statistics, Inc.

City of Fremont
Legal Debt Margin Information
Last Ten Fiscal Years
in millions of dollars
(Unaudited)

Schedule 12

	Fiscal Year Ended June 30, 2018									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 1,273	\$ 1,269	\$ 1,268	\$ 1,249	\$ 1,269	\$ 1,332	\$ 1,420	\$ 1,530	\$ 1,666	\$ 1,775
Debt applicable to limit ⁽¹⁾	50	49	48	48	46	45	44	43	41	40
Legal debt margin	<u>\$ 1,223</u>	<u>\$ 1,220</u>	<u>\$ 1,220</u>	<u>\$ 1,201</u>	<u>\$ 1,223</u>	<u>\$ 1,287</u>	<u>\$ 1,376</u>	<u>\$ 1,487</u>	<u>\$ 1,625</u>	<u>\$ 1,735</u>
Percentage available	96.1%	96.1%	96.2%	96.2%	96.4%	96.6%	96.9%	97.2%	97.5%	97.7%

Calculation of Legal Debt Margin

Assessed value of taxable property	\$ 47,341
25 % of Assessed Valuation	11,835
Debt limit (15% of assessed value)	1,775
General obligation bonds outstanding	40
Legal debt margin	<u>\$ 1,735</u>

Notes:

(1) The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation; however, this provision was enacted when assessed valuation was based upon 25% of market value. The computation above reflects a conversion of assessed valuation data from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: City of Fremont Finance Department; Alameda County Assessor.

Statistical Section

City of Fremont
Demographic and Economic Statistics
Last Ten Calendar Years
(Unaudited)

Schedule 13

Year	Population⁽¹⁾	Per Capita Income^(2,3)	Personal Income⁽³⁾	Unemployment Rate⁽⁴⁾
2009	211,506	\$ 37,367	\$ 7,903,344,702	7.6%
2010	214,089	36,025	7,712,556,225	8.7%
2011	215,391	37,261	8,025,684,051	8.0%
2012	217,420	38,095	8,282,614,900	6.9%
2013	220,133	43,504	9,576,666,032	5.7%
2014	224,116	40,562	9,090,593,192	4.5%
2015	227,582	43,563	9,914,154,666	3.7%
2016	229,504	46,899	10,763,508,096	3.3%
2017	233,893	49,740	11,633,837,820	2.7%
2018	235,439	49,740	11,710,735,860	2.7%

Sources:

- (1) State of California, Department of Finance, *E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change -- January 1, 2017 and 2018*. Sacramento, California, May 2017. These population estimates incorporate 2010 census counts.
- (2) U.S. Census Bureau, American Community Survey Single Year Estimates 2008-2017. Values have not been adjusted for inflation.
- (3) Per capita income is not available for 2018, so the 2017 value was used for estimating 2018 personal income.
- (4) State of California, Employment Development Department Labor Market Information Division. Data for 2009 may not be comparable. The 2018 value is the average for the year through September.

City of Fremont
Construction Permits and Estimated Value
Last Ten Fiscal Years
(Unaudited)

Schedule 14

Fiscal year Ended June 30,	Commercial/Industrial		Residential		Total	
	Number of Permits	Estimated Value	Number of Permits	Estimated Value	Number of Permits	Estimated Value
2009	829	\$ 94,886,907	2,970	\$ 122,842,111	3,799	\$ 217,729,018
2010	894	322,308,508	3,195	116,043,844	4,089	438,352,352
2011	892	110,096,205	2,927	119,479,395	3,819	229,575,600
2012	884	133,682,758	2,861	124,453,892	3,745	258,136,650
2013	884	195,336,130	2,671	126,717,982	3,555	322,054,112
2014	865	335,068,875	3,104	112,278,572	3,969	447,347,447
2015	908	307,125,365	3,188	165,878,100	4,096	473,003,465
2016	893	278,289,511	4,149	270,495,931	5,042	548,785,442
2017	962	205,841,935	3,585	481,302,774	4,547	687,144,709
2018	834	444,597,947	3,575	709,777,090	4,409	1,154,375,037

Source: City of Fremont Community Development Department.

Statistical Section

**City of Fremont
Principal Employers
Current Year and Nine Years Ago
(Unaudited)**

Schedule 15

Employer	2018			2009		
	Percentage of Total City Employment	Employees ⁽¹⁾	Rank	Employment	Employees	Rank
Tesla Motors	3.17%	1000-6000	1	-	-	-
Fremont Unified School District	2.67%	2,950	2	1.52%	1,672	3
Washington Hospital	2.72%	1000-5000	3	2.18%	2,400	2
Lam Research Corporation	2.72%	1000-5000	4	0.84%	920	8
Western Digital	2.72%	1000-5000	5	0.91%	1,000	6
Seagate Magnetics	2.72%	1000-5000	6	0.96%	1,060	5
Kaiser Permanente	0.68%	500-999	7	-	-	-
City of Fremont	0.84%	922	8	0.84%	920	9
Thermo Fisher Scientific	0.68%	500-999	9	-	-	-
Synnex Information Tech. Inc.	0.66%	500-999	10	-	-	-
New United Motor Manufacturing	-	-	-	4.27%	4,700	1
Oplink Communications	-	-	-	0.82%	900	10
Boston Scientific/Target Therapeutics, Inc.	-	-	-	1.09%	1,200	4
AXT Incorporated	-	-	-	0.88%	972	7
Office Depot	-	-	-	0.82%	900	10

Notes:

(1) Number of Employees listed as a range as provided by source.

Source: City of Fremont Economic Development Department.

City of Fremont
Full-time Equivalent Employees by Function
Last Ten Fiscal Years
(Unaudited)

Schedule 16

<u>Function/Program</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Public Safety</u>										
Fire	161.00	152.00	152.50	152.50	153.00	154.00	157.00	158.00	159.00	160.00
Police	302.00	287.00	287.00	287.00	282.00	287.50	296.50	303.50	306.50	311.50
Total	<u>463.00</u>	<u>439.00</u>	<u>439.50</u>	<u>439.50</u>	<u>435.00</u>	<u>441.50</u>	<u>453.50</u>	<u>461.50</u>	<u>465.50</u>	<u>471.50</u>
<u>Other Community Services</u>										
Community Development	113.5	99.27	98.34	60.75	61.00	57.30	60.30	68.05	71.05	76.05
Economic Development	4.68	4.57	3.65	3.65	4.00	4.00	4.00	4.00	4.00	4.00
Human Services	52.80	51.80	54.50	54.50	56.50	58.15	59.93	60.55	61.55	64.55
Public Works	116.03	103.11	103.23	109.24	110.24	111.61	117.61	121.53	124.35	127.35
Community Services	69.35	61.85	61.85	93.43	94.41	88.51	90.01	90.76	91.01	92.01
Housing and Redevelopment	13.72	11.93	12.10	12.10	0.00	0.00	0.00	0.00	0.00	0.00
Total	<u>370.08</u>	<u>332.53</u>	<u>333.67</u>	<u>333.67</u>	<u>326.15</u>	<u>319.57</u>	<u>331.85</u>	<u>344.89</u>	<u>351.96</u>	<u>363.96</u>
<u>Administrative Systems</u>										
City Manager's Office	7.45	5.25	6.15	6.25	6.80	8.80	9.30	9.80	10.80	10.80
City Attorney	10.50	9.42	9.42	9.42	9.67	9.92	9.92	9.92	9.92	9.92
City Clerk	5.30	4.25	4.20	4.20	4.20	4.20	4.20	3.95	3.95	3.95
Finance	24.75	21.65	21.65	21.55	21.75	22.75	22.75	24.00	24.00	24.00
Information Systems	21.90	19.90	19.90	19.90	22.00	22.00	22.00	23.00	23.00	23.00
Human Resources	17.00	14.00	14.00	14.00	14.00	14.00	13.50	14.25	15.25	15.25
Total	<u>86.90</u>	<u>74.47</u>	<u>75.32</u>	<u>75.32</u>	<u>78.42</u>	<u>81.67</u>	<u>81.67</u>	<u>84.92</u>	<u>86.92</u>	<u>86.92</u>
Citywide Total	<u>919.98</u>	<u>846.00</u>	<u>848.49</u>	<u>848.49</u>	<u>839.57</u>	<u>842.74</u>	<u>867.02</u>	<u>891.31</u>	<u>904.38</u>	<u>922.38</u>

Source: City of Fremont FY 2018/19 Adopted Operating Budget.

Statistical Section

**City of Fremont
Operating Indicators by Function
Last Ten Calendar Years**
(Unaudited)

Schedule 17

<u>Function/Program</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018⁽¹⁾</u>
<u>Police</u>										
Physical arrests	5,903	5,731	4,934	4,266	3,705	3,986	3,768	3,522	4,557	3,925
Vehicle moving and parking violations	15,849	15,839	13,152	9,829	10,535	11,709	10,435	14,372	23,544	15,183
<u>Fire</u>										
Emergency responses ⁽²⁾	13,067	12,958	13,003	13,320	13,445	13,952	14,686	15,513	16,367	16,244
Fires extinguished	371	360	331	313	370	364	388	434	462	671
<u>Parks and recreation</u>										
Number of recreation classes registrants	23,329	25,410	24,905	26,329	31,521	31,900	33,187	31,886	31,925	33,000

Notes:

(1) Projected through year end based on data received through September 2018.

(2) Includes responses within the City of Fremont only; does not include mutual aid responses to Union City, Newark, etc.

Source: City of Fremont Police, Fire, and Community Services Departments.

City of Fremont
Capital Asset Statistics by Function/Program
Last Ten Calendar Years
(Unaudited)

Schedule 18

<u>Function/Program</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Police</u>										
Stations	1	1	1	1	1	1	1	1	1	1
Police fleet cars and motorcycles	186	168	179	179	179	180	181	187	197	197
<u>Fire</u>										
Stations	11	11	11	11	11	11	11	11	11	11
Engines	16	16	16	16	16	16	16	16	16	16
Trucks	3	3	3	3	3	3	3	3	3	3
Patrols (Wildland units, etc.)	6	6	6	6	6	6	6	6	6	6
Specialized Apparatus (Hazmat Response, Rescue and WMD/MCI)	-	-	-	3	3	3	3	3	3	3
<u>Parks and recreation</u>										
Acreage	1,053	1,053	1,191	1,191	1,205	1,213	1,213	1,213	1,215	1,215
Playgrounds	52	52	52	52	52	52	52	52	52	52
Baseball/softball diamonds	24	24	24	24	24	24	24	24	24	24
Soccer/football fields	17	17	17	17	17	17	17	17	17	17
Community centers	5	5	5	5	5	5	5	5	5	5
Water park	1	1	1	1	1	1	1	1	1	1

Source: City of Fremont Police, Fire, and Community Services Departments.

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