

Town of Princeton

Financial Statements

For the Fiscal Year Ended June 30, 2019

Town Board Members

Donald B. Rains, Mayor
Susan Watson, Commissioner
Walter A. Martin, Jr., Commissioner
Mike Rose, Commissioner
Scottie Brown, Commissioner

Administrative and Financial Staff

Marla H. Ashworth

Town of Princeton, North Carolina
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June 30, 2019

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Financial Section

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Independent Auditor's Report

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

Report on the Financial Statements

I 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 Princeton, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my opinion, based on my audit, 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 Princeton, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where appropriate and the respective budgetary comparisons for the General Fund and the EPA Brownfield 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, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 55 and 56, respectively, and 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 57 and 58 be presented to supplement the basic financial statements. Such information, although not a required 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Princeton, North Carolina. The individual fund statements, budgetary schedules, and other schedules, are presented for purposed of additional analysis and are not a required part of the basic financial statements.

The individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relates 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, based on our audit, the procedures performed as described above, the individual fund statements, budgetary schedules, and other schedules 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*, I have also issued report dated June 30, 2020 on my consideration of Town of Princeton's financial reporting and on my 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 my 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Princeton's internal control over financial reporting and compliance.

Handwritten signature of Andrew Harris, CPA PLLC in black ink.

*Farmville, North Carolina
June 30, 2020*

Management's Discussion and Analysis

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

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

Financial Highlights

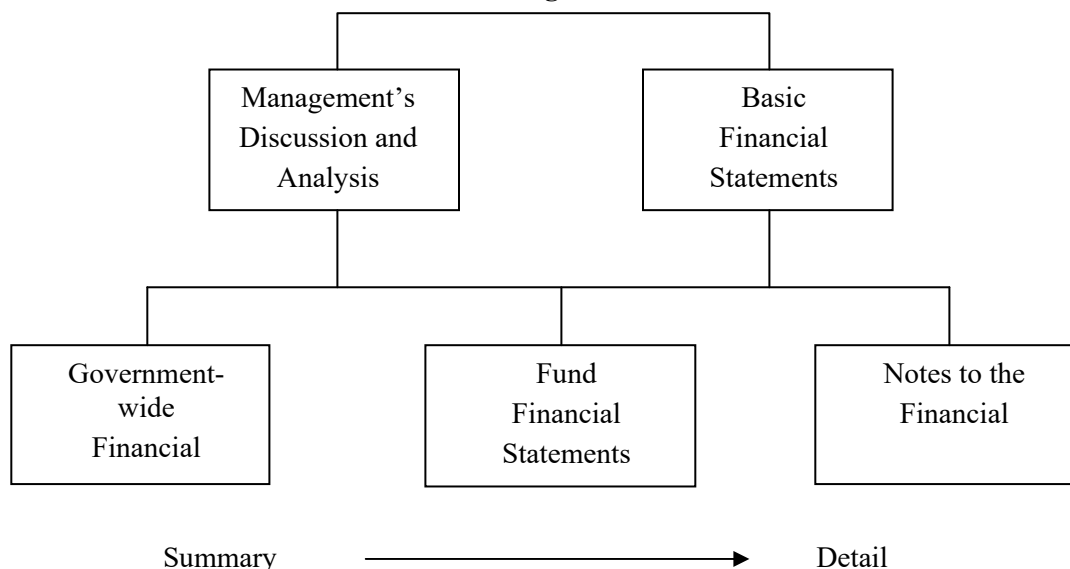
- The assets and deferred outflows of resources of the Town of Princeton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,417,328 (net position).
- The government's total net position decreased a total of \$39,757, primarily due to decreases in the governmental and business-type activities net position.
- At the close of the current fiscal year, the Town of Princeton's governmental funds reported combined ending fund balances of \$383,338 with a net change of \$(5,733). Approximately 32.13 percent of this total amount, or \$123,177, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$182,993, or 17.94 percent of total general fund expenditures for the fiscal year.
- The Town of Princeton's total debt decreased by \$74,259 (3.39%) during the current fiscal year. The key factor in this decrease was principal payments on installment purchase agreements for equipment.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Princeton'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 Princeton.

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

**Required Components of Annual Financial Report
Figure 1**



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide Financial Statements

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

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

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

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, 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 services offered by the Town of Princeton.

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

Fund Financial Statements

The fund financial statements (see Figure 2) 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 Princeton, 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 Princeton 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 Princeton 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 Princeton has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Princeton uses enterprise funds to account for its water and sewer

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

activity. This fund is 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 24 of this report.

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 investments 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 Princeton's Net Position
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 521,122	\$ 458,405	\$ 444,853	\$ 391,295	\$ 965,975	\$ 849,700
Capital assets	892,686	972,211	3,779,049	3,913,961	4,671,735	4,886,172
Deferred outflows of resources	107,868	67,284	35,483	22,387	143,351	89,671
Total Assets and Deferred Outflows of Resources	\$ 1,521,676	\$ 1,497,900	\$ 4,259,385	\$ 4,327,643	\$ 5,781,061	\$ 5,825,543
Long-term liabilities						
outstanding	\$ 739,583	\$ 754,275	\$ 1,187,280	\$ 1,246,676	\$ 1,926,863	\$ 2,000,951
Other liabilities	171,643	183,321	177,903	170,206	349,546	353,527
Deferred inflows of resources	85,281	10,703	2,842	3,277	88,123	13,980
Total Liabilities and Deferred Inflows of Resources	\$ 996,507	\$ 948,299	\$ 1,368,025	\$ 1,420,159	\$ 2,364,532	\$ 2,368,458
Net position:						
Net investments in capital assets	\$ 252,621	\$ 255,492	\$ 2,560,798	\$ 2,622,777	\$ 2,813,419	\$ 2,878,269
Restricted	151,283	150,027	58,029	142,829	209,312	292,856
Unrestricted	121,265	144,082	273,332	141,878	394,597	285,960
Total Net Position	\$ 525,169	\$ 549,601	\$ 2,892,159	\$ 2,907,484	\$ 3,417,328	\$ 3,457,085

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Princeton exceeded

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

liabilities and deferred inflows by \$3,417,328 as of June 30, 2019, The Town's net position decreased \$39,757 for the fiscal year ended June 30, 2019; however, the largest portion (82.34%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Princeton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Princeton's net investment in its 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 Princeton's net position \$209,312 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$394,202 is unrestricted.

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 99.91%.

Town of Princeton's Changes in Net Position
Figure 3

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

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for services	\$ 211,748	\$ 188,980	\$ 720,058	\$ 692,291	\$ 931,806	\$ 881,271
Operating grants and contributions	199,022	334,379	-	25,000	199,022	359,379
Capital grants and contributions	-	-	15,598	-	15,598	-
General Revenues:						
Property taxes	449,073	426,296	-	-	449,073	426,296
Other taxes	44	6	-	-	44	6
Grants and contributions not restricted to specific programs	275,086	261,357	-	-	275,086	261,357
Other	22,030	34,396	9,410	475	31,440	34,871
Total Revenues	\$ 1,157,003	\$ 1,245,414	\$ 745,066	\$ 717,766	\$ 1,902,069	\$ 1,963,180
Expenses:						
General government	\$ 252,385	\$ 231,819	\$ -	\$ -	\$ 252,385	\$ 231,819
Public safety	444,260	381,110	-	-	444,260	381,110
Transportation	92,977	109,346	-	-	92,977	109,346
Environmental protection	73,801	291,280	-	-	73,801	291,280
Economic and physical development	284,365	236,331	-	-	284,365	236,331
Cultural and recreation	17,266	9,798	-	-	17,266	9,798
Interest on long-term debt	16,381	18,554	-	-	16,381	18,554
Water and sewer	-	-	760,391	769,120	760,391	769,120
Total Expenses	\$ 1,181,435	\$ 1,278,238	\$ 760,391	\$ 769,120	\$ 1,941,826	\$ 2,047,358
Increase in Net Position Before Transfers	\$ (24,432)	\$ (32,824)	\$ (15,325)	\$ (51,354)	\$ (39,757)	\$ (84,178)
Transfers	-	-	-	-	-	-
Increase (decrease) in Net Position	\$ (24,432)	\$ (32,824)	\$ (15,325)	\$ (51,354)	\$ (39,757)	\$ (84,178)
Net Position, beginning	549,601	582,425	2,907,484	2,985,623	3,457,085	3,568,048
Restatement	-	-	-	(26,785)	-	(26,785)
Net Position, beginning, restated	549,601	582,425	2,907,484	2,958,838	3,457,085	3,541,263
Net Position, June 30	\$ 525,169	\$ 549,601	\$ 2,892,159	\$ 2,907,484	\$ 3,417,328	\$ 3,457,085

Governmental activities. Governmental type activities decreased the Town of Princeton's net position by \$24,432, thereby accounting for 61.45% of the total decrease in the net position of the Town. A key element of this decrease is expenses outpaced revenues by 1.02%.

Business-type activities. Business-type activities decreased the Town of Princeton's net position by \$15,325, thereby accounting for 38.55% of the total increase in the net position of the Town. A key element of this decrease is the water and sewer operating expenditures.

Financial Analysis of the Town's Funds

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

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

Governmental Funds. The focus of the Town of Princeton'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 Princeton's financing requirements.

The general fund is the chief operating fund of the Town of Princeton. At the end of the current fiscal year, the Town of Princeton's fund balance available in the General Fund was \$182,993, while total fund balance was \$362,074. The Governing Body of the Town of Princeton has determined the Town should maintain an available fund balance of 10% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 17.94% of general fund expenditures, while total fund balance represents 35.49% of the same amount.

At June 30, 2019, the governmental funds of Town of Princeton reported a combined fund balance of \$384,879, a 1.47% decrease over last year. Included in this change in fund balance are changes in fund balance in both the General and Special Revenue Funds.

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.

Proprietary Funds. The Town of Princeton's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$238,422. The total decrease in net position for the fund was \$15,325. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Princeton's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$4,671,735 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

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

**Town of Princeton's Capital Assets
(net of depreciation)**

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 152,028	\$ 152,028	\$ 24,280	\$ 24,280	\$ 176,308	\$ 176,308
Construction in progress	-	-	22,800	-	22,800	-
Buildings and system Improvements other than buildings	573,076	593,914	-	-	573,076	593,914
Substations, lines, and related equipment	9,764	11,029	-	-	9,764	11,029
Machinery and equipment	-	-	3,694,045	3,849,258	3,694,045	3,849,258
Vehicles and motorized equipment	61,040	70,325	37,652	34,325	98,692	104,650
	96,778	144,915	272	6,098	97,050	151,013
Total	\$ 892,686	\$ 972,211	\$3,779,049	\$3,913,961	\$ 4,671,735	\$ 4,886,172

Additional information on the Town's capital assets can be found in Notes to the Basic Financial Statements.

Long-term Debt. As of June 30, 2019, the Town of Princeton had total bonded debt outstanding of \$386,800. Of this, \$61,100 is debt backed by the full faith and credit of the Town. The remainder of the Town's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

**Outstanding Debt
Figure 5**

Town of Princeton's Outstanding Debt

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The Town of Princeton's total debt decreased by \$74,259 (3.39%) during the past fiscal year, primarily due principal payments in installment purchase agreements.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Princeton is \$4,484,019

Additional information regarding the Town of Princeton's long-term debt can be found in Notes to the Financial Statements.

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

Economic Factors and Next Year's Budgets and Rates

The 2019-2020 budget year, like the previous three budget years, will continue to present challenges to the Board, management and staff as the national economy struggles to recover from recession. The tax rate continued at \$0.54/\$100 valuation however, tax revenue is expected to increase. Sales tax revenue is starting to increase as well as water usage, which increases water and sewer revenue. The budget will be monitored continuously to insure adequate revenues are received to cover necessary expenses.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities. The 2019-2020 tax rate is \$0.54/\$100. There were no significant budgeted expenditures compared to 2018-2019.

Business-type Activities. Water and sewer revenues are expected to remain the same during 2019-2020. There were no significant increases in budgeted expenditures compared to 2018-2019.

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 Marla Ashworth, Town Administrator, Town of Princeton, Post Office Box 67, Princeton, NC 27569 or m.ashworth@myprincetonnc.com.

Basic Financial Statements

Town of Princeton, North Carolina
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 397,535	\$ 253,066	\$ 650,601
Investments	13,440	-	13,440
Taxes receivables (net)	2,536	-	2,536
Accounts receivable (net)	95,803	58,314	154,117
Intergovernmental receivables		19,162	19,162
Inventories	-	17,707	17,707
Prepaid items	593	-	593
Restricted cash and cash equivalents	11,215	96,604	107,819
Total Current Assets	<u>\$ 521,122</u>	<u>\$ 444,853</u>	<u>\$ 965,975</u>
Non-current Assets:			
Capital assets (Note 4):			
Land, non-depreciable improvements, and construction in progress	\$ 152,028	\$ 47,080	\$ 199,108
Other capital assets, net of depreciation	740,658	3,731,969	4,472,627
Total Capital Assets	<u>\$ 892,686</u>	<u>\$ 3,779,049</u>	<u>\$ 4,671,735</u>
Total Assets	<u>\$ 1,413,808</u>	<u>\$ 4,223,902</u>	<u>\$ 5,637,710</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	107,868	35,483	143,351
Total Deferred Outflows of Resources	<u>\$ 107,868</u>	<u>\$ 35,483</u>	<u>\$ 143,351</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 59,005	\$ 25,569	\$ 84,574
Accrued interest payable	9,782	16,916	26,698
Customer deposits	-	47,572	47,572
Compensated absences - current	32,432	11,424	43,856
Current portion of long-term debt	70,424	76,422	146,846
Total Current Liabilities	<u>\$ 171,643</u>	<u>\$ 177,903</u>	<u>\$ 349,546</u>
Noncurrent Liabilities:			
Net pension liability	\$ 137,643	\$ 47,162	\$ 184,805
Total pension liability	32,299	-	32,299
Due in more than one year	569,641	1,140,118	1,709,759
Total Noncurrent Liabilities	<u>\$ 739,583</u>	<u>\$ 1,187,280</u>	<u>\$ 1,926,863</u>
Total Liabilities	<u>\$ 911,226</u>	<u>\$ 1,365,183</u>	<u>\$ 2,276,409</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	10,581	2,842	13,423
Deferred revenue	74,700	-	74,700
Total deferred inflows of resources	<u>\$ 85,281</u>	<u>\$ 2,842</u>	<u>\$ 13,423</u>
NET POSITION			
Net investment in capital assets	\$ 252,621	\$ 2,560,798	\$ 2,813,419
Restricted for:			
Debt service	30,702	58,029	88,731
Streets	5,394	-	5,394
Stabilization by State Statute	95,926	-	95,926
Culture and Recreation	19,261	-	19,261
Unrestricted	121,265	273,332	394,597
Total Net Position	<u>\$ 525,169</u>	<u>\$ 2,892,159</u>	<u>\$ 3,417,328</u>

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

**Town of Princeton, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2019**

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	\$ 252,385	\$ -	\$ -	\$ -	# \$ (252,385)	\$ -	\$ (252,385)
Public safety	444,260	-	1,000	-	# (443,260)	-	(443,260)
Transportation	92,977	-	37,681	-	(55,296)	-	(55,296)
Economic and physical development	73,801	26,880	75,052	-	28,131	-	28,131
Environmental protection	284,365	177,064	85,289	-	(22,012)	-	(22,012)
Cultural and recreation	17,266	7,804	-	-	(9,462)	-	(9,462)
Interest on long-term debt	16,381	-	-	-	(16,381)	-	(16,381)
Total Governmental Activities (See Note 1)	<u>\$ 1,181,435</u>	<u>\$ 211,748</u>	<u>\$ 199,022</u>	<u>\$ -</u>	<u>\$ (770,665)</u>	<u>\$ -</u>	<u>\$ (770,665)</u>
Business-type Activities:							
Water and sewer	\$ 760,391	\$ 720,058	\$ -	\$ 15,598	\$ -	\$ (24,735)	\$ (24,735)
Total Business-type Activities	<u>\$ 760,391</u>	<u>\$ 720,058</u>	<u>\$ -</u>	<u>\$ 15,598</u>	<u>\$ -</u>	<u>\$ (24,735)</u>	<u>\$ (24,735)</u>
Total Primary Government	<u>\$ 1,941,826</u>	<u>\$ 931,806</u>	<u>\$ 199,022</u>	<u>\$ 15,598</u>	<u>\$ (770,665)</u>	<u>\$ (24,735)</u>	<u>\$ (795,400)</u>
General Revenues:							
Taxes:							
Property taxes, levied for general purpose					\$ 449,073	\$ -	\$ 449,073
Other taxes					44	-	44
Grants and contributions not restricted to specific programs					275,086	-	275,086
Unrestricted investment earnings					(976)	1,997	1,021
Miscellaneous					23,006	7,413	30,419
Total General Revenues and Transfers					<u>\$ 746,233</u>	<u>\$ 9,410</u>	<u>\$ 755,643</u>
Change in Net Position					(24,432)	(15,325)	(39,757)
Net position, beginning					549,601	2,907,484	3,457,085
Net Position, ending					<u>\$ 525,169</u>	<u>\$ 2,892,159</u>	<u>\$ 3,417,328</u>

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

Town of Princeton, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

	<u>Major Funds</u>		
	<u>General Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 305,653	\$ 91,881	\$ 397,534
Investments	-	13,440	13,440
Restricted cash	5,394	5,821	11,215
Receivables, net:			
Taxes	2,536	-	2,536
Accounts	14,806	1,288	16,094
Due from other funds	26,070	-	26,070
Due from other governments	53,950	25,760	79,710
Prepaid expenses	593	-	593
Total Assets	<u>\$ 409,002</u>	<u>\$ 138,190</u>	<u>\$ 546,599</u>
LIABILITIES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 44,391	\$ 14,614	\$ 59,005
Due to other funds	-	26,070	26,070
Total Liabilities	<u>\$ 44,391</u>	<u>\$ 40,684</u>	<u>\$ 85,075</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	\$ 2,536	\$ -	\$ 2,536
Deferred revenue	-	74,700	74,700
Total Deferred Inflows of Resources	<u>\$ 2,536</u>	<u>\$ 74,700</u>	<u>\$ 77,236</u>
FUND BALANCES			
Non Spendable			
Prepaid expense	593	-	593
Restricted			
Stabilization by State Statute	95,926	-	95,926
Streets	5,394	-	5,394
Special revenue funds	-	19,102	19,102
Capital project funds	-	2,162	2,162
Assigned			
Subsequent years' expenditures	77,168	-	77,168
Unassigned	182,993	-	182,993
Total Fund Balances	<u>\$ 362,074</u>	<u>\$ 21,264</u>	<u>\$ 383,338</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 409,001</u>	<u>\$ 136,648</u>	

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

Town of Princeton, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total Fund Balance, Governmental Funds	\$ 383,338
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	892,686
Net pension liability	(137,643)
Total pension liability	(32,299)
Deferred outflows of resources related to pensions are not reported in the funds	107,868
Earned revenues considered deferred inflows of resources in fund statements	2,536
Deferred inflows of resources related to pensions are not reporting in the funds	(10,581)
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds	(648,304)
Compensated absences	(32,432)
Net Position of Governmental Activities	<u>\$ 525,169</u>

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

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

	<u>Major Funds</u>		
	<u>General Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Ad valorem taxes	\$ 449,035	\$ -	\$ 449,035
Other taxes and licenses	44	-	44
Unrestricted intergovernmental	275,087	-	420,341
Restricted intergovernmental	60,658	138,364	1,387
Permits and fees	26,880	-	26,880
Sales and services	175,960	7,414	183,374
Investment earnings	1,809	(2,785)	(976)
Miscellaneous	19,147	-	-
Total Revenues	<u>\$ 1,008,620</u>	<u>\$ 142,993</u>	<u>\$ 1,151,613</u>
EXPENDITURES			
Current:			
General government	\$ 229,837	\$ -	\$ 9,868
Public safety	411,975	-	70,466
Transportation	230,909	-	950
Economic and physical development	-	134,951	920
Environmental protection	44,815	-	5,376
Culture and recreation	8,496	7,282	8,000
Debt Service:			
Principal	76,651	-	76,651
Interest and other charges	17,393	-	17,393
Total Expenditures	<u>\$ 1,020,076</u>	<u>\$ 142,233</u>	<u>\$ 38,059</u>
Excess (Deficiency) of Revenues Over Expenditures	(11,456)	760	(10,696)
OTHER FINANCING SOURCES			
Disposal of assets	4,963	-	4,963
Net Change in Fund Balance	\$ (6,493)	\$ 760	\$ (5,733)
Fund balances, beginning	368,566	22,046	390,612
Fund Balances, ending	<u>\$ 362,073</u>	<u>\$ 22,806</u>	<u>\$ 384,879</u>

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

Town of Princeton, North Carolina
Reconciliation of the Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
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		\$ (5,733)
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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 depreciation exceeded capital outlays in the current period

Capital outlay expenditures which were capitalized	22,244	
Depreciation expense for governmental assets	<u>(101,769)</u>	\$ (79,525)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		26,542
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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	<u>38</u>	38
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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.

Principal payments on long-term debt	76,651	
Decrease in accrued interest payable	<u>1,012</u>	\$ 77,663

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	\$ (1,849)	
Pension expense	(41,570)	<u>\$ (43,419)</u>

Total changes in net position of governmental activities		<u><u>\$ (24,434)</u></u>
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The notes to the financial statements are an integral part of this statement.

**Town of Princeton, North Carolina
General Fund**

**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Ad valorem taxes	\$ 419,000	\$ 442,618	\$ 449,035	\$ 6,417
Other taxes and licenses	-	-	44	44
Unrestricted intergovernmental	262,496	273,228	275,087	1,859
Restricted intergovernmental	54,064	39,010	60,658	21,648
Permits and fees	27,200	28,405	26,880	(1,525)
Sales and services	175,250	182,740	175,960	(6,780)
Investment earnings	108	1,805	1,809	4
Miscellaneous	13,450	145,168	19,147	(126,021)
Total revenues	<u>\$ 951,568</u>	<u>\$ 1,112,974</u>	<u>\$ 1,008,620</u>	<u>\$ (104,354)</u>
EXPENDITURES				
Current:				
General government	\$ 212,948	\$ 237,384	\$ 229,837	\$ 7,547
Public safety	345,868	406,998	411,975	(4,977)
Transportation	189,928	231,733	230,909	824
Economic and physical development	-	-	-	-
Environmental protection	63,550	44,834	44,815	19
Cultural and recreation	29,220	10,575	8,496	2,079
Debt service:				
Principal retirement	75,400	76,652	76,651	1
Interest and other charges	18,637	17,399	17,393	6
Contingency	36,017	118,719	-	118,719
Total expenditures	<u>\$ 971,568</u>	<u>\$ 1,144,294</u>	<u>\$ 1,020,076</u>	<u>\$ 124,218</u>
Revenues over (under) expenditures	\$ (20,000)	\$ (31,320)	\$ (11,456)	\$ 19,864
OTHER FINANCING SOURCES (USES)				
Fund balance appropriated	\$ 20,000	\$ 31,320	\$ -	\$ (31,320)
Disposal of assets	-	-	4,963	4,963
Total other financing sources (uses)	<u>\$ 20,000</u>	<u>\$ 31,320</u>	<u>\$ 4,963</u>	<u>\$ (31,320)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(6,493)</u>	<u>\$ (11,456)</u>
Fund balances, beginning			<u>368,566</u>	
Fund balances, ending			<u>\$ 362,073</u>	

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

Town of Princeton, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2019

	Water and Sewer Fund	Total
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 211,670	\$ 211,670
Accounts receivable (net) - billed	58,314	58,314
Intergovernmental receivables	19,162	19,162
Inventories	17,707	17,707
Restricted cash and cash equivalents	138,000	138,000
Total Current Assets	<u>\$ 444,853</u>	<u>\$ 444,853</u>
Noncurrent Assets:		
Capital Assets:		
Land and construction in progress	\$ 47,080	\$ 47,080
Other capital asseets, net of depreciation	3,731,969	3,731,969
Capital Assets	<u>\$ 3,779,049</u>	<u>\$ 3,779,049</u>
Total Noncurrent Assets	<u>\$ 3,779,049</u>	<u>\$ 3,779,049</u>
Total Assets	<u><u>\$ 4,223,902</u></u>	<u><u>\$ 4,223,902</u></u>
DEFERRED OUTFLOWS OF RESOURCES		
Contribution to pension plan	\$ 9,095	\$ 9,095
Pension deferrals	26,388	26,388
Total Deferred Outflows of Resources	<u>\$ 35,483</u>	<u>\$ 35,483</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 39,872	\$ 39,872
Compensated absences - current	11,424	11,424
General obligation bonds payable - current	20,700	20,700
Revenue bond payable - current	6,500	6,500
Installment purchase payable - current	49,222	49,222
Liabilities payable from restricted assets:		
Customer deposits	46,772	46,772
Total Current Liabilities	<u>\$ 174,490</u>	<u>\$ 174,490</u>
Noncurrent Liabilities:		
Net pension liability	\$ 47,162	\$ 47,162
General obligation bonds payable - noncurrent (net)	40,400	40,400
Revenue bond payable - noncurrent	319,200	319,200
Installment purchase payable - noncurrent	780,518	780,518
Total Noncurrent Liabilities	<u>\$ 1,187,280</u>	<u>\$ 1,187,280</u>
Total Liabilities	<u><u>\$ 1,361,770</u></u>	<u><u>\$ 1,361,770</u></u>
DEFERRED INFLOWS OF RESOURCES		
Prepaid revenue	\$ 2,613	\$ 2,613
Pension deferrals	2,842	2,842
	<u>\$ 5,455</u>	<u>\$ 5,455</u>
NET POSITION		
Net investment in capital assets	\$ 2,562,509	\$ 2,562,509
Restricted for loan payments	91,228	91,228
Unrestricted	238,422	238,422
Total Net Position	<u><u>\$ 2,892,159</u></u>	<u><u>\$ 2,892,159</u></u>
Net Position of Business-type Activities		<u><u>\$ 2,892,159</u></u>

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

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

	Water and Sewer Fund	Total
OPERATING REVENUES		
Charges for services	\$ 629,980	\$ 629,980
Other operating revenues	90,078	90,078
Total Operating Revenues	<u>\$ 720,058</u>	<u>\$ 720,058</u>
OPERATING EXPENSES		
Administration	\$ 77,507	\$ 77,507
Water distribution	307,079	307,079
Waste collection and treatment	161,829	161,829
Depreciation	166,181	166,181
Total Operating Expenses	<u>\$ 712,596</u>	<u>\$ 712,596</u>
Operating Income (Loss)	<u>\$ 7,462</u>	<u>\$ 7,462</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	\$ 1,997	\$ 1,997
USDA Rural Development proceeds	15,598	15,598
Insurance recovery	7,413	7,413
Interest and other charges	(47,795)	(47,795)
Total Nonoperating Revenue (Expenses)	<u>\$ (22,787)</u>	<u>\$ (22,787)</u>
Change in Net Position	(15,325)	(15,325)
Total Net Position, beginning	2,907,484	2,907,484
Total Net Position, ending	<u><u>\$ 2,892,159</u></u>	<u><u>\$ 2,892,159</u></u>

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

Town of Princeton, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

	Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 637,434	\$ 637,434
Cash paid for goods and services	(369,295)	(369,295)
Cash paid for or on behalf of employees for services	(171,069)	(171,069)
Other operating revenues	90,078	90,078
	\$ 187,148	\$ 187,148
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	\$ (31,269)	\$ (31,269)
Insurance recovery proceeds	7,413	7,413
Principal paid on bond maturities and equipment contracts	(74,644)	(74,644)
Interest paid on bond maturities and equipment contracts	(47,795)	(47,795)
	\$ (146,295)	\$ (146,295)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	1,997	1,997
	\$ 42,850	\$ 42,850
Balances, beginning	306,820	306,820
Balances, ending	\$ 349,670	\$ 349,670

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

Town of Princeton, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

	Water and Sewer Fund	Total
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 7,462	\$ 7,462
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	166,181	166,181
Changes in Assets and Liabilities:		
(Increase) decrease in accounts receivable	3,091	3,091
(Increase) decrease in prepaid expenses	1,000	1,000
Increase in deferred outflows of resources -pensions	(13,096)	(13,096)
Increase in net pension liability	17,026	17,026
Decrease in deferred inflows of resources - pensions	(435)	(435)
Increase (decrease) in accounts payable and accrued liabilities	880	880
Increase (decrease) in prepaid revenue	2,613	2,613
Increase (decrease) in compensated absences	2,426	2,426
Total Adjustments	\$ 179,686	\$ 179,686
Net Cash Provided by Operating Activities	\$ 187,148	\$ 187,148

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

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

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Princeton 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 of Princeton is a municipal corporation that is governed by an elected mayor and a four-member board. The Town of Princeton is located in the eastern area of the state and has a population of 1201. The Town maintains its Police Department and sanitation operations. The Town of Princeton also operates water and sewer utilities for the incorporated area. The Town also has a volunteer Fire Department located within the corporate limits, which is independently operated by the local citizens. The Town does, however, make a contribution to the Fire Department to help defray operating costs.

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. 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

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

subsidies result from non-exchange transactions. Other non-operating revenues 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:

Barefoot Endowment Fund. This fund is used to account the Town's investment income and expenditures for the beautification of the Princeton area.

EPA Brownfield Fund. The EPA Brownfield Fund is used to account for the Town's grant revenues and contracted services expenditures relating to the EPA Brownfield grant project.

Princeton Community Day Fund. This fund is used to account for the Town's cultural and recreation activities in the Town of Princeton.

Golden Leaf Downtown Drainage Grant Fund. This fund is used to account for the Town's drainage repair grants and expenditures.

Golden Leaf Beaver Dam Ditch Repair Grant Project Fund. This fund is used to account for the Town's beaver dam ditch repair expenditures and grants.

Community Building Project Fund. This fund is used to account for the Town's upgrades to the Community Building.

The Town reports the following major enterprise funds:

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations.

The Town reports the following non-major enterprise funds:

2017 Water and Sewer Rehab Project Fund. This fund is used to account for the restricted intergovernmental revenues and expenditures for the 2017 Water and Sewer Rehab Project.

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

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

focus. The government-wide and proprietary fiduciary fund financial statements are reported using 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, 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 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 enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the 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.

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

Sales taxes and certain intergovernmental revenues, such as the beer and wine 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 Princeton because the tax is levied by Johnston 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 are 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 and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Enterprise Capital Projects Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflows/Inflows 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 State law [G.S. 159-31]. The Town may designate, as an official depository, and bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC- registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

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

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

The unexpended bond proceeds of Water and Sewer Fund serial bonds issued by the Town are classified as restricted assets for the enterprise fund because their use is completely restricted to the purpose for which the bonds were originally issued. 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 also 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. Barefoot Funds are restricted for the beautification of the Town of Princeton.

Town of Princeton Restricted Cash

Governmental Activities:	
General Fund	
Powell Bill	\$ 5,394
Barefoot Fund	
M.T. Barefoot Endowment	5,823
Total Governmental Activities	\$ 11,217
Business-type Activities:	
Water and Sewer Fund	
Customer deposits	\$ 46,772
Reserve Funds	49,832
Total Business-type Activities	\$ 96,604
Total Restricted Cash	\$ 107,821

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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2014.

5. Allowances for Doubtful Accounts

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

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the balance of accounts receivables greater than 90 days.

6. Inventory and Prepaid Items

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

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 a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$500; Buildings, improvements, substations, lines, and other plant and distribution systems, \$500; infrastructure, \$500; furniture and equipment, \$500 and vehicles and motorized equipment, \$500; computer software and computer equipment \$500. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received after June 30, 2015 are recorded at acquisition value. 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
Buildings and System	30
Infrastructure	50
Furniture and Equipment	10
Vehicles and motorized equipment	6
Computer equipment	3
Computer software	5
Substations, lines, and related equipment	40
Other improvements	25

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meet this criterion, contributions made to the pension plan in the 2015 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 one item that meets the criterion for this category – pension deferrals.

9. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of Net Position. Bond premiums and discounts, as well as issuance costs, 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 or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, 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 provide 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 of Princeton, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

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, or 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:

Non-spendable 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.

Inventories - portion of fund balance that is not available for appropriation because it represents the year-end fund balance of ending inventories, which are not spendable resources.

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 – portion of fund balance that is restricted by State Statute [G.S. 159-S(a)].

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 Debt Service – certain restricted assets in the General Fund and Water and Sewer Funds represent an accumulation of cash required by USDA to have one year's payment in reserve at all times in case the payment is not made timely.

Restricted for Culture and Recreation – Barefoot Funds are restricted for the beautification of the Princeton area.

Town of Princeton, North Carolina
Notes to the Financial Statements
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Committed Fund Balance - portion of fund balance that can be used for specific purposes imposed by the majority vote by quorum of the Town of Princeton's governing board. The governing body 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. Any changes or removal of specific purposes requires majority action by the governing body.

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

Subsequent Year's Expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by the resource or appropriation within funds up to \$2,500.

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

The Town of Princeton 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, 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 is in the best interest of the Town.

The Town of Princeton has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures. Any portion of the general fund balance in excess of 10% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Princeton's employer contributions are recognized when due and the Town of Princeton 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.

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

13. Subsequent Events

The Town evaluated the effect subsequent events would have on the financial statements through June 30, 2020, which is the date the financial statements were available to be issued.

II. Stewardship, Compliance, and Accountability

A. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2019, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for public safety activities by \$4,977. These over-expenditures occurred because of management oversight. Management and the Board will more closely review the budget reports to ensure compliance in future years.

For the fiscal year ended June 30, 2019, the no budget was approved for the Town's Princeton Community Day Fund and Community Building Project Fund. Management and the Board will prepare budgets for all Town governmental activities funds to ensure compliance in future years.

B. Significant Violations of Finance-Related Legal and Contractual Provision

The Town's investment is not in accordance with State law [G.S. 15-30]. The securities previously owned in the M.T. Barefoot Fund were Maiden Holdings LTD preferred stock. G.S. 159-33 establishes a nine-month time frame within which the securities must be sold. The investment continues to be held by the Town as of June 30, 2020; therefore, it is a statutory violation.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with 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 names. The amount of the pledged collateral is based on an approved averaging method for non-interest 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 the escrow agent. Because of the inability to measure the exact amounts 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

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

Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Town's deposits had a carrying amount of \$642,089 and a bank balance of \$655,388. Of the bank balance, \$505,821 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the Town's petty cash fund totaled \$200.

2. Investments

At June 30, 2019, the Town of Princeton had \$8,312 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.

This investment was created by a contribution from the M. T. Barefoot Beautification Endowment Fund in the amount of \$22,046 by James P. George on June 30, 2014 and is restricted for use for the beautification of the Town of Princeton.

Investment Type	Fair Value	Maturity	Rating
NC Capital Management Trust - Government Portfolio	\$8,312	N/A	AAAm
Maiden Holdings Ltd	\$13,440	6/14/2046	N/A
Stifel Bank and Trust	\$5,821	N/A	N/A

Interest Rate Risk. The Town does not have a formal investment policy.

Credit Risk. The Town has no formal policy regarding credit risk.

3. Receivables – Allowances for Doubtful Accounts

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

Enterprise Fund:	
Water and Sewer Fund - accounts receivable	\$ 37,685
Total Enterprise Fund	37,685
Total	\$ 37,685

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

4. Capital Assets

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

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 152,028	\$ -	\$ -	\$ 152,028
Total Capital Assets Not Being Depreciated	<u>\$ 152,028</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,028</u>
Capital Assets Being Depreciated:				
Buildings	\$ 869,298	\$ -	\$ -	\$ 869,298
Other improvements	415,914	-	-	415,914
Equipment	390,748	22,244	8,320	404,672
Vehicles and motorized equipment	384,160	-	-	384,160
Total Capital Assets Being Depreciated	<u>\$2,060,120</u>	<u>\$ 22,244</u>	<u>\$ 8,320</u>	<u>\$2,074,044</u>
Less accumulated depreciation for:				
Buildings	\$ 275,384	\$ 20,838	\$ -	\$ 296,222
Other improvements	404,885	1,265	-	406,150
Equipment	320,423	31,529	8,320	343,632
Vehicles and motorized equipment	239,245	48,137	-	287,382
Total accumulated depreciation	<u>\$1,239,937</u>	<u>\$101,769</u>	<u>\$ 8,320</u>	<u>\$1,333,386</u>
Total Capital Assets Being Depreciated, Net	<u>820,183</u>			<u>740,658</u>
Governmental Activity Capital Assets, Net	<u>\$ 972,211</u>			<u>\$ 892,686</u>

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

General government	\$ 22,475
Public safety	31,446
Transportation	14,968
Environmental protection	31,781
Cultural and recreational	1,099
Total Depreciation Expense	<u>\$ 101,769</u>

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

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Business-type Activities:				
Water and Sewer Fund:				
Capital Assets Not Being Depreciated:				
Land	\$ 24,280	\$ -	\$ -	\$ 24,280
Construction in progress	-	22,800	-	22,800
Total Capital Assets Not Being Depreciated	<u>\$ 24,280</u>	<u>\$ 22,800</u>	<u>\$ -</u>	<u>\$ 47,080</u>
Capital Assets Being Depreciated:				
Plant and distribution systems	\$6,876,057	\$ -	\$ -	\$6,876,057
Furniture and maintenance equipment	223,909	8,469	-	232,378
Vehicles	34,134	-	-	34,134
Total Capital Assets Being Depreciated	<u>\$7,134,100</u>	<u>\$ 8,469</u>	<u>\$ -</u>	<u>\$7,142,569</u>
Less accumulated depreciation for:				
Plant and distribution systems	\$3,026,799	\$ 155,213	\$ -	\$3,182,012
Furniture and maintenance equipment	189,584	5,142	-	194,726
Vehicles	28,036	5,826	-	33,862
Total Accumulated Depreciation	<u>\$3,244,419</u>	<u>\$ 166,181</u>	<u>\$ -</u>	<u>\$3,410,600</u>
Total Capital Assets Being Depreciated, Net	<u>\$3,889,681</u>			<u>\$3,731,969</u>
Water and Sewer Fund Capital Assets, Net	<u>\$3,913,961</u>			<u>\$3,779,049</u>
Business-type Activities Capital Assets, Net	<u>\$3,913,961</u>			<u>\$3,779,049</u>

B. Liabilities

1. Pension Plan Obligations and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Princeton is a participating employer in the statewide 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 governmental entities. 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. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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.

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

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 Princeton 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 Princeton's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Princeton were \$35,637 for the year ended June 30, 2019.

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

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

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

At June 30, 2019, the Town reported a liability of \$184,805 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.00779%, which was an increase of 0.00008% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$49,444. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 28,511	\$ 957
Changes of assumptions	49,040	-
Net difference between projected and actual earnings on pension plan investments	25,368	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	482	10,181
Town contributions subsequent to the measurement date	35,637	-
Total	<u>\$ 139,038</u>	<u>\$ 11,138</u>

\$35,637 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year ended June 30:

2019	\$	46,067
2020		28,669
2021		3,732
2022		13,795
2023		-
Thereafter		-
	<u>\$</u>	<u>92,263</u>

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

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

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 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 liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability 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:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 443,919	\$ 184,805	\$ (31,714)

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.

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

The Town of Princeton 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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	4
Total	<u>4</u>

2. Summary of Significant Accounting Policies

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

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

3. Actuarial Assumptions

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

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

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

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

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

4. Contributions.

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

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

At June 30, 2019, the Town reported a total pension liability of \$32,299. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$4,717.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,493	\$ 649
Changes of assumptions	1,819	1,636
Total	\$ 4,312	\$ 2,285

\$4,312 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year ended June 30:

2020	\$	447
2021		447
2022		447
2023		348
2024		348
Thereafter		248
Total	<u>\$</u>	<u>2,285</u>

\$0 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

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

	<u>1% Decrease (2.16%)</u>	<u>Discount Rate (3.16%)</u>	<u>1% Increase (4.16%)</u>
Total pension liability	\$ 35,634	\$ 32,299	\$ 29,277

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

	<u>2019</u>
Beginning balance	\$ 26,556
Service Cost	3,560
Interest on the total pension liability	839
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	2,904
Changes of assumptions or other inputs	(1,560)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 32,299</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

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

studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

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

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 49,444	\$ 4,717	\$ 54,161
Pension Liability	184,805	32,299	217,104
Proportionate share of the net pension liability	0.00779%	n/a	
 Deferred of Outflows of Resources			
Differences between expected and actual experience	28,511	2,493	31,004
Changes of assumptions	49,040	1,819	50,859
Net difference between projected and actual earnings on plan investments	25,368	-	25,368
Changes in proportion and differences between contributions and proportionate share of contributions	482	-	482
Benefit payments and administrative costs paid subsequent to the measurement date	35,637	-	35,637
 Deferred of Inflows of Resources			
Differences between expected and actual experience	957	649	1,606
Changes of assumptions	-	1,636	1,636
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	10,181	-	10,181

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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 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.

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan.

The Town made contributions of \$7,210 for the reporting year. No amounts were forfeited.

d. Firefighter's and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the Town of Princeton, to the Firefighter's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 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, 9 appointed by the Governor, 1 appointed by the State Senate, 1 appointed by the State House of Representatives, and the State Treasurer, and State Superintendent, who serve as the ex-officio members. The Firefighter's and Rescue Squad Workers' Pension Fund 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 the Firefighter's and Rescue Squad Workers' Pension Fund. 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 or at www.osc.nc.gov.

Benefits Provided. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2018, the State contributed \$17,602,000 to the plan. The Town of Princeton's proportionate share of the State's contribution is \$3,400.

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

Refunds of Contributions. Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

e. 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 the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. 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 post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

2. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 35,637
Differences between expected and actual experience	31,004
Changes in assumptions	50,859
Net difference between projected and actual earnings on pension plan investments	25,368
Changes in proportion and differences between employer contributions and proportionate share of contributions	482
Total	\$ 143,350

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

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, less penalties (General Fund)	-	2,498
Changes in assumptions	1,636	-
Differences between expected and actual experience	1,606	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	10,181	-
Total	\$ 13,423	\$ 2,498

3. 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 three 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 insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial coverage for all 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 of Princeton does not carry flood insurance.

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

4. Long-term Obligations

a. Installment Purchase

In June 2002, the Town entered into an installment purchase agreement to finance water

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

and sewer improvements for \$225,000. The agreement requires sixty equal quarterly installments of principal and interest in the amount of \$5,265 each, commencing on November 20, 2002 and continuing on the same day of each quarter thereafter with the final payment in 2018. The interest rate is 4.75% per annum.

Installment purchase with USDA in the amount of \$392,000 for sewer improvements in the sewer upgrade capital projects fund due \$21,306 annually including interest at 4.5% on December 15 for forty years with the final payment on December 15, 2044.

Installment purchase with USDA in the amount of \$200,000 for town hall building and land due \$11,920 annually plus interest at 4.25% on December 18 for thirty years with the final payment on December 18, 2036. This loan was paid off through refinancing with BB&T on December 14, 2016.

Installment purchase with USDA in the amount of \$400,000 for town hall building and land due \$24,200 annually plus interest at 4.375% on December 18 for thirty years with the final payment on December 18, 2036. This loan was paid off through refinancing with BB&T on December 14, 2016.

Installment purchase with USDA in the amount of \$383,000 for fire flow upgrade and water rehab due \$19,714 annually including interest at 4.125% on January 10 for forty years.

Installment purchase with BB&T for \$20,000, interest at 2.770% due \$7,039.36 annually for three years to finance a 2011 Dodge Charger with first payment due on July 28, 2013.

Installment purchase with BB&T in the amount of \$410,000 for water and sewer project due \$36,993 annually plus interest at 3.91% on August 16, for fifteen years with the final payment on May 16, 2023.

Installment purchase with KS Bank, Inc. for \$34,011 on August 30, 2013 to purchase a 2013 Chevrolet dump truck for the general fund due \$7,289.18 annually including interest at 2.350% for five years with the first payment on September 14, 2015.

Installment purchase with BB&T for a 2014 Dodge charger police vehicle on June 17, 2014 for \$28,000 with three annual payments of \$9,728.38 including interest at 1.980% with the first payment on July 31, 2015.

Installment purchase with KS Bank, Inc. to purchase a 2011 Caterpillar Backhoe for \$34,000 on June 30, 2014 with five annual payments of \$7,182.26 including interest at 1.80% with the first payment on July 30, 2015.

Installment purchase with Four Oaks Bank and Trust, to purchase a 2015 Chevrolet truck for \$29,114 on August 19, 2014 with five annual payments of \$6,147.03 including interest at 1.74% with the first payment on September 30, 2015.

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

Installment purchase with KS Bank, Inc to purchase a garbage truck, carts and bins for \$271,003.70 on September 29, 2014 with fifteen annual payments of \$22,134.95 including interest at 2.650% with the first payment due on September 30, 2015.

Installment contract to refinance USDA installment purchase contracts for the town hall building and land with BB&T on December 14, 2016 with fifteen annual principal payments amounting to \$30,000 plus 2.44% interest with the first payment due December 14, 2017.

Year Ending June 30	Governmental Activities		Business Activities	
	Principal	Interest	Principal	Interest
2020	\$ 70,424	\$ 15,720	\$ 49,222	\$ 34,938
2021	64,063	14,166	44,923	33,091
2022	47,493	12,694	46,734	31,279
2023	47,956	11,499	48,619	29,395
2024	48,432	10,291	50,919	27,094
2025-2029	249,738	32,897	85,268	119,832
2030-2034	111,959	4,963	105,395	99,705
2035-2039	-	-	130,282	74,818
2040-2044	-	-	161,058	44,042
2045-2049	-	-	107,321	11,978
Total	\$ 640,065	\$ 102,230	\$ 829,741	\$ 506,172

b. General Obligation Indebtedness

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

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

General Obligation Bonds	\$ 61,100
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Bonds payable in the amount of \$61,100 in the water and sewer fund due at \$24,692 per year including interest at 4.85% for eighteen years.

At June 30, 2019, the Town of Princeton had no bonds authorized but unissued and a legal debt margin of \$4,484,019.

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

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	20,700	2,963
2021	20,700	1,959
2022	19,700	955
Total	\$ 61,100	\$ 5,877

c. Revenue Bond

The Town's revenue bond 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. Principal and interest requirements are appropriated when due.

On November 5, 2012 the Town of Princeton issued a Revenue Bond agreement guaranteed by the USDA in the amount of \$358,000 with interest at 2.125% due on June 1, 2013 through 2053.

Year Ending June 30	Principal	Interest
2020	6,500	6,921
2021	7,500	6,783
2022	7,500	6,624
2023	7,500	6,464
2024	7,500	6,305
2025-2029	39,800	29,106
2030-2034	44,000	24,671
2035-2039	49,500	19,763
2040-2044	54,800	14,284
2045-2049	61,200	8,211
2050-2053	39,900	1,719
Total	\$ 325,700	\$ 130,851

The Town has been in compliance with the covenants as to rates, fees, rentals, and charges in Section 704 of the Bond Order, authorizing the issuance of Water and Sewer Revenues Bonds, Series 1994, since its adoption in 1994. Section 704(a) of the Bond

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

Order requires the debt service coverage ratio to be no less than 125%. The debt service coverage ratio calculation for the year ended June 30, 2018, is as follows:

Operating revenues	\$ 720,058
Operating expense*	546,415
Operating income	173,643
Non-operating revenues (expense)**	(15,728)
Income available for debt service	\$ 157,915

Debt service, principal and interest paid (Revenue bond only)	\$ 13,559
Debt service coverage ratio	1165%

*Per rate covenants, this does not include the depreciation expense of \$166,181.

**Per rate covenants, this does not include the revenue bond interest paid of \$7,197.

The Town has pledged future water and sewer customer revenues, net of specified operating expenses, and \$358,000 in water and sewer revenue bonds issued in November 2012. Proceeds from the bonds provide financing for the construction of facilities utilized in the operations of the water and sewer system. The bonds are payable solely from water and sewer customer net revenues and are payable through 2053. Annual principal and interest payment on the bonds are expected to require less than 4.12 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$472,856. Principal and interest paid for the current year and total customer net revenues were \$13,697 and \$724,508, respectively.

d. Changes in Long-term Liabilities

	Beginning			Ending	Current
	Balance	Increases	Decreases	Balance	Portion of
Governmental activities:					
Installment purchase	\$ 716,321	\$ -	\$ 76,256	\$ 640,065	\$ 70,424
Compensated absences	30,583	1,849	-	32,432	32,432
Total pension liability	26,556	5,743	-	32,299	-
Net pension liability (LGERS)	87,651	49,992	-	137,643	-
Governmental Activity Long-term Liabilities	\$ 861,111	\$ 57,584	\$ 76,256	\$ 842,439	\$ 102,856
Business-type activities:					
General obligation bonds	\$ 81,800	\$ -	\$ 20,700	\$ 61,100	\$ 20,700
Revenue bonds	332,200	-	6,500	325,700	6,500
Installment purchase	206,739	-	35,314	171,425	36,567
USDA installment purchase	670,445	-	12,130	658,315	12,655
Compensated absences	8,998	2,426	-	11,424	11,424
Net pension liability (LGERS)	30,136	17,026	-	47,162	-
Business-type Activity Long-term Liabilities	\$ 1,330,318	\$ 19,452	\$ 74,644	\$ 1,275,126	\$ 87,846

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

C. Beautification Program

During the year the M T Barefoot Beautification fund earned \$1,407 and had unrealized losses of \$4,192. No expenditures were recorded in 2019.

D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital Assets	\$ 892,686	\$ 3,779,049
Less: Long-term debt	640,065	1,216,540
Net investments in capital asset	\$ 252,621	\$ 2,562,509

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	\$ 362,073
Less:	
Stabilization by State Statute	95,926
Streets - Powell Bill	5,394
Subsequent years' expenditures	77,168
Remaining Fund Balance	\$ 183,585

The Town of Princeton has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures.

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

V. Related Party Transactions

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

The Town purchased supplies from a company owned by a board member during the fiscal year. The purchases amounted to \$1,062. There are no accounts payable owed to the company or board member.

Required Supplementary Financial Data

This section contains additional information required by generally accepted accounting principles.

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Total Pension Liability as a Percentage of Covered Payroll for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Changes in Total Pension Liability for the Law Enforcement Officers' Special Separation Allowance

Town of Princeton, North Carolina
Town of Princeton's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years *

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Princeton's proportion of the net pension liability (asset) (%)	0.00779%	0.00771%	0.00779%	0.00804%	0.00755%	0.00690%
Princeton's proportion of the net pension liability (asset) (\$)	\$ 184,805	\$ 117,787	\$ 165,330	\$ 36,083	\$ (91,033)	\$ 83,171
Princeton's covered-employee payroll	\$444,302	\$ 440,462	\$ 403,326	\$ 387,031	\$ 387,093	\$ 329,615
Princeton's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	41.59%	26.74%	40.99%	9.32%	(23.52%)	25.23%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

**Town of Princeton, North Carolina
Town of Princeton's Contributions
Required Supplementary Information
Last Six Fiscal Years**

Local Government Employees' Retirement System

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 35,637	\$ 34,222	\$ 30,346	\$ 26,503	\$ 28,119	\$ 23,598
Contributions in relation to the contractually required contribution	35,637	34,222	30,346	26,503	28,119	23,598
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Princeton's covered-employee payroll	444,302	440,462	403,326	\$ 387,031	\$ 387,031	\$ 387,093
Contributions as a percentage of covered-employee payroll	8.02%	7.77%	7.52%	6.85%	7.27%	6.10%

Town of Princeton, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	2019	2018	2017
Beginning balance	\$ 26,556	\$ 23,206	\$ 25,926
Service Cost	3,560	3,036	2,676
Interest on the total pension liability	839	854	825
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	2,904	(903)	-
Changes of assumptions or other inputs	(1,560)	2,527	(594)
Benefit payments	-	(2,164)	(5,627)
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 32,299</u>	<u>\$ 26,556</u>	<u>\$ 23,206</u>

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

Town of Princeton, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 32,299	\$ 26,556	\$ 23,206
Covered payroll	157,731	158,340	150,702
Total pension liability as a percentage of covered payroll	20.48%	16.77%	15.40%

Notes to the schedules:

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

Town of Princeton, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Ad Valorem Taxes:			
Taxes	\$ 441,118	\$ 447,678	\$ 6,560
Interest	1,500	1,357	(143)
Total	<u>\$ 442,618</u>	<u>\$ 449,035</u>	<u>\$ 6,417</u>
Other Taxes and Licenses:			
Taxes	\$ -	\$ 44	\$ 44
Total	<u>\$ -</u>	<u>\$ 44</u>	<u>\$ 44</u>
Unrestricted Intergovernmental:			
Local option sales taxes	\$ 179,750	\$ 180,095	\$ 345
Telecommunications sales tax	10,325	9,299	(1,026)
Utility sales tax	66,625	69,128	2,503
Video franchise fee	945	882	(63)
Solid waste disposal tax	853	929	76
Beer and wine tax	5,380	5,401	21
ABC profit distribution	9,350	9,353	3
Total	<u>\$ 273,228</u>	<u>\$ 275,087</u>	<u>\$ 1,856</u>
Restricted Intergovernmental:			
Powell Bill allocation	\$ 38,010	\$ 37,681	\$ (329)
Public safety grant	1,000	1,000	-
FEMA reimbursement	-	21,473	21,473
Sanitation grant	-	504	504
Total	<u>\$ 39,010</u>	<u>\$ 60,658</u>	<u>\$ 21,648</u>
Permits and Fees:			
Zoning permits	\$ 3,000	\$ 1,475	\$ (1,525)
Building permits	25,405	25,405	-
Total	<u>\$ 28,405</u>	<u>\$ 26,880</u>	<u>\$ (1,525)</u>
Sales and Services:			
Garbage fees	\$ 182,740	\$ 175,960	\$ (6,780)
Total	<u>\$ 182,740</u>	<u>\$ 175,960</u>	<u>\$ (6,780)</u>
Investment earnings	<u>1,805</u>	<u>1,809</u>	<u>4</u>

Town of Princeton, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Miscellaneous:			
Facility and officers fees	\$ 360	\$ 365	\$ 5
Copies and police reports	4,145	4,152	7
Drug Recovery Funds revenue	280	280	-
Community building rent	7,355	7,355	-
Miscellaneous	133,028	6,995	(126,033)
Total	<u>\$ 145,168</u>	<u>\$ 19,147</u>	<u>\$ (126,021)</u>
Total Revenues	<u>\$ 1,112,974</u>	<u>\$ 1,008,620</u>	<u>\$ (104,357)</u>
EXPENDITURES			
General Government:			
Salaries and employee benefits	\$ 91,814	\$ 91,784	\$ 30
Salaries - mayor and commissioners	6,772	6,723	49
Professional services	10,500	9,900	600
Advertising	1,140	1,138	2
Membership dues and subscriptions	3,600	3,599	1
Total	<u>\$ 113,826</u>	<u>\$ 113,144</u>	<u>\$ 682</u>
Administration:			
Telephone	\$ 580	\$ 577	\$ 3
Education	575	575	-
Cell Phone	600	594	6
Tax interest collected for State	1,574	1,568	6
Internet	1,200	1,192	8
Website	550	550	-
Software contract	4,225	4,225	-
Copier contract	1,430	1,426	4
Office supplies and postage	6,030	6,028	2
Bank charges	11,855	11,853	2
Animal expense	70	68	2
Insurance	25,064	25,057	7
Miscellaneous	16,910	20,684	(3,774)
Donations	13,400	13,400	-
Miscellaneous	10,000	-	10,000
Capital outlay	5,093	4,500	593
Total	<u>\$ 99,156</u>	<u>\$ 92,297</u>	<u>\$ 6,859</u>

Town of Princeton, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Taxes:			
Collection fees	\$ 7,977	\$ 7,976	\$ 1
Total	<u>\$ 7,977</u>	<u>\$ 7,976</u>	<u>\$ 1</u>
Legal:			
Contracted services	\$ 2,405	\$ 2,405	\$ -
Total	<u>\$ 2,405</u>	<u>\$ 2,405</u>	<u>\$ -</u>
Public Buildings:			
Utilities	\$ 6,325	\$ 6,323	\$ 2
Maintenance and repairs	7,695	7,692	3
Total	<u>\$ 14,020</u>	<u>\$ 14,015</u>	<u>\$ 5</u>
Total General Government	<u>\$ 237,384</u>	<u>\$ 229,837</u>	<u>\$ 7,547</u>
Public Safety:			
Police:			
Salaries and employee benefits	\$ 262,795	\$ 262,595	\$ 200
Vehicle expense	20,700	20,700	-
Training expense	1,880	1,878	2
Telephone	600	592	8
Communication equipment	1,981	1,977	4
Copier contract	695	691	4
Cell phone allowance	600	594	6
Drug Recovery Fund expenditures	695	691	4
Supplies	6,230	6,225	5
Software contract	2,806	2,806	-
Workers compensation	6,078	6,075	3
Uniforms	6,505	6,503	2
Other operating expenditures	6,810	6,807	3
Capital outlay	9,866	9,864	2
Total	<u>\$ 328,241</u>	<u>\$ 327,998</u>	<u>\$ 243</u>

Town of Princeton, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Fire:			
Other operating expenditures	62,694	61,648	1,046
Total	<u>\$ 62,694</u>	<u>\$ 61,648</u>	<u>\$ 1,046</u>
Inspections:			
Zoning administrator fees	16,063	22,329	(6,266)
Total	<u>\$ 16,063</u>	<u>\$ 22,329</u>	<u>\$ (6,266)</u>
Total Public Safety	<u>\$ 406,998</u>	<u>\$ 411,975</u>	<u>\$ (4,977)</u>
Transportation:			
Streets and Highways:			
Salaries and employee benefits	\$ 126,405	\$ 125,634	\$ 771
Maintenance streets	170	170	-
Uniforms	3,020	3,017	3
Street lights	26,610	26,606	4
Supplies	5,275	5,273	2
Street repairs and materials	5,022	5,014	8
Cell phone allowance	1,800	1,781	19
Contracted services	39,320	39,318	2
Engineering services	3,180	3,177	3
Insurance	5,256	5,252	4
Other operating expenditures	7,730	7,725	5
Capital outlay	7,945	7,942	3
Total	<u>\$ 231,733</u>	<u>\$ 230,909</u>	<u>\$ 824</u>
Environmental Protection:			
Solid Waste:			
Landfill fees	\$ 23,295	\$ 23,293	\$ 2
Vehicle maintenance	3,528	3,527	1
Dump truck maintenance	3,125	3,120	5
Garbage truck maintenance	10,970	10,966	4
Backhoe maintenance	1,356	1,354	2
Tractor and bushhog maintenance	50	48	2
Lawnmower and weedeater maintenance	2,045	2,042	3
Leaf vacuum upkeep	70	70	-
Chainsaw upkeep	395	395	-
Total	<u>\$ 44,834</u>	<u>\$ 44,815</u>	<u>\$ 19</u>

Town of Princeton, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Cultural and Recreation:			
Parks and Recreation:			
Internet security	\$ 935	\$ 935	\$ -
Maintenance	6,790	4,712	2,078
Utilities	2,850	2,849	1
Total	<u>\$ 10,575</u>	<u>\$ 8,496</u>	<u>\$ 2,079</u>
Debt Service			
Principal retirement	\$ 76,652	\$ 76,651	\$ 1
Interest and fees	17,399	17,393	6
Total	<u>\$ 94,051</u>	<u>\$ 94,044</u>	<u>\$ 7</u>
Contingency	<u>118,719</u>	<u>-</u>	<u>118,719</u>
Total Expenditures	<u>\$ 1,144,294</u>	<u>\$ 1,020,076</u>	<u>\$ 124,218</u>
Revenues Over (Under) Expenditures	<u>\$ (31,320)</u>	<u>\$ (11,456)</u>	<u>\$ 19,864</u>
OTHER FINANCING SOURCES (USES)			
Fund balance appropriated	\$ 31,320	\$ -	\$ (31,320)
Disposal of assets	-	4,963	4,963
Total Other Financing Sources (Uses)	<u>31,320</u>	<u>4,963</u>	<u>(26,357)</u>
Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ (6,493)</u>	<u>\$ (6,493)</u>
Fund Balances, beginning		368,566	
Fund Balances, ending		<u>\$ 362,073</u>	

Town of Princeton, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2019

	EPA Brownfield Fund	Princeton Community Day Fund	Barefoot Endowment Fund	Total Nonmajor Special Revenue Funds	Golden Leaf Beaver Dam Ditch Repair Grant Project Fund	Golden Leaf Downtown Drainage Grant Fund	Community Building Project Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS									
Cash and cash equivalents	\$ 405	\$ -	\$ -	\$ 405	\$ 6,216	\$ 85,260	\$ -	\$ 91,476	\$ 91,881
Investments	-	-	13,440	13,440	-	-	-	-	13,440
Accounts receivables	846	442	-	1,288	-	-	-	-	1,288
Due from other governments	-	-	-	-	-	-	25,760	25,760	25,760
Restricted cash	-	-	5,821	5,821	-	-	-	-	5,821
Total Assets	<u>\$ 1,251</u>	<u>\$ 442</u>	<u>\$ 19,261</u>	<u>\$ 20,954</u>	<u>\$ 6,216</u>	<u>\$ 85,260</u>	<u>\$ 25,760</u>	<u>\$ 117,236</u>	<u>\$ 138,190</u>
LIABILITIES									
Accounts payables	\$ -	\$ -	\$ -	\$ -	\$ 4,054	\$ 10,560	\$ -	\$ 14,614	\$ 14,614
Due from other funds	-	310	-	310	-	-	25,760	25,760	26,070
Total Liabilities	<u>\$ -</u>	<u>\$ 310</u>	<u>\$ -</u>	<u>\$ 310</u>	<u>\$ 4,054</u>	<u>\$ 10,560</u>	<u>\$ 25,760</u>	<u>\$ 40,374</u>	<u>\$ 40,684</u>
DEFERRED INFLOWS OF RESOURCES									
Deferred revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,700	\$ -	\$ 74,700	\$ 74,700
Total Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,700</u>	<u>\$ -</u>	<u>\$ 74,700</u>	<u>\$ 74,700</u>
FUND BALANCES									
Beautification	\$ -	\$ -	\$ 19,261	\$ 19,261	\$ -	\$ -	\$ -	\$ -	\$ 19,261
Cultural and recreation	-	132	-	132	-	-	-	-	132
Economic and physical development	1,251	-	-	1,251	2,162	-	-	2,162	3,413
Total Fund Balances	<u>\$ 1,251</u>	<u>\$ 132</u>	<u>\$ 19,261</u>	<u>\$ 20,644</u>	<u>\$ 2,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,162</u>	<u>\$ 22,806</u>
Total Liabilities and Fund Balances	<u>\$ 1,251</u>	<u>\$ -</u>	<u>\$ 19,261</u>	<u>\$ 20,954</u>	<u>\$ 2,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,162</u>	<u>\$ 22,806</u>

Town of Princeton, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Fund
For the Fiscal Year Ended June 30, 2019

	EPA Brownfield Fund	Princeton Community Day Fund	Barefoot Endowment Fund	Total Nonmajor Special Revenue Funds	Golden Leaf Beaver Dam Ditch Repair Grant Project Fund	Golden Leaf Downtown Drainage Grant Fund	Community Building Project Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES									
Restricted intergovernmental grants	\$ 49,292	\$ -	\$ -	\$ 49,292	\$ 38,012	\$ 25,300	\$ 25,760	\$ 89,072	\$ 138,364
Sales and services	-	7,414	-	7,414	-	-	-	-	7,414
Investment earnings	-	-	1,407	1,407	-	-	-	-	1,407
Unrealized loss	-	-	(4,192)	(4,192)	-	-	-	-	(4,192)
Total Revenues	<u>\$ 49,292</u>	<u>\$ 7,414</u>	<u>\$ (2,785)</u>	<u>\$ 53,921</u>	<u>\$ 38,012</u>	<u>\$ 25,300</u>	<u>\$ 25,760</u>	<u>\$ 89,072</u>	<u>\$ 142,993</u>
EXPENDITURES									
Current:									
Economic and physical development	\$ 48,041	\$ -	\$ -	\$ 48,041	\$ 35,850	\$ 25,300	\$ 25,760	\$ 86,910	\$ 134,951
Cultural and recreation	-	7,282	-	7,282	-	-	-	-	7,282
Total Expenditures	<u>\$ 48,041</u>	<u>\$ 7,282</u>	<u>\$ -</u>	<u>\$ 55,323</u>	<u>\$ 35,850</u>	<u>\$ 25,300</u>	<u>\$ 25,760</u>	<u>\$ 86,910</u>	<u>\$ 142,233</u>
Revenues Over (Under) Expenditures	1,251	132	(2,785)	(1,402)	2,162	-	-	2,162	760
Fund Balances, beginning	-	-	22,046	22,046	-	-	-	-	22,046
Fund Balances, ending	<u>\$ 1,251</u>	<u>\$ 132</u>	<u>\$ 19,261</u>	<u>\$ 20,644</u>	<u>\$ 2,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,162</u>	<u>\$ 22,806</u>

Town of Princeton, North Carolina
EPA Brownfield Fund
Schedule of Revenues, Expenditures, and Changes - Budget and Actual (Non - GAAP)
Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues					
Restricted Intergovernmental:					
EPA Brownfield Grant	\$ 400,000	\$ 291,280	\$ 49,292	\$ 340,572	\$ (59,428)
Total Revenues	<u>\$ 400,000</u>	<u>\$ 291,280</u>	<u>\$ 49,292</u>	<u>\$ 340,572</u>	<u>\$ (59,428)</u>
Expenditures					
Economic and Physical Development:					
Travel	\$ 3,800	\$ -	\$ 200	\$ 200	\$ 3,600
Contracted Services	\$ 396,200	\$ 291,280	\$ 47,841	\$ 339,121	\$ 57,079
Total Expenditures	<u>\$ 400,000</u>	<u>\$ 291,280</u>	<u>\$ 48,041</u>	<u>\$ 339,321</u>	<u>\$ 60,679</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	\$ 1,251	<u>\$ 1,251</u>	<u>\$ 1,251</u>
Fund Balance, beginning			<u>-</u>		
Fund Balance, ending			<u>\$ 1,251</u>		

Town of Princeton, North Carolina
Golden Leaf Beaver Dam Ditch Repair Grant Fund
Schedule of Revenues, Expenditures, and Changes - Budget and Actual (Non - GAAP)
Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues					
Restricted Intergovernmental:					
Golden Leaf Foundation Grant	\$ 497,874	\$ -	\$ 38,012	\$ 38,012	\$ (459,862)
Total Revenues	<u>\$ 497,874</u>	<u>\$ -</u>	<u>\$ 38,012</u>	<u>\$ 38,012</u>	<u>\$ (459,862)</u>
Expenditures					
Economic and physical development:					
Engineering Fees	\$ 54,420	\$ -	\$ 35,850	\$ 35,850	\$ 18,570
Legal Fees	4,000	-	-	-	4,000
Construction Administration	39,510	-	-	-	39,510
Beaver Dam Construction Project	399,944	-	-	-	399,944
Total Expenditures	<u>\$ 497,874</u>	<u>\$ -</u>	<u>\$ 35,850</u>	<u>\$ 35,850</u>	<u>\$ 462,024</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	\$ 2,162	<u>\$ 2,162</u>	<u>\$ 2,162</u>
Fund Balance, beginning			-		
Fund Balance, ending			<u>\$ 2,162</u>		

Golden Leaf Downtown Drainage Fund
Schedule of Revenues, Expenditures, and Changes - Budget and Actual (Non - GAAP)
Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues					
Restricted Intergovernmental:					
Golden Leaf Foundation Grant	\$ 555,135	\$ -	\$ 25,300	\$ 25,300	\$ (529,835)
Total Revenues	<u>\$ 555,135</u>	<u>\$ -</u>	<u>\$ 25,300</u>	<u>\$ 25,300</u>	<u>\$ (529,835)</u>
Expenditures					
Economic and physical development:					
Engineering Fees	\$ 65,200	\$ -	\$ 25,300	\$ 25,300	\$ 39,900
Legal Fees	4,000	-	-	-	4,000
Construction Administration	30,000	-	-	-	30,000
Downtown Drainage Construction Contract	455,935	-	-	-	455,935
Total Expenditures	<u>\$ 555,135</u>	<u>\$ -</u>	<u>\$ 25,300</u>	<u>\$ 25,300</u>	<u>\$ 529,835</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, beginning			-		
Fund Balance, ending			<u>\$ -</u>		

Town of Princeton, North Carolina
Community Building Project Fund
Schedule of Revenues, Expenditures, and Changes - Budget and Actual (Non - GAAP)
Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues					
Restricted Intergovernmental:					
Local grant	\$ -	\$ -	\$ 25,760	\$ 25,760	\$ 25,760
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,760</u>	<u>\$ 25,760</u>	<u>\$ 25,760</u>
Expenditures					
Cultural and recreation:					
Professional fees - Architect	\$ -	\$ -	\$ 25,760	\$ 25,760	\$ (25,760)
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,760</u>	<u>\$ 25,760</u>	<u>\$ (25,760)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	\$ -	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, beginning			<u>-</u>		
Fund Balance, ending			<u>\$ -</u>		

Town of Princeton, North Carolina
Princeton Community Day Fund
Schedule of Revenues, Expenditures, and Changes - Budget and Actual (Non - GAAP)
Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Current Year</u>	<u>Variance Positive (Negative)</u>
Revenues			
Sales and service:			
Sponsor and T shirt revenue	\$ -	\$ 7,414	\$ 7,414
Total Revenues	<u>\$ -</u>	<u>\$ 7,414</u>	<u>\$ 7,414</u>
Expenditures			
Cultural and recreation:			
Community day expenses	\$ -	\$ 7,282	\$ (7,282)
Total Expenditures	<u>\$ -</u>	<u>\$ 7,282</u>	<u>\$ (7,282)</u>
Net Change in Fund Balance	<u>\$ -</u>	\$ 132	<u>\$ 132</u>
Fund Balance, beginning		<u>-</u>	
Fund Balance, ending		<u>\$ 132</u>	

Town of Princeton, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Fund
For the Fiscal Year Ended June 30, 2019

	Barefoot Endowment Fund
REVENUES	
Investment earnings	\$ 1,407
Unrealized loss	(4,192)
Total Revenues	(2,785)
Revenues Over (Under) Expenditures	(2,785)
Fund Balances, beginning	22,046
Fund Balances, ending	\$ 19,261

Town of Princeton, North Carolina
Water and Sewer Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Water and Sewer Sales:			
Water and Sewer Sales	\$ 635,035	\$ 629,980	\$ (5,055)
Total	<u>\$ 635,035</u>	<u>\$ 629,980</u>	<u>\$ (5,055)</u>
Other operating revenues:			
Water and sewer capacity charges	\$ 47,325	\$ 47,325	\$ -
Water and sewer taps	14,350	14,350	-
Other operating revenues	29,425	28,403	(1,022)
Total	<u>\$ 91,100</u>	<u>\$ 90,078</u>	<u>\$ -</u>
Total Operating Revenues	<u>\$ 726,135</u>	<u>\$ 720,058</u>	<u>\$ (6,077)</u>
Nonoperating Revenues:			
Interest earnings	<u>\$ 1,982</u>	<u>\$ 1,997</u>	<u>\$ 15</u>
Total Revenues	<u>\$ 728,117</u>	<u>\$ 722,055</u>	<u>\$ (6,062)</u>
EXPENDITURES			
Water and Sewer Administration:			
Salaries and employee benefits	\$ 43,691	\$ 43,690	\$ 1
Office supplies	4,910	4,910	-
Education	1,580	1,579	1
Maintenance	13,643	13,587	56
Cell phone expense	1,800	1,781	19
Miscellaneous	3,618	3,614	4
Dues and memberships	715	713	2
Uniforms	1,650	1,647	3
Insurance	4,590	4,585	5
Capital outlay	5,725	5,661	64
Total	<u>\$ 81,922</u>	<u>\$ 81,767</u>	<u>\$ 155</u>
Water Distribution:			
Water Treatment Plant:			
Permits	\$ 840	\$ 840	\$ -
Water testing	21,895	21,894	1
Total	<u>\$ 22,735</u>	<u>\$ 22,734</u>	<u>\$ 1</u>

Town of Princeton, North Carolina
Water and Sewer Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Water Distribution:			
Salaries and employee benefits	\$ 127,668	\$ 127,379	\$ 289
Engineering	4,395	4,393	2
County line water purchases	131,970	129,515	2,455
Maintenance - water lines	22,309	18,538	3,771
Total	<u>\$ 286,342</u>	<u>\$ 279,825</u>	<u>\$ 6,517</u>
Total Water Treatment and Distribution	<u>\$ 309,077</u>	<u>\$ 302,559</u>	<u>\$ 6,518</u>
Waste Collection and Treatment:			
Sewage Collection System:			
Permit	\$ 810	\$ 810	\$ -
Chemicals	7,000	301	6,699
Telemetry	2,060	1,798	262
Uniforms	-	257	(257)
Maintenance - lift stations	20,034	20,030	4
Utilities - lift stations	9,200	9,200	-
Total	<u>\$ 39,104</u>	<u>\$ 32,396</u>	<u>\$ 6,708</u>
Primary Waste Treatment:			
Wastewater permit	\$ 1,062	\$ 860	\$ 202
Utilities	16,545	16,541	4
Maintenance	37,247	21,636	15,611
Backflow testing	5,000	4,995	5
Other operating expenditures	10,077	458	9,619
Total	<u>\$ 69,931</u>	<u>\$ 44,490</u>	<u>\$ 25,441</u>
Debt Service			
Interest and other charges	\$ 31,731	\$ 48,405	\$ (16,674)
Principal retirement	91,424	74,644	16,780
Total	<u>\$ 123,155</u>	<u>\$ 123,049</u>	<u>\$ 106</u>
Capital Outlay:			
Sewer equipment	103,040	87,750	15,290
Total	<u>\$ 103,040</u>	<u>\$ 87,750</u>	<u>\$ 15,290</u>
Total Expenditures	<u>\$ 726,229</u>	<u>\$ 672,011</u>	<u>\$ 54,218</u>
OTHER FINANCING SOURCES (USES)			
Fund balance appropriated	53,800	-	(53,800)
Capital reserve requirements	(63,100)	(7,202)	55,898
Insurance recovery	7,412	7,413	1
Total Other Financing Sources (Uses)	<u>(1,888)</u>	<u>211</u>	<u>2,099</u>

Town of Princeton, North Carolina
Water and Sewer Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

Reconciliation from Budgetary Basis (modified accrual) to Full Accrual:

Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ 50,255
Reconciling Items:	
Principal retirement	\$ 74,644
Capital outlay	8,469
Capital contribution	22,800
Decrease (increase) in bond interest accrued	610
Decrease (increase) in accrued vacation pay	(2,426)
Increase in deferred outflows of resources - pensions	13,096
Increase in net pension liability	(17,026)
Decrease in deferred inflows of resources - pensions	434
Depreciation	(166,181)
Total Reconciling Items	<u>\$ (65,580)</u>

Town of Princeton, North Carolina
2017 Water and Sewer Rehab Project
Schedule of Revenues, Expenditures, and Changes - Budget and Actual (Non - GAAP)
Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues					
Restricted Intergovernmental:					
USDA Grant Funds	\$ 840,000	\$ -	\$ -	\$ -	\$ (840,000)
USDA Loan Funds	310,000	-	15,598	15,598	(294,402)
Local Contribution	7,202	-	7,202	7,202	-
Total Revenues	<u>\$ 1,157,202</u>	<u>\$ -</u>	<u>\$ 22,800</u>	<u>\$ 22,800</u>	<u>\$(1,134,402)</u>
Expenditures					
Water and Sewer Infrastructure					
Engineering - Basic	\$ 101,000	\$ -	\$ 22,800	\$ 22,800	\$ 78,200
Legal Fees	10,000	-	-	-	10,000
Engineering - Other	10,000	-	-	-	10,000
Engineering - Inspection	47,000	-	-	-	47,000
Bond Counsel Fees	15,000	-	-	-	15,000
Misc	11,600	-	-	-	11,600
Constr Contract Rehab	528,320	-	-	-	528,320
Construction Contract - WWTP	319,500	-	-	-	319,500
Interim Financing Interest	30,000	-	-	-	30,000
Interim Contingency	84,782	-	-	-	84,782
Total Expenditures	<u>\$ 1,157,202</u>	<u>\$ -</u>	<u>\$ 22,800</u>	<u>\$ 22,800</u>	<u>\$ 1,134,402</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, beginning			<u>-</u>		
Fund Balance, ending			<u>\$ -</u>		

Other Schedules

This section contains additional information on property taxes.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy
- Water and Sewer Fund's Schedule of Net Position by Function
- Water and Sewer Fund's Schedule of Revenues, Expenses, and Changes in Fund Net Position by Function
- Water and Sewer Fund's Schedule of Cash Flows by Function

Town of Princeton, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

<u>Fiscal Year</u>	Uncollected Balance June 30, 2018	Additions	Collections And Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 443,832	\$ 443,418	\$ 414
2017-2018	209	-	-	209
2016-2017	202	-	-	202
2015-2016	198	-	-	198
2014-2015	229	-	-	229
2013-2014	320	-	-	320
2012-2013	291	-	25	266
2011-2012	383	-	-	383
2010-2011	315	-	-	315
2009-2010	351	-	351	-
	<u>\$ 2,498</u>	<u>443,832</u>	<u>443,794</u>	<u>2,536</u>
Less: Allowance for uncollectible accounts:				
	General Fund			<u>-</u>
	Ad Valorem Taxes Receivable - Net			<u>\$ 2,536</u>
<u>Reconciliation with revenues:</u>				
	Ad valorem taxes - General Fund			\$ 447,678
	Reconciling Items:			
				854
				394
				351
				(4,097)
				(1,386)
				<u>\$ (3,884)</u>
	Total Collections and Credits			<u>\$ 443,794</u>

Town of Princeton, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2019

	Town - Wide		Total Levy		
	Property	Rate	Total	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Valuation		Levy		
Original Levy:					
Property taxed at current year's rate	\$ 79,198,929	0.56	\$ 443,514	\$ 397,648	\$ 45,866
Total	<u>\$ 79,198,929</u>		<u>\$ 443,514</u>	<u>\$ 397,648</u>	<u>\$ 45,866</u>
Discoveries	56,786		318	318	0
Abatements	<u>2,857</u>		<u>16</u>	<u>16</u>	<u>-</u>
Total Property Valuation	<u>\$ 79,252,858</u>				
Net Levy			\$ 443,816	\$ 397,950	\$ 45,866
Uncollected Taxes at June 30, 2019			<u>\$ (414)</u>	<u>\$ (414)</u>	<u>\$ -</u>
Current Year's Taxes Collected			<u>\$ 443,402</u>	<u>\$ 397,536</u>	<u>\$ 45,866</u>
Current Levy Collection Percentage			<u>99.91%</u>	<u>99.90%</u>	<u>100.00%</u>

Town of Princeton, North Carolina
Schedule of Net Position
Water and Sewer Fund by Function
For the Fiscal Year Ended June 30, 2019

	Water	Sewer	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 82,449	\$ 129,221	\$ 211,670
Accounts receivable (net) - billed	23,326	34,988	58,314
Intergovernmental receivables	1,960	17,202	19,162
Inventories	9,385	8,322	17,707
Restricted cash and cash equivalents	61,761	76,239	138,000
Total Current Assets	<u>\$ 178,881</u>	<u>\$ 265,972</u>	<u>\$ 444,853</u>
Noncurrent Assets:			
Capital Assets:			
Land and construction in progress	\$ 47,080	\$ -	\$ 47,080
Other capital assets, net of depreciation	1,006,513	2,725,456	3,731,969
Total Capital Assets	<u>\$ 1,053,593</u>	<u>\$ 2,725,456</u>	<u>\$ 3,779,049</u>
Total Noncurrent Assets	<u>\$ 1,053,593</u>	<u>\$ 2,725,456</u>	<u>\$ 3,779,049</u>
Total Assets	<u>\$ 1,232,474</u>	<u>\$ 2,991,428</u>	<u>\$ 4,223,902</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contribution to pension plan	9,095	-	9,095
Pension deferrals	26,388	-	26,388
Total Deferred Outflows of Resources	<u>\$ 35,483</u>	<u>\$ -</u>	<u>\$ 35,483</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 24,885	\$ 14,987	\$ 39,872
Compensated absences - current	6,854	4,570	11,424
General obligation bonds payable - current	-	20,700	20,700
Revenue bond payable - current	6,500	-	6,500
Installment purchase payable - current	32,979	16,243	49,222
Liabilities payable from restricted assets:			
Customer deposits	28,063	18,709	46,772
Total Current Liabilities	<u>\$ 99,281</u>	<u>\$ 75,209</u>	<u>\$ 174,490</u>
Noncurrent Liabilities:			
Net pension liability	\$ 47,162	\$ -	\$ 47,162
General obligation bonds payable - noncurrent (net)	-	40,400	40,400
Revenue bond payable - noncurrent	319,200	-	319,200
Installment purchase payable - noncurrent	522,947	257,571	780,518
Total Noncurrent Liabilities	<u>\$ 889,309</u>	<u>\$ 297,971</u>	<u>\$ 1,187,280</u>
Total Liabilities	<u>\$ 988,590</u>	<u>\$ 373,180</u>	<u>\$ 1,361,770</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid revenue	\$ 1,045	\$ 1,568	\$ 2,613
Pension deferrals	2,842	-	2,842
Total Deferred Inflows of Resources	<u>\$ 3,887</u>	<u>\$ 1,568</u>	<u>\$ 5,455</u>
NET POSITION			
Net investment in capital assets	\$ 171,967	\$ 2,390,542	\$ 2,562,509
Restricted for loan payments	33,698	57,530	91,228
Unrestricted	69,815	168,607	238,422
Total Net Position	<u>\$ 275,480</u>	<u>\$ 2,616,679</u>	<u>\$ 2,892,159</u>

Town of Princeton, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Water and Sewer Fund by Function
For the Fiscal Year Ended June 30, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 310,906	\$ 343,663	\$ 654,569
Other operating revenues	39,656	25,833	65,489
Total Operating Revenues	<u>\$ 350,562</u>	<u>\$ 369,496</u>	<u>\$ 720,058</u>
OPERATING EXPENSES			
Administration	\$ 38,754	\$ 38,753	\$ 77,507
Water treatment and distribution	307,079	-	307,079
Waste collection and treatment	-	161,829	161,829
Depreciation	46,531	119,650	166,181
Total Operating Expenses	<u>\$ 392,364</u>	<u>\$ 320,232</u>	<u>\$ 712,596</u>
Operating Income (Loss)	<u>\$ (41,802)</u>	<u>\$ 49,264</u>	<u>\$ 7,462</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	\$ 1,118	\$ 879	\$ 1,997
USDA Rural Development Grant	-	15,598	15,598
Insurance recovery	4,077	3,336	7,413
Interest and other charges	(19,118)	(28,677)	(47,795)
Total Nonoperating Revenue (Expenses)	<u>\$ (13,923)</u>	<u>\$ (8,864)</u>	<u>(22,787)</u>
Change in Net Position	(55,725)	40,400	(15,325)
Total Net Position, beginning, previously reported	331,205	2,576,279	2,907,484
Restatement	-	-	-
Total Net Position, beginning, restated	331,205	2,576,279	2,907,484
Total Net Position, ending	<u>\$ 275,480</u>	<u>\$ 2,616,679</u>	<u>\$ 2,892,159</u>

Town of Princeton, North Carolina
Statement of Cash Flows
Water and Sewer Fund by Function
For the Fiscal Year Ended June 30, 2019

	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 346,610	\$ 290,824	\$ 637,434
Cash paid for goods and services	(251,328)	(117,967)	(369,295)
Cash paid for or on behalf of employees for services	(119,699)	(51,370)	(171,069)
Other operating revenues	39,176	50,902	90,078
Net Cash Provided (Used) by Operating Activities	<u>\$ 14,759</u>	<u>\$ 172,389</u>	<u>\$ 187,148</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	\$ (25,630)	\$ (5,639)	\$ (31,269)
Insurance recovery proceeds	4,077	3,336	7,413
Principal paid on bond maturities and equipment contracts	(30,842)	(43,802)	(74,644)
Interest paid on bond maturities and equipment contracts	(19,118)	(28,677)	(47,795)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (71,513)</u>	<u>\$ (74,782)</u>	<u>\$ (146,295)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	1,118	879	1,997
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (55,636)	\$ 98,486	\$ 42,850
Balances, beginning	199,846	106,974	306,820
Balances, ending	<u>\$ 144,210</u>	<u>\$ 205,460</u>	<u>\$ 349,670</u>

Town of Princeton, North Carolina
Statement of Cash Flows
Water and Sewer Fund by Function
For the Fiscal Year Ended June 30, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating income	\$ (41,802)	\$ 49,264	\$ 7,462
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	46,531	119,650	166,181
Changes in Assets and Liabilities:			
(Increase) decrease in accounts receivable	1,556	1,535	3,091
(Increase) decrease in intergovernmental receivables	(1,960)	1,960	-
(Increase) decrease in prepaid expenses	1,000	-	1,000
(Increase) decrease in deferred outflows of resources - pensions	(13,096)	-	(13,096)
Increase (decrease) in net pension liability	17,026	-	17,026
Increase (decrease) in deferred inflows of resources - pensions	(435)	-	(435)
Increase (decrease) in accounts payable and accrued liabilities	3,439	(2,559)	880
Increase (decrease) in prepaid revenue	1,045	1,568	2,613
Increase (decrease) in compensated absences	1,455	971	2,426
Total Adjustments	<u>\$ 56,561</u>	<u>\$ 123,125</u>	<u>\$ 179,686</u>
Net Cash Provided by Operating Activities	<u>\$ 14,759</u>	<u>\$ 172,389</u>	<u>\$ 187,148</u>

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**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***

Independent Auditors Report

To the Town Council
Town of Princeton, North Carolina

I 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, each major fund, and the aggregate remaining fund information of the Town of Princeton, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the Town of Princeton's basic financial statements, and have issued my report thereon dated June 30, 2020.

Internal Control Over Financial Reporting

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that I consider to be significant deficiencies, 2019-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Princeton's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the schedule of findings and responses as items 2019-002 and 2019-003.

Town of Princeton's Response to Findings

The Town of Princeton's responses to the findings identified in my audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

A handwritten signature in black ink that reads "Andrew Harris, CPA PLLC". The signature is written in a cursive, flowing style.

Farmville, North Carolina
June 30, 2020

Town of Princeton, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ Yes x No

- Significant Deficiency(s) identified that are not considered to be material weaknesses x Yes ___ None Reported

Noncompliance material to financial statements noted ___ Yes x No

Town of Princeton, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

Section II – Financial Statement Findings

Significant Deficiencies

Finding: 2019 – 001 Segregation of Duties

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among Town personnel.

Effect: The Town’s internal control process cannot ensure that errors will be detected by employees in the normal course of performing their assigned functions.

Cause: The Town has two employees to handle all financial transactions due to their limited budget.

Identification of a repeat finding:

This is a repeat finding from the immediate previous audit, 2018-001.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Views of responsible officials:

The Town agrees with this finding and will adhere to the corrective action plan on page 82 in this report.

Finding: 2019 – 002 Budget Violations

Criteria: The Town should budget revenues and expenditures in each fund.

Condition: There were accounts in the general fund and water and sewer fund in the general ledger that were not properly budgeted.

Effect: Budget violations (Excess of Expenditures over Appropriations) may occur.

Cause: Budget Amendments did not occur during the year.

Identification of a repeat finding:

This is a repeat finding from the immediate previous audit, 2018-002.

Recommendation: Internal control over financial reporting should be expanded to include monthly reconciliation of the general ledger to supporting documentation.

Views of responsible officials:

The Town agrees with this finding and will adhere to the corrective action plan on page 82 in this report.

Town of Princeton, North Carolina
Schedule of Findings and Response
For the Fiscal Year Ended June 30, 2019

Section II – Financial Statement Findings

Significant Deficiencies

Finding 2019-003 Investment of Donated Funds

Criteria: The Town should invest in investments that meet the requirements of NC General Statute 15-30.

Condition: The Town invested donated funds into an investment that is not allowed by NC General Statute 15-30. This investment was at the request of the donor.

Effect: The Town violated NC General Statute 15-30.

Cause: The Town management was unaware of the General Statute limiting the type of investments for donated or idle funds.

Identification of a repeat finding:

This is a repeat finding from the immediate previous audit, 2018-004.

Recommendation: The Town should consider all investment options as allowed by NC General Statute 15-30. General Statute 159-33 establishes a nine-month timeframe within which the securities must be sold.

Views of responsible officials:

The Town agrees with the finding and will adhere to the corrective action plan on page 83 in this report.

Town of Princeton, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2019

Section II – Financial Statement Findings

Significant Deficiencies

Finding: 2019-001 Segregation of Duties

Name of contact person: Marla Ashworth, Town Administrator

Corrective Action: The duties will be separated as much as possible and alternative controls will be used to compensate for lack of segregation. The governing board will continue to be involved in providing some of the controls.

Proposed Completion Date: The board will implement the above procedure immediately.

Finding: 2019-002 Budget Violations

Name of contact person: Marla Ashworth, Town Administrator

Corrective Action: The Town will record the appropriate budget amendments when significant transactions occur during the year.

Proposed Completion Date: The board will implement this above procedure immediately.

Finding: 2019-003 Investment of Donated Funds

Name of contact person: Marla Ashworth, Town Administrator

Corrective Action: The Town will consider all investment options as allowed by NC General Statute 15-30.

Proposed Completion Date: The board will implement the above procedure immediately.

Town of Princeton, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2019

Finding: 2018-001

Status: Duties are being separated as much as possible and alternative controls are being implemented to compensate for lack of separation. The governing board is becoming more involved in providing some of these controls.

Finding: 2018-002

Status: The Town will Duties are being separated as much as possible and alternative controls are being implemented to compensate for lack of separation. The governing board is becoming more involved in providing some of these controls.

Finding: 2018-003

Status: Corrected.

Finding: 2018-004

Status: The Town will consider all investment options as allowed by NC General Statute 15-30.