

TOWN OF TRENTON
Trenton, North Carolina

FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

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FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

Prepared By
BARROW, PARRIS & DAVENPORT, P.A.
Certified Public Accountants
Kinston, North Carolina

**TOWN OF TRENTON
TRENTON, NORTH CAROLINA**

MAYOR

DARLENE SPIVEY

BOARD OF COMMISSIONERS

CHARLES JONES

ROBERT HORVATH

RICK GREEN

APPOINTED OFFICIALS

TOWN CLERK

GLENN SPIVEY

TOWN ATTORNEY

JAMES P. CAULEY, III

TAX COLLECTOR

HOPE AVERY

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MEMBERS
NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Board of Commissioners
Town of Trenton, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Trenton, 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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Trenton, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity 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 Management's Discussion and Analysis on pages 3 through 9, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

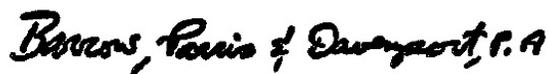
Supplementary and Other Information

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

The individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards 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 by us. In our opinion, based on our audit, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2020 on our consideration of the Town of Trenton, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Trenton, North Carolina's internal control over financial reporting and compliance.



BARROW, PARRIS & DAVENPORT, P.A.
Kinston, North Carolina

July 28, 2020

Management's Discussion and Analysis

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

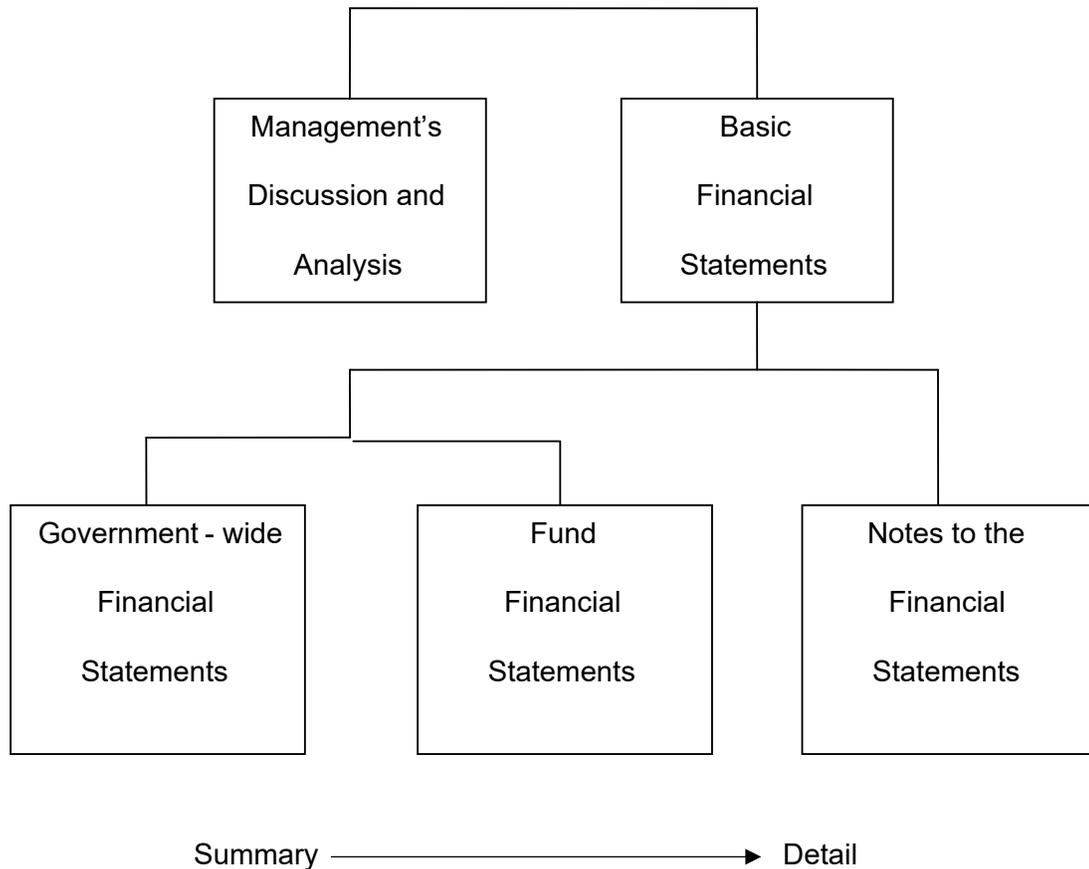
Financial Highlights

- The assets of the Town of Trenton exceeded its liabilities at the close of the fiscal year by \$7,091,105 (*net position*).
- The government's total net position increased by \$3,327,474 due to increases in the business-type activities net position, primarily due to capital contributions related to a sewer capital project.
- As of the close of the current fiscal year, the Town of Trenton's governmental fund reported an ending fund balance of \$630,869, an increase of \$131,937 in comparison with the prior year. Approximately 2.58 percent of this total amount, or \$16,331, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$475,698, or 497.47% of total general fund expenditures for the fiscal year.
- The Town was in the final stages of a \$4.3 million capital project for wastewater improvements at year end.

Overview of the Financial Statements

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

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary 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. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, transportation, 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 wastewater services offered by the Town of Trenton.

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 Trenton, 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 Trenton 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 Trenton 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – Town of Trenton has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Trenton uses enterprise funds to account for its wastewater 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.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Town of Trenton has one fiduciary fund, which is an agency fund.

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 are on pages 20-29 of this report.

Interdependence with Other Entities – The Town depends on the 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.

Government-Wide Financial Analysis
The Town of Trenton’s Net Position
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$965,320	\$529,195	\$1,692,799	\$845,836	\$2,658,119	\$1,375,031
Capital assets	40,259	35,629	6,045,772	2,812,475	6,086,031	2,848,104
Total assets	\$1,005,579	\$564,824	\$7,738,571	\$3,658,311	\$8,744,150	\$4,223,135
Current liabilities	\$4,047	\$765	\$1,328,998	\$438,739	\$1,333,045	\$439,504
Deferred inflows of resources	320,000	20,000			320,000	20,000
Total liabilities	\$324,047	\$20,765	\$1,328,998	\$438,739	\$1,653,045	\$459,504
Net position:						
Net investment in capital assets	\$40,259	\$35,629	\$6,045,772	\$2,812,475	\$6,086,031	\$2,848,104
Restricted	16,331	11,206			16,331	11,206
Unrestricted	624,942	497,224	363,801	407,097	988,743	904,321
Total net position	\$681,532	\$544,059	\$6,409,573	\$3,219,572	\$7,091,105	\$3,763,631

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets of the Town of Trenton exceeded liabilities and deferred inflows by \$7,091,105 as of June 30, 2019. The Town’s net position increased by \$3,327,474 for the fiscal year ended June 30, 2019. However, the largest portion (85.83%) reflects the Town’s net investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Trenton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Trenton’s net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Trenton’s net position (0.23%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$988,743 is unrestricted.

Management Discussion and Analysis
Town of Trenton

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

- The Town's tax collection rate was 96.15%, which is slightly lower than last year's percentage of 96.88%.
- Capital grants and contributions increased by \$105,000 as a result of an NCORR grant related to hurricane recovery.
- Expenses decreased from the prior year by \$71,077, primarily due to decrease in transportation and environmental protection areas due to the completion of paving repair projects.

Town of Trenton Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services			\$130,659	\$161,587	\$130,659	\$161,587
Operating grants and contributions	\$9,663	\$9,959			9,663	9,959
Capital grants and contributions	105,000		3,191,162	427,581	3,296,162	427,581
General revenues:						
Property taxes	65,752	66,665			65,752	66,665
Grants and contributions not restricted to specific programs	48,227	49,209	43,207		91,434	49,209
Other	3,106	2,807	40,836	16,961	43,942	19,768
Total revenues	\$231,748	\$128,640	\$3,405,864	\$606,129	\$3,637,612	\$734,769
Expenses:						
General government	\$67,932	\$52,357			\$67,932	\$52,357
Public safety	10,203	10,203			10,203	10,203
Transportation	14,763	67,560			14,763	67,560
Environmental protection	1,377	35,232			1,377	35,232
Wastewater			\$215,863	\$222,877	215,863	222,877
Total expenses	\$94,275	\$165,352	\$215,863	\$222,877	\$310,138	\$388,229
Increase (decrease) in net position	\$137,473	(\$36,712)	\$3,190,001	\$383,252	\$3,327,474	\$346,540
Net position, July 1	544,059	580,771	3,219,572	2,836,320	3,763,631	3,417,091
Net position, June 30	\$681,532	\$544,059	\$6,409,573	\$3,219,572	\$7,091,105	\$3,763,631

Governmental activities. Governmental activities increased the Town's net position by \$137,473. Key elements of this increase are as follows:

- Revenues increased by 80.15% from the prior year due to a grant from NCORR (NC Office of Recovery and Resiliency) as a financially distressed local government unit resulting from hurricane damage and flooding. Expenses were 42.99% less than the prior year due to the completion of non-capitalized paving projects.

Business-type activities: Business-type activities increased the Town of Trenton's net position by \$3,190,001. Key elements of this increase are as follows:

- Capital contributions received from federal and State sources of \$3,191,162 related to a sewer capital project.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Trenton'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 Trenton's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Trenton. At the end of the current fiscal year, the Town of Trenton's fund balance available in the General Fund was \$620,432, while total fund balance reached \$630,869.

At June 30, 2019, the governmental funds of the Town reported a combined fund balance of \$630,869, with a net increase in fund balance of \$131,937.

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

Revenues exceeded budgeted amounts primarily because the Town received more intergovernmental and tax revenues than anticipated.

Proprietary Funds. The Town of Trenton's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Net position of the Wastewater Fund at the end of the fiscal year amounted to \$6,409,573. The total increase in net position for the fund was \$3,190,001. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town of Trenton's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Trenton’s investment in capital assets for its governmental and business–type activities as of June 30, 2019, totals \$6,086,031 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, and the sewer facility.

Construction within the sewer capital project accounted for the increase in depreciable capital assets.

**Town of Trenton’s Capital Assets
(net of depreciation)
Figure 4**

	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	Activities	Activities
	2019	2018	2019	2018	2019	2018
Land	\$15,130	\$15,130	\$558,694	\$558,694	\$573,824	\$573,824
Construction in Progress			3,821,882	515,948	3,821,882	515,948
Buildings	11,326	3,963			11,326	3,963
Equipment	3,855	5,900	5,101	6,329	8,956	12,229
Infrastructure	9,948	10,636			9,948	10,636
Plant and Distribution Systems			1,660,095	1,731,504	1,660,095	1,731,504
Total	\$40,259	\$35,629	\$6,045,772	\$2,812,475	\$6,086,031	\$2,848,104

Additional information on the Town’s capital assets can be found in note II-A-4 of the Basic Financial Statements.

Economic Factors and Next Year’s Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town:

- Jones County’s unemployment rate is 4.5% for June 2019 compared to 4.1% at June 2018. The Statewide averages were 4.0% at June 2019 and 3.9% at June 2018.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Property taxes and other revenues are expected to remain consistent. The property tax rate will remain at 38 cents per \$100 valuation.

Budgeted expenditures in the General Fund are also expected to be consistent with the prior year.

Business – type Activities: The Town expects sewer revenues to be consistent with the prior year. General operating expenses are also expected to be consistent with the prior year.

Requests for Information

This report is designed to provide an overview of the Town’s finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Clerk, Town of Trenton, PO Box 399, Trenton, NC 28585. You can also call (252) 448-1784 for more information.

BASIC FINANCIAL STATEMENTS

TOWN OF TRENTON, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Assets:			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$938,585	\$535,472	\$1,474,057
Taxes Receivables (Net)	7,840		7,840
Accrued Interest Receivable on Taxes	2,564		2,564
Accounts Receivable (Net)		12,350	12,350
Due From Other Governments	10,437	1,141,916	1,152,353
Restricted Cash and Cash Equivalents	5,894	3,061	8,955
Total Current Assets	\$965,320	\$1,692,799	\$2,658,119
<i>Capital Assets:</i>			
Land, Non-depreciable Improvements, and Construction in Progress	\$15,130	\$4,380,576	\$4,395,706
Other Capital Assets, Net of Depreciation	25,129	1,665,196	1,690,325
Total Capital Assets	\$40,259	\$6,045,772	\$6,086,031
Total Assets	\$1,005,579	\$7,738,571	\$8,744,150
<u>LIABILITIES</u>			
Liabilities:			
<i>Current Liabilities:</i>			
Accounts Payable	\$4,047	\$1,325,937	\$1,329,984
Payable from Restricted Assets		3,061	3,061
Total Current Liabilities	\$4,047	\$1,328,998	\$1,333,045
Total Liabilities	\$4,047	\$1,328,998	\$1,333,045
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unearned Grants	\$320,000		\$320,000
Total Deferred Inflows of Resources	\$320,000	\$0	\$320,000
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$40,259	\$6,045,772	\$6,086,031
Restricted for Stabilization by State Statute	10,437		10,437
Restricted for Streets	5,894		5,894
Unrestricted	624,942	363,801	988,743
Total Net Position	\$681,532	\$6,409,573	\$7,091,105

The accompanying notes are an integral part of the financial statements.

TOWN OF TRENTON, NORTH CAROLINA
STATEMENT OF ACTIVITIES
 For The 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	\$67,932			\$105,000	\$37,068		\$37,068
Public Safety	10,203				(10,203)		(10,203)
Transportation	14,763		\$9,663		(5,100)		(5,100)
Environmental Protection	1,377				(1,377)		(1,377)
Total Governmental Activities	\$94,275	\$0	\$9,663	\$105,000	\$20,388		\$20,388
Business-type Activities:							
Wastewater	\$215,863	\$130,659		\$3,191,162		\$3,105,958	\$3,105,958
Total Business-type Activities	\$215,863	\$130,659		\$3,191,162		\$3,105,958	\$3,105,958
Total Primary Government	\$310,138	\$130,659	\$9,663	\$3,296,162	\$20,388	\$3,105,958	\$3,126,346
<i>General Revenues:</i>							
Taxes:							
Property Taxes, Levied for General Purpose					\$65,752		\$65,752
Grants and Contributions Not Restricted to Specific Programs					48,227		48,227
Investment Earnings, Unrestricted					838	\$19	857
Miscellaneous, Unrestricted					2,268	84,024	86,292
Total General Revenues					\$117,085	\$84,043	\$201,128
Change in Net Assets					137,473	3,190,001	3,327,474
<i>Net Position, Beginning</i>					544,059	3,219,572	3,763,631
NET POSITION, ENDING					\$681,532	\$6,409,573	\$7,091,105

The accompanying notes are an integral part of the financial statements.

TOWN OF TRENTON, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	Major Funds
	General
ASSETS:	
Cash and Cash Equivalents	\$938,585
Restricted Cash and Cash Equivalents	5,894
Taxes Receivable, Net	7,840
Due From Other Governments	10,437
TOTAL ASSETS	\$962,756
LIABILITIES:	
Accounts Payable and Accrued Liabilities	\$4,047
TOTAL LIABILITIES	\$4,047
DEFERRED INFLOWS OF RESOURCES:	
Property Taxes Receivable	\$7,840
Unearned Grants	320,000
TOTAL DEFERRED INFLOWS OF RESOURCES	\$327,840
FUND BALANCES:	
Restricted:	
Stabilization by State Statute	\$10,437
Streets - Powell Bill	5,894
Committed:	
Sewer Improvements	76,745
Cemetery Improvements	62,095
Unassigned	475,698
TOTAL FUND BALANCES	\$630,869
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$962,756
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balance, governmental funds	\$630,869
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Gross capital assets at historical cost	\$98,824
Accumulated depreciation	(58,565)
	40,259
Other long-term assets (accrued interest receivable for taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.	10,404
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$681,532

The accompanying notes are an integral part of the financial statements.

TOWN OF TRENTON, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2019

	Major Funds
	General Fund
REVENUES:	
Ad Valorem Taxes	\$64,846
Unrestricted Intergovernmental	48,227
Restricted Intergovernmental	114,663
Investment Earnings	838
Miscellaneous	2,268
TOTAL REVENUES	\$230,842
EXPENDITURES:	
<i>Current:</i>	
General Government	\$74,815
Public Safety	10,000
Transportation	12,713
Environmental Protection	1,377
TOTAL EXPENDITURES	\$98,905
Net Change in Fund Balance	\$131,937
<i>Fund Balance, Beginning</i>	498,932
FUND BALANCE, ENDING	\$630,869

The accompanying notes are an integral part of the financial statements.

TOWN OF TRENTON, NORTH CAROLINA
STATEMENT OF 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 balance - total governmental funds	\$131,937
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:</p>	
Capital outlay expenditures which were capitalized	7,843
Depreciation expense for governmental assets	(3,213)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Change in unavailable revenue for tax revenues	906
Total Changes in Net Position of Governmental Activities	\$137,473

The accompanying notes are an integral part of the financial statements.

TOWN OF TRENTON, 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 - Favorable (Unfavorable)
	Original Budget	Final Budget	Actual Amount	
Revenues:				
Ad Valorem Taxes	\$50,844	\$50,844	\$64,846	\$14,002
Unrestricted Intergovernmental	43,300	43,300	48,227	4,927
Restricted Intergovernmental	29,700	29,700	114,663	84,963
Investment Earnings	6	6	838	832
Miscellaneous	50	50	2,268	2,218
Total Revenues	\$123,900	\$123,900	\$230,842	\$106,942
Expenditures:				
<i>Current:</i>				
General Government	\$92,072	\$110,523	\$74,815	\$35,708
Public Safety	10,000	10,000	10,000	
Transportation	25,200	25,200	12,713	12,487
Environmental Protection	126,165	126,165	1,377	124,788
Total Expenditures	\$253,437	\$271,888	\$98,905	\$172,983
Revenues Over (Under) Expenditures	(\$129,537)	(\$147,988)	\$131,937	\$279,925
Fund Balance Appropriated	\$129,537	\$147,988		(\$147,988)
Net Change in Fund Balance	\$0	\$0	\$131,937	\$131,937
<i>Fund Balance, Beginning</i>			498,932	
Fund Balances, Ending			\$630,869	

The accompanying notes are an integral part of the financial statements.

TOWN OF TRENTON, NORTH CAROLINA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	Major Enterprise Fund Wastewater Fund
<u>Assets</u>	
Current Assets:	
Cash and Cash Equivalents	\$535,472
Due From Other Governments	1,141,916
Accounts Receivable (Net) - Billed	12,350
Restricted Cash and Cash Equivalents	3,061
Total Current Assets	\$1,692,799
Noncurrent Assets:	
Capital Assets:	
Land and Construction in Progress	\$4,380,576
Other Capital Assets, Net of Depreciation	1,665,196
Total Capital Assets (Net)	\$6,045,772
Total Noncurrent Assets	\$6,045,772
Total Assets	\$7,738,571
<u>Liabilities</u>	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	\$1,325,937
Liabilities Payable from Restricted Assets:	
Customer Deposits	3,061
Total Current Liabilities	\$1,328,998
Total Liabilities	\$1,328,998
<u>Net Position</u>	
Net Investment in Capital Assets	\$6,045,772
Unrestricted	363,801
Total Net Position	\$6,409,573

The accompanying notes are an integral part of the financial statements.

TOWN OF TRENTON, NORTH CAROLINA
STATEMENT REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For The Year Ended June 30, 2019

	Major Enterprise Fund Wastewater Fund
OPERATING REVENUES:	
Charges for Services	\$129,920
Other Operating Revenues	739
Total Operating Revenues	\$130,659
OPERATING EXPENSES:	
Contract Labor	\$48,420
Plant and Line Maintenance and Repairs	56,506
Utilities	17,651
Insurance	4,403
Other Expenses	16,247
Depreciation	72,636
Total Operating Expenses	\$215,863
Operating Income (Loss)	(\$85,204)
NONOPERATING REVENUES:	
Investment Earnings	\$19
Golden Leaf Grant	43,207
Insurance Recovery	38,207
Other Revenues	2,610
Total Nonoperating Revenues	\$84,043
Income (Loss) Before Contributions	(\$1,161)
Capital Contributions	3,191,162
Change in Net Position	\$3,190,001
<i>Total Net Position, Beginning</i>	3,219,572
Total Net Position, Ending	\$6,409,573

The accompanying notes are an integral part of the financial statements.

TOWN OF TRENTON, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Fiscal Year Ended June 30, 2019

	Major Enterprise Fund Wastewater Fund
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>	
Cash Received From Customers	\$123,150
Cash Paid for Goods and Services	(144,481)
Customer Deposits Received	400
Customer Deposits Returned	(1,950)
Other Operating Revenues	739
Net Cash Provided (Used) by Operating Activities	(\$22,142)
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</i>	
Capital Contribution - Federal and State Grants	\$2,500,733
Acquisition and Construction of Capital Assets	(2,412,872)
Golden Leaf Grant	43,207
Insurance Recovery	38,207
Other Revenues	2,610
Net Cash Provided (Used) by Capital and Related Financing Activities	\$171,885
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>	
Interest Earnings	\$19
Net Increase in Cash and Cash Equivalents	\$149,762
Cash and Cash Equivalents, Beginning	388,771
Cash and Cash Equivalents, Ending	\$538,533
<i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</i>	
Operating Income (Loss)	(\$85,204)
<i>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</i>	
Depreciation	\$72,636
<i>Changes in Assets and Liabilities:</i>	
Decrease (Increase) in Accounts Receivable and Due From Other Govts.	(8,394)
Increase in Allowance for Doubtful Accounts	1,626
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(1,256)
Increase (Decrease) in Customer Deposits	(1,550)
Total Adjustments	\$63,062
Net Cash Provided by (Used by) Operating Activities	(\$22,142)

The accompanying notes are an integral part of the financial statements.

TOWN OF TRENTON, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2019

<u>Assets</u>	<u>Agency Fund</u>
Cash and Cash Equivalents	<u><u>\$684</u></u>
 <u>Liabilities and Net Position</u>	
<i>Liabilities:</i>	
Intergovernmental Payable	<u>\$684</u>
Total Liabilities	<u><u>\$684</u></u>

The accompanying notes are an integral part of the financial statements.

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

TOWN OF TRENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Trenton 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 Trenton is a municipal corporation that is governed by an elected mayor and a three-member council. As required by generally accepted accounting principles, these financial statements present all the activities of the Town.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component unit. 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, including the fiduciary fund. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

Wastewater Fund. This fund is used to account for the Town's wastewater operations. A Sewer Capital Projects Fund has been consolidated into the Wastewater Fund for financial reporting purposes. The budgetary comparison for the Sewer Capital Projects Fund has been included in the supplemental information.

TOWN OF TRENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

The Town reports the following fund type:

Agency Fund. Agency Funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the Town holds on behalf of others. The Town maintains the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the Town is required to remit to the Jones County Board of Education.

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, Proprietary and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary and 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 fund is charges to customers for sales and services. The Town also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the sewer system. Operating expenses for enterprise fund 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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. 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 TRENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

Sales taxes and certain intergovernmental revenues, such as 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 Trenton because the tax is levied by Jones 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. Grant revenues which are unearned at year-end are recorded as unearned 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 Fund. All annual appropriations lapse at the fiscal-year end. A project ordinance is adopted for the Sewer Capital Projects Fund. The enterprise fund capital project is consolidated with the 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 line-item level for all annually budgeted funds and at the object level for the multiyear funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or 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, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

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

2. Cash and Cash Equivalents

The Town pools 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

Customer deposits in the amount of \$3,061 held by the Town in the Wastewater Fund (Business-type Activities) before any services are supplied are restricted to the service for which the deposit is collected. Powell bill funds in the amount of \$5,894 held by the Town in the General Fund (Governmental Activities) are classified as restricted cash because they can be expended only for the purpose of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

TOWN OF TRENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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, 2018.

5. Allowances for Doubtful Accounts

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

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003 have not been capitalized as the Town has opted not to retroactively capitalize infrastructure costs. 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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Improvements	25
Vehicles	6
Furniture and Equipment	10
Computer Equipment	3

7. 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 no items that meet these criteria. 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 two items that meet the criterion for this category - property taxes receivable and unearned grants.

TOWN OF TRENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

8. Net Position/Fund Balances

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 represent 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.

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.

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

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

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.

Committed Fund Balance – This classification includes the portion of fund balance that can only be used for specific purposes imposed by majority vote of quorum of the Town of Trenton's governing body (highest level of decision-making authority). 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 to remove or revise the limitation.

Committed for Sewer Improvements – portion of fund balance assigned by the governing body for sewer improvements.

Committed for Cemetery Improvements – portion of fund balance assigned by the governing body for cemetery improvements.

Assigned Fund Balance – This classification includes portion of fund balance that the Town of Trenton intends to use for specific purposes.

TOWN OF TRENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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 all appropriations.

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

The Town of Trenton 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.

II. 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 Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no 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 \$1,483,696 and a bank balance of \$1,645,868. Of the bank balance, \$250,000 was covered by federal depository insurance and \$1,395,868 was covered by collateral held under the pooling method.

TOWN OF TRENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

2. Accounts Receivable

Receivables at the government-wide level at June 30, 2019 were as follows:

	<u>Accounts</u>	<u>Due From Other Governments</u>	<u>Taxes and Related Accrued Interest</u>	<u>Total</u>
Governmental Activities:				
General Fund		\$10,437	\$7,840	\$18,277
Business-Type Activities:				
Wastewater Fund	\$12,350	1,141,916		1,154,266
	<u>\$12,350</u>	<u>\$1,152,353</u>	<u>\$7,840</u>	<u>\$1,172,543</u>

Due from other governments consists of the following:

Governmental Activities:	
Local option sales tax	\$4,496
Franchise tax	4,626
Other	1,315
	<u>\$10,437</u>
Business-Type Activities:	
Sewer collections - Jones County	\$34,342
Grant revenues - capital project	1,118,011
	<u>\$1,152,353</u>

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position is net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>6/30/19</u>
Wastewater Fund - Accounts Receivable	\$20,546
Total	<u>\$20,546</u>

TOWN OF TRENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

4. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$15,130			\$15,130
Total Capital Assets Not Being Depreciated	<u>\$15,130</u>	<u>\$0</u>	<u>\$0</u>	<u>\$15,130</u>
Capital Assets Being Depreciated:				
Buildings	\$17,230	\$7,843		\$25,073
Equipment	27,165			27,165
Improvements	10,820			10,820
Infrastructure	20,636			20,636
Total Capital Assets Being Depreciated	<u>\$75,851</u>	<u>\$7,843</u>	<u>\$0</u>	<u>\$83,694</u>
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$13,272	\$475		\$13,747
Equipment	21,260	2,050		23,310
Improvements	10,820			10,820
Infrastructure	10,000	688		10,688
Total Accumulated Depreciation	<u>\$55,352</u>	<u>\$3,213</u>	<u>\$0</u>	<u>\$58,565</u>
Total Capital Assets Being Depreciated, Net	<u>\$20,499</u>			<u>\$25,129</u>
Governmental Activity Capital Assets, Net	<u><u>\$35,629</u></u>			<u><u>\$40,259</u></u>

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

General Government	\$960
Public Safety	203
Transportation	2,050
Total Depreciation Expense	<u><u>\$3,213</u></u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activity:				
<i>Wastewater Fund:</i>				
Capital assets not being depreciated:				
Land	\$558,694			\$558,694
Construction in Progress	515,949	\$3,305,933		3,821,882
Total Capital Assets Not Being Depreciated	<u>\$1,074,643</u>	<u>\$3,305,933</u>	<u>\$0</u>	<u>\$4,380,576</u>
Capital Assets Being Depreciated:				
Plant and Distribution Systems	\$2,853,564			\$2,853,564
Sewer Equipment	72,087			72,087
Total Assets Being Depreciated	<u>\$2,925,651</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,925,651</u>
<i>Less Accumulated Depreciation for:</i>				
Plant and Distribution Systems	\$1,122,062	\$71,407		\$1,193,469
Sewer Equipment	65,757	1,229		66,986
Total Accumulated Depreciation	<u>\$1,187,819</u>	<u>\$72,636</u>	<u>\$0</u>	<u>\$1,260,455</u>
Total Capital Assets Being Depreciated, Net	<u>\$1,737,832</u>			<u>\$1,665,196</u>
Wastewater Fund Capital Assets, Net	<u><u>\$2,812,475</u></u>			<u><u>\$6,045,772</u></u>

TOWN OF TRENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2019 were as follows:

	<u>Vendors</u>	<u>Construction</u>	<u>Total</u>
Governmental Activities:			
General Fund	\$4,047		\$4,047
Total	\$4,047	\$0	\$4,047
Business-type Activities:			
Enterprise Fund	\$5,291	\$1,320,646	\$1,325,937
Total	\$5,291	\$1,320,646	\$1,325,937

2. Deferred Outflows/Inflows of Resources:

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes Receivable (General Fund), less penalties		\$7,840
Unearned grants	\$320,000	320,000
Total	\$320,000	\$327,840

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 insurance values of the property policy, and workers' compensation coverage up to statutory limits. 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 reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the N.C. 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 other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town carries flood insurance through the National Flood Insurance Plan (NFIP). Because the Town is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$500,000 per structure through the NFIP. The Town is also eligible to purchase and has purchased commercial flood insurance for \$200,000 to cover structures owned by the Town.

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 finance officer is bonded for \$50,000.

TOWN OF TRENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

4. Claims, Judgments, and Contingent Liabilities

At June 30, 2019, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

C. 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	\$630,869
Less:	
Restricted for Stabilization by State Statute	10,437
Restricted for Streets - Powell Bill	5,894
Committed for Sewer Improvements	76,745
Committed for Cemetery Improvements	62,095
Appropriated Fund Balance in 2019-20 Budget	
Remaining Fund Balance	475,698

III. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from 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.

IV. Related Party Transactions

The Town paid \$7,171 to a company owned by the town clerk, primarily for sewer-related labor and materials. Under N.C. General Statute 14-234, certain payments made to related parties are allowed for municipalities with populations less than 15,000 such as the Town.

V. Significant Effects of Subsequent Events

In January 2020, the first case of COVID-19 (Coronavirus Disease 2019) was reported in the United States. North Carolina reported its first case in March of 2020. The economic impact of COVID-19 has been disastrous for many businesses and governmental entities. The far-reaching impact is unknown but is expected to continue potentially for several years. The Town could see a decrease in restricted and unrestricted intergovernmental revenues, property tax collections, and wastewater collections as a result of the economic downturn. However, at this time the Town is unsure of the ultimate financial effect of COVID-19 on Town operations.

INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

GENERAL FUND

The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

TOWN OF TRENTON, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019

	2019		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
<i>Ad Valorem Taxes:</i>			
Current Year	\$50,344	\$62,448	\$12,104
Prior Years		2,007	2,007
Interest	500	391	(109)
	\$50,844	\$64,846	\$14,002
<i>Unrestricted Intergovernmental:</i>			
Local Option Sales Taxes	\$22,000	\$25,763	\$3,763
Utility Sales Tax	20,000	15,512	(4,488)
Piped Natural Gas Sales Tax		506	506
Telecommunications Sales Tax		3,866	3,866
Video Franchise Fee		1,023	1,023
Solid Waste Disposal Tax		218	218
Beer and Wine Tax	1,300	1,339	39
	\$43,300	\$48,227	\$4,927
<i>Restricted Intergovernmental:</i>			
Powell Bill Allocation	\$9,700	\$9,663	(\$37)
NCORR Grant		105,000	105,000
Revitalization Grant	20,000		(20,000)
	\$29,700	\$114,663	\$84,963
<i>Investment Earnings</i>	\$6	\$838	\$832
<i>Miscellaneous:</i>			
Other Revenues	\$50	\$2,268	\$2,218
	\$50	\$2,268	\$2,218
Total Revenues	\$123,900	\$230,842	\$106,942

TOWN OF TRENTON, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019

	2019		Variance Favorable (Unfavorable)
	Budget	Actual	
Expenditures:			
<i>General Government:</i>			
Board Salaries	\$5,400	\$5,400	
Other Salaries	6,000	6,000	
Professional Services	23,500	23,645	(\$145)
Christmas Expenses	2,200	1,043	1,157
Insurance	6,215	6,408	(193)
Elections			0
Tax Collection Services	3,500	3,026	474
Office Supplies	6,970	7,032	(62)
Other	600	2,028	(1,428)
Capital Outlay	36,138	20,233	15,905
Revitalization	20,000		20,000
Total General Government	\$110,523	\$74,815	\$35,708
<i>Public Safety:</i>			
Fire Department-Operations	\$10,000	\$10,000	
Total Public Safety	\$10,000	\$10,000	\$0
<i>Transportation:</i>			
<i>Streets & Highways:</i>			
Street Labor	\$3,000		\$3,000
Maintenance and Repairs	4,500		4,500
Street Lighting	8,000	\$3,050	4,950
Powell Bill - Expenses	9,700	9,663	37
Total Transportation	\$25,200	\$12,713	\$12,487
<i>Environmental Protection:</i>			
<i>Sanitation & Health:</i>			
Labor	\$5,000	\$460	\$4,540
Supplies	1,500		1,500
Garbage	1,000	252	748
Cemetery	61,089	665	60,424
Capital Projects	57,576		57,576
Total Environmental Protection	\$126,165	\$1,377	\$124,788
Total Expenditures	\$271,888	\$98,905	\$172,983

TOWN OF TRENTON, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND
ACTUAL
For the Fiscal Year Ended June 30, 2019

	2019		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues Over (Under) Expenditures	(\$147,988)	\$131,937	\$279,925
Fund Balance Appropriated	\$147,988		(\$147,988)
Net Change in Fund Balance	\$0	\$131,937	\$131,937
Fund Balances, Beginning		498,932	
Fund Balances, Ending		\$630,869	

ENTERPRISE FUND

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises -- where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Waste Water Fund - This fund is used to account for the Town's waste water operations.

TOWN OF TRENTON, NORTH CAROLINA
WASTEWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL (Non-GAAP)
For the Fiscal Year Ended June 30, 2019

	2019		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Operating Revenues:			
Charges for Services	\$155,000	\$129,920	(\$25,080)
Other Operating Revenues		739	739
Total Operating Revenues	\$155,000	\$130,659	(\$24,341)
Non-Operating Revenues:			
Interest on Investments	\$10	\$19	\$9
Golden Leaf Grant	43,207	43,207	
Other Revenues	2,600	2,610	10
Total Non-Operating Revenues	\$45,817	\$45,836	\$19
Total Revenues	\$200,817	\$176,495	(\$24,322)
Expenditures:			
<i>Current:</i>			
Permits	\$1,000	\$860	\$140
Contracted Services	48,422	48,420	2
Utilities	19,000	17,651	1,349
Chemicals & Supplies	8,000	4,012	3,988
Sludge Expense	9,000		9,000
Miscellaneous Labor & Repairs	5,000	5,591	(591)
Plant & Lift Station Repairs	41,506	56,506	(15,000)
Professional Fees	8,500		8,500
Insurance	4,403	4,403	
Billing and Collection Expenses	9,000	5,525	3,475
Office Expenses	4,000	259	3,741
Capital Outlay	172,144		172,144
Total Expenditures	\$329,975	\$143,227	\$186,748
Other Financing Sources (Uses):			
Insurance Recovery	\$34,874	\$38,207	\$3,333
Transfer to Sewer Capital Projects Fund	(115,000)		115,000
Total Other Financing Sources (Uses)	(\$80,126)	\$38,207	\$118,333
Fund Balance Appropriated	\$209,284		(\$209,284)
Revenues Over Expenditures and Other Uses	\$0	\$71,475	\$71,475
Reconciliation from modified accrual basis to full accrual basis:			
Revenues and Other Financing Sources Over (Under) Expenditures		\$71,475	
Depreciation		(72,636)	
Capital Contributions		3,191,162	
Change in Net Position		\$3,190,001	

TOWN OF TRENTON, NORTH CAROLINA
SEWER CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL (NON-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual</u>		<u>Variance Favorable (Unfavorable)</u>
			<u>Current Year</u>	<u>Total To Date</u>	
Revenues :					
<i>Restricted Intergovernmental:</i>					
Connect NC Bond Program	\$3,250,000	\$427,581	\$2,686,329	\$3,113,910	(\$136,090)
Clean Water Management Trust Fund	764,567		504,833	504,833	(259,734)
Total	\$4,014,567	\$427,581	\$3,191,162	\$3,618,743	(\$395,824)
Expenditures :					
Construction	\$3,382,865		\$2,998,881	\$2,998,881	\$383,984
Engineering Design and Permitting	303,941	\$303,941		303,941	
Construction Admin/Observation	309,907		262,052	262,052	47,855
Surveying	98,640	98,640		98,640	
Engineering Report	25,000	25,000		25,000	
Closing Fee	48,750		45,000	45,000	3,750
Total	\$4,169,103	\$427,581	\$3,305,933	\$3,733,514	\$435,589
Revenues Under Expenditures	(\$154,536)	\$0	(\$114,771)	(\$114,771)	\$39,765
Other Financing Sources (Uses) :					
Transfers - Local Contribution	\$154,536	\$115,000		\$115,000	(\$39,536)
Total	\$154,536	\$115,000	\$0	\$115,000	(\$39,536)
Revenues and Other Sources (Uses) Over Expenditures	\$0	\$115,000	(\$114,771)	\$229	\$229

AGENCY FUND

Agency Funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the Town holds on behalf of others.

TOWN OF TRENTON, NORTH CAROLINA
FINES AND FORFEITURES AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2019

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Assets:				
Cash and Cash Equivalents	<u>\$623</u>	<u>\$61</u>		<u>\$684</u>
Liabilities:				
Intergovernmental Payable	<u>\$623</u>	<u>\$61</u>		<u>\$684</u>

OTHER SCHEDULES

This section includes additional information on property taxes.

- **Schedule of Ad Valorem Taxes Receivable**
- **Analysis of Current Tax Levy**

TOWN OF TRENTON, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
 June 30, 2019

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-19		\$65,014	\$62,509	\$2,505
2017-18	\$2,058		1,393	665
2016-17	1,287		373	914
2015-16	924		241	683
2014-15	534			534
2013-14	641			641
2012-13	558			558
2011-12	569			569
2010-11	678			678
2009-10	93			93
2008-09	13		13	
2007-08				
	\$7,355	\$65,014	\$64,529	
Ad Valorem Taxes Receivable - Net				\$7,840
Reconciliation With Revenues:				
Ad Valorem Taxes - General Fund				\$64,846
Penalties collected on ad valorem taxes - Agency Fund				61
Reconciling Items:				
Interest Collected				(391)
Taxes Written Off				13
Total Collections and Credits				\$64,529

TOWN OF TRENTON, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
For the Fiscal Year Ended June 30, 2019

	Town-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property Taxed at Current Year's Rate	\$17,104,211	0.38	\$64,996	\$51,402	\$13,594
Penalties			77	77	
Discoveries:					
Current and Prior Years	37,110		141	141	
Abatements	(52,726)		(200)	(7)	(193)
Total Property Valuation	<u>\$17,088,595</u>				
Net Levy			\$65,014	\$51,613	\$13,401
Unpaid (By Taxpayer) Taxes at June 30, 2019			(2,505)	(2,505)	
Current Year's Taxes Collected			<u>\$62,509</u>	<u>\$49,108</u>	<u>\$13,401</u>
Current Levy Collection Percentage			<u>96.15%</u>	<u>95.15%</u>	<u>100.00%</u>

COMPLIANCE SECTION



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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.**

To the Honorable Mayor and Board of Commissioners
Town of Trenton, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in 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 Trenton, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Trenton's basic financial statements, and have issued our report thereon dated June 29, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Trenton's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Trenton's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Trenton'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 Town's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charges with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as Finding 19-1 and Finding 19-2 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Trenton's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Trenton’s Response to Findings

The Town of Trenton’s responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Town’s responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town’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 Town’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barrow, Parris & Davenport, P.A

BARROW, PARRIS & DAVENPORT, P.A.
Kinston, NC

July 28, 2020



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**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT
IMPLEMENTATION ACT**

Independent Auditor's Report

To the Honorable Mayor and Board of Commissioners
Town of Trenton, North Carolina

Report on Compliance for Each Major State Program

We have audited the compliance of Town of Trenton, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of its major State programs for the year ended June 30, 2019. Town of Trenton's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination on Town of Trenton's compliance with those requirements.

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

Management of Town of Trenton is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Trenton’s internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of Trenton’s internal control over compliance.

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

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

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

Barrow, Parris & Davenport, P.A.
BARROW, PARRIS & DAVENPORT, P.A.
Kinston, NC

July 28, 2020

TOWN OF TRENTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:
Unmodified

Internal control over financial reporting:

- | | <u>YES</u> | <u>NO</u> |
|--|---------------|---------------|
| • Material weakness(es) identified | <u>X</u> | <u> </u> |
| • Significant deficiency(s) identified that are not considered to be material weaknesses | <u> </u> | <u>X</u> |

Noncompliance material to financial statements noted	<u> </u>	<u>X</u>
--	---------------	----------

State Awards

Internal control over major State programs:

- | | | |
|--|---------------|----------|
| • Material weakness(es) identified | <u> </u> | <u>X</u> |
| • Significant deficiency(s) identified that are not considered to be material weaknesses | <u> </u> | <u>X</u> |

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

Any audit findings disclosed that are required to be reported in accordance with State Single Audit Implementation Act	<u> </u>	<u>X</u>
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Identification of major State programs:

Program Name

Clean Water Management Trust Fund

Connect NC Bond "Tax Exempt" Program

TOWN OF TRENTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

II. FINANCIAL STATEMENT FINDINGS

Finding: 19-1

Material Weakness

Criteria: In an organization such as Town of Trenton with a limited number of personnel for all accounting functions, there are inherent limitations on the effectiveness of certain controls due to a lack of segregation of duties.

Condition: The Town has one accounting personnel that performs all functions such as recording transactions, writing checks, making deposits, and preparing bank reconciliations.

Effect: Accounting duties cannot be properly segregated, minimizing the benefits of the internal control system and placing additional risks related to potential fraud and abuse.

Cause: The Town is very small and does not have a practical need for additional accounting personnel.

Recommendation: The Town's board of commissioners should continue to approve all cash disbursements and monitor financial records periodically to minimize the risks related to the lack of segregation of duties.

***Views of Responsible
Officials and Planned
Corrective Actions:***

We agree with this finding. The Town's board of commissioners will continue to approve all cash disbursements and monitor financial activities in the future.

Finding 19-2

Material Weakness

Criteria: The Town should have accounting personnel that have sufficient expertise in financial accounting and reporting to prepare or review the financial statements to ensure they are in accordance with U.S. generally accepted accounting principles. Accounting personnel should also have expertise in adjusting year-end account balances to record accounts receivables, accounts payable, and other accruals that exist.

Condition: The accounting personnel is experienced in recording daily transactions of the Town but has no relevant experience in preparing or reviewing the financial statements or adjusting account balances for accrual items.

Effect: Financial statements could contain material misstatements related to the format of the financial statements, required disclosures, and account balances.

Cause: The Town is very small and does not have a practical need for additional accounting personnel.

TOWN OF TRENTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

Recommendation: The Town may choose to outsource the financial statement process or accept the associated risks related to this deficiency.

Views of Responsible Officials and Planned Corrective Actions: We agree with this finding. At this time, the Town has chosen to accept the related risks and not hire additional accounting personnel or outsource the process.

IV. STATE AWARD FINDINGS AND QUESTIONED COSTS

None

TOWN OF TRENTON
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2019

FINDING: 18-1 Segregation of Duties

STATUS: Not corrected. The Town has opted not to address due to inadequate staffing in the financial area. See current year finding 19-1.

FINDING: 18-2 Financial Accounting and Reporting

STATUS: Not corrected. The Town has opted not to address due to inadequate staffing in the financial area. See current year finding 19-2.

Town of Trenton
Post Office Box 399
Trenton, N.C. 28585

FINDING: 19-1 **Segregation of Duties**
Name of Contact Person: Glenn Spivey, Town Clerk

Corrective Action: The Town has one employee to perform many accounting functions. However, we will continue to examine our internal control procedures and make improvements to the extent possible.

Proposed Completion Date: As opportunities become available.

FINDING: 19-2 **Financial Accounting and Reporting**
Name of Contact Person: Glenn Spivey, Town Clerk

Corrective Action: Due to the anticipated costs related to eliminating this deficiency, we will accept the associated risks. As personnel staffing and training becomes available, we will consider ways to improve the overall financial reporting process.

Proposed Completion Date: As opportunities become available.

TOWN OF TRENTON
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For The Year Ended June 30, 2019

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantor's Number</u>	<u>Federal</u>	<u>State</u>
			<u>Direct and Pass-Through Expenditures</u>	
<u>STATE GRANTS:</u>				
<u>NC Department of Environmental Quality</u>				
<u>Division of Water Infrastructure</u>				
Connect NC Bond "Tax Exempt" Program	N/A	SRP-W-18-0153		\$2,686,329
<u>NC Department of Natural and Cultural Resources</u>				
Clean Water Management Trust Fund	N/A	2004A-511		504,833
<u>NC Department of Public Safety</u>				
<u>Office of Recovery and Resiliency</u>				
State Grants to Financially Distressed Local Governments	N/A	NCORR-FDLG-013		105,000
<u>North Carolina Department of Transportation</u>				
Powell Bill	N/A			3,817
Total State Financial Assistance			\$0	\$3,299,979

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS:1. **Basis of Presentation**

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

2. **Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. **Indirect Cost Rate**

Town of Trenton has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.