

TOWN OF FREMONT
FINANCIAL STATEMENTS
FREMONT, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2020

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FINANCIAL STATEMENTS
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JUNE 30, 2020**

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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, 2020, 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, 2020, 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 January 19, 2021, 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

January 19, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Town of Fremont, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

As management of the Town of Fremont (the "Town"), 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, 2020. 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 \$10,169,757 (net position).
- The government's total net position increased by \$1,103,346, primarily due to the sale of sewer capacity to the City of Goldsboro and grant revenues from the North Carolina Department of Environmental Quality which increased the business-type activities net position.
- At the close of the current fiscal year, the Town of Fremont's governmental funds reported combined ending fund balances of \$319,504 with a net increase of \$26,740 in fund balance. Approximately 65.08 percent of this total amount, or \$207,938, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$95,918, or 9.65 percent of total general fund expenditures for the fiscal year.
- The Town of Fremont's total debt decreased by \$39,859 (4.05%) during the current fiscal year. The key factors in this decrease were debt service principal payments totaling \$66,859 less a new loan of \$27,000 from the United States Department of Agriculture for the purchase of police vehicles.
- The Town sold 300,000 gallons per day of wastewater treatment capacity to the City of Goldsboro for \$687,000. The City of Goldsboro shall credit the Town of Fremont's wastewater treatment account \$687,000 and deduct any charges incurred by the Town of Fremont until this credit is exhausted. The remaining credit balance of the Town's account as of June 30, 2020 was \$71,505 which is shown as a note receivable from the City of Goldsboro in the Town's business-type activities.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to 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.

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.

**Town of Fremont, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

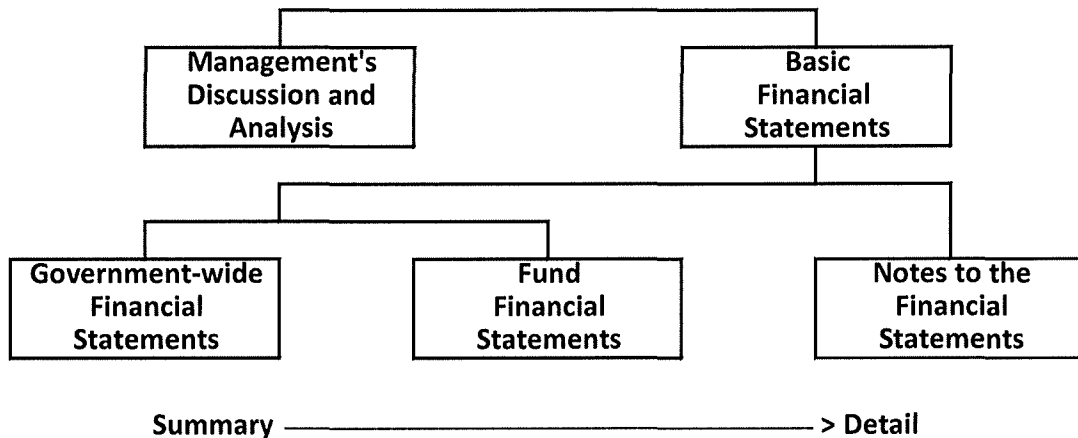
The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1)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

Required Components of Annual Financial Report

Figure 1

Figure 1

Required Components of Annual Financial Report



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 of resources. Measuring net position is one way to gage the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, transportation, environmental protection, parks and recreation, 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 government-wide financial statements are on Exhibits 1 and 2 of this report.

Town of Fremont, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2020

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 – Town of Fremont has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. 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 29 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 and other post-employment benefits (OPEB) to its employees. Required supplementary information can be found beginning on page 60 of this report.

Town of Fremont, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2020

Interdependence with Other Entities: The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-wide Financial Analysis

Town of Fremont's Net Assets
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 405,752	\$ 366,749	\$ 938,699	\$ 871,179	\$ 1,344,451	\$ 1,237,928
Capital assets	704,288	544,313	10,357,742	9,765,147	11,062,030	10,309,460
Total assets	<u>1,110,040</u>	<u>911,062</u>	<u>11,296,441</u>	<u>10,636,326</u>	<u>12,406,481</u>	<u>11,547,388</u>
Deferred outflows of resources	<u>114,156</u>	<u>117,214</u>	<u>145,614</u>	<u>107,650</u>	<u>259,770</u>	<u>224,864</u>
Long-term liabilities outstanding	670,344	672,787	1,425,555	1,296,845	2,095,899	1,969,632
Other liabilities	41,410	40,290	249,451	480,518	290,861	520,808
Total liabilities	<u>711,754</u>	<u>713,077</u>	<u>1,675,006</u>	<u>1,777,363</u>	<u>2,386,760</u>	<u>2,490,440</u>
Deferred inflows of resources	<u>47,372</u>	<u>38,560</u>	<u>62,362</u>	<u>34,969</u>	<u>109,734</u>	<u>73,529</u>
Net Position:						
Net investment in						
capital assets	580,189	426,471	9,537,770	8,899,058	10,117,959	9,325,529
Restricted	215,253	276,200	52,445	-	267,698	276,200
Unrestricted	<u>(330,372)</u>	<u>(426,032)</u>	<u>114,472</u>	<u>32,586</u>	<u>(215,900)</u>	<u>(393,446)</u>
Total net position	<u>\$ 465,070</u>	<u>\$ 276,639</u>	<u>\$ 9,704,687</u>	<u>\$ 8,931,644</u>	<u>\$ 10,169,757</u>	<u>\$ 9,208,283</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Fremont exceeded liabilities and deferred inflows by \$10,169,757 as of June 30, 2020. The Town's net position increased by \$1,103,346 for the fiscal year ended June 30, 2020. However, the largest portion (99.49%) 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 assets \$267,968 (2.63%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$215,900) (2.12%) is unrestricted.

**Town of Fremont, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

**Town of Fremont's Changes in Net Position
Figure 3**

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 148,954	\$ 106,732	\$ 2,555,261	\$ 2,705,218	\$ 2,704,215	\$ 2,811,950
Operating grants and contributions	142,967	125,482	-	44,956	142,967	170,438
Capital grants and contribution	156,000	125,000	1,546,701	467,486	1,702,701	592,486
General Revenues:						
Property taxes	436,282	391,530	-	-	436,282	391,530
Other taxes and licenses	2,646	4,692	-	-	2,646	4,692
Unrestricted intergovernmental	274,439	272,187	-	7,066	274,439	279,253
Investment earnings	3,572	5,076	596	1,401	4,168	6,477
Other	41,285	11,326	14,165	12,931	55,450	24,257
Total revenues	<u>1,206,145</u>	<u>1,042,025</u>	<u>4,116,723</u>	<u>3,239,058</u>	<u>5,322,868</u>	<u>4,281,083</u>
Expenses:						
General government	290,429	328,687	-	-	290,429	328,687
Public safety	455,586	447,137	-	-	455,586	447,137
Transportation	165,513	163,823	-	-	165,513	163,823
Environmental protection	195,229	158,763	-	-	195,229	158,763
Cultural and recreation	7,238	21,020	-	-	7,238	21,020
Interest expense	4,691	12,490	-	-	4,691	12,490
Electric	-	-	1,469,508	1,588,695	1,469,508	1,588,695
Water and Sewer	-	-	1,631,328	1,586,326	1,631,328	1,586,326
Total expenses	<u>1,118,686</u>	<u>1,131,920</u>	<u>3,100,836</u>	<u>3,175,021</u>	<u>4,219,522</u>	<u>4,306,941</u>
Increase (decrease) in net position before transfers	87,459	(89,895)	1,015,887	64,037	1,103,346	(25,858)
Transfers	<u>79,072</u>	<u>17,772</u>	<u>(79,072)</u>	<u>(17,772)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	166,531	(72,123)	936,815	46,265	1,103,346	(25,858)
Net position, July 1 as previously reported	309,389	38,058	8,883,594	8,660,235	9,192,983	8,698,293
Prior period adjustment	(10,850)	92,151	(115,722)	(302,147)	(126,572)	(209,996)
Cummulative effect of change in accounting principle	-	251,303	-	479,241	-	730,544
Net position, July 1 as restated	<u>298,539</u>	<u>381,512</u>	<u>8,767,872</u>	<u>8,837,329</u>	<u>9,066,411</u>	<u>9,218,841</u>
Net position, June 30	<u>\$ 465,070</u>	<u>\$ 309,389</u>	<u>\$ 9,704,687</u>	<u>\$ 8,883,594</u>	<u>\$ 10,169,757</u>	<u>\$ 9,192,983</u>

**Town of Fremont, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 95.04%. The statewide average in fiscal year 2019 was 98.78%.
- Increased property tax revenues of approximately \$16,336 due to an increase in the tax rate of \$0.01 per \$100 of assessed property value.

Governmental Activities. Governmental activities increased the Town's net position by \$166,531 accounting for 15.09% of the total growth in net position of the Town of Fremont. The increase in net position was the result of grants from the United States Department of Agriculture of \$32,000 for the purchase of police vehicles and \$124,000 from the Golden Leaf Foundation for storm drainage improvements.

Business-type Activities. Business-type activities increased the Town of Fremont's net position by \$936,815 accounting for 84.91% of the total growth in the Town's net position. A key element of this increase was due to the sale of 300,000 gallons per day of waste water treatment capacity to the City of Goldsboro. The Town also received a grant proceeds of \$859,701 from the North Carolina Department of Environment Quality for the sewer rehabilitation capital project.

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.

The general fund is the chief operating fund of the Town of Fremont. At the end of the current fiscal year, Town of Fremont's fund balance available in the General Fund was \$203,998, while total fund balance reached \$272,453. The Town currently has an available fund balance of 20.53% of general fund expenditures and transfer out to other funds, while total fund balance represents 27.42% of the same amount.

At June 30, 2020, the governmental funds of Town of Fremont reported a combined fund balance of \$319,504 with a net increase in fund balance of \$26,740.

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.

Although expenditures were compliant with budgetary requirements, the Town did amend the budget to account for additional intergovernmental revenues from the North Carolina Department of Revenue, USDA grant and loan proceeds for the purchase of police vehicles and reimbursements from FEMA for repairs due to damages from hurricanes.

**Town of Fremont, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

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 a deficit of \$(80,828), and the Electric Fund amounted to \$195,300. The total change in net position for the Water and Sewer and the Electric Funds was \$1,009,595 and (\$72,780), respectively. The change in net position in the Water and Sewer Fund is the result of capital contributions related to the capital project and the sale of waste water treatment capacity to the City of Goldsboro. The change in net position in the Electric Fund is the result of interfund transfers to the General Fund of \$61,300 and Fire Department Fund of \$17,772.

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, 2020, totals \$11,062,030 (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:

- Purchase of equipment for the Fire Department of \$20,152
- Replacement of the roof on the Fire Department at a cost of \$32,745
- Storm drainage improvements of \$124,250
- Purchase of 2 police vehicles totaling \$61,402
- Construction in progress of \$889,123 in business type activities.

**Town of Fremont's Capital Assets
(net of depreciation)
Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land and construction						
in progress	\$ 49,887	\$ 49,887	\$ 1,242,191	\$ 353,924	\$ 1,292,078	\$ 403,811
Distribution and treatment systems	-	-	9,082,758	9,365,501	9,082,758	9,365,501
Buildings	356,164	342,942	-	-	356,164	342,942
Infrastructure	144,489	26,783	-	-	144,489	26,783
Equipment	32,194	18,214	13,354	15,114	45,548	33,328
Vehicles	121,554	106,487	19,439	30,608	140,993	137,095
Total	\$ 704,288	\$ 544,313	\$ 10,357,742	\$ 9,765,147	\$ 11,062,030	\$ 10,309,460

Additional information on the Town's capital assets can be found on page 39 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2020, the Town of Fremont had total bonded debt outstanding of \$557,500. This debt is backed by the full faith and credit of the Town. The remainder of the Town's debt represents direct borrowings and placements with the United States Department of Agriculture and Wayne County totaling \$386,571.

**Town of Fremont, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

**Town of Fremont's Outstanding Debt
Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ -	\$ -	\$ 557,500	\$ 574,500	\$ 557,500	\$ 574,500
Installment purchases	124,099	117,842	150,758	156,793	274,857	274,635
Notes payable	-	-	91,200	102,600	91,200	102,600
Notes payable - Wayne County	-	-	20,514	32,196	20,514	32,196
Compensated absences	36,778	23,362	30,920	37,256	67,698	60,618
Net pension liability - NCLGERS	111,369	126,398	183,024	136,932	294,393	263,330
Total pension liability - LEOSSA	150,359	146,525	-	-	150,359	146,525
Total OPEB liability	265,858	248,012	436,912	344,893	702,770	592,905
Total	\$ 688,463	\$ 662,139	\$ 1,470,828	\$ 1,385,170	\$ 2,159,291	\$ 2,047,309

Town of Fremont's Outstanding Debt: The Town of Fremont's total debt increased by \$111,982 (5.47%) during the current fiscal year. The key factors in this increase were the issuance of notes payable to the USDA of \$27,000 less debt service principal payments of \$66,860; an increase of \$7,080 in compensation absences; an increase of \$31,063 in the net pension liability for the Local Government Employees Retirement System (LGERs); an increase of \$3,834 in the total pension liability for the Law Enforcement Officers Special Separation Allowance (LEOSSA); and an increase of \$109,865 in the liability for Other Post-Employment Benefits (OPEB).

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Fremont is \$4,133,954. The Town has \$285,000 in notes payable authorized but unissued at June 30, 2020. Additional information regarding the Town of Fremont's long-term debt can be found beginning on page 52 of this report.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: Total budgeted expenditures for the fiscal year ending June 30, 2021 are \$962,043. The property tax rate will increase by \$0.01 to \$0.67 per \$100 of assessed property value. The Town received a grant of \$349,500 and a loan of \$285,000 from the United States Department of Agriculture for the purchase of 2 new fire trucks in fiscal year 2021.

Business-type Activities: The budgeted operating revenues and expenditures for the fiscal year 2021 in the Electric Fund and Water and Sewer Fund are \$1,608,281 and \$1,186,158, respectively. The Town also increased water and sewer rates for fiscal year 2021.

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, PO Box 4, 126 E. Main Street, Fremont, NC 27830. One can also call (919) 242-5151, visit our website www.fremontnc.gov or send an email to townhall@fremontnc.gov for more information.

BASIC FINANCIAL STATEMENTS

Town of Fremont
Statement of Net Position
June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 237,126	\$ 264,722	\$ 501,848
Restricted cash and cash equivalents	145,483	135,695	281,178
Investments	55,500	45,967	101,467
Taxes receivables, (net)	41,549	-	41,549
Accounts receivable (net)	22,180	237,549	259,729
Other receivables	-	-	-
Due from other governments	69,815	16,948	86,763
Internal balances	(165,901)	165,902	1
Notes receivable	-	71,505	71,505
Prepaid items	-	412	412
Total current assets	405,752	938,700	1,344,452
Noncurrent asset:			
Capital assets (Note 2)			
Land, non-depreciable improvements, and construction in progress	49,887	1,242,191	1,292,078
Other capital assets, net of depreciation	654,401	9,115,550	9,769,951
Total capital assets	704,288	10,357,741	11,062,029
Total noncurrent assets	704,288	10,357,741	11,062,029
Total assets	1,110,040	11,296,441	12,406,481
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	85,738	98,911	184,649
OPEB deferrals	28,418	46,703	75,121
Total deferred outflows of resources	114,156	145,614	259,770
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	23,291	120,928	144,219
Current portion of long-term liabilities	18,119	45,273	63,392
Liabilities payable from restricted assets:			
Customer deposits	-	83,250	83,250
Total current liabilities	41,410	249,451	290,861
Long-term liabilities:			
Net pension liability - LGERS	111,369	183,024	294,393
Total pension liability - LEOSSA	150,359	-	150,359
Total OPEB liability	265,858	436,912	702,770
Compensated absences	36,778	30,920	67,698
Due in more than one year	105,980	774,699	880,679
Total long-term liabilities	670,344	1,425,555	2,095,899
Total liabilities	711,754	1,675,006	2,386,760
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	11,009	6,880	17,889
OPEB deferrals	33,760	55,482	89,242
Unavailable revenue	2,603	-	2,603
Total deferred inflows of resources	47,372	62,362	109,734
NET POSITION			
Net investment in capital assets	580,189	9,537,770	10,117,959
Restricted for:			
Stabilization by State Statute	68,455	-	68,455
Streets	76,813	-	76,813
Public Safety	47,051	-	47,051
USDA Debt Service	22,934	52,445	75,379
Unrestricted	(330,372)	114,472	(215,900)
Total net position	\$ 465,070	\$ 9,704,687	\$ 10,169,757

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, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 290,429	\$ 3,995	\$ -	\$ 124,000	\$ (162,434)	\$ -	\$ (162,434)
Public safety	455,586	95	99,259	32,000	(324,232)	-	(324,232)
Transportation	165,513	-	42,778	-	(122,735)	-	(122,735)
Environmental protection	195,229	144,864	930	-	(49,435)	-	(49,435)
Cultural and recreational	7,238	-	-	-	(7,238)	-	(7,238)
Interest on long-term debt	4,691	-	-	-	(4,691)	-	(4,691)
Total governmental activities	1,118,686	148,954	142,967	156,000	(670,765)	-	(670,765)
Business-type activities:							
Electric	1,469,508	1,465,754	-	-	-	(3,754)	(3,754)
Water and Sewer Fund	1,631,328	1,089,507	-	1,546,701	-	1,004,880	1,004,880
Total business-type activities	3,100,836	2,555,261	-	1,546,701	-	1,001,126	1,001,126
Total primary government	\$ 4,219,522	\$ 2,704,215	\$ 142,967	\$ 1,702,701	(670,765)	1,001,126	330,361
General revenues:							
Taxes							
Property taxes, levied for general purpose					436,282	-	436,282
Other taxes					2,646	-	2,646
Grants and contributions not restricted to specific programs					274,439	-	274,439
Unrestricted investment earnings					3,572	596	4,168
Miscellaneous					41,285	14,165	55,450
Special item - sale of surplus property					-	-	-
Gain (loss) on disposal of capital assets					-	-	-
Total general revenues not including transfers					758,224	14,761	772,985
Transfers					79,072	(79,072)	-
Total general revenues and transfers					837,296	(64,311)	772,985
Change in net position					166,531	936,815	1,103,346
Net position, beginning as previously reported					309,389	8,883,594	9,192,983
Prior period adjustments					(10,850)	(115,722)	(126,572)
Net position, beginning as restated					298,539	8,767,872	9,066,411
Net position, ending					\$ 465,070	\$ 9,704,687	\$ 10,169,757

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

**Town of Fremont
Balance Sheets
Governmental Funds
June 30, 2020**

	Major Fund	Total	Total
	General Fund	Non-Major Funds	Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 237,126	\$ -	\$ 237,126
Restricted cash and cash equivalents	99,747	45,736	145,483
Investments	55,500	-	55,500
Receivables, net:			
Taxes	41,549	-	41,549
Accounts receivable, garbage	22,180	-	22,180
Other receivables	-	-	-
Due from other governments	68,455	1,360	69,815
Total assets	<u>\$ 524,557</u>	<u>\$ 47,096</u>	<u>\$ 571,653</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 19,871	\$ 45	\$ 19,916
Due to other funds	165,901	-	165,901
Total liabilities	<u>185,772</u>	<u>45</u>	<u>185,817</u>
DEFERRED INFLOWS OF RESOURCES			
Accounts receivable, garbage	22,180	-	22,180
Property taxes receivable	41,549	-	41,549
Unavailable revenue	2,603	-	2,603
Total deferred inflows of resources	<u>66,332</u>	<u>-</u>	<u>66,332</u>
FUND BALANCES			
Restricted:			
Stabilization by State Statute	68,455	-	68,455
Streets	76,813	-	76,813
Public Safety	-	47,051	47,051
USDA Debt Service	22,934	-	22,934
Committed:			
Public Safety	15,648	-	15,648
Unassigned	88,603	-	88,603
Total fund balances	<u>272,453</u>	<u>47,051</u>	<u>319,504</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 524,557</u>	<u>\$ 47,096</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.

Deferred outflows of resources related to pension are not reported in the funds	704,288
Deferred outflows of resources related to OPEB are not reported in the funds	85,738
Earned revenues considered deferred inflows of resources in fund statements.	28,418
Deferred inflows of resources related to pensions are not reported in the funds	63,729
Deferred inflows of resources related to OPEB are not reported in the funds	(11,009)
Installment purchases	(33,760)
Net pension liability	(124,099)
Total OPEB liability	(111,369)
Total pension liability - LEO	(265,858)
Compensated absences	(150,359)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	(36,778)

Net position of governmental activities

(3,376)
\$ 465,069

Town of Fremont
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	Major Fund		Total		Total
	General Fund		Non-Major		Governmental
			Funds		Funds
REVENUES					
Ad valorem taxes	\$ 348,802	\$	71,413	\$	420,215
Other taxes and licenses	2,646		-		2,646
Unrestricted intergovernmental	274,439		-		274,439
Restricted intergovernmental	174,967		124,000		298,967
Permits and fees	690		-		690
Sales and services	147,766		-		147,766
Investment earnings	3,572		-		3,572
Miscellaneous	21,169		20,116		41,285
Total revenues	<u>974,051</u>		<u>215,529</u>		<u>1,189,580</u>
EXPENDITURES					
Current:					
General government	242,061		-		242,061
Public safety	331,771		79,994		411,765
Transportation	156,358		-		156,358
Environmental protection	188,795		124,250		313,045
Cultural and recreational	5,748		-		5,748
Capital outlay	61,402		52,898		114,300
Debt service					
Principal retirement	6,726		14,016		20,742
Interest	309		4,584		4,893
Total expenditures	<u>993,170</u>		<u>275,742</u>		<u>1,268,912</u>
Revenues over (under) expenditures	<u>(19,119)</u>		<u>(60,213)</u>		<u>(79,332)</u>
Other financing sources:					
Tranfers (to) from other funds	61,050		18,022		79,072
Loan proceeds	27,000		-		27,000
Total other financing sources	<u>88,050</u>		<u>18,022</u>		<u>106,072</u>
Net change in fund balance	68,931		(42,191)		26,740
Fund balances, beginning as previously reported	214,372		89,242		303,614
Prior period adjustment	(10,850)		-		(10,850)
Fund balances, beginning as restated	<u>203,522</u>		<u>89,242</u>		<u>292,764</u>
Fund balances, ending	<u>\$ 272,453</u>	\$	<u>47,051</u>	\$	<u>\$ 319,504</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, 2020

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

Net changes in fund balances - total governmental funds		\$ 26,740
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	238,549	
Depreciation expense for governmental assets	<u>(78,574)</u>	159,975
Basis of capital asset sold		-
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		52,992
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		8,170
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	16,067	
Change in unavailable revenue for garbage revenues	<u>498</u>	16,565
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	(27,000)	
Principal payments on long-term debt	20,742	
Change in accrued interest payable	<u>201</u>	(6,056)
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		(13,416)
Pension expense		(79,059)
OPEB plan expense		<u>620</u>
Total changes in net position of governmental activities		<u><u>\$ 166,531</u></u>

Town of Fremont
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 360,863	\$ 362,758	\$ 348,802	\$ (13,956)
Other taxes and licenses	2,346	2,646	2,646	-
Unrestricted intergovernmental	267,100	300,450	274,439	(26,011)
Restricted intergovernmental	68,093	199,351	174,967	(24,384)
Permits and fees	565	565	690	125
Sales and services	151,400	151,400	147,766	(3,634)
Investment earnings	3,700	3,700	3,572	(128)
Miscellaneous	41,530	42,321	21,169	(21,152)
Total revenues	895,597	1,063,191	974,051	(89,140)
Expenditures:				
Current:				
General government	267,012	305,751	242,061	63,690
Public safety	322,931	383,281	331,771	51,510
Transportation	131,659	181,258	156,358	24,900
Environment protection	172,438	219,225	188,795	30,430
Cultural and recreation	4,900	6,000	5,748	252
Capital Outlay	45,000	63,800	61,402	2,398
Debt Service				
Principal retirement	6,817	6,726	6,726	-
Interest and other charges	-	400	309	91
Total expenditures	950,757	1,166,441	993,170	173,271
Revenues over (under) expenditures	(55,160)	(103,250)	(19,119)	84,131
Other financing sources (uses):				
Transfers (to) from other funds	76,500	76,250	61,050	(15,200)
Loan proceeds	-	27,000	27,000	-
Sale of fixed assets	-	-	-	-
Total other financing sources (uses)	76,500	103,250	88,050	(15,200)
Fund balance appropriated	(21,340)	-	-	-
Net change in fund balance	\$ -	\$ -	68,931	\$ 68,931
Fund balances, beginning as previously reported			214,372	
Prior period adjustment			(10,850)	
Fund balances, beginning as restated			203,522	
Fund balances, ending			\$ 272,453	

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

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>(39,373)</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, 2020**

	Water and Sewer		
	Electric Fund	Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 164,082	\$ 100,640	\$ 264,722
Restricted cash and cash equivalents	67,520	68,175	135,695
Investments	2,258	43,709	45,967
Accounts receivable (net)	128,559	108,990	237,549
Due from other governments	-	16,948	16,948
Due from other funds	234,197	-	234,197
Notes receivable	-	71,505	71,505
Prepaid items	-	412	412
Total current assets	<u>596,616</u>	<u>410,379</u>	<u>1,006,995</u>
Noncurrent assets:			
Capital assets:			
Land and construction in progress	137,268	1,104,923	1,242,191
Other capital assets, net of depreciation	37,581	9,077,969	9,115,550
Capital assets	<u>174,849</u>	<u>10,182,892</u>	<u>10,357,741</u>
Total noncurrent assets	<u>174,849</u>	<u>10,182,892</u>	<u>10,357,741</u>
Total assets	<u>771,465</u>	<u>10,593,271</u>	<u>11,364,736</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	43,227	55,684	98,911
OPEB deferrals	20,411	26,292	46,703
Total deferred outflows of resources	<u>63,638</u>	<u>81,976</u>	<u>145,614</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	85,026	35,902	120,928
Due to other funds	-	68,295	68,295
Current portion of long-term debt	-	45,273	45,273
Liabilities payable from restricted assets:			
Customer deposits	67,520	15,730	83,250
Total current liabilities	<u>152,546</u>	<u>165,200</u>	<u>317,746</u>
Non-current liabilities:			
Net pension liability - LGERS	79,986	103,038	183,024
Total OPEB liability	190,943	245,969	436,912
Compensated absences	14,224	16,696	30,920
Due on more than one year	-	774,699	774,699
Total noncurrent liabilities	<u>285,153</u>	<u>1,140,402</u>	<u>1,425,555</u>
Total liabilities	<u>437,699</u>	<u>1,305,602</u>	<u>1,743,301</u>
DEFERRED INFLOWS OF RESOURCES			
OPEB deferrals	24,247	31,235	55,482
Pension deferrals	3,007	3,873	6,880
Total deferred inflows of resources	<u>27,254</u>	<u>35,108</u>	<u>62,362</u>
NET POSITION			
Net investment in capital assets	174,849	9,362,920	9,537,769
USDA debt service	-	52,445	52,445
Unrestricted	195,301	(80,828)	114,473
Total net position	<u>\$ 370,150</u>	<u>\$ 9,334,537</u>	<u>\$ 9,704,687</u>

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, 2020

	Water and Sewer		
	Electric Fund	Fund	Total
OPERATING REVENUES			
Charges for services	\$ 1,435,490	\$ 1,086,849	\$ 2,522,339
Other operating revenues	30,264	2,658	32,922
Total operating revenues	1,465,754	1,089,507	2,555,261
OPERATING EXPENSES			
Administration	260,998	192,426	453,424
Electric power purchases	1,043,154	-	1,043,154
Electrical Operations	156,683	-	156,683
Water treatment and distribution	-	387,770	387,770
Waste collection and treatment	-	732,938	732,938
Depreciation	8,613	287,059	295,672
Total operating expenses	1,469,448	1,600,193	3,069,641
Operating income (loss)	(3,694)	(510,686)	(514,380)
NONOPERATING REVENUES (EXPENSES)			
Insurance proceeds	-	4,119	4,119
Miscellaneous revenue	10,046	-	10,046
Investment earnings	-	596	596
Grant Revenue	-	687,000	687,000
Interest expense	(60)	(31,135)	(31,195)
Total nonoperating revenue (expenses)	9,986	660,580	670,566
Income (loss) before contributions and transfers	6,292	149,894	156,186
Capital contributions	-	859,701	859,701
Transfers to other funds	(79,072)	-	(79,072)
Total income (loss) after contributions and transfers	(72,780)	1,009,595	936,815
Change in net position	(72,780)	1,009,595	936,815
Total net position, beginning as previously reported	532,132	8,351,462	8,883,594
Prior period adjustments	(89,202)	(26,520)	(115,722)
Total net position, beginning as restated	442,930	8,324,942	8,767,872
Total net position, ending	\$ 370,150	\$ 9,334,537	\$ 9,704,687

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, 2020

	Electric Fund	Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,535,004	\$ 1,082,030	\$ 2,617,034
Cash paid for goods and services	(1,029,625)	(1,000,611)	(2,030,236)
Cash paid to or on behalf of employees for services	(321,614)	(402,187)	(723,801)
Cash received (paid) for customer deposits - net	7,265	765	8,030
Net cash provided (used) by operating activities	191,030	(320,003)	(128,973)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Miscellaneous revenues	10,046	4,119	14,165
Transfers from other funds	-	-	-
Interfund activity	(71,343)	(43,359)	(114,702)
Transfers to other funds	(79,072)	-	(79,072)
Net cash provided (used) by noncapital financing activities	(140,369)	(39,240)	(179,609)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(888,267)	(888,267)
Grants revenue	-	1,546,701	1,546,701
Principal paid on long-term debt	(1,524)	(44,593)	(46,117)
Proceeds from notes receivable	-	(71,505)	(71,505)
Interest paid on debt	(60)	(31,003)	(31,063)
Net cash provided (used) by capital and related financing activities	(1,584)	511,333	509,749
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	-	596	596
Net cash provided (used) by investing activities	-	596	596
Net increase (decrease) in cash and cash equivalents	49,077	152,686	201,763
Cash balances, beginning	182,525	16,129	198,654
Cash balances, ending	\$ 231,602	\$ 168,815	\$ 400,417
Reconciliation to Statement of Net Position - Proprietary Funds			
Cash and cash equivalents	\$ 164,082	\$ 100,640	\$ 264,722
Restricted cash and cash equivalents	67,520	68,175	135,695
	\$ 231,602	\$ 168,815	\$ 400,417

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, 2020

	Electric Fund	Water and Sewer Fund	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ (3,694)	\$ (510,686)	\$ (514,380)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	8,613	287,059	295,672
Changes in assets, deferred outflows, liabilities and deferred inflows:			
(Increase) decrease in accounts receivable	69,250	47,692	116,942
(Increase) decrease in prepaid items	-	1,532	1,532
(Increase) decrease in deferred outflows of resources - pensions	1,867	1,173	3,040
(Increase) decrease in deferred outflows of resources - OPEB	(11,202)	(15,468)	(26,670)
Increase (decrease) in net pension liability	19,420	26,672	46,092
Increase (decrease) in deferred inflows of resources - pensions	2,119	2,754	4,873
Increase (decrease) in deferred inflows of resources - OPEB	(180)	2,524	2,344
Increase (decrease) in accrued OPEB liability	32,400	59,619	92,019
Increase (decrease) in accounts payable	68,275	(219,451)	(151,176)
Increase (decrease) in customer deposits	7,265	(190)	7,075
Increase (decrease) in compensated absences	(3,103)	(3,233)	(6,336)
Total adjustments	194,724	190,683	385,407
Net cash provided by operating activities	\$ 191,030	\$ (320,003)	\$ (128,973)

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

NOTES TO THE FINANCIAL STATEMENTS

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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 six-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, 2020

Storm Drainage Improvements Capital Project Fund. This fund is used to account for storm drainage improvements.

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:

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.

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

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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.

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

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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.

<u>Town of Fremont Restricted Cash</u>	
Governmental Activities	
General Fund	
Streets	\$ 76,813
USDA Reserve	22,934
Fire Department Fund	
Public Safety	45,736
Total Governmental Activities	<u>\$ 145,483</u>
Business-type Activities	
Electric Fund	
Customer deposits	\$ 67,520
Water and Sewer Fund	
Customer deposits	15,730
USDA Reserve	52,445
Total Business-type Activities	<u>\$ 135,695</u>
Total Restricted Cash	<u><u>\$ 281,178</u></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.

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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, 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 2020 fiscal year and OPEB deferrals for the 2020 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

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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.

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.

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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 1039'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.

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.

USDA Debt Service – portion of fund balance that is restricted for payment of USDA loans.

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

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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.
None
 - 2. Contractual Violations
None.
- B. Deficit in Fund Balance or Net Position of Individual Funds
None.
- C. Excess of Expenditures over Appropriations
None.

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, 2020, the Town's deposits had a carrying amount of \$782,626 and a bank balance of \$795,903. Of the bank balance, \$250,000 was covered by federal depository insurance and \$545,903 was covered by collateral held under the Pooling Method. At June 30, 2020, the Town's petty cash fund totaled \$400.

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

2. Investments

At June 30, 2020, the Town had \$101,467 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.

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, 2020. 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, 2020 are net of the following allowances for doubtful accounts.

General Fund:	
Taxes receivable	\$ 41,549
Garbage receivable	22,180
Total General Fund	<u>63,729</u>
Enterprise Funds	
Water and Sewer Fund	108,990
Electric Fund	128,559
Total Enterprise Funds	<u>237,549</u>
Total	<u><u>\$ 301,278</u></u>

4. Capital Assets

Capital assets activity for the Primary Government for the year ended June 30, 2020 was as follows:

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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	<u>49,887</u>	<u>-</u>	<u>-</u>	<u>49,887</u>
Capital assets being depreciated:				
Buildings	588,475	32,745	-	621,220
Improvements	141,833	124,250	-	266,083
Furniture & Equipment	276,187	20,152	7,877	288,462
Vehicles	942,528	61,402	16,186	987,744
Total capital assets being depreciated	<u>1,949,023</u>	<u>238,549</u>	<u>24,063</u>	<u>2,163,509</u>
Less accumulated depreciation for:				
Buildings	245,667	19,389	-	265,056
Improvements	115,051	6,544	-	121,595
Furniture & Equipment	257,973	6,172	7,877	256,268
Vehicles	836,041	46,334	16,186	866,189
Total accumulated depreciation	<u>1,454,732</u>	<u>\$ 78,439</u>	<u>\$ 24,063</u>	<u>1,509,108</u>
Total capital assets being depreciated, net	<u>494,291</u>			<u>654,401</u>
Total Governmental capital assets, net	<u>\$ 544,178</u>			<u>\$ 704,288</u>

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

General government	\$ 19,171
Public safety	46,205
Transportation	5,470
Environmental protection	6,103
Culture and recreation	1,490
	<u>\$ 78,439</u>

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
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	717,864	1,622	-	719,486
Equipment	17,548	1,761	-	19,309
Vehicles	250,250	5,231	-	255,481
Total accumulated depreciation	985,662	\$ 8,614	\$ -	994,276
Total capital assets being depreciated, net	46,195			37,581
Electric Fund capital assets, net	183,463			174,849
Water and Sewer Fund:				
Capital assets not being depreciated:				
Construction in process	\$ 856	\$ 888,267	\$ -	\$ 889,123
Land	215,800	-	-	215,800
Total capital assets not being depreciated	216,656	888,267	-	1,104,923
Capital assets being depreciated:				
Plant and Distribution System	14,448,082	-	-	14,448,082
Furniture & Equipment	237,056	-	-	237,056
Vehicles	84,336	-	-	84,336
Total capital assets being depreciated	14,769,474	-	-	14,769,474
Less accumulated depreciation for:				
Plant and Distribution System	5,107,302	281,121	-	5,388,423
Furniture & Equipment	237,056	-	-	237,056
Vehicles	60,088	5,938	-	66,026
Total accumulated depreciation	5,404,446	\$ 287,059	\$ -	5,691,505
Total capital assets being depreciated, net	9,365,028			9,077,969
Water and Sewer capital assets, net	9,581,684			10,182,892
Business-type activities capital assets, net	\$ 9,765,147			\$ 10,357,741

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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, 2020, was 9.70% of compensation for law enforcement officers and 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is

Town of Fremont, North Carolina
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expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Fremont were \$52,992 for the year ended June 30, 2020.

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, 2020, the Town reported a liability of \$294,393 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2019, the Town's proportion was 0.01078%, which was a decrease of 0.00032% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$128,223. At June 30, 2020, 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	\$ 50,408	\$ -
Changes of assumptions	47,981	-
Net difference between projected and actual earnings on pension plan investments	7,181	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	535	11,066
Town contributions subsequent to the measurement date	52,992	-
Total	<u>\$ 159,097</u>	<u>\$ 11,066</u>

\$52,992 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Town of Fremont, North Carolina
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Year ended June 30:

2021	\$ 49,802
2022	13,740
2023	25,749
2024	5,747
2025	-
Thereafter	-
	<u>\$ 95,038</u>

Actuarial Assumptions. The total pension liability in the December 31, 2018 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, 2018 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, 2019 are summarized in the following table:

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
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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 2018 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)	\$ 673,332	\$ 294,393	\$ (20,581)

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
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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, 2018, 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><u>4</u></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, 2018 valuation. The total pension liability in the December 31, 2018 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	3.26 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, 2018.

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 \$8,170 as benefit came due for the reporting period.

Town of Fremont, North Carolina
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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the Town reported a total pension liability of \$150,359. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing procedures incorporating the actuarial assumption. For the year ended June 30, 2020 the Town recognized pension expense of \$13,010.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,884	\$ 2,792
Changes of assumptions	6,498	4,031
Town benefit payments and plan administrative expense made subsequent to the measurement date	8,170	-
Total	<u>\$ 25,552</u>	<u>\$ 6,823</u>

\$8,170 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:

2021	\$ 2,550
2022	2,550
2023	2,847
2024	2,294
2025	268
Thereafter	50
	<u>\$ 10,559</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 3.26 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 (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26)	1% Increase (4.26%)
Town's proportionate share of the net pension liability (asset)	\$ 161,249	\$ 150,359	\$ 140,357

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
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Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance

	2020
Beginning Balance	\$ 146,525
Service Cost at End of Year	5,275
Interest	5,185
Difference between expected and actuarial experience	(2,360)
Changes of assumptions and other inputs	3,904
Benefit payments	(8,170)
Ending balance of the total pension liability	<u>\$ 150,359</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, 2018 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:

	LGERS	LEOSSA	Total
Pension Expense	\$ 128,223	\$ 13,010	\$ 141,233
Pension Liability	294,393	150,359	444,752
Proportionate share of the net pension liability	0.01078%	N/A	
Deferred Outflows of Resources			
Differences between expected and actual experience	50,408	10,884	61,292
Changes of assumptions	47,981	6,498	54,479
Net difference between projected and actual earnings on plan investments	7,181	-	7,181
Changes in proportion and differences between contributions and proportionate share of contributions	535	-	535
Benefit payments and administrative costs paid subsequent to the measurement date	52,992	8,170	61,162
Deferred Inflows of Resources			
Differences between expected and actual experience	-	2,792	2,792
Changes of assumptions	-	4,031	4,031
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	11,066	-	11,066

Town of Fremont, North Carolina
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For the Year Ended June 30, 2020

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 \$7,400, which consisted of \$6,800 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, 2020 were \$35,038 which consisted of \$22,161 from the Town and \$12,877 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
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Membership of the HCB Plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

	<u>Employees</u>
Retirees and dependents receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>16</u>
Total	<u>18</u>

Total OPEB Liability

The Town's total OPEB liability of \$702,770 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2018.

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 – 7.00% for 2019 decreasing to 4.50% for 2026 Prescription – 5.0% for 2019 decreasing to 4.50% by 2021

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, 2019	\$ 592,905
Changes for the year:	
Service cost	37,016
Interest	23,008
Changes of benefit terms	-
Differences between expected and actual experience	66,266
Changes in assumptions or other inputs	(13,528)
Benefit payments	(2,897)
Other	-
Net Changes	<u>109,865</u>
Total OPEB Liability as of June 30, 2020	<u>\$ 702,770</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%.

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

Town of Fremont, North Carolina
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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 (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability	\$ 853,605	\$ 702,770	\$ 586,234

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	\$ 567,878	\$ 702,770	\$ 885,203

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

For the year ended June 30, 2020, the Town recognized OPEB expense of \$55,769. At June 30, 2020, 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	\$ 75,121	\$ -
Changes of assumptions	-	89,241
Town benefit payments and plan administrative expenses made subsequent to the measurement date	-	-
Total	<u>\$ 75,121</u>	<u>\$ 89,241</u>

\$0 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Town of Fremont, North Carolina
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Year ended June 30:

2021	\$ (4,255)
2022	(4,255)
2023	(4,255)
2024	(4,255)
2025	(4,255)
Thereafter	7,155
	\$ (14,120)

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	\$ 52,992
Benefit payments made and administrative expenses for LEOSA made subsequent to measurement date	8,170
Benefit payments made and administrative expenses for OPEB made subsequent to measurement date	-
Differences between expected and actual experience Pension	61,292
Differences between expected and actual experience OPEB	75,121
Changes of assumptions	54,479
Net difference between projected and actual earnings on pension plan investments	7,181
Changes in proportion and differences between employer contributions and proportionate share of contributions	535
Total	\$ 259,770

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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)	\$ -	\$ 41,549
Accounts receivable, net (garbage) (General Fund)	-	22,180
Unavailable revenue	2,603	2,603
Differences between expected and actual experience	2,793	-
Changes in assumptions and other inputs Pensions	4,031	-
Changes in assumptions and other inputs OPEB	89,241	-
Changes in proportion and difference between employer contribution and proportionate share of contributions	11,066	-
Total	<u>\$ 109,734</u>	<u>\$ 66,332</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, 2020. 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 placement 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 \$97,099 at June 30, 2020.

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

In April 2009, the Town entered into a direct placement 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 \$0 at June 30, 2020.

In December 2019, the Town entered into a direct placement agreement for \$27,000 to finance the purchase of police cars. The vehicles are pledged as collateral for the debt while the debt is outstanding. The agreement requires 7 annual payments of \$4,334 beginning December 2021 and maturing December 2027 which includes interest at 3.0%. The balance of the agreement is \$27,000 at June 30, 2020.

Annual debt service payments of the direct placement agreements as of June 30, 2020, including \$17,839 of interest, are as follows:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2021	\$ 18,119	\$ 4,815	\$ 22,934
2022	18,826	4,108	22,934
2023	19,562	3,372	22,934
2024	20,327	2,607	22,934
2025	21,122	1,812	22,934
2026 - 2027	26,143	1,125	27,268
Total	\$ 124,099	\$ 17,839	\$ 141,938

b. Direct Borrowing and Placement 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 \$0 at June 30, 2020.

In May 2010, the Town entered into a direct placement 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 \$138,558 at June 30, 2020.

In July 2018, the Town entered into a direct placement 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 2020 and maturing July 2026 which includes interest at 3.50%. The balance of the contract is \$12,200 at June 30, 2020.

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

Annual debt service payments of the direct borrowing and placement agreements as of June 30, 2020, including \$81,868 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 4,662	\$ 4,930	\$ 9,592
2022	4,818	4,774	9,592
2023	4,979	4,613	9,592
2024	5,146	4,446	9,592
2025	5,319	4,098	9,417
2026-2030	19,733	19,067	38,800
2031-2035	20,562	15,948	36,510
2036-2040	24,128	12,382	36,510
2041-2045	28,312	8,198	36,510
2046-2050	33,099	3,412	36,511
Total	<u>\$ 150,758</u>	<u>\$ 81,868</u>	<u>\$ 232,626</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 2020 and maturing April 2028 which includes interest at 0.00%. The balance of the contract is \$91,200 at June 30, 2020.

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>
2021	\$ 11,400	\$ -	\$ 11,400
2022	11,400	-	11,400
2023	11,400	-	11,400
2024	11,400	-	11,400
2025	11,400	-	11,400
2026-2028	34,200	-	34,200
Total	<u>\$ 91,200</u>	<u>\$ -</u>	<u>\$ 91,200</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 \$20,514 at June 30, 2020.

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

Annual debt service requirements of the promissory note as of June 30, 2020, including \$51 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	11,711	40	11,751
2022	8,803	11	8,814
Total	<u>\$ 20,514</u>	<u>\$ 51</u>	<u>\$ 20,565</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, 2020 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%

\$ 557,500

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>
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	21,000	21,713	42,713
2026-2030	120,500	93,487	213,987
2031-2035	149,000	63,833	212,833
2036-2040	160,000	28,800	188,800
2041	32,000	1,440	33,440
Total	<u>\$ 557,500</u>	<u>\$ 304,740</u>	<u>\$ 862,240</u>

Fremont has no bonds authorized but unissued and a legal debt margin of \$4,133,954.

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

f. Changes in Long-Term Liabilities

Governmental Activities:	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion
Direct placement agreements	\$ 117,841	\$ 27,000	\$ 20,742	\$ 124,099	\$ 18,119
Compensated absences	23,362	13,416	-	36,778	-
Total OPEB liability	248,012	17,846	-	265,858	-
Net pension liability (LGRS)	126,398	-	15,029	111,369	-
Total pension liability (LEO)	146,525	3,834	-	150,359	-
Total governmental activities	<u>\$ 662,138</u>	<u>\$ 62,096</u>	<u>\$ 35,771</u>	<u>\$ 688,463</u>	<u>\$ 18,119</u>

Business-type Activities:	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion
Water and Sewer Fund					
Direct placement general obligation bonds	\$ 574,500	\$ -	\$ 17,000	\$ 557,500	\$ 17,500
Direct borrowing and placement agreements	155,269	-	4,511	150,758	4,662
Direct placement construction note	102,600	-	11,400	91,200	11,400
Direct placement promissory note - Wayne County	32,196	-	11,682	20,514	11,711
Compensated absences	19,929	-	3,233	16,696	-
Total OPEB liability	186,350	59,619	-	245,969	-
Net pension liability (LGRS)	76,366	26,672	-	103,038	-
Water and Sewer Fund long-term liabilities	<u>1,147,210</u>	<u>86,291</u>	<u>47,826</u>	<u>1,185,675</u>	<u>45,273</u>

Electric Fund

Direct borrowing installment purchases	1,524	-	1,524	-	-
Compensated absences	17,327	-	3,103	14,224	-
Total OPEB liability	158,543	32,400	-	190,943	-
Net pension liability (LGRS)	60,566	19,420	-	79,986	-
Electric Fund long-term liabilities	<u>237,960</u>	<u>51,820</u>	<u>4,627</u>	<u>285,153</u>	<u>-</u>

Business-type activity long-term liabilities	<u>\$ 1,385,170</u>	<u>\$ 138,111</u>	<u>\$ 52,453</u>	<u>\$ 1,470,828</u>	<u>\$ 45,273</u>
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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, 2020, consist of the following:

Due from the General Fund to the Electric Fund	\$ (165,901)
Due to the Electric Fund from the General Fund	165,901
Due from the Water and Sewer Fund to the Electric Fund	(68,295)
Due to the Electric Fund from the Water and Sewer Fund	68,295

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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.

The Electric Fund transferred \$61,300 to the General Fund to finance current operations and \$17,772 to finance fire department operations.

The Water and Sewer Fund transferred \$17,536 to the Sewer Rehab Capital Project Fund to cover closing costs.

The General Fund transferred \$250 to the Storm Drainage Improvements Capital Project Fund to cover construction costs.

D. Net Investment in Capital Assets

Net Capital Assets	\$ 11,062,029
Less: Debt related to Capital Assets	(944,071)
Net Investment in Capital Assets	<u>\$ 10,117,958</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	\$ 272,453
Less:	
Stabilization by State Statute	68,455
Streets - Powell Bill	76,813
USDA Debt Service	22,934
Public Safety	15,648
Remaining Fund Balance	<u>\$ 88,603</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, 2020 were \$1,043,154.

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

Town of Fremont, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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.

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 were no subsequent events during this period that required disclosure.

Note 7 – Prior Period Adjustment

During the fiscal year ended June 30, 2020, the Town determined that certain accruals had been omitted as of June 30, 2019. 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 \$(10,850) and beginning business-type activities fund balance by \$(115,722).

Note 8 – 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	\$ 76,813
Balance per Bank Statements	71,449
	<u>\$ (5,364)</u>

Note 9 – COVID-19 Contingencies

During the year ended June 30, 2020, the COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings. The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments and cannot be reasonably predicted and estimated at this time. The COVID-19 outbreak is ongoing as of June 30, 2020, and additional impact on operational and financial performance may occur.

Note 10 – Notes Receivable

In October 2019, the Town entered into an agreement with the City of Goldsboro to sell 300,000 gallons of its wastewater treatment reserve capacity for \$687,000. The City of Goldsboro will deduct any wastewater charges incurred by the Town of Fremont from the outstanding balance until it is exhausted. The balance of this note is \$71,505 as of June 30, 2020.

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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 Seven Fiscal Years*
Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Fremont's proportion of the net pension liability (asset) (%)	0.01078%	0.01110%	0.01102%	0.01034%	0.00986%	0.00984%	0.01110%
Fremont's proportion of the net pension liability (asset) (\$)	\$ 294,393	\$ 263,330	\$ 168,355	\$ 219,450	\$ 44,251	\$ 133,798	\$ 58,031
Fremont's covered-employee payroll	\$ 616,981	\$ 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	47.72%	39.10%	26.93%	37.33%	8.34%	25.96%	11.26%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	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 Seven Fiscal Years
Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 52,992	\$ 48,605	\$ 51,883	\$ 46,514	\$ 39,941	\$ 39,449	\$ 36,798
Contributions in relation to the contractually required contribution	52,992	48,605	51,883	46,514	39,941	39,449	36,798
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fremont's covered-employee payroll	\$ 580,609	\$ 616,981	\$ 673,406	\$ 625,263	\$ 587,823	\$ 530,481	\$ 515,378
Contributions as a percentage of covered-employee payroll	9.13%	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 Four Years

	2020	2019	2018	2017
Beginning balance	\$ 146,525	\$ 126,133	\$ 112,601	\$ 106,482
Service cost	5,275	4,777	4,474	4,828
Interest on the total pension liability	5,185	3,986	4,346	3,801
Differences between expected and actual experience in the measurement of the total pension liability	(2,360)	16,312	(1,588)	-
Changes of assumptions or other inputs	3,904	(4,683)	6,300	(2,510)
Benefit payments	(8,170)	-	-	-
Ending balance of the total pension liability	<u>\$ 150,359</u>	<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 Four Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 150,359	\$146,525	\$126,133	\$112,601
Covered payroll	181,371	168,384	157,960	159,175
Total pension liability as a percentage of covered payroll	82.90%	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	2020	2019	2018
Service cost	\$ 37,016	\$ 39,772	\$ 45,996
Interest	23,008	20,374	17,697
Differences between expected and actual experience	66,266	12,304	12,483
Changes of assumptions or other inputs	(13,528)	(41,893)	(72,204)
Benefit payments	(2,897)	(19,739)	(19,537)
Net change in Total OPEB Liability	109,865	10,818	(15,565)
Total OPEB liability - beginning	592,905	582,087	597,652
Total OPEB liability - ending	<u>\$ 702,770</u>	<u>\$ 592,905</u>	<u>\$ 582,087</u>
Covered payroll	N/A*	N/A*	N/A*
Total OPEB liability as a percentage of covered payroll	N/A*	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:

Fiscal year	Rate
2020	3.50%
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).

Town of Fremont
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance Over/Under
Revenues:			
Ad valorem taxes:			
Taxes	\$ 356,758	\$ 345,907	
Interest	6,000	2,895	
Total ad valorem taxes	<u>362,758</u>	<u>348,802</u>	<u>(13,956)</u>
Other taxes and licenses:			
Cable franchise fees	2,646	2,646	
Total other taxes and licenses	<u>2,646</u>	<u>2,646</u>	<u>-</u>
Unrestricted intergovernmental:			
Local option sales tax	217,350	195,180	
Utilities and telecommunication sales tax	77,800	72,855	
Beer and wine tax	5,300	5,286	
Sales tax refund	-	1,118	
Total unrestricted intergovernmental	<u>300,450</u>	<u>274,439</u>	<u>(26,011)</u>
Restricted intergovernmental:			
Powell Bill allocation	42,770	42,778	
Governors Crime Commission Grant	24,500	-	
USDA grant	32,000	32,000	
FEMA grant revenue	99,258	99,259	
Solid waste disposal tax	823	930	
Total restricted intergovernmental	<u>199,351</u>	<u>174,967</u>	<u>(24,384)</u>
Permits and fees:			
Fees - police department	265	95	
Planning and zoning	300	595	
Total permits and fees	<u>565</u>	<u>690</u>	<u>125</u>
Sales and services			
Solid waste fees	138,600	140,936	
Rental income	3,600	3,400	
Recycle and bulk goods	1,100	1,880	
Cemetery	8,100	1,550	
Total sales and services	<u>151,400</u>	<u>147,766</u>	<u>(3,634)</u>
Investment earnings	<u>3,700</u>	<u>3,572</u>	<u>(128)</u>
Miscellaneous:			
Contributions to Police Department	-	5,000	
Insurance proceeds	-	12,592	
Other	42,321	3,577	
Total miscellaneous	<u>42,321</u>	<u>21,169</u>	<u>(21,152)</u>
Total revenues	<u>1,063,191</u>	<u>974,051</u>	<u>(89,140)</u>

**Town of Fremont
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020**

	Final Budget	Actual	Variance Over/Under
Expenditures:			
General Government:			
Governing Body			
Salaries and employee benefits	15,502	13,855	
Tax collections fees	7,000	6,921	
Other operating expenditures	13,150	11,867	
Total governing body	<u>35,652</u>	<u>32,643</u>	<u>3,009</u>
Administration:			
Salaries and employee benefits	74,390	56,720	
Professional services	55,500	55,225	
Repairs and maintenance	13,884	13,660	
Other operating expenditures	72,025	67,213	
Capital outlay	-	-	
Hurricane Florence expenditures	54,300	16,600	
Total administration	<u>270,099</u>	<u>209,418</u>	<u>60,681</u>
Total general government	<u>305,751</u>	<u>242,061</u>	<u>63,690</u>
Public Safety:			
Police:			
Salaries and employee benefits	314,941	292,577	
Repairs and maintenance	18,410	17,629	
Other operating expenditures	25,430	21,490	
Capital Outlay	61,500	61,402	
Governors Crime Commission Grant	24,500	75	
Total police	<u>444,781</u>	<u>393,173</u>	<u>51,608</u>
Total public safety	<u>444,781</u>	<u>393,173</u>	<u>51,608</u>
Transportation:			
Streets:			
Salaries and employee benefits	91,984	78,674	
Repairs and maintenance	19,024	18,212	
Other operating expenditures	12,250	11,138	
Total streets	<u>123,258</u>	<u>108,024</u>	<u>15,234</u>
Powell Bill:			
Repairs and maintenance	48,000	44,803	
Other operating expenditures - Powell Bill	10,000	3,531	
Capital outlay	2,300	-	
Total Powell Bill	<u>60,300</u>	<u>48,334</u>	<u>11,966</u>
Total Transportation	<u>183,558</u>	<u>156,358</u>	<u>27,200</u>

**Town of Fremont
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020**

	Final Budget	Actual	Variance Over/Under
Environmental Protection			
Sanitation:			
Salaries and employee benefits	52,215	51,051	
Repairs and maintenance	900	738	
Other operating expenditures	44,610	16,696	
Contracted services	120,200	120,149	
Total sanitation	<u>217,925</u>	<u>188,634</u>	<u>29,291</u>
Cemetery:			
Repairs and maintenance	300	63	
Other operating expenditures	1,000	98	
Total cemetery	<u>1,300</u>	<u>161</u>	<u>1,139</u>
Total environmental protection	<u>219,225</u>	<u>188,795</u>	<u>30,430</u>
Cultural and recreational:			
Parks and recreation:			
Maintenance and repairs	3,700	3,522	
Other operating expenditures	2,300	2,226	
Total parks and recreation	<u>6,000</u>	<u>5,748</u>	<u>252</u>
Total Cultural and recreational	<u>6,000</u>	<u>5,748</u>	<u>252</u>
Debt Service:			
Principal retirement	6,726	6,726	
Interest	400	309	
Total debt service	<u>7,126</u>	<u>7,035</u>	<u>91</u>
Total expenditures	<u>1,166,441</u>	<u>993,170</u>	<u>173,271</u>
Revenues over (under) expenditures	<u>(103,250)</u>	<u>(19,119)</u>	<u>84,131</u>
Other financing sources (uses):			
Transfers (to) from other funds:			
Electric fund	76,500	61,300	
Sewer rehab fund	(250)	(250)	
Loan Proceeds	27,000	27,000	
Sale of capital assets	-	-	
Total other financing sources (uses)	<u>103,250</u>	<u>88,050</u>	<u>(15,200)</u>
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>

Town of Fremont
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance Over/Under
Net change in fund balance	<u>\$ -</u>	68,931	<u>\$ 68,931</u>
Fund balances, beginning, as previously reported		214,372	
Prior period adjustment		(10,850)	
Fund balance, beginning as restated		<u>203,522</u>	
Fund balances, ending		<u>\$ 272,453</u>	

Town of Fremont
Combining Balance Sheet
Non-Major Governmental Funds
For the Year Ended June 30, 2020

	<u>Special Revenue Funds</u>		
	<u>Fire Department</u>	<u>Storm Drainage Improvements Capital Projects</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	
Assets:			
Restricted cash and cash equivalents	\$ 45,736	\$ -	\$ 45,736
Due from other governments	1,360	-	1,360
Total assets	47,096	-	47,096
Liabilities and Fund Balances:			
Accounts payable and accrued liabilities	45	-	45
Total liabilities	45	-	45
Fund Balances:			
Restricted:			
Restricted for public safety	47,051	-	47,051
Unreserved	-	-	-
Undesignated	-	-	-
Total fund balances	47,051	-	47,051
Total liabilities and fund balances	\$ 47,096	\$ -	\$ 47,096

Town of Fremont
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2020

	<u>Capital Project Fund</u>		
	<u>Storm Drainage</u>		
	<u>Fire Department</u>	<u>Improvements Capital</u>	<u>Total</u>
	<u>Fund</u>	<u>Project Fund</u>	
Revenues:			
Ad valorem taxes	\$ 71,413	\$ -	\$ 71,413
Restricted intergovernmental	-	124,000	124,000
Investment earnings	-	-	-
Miscellaneous	20,116	-	20,116
Total revenues	91,529	124,000	215,529
Expenditures:			
Public Safety	79,994	-	79,994
Environmental Protection	-	124,250	124,250
Capital Outlay	52,898	-	52,898
Debt Service:			-
Principal retirement	14,016	-	14,016
Interest	4,584	-	4,584
Total expenditures	151,492	124,250	275,742
Revenues over (under) expenditures	(59,963)	(250)	(60,213)
Other Financing Sources (Uses):			
Transfer from other funds	17,772	250	18,022
Transfer to other funds	-	-	-
Total other financing sources (uses)	17,772	250	18,022
Net Change in Fund Balance	(42,191)	-	(42,191)
Fund balances, beginning as previously reported	89,242	-	89,242
Fund balances, ending	\$ 47,051	\$ -	\$ 47,051

**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, 2020**

	Final Budget	Actual	Variance Over/Under
Revenues:			
Ad valorem taxes:			
Taxes	\$ 68,500	\$ 71,413	\$ 2,913
Total ad valorem taxes	<u>68,500</u>	<u>71,413</u>	<u>2,913</u>
Investment earnings	<u>350</u>	<u>-</u>	<u>(350)</u>
Miscellaneous:			
Other	<u>20,116</u>	<u>20,116</u>	<u>-</u>
Total miscellaneous	<u>20,116</u>	<u>20,116</u>	<u>-</u>
Total revenues	<u>88,966</u>	<u>91,529</u>	<u>2,563</u>
Expenditures:			
Public Safety:			
Fire:			
Salaries and employee benefits	18,236	16,173	
Repairs and maintenance	85,416	28,007	
Other operating expenditures	44,534	35,814	
Capital Outlay	<u>-</u>	<u>52,898</u>	
Total public safety	<u>148,186</u>	<u>132,892</u>	<u>15,294</u>
Debt Service:			
Principal retirement	14,017	14,016	1
Interest	<u>4,634</u>	<u>4,584</u>	<u>50</u>
Total debt service	<u>18,651</u>	<u>18,600</u>	<u>51</u>
Total expenditures	<u>166,837</u>	<u>151,492</u>	<u>15,345</u>
Revenues over (under) expenditures	<u>(77,871)</u>	<u>(59,963)</u>	<u>17,908</u>
Other financing sources (uses):			
Transfers from other funds:			
Electric fund	<u>17,772</u>	<u>17,772</u>	<u>-</u>
Total other financing sources (uses)	<u>17,772</u>	<u>17,772</u>	<u>-</u>
Fund balance appropriated	<u>60,099</u>	<u>-</u>	<u>(60,099)</u>
Net change in fund balance	<u>\$ -</u>	<u>(42,191)</u>	<u>\$ (42,191)</u>
Fund balances, beginning, as previously reported		89,242	
Fund balances, ending		<u>\$ 47,051</u>	

Town of Fremont
Storm Drainage Improvements Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2020

	Project Authorization			Actual			Variance
	June 30, 2019	Amendments	June 30, 2020	Prior Years	Current Year	Total to Date	Positive (Negative)
Revenues:							
Restricted intergovernmental:							
Golden Leaf Foundation	\$ 124,000	\$ -	\$ 124,000	\$ -	\$ 124,000	\$ 124,000	\$ -
Total revenue	124,000	-	124,000	-	124,000	124,000	-
Expenditures:							
Engineering	16,998	-	16,998	-	16,998	16,998	-
Construction	107,252	-	107,252	-	107,252	107,252	-
Contingency	-	-	-	-	-	-	-
Total Expenditures	124,250	-	124,250	-	124,250	124,250	-
Revenues over (under) expenditures	(250)	-	(250)	-	(250)	(250)	-
Other financing sources (uses):							
Transfers to / from other funds:							
Transfer from General Fund	250	-	250	-	250	250	-
Total other financing sources (uses)	250	-	250	-	250	250	-
Fund balance appropriate	-	-	-	-	-	-	-
Net change in fund balance	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -
Fund balance, beginning					-		
Fund balance, ending					\$ -		

Town of Fremont
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating Revenues:			
Sale of electricity	\$1,581,000	\$ 1,435,490	
Connection fees	2,500	1,500	
Late payment charges	25,000	23,215	
Reimbursement from electricities	5,000	5,059	
Returned check fee	560	490	
Total operating revenues	<u>1,614,060</u>	<u>1,465,754</u>	<u>(148,306)</u>
Non-Operating Revenues:			
Investment earnings	862	-	
Insurance proceeds	9,790	9,790	
Miscellaneous revenue	175	28,086	
Total non-operating revenues	<u>10,827</u>	<u>37,876</u>	<u>27,049</u>
Total revenues	<u>1,624,887</u>	<u>1,503,630</u>	<u>(121,257)</u>
Expenditures:			
Administration:			
Salaries and employee benefits	159,852	153,593	
Supplies	2,500	1,980	
Town administrator contract	6,500	5,525	
Professional services	35,000	32,017	
Other operating expenses	29,650	31,336	
Total administration	<u>233,502</u>	<u>224,451</u>	<u>9,051</u>
Electrical Operations:			
Salaries and employee benefits	120,562	119,091	
Electrical power purchases	1,146,600	1,043,154	
Supplies	26,000	16,623	
Repairs and maintenance	18,800	17,688	
Other operating expenses	14,550	17,852	
Total electrical operations	<u>1,326,512</u>	<u>1,214,408</u>	<u>112,104</u>
Total operating expenditures	<u>1,560,014</u>	<u>1,438,859</u>	<u>121,155</u>

**Town of Fremont
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020**

	Budget	Actual	Variance Positive (Negative)
Non-operating expenditures			
Debt Services:			
Principal repayment	4,146	1,524	
Interest	855	60	
Total debt service	<u>5,001</u>	<u>1,584</u>	<u>3,417</u>
Total expenditures	<u>1,565,015</u>	<u>1,440,443</u>	<u>124,572</u>
Revenues over (under) expenditures	<u>59,872</u>	<u>63,187</u>	<u>3,315</u>
Other financing sources (uses):			
Transfers to other funds	-	-	-
Transfer to General Fund	(61,300)	(61,300)	
Fire Department Fund	(17,772)	(17,772)	-
Water and Sewer Fund	-	-	-
Total other financing sources (uses)	<u>(79,072)</u>	<u>(79,072)</u>	<u>-</u>
Fund balance appropriated	<u>19,200</u>	<u>-</u>	<u>(19,200)</u>
Revenues, other sources and appropriated fund balance over (under) expenditures and other uses	<u>\$ -</u>	<u>(15,885)</u>	<u>\$ (15,885)</u>

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

Reconciling items:

Principal retirement	1,524
Depreciation	(8,613)
(Increase) decrease in accrued interest	3
Increase (decrease) in deferred outflows of resources - pensions	(1,868)
(Increase) decrease in deferred inflows of resources - pensions	(2,119)
(Increase) decrease in net pension liability	(19,420)
Increase (decrease) in deferred outflows of resources - OPEB	17,890
(Increase) decrease in deferred inflows of resources - OPEB	9,668
(Increase) decrease in OPEB liability	(57,063)
(Increase) decrease in accrued vacation pay	3,103
Change in net position	<u>\$ (72,780)</u>

Town of Fremont
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating Revenues:			
Water sales	\$ 435,380	\$ 413,763	
Sewer charges	718,000	673,086	
Connection fees	500	2,000	
Other operating revenues	26,000	658	
Total operating revenues	<u>1,179,880</u>	<u>1,089,507</u>	<u>(90,373)</u>
Non-Operating Revenues:			
Investment earnings	560	596	
Sale of surplus property	687,000	687,000	
Insurance proceeds	4,119	4,119	
Miscellaneous revenue	-	20,227	
Total non-operating revenues	<u>691,679</u>	<u>711,942</u>	<u>20,263</u>
Total revenues	<u>1,871,559</u>	<u>1,801,449</u>	<u>(70,110)</u>
Expenditures:			
Administration:			
Salaries and employee benefits	150,897	139,061	
Supplies	1,000	620	
Professional services	29,000	28,334	
Other operating expenses	22,700	22,278	
Town Administrator contract	2,000	2,000	
Total administration	<u>205,597</u>	<u>192,293</u>	<u>13,304</u>
Water Treatment and Distribution:			
Salaries and employee benefits	159,993	142,647	
Purchases for resale	230,000	208,963	
Supplies	4,756	3,761	
Repairs and maintenance	10,958	10,556	
Contracted services	-	-	
Other operating expenses	23,217	21,843	
Total water treatment and distribution	<u>428,924</u>	<u>387,770</u>	<u>41,154</u>
Waste Collection and Treatment:			
Salaries and employee benefits	131,006	120,345	
Sewer treatment fees	465,050	465,730	
Supplies	17,400	15,060	

Town of Fremont
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Repairs and maintenance	34,000	32,940	
Other operating expenses	28,175	25,087	
Total waste collection and treatment	<u>675,631</u>	<u>659,162</u>	<u>16,469</u>
Debt Services:			
Principal retirement	68,390	44,593	
Interest	10,717	30,871	
Total debt service	<u>79,107</u>	<u>75,464</u>	<u>3,643</u>
Capital Outlay			
Capital outlay	-	-	-
Total capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,389,259</u>	<u>1,314,689</u>	<u>74,570</u>
Revenues over (under) expenditures	<u>482,300</u>	<u>486,760</u>	<u>4,460</u>
Other financing sources (uses):			
Transfers to other funds:			
Sewer Line Rehabilitation Capital Project Fund	(17,536)	(17,536)	
Total other financing sources (uses)	<u>(17,536)</u>	<u>(17,536)</u>	<u>-</u>
Fund balance appropriated	<u>(464,764)</u>	<u>-</u>	<u>464,764</u>
Revenue, other financing sources, and fund balance appropriated over (under) expenditures and other uses	<u>\$ -</u>	<u>469,224</u>	<u>\$ 469,224</u>

Town of Fremont
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Reconciliation from Budgetary Basis			
(Modified Accrual) to Full Accrual:			
Reconciling items:			
Principal retirement		44,593	
Depreciation		(287,059)	
(Increase) decrease in accrued interest		(132)	
Increase (decrease) in deferred outflows of resources - pensions		(1,174)	
(Increase) decrease in deferred inflows of resources - pensions		(2,754)	
(Increase) decrease in net pension liability		(26,672)	
Increase (decrease) in deferred outflows of resources - OPEB		23,114	
(Increase) decrease in deferred inflows of resources - OPEB		(12,852)	
(Increase) decrease in OPEB liability		(77,164)	
(Increase) decrease in accrued vacation pay		3,234	
Capital Project Funds			
Capital contributions		859,701	
Transfer to Sewer Line Rehabilitation Capital Project		17,536	
Total		<u>540,371</u>	
Change in net position		<u><u>\$ 1,009,595</u></u>	

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, 2020

	Project Authorization			Actual			Variance
	June 30, 2019	Amendments	June 30, 2020	Prior Years	Current Year	Total to Date	Positive (Negative)
Revenues:							
Restricted intergovernmental:							
Sanitary Sewer Rehab Grant	\$ 1,200,000	\$ -	\$ 1,200,000	\$ -	\$ 859,701	\$ 859,701	\$ (340,299)
Total revenue	<u>1,200,000</u>	<u>-</u>	<u>1,200,000</u>	<u>-</u>	<u>859,701</u>	<u>859,701</u>	<u>(340,299)</u>
Expenditures:							
Construction	867,500	-	867,500	-	715,202	715,202	152,298
Closing fee	18,000	-	18,000	-	17,536	17,536	464
Engineering	111,500	-	111,500	-	119,512	119,512	(8,012)
Planning	10,000	-	10,000	-	15,996	15,996	(5,996)
Construction administration	62,000	-	62,000	856	20,021	20,877	41,123
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	<u>1,218,000</u>	<u>-</u>	<u>1,218,000</u>	<u>856</u>	<u>888,267</u>	<u>889,123</u>	<u>328,877</u>
Revenues over (under) expenditures	<u>(18,000)</u>	<u>-</u>	<u>(18,000)</u>	<u>(856)</u>	<u>(28,566)</u>	<u>(29,422)</u>	<u>(11,422)</u>
Other financing sources (uses):							
Transfers to / from other funds:							
Transfer from Water and Sewer Fund	18,000	-	18,000	-	17,536	17,536	(464)
Total other financing sources (uses)	<u>18,000</u>	<u>-</u>	<u>18,000</u>	<u>-</u>	<u>17,536</u>	<u>17,536</u>	<u>(464)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (856)</u>	<u>(11,030)</u>	<u>\$ (11,886)</u>	<u>\$ (11,886)</u>
Fund balance, beginning					(856)		
Fund balance, ending					<u>\$ (11,886)</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, 2020

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2020	\$ -	\$ 351,124	\$ 333,722	\$ 17,402
2019	15,071	-	6,940	8,131
2018	7,051	-	1,631	5,420
2017	3,360	-	762	2,598
2016	2,263	-	532	1,731
2015	2,079	-	445	1,634
2014	2,057	-	533	1,524
2013	2,445	-	391	2,054
2012	1,894	-	59	1,835
2011	1,820	-	18	1,802
2010	694	-	694	-
	<u>\$ 38,734</u>	<u>\$ 351,124</u>	<u>\$ 345,727</u>	<u>\$ 44,131</u>

Less: allowance for uncollectible accounts - taxes (2,582)

Ad valorem taxes receivable-net \$ 41,549

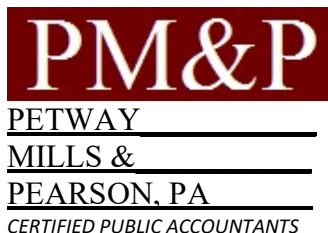
Reconciliation with revenues:

Ad valorem taxes-General Fund	\$ 348,802
Reconciling items:	
Interest collected	(2,895)
Taxes written off	694
Releases (prior years) and other adjustments	<u>(874)</u>
Subtotal	<u>(3,075)</u>
Total collections and credits	<u><u>\$ 345,727</u></u>

Town of Fremont
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2020

				Total Levy	
	Town - Wide			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy		
Original Levy:					
Property taxed at					
Current year's rate	\$ 51,680,303	\$ 0.66	\$ 341,090	\$ 306,170	\$ 34,920
Prior year's rate	1,653,538	0.65	10,748	-	10,748
Discoveries	136,667	0.66	902	902	-
Releases	(244,848)	0.66	(1,616)	(1,561)	(55)
Total Property Valuation	<u>\$ 53,225,660</u>				
Net levy			351,124	305,511	45,613
Unpaid (by taxpayer) taxes at June 30, 2020			(17,402)	(17,402)	-
Current year's taxes collected			<u>\$ 333,722</u>	<u>\$ 288,109</u>	<u>\$ 45,613</u>
Current levy collection percentage			<u>95.04%</u>	<u>94.30%</u>	<u>100.00%</u>

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 *Government Auditing Standards*

C. Briggs Petway, Jr.
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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, 2020, 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 January 19, 2021.

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

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North Carolina
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Certified Public
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Of Certified Public
Accountants

Medical Group
Management
Association

significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

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 no instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

January 19, 2021



PETWAY

MILLS &

PEARSON, PA

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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, 2020. 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, 2020.

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

January 19, 2021

**Town of Fremont
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

SECTION I. – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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 financial
statements noted _____ yes X 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 State Single Audit Implementation Act _____ yes X no

Identification of major State Programs State Reserve Program

**Town of Fremont
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

SECTION I. – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III. – STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**Town of Fremont
Corrective Action Plan
For the Year Ended June 30, 2020**

SECTION II. – FINANCIAL STATEMENT FINDINGS

None reported.

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, 2020

Finding 2019-001

Status: The finding is resolved. Expenditures did not exceed authorized appropriations.

Town of Fremont, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2020

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	\$ 74,444	\$ 24,815
US Department of Agriculture				
Direct Program				
Community Facilities Loans and Grants Program	10.766		32,000	-
TOTAL FEDERAL AWARDS			<u>106,444</u>	<u>24,815</u>
STATE AWARDS				
NC Department of Transportation				
Direct Program				
Powell Bill		38570	-	48,335
NC Department of Commerce				
Division of Water Infrastructure				
State Reserve Program		E-SRP-W-17-0032	-	859,701
Golden Leaf Foundation				
Direct Program				
Disaster Recovery		2019-392	-	124,000
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 106,444</u>	<u>\$ 1,056,851</u>

Notes to the Schedule of Expenditures of Federal and State Awards

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, 2020. 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.

Note 3: Loans Outstanding

The Town of Fremont had the following loan balances outstanding at June 30, 2020. The loan made during the year is included in the Schedule of Federal and State Awards in the state expenditures presented in the schedule. Balances and transactions related to these programs are included in the Town's basic financial statements.

Program Name	Outstanding Amount
U.S Department of Agriculture	
Community Facilities Loans and Grants Program	\$ 27,000