

TOWN OF FREMONT
FINANCIAL STATEMENTS
FREMONT, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2019

TOWN OF FREMONT
FINANCIAL STATEMENTS
TABLE OF CONTENTS
JUNE 30, 2019

	<u>EXHIBIT</u>	<u>PAGE</u>
FINANCIAL SECTION		
Independent Auditors' Report		6
Management's Discussion and Analysis		9
Basic Financial Statements:		
<i>Government-wide Financial Statements:</i>		
Statement of Net Position	1	19
Statement of Activities	2	20
<i>Governmental Fund Financial Statements:</i>		
Balance Sheet - Governmental Funds	3	21
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	3	21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	4	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	5	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	6	24
<i>Proprietary Fund Financial Statements:</i>		
Statement of Net Position - Proprietary Fund	7	25
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	8	26
Statement of Cash Flows - Proprietary Fund	9	27
Notes to the Basic Financial Statements		29
Required Supplementary Information		
Local Government Employees' Retirement System:		
Schedule of the Proportionate Share of the Net Pension Liability		61
Schedule of Contributions		62

**TOWN OF FREMONT
FINANCIAL STATEMENTS
TABLE OF CONTENTS
JUNE 30, 2019**

	<u>SCHEDULE</u>	<u>PAGE</u>
Law Enforcement Officers' Special Separation Allowance:		
Schedule of the Changes in Total Pension Liability		63
Schedule of Total Pension Liability as a Percentage of Covered Payroll		64
Other Post-Employment Benefits:		
Schedule of Changes in Total OPEB Liability and Related Ratios		65
 Individual Fund Schedules		
 Major Governmental Funds:		
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	1	67
 Non-Major Governmental Funds:		
Combining Balance Sheet	2	71
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	3	72
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Fire Department Fund	4	73
 Non-Major Capital Projects Funds:		
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - STEP Grant Fund	5	74
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - USDA Grant Fund	6	75
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Park Improvement Fund	7	76
 Enterprise Funds:		
Schedule of Revenues and Expenditures Budget and Actual (Non-GAAP) - Electric Fund	8	77
Schedule of Revenues and Expenditures Budget and Actual (Non-GAAP) - Water and Sewer Fund	9	79

**TOWN OF FREMONT
FINANCIAL STATEMENTS
TABLE OF CONTENTS
JUNE 30, 2019**

	<u>SCHEDULE</u>	<u>PAGE</u>
Enterprise Capital Project Funds:		
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Wastewater Bond Capital Project Fund	10	82
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Wastewater Treatment Plant Improvements Capital Project Fund	11	83
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Hillandale Life Station Capital Project Fund	12	84
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Sewer Line Rehabilitation Capital Project Fund	13	85
Supplementary Financial Data:		
Schedule of Ad Valorem Taxes Receivable	14	87
Analysis of Current Year Levy - General Fund Property Tax	15	88
COMPLIANCE SECTION		
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		90
Independent Auditors' Report on Compliance for Each Major State Program and on Internal Control over Compliance in Accordance with Uniform Guidance and the State Single Audit Implementation Act		92
Schedule of Findings and Responses		94
Corrective Action Plan		96
Summary Schedule of Prior Years' Findings		97
Schedule of Expenditures of State Awards		98

FINANCIAL SECTION



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Independent Auditors' Report

To the Honorable Mayor
and Members of the Town Council
Town of Fremont, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fremont, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Fremont'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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fremont, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 10 through 17, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 61 and 62, the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 63 and 64, and the Schedule of Changes in the Total OPEB Liability and Related Ratios on page 65, 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Fremont, North Carolina's basic financial statements. The combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, as required by the Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules and other schedules, and the Schedule of Expenditures of Federal and State Awards 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 statements, budgetary schedules, other schedules and the accompanying Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2020, on our consideration of the Town of Fremont, North Carolina'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 the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in

considering the Town of Fremont, North Carolina's internal control over financial reporting and compliance.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

March 13, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Town of Fremont, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

As management of the Town of Fremont, we offer readers of the Town of Fremont's financial statements this narrative overview and analysis of the financial activities of the Town of Fremont for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

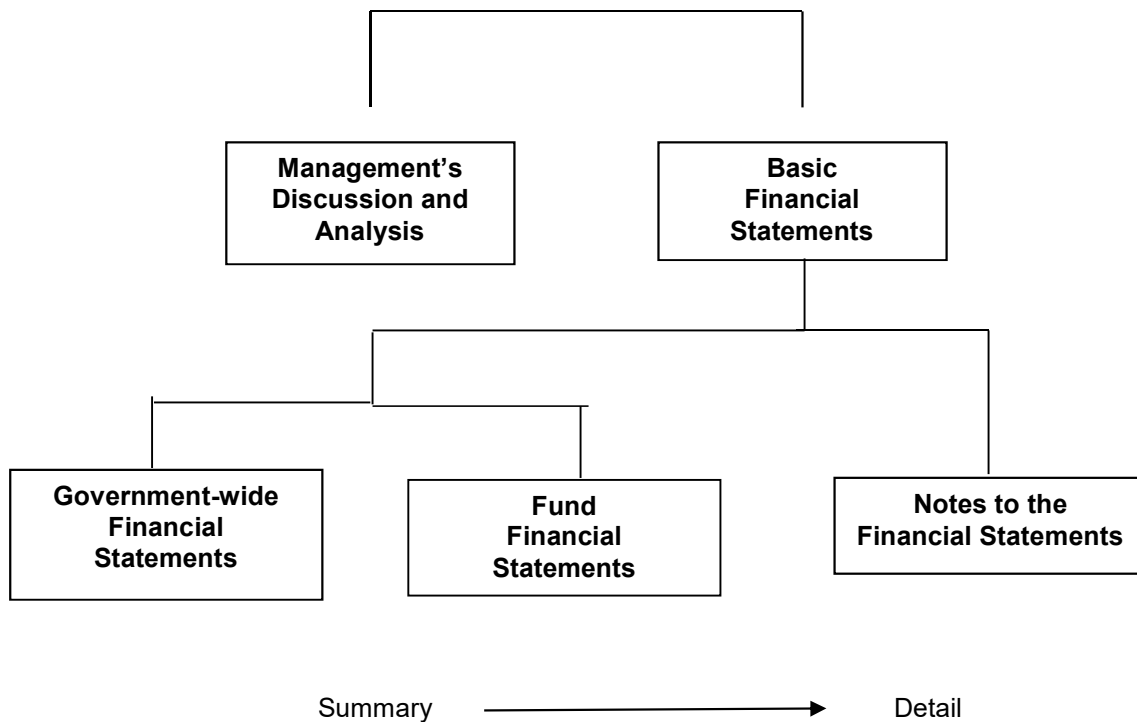
- The assets and deferred outflows of resources of the Town of Fremont exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$9,192,983 (*net position*).
- The government's total net position decreased by \$41,158.
- As of the close of the current fiscal year, the Town of Fremont's governmental funds reported combined ending fund balances of \$303,614 with a net decrease of \$32,136 in fund balance. Approximately 99.4 percent of this total amount, or \$301,835 is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$(13,869) or (.01) percent of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Fremont's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Fremont.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, transportation (streets), environmental protection (sanitation and cemetery), economic development, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer and electric services offered by the Town of Fremont. The final category is the component units. The Town of Fremont does not have any component units.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. 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 Town of Fremont, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Fremont can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Fremont adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The Town of Fremont has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Fremont uses enterprise funds to account for its water and sewer activity and for its electric operations. These funds are the same as those

functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 30 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Fremont's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 60 of this report.

Government-Wide Financial Analysis

Town of Fremont's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 366,749	\$ 382,202	\$ 785,057	\$ 1,067,567	\$ 1,151,806	\$ 1,449,769
Capital assets	544,313	628,646	9,765,147	9,621,866	10,309,460	10,250,512
Total assets	<u>911,062</u>	<u>1,010,848</u>	<u>10,550,204</u>	<u>10,689,433</u>	<u>11,461,266</u>	<u>11,700,281</u>
Deferred outflows of resources	<u>126,360</u>	<u>64,801</u>	<u>121,984</u>	<u>66,338</u>	<u>248,344</u>	<u>131,139</u>
Long-term liabilities outstanding	641,397	971,597	1,339,053	1,755,783	1,980,450	2,727,380
Other liabilities	40,290	92,651	394,396	286,542	434,686	379,193
Total liabilities	<u>681,687</u>	<u>1,064,248</u>	<u>1,733,449</u>	<u>2,042,325</u>	<u>2,415,136</u>	<u>3,106,573</u>
Deferred inflows of resources	<u>46,346</u>	<u>11,028</u>	<u>55,145</u>	<u>7,323</u>	<u>101,491</u>	<u>18,351</u>
Net Position:						
Net investment in						
capital assets	426,471	379,365	8,899,058	8,693,619	9,325,529	9,072,984
Restricted	301,835	221,103	209	-	302,044	221,103
Unrestricted	<u>(418,917)</u>	<u>(600,095)</u>	<u>(15,673)</u>	<u>12,504</u>	<u>(434,590)</u>	<u>(587,591)</u>
Total net position	<u>\$ 309,389</u>	<u>\$ 373</u>	<u>\$ 8,883,594</u>	<u>\$ 8,706,123</u>	<u>\$ 9,192,983</u>	<u>\$ 8,706,496</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Fremont exceeded liabilities and deferred inflows by \$9,192,983 as of June 30, 2019. The Town's net position decreased by \$41,158 for the fiscal year ended June 30, 2019. However, the largest portion (101.44%) reflects the Town's net investment in capital assets (e.g.; land, buildings, machinery, and equipment). The Town of Fremont uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Fremont's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Fremont's net position \$302,044 (3.29%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(434,590) is unrestricted.

Several particular aspects of the Town's financial operations positively influenced the total unrestricted governmental net position:

- Continued low cost of debt due to the Town's high bond rating.

Governmental activities: Governmental activities decreased the Town's net position by \$39,373.

Business-type activities: Business-type activities decreased the Town of Fremont's net position by \$1,785.

Town of Fremont Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for services	\$ 106,732	\$ 137,519	\$ 2,705,218	\$ 2,612,282	\$ 2,811,950	\$ 2,749,801
Operating grants and contributions	125,482	56,475	44,956	-	170,438	56,475
Capital grants and contribution	125,000	-	467,486	948,499	592,486	948,499
General Revenues:						
Property taxes	391,530	406,785	-	-	391,530	406,785
Other taxes and licenses	4,692	258,256	-	-	4,692	258,256
Other	288,589	40,214	21,398	2,877	309,987	43,091
Total revenues	<u>1,042,025</u>	<u>899,249</u>	<u>3,239,058</u>	<u>3,563,658</u>	<u>4,281,083</u>	<u>4,462,907</u>
Expenses:						
General government	324,920	293,557	-	-	324,920	293,557
Public safety	422,591	469,553	-	-	422,591	469,553
Transportation	161,495	149,211	-	-	161,495	149,211
Environmental protection	156,654	162,934	-	-	156,654	162,934
Cultural and recreation	21,020	11,406	-	-	21,020	11,406
Interest expense	12,490	5,105	-	32,724	12,490	37,829
Electric	-	-	1,616,517	1,608,587	1,616,517	1,608,587
Water and sewer	-	-	1,606,554	1,429,369	1,606,554	1,429,369
Total expenses	<u>1,099,170</u>	<u>1,091,766</u>	<u>3,223,071</u>	<u>3,070,680</u>	<u>4,322,241</u>	<u>4,162,446</u>
Increase (decrease) in net position before transfers	(57,145)	(192,517)	15,987	492,978	(41,158)	300,461
Transfers	<u>17,772</u>	<u>8,886</u>	<u>(17,772)</u>	<u>(8,886)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	(39,373)	(183,631)	(1,785)	484,092	(41,158)	300,461
Net position, July 1 as previously reported	5,308	184,004	8,708,285	8,222,031	8,713,593	8,406,035
Prior period adjustments	92,151	-	(302,147)	-	(209,996)	-
Change in accounting principle	251,303	-	479,241	-	730,544	-
Net position, July 1 as restated	<u>348,762</u>	<u>184,004</u>	<u>8,885,379</u>	<u>8,222,031</u>	<u>9,234,141</u>	<u>8,406,035</u>
Net position, June 30	<u>\$ 309,389</u>	<u>\$ 373</u>	<u>\$ 8,883,594</u>	<u>\$ 8,706,123</u>	<u>\$ 9,192,983</u>	<u>\$ 8,706,496</u>

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Fremont's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Fremont's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Fremont. At the end of the current fiscal year, unassigned fund balance available of the General Fund was \$(13,869), while total fund balance was \$214,372. The Town currently has an available fund balance of (1.21) percent of total General Fund expenditures, while total fund balance represents 18.76 percent of that same amount.

At June 30, 2019, the governmental funds of Town of Fremont reported a combined fund balance of \$303,164, a 9.57 percent decrease from last year, with a net decrease in fund balance of \$32,136.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and 3) increases in appropriations that become necessary to maintain services.

Revenues were more than the budgeted amounts primarily due to grant revenue and investment earnings.

Proprietary Funds. The Town of Fremont's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$(365,866), and those for the Electric Fund amounted to \$350,193. The total change in net position for both funds was \$88,074 and \$(89,859), respectively. The change in net position in the Water and Sewer Fund is a result of capital contributions related to the capital project. The change in net position in the Electric Fund is the result of decreased electric power purchase expenditures during fiscal year 2018-2019.

Capital Asset and Debt Administration

Capital Assets. The Town of Fremont's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$9,325,529 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions:

- Building renovations for \$119,121 in governmental activities
- Purchase of vehicles for \$29,691 in business type activities
- Construction in progress amount to \$461,146 in business type activities

**Town of Fremont's Capital Assets
(Net of Depreciation)**

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 49,887	\$ 49,887	\$ 353,068	\$ 353,068	\$ 402,955	\$ 402,955
Construction in process	-	-	856	881,624	856	881,624
Distribution system	-	-	9,338,784	8,327,358	9,338,784	8,327,358
Buildings	342,942	239,857	-	-	342,942	239,857
Improvements	26,786	30,223	-	-	26,786	30,223
Furniture & Equipment	18,214	24,631	41,831	(12,670)	60,045	11,961
Vehicles	106,484	284,049	30,608	11,591	137,092	295,640
Total	\$ 544,313	\$ 628,647	\$ 9,765,147	\$ 9,560,971	\$10,309,460	\$10,189,618

Additional information on the Town's capital assets can be found in Note 4 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2019, the Town of Fremont had total bonded debt outstanding of \$983,931. This debt is backed by the full faith and credit of the Town.

Town of Fremont's Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ -	\$ -	\$ 574,500	\$ 590,500	\$ 574,500	\$ 590,500
Direct borrowing installment purchases	117,842	216,667	156,793	143,895	274,635	360,562
Promissory note	-	25,525	-	-	-	25,525
Direct placement construction note	-	-	102,600	114,000	102,600	114,000
Direct placement promissory note - Wayne County	-	-	32,196	69,373	32,196	69,373
	\$ 117,842	\$ 242,192	\$ 866,089	\$ 917,768	\$ 983,931	\$1,159,960

Town of Fremont's Outstanding Debt

The Town of Fremont's total debt decreased by \$176,029 during the past fiscal year.

Additional information regarding the Town of Fremont's long-term debt can be found in Note B.4 beginning on page 53 of this report.

Economic Factors and Next Year's Budgets and Rates

Budget highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Total budgeted expenditures for the fiscal year ended June 30, 2020 is consistent to the current fiscal year.

Business-type Activities: The budgeted operating revenues and expenditures in the Enterprise Funds for fiscal year 2020 are consistent to the current fiscal year.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Administrator, Town of Fremont, 120 E. Main Street, Fremont, NC 27830.

BASIC FINANCIAL STATEMENTS

Town of Fremont
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 172,128	\$ 122,270	\$ 294,398
Restricted cash and cash equivalents	199,205	76,384	275,589
Investments	-	45,371	45,371
Taxes receivables (net)	25,482	-	25,482
Accounts receivable (net)	21,682	363,136	384,818
Other receivables	19,172	-	19,172
Due from other governments	86,368	18,664	105,032
Internal balances	(157,288)	157,288	-
Prepaid items	-	1,944	1,944
Total current assets	366,749	785,057	1,151,806
Noncurrent asset:			
Capital assets (Note 2)			
Land, non-depreciable improvements, and construction in progress	49,887	353,924	403,811
Other capital assets, net of depreciation	494,426	9,411,223	9,905,649
Total capital assets	544,313	9,765,147	10,309,460
Total noncurrent assets	544,313	9,765,147	10,309,460
Total assets	911,062	10,550,204	11,461,266
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	111,954	101,951	213,905
OPEB deferrals	14,406	20,033	34,439
Total deferred outflows of resources	126,360	121,984	248,344
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	19,548	272,104	291,652
Current portion of long-term liabilities	20,742	46,117	66,859
Liabilities payable from restricted assets:			
Customer deposits	-	76,175	76,175
Total current liabilities	40,290	394,396	434,686
Long-term liabilities:			
Net pension liability - LGERS	126,398	136,932	263,330
Total pension liability - LEOSSA	146,525	-	146,525
Total OPEB liability	248,012	344,893	592,905
Compensated absences	23,362	37,256	60,618
Due on more than one year	97,100	819,972	917,072
Total long-term liabilities	641,397	1,339,053	1,980,450
Total liabilities	681,687	1,733,449	2,415,136
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	8,134	2,007	10,141
OPEB deferrals	38,212	53,138	91,350
Total deferred inflows of resources	46,346	55,145	101,491
NET POSITION			
Net investment in capital assets	426,471	8,899,058	9,325,529
Restricted for:			
Stabilization by State Statute	105,540	-	105,540
Streets	81,418	-	81,418
Public Safety	89,242	-	89,242
USDA Debt Service	25,635	209	25,844
Unrestricted	(418,917)	(15,673)	(434,590)
Total net position	\$ 309,389	\$ 8,883,594	\$ 9,192,983

The notes to the financial statements are an integral part of this statement.

**Town of Fremont
Statement of Activities
For the Year Ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 324,920	\$ 4,320	\$ 1,700	\$ 125,000	\$ (193,900)	\$ -	\$ (193,900)
Public safety	422,591	86	72,353	-	(350,152)	-	(350,152)
Transportation	161,495	-	42,771	-	(118,724)	-	(118,724)
Environmental protection	156,654	102,326	899	-	(53,429)	-	(53,429)
Cultural and recreational	21,020	-	7,759	-	(13,261)	-	(13,261)
Interest on long-term debt	12,490	-	-	-	(12,490)	-	(12,490)
Total governmental activities	1,099,170	106,732	125,482	125,000	(741,956)	-	(741,956)
Business-type activities:							
Electric	1,616,517	1,563,268	44,956	-	-	(8,293)	(8,293)
Water and Sewer Fund	1,606,554	1,141,950	-	467,486	-	2,882	2,882
Total business-type activities	3,223,071	2,705,218	44,956	467,486	-	(5,411)	(5,411)
Total primary government	\$ 4,322,241	\$ 2,811,950	\$ 170,438	\$ 592,486	(741,956)	(5,411)	(747,367)
General revenues:							
Taxes							
Property taxes, levied for general purpose					391,530	-	391,530
Other taxes					4,692	-	4,692
Grants and contributions not restricted to specific programs					272,187	7,066	279,253
Unrestricted investment earnings					5,076	1,401	6,477
Miscellaneous					66,244	12,931	79,175
Gain (loss) on disposal of capital assets					(54,918)	-	(54,918)
Total general revenues not including transfers					684,811	21,398	706,209
Transfers					17,772	(17,772)	-
Total general revenues and transfers					702,583	3,626	706,209
Change in net position					(39,373)	(1,785)	(41,158)
Net position, beginning as previously reported					5,308	8,708,285	8,713,593
Prior period adjustments					92,151	(302,147)	(209,996)
Cumulative effect of change in accounting principle					251,303	479,241	730,544
Net position, beginning as restated					348,762	8,885,379	9,234,141
Net position, ending					\$ 309,389	\$ 8,883,594	\$ 9,192,983

The notes to the financial statements are an integral part of this statement.

**Town of Fremont
Balance Sheets
Governmental Funds
June 30, 2019**

	Major Fund	Total	Total
	General Fund	Non-Major Funds	Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 172,128	\$ -	\$ 172,128
Restricted cash and cash equivalents	109,744	89,461	199,205
Receivables, net:			
Taxes	25,482	-	25,482
Accounts receivable, garbage	21,682	-	21,682
Other receivables	19,172	-	19,172
Due from other governments	86,368	-	86,368
Total assets	<u>\$ 434,576</u>	<u>\$ 89,461</u>	<u>\$ 524,037</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 15,752	\$ 219	\$ 15,971
Due to other funds	157,288	-	157,288
Total liabilities	<u>173,040</u>	<u>219</u>	<u>173,259</u>
DEFERRED INFLOWS OF RESOURCES			
Accounts receivable, garbage	21,682	-	21,682
Property taxes receivable	25,482	-	25,482
Total deferred inflows of resources	<u>47,164</u>	<u>-</u>	<u>47,164</u>
FUND BALANCES			
Restricted:			
Stabilization by State Statute	105,540	-	105,540
Streets	81,418	-	81,418
Public Safety	-	89,242	89,242
USDA Debt Service	25,635	-	25,635
Committed:			
Public Safety	15,648	-	15,648
Unassigned	(13,869)	-	(13,869)
Total fund balances	<u>214,372</u>	<u>89,242</u>	<u>303,614</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 434,576</u>	<u>\$ 89,461</u>	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	544,313
Deferred outflows of resources related to pension are not reported in the funds	111,954
Deferred outflows of resources related to OPEB are not reported in the funds	14,406
Earned revenues considered deferred inflows of resources in fund statements.	47,164
Deferred inflows of resources related to pensions are not reported in the funds	(8,134)
Deferred inflows of resources related to OPEB are not reported in the funds	(38,212)
Installment purchases	(117,842)
Net pension liability	(126,398)
Total OPEB liability	(248,012)
Total pension liability - LEO	(146,525)
Compensated absences	(23,362)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	(3,577)
Net position of governmental activities	<u>\$ 309,389</u>

Town of Fremont
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	Major Fund		Total		Total
	General Fund		Non-Major		Governmental
			Funds		Funds
REVENUES					
Ad valorem taxes	\$ 332,466	\$	60,440	\$	392,906
Other taxes and licenses	4,692		-		4,692
Unrestricted intergovernmental	272,187		-		272,187
Restricted intergovernmental	242,723		7,759		250,482
Permits and fees	506		-		506
Sales and services	134,286		-		134,286
Investment earnings	4,783		293		5,076
Miscellaneous	63,492		2,752		66,244
Total revenues	<u>1,055,135</u>		<u>71,244</u>		<u>1,126,379</u>
EXPENDITURES					
Current:					
General government	395,450		-		395,450
Public safety	324,543		73,555		398,098
Transportation	159,197		-		159,197
Environmental protection	144,749		-		144,749
Cultural and recreational	4,011		15,519		19,530
Capital outlay	-		-		-
Debt service					
Principal retirement	110,889		13,461		124,350
Interest	3,774		5,139		8,913
Total expenditures	<u>1,142,613</u>		<u>107,674</u>		<u>1,250,287</u>
Revenues over (under) expenditures	<u>(87,478)</u>		<u>(36,430)</u>		<u>(123,908)</u>
Other financing sources:					
Transfers from other funds	4,871		25,532		30,403
Transfers to other funds	(7,760)		(4,871)		(12,631)
Sale of capital assets	74,000		-		74,000
Total other financing sources	<u>71,111</u>		<u>20,661</u>		<u>91,772</u>
Net change in fund balance	(16,367)		(15,769)		(32,136)
Fund balances, beginning as previously reported	329,054		4,871		333,925
Prior period adjustment	(98,315)		100,140		1,825
Fund balances, beginning as restated	<u>230,739</u>		<u>105,011</u>		<u>335,750</u>
Fund balances, ending	<u>\$ 214,372</u>	\$	<u>89,242</u>	\$	<u>303,614</u>

The notes to the financial statements are an integral part of this statement.

**Town of Fremont
Reconciliation of the
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$	(32,136)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	119,121	
Depreciation expense for governmental assets	<u>(74,537)</u>	44,584

Basis of capital asset sold	(128,918)
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Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	48,605
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OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities	5,941
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues	(1,376)	
Change in unavailable revenue for garbage revenues	<u>(28,060)</u>	(29,436)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long-term debt issued	-	
Principal payments on long-term debt	124,350	
Change in accrued interest payable	<u>(3,577)</u>	120,773

Some 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.

Compensated absences		856
Pension expense		(96,451)
OPEB plan expense		<u>26,809</u>

Total changes in net position of governmental activities	\$	<u><u>(39,373)</u></u>
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**Town of Fremont
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 361,250	\$ 361,000	\$ 332,466	\$ (28,534)
Other taxes and licenses	2,346	2,346	4,692	2,346
Unrestricted intergovernmental	255,750	273,050	272,187	(863)
Restricted intergovernmental	119,750	263,107	242,723	(20,384)
Permits and fees	300	865	506	(359)
Sales and services	144,600	142,700	134,286	(8,414)
Investment earnings	1,900	1,900	4,783	2,883
Miscellaneous	19,865	176,105	63,492	(112,613)
Total revenues	905,761	1,221,073	1,055,135	(165,938)
Expenditures:				
Current:				
General government	262,239	406,445	395,450	10,995
Public safety	329,455	359,109	324,543	34,566
Transportation	150,855	182,073	159,197	22,876
Environment protection	138,554	199,335	144,749	54,586
Cultural and recreation	4,750	4,575	4,011	564
Capital Outlay	-	-	-	-
Debt Service				
Principal retirement	44,160	111,016	110,889	127
Interest and other charges	3,775	3,775	3,774	1
Total expenditures	933,788	1,266,328	1,142,613	123,715
Revenues over (under) expenditures	(28,027)	(45,255)	(87,478)	(42,223)
Other financing sources (uses):				
Transfers (to) from other funds	17,772	14,883	(2,889)	(17,772)
Sale of fixed assets	-	-	74,000	74,000
Total other financing sources (uses)	17,772	14,883	71,111	56,228
Fund balance appropriated	10,255	30,372	-	(30,372)
Net change in fund balance	\$ -	\$ -	(16,367)	\$ (16,367)
Fund balances, beginning as previously reported			329,054	
Prior period adjustment			(98,315)	
Fund balances, beginning as restated			230,739	
Fund balances, ending			\$ 214,372	

The notes to the financial statements are an integral part of this statement.

**Town of Fremont
Statement of Net Position
Proprietary Fund
June 30, 2019**

	Water and Sewer		
	Electric Fund	Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 122,270	\$ -	\$ 122,270
Restricted cash and cash equivalents	60,255	16,129	76,384
Investments	2,258	43,113	45,371
Accounts receivable (net)	206,454	156,682	363,136
Due from other governments	-	18,664	18,664
Due from other funds	243,410	-	243,410
Prepaid items	-	1,944	1,944
Total current assets	634,647	236,532	871,179
Noncurrent assets:			
Capital assets:			
Land and construction in progress	137,268	216,656	353,924
Other capital assets, net of depreciation	46,195	9,365,028	9,411,223
Capital assets	183,463	9,581,684	9,765,147
Total noncurrent assets	183,463	9,581,684	9,765,147
Total assets	818,110	9,818,216	10,636,326
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	45,094	56,857	101,951
OPEB deferrals	9,209	10,824	20,033
Total deferred outflows of resources	54,303	67,681	121,984
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	16,751	255,353	272,104
Due to other funds	-	86,122	86,122
Current portion of long-term debt	1,524	44,593	46,117
Liabilities payable from restricted assets:			
Customer deposits	60,255	15,920	76,175
Total current liabilities	78,530	401,988	480,518
Non-current liabilities:			
Net pension liability - LGERS	60,566	76,366	136,932
Total OPEB liability	158,543	186,350	344,893
Compensated absences	17,327	19,929	37,256
Due on more than one year	-	819,972	819,972
Total noncurrent liabilities	236,436	1,102,617	1,339,053
Total liabilities	314,966	1,504,605	1,819,571
DEFERRED INFLOWS OF RESOURCES			
OPEB deferrals	24,427	28,711	53,138
Pension deferrals	888	1,119	2,007
Total deferred inflows of resources	25,315	29,830	55,145
NET POSITION			
Net investment in capital assets	181,939	8,717,119	8,899,058
USDA debt service	-	209	209
Unrestricted	350,193	(365,866)	(15,673)
Total net position	\$ 532,132	\$ 8,351,462	\$ 8,883,594

The notes to the financial statements are an integral part of this statement.

Town of Fremont
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2019

	Water and Sewer		
	Electric Fund	Fund	Total
OPERATING REVENUES			
Charges for services	\$ 1,512,267	\$ 1,140,850	\$ 2,653,117
Other operating revenues	51,001	1,100	52,101
Total operating revenues	<u>1,563,268</u>	<u>1,141,950</u>	<u>2,705,218</u>
OPERATING EXPENSES			
Administration	298,245	177,814	476,059
Electric power purchases	1,127,225	-	1,127,225
Electrical Operations	181,209	-	181,209
Water treatment and distribution	-	323,436	323,436
Waste collection and treatment	-	794,069	794,069
Depreciation	9,734	276,927	286,661
Total operating expenses	<u>1,616,413</u>	<u>1,572,246</u>	<u>3,188,659</u>
Operating income (loss)	<u>(53,145)</u>	<u>(430,296)</u>	<u>(483,441)</u>
NONOPERATING REVENUES (EXPENSES)			
Grant Revenue	44,956	16,000	60,956
Miscellaneous revenue	3,044	16,953	19,997
Investment earnings	763	638	1,401
Interest expense	(105)	(34,307)	(34,412)
Total nonoperating revenue (expenses)	<u>48,658</u>	<u>(716)</u>	<u>47,942</u>
Income (loss) before contributions and transfers	<u>(4,487)</u>	<u>(431,012)</u>	<u>(435,499)</u>
Capital contributions	-	451,486	451,486
Transfer from other funds	-	67,600	67,600
Transfers to other funds	(85,372)	-	(85,372)
Total income (loss) after contributions and transfers	<u>(89,859)</u>	<u>88,074</u>	<u>(1,785)</u>
Change in net position	<u>(89,859)</u>	<u>88,074</u>	<u>(1,785)</u>
Total net position, beginning as previously reported	494,466	8,213,819	8,708,285
Prior period adjustments	(152,046)	(150,101)	(302,147)
Cumulative effect of change in accounting principle	279,571	199,670	479,241
Total net position, beginning as restated	<u>621,991</u>	<u>8,263,388</u>	<u>8,885,379</u>
Total net position, ending	<u>\$ 532,132</u>	<u>\$ 8,351,462</u>	<u>\$ 8,883,594</u>

The notes to the financial statements are an integral part of this statement.

Town of Fremont
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2019

	Electric Fund	Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,537,611	\$ 1,109,178	\$ 2,646,789
Cash paid for goods and services	(1,305,283)	(759,730)	(2,065,013)
Cash paid to or on behalf of employees for services	(279,974)	(368,385)	(648,359)
Cash received (paid) for customer deposits - net	2,555	765	3,320
Net cash provided (used) by operating activities	(45,091)	(18,172)	(63,263)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Grant revenue	44,956	-	44,956
Miscellaneous revenues	3,044	16,953	19,997
Transfers from other funds	-	67,600	67,600
Increase (decrease) in due to / from other funds	(60,896)	41,857	(19,039)
Transfers to other funds	(85,372)	-	(85,372)
Net cash provided (used) by noncapital financing activities	(98,268)	126,410	28,142
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(490,837)	(490,837)
Capital contributions - Federal, state, and local grants	-	467,486	467,486
Loan proceeds - installment purchase	-	14,000	14,000
Principal paid on long-term debt	(2,580)	(67,203)	(69,783)
Interest paid on debt	(105)	(31,348)	(31,453)
Net cash provided (used) by capital and related financing activities	(2,685)	(107,902)	(110,587)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	763	638	1,401
Net cash provided (used) by investing activities	763	638	1,401
Net increase (decrease) in cash and cash equivalents	(145,281)	974	(144,307)
Cash balances, beginning	327,806	15,155	342,961
Cash balances, ending	\$ 182,525	\$ 16,129	\$ 198,654
Reconciliation to Statement of Net Position - Proprietary Funds			
Cash and cash equivalents	\$ 122,270	\$ -	\$ 122,270
Restricted cash and cash equivalents	60,255	16,129	76,384
	\$ 182,525	\$ 16,129	\$ 198,654

The notes to the financial statements are an integral part of this statement.

Town of Fremont
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2019

	Electric Fund	Water and Sewer Fund	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ (53,145)	\$ (430,296)	\$ (483,441)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	9,734	276,927	286,661
Changes in assets, deferred outflows, liabilities and deferred inflows:			
(Increase) decrease in accounts receivable	(25,656)	(32,772)	(58,428)
(Increase) decrease in prepaid items	-	(1,944)	(1,944)
(Increase) decrease in deferred outflows of resources - pensions	(20,451)	(54,065)	(74,516)
(Increase) decrease in deferred outflows of resources - OPEB	(6,688)	(7,646)	(14,334)
Increase (decrease) in net pension liability	21,844	27,543	49,387
Increase (decrease) in deferred inflows of resources - pensions	(1,395)	(1,759)	(3,154)
Increase (decrease) in deferred inflows of resources - OPEB	9,848	10,328	20,176
Increase (decrease) in accrued OPEB liability	24,663	17,545	42,208
Increase (decrease) in accounts payable	(13,600)	160,037	146,437
Increase (decrease) in accrued liabilities	7,782	12,314	20,096
Increase (decrease) in customer deposits	2,555	765	3,320
Increase (decrease) in compensated absences	(582)	4,851	4,269
Total adjustments	8,054	412,124	420,178
Net cash provided by operating activities	\$ (45,091)	\$ (18,172)	\$ (63,263)

NOTES TO THE FINANCIAL STATEMENTS

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Town of Fremont, North Carolina (the Town) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town is a municipal corporation governed by an elected Mayor and five-members of the Town Council. As required by generally accepted accounting principles, these financial statements present the Town.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental and business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include: (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating items are ancillary activities, such as investment earnings.

The Town reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

The Town reports the following non-major governmental funds:

Fire Department Fund. This fund is used to account for the revenue and expenditures of the fire department.

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

STEPS Grant Fund. This fund is used to account for STEP grant revenues and expenditures to improve economic development in the Town.

USDA Grant Fund. This fund is used to account for USDA grant revenues and public safety expenditures.

Park Improvement Fund. This fund is used to account for improvements to the Park.

The Town reports the following major enterprise fund:

Water Fund and Sewer Fund. The Water and Sewer Fund is used to account for the Town's water and sewer operations. The major revenues for this fund are from charges for services. The major expenditures are salaries and benefits, water purchases, and sewer treatment.

Electric Fund. The Electric Fund is used to account for the Town's electric operations. The major revenues for this fund are from charges for services. The major expenditures are salaries and benefits and electricity purchases.

The Town reports the following non-major enterprise funds:

Wastewater Bond Capital Project Fund. This fund is used to account for the Town's sewer system infrastructure improvements.

Wastewater Treatment Plant Improvements Capital Project Fund. This fund is used to account for wastewater treatment plant improvements.

Hillandale Life State Capital Project Fund. This fund is used to account for Hillandale Life expenditures.

Sewer Line Rehabilitation Capital Project Fund. This fund is used to account for sewer line rehabilitation improvements.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

Government-Wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue, because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town, are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Fremont because the tax is levied by Iredell County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Enterprise Funds, and their respective capital reserve funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Project Funds and the Enterprise Fund Capital Project Funds. The Capital Project Funds and Enterprise Fund Capital Project Funds are consolidated with the enterprise operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and the object level for all multi-year funds. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Fund Equity

1. Deposits and Investments

All deposits of the Town are made in Board-designated official depositories and are secured as required by G.S. 159-31. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNow accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

2. Cash and Cash Equivalents

The Town pools monies from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Public safety funds are classified as restricted cash because it can be expended only for the fire department. In addition, the loan reserves required by USDA is restricted.

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

<u>Town of Fremont Restricted Cash</u>	
<u>Governmental Activities</u>	
General Fund	
Streets	\$ 84,109
USDA Reserve	25,635
Fire Department Fund	
Public Safety	89,461
Total Governmental Activities	<u>\$ 199,205</u>
<u>Business-type Activities</u>	
Electric Fund	
Customer deposits	\$ 60,255
Water and Sewer Fund	
Customer deposits	15,920
USDA Reserve	209
Total Business-type Activities	<u>\$ 76,384</u>
Total Restricted Cash	<u>\$ 275,589</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2011. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980,

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	20-40 years
Buildings	20-40 years
Improvements	20 years
Vehicles	5-20 years
Maintenance and construction equipment	5-10 years
Furniture and office equipment	5 years

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion, pension deferrals for the 2019 fiscal year and OPEB deferrals for the 2019 fiscal year. In addition to liabilities, the statement of financial position 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 and so will not be recognized as revenue until then. The Town has four items that meet the criterion for this category, utility taxes receivable, property taxes receivable, pension deferrals, OPEB deferrals

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

10. Compensated Absences

The vacation policies of the Town provide for the accumulation of up to 30 days of earned vacation leave, with such leave being fully vested when earned. For the Town's government-wide presentation, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

a. Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments or imposed by law through state statute.

b. Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance: This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Restricted for Streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for use on public safety expenditures.

Committed Fund Balance: portion of fund balance that can only be used for specific purposes imposed by majority vote of the Town of Fremont's Town Council (highest level of decision-making authority). The Town Council can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned Fund Balance: portion of fund balance that the Town of Fremont intends to use for specific purposes.

Unassigned Fund Balance: the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Town has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer, will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-Town funds, and Town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it's in the best interest of the Town.

12. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Fremont's employer contributions are recognized when due and the Town of Fremont has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

Note 2 - Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes.

The audit report was submitted late due to delays in the submission of the 2018 audit report and financial records requiring prior period adjustments. This immaterial finding has been reported in the management letter.

For the fiscal year ended June 30, 2019, debt service principal payments in the Town's Water and Sewer Fund exceeded authorized appropriations by \$25,524.

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

2. Contractual Violations
None.

- B. Deficit in Fund Balance or Net Position of Individual Funds
None.

- C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2019, expenditures in the Town's Water and Sewer Fund exceeded authorized appropriations for Waste Collection and Treatment by \$98,738.

Note 3 - Detail Notes on All Funds

- A. Assets

1. Deposits

All of the Town's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with the securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their name. The amount of the pledged collateral is based on an approved averaging method for noninterest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Town's deposits had a carrying amount of \$569,587 and a bank balance of \$630,985. Of the bank balance, \$500,000 was covered by federal depository insurance and \$130,985 was covered by collateral held under the Pooling Method. At June 30, 2019, the Town's petty cash fund totaled \$400.

2. Investments

At June 30, 2019, the Town had \$45,371 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

Interest Rate Risk. The Town has no formal investment policies regarding interest rate risk.

Credit Risk. The Town has no formal policies regarding credit risk. However, the Town has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The investments in the Federal Home Loan Bank and Federal Farm Credit Bank are rated AA+ by Standard and Poor's and Aaa by Moody's Investors Service. The City's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2019. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

3. Receivables -Allowances for Doubtful Accounts

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position includes penalties levied and outstanding in the amount of \$25,482.

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 are net of the following allowances for doubtful accounts.

General Fund:	
Taxes receivable	\$ 10,495
Garbage receivable	23,492
Total General Fund	<u>33,987</u>
Enterprise Funds	
Water and Sewer Fund	128,104
Electric Fund	150,209
Total Enterprise Funds	<u>278,313</u>
Total	<u><u>\$ 312,300</u></u>

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

4. Capital Assets

Capital assets activity for the Primary Government for the year ended June 30, 2019 was as follows:

Governmental activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 49,887	\$ -	\$ -	\$ 49,887
Construction in process	-	-	-	-
Total capital assets not being depreciated	49,887	-	-	49,887
Capital assets being depreciated:				
Buildings	469,355	119,121	-	588,476
Improvements	141,836	-	-	141,836
Furniture & Equipment	276,186	-	-	276,186
Vehicles	1,147,080	-	204,554	942,526
Total capital assets being depreciated	2,034,457	119,121	204,554	1,949,024
Less accumulated depreciation for:				
Buildings	229,498	16,036	-	245,534
Improvements	111,613	3,437	-	115,050
Furniture & Equipment	251,555	6,417	-	257,972
Vehicles	863,031	48,647	75,636	836,042
Total accumulated depreciation	1,455,697	\$ 74,537	\$ 75,636	1,454,598
Total capital assets being depreciated, net	578,760			494,426
Total Governmental capital assets, net	\$ 628,647			\$ 544,313

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

General government	\$ 16,432
Public safety	37,975
Transportation	4,626
Environmental protection	14,014
Culture and recreation	1,490
	<u>\$ 74,537</u>

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Business-type activities:	Beginning Balances	Increases	Decreases	Reclassification	Ending Balances
Electric Fund:					
Capital assets not being depreciated:					
Land	\$ 137,268	\$ -	\$ -	\$ -	\$ 137,268
Total capital assets not being depreciated	137,268	-	-	-	137,268
Capital assets being depreciated:					
Distribution system	742,585	-	-	-	742,585
Equipment	32,662	-	-	-	32,662
Vehicles	256,610	-	-	-	256,610
Total capital assets being depreciated	1,031,857	-	-	-	1,031,857
Less accumulated depreciation for:					
Distribution system	715,123	2,741	-	-	717,864
Equipment	15,786	1,762	-	-	17,548
Vehicles	245,019	5,231	-	-	250,250
Total accumulated depreciation	975,928	\$ 9,734	\$ -	\$ -	985,662
Total capital assets being depreciated, net	55,929				46,195
Electric Fund capital assets, net	193,197				183,463
Water and Sewer Fund:					
Capital assets not being depreciated:					
Construction in process	\$ 881,624	\$ 461,146	\$ -	\$ (1,341,914)	\$ 856
Land	215,800	-	-	-	215,800
Total capital assets not being depreciated	1,097,424	461,146	-	(1,341,914)	216,656
Capital assets being depreciated:					
Plant and Distribution System	13,158,412	-	-	1,289,670	14,448,082
Furniture & Equipment	184,813	-	-	52,244	237,057
Vehicles	54,645	29,691	-	-	84,336
Total capital assets being depreciated	13,397,870	29,691	-	1,341,914	14,769,475
Less accumulated depreciation for:					
Plant and Distribution System	4,858,516	262,145	-	13,358	5,134,019
Furniture & Equipment	214,359	9,339	-	(13,358)	210,340
Vehicles	54,645	5,443	-	-	60,088
Total accumulated depreciation	5,127,520	\$ 276,927	\$ -	\$ -	5,404,447
Total capital assets being depreciated, net	8,270,350				9,365,028
Water and Sewer capital assets, net	9,367,774				9,581,684
Business-type activities capital assets, net	\$ 9,560,971				\$ 9,765,147

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

B. Liabilities

1. Pension Plan and Other Post-Employment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Fremont is a participating employer in the state-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454 or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Fremont employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Fremont's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Fremont were \$147,455 for the year ended June 30, 2019.

Refunds of Contributions – Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By State law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2019, the Town reported a liability of \$263,330 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.01110%, which was an increase of 0.00008% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$69,030. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 40,626	\$ 1,363
Changes of assumptions	69,878	-
Net difference between projected and actual earnings on pension plan investments	36,148	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	803	2,497
Town contributions subsequent to the measurement date	48,605	-
Total	<u>\$ 196,060</u>	<u>\$ 3,860</u>

\$48,605 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Year ended June 30:

2020	\$ 69,377
2021	45,374
2022	8,235
2023	20,609
2024	-
Thereafter	-
	\$ 143,595

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections 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 target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 632,541	\$ 263,330	\$ (45,189)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

b. Law Enforcement Officers' Special Separation Allowance

1. *Plan Description*

The Town administers a public employee retirement system (the *Separation Allowance*). A single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to 0.85 percent of the annual

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time Town law enforcement officers are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan member entitled to but not yet receiving benefits	-
Active plan members	4
Total	<u>4</u>

2. Summary of Significant Accounting Policies

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 73.

3. Actuarial Assumptions

The entry age actuarial cost method was in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this Plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$0 as benefit came due for the reporting period.

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

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

At June 30, 2019, the Town reported a total pension liability of \$146,525. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing procedures incorporating the actuarial assumption. For the year ended June 30, 2019 the Town recognized pension expense of \$11,064.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,598	\$ 1,070
Changes of assumptions	4,247	5,211
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 17,845</u>	<u>\$ 6,281</u>

\$0 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2020	\$ 2,301
2021	2,301
2022	2,301
2023	2,598
2024	2,045
Thereafter	19
	<u>\$ 11,565</u>

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Town's proportionate share of the net pension liability (asset)	\$ 156,528	\$ 146,525	\$ 137,422

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance

	2019
Beginning Balance	\$ 126,133
Service Cost at End of Year	4,777
Interest	3,986
Difference between expected and actuarial experience	16,312
Changes of assumptions and other inputs	(4,683)
Ending balance of the total pension liability	<u>\$ 146,525</u>

The plan currently uses mortality tables that vary by age and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources of Related to Pensions

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

	LGBERS	LEOSSA	Total
Pension Expense	\$ 69,030	\$ 11,064	\$ 80,094
Pension Liability	263,330	146,525	409,855
Proportionate share of the net pension liability	0.01110%	N/A	
Deferred Outflows of Resources			
Differences between expected and actual experience	40,626	13,598	54,224
Changes of assumptions	69,878	4,247	74,125
Net difference between projected and actual earnings on plan investments	36,148	-	36,148
Changes in proportion and differences between contributions and proportionate share of contributions	803	-	803
Benefit payments and administrative costs paid subsequent to the measurement date	48,605	-	48,605
Deferred Inflows of Resources			
Differences between expected and actual experience	1,363	1,070	2,433
Changes of assumptions	-	5,211	5,211
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	2,497	-	2,497

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

c. Supplemental Retirement Income Plan for Law Enforcement Officers and Other Employees

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers and other employees employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers and Other Employees are included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers and Other Employees. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each officer's salary and all amounts contributed are vested immediately. Also, the law enforcement officers and other employees may make voluntary contributions to the Plan. The Town made contributions of \$6,853, which consisted of \$6,253 from the Town and \$600 from the officers for the reporting year. No amounts were forfeited.

d. Supplemental Retirement Income Plan for General Employees

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to Town employees.

Funding Policy. The Town elects to contribute each month an amount equal to four percent of each employee's salary if the employee elects one percent in voluntary contributions and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$27,927 which consisted of \$22,481 from the Town and \$5,446 from the employees.

e. Other Post-Employment Benefits

Healthcare Benefits

Plan Description. Under the terms of the Personnel Policy, the Town administers a single-employer defined benefit healthcare plan (the HCB Plan). The plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and is sixty years old and have at least ten years creditable service with the Town. The Town pays the cost of coverage for these benefits through private insurance. The Town Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Funding Policy. Per the Town's Personnel Policy, the Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees. Retired employees with 20 years of service at retirement receive health insurance coverage at 100% of cost, retired employees with 15 years of service at retirement receive health insurance coverage at 75% of cost, and retired employees with 10 years of service at retirement receive health insurance coverage at 50% of cost. The Town has chosen to fund the healthcare benefits on a pay as you go basis. Postemployment expenditures are made from the General Fund and Enterprise Fund. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Membership of the HCB Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

	<u>Employees</u>
Retirees and dependents receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>18</u>
Total	<u><u>21</u></u>

Total OPEB Liability

The Town's total OPEB liability of \$592,905 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.50 percent average, including inflation
Discount rate	3.89 percent
Healthcare cost trend rates	Medical – 7.50% for 2017 decreasing to 5.00% for 2023 Prescription – 5.5% for 2017 decreasing to 5.00% by 2020

The discount rate is based on the yield of the Bond Buyer 20-year General Obligation Bond Index as of the measurement date.

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB Liability as of July 1, 2018	\$ 582,087
Changes for the year:	
Service cost	39,772
Interest	20,374
Changes of benefit terms	-
Differences between expected and actual experience	12,304
Changes in assumptions or other inputs	(41,893)
Benefit payments	(19,739)
Other	-
Net Changes	<u>10,818</u>
Total OPEB Liability as of June 30, 2019	<u><u>\$ 592,905</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

	1% Decrease (2.89%)	Discount Rate (3.89%)	1% Increase (4.89%)
Total OPEB Liability	\$ 732,778	\$ 592,905	\$ 486,679

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Discount Rate (Medical – 5.5%, Prescription – 7.5%, Admin Expenses – 3.0%)	1% Increase
Total OPEB Liability	\$ 469,660	\$ 592,905	\$ 762,677

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the Town recognized OPEB expense of \$49,241. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,237	\$ -
Changes of assumptions	-	91,350
Town benefit payments and plan administrative expenses made subsequent to the measurement date	14,202	-
Total	<u>\$ 34,439</u>	<u>\$ 91,350</u>

\$14,202 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Year ended June 30:

2020	\$ (10,905)
2021	(10,905)
2022	(10,905)
2023	(10,905)
Thereafter	(16,588)
	\$ (60,208)

2. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement system (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to \$10,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 48,605
Benefit payments made and administrative expenses for LEOSA made subsequent to measurement date	-
Benefit payments made and administrative expenses for OPEB made subsequent to measurement date	14,202
Differences between expected and actual experience Pension	54,224
Differences between expected and actual experience OPEB	20,237
Changes of assumptions	74,125
Net difference between projected and actual earnings on pension plan investments	36,148
Changes in proportion and differences between employer contributions and proportionate share of contributions	803
Total	\$ 248,344

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Deferred inflows of resources at year-end is comprised of the following:

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, net (General Fund)	\$ -	\$ 25,482
Accounts receivable, net (garbage) (General Fund)	-	21,682
Differences between expected and actual experience	2,433	-
Changes in assumptions and other inputs Pensions	5,211	-
Changes in assumptions and other inputs OPEB	91,350	-
Changes in proportion and difference between employer contribution and proportionate share of contributions	2,497	-
Total	<u>\$ 101,491</u>	<u>\$ 47,164</u>

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town does not carry flood insurance as of June 30, 2019. The Town does not own any buildings that are located in a flood plain and does not believe that flood insurance is a necessity.

In accordance with G.S. 159-29, the Town's employees have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Finance Officer is bonded for \$50,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

4. Long-Term Obligations

a. Direct Borrowing Agreements – Governmental Activities

In October 2005, the Town entered into a direct borrowing agreement for \$250,000 to finance the purchase of a fire truck. The vehicle is pledged as collateral for the debt while the debt is outstanding. The agreement requires twenty annual payments of \$18,000 beginning October 2006 and maturing October 2026 which includes interest at 4.125%. The balance of this agreement is \$111,116 at June 30, 2019.

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

In April 2009, the Town entered into a direct borrowing agreement for \$180,972 to finance the purchase of a fire truck and grapple truck. The vehicles are pledged as collateral for the debt while the debt is outstanding. The agreement requires ten annual payments of \$7,035 beginning September 2010 and maturing September 2020 which includes interest at 4.375%. The balance of the agreement is \$6,726 at June 30, 2019.

Annual debt service payments of the direct borrowing agreements as of June 30, 2019, including \$19,393 of interest, are as follows:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2020	\$ 20,742	\$ 4,893	\$ 25,635
2021	14,595	4,005	18,600
2022	15,197	3,403	18,600
2023	15,824	2,776	18,600
2024	16,476	2,124	18,600
2025 - 2026	35,008	2,192	37,200
Total	<u>\$ 117,842</u>	<u>\$ 19,393</u>	<u>\$ 137,235</u>

b. Direct Borrowing Agreements – Business-Type Activities

In August 2015, the Town entered into a direct borrowing agreement with Southern Bank for \$11,250 to finance the purchase of a 2015 Ford Truck for the Electric Fund. The vehicle is pledged as collateral for the debt while the debt is outstanding. The agreement requires 6 annual payments of \$2,685 beginning August 2016 and maturing August 2022 which includes interest at 5.00%. The balance of the agreement is \$1,524 at June 30, 2019.

In May 2010, the Town entered into a direct borrowing agreement with USDA for \$158,000 to finance construction expenditures for the Water and Sewer Fund Sprayfield Capital Project. The property is pledged as collateral for the debt while the debt is outstanding. The agreement bears interest at 3.25% and matures on May 20, 2050. Annual principal and interest payments shall be paid in the following installments on or before the following dates, interest only payments on May 27, 2011 and May 27, 2012; principal and interest payments in the amount of \$7,032 thereafter on May 27th of each year. The balance of the agreement is \$141,269 at June 30, 2019.

In July 2018, the Town entered into a direct borrowing agreement with USDA for \$14,000 to finance the purchase of a PW truck for the Sewer Fund. The vehicle is pledged as collateral for the debt while the debt is outstanding. The agreement requires 7 annual payments of \$2,290 beginning July 2019 and maturing July 2026 which includes interest at 3.50%. The balance of the contract is \$14,000 at June 30, 2019.

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Annual debt service payments of the direct borrowing agreements as of June 30, 2019, including \$87,140 of interest, are as follows:

<u>Year Ending June 30</u>	Business-Type Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 5,723	\$ 5,453	\$ 11,176
2021	5,102	4,937	10,039
2022	4,886	4,707	9,593
2023	5,049	4,543	9,592
2024	5,219	4,373	9,592
2025-2029	20,982	19,618	40,600
2030-2034	19,915	16,595	36,510
2035-2039	23,369	13,141	36,510
2040-2044	27,421	9,089	36,510
2045-2049	32,176	4,334	36,510
2050	6,951	350	7,301
Total	<u>\$ 156,793</u>	<u>\$ 87,140</u>	<u>\$ 243,933</u>

c. Direct Placement Construction Note

In April 2008, the Town entered into a twenty-year direct placement construction note with the Clean Water Management Trust Fund for \$228,000 to finance the waste water capital project. The building is pledged as collateral for the debt while the debt is outstanding. The agreement requires 10 annual payments of \$11,400 beginning April 2019 and maturing April 2028 which includes interest at 0.00%. The balance of the contract is \$102,600 at June 30, 2019.

Annual debt service requirements to maturity for the full amount of the agreement of \$228,000, including no interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 11,400	\$ -	\$ 11,400
2021	11,400	-	11,400
2022	11,400	-	11,400
2023	11,400	-	11,400
2024	11,400	-	11,400
2025-2028	45,600	-	45,600
Total	<u>\$ 102,600</u>	<u>\$ -</u>	<u>\$ 102,600</u>

d. Direct Placement Promissory Note

In April 2016, the Town entered into a twenty-four quarter direct placement promissory note with Wayne County for \$70,000 to pay off existing debt related to capital assets. The capital assets are pledged as collateral for the debt while the debt is outstanding. The agreement requires six annual payments of \$11,752 beginning May 2016 and maturing May 2022 which includes interest at 0.25%. The balance of the contract is \$32,196 at June 30, 2019.

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Annual debt service requirements of the promissory note as of June 30, 2019, including \$121 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 11,682	\$ 70	\$ 11,752
2021	11,711	40	11,751
2022	8,803	11	8,814
Total	<u>\$ 32,196</u>	<u>\$ 121</u>	<u>\$ 32,317</u>

e. Direct Placement General Obligation Indebtedness

Those obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2019 are comprised of the following individual issues:

Direct Placement General Obligation Bonds

Serviced by the Water and Sewer Fund:

\$772,000 - 2001 sanitary sewer bonds due in annual installments varying from \$6,000 to \$18,500 through June 1, 2041, interest at 4.5%

\$ 574,500

Annual debt service requirements to maturity for long-term obligations are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 17,000	\$ 25,852	\$ 42,852
2021	17,500	25,087	42,587
2022	18,500	24,300	42,800
2023	19,000	23,467	42,467
2024	20,000	22,613	42,613
2025-2029	115,000	98,663	213,663
2030-2034	143,500	70,291	213,791
2035-2039	160,000	36,000	196,000
2040-2041	64,000	4,320	68,320
Total	<u>\$ 574,500</u>	<u>\$ 330,593</u>	<u>\$ 905,093</u>

Fremont has no bonds authorized but unissued and a legal debt margin of \$3,199,146.

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

f. Changes in Long-Term Liabilities

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion
Governmental Activities:					
Direct borrowing installment purchase	\$ 216,667	\$ -	\$ 98,825	\$ 117,842	\$ 20,742
Promissory note	25,525	-	25,525	-	-
Compensated absences	24,218	-	856	23,362	-
Total OPEB liability	279,402		31,390	248,012	-
Net pension liability (LGERS)	80,810	45,588	-	126,398	-
Total pension liability (LEO)	126,133	20,392	-	146,525	-
Total governmental activities	<u>\$ 752,755</u>	<u>\$ 65,980</u>	<u>\$ 156,596</u>	<u>\$ 662,139</u>	<u>\$ 20,742</u>

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion
Business-type Activities:					
Water and Sewer Fund					
General Obligation Bonds	\$ 590,500	\$ -	\$ 16,000	\$ 574,500	\$ 17,000
Direct borrowing installment purchases	143,895	14,000	2,626	155,269	4,511
Direct placement construction note	114,000	-	11,400	102,600	11,400
Direct placement promissory note - Wayne County	69,373	-	37,177	32,196	11,682
Compensated absences	3,603	16,326	-	19,929	-
Total OPEB liability	168,805	17,545	-	186,350	-
Net pension liability (LGERS)	48,823	27,543	-	76,366	-
Water and Sewer Fund long-term liabilities	<u>1,138,999</u>	<u>75,414</u>	<u>67,203</u>	<u>1,147,210</u>	<u>44,593</u>
Electric Fund					
Direct borrowing installment purchases	4,104	-	2,580	1,524	1,524
Compensated absences	30,591	-	13,264	17,327	-
Total OPEB liability	133,880	24,663	-	158,543	-
Net pension liability (LGERS)	38,722	21,844	-	60,566	-
Electric Fund activity long-term liabilities	<u>207,297</u>	<u>46,507</u>	<u>15,844</u>	<u>237,960</u>	<u>1,524</u>
Business-type activity long-term liabilities	<u>\$ 1,346,296</u>	<u>\$ 121,921</u>	<u>\$ 83,047</u>	<u>\$ 1,385,170</u>	<u>\$ 46,117</u>

Compensated absences for governmental activities have typically been liquidated in the General Fund.

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2019, consist of the following:

Due from the General Fund to the Electric Fund	\$ (157,288)
Due to the Electric Fund from the General Fund	157,288
Due from the Water and Sewer Fund to the Electric Fund	(86,122)
Due to the Electric Fund from the Water and Sewer Fund	86,122

The interfund balances resulted from loaning money within funds to finance operations and facilitate cash flow. Interfund balances resulted from inadequacies in the accounting system.

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

The Electric Fund transferred \$65,600 to the Water and Sewer Fund to finance current operations and \$17,772 to finance fire department operations.

The STEPS Grant Fund transferred \$4,871 to the General Fund to close out the STEPS Grant Fund.

The General Fund transferred \$7,760 to the Parks Improvement Fund to underwrite the costs of park improvements.

D. Net Investment in Capital Assets

Net Capital Assets	\$ 544,313
Less: Debt related to Capital Assets	(117,842)
Net Investment in Capital Assets	<u>\$ 426,471</u>

E. Fund Balance

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 214,372
Less:	
Stabilization by State Statute	105,540
Streets - Powell Bill	81,418
Public Safety	15,648
Remaining Fund Balance	<u>\$ 11,766</u>

Note 4 – Jointly Governed Organization

The Town, in conjunction with twenty other local governments, is a member of the North Carolina Eastern Municipalities Power Agency (Power Agency). The Power Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Power Agency's governing board. The members, which receive power from the Power Agency, have signed power sales agreements to purchase a specified share of the power generated by the Power Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The Town's purchases of power for the fiscal year ended June 30, 2019 were \$1,127,225.

Note 5 - Federal and State Assisted Programs

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Note 6 - Subsequent Events

The Town has evaluated events from the date of the balance sheet through the date the report is available to be issued which is the date of the independent auditors' report. The Town has not evaluated subsequent events after that date. There was one subsequent event during this period that required disclosure.

On October 21, 2019, the Town sold 300,000 of its gallons per day of its wastewater treatment reserve capacity to the City of Goldsboro for \$687,000. The reserve capacity of the Town is now 300,000 gallons.

Note 7 – Prior Period Adjustment

During the fiscal year ended June 30, 2019, the Town determined that certain accruals had been omitted as of June 30, 2018. Therefore, an adjustment to beginning fund balance has been recorded to account for those accruals, the net effect of which increased beginning governmental fund balance by \$92,151 and beginning business-type activities fund balance by \$(302,147).

Note 8 – Change in Accounting Principle

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2019. The implementation of the statement required the Town to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses by the Town related to OPEB during the measurement period (fiscal year ending December 31, 2018). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental activities increased \$251,303 and \$479,241 for the business-type activities.

Note 9 – Reconciliation to Powell Bill Report

The Town maintains Powell Bill funds in cash accounts that may become co-mingled with other general accounts.

Balance on Hand - Reserved for Powell Bill	\$ 81,418
Balance per Bank Statements	84,109
	<u>\$ 2,691</u>

REQUIRED SUPPLEMENTAL FINANCIAL DATA

This section contains additional information required by generally accepted accounting principles. Presentation conforms to requirements of the Local Government Commission in North Carolina.

Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System

Schedule of Contributions to Local Government Employees' Retirement System

Schedule of Changes in Total Pension Liability for Law Enforcement Officers' Special Separation Allowance

Schedule of Total Pension Liability as a Percentage of Covered Payroll for Law Enforcement Officers' Special Separation Allowance

Schedule of Changes in the Total OPEB Liability and Related Ratios

Town of Fremont
Town of Fremont's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years*
Local Government Employees' Retirement System

	2019	2018	2017	2016	2015	2014
Fremont's proportion of the net pension liability (asset) (%)	0.01110%	0.01102%	0.01034%	0.00986%	0.00984%	0.01110%
Fremont's proportion of the net pension liability (asset) (\$)	\$ 263,330	\$ 168,355	\$ 219,450	\$ 44,251	\$ 133,798	\$ 58,031
Fremont's covered-employee payroll	\$ 673,406	\$ 625,263	\$ 587,823	\$ 530,481	\$ 515,378	\$ 515,378
Fremont's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	39.10%	26.93%	37.33%	8.34%	25.96%	11.26%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	94.18%	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participants employers in the LGERS plan.

Town of Fremont
Town of Fremont's Contributions
Required Supplementary Information
Last Six Fiscal Years
Local Government Employees' Retirement System

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 48,605	\$ 51,883	\$ 46,514	\$ 39,941	\$ 39,449	\$ 36,798
Contributions in relation to the contractually required contribution	48,605	51,883	46,514	39,941	39,449	36,798
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Fremont's covered-employee payroll	 \$ 616,981	 \$ 673,406	 \$ 625,263	 \$ 587,823	 \$ 530,481	 \$ 515,378
 Contributions as a percentage of covered-employee payroll	 7.88%	 7.70%	 7.44%	 6.79%	 7.44%	 7.14%

Town of Fremont
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Last Three Years

	2019	2018	2017
Beginning balance	\$ 126,133	\$ 112,601	\$ 106,482
Service cost	4,777	4,474	4,828
Interest on the total pension liability	3,986	4,346	3,801
Differences between expected and actual experience in the measurement of the total pension liability	16,312	(1,588)	-
Changes of assumptions or other inputs	(4,683)	6,300	(2,510)
Ending balance of the total pension liability	<u>\$ 146,525</u>	<u>\$ 126,133</u>	<u>\$ 112,601</u>

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

Town of Fremont
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Last Three Years

	2019	2018	2017
Total pension liability	\$146,525	\$126,133	\$112,601
Covered payroll	168,384	157,960	159,175
Total pension liability as a percentage of covered payroll	87.02%	79.85%	70.74%

Notes to the schedules:

The Town of Fremont has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Town of Fremont
Schedule of Changes in Total OPEB Liability and Related Ratios
Required Supplementary Information

Total OPEB Liability	2019	2018
Service cost	\$ 39,772	\$ 45,996
Interest	20,374	17,697
Differences between expected and actual experience	12,304	12,483
Changes of assumptions or other inputs	(41,893)	(72,204)
Benefit payments	(19,739)	(19,537)
Net change in Total OPEB Liability	10,818	(15,565)
Total OPEB liability - beginning	582,087	597,652
Total OPEB liability - ending	<u>\$ 592,905</u>	<u>\$ 582,087</u>
Covered payroll	N/A*	N/A*
Total OPEB liability as a percentage of covered payroll	N/A*	N/A*

Notes to Schedule

* Covered employee payroll was omitted since it was not provided by the Town.

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal year</u>	<u>Rate</u>
2019	3.89%
2018	3.56%

**INDIVIDUAL FUND FINANCIAL STATEMENTS
AND SCHEDULES**

This section contains additional information on the Governmental and
Proprietary Funds (budget and actual comparison).

Schedule 1

**Town of Fremont
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	Final Budget	Actual	Variance Over/Under
Revenues:			
Ad valorem taxes:			
Taxes	\$ 355,000	\$ 330,258	
Interest	6,000	2,208	
Total ad valorem taxes	<u>361,000</u>	<u>332,466</u>	<u>(28,534)</u>
Other taxes and licenses:			
Cable franchise fees	2,346	4,692	
Total other taxes and licenses	<u>2,346</u>	<u>4,692</u>	<u>2,346</u>
Unrestricted intergovernmental:			
Local option sales tax	177,300	190,051	
Utilities and telecommunication sales tax	75,200	76,908	
Beer and wine tax	5,550	5,228	
Sales tax refund	15,000	-	
Total unrestricted intergovernmental	<u>273,050</u>	<u>272,187</u>	<u>(863)</u>
Restricted intergovernmental:			
Powell Bill allocation	44,250	42,771	
Unauthorized substance tax	175	58	
North Carolina Department of Commerce	125,000	125,000	
Governors Crime Commission Grant	24,500	-	
Electricities grant	5,500	-	
FEMA grant revenue	62,832	72,295	
Wayne County Arts Council grant	-	1,700	
Solid waste disposal tax	850	899	
Total restricted intergovernmental	<u>263,107</u>	<u>242,723</u>	<u>(20,384)</u>
Permits and fees:			
Fees - police department	615	86	
Planning and zoning	250	420	
Total permits and fees	<u>865</u>	<u>506</u>	<u>(359)</u>
Sales and services			
Solid waste fees	130,000	122,150	
Rental income	3,600	3,900	
Recycle and bulk goods	1,100	1,536	
Cemetery	8,000	6,700	
Total sales and services	<u>142,700</u>	<u>134,286</u>	<u>(8,414)</u>
Investment earnings	<u>1,900</u>	<u>4,783</u>	<u>2,883</u>

Schedule 1

**Town of Fremont
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	Final Budget	Actual	Variance Over/Under
Miscellaneous:			
Contributions to Police Department	-	5,000	
Contributions	675	475	
Insurance proceeds	61,180	51,732	
Other	114,250	6,285	
Total miscellaneous	176,105	63,492	(112,613)
Total revenues	1,221,073	1,055,135	(165,938)
Expenditures:			
General Government:			
Governing Body			
Salaries and employee benefits	14,240	14,145	
Tax collections fees	4,700	4,129	
Other operating expenditures	12,174	12,116	
Total governing body	31,114	30,390	724
Administration:			
Salaries and employee benefits	79,924	68,687	
Professional services	44,500	44,497	
Repairs and maintenance	23,350	22,679	
Other operating expenditures	67,225	73,744	
Capital outlay	124,000	119,121	
Hurricane Florence expenditures	36,332	36,332	
Total administration	375,331	365,060	10,271
Total general government	406,445	395,450	10,995
Public Safety:			
Police:			
Salaries and employee benefits	298,578	289,014	
Repairs and maintenance	4,150	3,790	
Other operating expenditures	32,781	31,174	
Governors Crime Commission Grant	24,500	-	
Total police	360,009	323,978	36,031
Fire:			
Other operating expenditures	300	565	
Sales tax refund	(1,200)	-	
Total fire	(900)	565	(1,465)
Total public safety	359,109	324,543	34,566

**Town of Fremont
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	Final Budget	Actual	Variance Over/Under
Transportation:			
Streets:			
Salaries and employee benefits	67,923	67,443	
Repairs and maintenance	34,700	15,133	
Other operating expenditures	15,550	13,958	
Total streets	118,173	96,534	21,639
 Powell Bill:			
Repairs and maintenance	60,200	60,019	
Other operating expenditures - Powell Bill	2,800	2,644	
Capital outlay	900	-	
Total Powell Bill	63,900	62,663	1,237
 Total Transportation	182,073	159,197	22,876
 Environmental Protection			
Sanitation:			
Salaries and employee benefits	87,428	44,859	
Repairs and maintenance	13,512	13,376	
Other operating expenditures	11,090	10,277	
Contracted services	86,180	75,401	
Total sanitation	198,210	143,913	54,297
 Cemetery:			
Repairs and maintenance	507	406	
Other operating expenditures	618	430	
Total cemetery	1,125	836	289
 Total environmental protection	199,335	144,749	54,586
 Cultural and recreational:			
Parks and recreation:			
Maintenance and repairs	1,400	1,334	
Total parks and recreation	1,400	1,334	66
 Library:			
Maintenance and repairs	1,075	854	
Other operating expenditures	2,100	1,823	
Total library	3,175	2,677	498
 Total Cultural and recreational	4,575	4,011	564

Schedule 1

**Town of Fremont
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	Final Budget	Actual	Variance Over/Under
Debt Service:			
Principal retirement	111,016	110,889	
Interest	3,775	3,774	
Total debt service	<u>114,791</u>	<u>114,663</u>	<u>128</u>
Total expenditures	<u>1,266,328</u>	<u>1,142,613</u>	<u>123,715</u>
Revenues over (under) expenditures	<u>(45,255)</u>	<u>(87,478)</u>	<u>(42,223)</u>
Other financing sources (uses):			
Transfers (to) from other funds:	-	-	
STEPS grant fund	4,870	4,871	
Electric fund	8,886	-	
Water and sewer fund	8,886	-	
Park improvement fund	(7,759)	(7,760)	
Sale of capital assets	-	74,000	
Total other financing sources (uses)	<u>14,883</u>	<u>71,111</u>	<u>56,228</u>
Fund balance appropriated	<u>30,372</u>	<u>-</u>	<u>(30,372)</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u>(16,367)</u>	<u><u>\$ (16,367)</u></u>
 Fund balances, beginning, as previously reported		329,054	
Prior period adjustment		(98,315)	
Fund balance, beginning as restated		<u>230,739</u>	
Fund balances, ending		<u><u>\$ 214,372</u></u>	

Town of Fremont
Combining Balance Sheet
Non-Major Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue Funds				
	Fire Department Fund	STEP Grant Fund	USDA Grant Fund	Park Improvement Project	Total
Assets:					
Restricted cash and cash equivalents	\$ 89,461	\$ -	\$ -	\$ -	\$ 89,461
Total assets	89,461	-	-	-	89,461
Liabilities and Fund Balances:					
Accounts payable and accrued liabilities	219	-	-	-	219
Total liabilities	219	-	-	-	219
Fund Balances:					
Restricted:					
Restricted for public safety	89,242	-	-	-	89,242
Unreserved	-	-	-	-	-
Undesignated	-	-	-	-	-
Total fund balances	89,242	-	-	-	89,242
Total liabilities and fund balances	\$ 89,461	\$ -	\$ -	\$ -	\$ 89,461

Town of Fremont
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2019

	Capital Project Fund				Total
	Fire Department Fund	STEP Grant Fund	USDA Grant Fund	Park Improvement Project	
Revenues:					
Ad valorem taxes	\$ 60,440	\$ -	\$ -	\$ -	\$ 60,440
Restricted intergovernmental	-	-	-	7,759	7,759
Investment earnings	293	-	-	-	293
Miscellaneous	2,752	-	-	-	2,752
Total revenues	63,485	-	-	7,759	71,244
Expenditures:					
Public Safety	73,555	-	-	-	73,555
Cultural and recreation	-	-	-	15,519	15,519
Debt Service:					
Principal retirement	13,461	-	-	-	13,461
Interest	5,139	-	-	-	5,139
Total expenditures	92,155	-	-	15,519	107,674
Revenues over (under) expenditures	(28,670)	-	-	(7,760)	(36,430)
Other Financing Sources (Uses):					
Transfer from other funds	17,772	-	-	7,760	25,532
Transfer to other funds	-	(4,871)	-	-	(4,871)
Total other financing sources (uses)	17,772	(4,871)	-	7,760	20,661
Net Change in Fund Balance	(10,898)	(4,871)	-	-	(15,769)
Fund balances, beginning as previously reported	-	4,871	-	-	4,871
Prior period adjustment	100,140	-	-	-	100,140
Fund balances, beginning as restated	100,140	4,871	-	-	105,011
Fund balances, ending	\$ 89,242	\$ -	\$ -	\$ -	\$ 89,242

**Town of Fremont
Fire Department Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	Final Budget	Actual	Variance Over/Under
Revenues:			
Ad valorem taxes:			
Taxes	\$ 68,106	\$ 60,440	\$ (7,666)
Total ad valorem taxes	<u>68,106</u>	<u>60,440</u>	<u>(7,666)</u>
Investment earnings	<u>1,000</u>	<u>293</u>	<u>(707)</u>
Miscellaneous:			
Other	-	2,752	2,752
Total miscellaneous	<u>-</u>	<u>2,752</u>	<u>2,752</u>
Total revenues	<u>69,106</u>	<u>63,485</u>	<u>(5,621)</u>
Expenditures:			
Public Safety:			
Fire:			
Salaries and employee benefits	15,374	12,075	
Repairs and maintenance	26,400	21,584	
Other operating expenditures	50,540	39,896	
Total public safety	<u>92,314</u>	<u>73,555</u>	<u>18,759</u>
Debt Service:			
Principal retirement	13,461	13,461	-
Interest	5,139	5,139	-
Total debt service	<u>18,600</u>	<u>18,600</u>	<u>-</u>
Total expenditures	<u>110,914</u>	<u>92,155</u>	<u>18,759</u>
Revenues over (under) expenditures	<u>(41,808)</u>	<u>(28,670)</u>	<u>13,138</u>
Other financing sources (uses):			
Transfers from other funds:			
Electric fund	17,772	17,772	-
Total other financing sources (uses)	<u>17,772</u>	<u>17,772</u>	<u>-</u>
Fund balance appropriated	<u>24,036</u>	<u>-</u>	<u>(24,036)</u>
Net change in fund balance	<u>\$ -</u>	<u>(10,898)</u>	<u>\$ (10,898)</u>
Fund balances, beginning, as previously reported		-	
Prior period adjustment		100,140	
Fund balance, beginning as restated		100,140	
Fund balances, ending		<u>\$ 89,242</u>	

Town of Fremont
STEP Grant Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Authorization			Actual			Variance
	June 30, 2018	Amendments	June 30, 2019	Prior Years	Current Year	Total to Date	Positive (Negative)
Revenues:							
Restricted intergovernmental:							
STEP Grant	\$ 110,000	\$ -	\$ 110,000	\$ 104,471	\$ -	\$ 104,471	\$ (5,529)
PARFT Grant	-	4,873	4,873	10,241	-	10,241	5,368
Donations	-	-	-	4,599	-	4,599	4,599
Total revenue	110,000	4,873	114,873	119,311	-	119,311	4,438
Expenditures:							
Planning	37,600	-	37,600	48,843	-	48,843	(11,243)
Administration	12,000	-	12,000	12,027	-	12,027	(27)
Implementation	24,400	-	24,400	42,018	-	42,018	(17,618)
Advertising	41,000	-	41,000	15,552	-	15,552	25,448
Total Expenditures	115,000	-	115,000	118,440	-	118,440	(3,440)
Revenues over (under) expenditures	(5,000)	4,873	(127)	871	-	871	998
Other financing sources (uses):							
Transfers to / from other funds:							
Transfer from General Fund	5,000	-	5,000	4,000	-	4,000	(1,000)
Transfer to General Fund	-	(4,873)	(4,873)	-	(4,871)	(4,871)	2
Total other financing sources (uses)	5,000	(4,873)	127	4,000	(4,871)	(871)	(998)
Net change in fund balance	\$ -	\$ -	\$ -	\$ 4,871	(4,871)	\$ -	\$ -
Fund balance, beginning					4,871		
Fund balance, ending					\$ -		

Town of Fremont
USDA Grant Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Authorization			Actual			Variance
	June 30, 2018	Amendments	June 30, 2019	Prior Years	Current Year	Total to Date	Positive (Negative)
Revenues:							
Restricted intergovernmental:							
USDA Grant	\$ 46,327	\$ -	\$ 46,327	\$ 46,328	\$ -	\$ 46,328	\$ 1
Total revenue	46,327	-	46,327	46,328	-	46,328	1
Expenditures:							
Public Safety	46,327	-	46,327	46,328	-	46,328	(1)
Total Expenditures	46,327	-	46,327	46,328	-	46,328	(1)
Revenues over (under) expenditures	-	-	-	-	-	-	-
Other financing sources (uses):							
Transfers to / from other funds:							
Transfer from General Fund	4,712	(4,712)	-	-	-	-	-
Total other financing sources (uses)	4,712	(4,712)	-	-	-	-	-
Net change in fund balance	\$ 4,712	\$ (4,712)	\$ -	\$ -	-	\$ -	\$ -
Fund balance, beginning					-		
Fund balance, ending					\$ -		

Town of Fremont
Park Improvement Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

		Actual			Variance
	Project	Prior Years	Current Year	Total to Date	Positive
	Authorization				(Negative)
Revenues:					
Restricted intergovernmental:					
PARFT Grant	\$ 7,759	\$ -	\$ 7,759	\$ 7,759	\$ -
Total revenue	<u>7,759</u>	<u>-</u>	<u>7,759</u>	<u>7,759</u>	<u>-</u>
Expenditures:					
Walkway and parking	7,794	-	7,794	7,794	-
Miscellaneous supplies	6,924	-	6,924	6,924	-
Contingency	801	-	801	801	-
Total Expenditures	<u>15,519</u>	<u>-</u>	<u>15,519</u>	<u>15,519</u>	<u>-</u>
Revenues over (under) expenditures	<u>(7,760)</u>	<u>-</u>	<u>(7,760)</u>	<u>(7,760)</u>	<u>-</u>
Other financing sources (uses):					
Transfers to / from other funds:					
Transfer from General Fund	7,760	-	7,760	7,760	-
Total other financing sources (uses)	<u>7,760</u>	<u>-</u>	<u>7,760</u>	<u>7,760</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</u>		

Town of Fremont
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating Revenues:			
Sale of electricity	\$1,550,000	\$ 1,512,267	
Connection fees	3,500	2,850	
Late payment charges	47,600	47,940	
Returned check fee	550	735	
Bad debts	4,500	(524)	
Total operating revenues	<u>1,606,150</u>	<u>1,563,268</u>	<u>(42,882)</u>
Non-Operating Revenues:			
Investment earnings	1,700	763	
FEMA grant	-	44,956	
Insurance proceeds	-	2,994	
Miscellaneous revenue	4,500	50	
Total non-operating revenues	<u>6,200</u>	<u>48,763</u>	<u>42,563</u>
Total revenues	<u>1,612,350</u>	<u>1,612,031</u>	<u>(319)</u>
Expenditures:			
Administration:			
Salaries and employee benefits	150,600	145,956	
Supplies	4,000	3,693	
Penalties and interest	-	4,403	
Town administrator contract	7,600	7,560	
Professional services	40,500	88,540	
Other operating expenses	35,175	29,153	
Total administration	<u>237,875</u>	<u>279,305</u>	<u>(41,430)</u>
Electrical Operations:			
Salaries and employee benefits	141,975	129,318	
Electrical power purchases	1,131,459	1,114,224	
Supplies	27,000	26,472	
Repairs and maintenance	10,650	10,150	
Other operating expenses	18,630	15,269	
Total electrical operations	<u>1,329,714</u>	<u>1,295,433</u>	<u>34,281</u>
Total operating expenditures	<u>1,567,589</u>	<u>1,574,738</u>	<u>(7,149)</u>
Non-operating expenditures			

Town of Fremont
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Debt Services:			
Principal repayment	25,525	2,580	
Interest	2,750	105	
Total debt service	28,275	2,685	25,590
Total expenditures	1,595,864	1,577,423	18,441
Revenues over (under) expenditures	16,486	34,608	18,122
Other financing sources (uses):			
Transfers to other funds	-	-	-
Fire Department Fund	(17,772)	(17,772)	-
Water and Sewer Fund	(67,600)	(67,600)	-
Total other financing sources (uses)	(85,372)	(85,372)	-
Fund balance appropriated	68,886	-	(68,886)
Revenues, other sources and appropriated fund balance over (under) expenditures and other uses	\$ -	(50,764)	\$ (50,764)

**Reconciliation from Budgetary Basis
(Modified Accrual) to Full Accrual:**

Reconciling items:

Principal retirement	2,580
Depreciation	(9,734)
(Increase) decrease in accrued interest	(3)
Increase (decrease) in deferred outflows of resources - pensions	15,752
(Increase) decrease in deferred inflows of resources - pensions	1,395
(Increase) decrease in net pension liability	(21,844)
Increase (decrease) in deferred outflows of resources - OPEB	6,688
(Increase) decrease in deferred inflows of resources - OPEB	(9,848)
(Increase) decrease in OPEB liability	(24,663)
(Increase) decrease in accrued vacation pay	582
Change in net position	\$ (89,859)

Schedule 9

Town of Fremont
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating Revenues:			
Water sales	\$ 395,800	\$ 411,257	
Sewer charges	718,332	729,593	
Connection fees	1,000	400	
Other operating revenues	1,000	700	
Total operating revenues	<u>1,116,132</u>	<u>1,141,950</u>	<u>25,818</u>
Non-Operating Revenues:			
Investment earnings	800	638	
USDA grant	-	16,000	
Sales tax refund	-	7,066	
Insurance proceeds	-	3,756	
Miscellaneous revenue	12,500	6,131	
Total non-operating revenues	<u>13,300</u>	<u>33,591</u>	<u>20,291</u>
Total revenues	<u>1,129,432</u>	<u>1,175,541</u>	<u>46,109</u>
Expenditures:			
Administration:			
Salaries and employee benefits	128,622	112,137	
Supplies	1,000	617	
Professional services	29,812	30,811	
Other operating expenses	26,066	19,994	
Town Administrator contract	6,500	6,460	
Total administration	<u>192,000</u>	<u>170,019</u>	<u>21,981</u>
Water Treatment and Distribution:			
Salaries and employee benefits	113,829	112,144	
Purchases for resale	203,200	166,634	
Supplies	8,000	7,162	
Repairs and maintenance	11,293	10,155	
Contracted services	10,009	9,868	
Other operating expenses	13,412	11,350	
Total water treatment and distribution	<u>359,743</u>	<u>317,313</u>	<u>42,430</u>

Schedule 9

Town of Fremont
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Waste Collection and Treatment:			
Salaries and employee benefits	110,762	109,900	
Sewer treatment fees	491,411	594,997	
Supplies	15,350	14,253	
Repairs and maintenance	32,900	31,842	
Other operating expenses	27,825	25,994	
Total waste collection and treatment	<u>678,248</u>	<u>776,986</u>	<u>(98,738)</u>
Debt Services:			
Principal retirement	41,679	67,203	
Interest	31,348	31,348	
Total debt service	<u>73,027</u>	<u>98,551</u>	<u>(25,524)</u>
Capital Outlay			
Capital outlay	-	29,691	(29,691)
Total capital outlay	<u>-</u>	<u>29,691</u>	<u>(29,691)</u>
Total expenditures	<u>1,303,018</u>	<u>1,392,560</u>	<u>(89,542)</u>
Revenues over (under) expenditures	<u>(173,586)</u>	<u>(217,019)</u>	<u>(43,433)</u>
Other financing sources (uses):			
Loan Proceeds	-	14,000	
Transfers from other funds:			
Electric Fund	67,600	67,600	
Wastewater Bond Capital Project Fund	1,114	1,114	
Transfers to other funds:			
Wastewater Treatment Plan Capital Project Fund	(3,672)	(3,672)	
Hillandale Life Station Capital Project Fund	(5,533)	(5,533)	
Total other financing sources (uses)	<u>59,509</u>	<u>73,509</u>	<u>(14,000)</u>
Fund balance appropriated	<u>114,077</u>	<u>-</u>	<u>(114,077)</u>
Revenue, other financing sources, and fund balance appropriated over (under) expenditures and other uses	<u>\$ -</u>	<u>(143,510)</u>	<u>\$ (143,510)</u>

Schedule 9

Town of Fremont
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Reconciliation from Budgetary Basis			
(Modified Accrual) to Full Accrual:			
Reconciling items:			
Principal retirement		67,203	
Capital outlay		29,691	
Loan proceeds		(14,000)	
Depreciation		(276,927)	
(Increase) decrease in accrued interest		(2,959)	
Increase (decrease) in deferred outflows of resources - pensions		19,861	
(Increase) decrease in deferred inflows of resources - pensions		1,759	
(Increase) decrease in net pension liability		(27,543)	
Increase (decrease) in deferred outflows of resources - OPEB		7,646	
(Increase) decrease in deferred inflows of resources - OPEB		(10,328)	
(Increase) decrease in OPEB liability		(17,545)	
(Increase) decrease in accrued vacation pay		(4,851)	
Capital Project Funds			
Capital contributions		451,486	
Transfer to Hillandale Life Station Capital Project		5,533	
Transfer to Wastewater Treatment Plant Capital Project		3,672	
Transfer from Wastewater Bond Capital Project Fund		(1,114)	
Total		231,584	
Change in net position		\$ 88,074	

Town of Fremont
Wastewater Bond Capital Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Authorization			Actual			Variance
	June 30, 2018	Amendments	June 30, 2019	Prior Years	Current Year	Total to Date	Positive (Negative)
Revenues:							
Restricted intergovernmental:							
NC Department of Commerce Grant	\$ 750,000	\$ -	\$ 750,000	\$ 750,291	\$ -	\$ 750,291	\$ 291
Total revenue	750,000	-	750,000	750,291	-	750,291	291
Expenditures:							
Engineering	114,500	-	114,500	114,499	-	114,499	1
Grant Administration	25,000	-	25,000	42,283	-	42,283	(17,283)
Construction	620,300	-	620,300	619,478	-	619,478	822
Contingency	30,000	-	30,000	12,717	-	12,717	17,283
Total Expenditures	789,800	-	789,800	788,977	-	788,977	823
Revenues over (under) expenditures	(39,800)	-	(39,800)	(38,686)	-	(38,686)	1,114
Other financing sources (uses):							
Transfers to / from other funds:							
Transfer from Water and Sewer Fund	39,800	-	39,800	39,800	-	39,800	-
Transfer to Water and Sewer Fund	-	(1,114)	(1,114)	-	(1,114)	(1,114)	-
Total other financing sources (uses)	39,800	(1,114)	38,686	39,800	(1,114)	38,686	-
Fund balance appropriate	-	1,114	1,114	-	-	-	-
Net change in fund balance	\$ -	\$ -	\$ -	\$ 1,114	(1,114)	\$ -	\$ 1,114
Fund balance, beginning as previously reported					5,429		
Prior period adjustment					(4,315)		
Fund balance, beginning, as restated					1,114		
Fund balance, ending					\$ -		

Town of Fremont
Wastewater Treatment Plant Improvements Capital Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Authorization			Actual			Variance
	June 30, 2018	Amendments	June 30, 2019	Prior Years	Current Year	Total to Date	Positive (Negative)
Revenues:							
Restricted intergovernmental:							
NC Department of Environmental Quality	\$ 1,083,310	\$ -	\$ 1,083,310	\$ 912,342	\$ 124,292	\$ 1,036,634	\$ (46,676)
Total revenue	1,083,310	-	1,083,310	912,342	124,292	1,036,634	(46,676)
Expenditures:							
Engineering	297,932	20,157	318,089	641,084	(349,270)	291,814	26,275
Closing fee	16,250	50	16,300	16,250	-	16,250	50
Construction	736,000	2,544	738,544	189,328	549,216	738,544	-
Flow to Goldsboro	12,578	-	12,578	12,578	-	12,578	-
Contingency	36,800	(19,079)	17,721	69,753	(72,383)	(2,630)	20,351
Total Expenditures	1,099,560	3,672	1,103,232	928,993	127,563	1,056,556	46,676
Revenues over (under) expenditures	(16,250)	(3,672)	(19,922)	(16,651)	(3,271)	(19,922)	-
Other financing sources (uses):							
Transfers to / from other funds:							
Transfer from Water and Sewer Fund	16,250	3,672	19,922	16,250	3,672	19,922	-
Total other financing sources (uses)	16,250	3,672	19,922	16,250	3,672	19,922	-
Net change in fund balance	\$ -	\$ -	\$ -	\$ (401)	401	\$ -	\$ -
Fund balance, beginning as previously reported					(20,966)		
Prior period adjustment					20,565		
Fund balance, beginning, as restated					(401)		
Fund balance, ending					\$ -		

Town of Fremont
Hillandale Life Station Capital Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Authorization			Actual			Variance
	June 30, 2018	Amendments	June 30, 2019	Prior Years	Current Year	Total to Date	Positive (Negative)
Revenues:							
Restricted intergovernmental:							
Golden Leaf Foundation	\$ 551,700	\$ (1,133)	\$ 550,567	\$ 222,962	\$ 327,194	\$ 550,156	\$ (411)
Total revenue	551,700	(1,133)	550,567	222,962	327,194	550,156	(411)
Expenditures:							
Engineering	11,600	6,600	18,200	11,600	6,265	17,865	335
Construction	491,600	(2,200)	489,400	211,362	277,962	489,324	76
Contingency	48,500	-	48,500	-	48,500	48,500	-
Total Expenditures	551,700	4,400	556,100	222,962	332,727	555,689	411
Revenues over (under) expenditures	-	(5,533)	(5,533)	-	(5,533)	(5,533)	-
Other financing sources (uses):							
Transfers to / from other funds:							
Transfer from Water and Sewer Fund	-	5,533	5,533	-	5,533	5,533	5,533
Total other financing sources (uses)	-	5,533	5,533	-	5,533	5,533	5,533
Fund balance appropriate	-	-	-	-	-	-	-
Net change in fund balance	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -
Fund balance, beginning					-		
Fund balance, ending					\$ -		

Town of Fremont
Sewer Line Rehabilitation Capital Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Authorization			Actual			Variance
	June 30, 2018	Amendments	June 30, 2019	Prior Years	Current Year	Total to Date	Positive (Negative)
Revenues:							
Restricted intergovernmental:							
Sanitary Sewer Rehab Grant	\$ 1,200,000	\$ -	\$ 1,200,000	\$ -	\$ -	\$ -	\$ (1,200,000)
Total revenue	1,200,000	-	1,200,000	-	-	-	(1,200,000)
Expenditures:							
Construction	867,500	-	867,500	-	-	-	867,500
Closing fee	18,000	-	18,000	-	-	-	18,000
Engineering	111,500	-	111,500	-	-	-	111,500
Planning	10,000	-	10,000	-	-	-	10,000
Construction administration	62,000	-	62,000	-	856	856	61,144
Grant administration	25,000	-	25,000	-	-	-	25,000
ER / EID document	38,000	-	38,000	-	-	-	38,000
Contingency	86,000	-	86,000	-	-	-	86,000
Total Expenditures	1,218,000	-	1,218,000	-	856	856	1,217,144
Revenues over (under) expenditures	(18,000)	-	(18,000)	-	(856)	(856)	17,144
Other financing sources (uses):							
Transfers to / from other funds:							
Transfer from Water and Sewer Fund	18,000	-	18,000	-	-	-	(18,000)
Total other financing sources (uses)	18,000	-	18,000	-	-	-	(18,000)
Net change in fund balance	\$ -	\$ -	\$ -	\$ -	(856)	\$ (856)	\$ (856)
Fund balance, beginning					-		
Fund balance, ending					<u><u>\$ (856)</u></u>		

OTHER SUPPLEMENTARY INFORMATION

This section contains additional information required
on property taxes.

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

Town of Fremont
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

<u>Fiscal</u> <u>Year</u>	<u>Uncollected</u> <u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Collections</u> <u>and Credits</u>	<u>Uncollected</u> <u>Balance</u> <u>June 30, 2019</u>
2019	\$ -	\$ 339,875	\$ 324,804	\$ 15,071
2018	14,485	-	7,434	7,051
2017	7,301	-	3,941	3,360
2016	3,704	-	1,441	2,263
2015	2,364	-	285	2,079
2014	1,826	-	312	1,514
2013	1,935	-	322	1,613
2012	1,815	-	330	1,485
2011	1,131	-	278	853
2010	966	-	278	688
2009	947	-	947	-
	<u>\$ 36,474</u>	<u>\$ 339,875</u>	<u>\$ 340,372</u>	<u>\$ 35,977</u>

Less: allowance for uncollectible accounts - taxes (10,495)

Ad valorem taxes receivable-net \$ 25,482

Reconcilement with revenues:

Ad valorem taxes-General Fund	\$ 332,466
Reconciling items:	
Interest collected	(2,208)
Taxes written off	947
Releases (prior years) and other adjustments	<u>9,167</u>
Subtotal	<u>7,906</u>
Total collections and credits	<u><u>\$ 340,372</u></u>

Town of Fremont
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2019

				Total Levy	
	Town - Wide			Property	Registered
	Property	Rate	Total	excluding	Registered
	Valuation		Levy	Motor	Motor
				Vehicles	Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 52,288,462	\$ 0.65	\$ 339,875	\$ 306,843	\$ 33,032
Discoveries	-	0.65	-	-	-
Abatements (Releases)	-	0.65	-	-	-
Total Property Valuation	<u>\$ 52,288,462</u>				
Net levy			339,875	306,843	33,032
Unpaid (by taxpayer) taxes at June 30, 2019			(15,071)	(15,071)	-
Current year's taxes collected			<u>\$ 324,804</u>	<u>\$ 291,772</u>	<u>\$ 33,032</u>
Current levy collection percentage			<u>95.57%</u>	<u>95.09%</u>	<u>100.00%</u>

COMPLIANCE SECTION



PETWAY

MILLS &

PEARSON, PA

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Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

To the Honorable Mayor
and Members of the Town Council
Town of Fremont, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fremont, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Fremont's basic financial statements, and have issued our report thereon dated March 13, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item Finding 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

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

described in the accompany schedule of findings and questioned costs as item: Finding 2019-001.

Town of Fremont's Response to Finding

The Town of Fremont's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Fremont's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

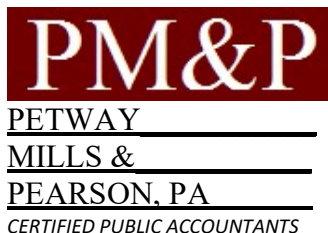
Purpose of this Report

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

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

March 13, 2020



C. Briggs Petway, Jr.
Phyllis M. Pearson

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Management
Association

Independent Auditors' Report on Compliance for Each Major State Program and on Internal Control over Compliance in Accordance with Uniform Guidance and the State Single Audit Implementation Act

To the Honorable Mayor
And Members of the Town Council
Town of Fremont, North Carolina

Report on Compliance for Each Major State Program

We have audited Town of Fremont's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on Town of Fremont's major State program as of and for the year ended June 30, 2019. Town of Fremont's major State program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Town of Fremont's major State program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in and applicable sections of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Town of Fremont's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major State program. However, our audit does not provide a legal determination of Town of Fremont's compliance.

Opinion on Each Major State Program

In our opinion, Town of Fremont complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major State program as of and for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Town of Fremont is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Fremont's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the

auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

March 13, 2020

**Town of Fremont
Schedule of Findings and Responses
For the Year Ended June 30, 2019**

SECTION I. – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified
that are not considered to be
material weaknesses? yes X none reported

Noncompliance material to financial
statements noted X yes no

State Awards

Internal control over major State Programs

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified
that are not considered to be
material weaknesses? yes X none reported

Noncompliance material to State awards yes X no

Type of auditor's report issued on
compliance for major State programs: Unmodified

Any audit findings disclosed that are
required to be reported in accordance
with Uniform Guidance yes X no

Identification of major State Programs Disaster Recovery

**Town of Fremont
Schedule of Findings and Responses
For the Year Ended June 30, 2019**

SECTION I. – FINANCIAL STATEMENT FINDINGS

Material Weakness

2019-001	Expenditures in Excess of Appropriations
Criteria:	North Carolina General Statutes require all moneys expended by a local government to be included in the budget.
Condition:	<p>The Town's Electric Fund expenditures exceeded authorized appropriations made by the governing board for Administration by \$41,430. The Town's Water and Sewer Fund expenditures exceeded authorized appropriations made by the governing board for Waste Collection and Treatment by \$98,738 and debt service principal payments by \$25,524.</p> <p>North Carolina statutes require the Town to appropriate sufficient funds for debt principal and interest payments. The Town did not comply.</p>
Effect:	The Town did not comply with North Carolina General Statutes.
Cause:	The Town did not properly budget for expenses. This is mainly due to the Town not budgeting for outstanding sewer amounts owed to the City of Goldsboro.
Recommendation:	We recommend that the Town review budget to actual reports regularly and look more closely at expenditure accruals at year end to ensure that all expenditures related to the fiscal year are accounted for in the budget.
Views of responsible officials and planned corrective actions:	The Town agrees with this finding. The Town will review budget to actual reports regularly and look more closely at expenditure accruals at year end to ensure that all expenditures related to the fiscal year are accounted for in the budget.

SECTION III. – STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**Town of Fremont
Corrective Action Plan
For the Year Ended June 30, 2019**

SECTION II. – FINANCIAL STATEMENT FINDINGS

Material Weakness

2019-001

Contact Person: Barbara Aycock, Town Administrator

Corrective Action: The Town will review budget to actual reports regularly and look more closely at expenditure accruals at year end to ensure that all expenditures related to the fiscal year are accounted for in the budget. The Town has contracted with a CPA to maintain their books. The Town sold 50% of its sewer capacity to the City of Goldsboro in October 2020 for \$687,000.

Completion Date: June 30, 2020

SECTION III. – STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

Town of Fremont
Summary Schedule of Prior Year's Audit Findings
For the Year Ended June 30, 2019

Finding 2018-001

Status: Repeated as Finding 2019-001.

Finding 2018-002

Status: The finding is resolved. Capital project funds did not have a negative fund

Town of Fremont, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2019

Grantor/Pass-through/ Grantor-Program Title	CFDA Number	State / Pass- through Grantor's Number	Federal Expenditures	State Expenditures
FEDERAL AWARDS				
US Department of Homeland Security				
Passed through North Carolina Department of Public Safety				
Division of Emergency Management				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	2D51 Hurricane Florence	\$ 87,938	\$ 29,313
Homeland Security Grant Program	97.067	60013N19	8,625	-
US Environmental Protection Agency				
Passed through North Carolina Department of Environmental Quality				
Capitalization Grants for Clean Water State Revolving Funds Cluster	66.458	E-HUC-W-15-0003	124,292	-
US Department of Agriculture				
Direct Program				
Community Facilities Loans and Grants Program	10.766		30,000	-
TOTAL FEDERAL AWARDS				
STATE AWARDS				
NC Department of Natural and Cultural Resources				
Direct Program				
Parks and Recreation Trust Fund				7,759
NC Department of Natural and Cultural Resources				
Passed through North Carolina Arts Council				
Grassroots Arts Program				1,700
NC Department of Transportation				
Direct Program				
Powell Bill		38570		62,663
NC Department of Commerce				
Direct Program				
Downtown Revitalization and Economic Development				119,121
Golden Leaf Foundation				
Direct Program				
Disaster Recovery		17-161		327,194
TOTAL FEDERAL AND STATE AWARDS			\$ 250,855	\$ 547,750

The notes to the Schedule of Expenditures of Federal and State Awards are an integral part of this statement.

Notes to the Schedule of Expenditures of Federal and State Awards

Town of Fremont, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2019

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the Federal and State grant activity of the Town under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in this Schedule of Expenditures of Federal and State Awards is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and of the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Fremont, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Fremont.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the Schedule of Expenditures of Federal and State Awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Town of Fremont has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.