

**Town of Princeton  
Princeton, North Carolina**

**Audited Financial Statements**

**Year Ended June 30, 2020**

**Town of Princeton, North Carolina**

**Audited Financial Statements**

**For the Year Ended June 30, 2020**

**TOWN COUNCIL**

Mike Rose

Susan Watson

Scottie Brown

**OFFICIALS**

Mayor

Donald Rains

Mayor Pro-Tem

Walter Martin, Jr.

Town Administrator

Marla Ashworth

Town Clerk

April Williamson

**Town of Princeton, North Carolina**  
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**June 30, 2020**

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## **Financial Section**

# S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

## MEMBERS

American Institute of CPAs

N. C. Association of CPAs

### Independent Auditor's Report

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

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Princeton, North Carolina, as of and for the year ended June 30, 2020, 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 the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the 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 audit opinion.

#### ***Opinions***

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, the aggregate remaining fund information of the Town of Princeton, North Carolina as of June 30, 2020, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 10, respectively, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 46 and 47 respectively, and the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 48 and 49 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

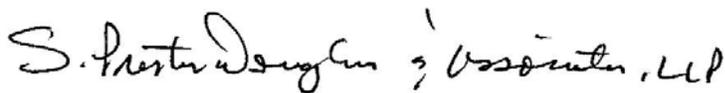
### *Supplementary and Other Information*

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2020 on our consideration of the Town of Princeton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 Princeton's internal control over financial reporting and compliance.



Lumberton, North Carolina  
December 28, 2020

## **Management's Discussion and Analysis**

**Town of Princeton, North Carolina  
Management's Discussion and Analysis  
June 30, 2020**

**Management's Discussion and Analysis**

As management of the Town of Princeton, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Princeton for the fiscal year ending June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

**Financial Highlights**

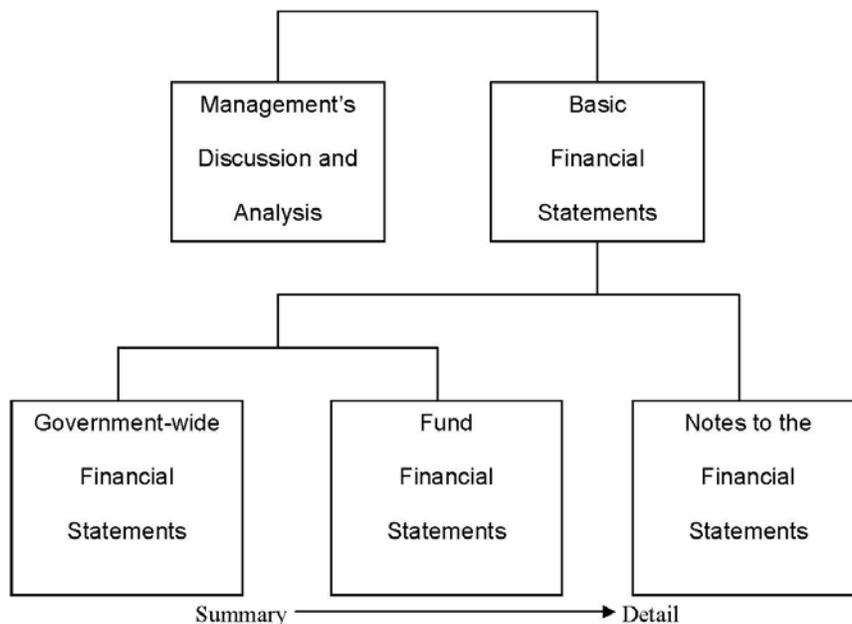
- The assets and deferred outflows of the Town of Princeton exceeded its liabilities and deferred inflows at the close of the fiscal year by \$3,689,234 (net position).
- The government's total net position increased by \$84,996. This is due to a \$187,313 decrease in overall expenditures.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$309,980 or approximately 29% of total General Fund expenditures for the year.
- As of the close of the current fiscal year, the Town of Princeton's governmental funds reported combined ending fund balances of \$501,227, an increase of \$116,348.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Town of Princeton's basic financial statements. The Town's basic financial statements comprise 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 also contains other supplementary information that will enhance the reader's understanding of the financial condition of the Town of Princeton.

**Required Components of Annual Financial Report**

**Figure 1**



**Town of Princeton, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2020**

**Basic Financial Statements**

The first two statements 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 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.

The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show additional details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes can also 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, in a manner similar to the private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

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

The government-wide statements are divided into 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, general administration, streets and highways, and sanitation. 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. This includes the water and wastewater services offered by the Town of Princeton.

The government-wide financial statements are found on pages 11 and 12 of this report.

**Fund Financial Statements.** The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Princeton, like all other state and local governments, 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 the Town of Princeton can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. 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 monies that are unexpended 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 determine if there are more or less financial resources available to finance the Town's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Princeton adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities.

**Town of Princeton, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2020**

**Governmental Funds (continued).** The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**Proprietary Funds.** Town of Princeton has one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Princeton uses enterprise funds to account for its water and wastewater activity. This fund is the same as those functions shown in business-type activities in the Statement of Net Position and the Statement of Activities.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-45 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Princeton's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 46 of this report.

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

**Town of Princeton, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2020**

**Government-Wide Financial Analysis**

**The Town of Princeton's Net Position**  
**Figure 2**

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 593,480	\$ 521,122	\$ 509,360	\$ 444,853	\$ 1,102,840	\$ 965,975
Capital assets	945,876	892,686	3,644,713	3,779,049	4,590,589	4,671,735
Deferred outflows of resources	80,790	107,868	26,374	35,483	107,164	143,351
<b>Total assets and deferred outflows of resources</b>	<b>1,620,146</b>	<b>1,521,676</b>	<b>4,180,447</b>	<b>4,259,385</b>	<b>5,800,593</b>	<b>5,781,061</b>
Long-term liabilities outstanding	689,152	739,583	1,114,786	1,186,481	1,803,938	1,926,064
Other liabilities	133,321	171,643	153,138	177,903	286,459	349,546
Deferred inflows of resources	16,188	85,281	4,774	2,842	20,962	88,123
<b>Total liabilities and deferred inflows of resources</b>	<b>838,661</b>	<b>996,507</b>	<b>1,272,698</b>	<b>1,367,226</b>	<b>2,111,359</b>	<b>2,363,733</b>
<b>Net position</b>						
Net investment in capital assets	393,669	252,621	2,435,629	2,560,798	2,829,298	2,813,419
Restricted	163,393	151,283	51,922	58,029	215,315	209,312
Unrestricted	224,423	121,265	420,198	273,332	644,621	394,597
<b>Total net position</b>	<b>\$ 781,485</b>	<b>\$ 525,169</b>	<b>\$ 2,907,749</b>	<b>\$ 2,892,159</b>	<b>\$ 3,689,234</b>	<b>\$ 3,417,328</b>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of the Town exceeded liabilities and deferred inflows by \$3,689,234 at the close of the current fiscal year. The Town's net position increased by \$84,996 for the fiscal year ended June 30, 2020. By far the largest portion of the Town's net position, 77%, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the Town's investment in its capital assets is reported net of related debt, it should note that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of net position, 6%, represents the Town's resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$644,621 or 17% of the total. One aspect of the Town's financial operations influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.08%

**Town of Princeton, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2020**

**Government-Wide Financial Analysis (continued)**

**The Town of Princeton's Changes in Net Position**  
**Figure 3**

	Governmental		Business-type		Totals	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 220,325	\$ 211,748	\$ 693,042	\$ 720,058	\$ 913,367	\$ 931,806
Operating grants and contributions	87,424	199,022	-	-	87,424	199,022
Capital grants and contributions	-	-	25,280	15,598	25,280	15,598
General revenues:						
Property taxes	496,867	449,073	-	-	496,867	449,073
Other taxes	279,382	44	-	-	279,382	44
Grants and contributions not restricted to specific programs	-	275,086	-	-	-	275,086
Other	36,034	22,030	1,155	9,410	37,189	31,440
Total revenues	1,120,032	1,157,003	719,477	745,066	1,839,509	1,902,069
Expenses:						
General government	247,814	252,385	-	-	247,814	252,385
Public safety	473,316	444,260	-	-	473,316	444,260
Transportation	281,915	92,977	-	-	281,915	92,977
Environmental protection	12,407	73,801	-	-	12,407	73,801
Economic and physical development	1,251	284,365	-	-	1,251	284,365
Cultural and recreation	29,023	17,266	-	-	29,023	17,266
Interest on long-term debt	4,900	16,381	-	-	4,900	16,381
Water and sewer	-	-	703,887	760,391	703,887	760,391
Total expenses	1,050,626	1,181,435	703,887	760,391	1,754,513	1,941,826
Increase (decrease) in net position before transfers	69,406	(24,432)	15,590	(15,325)	84,996	(39,757)
Transfers	-	-	-	-	-	-
Change in net position	69,406	(24,432)	15,590	(15,325)	84,996	(39,757)
Net position, beginning, previously stated	525,169	549,601	2,892,159	2,907,484	3,417,328	3,457,085
Restatement	186,910	-	-	-	186,910	-
Net position, beginning, restated	712,079	549,601	2,892,159	2,907,484	3,604,238	3,457,085
Net position, ending	\$ 781,485	\$ 525,169	\$ 2,907,749	\$ 2,892,159	\$ 3,689,234	\$ 3,417,328

**Governmental activities.** Governmental activities increased the Town's net position by \$69,406, primarily due to the grant revenues in the non-major funds.

**Business-type activities.** Business-type activities increased the Town's net position by \$15,590. This is primarily due to business-type expenses decreasing by \$56,504 from the prior year.

**Town of Princeton, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2020**

**Government-Wide Financial Analysis (continued)**

**Financial Analysis of the Town's Funds**

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

**Governmental Funds.** The focus of the Town'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's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the principal operating fund of the Town of Princeton. At the end of the fiscal year, unassigned fund balance for the General Fund was \$309,980 with a total fund balance of \$461,837. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 29% of total General Fund expenditures.

**General Fund Budgetary Highlights**

During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories:

1. Amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available;
2. Amendments made to recognize new funding from external sources, such as federal and State grants.
3. Increases in appropriations that become necessary to maintain services and obligations from prior years not completed.

At June 30, 2020, the governmental funds of Town of Princeton reported a combined fund balance of \$501,227; a 3% increase over last year. Included in this change in fund balance are increases in fund balance in the General.

**Proprietary Funds.** The Town of Princeton's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$420,198. The total change in net position for the Water and Sewer Fund was an increase of \$15,590.

**Capital Assets and Debt Administration**

The Town of Princeton's investments in capital assets for its governmental activities as of June 30, 2020, totals \$945,876 (net of accumulated depreciation) and \$3,779,049 (net of accumulated depreciation) for business-type funds. The investments in capital assets includes land, vehicles, infrastructure, and equipment.

**Town of Princeton, North Carolina  
Management's Discussion and Analysis (continued)  
June 30, 2020**

**Government-Wide Financial Analysis (continued)**

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

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land	\$ 152,028	\$ 152,028	\$ 24,280	\$ 24,280	\$ 176,308	\$ 176,308
Construction in progress	121,679	86,910	48,080	22,800	169,759	109,710
Buildings and system	552,238	573,076	-	-	552,238	573,076
Improvements other than buildings	8,532	9,764	-	-	8,532	9,764
Substations, lines, and related equipment	-	-	3,541,639	3,694,045	3,541,639	3,694,045
Machinery and equipment	35,538	61,040	30,714	37,652	66,252	98,692
Vehicles and motorized equipment	75,861	96,778	-	272	75,861	97,050
Total capital assets, net	<u>\$ 945,876</u>	<u>\$ 979,596</u>	<u>\$ 3,644,713</u>	<u>\$ 3,779,049</u>	<u>\$ 4,590,589</u>	<u>\$ 4,758,645</u>

Additional information on the Town's capital assets can be found in the notes on page 30 of this report.

**Long-term debt.** As of June 30, 2020, the Town of Princeton had total installment purchase debt outstanding of \$1,332,725. The installment debt is backed by security interest in the property for which it was issued.

**The Town of Princeton's Outstanding Liabilities  
Figure 5**

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Installment purchase notes	\$ 552,207	\$ 640,065	\$ 780,518	\$ 829,740	\$ 1,332,725	\$ 1,469,805
General obligation bonds	-	-	40,400	61,100	40,400	61,100
Revenue bonds	-	-	315,806	325,700	315,806	325,700
Total pension liability	37,512	32,299	-	-	37,512	32,299
Net pension liability (LGERS)	121,316	137,643	41,720	47,162	163,036	184,805
Compensated absences	25,158	32,432	9,464	11,424	34,622	43,856
Total outstanding debt	<u>\$ 736,193</u>	<u>\$ 842,439</u>	<u>\$ 1,187,908</u>	<u>\$ 1,275,126</u>	<u>\$ 1,924,101</u>	<u>\$ 2,117,565</u>

***Town of Princeton Outstanding Debt***

The Town of Princeton total debt decreased by \$193,464 during the past fiscal year, primarily due to paying off all debt.

North Carolina's general statutes limit the amount of general obligation debt that a governmental unit can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Princeton is presently at \$9,836,683 (the amount of additional debt the Town could obligate itself to under NC General Statute).

**Town of Princeton, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2020**

Additional information pertaining to the Town of Princeton's long-term debt can be found in the notes on page 41 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The 2020-2021 budget year, like the previous three budget years, will continue to present challenges to the Board, management and staff as the national economy struggles to recover from recession. The tax rate continued at \$0.54/\$100 valuation however, tax revenue is expected to increase. Sales tax revenue is starting to increase as well as water usage, which increases water and sewer revenue. The budget will be monitored continuously to ensure adequate revenues are received to cover necessary expenses. Despite the economic struggles, the Town was still able to continue to increase our General Fund balance.

**Budget Highlights for the Fiscal Year Ending June 30, 2021**

***Governmental Activities:*** Revenues are expected to remain at levels similar to last fiscal year.

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

**Request for Information**

This financial report is designed to provide a general overview of the Town of Princeton's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Town of Princeton, PO Box 67, Princeton, NC 27569.

## **Basic Financial Statements**

**Town of Princeton, North Carolina**  
**Balance Sheet**  
**June 30, 2020**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	
<b><u>ASSETS</u></b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 426,070	\$ 278,536	\$ 704,606
Taxes Receivable, net	5,973	-	5,973
Accounts Receivable, net	32,615	101,403	134,018
Intergovernmental receivables	57,726	7,684	65,410
Inventories	-	20,308	20,308
Prepaid items	27,854	-	27,854
Restricted cash and cash equivalents	43,242	101,429	144,671
<b>Total current assets</b>	<b>593,480</b>	<b>509,360</b>	<b>1,102,840</b>
<b>Noncurrent assets:</b>			
<b>Capital assets (Note 3):</b>			
Land, non-depreciable improvements, and construction in progress	273,707	72,360	346,067
Other capital assets, net of depreciation	672,169	3,572,353	4,244,522
<b>Total capital assets</b>	<b>945,876</b>	<b>3,644,713</b>	<b>4,590,589</b>
<b>Total assets</b>	<b>1,539,356</b>	<b>4,154,073</b>	<b>5,693,429</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Pension deferrals	80,790	26,374	107,164
<b>Total deferred outflows of resources</b>	<b>80,790</b>	<b>26,374</b>	<b>107,164</b>
<b><u>LIABILITIES</u></b>			
<b>Current liabilities:</b>			
Accounts payable	86,280	30,489	116,769
Customer deposits	-	49,527	49,527
Current portion of long-term debt	47,041	73,122	120,163
<b>Total current liabilities</b>	<b>133,321</b>	<b>153,138</b>	<b>286,459</b>
<b>Noncurrent liabilities:</b>			
Net pension liability	121,316	41,720	163,036
Total pension liability	37,512	-	37,512
Due in more than one year	530,324	1,073,066	1,603,390
<b>Total liabilities</b>	<b>822,473</b>	<b>1,267,924</b>	<b>2,090,397</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Pension deferrals	16,188	4,774	20,962
<b>Total deferred inflows of resources</b>	<b>16,188</b>	<b>4,774</b>	<b>20,962</b>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	393,669	2,435,629	2,829,298
Restricted for:			
Debt service	-	51,922	51,922
Streets	43,242	-	43,242
Stabilization by State Statute	80,761	-	80,761
Culture and recreation	39,390	-	39,390
Unrestricted	224,423	420,198	644,621
<b>Total net position</b>	<b>\$ 781,485</b>	<b>\$ 2,907,749</b>	<b>\$ 3,689,234</b>

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

**Town of Princeton, North Carolina**  
**Statement of Activities**  
**June 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
<b>Governmental Activities:</b>							
General government	\$ 247,814	\$ -	\$ -	\$ -	\$ (247,814)	\$ -	\$ (247,814)
Public safety	473,316	-	-	-	(473,316)	-	(473,316)
Transportation	281,915	-	38,815	-	(243,100)	-	(243,100)
Economic and physical development	1,251	32,093	-	-	30,842	-	30,842
Environmental protection	12,407	188,232	48,609	-	224,434	-	224,434
Cultural and recreation	29,023	-	-	-	(29,023)	-	(29,023)
Interest on long-term debt	4,900	-	-	-	(4,900)	-	(4,900)
<b>Total governmental activities</b>	<u>1,050,626</u>	<u>220,325</u>	<u>87,424</u>	<u>-</u>	<u>(742,877)</u>	<u>-</u>	<u>(742,877)</u>
<b>Business-type activities:</b>							
Water and Wastewater	703,887	693,042	-	25,280	-	14,435	14,435
<b>Total business-type activities</b>	<u>703,887</u>	<u>693,042</u>	<u>-</u>	<u>25,280</u>	<u>-</u>	<u>14,435</u>	<u>14,435</u>
<b>Total primary government</b>	<u>\$ 1,754,513</u>	<u>\$ 913,367</u>	<u>\$ 87,424</u>	<u>\$ 25,280</u>	<u>(742,877)</u>	<u>14,435</u>	<u>(728,442)</u>
<b>General revenues:</b>							
Taxes:							
Property taxes, levied for general purpose					496,867	-	496,867
Other taxes and licenses					279,382	-	279,382
Investment earnings, unrestricted					4,135	1,155	5,290
Miscellaneous, unrestricted					31,899	-	31,899
<b>Total general revenues not including transfers</b>					<u>812,283</u>	<u>15,590</u>	<u>827,873</u>
Transfers					-	-	-
<b>Total general revenues</b>					<u>812,283</u>	<u>15,590</u>	<u>827,873</u>
<b>Change in net position</b>					69,406	15,590	84,996
<b>Net position, beginning, previously stated</b>					525,169	2,892,159	3,417,328
<b>Restatement</b>					186,910	-	186,910
<b>Net position, beginning, restated</b>					<u>712,079</u>	<u>2,892,159</u>	<u>3,604,238</u>
<b>Net position, ending</b>					<u>\$ 781,485</u>	<u>\$ 2,907,749</u>	<u>\$ 3,689,234</u>

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

**Town of Princeton, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**

	<b>General Fund</b>	<b>Total Nonmajor Funds</b>	<b>Total Governmental Funds</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 383,000	\$ 43,070	\$ 426,070
Restricted cash	43,242	-	43,242
Receivables, net:			
Ad valorem taxes	5,973	-	5,973
Accounts	23,035	9,580	32,615
Due from other governments	57,726	-	57,726
Prepaid expenses	27,854	-	27,854
<b>Total assets</b>	<b>\$ 540,830</b>	<b>\$ 52,650</b>	<b>\$ 593,480</b>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 73,020	\$ 13,260	\$ 86,280
<b>Total liabilities</b>	<b>73,020</b>	<b>13,260</b>	<b>86,280</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Property taxes receivable	5,973	-	5,973
<b>Total deferred inflows of resources</b>	<b>5,973</b>	<b>-</b>	<b>5,973</b>
<b><u>FUND BALANCES</u></b>			
Non Spendable:			
Prepaid expense	27,854	-	27,854
Restricted:			
Stabilization by State Statute	80,761	-	80,761
Streets	43,242	-	43,242
Special revenue funds	-	23,388	23,388
Capital project funds	-	16,002	16,002
Unassigned	309,980	-	309,980
<b>Total fund balances</b>	<b>461,837</b>	<b>39,390</b>	<b>501,227</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 540,830</b>	<b>\$ 52,650</b>	<b>\$ 593,480</b>

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

**Town of Princeton, North Carolina**  
**Balance Sheet**  
**Governmental Funds (continued)**  
**June 30, 2020**

**Amounts reported for governmental activities in the Statement of Net Position are different because:**

Total Fund Balance, Governmental Funds	\$	501,227
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	\$	2,365,604
Accumulated depreciation	<u>(1,419,728)</u>	945,876
Deferred outflows of resources related to pensions are not reported in the fund statements.		
		80,790
Earned revenues are considered deferred inflows of resources in fund statements.		
		5,973
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Gross long-term debt beginning	(640,065)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	87,858	
Compensated absences	(25,158)	
Total pension liability	(37,512)	
Net pension liability	<u>(121,316)</u>	(736,193)
Deferred inflows of resources related to pensions are not reported in the funds.		
		<u>(16,188)</u>
<b>Net position of governmental activities</b>	<b>\$</b>	<b><u><u>781,485</u></u></b>

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

**Town of Princeton, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2020**

	<b>General Fund</b>	<b>Total Non-Major Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
Ad valorem taxes	\$ 500,304	\$ -	\$ 500,304
Unrestricted intergovernmental	279,382	-	279,382
Restricted intergovernmental	38,815	48,609	87,424
Permits and fees	32,093	-	32,093
Sales and services	188,232	-	188,232
Investment earnings	8	4,127	4,135
Miscellaneous	31,899	-	31,899
<b>Total revenues</b>	<b>1,070,733</b>	<b>52,736</b>	<b>1,123,469</b>
<b>Expenditures:</b>			
General government	232,812	-	232,812
Public safety	437,271	-	437,271
Transportation	267,582	-	267,582
Economic and physical development	-	36,020	36,020
Environmental protection	2,838	-	2,838
Culture and recreation	19,855	132	19,987
Debt service:			
Principal retirement	87,858	-	87,858
Interest and other charges	4,900	-	4,900
Capital outlay	17,853	-	17,853
<b>Total expenditures</b>	<b>1,070,969</b>	<b>36,152</b>	<b>1,107,121</b>
<b>Net change in fund balances</b>	<b>(236)</b>	<b>16,584</b>	<b>16,348</b>
<b>Fund balances, beginning as previously reported</b>	<b>362,073</b>	<b>22,806</b>	<b>384,879</b>
<b>Prior period adjustment (Note 5)</b>	<b>100,000</b>	<b>-</b>	<b>100,000</b>
<b>Fund balances, beginning, restated</b>	<b>462,073</b>	<b>22,806</b>	<b>484,879</b>
<b>Fund balances, ending</b>	<b>\$ 461,837</b>	<b>\$ 39,390</b>	<b>\$ 501,227</b>

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

**Town of Princeton, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2020**

**Amounts reported for governmental activities in the Statement of Activities are different because:**

Net change in fund balances - total governmental funds	\$	16,348
<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	\$ 52,622	
Depreciation expense for governmental assets	<u>(86,342)</u>	(33,720)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		42,883
<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		3,437
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has an effect on net position. These amounts are the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal payments on long-term debt	<u>87,858</u>	87,858
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.</p>		
Compensated absences	7,274	
Pension revenue (expense)	<u>(54,674)</u>	<u>(47,400)</u>
<b>Total changes in net position of governmental activities</b>	<u>\$</u>	<u>69,406</u>

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

**Town of Princeton, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance Proprietary Fund**  
**General Fund**  
**June 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
Ad valorem taxes	\$ 493,165	\$ 491,665	\$ 500,304	\$ 8,639
Unrestricted intergovernmental	275,373	277,048	279,382	2,334
Restricted intergovernmental	37,321	37,321	38,815	1,494
Permits and fees	30,000	41,750	32,093	(9,657)
Sales and services	187,596	186,596	188,232	1,636
Investment earnings	175	175	8	(167)
Miscellaneous	16,100	5,175	31,899	26,724
<b>Total revenues</b>	<u>1,039,730</u>	<u>1,039,730</u>	<u>1,070,733</u>	<u>31,003</u>
<b>Expenditures:</b>				
Current:				
General government	211,761	244,671	234,885	9,786
Public safety	441,673	457,268	452,453	4,815
Transportation	276,269	306,761	268,180	38,581
Environmental protection	37,321	4,843	2,838	2,005
Cultural and recreation	57,180	20,043	19,855	188
Debt service:				
Principal retirement	77,053	87,858	87,858	-
Interest and other charges	15,641	5,076	4,900	176
<b>Total expenditures</b>	<u>1,116,898</u>	<u>1,126,520</u>	<u>1,070,969</u>	<u>55,551</u>
<b>Revenues over (under) expenditures</b>	<u>(77,168)</u>	<u>(86,790)</u>	<u>(236)</u>	<u>86,554</u>
<b>Fund balance appropriated</b>	<u>77,168</u>	<u>86,790</u>	<u>-</u>	<u>86,790</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(236)</u>	<u>\$ (236)</u>
<b>Fund balances, beginning as previously reported</b>			362,073	
<b>Prior period adjustment (Note 5)</b>			100,000	
<b>Fund balances, beginning, restated</b>			<u>462,073</u>	
<b>Fund balances, ending</b>			<u>\$ 461,837</u>	

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

**Town of Princeton, North Carolina**  
**Statement of Fund Net Position**  
**Proprietary Fund**  
**June 30, 2020**

	<b>Water and Sewer Fund</b>
<b><u>ASSETS</u></b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 278,536
Accounts receivable, net	101,403
Intergovernmental receivables	7,684
Inventories	20,308
Restricted cash and cash equivalents	101,429
<b>Total current assets</b>	<b>509,360</b>
<b>Noncurrent assets:</b>	
<b>Capital assets:</b>	
Land, nondepreciable improvements, and construction in progress	72,360
Other capital assets, net of depreciation	3,572,353
<b>Total capital assets</b>	<b>3,644,713</b>
<b>Total noncurrent assets</b>	<b>3,644,713</b>
<b>Total assets</b>	<b>4,154,073</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	
Pension deferrals	26,374
<b>Total deferred outflows of resources</b>	<b>26,374</b>
<b><u>LIABILITIES</u></b>	
<b>Current liabilities:</b>	
Accounts payable and accrued liabilities	30,489
Installment purchase payable-current	44,922
General obligation bonds payable - current	20,700
Revenue bond payable-current	7,500
Liabilities payable from restricted assets:	
Customer deposits	49,527
<b>Total current liabilities</b>	<b>153,138</b>
<b>Noncurrent liabilities:</b>	
Installment purchase payable-noncurrent	735,596
General obligation bonds payable- noncurrent	19,700
Revenue bond payable-noncurrent	308,306
Net pension liability	41,720
Compensated absences	9,464
<b>Total noncurrent liabilities</b>	<b>1,114,786</b>
<b>Total liabilities</b>	<b>1,267,924</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Pension deferrals	4,774
<b>Total deferred inflows of resources</b>	<b>4,774</b>
<b><u>NET POSITION</u></b>	
Net investment in capital assets	2,435,629
Restricted for debt service	51,922
Unrestricted	420,198
<b>Total net position</b>	<b>\$ 2,907,749</b>

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

**Town of Princeton, North Carolina**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund**  
**For the Year Ended June 30, 2020**

	<b>Water and Sewer Fund</b>
<b>Operating revenues:</b>	
Charges for services	\$ 624,485
Water and sewer taps	10,000
Capacity fees	48,391
Other operating revenues	10,166
<b>Total operating revenues</b>	<b>693,042</b>
 <b>Operating expenses:</b>	
Salaries and employee benefits	188,609
County water purchased	126,704
Repairs and maintenance	83,105
Other operating expenditures	103,326
Depreciation	159,616
<b>Total operating expenses</b>	<b>661,360</b>
 <b>Operating income (loss)</b>	 <b>31,682</b>
 <b>Nonoperating revenues (expenses):</b>	
Investment earnings	1,155
USDA Rural Development proceeds	25,280
Interest and other charges	(42,527)
<b>Total nonoperating revenues (expenses)</b>	<b>(16,092)</b>
 <b>Change in net position</b>	 <b>15,590</b>
 <b>Total net position, beginning</b>	 <b>2,892,159</b>
<b>Total net position, ending</b>	<b>\$ 2,907,749</b>

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

**Town of Princeton, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2020**

	<u>Water and Sewer Fund</u>
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 651,264
Cash paid for goods and services	(322,364)
Cash paid to employees for services	(187,583)
Other operating revenues	10,166
<b>Net cash provided (used) by operating activities</b>	<u>151,483</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets	(25,280)
Grant proceeds	25,280
Principal paid on debt	(79,816)
Interest paid on debt	(42,527)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(122,343)</u>
<b>Cash flows from investing activities:</b>	
Interest on investments	1,155
<b>Net cash provided (used) by investing activities</b>	<u>1,155</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	30,295
<b>Cash and cash equivalents-beginning of year</b>	349,670
<b>Cash and cash equivalents-end of year</b>	<u>\$ 379,965</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
<b>Operating income (loss)</b>	<u>\$ 31,682</u>
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>	
Depreciation	159,616
Change in assets, deferred outflows and inflows of resources, and liabilities:	
(Increase) decrease in accounts receivable	(43,090)
(Increase) decrease in intergovernmental receivable	11,478
(Increase) decrease in inventory	(2,601)
(Increase) decrease in deferred outflows of resources - pensions	9,109
Increase (decrease) in net pension liability	(5,442)
Increase (decrease) in deferred inflows of resources - pensions	(681)
Increase (decrease) in accounts payable and accrued liabilities	(6,628)
Increase (decrease) in compensated absences	(1,960)
<b>Total adjustments</b>	<u>119,801</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 151,483</u>

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

## **Notes to the Financial Statements**

**Town of Princeton, North Carolina**  
**Notes to the Financial Statements**  
**June 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A - Reporting Entity**

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

**B - Basis of Presentation**

*Government-wide Statements:* The statement of net position and statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities are generally 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 and 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 and proprietary* – are presented. The emphasis of the fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

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

The Town reports the following major governmental funds:

**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. Primary expenditures are for public safety, street maintenance and construction, and general administration.

**Town of Princeton, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B - Basis of Presentation (continued)**

The Town reports the following non-major governmental funds:

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

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

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

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

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

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

The Town reports the following major enterprise fund:

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

The Town reports the following non-major enterprise fund:

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

**C - Measurement Focus and Basis of Accounting**

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

*Government-wide and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide, and proprietary 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. Nonexchange 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.

**Town of Princeton, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C - Measurement Focus and Basis of Accounting (continued)**

*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 a 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.

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

**D - Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Enterprise Capital Projects Funds. The enterprise fund project is consolidated with its respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

**Town of Princeton, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 nonguaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptances and the North Carolina Capital Management Trust (NCCMT).

All deposits of the Town's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT – Term Portfolio's securities are valued at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Cash collected for drug forfeitures and seizures are classified as restricted assets because their use is completely restricted by the U.S. Department of Justice, to the purpose for which they were received.

Governmental Activities:	
General Fund	
Powell Bill	\$ 43,242
Total Governmental Activities	<u>43,242</u>
Business-type Activities:	
Water and Sewer Fund:	
Customer deposits	49,527
Reserve Funds	51,922
Total Business-type Activities	<u>101,449</u>
Total Restricted Cash	<u>\$ 144,691</u>

**Town of Princeton, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)**

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 other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2019. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenue is reported net of such discounts.

5. Allowance 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 a certain threshold and an estimated life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Minimum capitalization costs are as follows: land, \$500; buildings, improvements, \$500; infrastructure, \$500; furniture and equipment, \$500; and vehicles, \$500. 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 purchases or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Improvements	25
Vehicles	6
Furniture and fixtures	10
Equipment	10
Computer equipment	3
Software	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 one item that meet this criterion – pension related deferrals for the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criteria for this category – property taxes receivable and pension related deferrals.

**Town of Princeton, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)**

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. In fund financial statements, governmental fund types show types show the face amount of debt issued as other financing sources.

9. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days of earned vacation leave with such leave being fully vested when earned. For the Town's government-wide funds and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

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

10. Net Position / Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

**Town of Princeton, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)**

10. Net Position / Fund Balances (continued)

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

Committed fund balance – Portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Princeton’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 (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance – Portion of fund balance that the Town intends to use for specific purposes.

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

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

**Town of Princeton, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)**

11. Defined Benefit Cost-Sharing Plans

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

**NOTE 2 - DETAIL NOTES ON ALL FUNDS**

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

1. Noncompliance with North Carolina General Statutes

The Town invested donated funds into an investment that is not allowed by NC General Statute 159-33. This investment was at the request of the donor and the Town wants to uphold the donor's request. The Town send the balance of these investments to the LGC twice a year.

2. Contractual Violations

None.

**B - Deficit in Fund Balance or Net Position of Individual Funds**

None.

**C - Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2020, the expenditures made in the Town's Community Building Project Fund, and Princeton Community Day Fund exceeded the authorized appropriations made by the governing board for operation by \$25,760 and \$132, respectively. This over-expenditure occurred because of management oversight on the creation of a budget for these funds. Management and the Board will more closely review the budget reports to ensure compliance in future years.

**Town of Princeton, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2020**

**NOTE 3 - 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 its name. 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 its name. 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. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2020, the Town's deposits had a carrying amount of \$725,539 and a bank balance of \$763,425. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash totaled \$350.

2. Investments

At June 30, 2020, the Town had \$123,388 invested with North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. Receivables - Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2020 are net of the following allowance for doubtful accounts:

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

**Town of Princeton, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**A - Assets (continued)**

4. Capital Assets

**Primary Government**

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

<b>Governmental activities:</b>	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ 152,028	\$ -	\$ -	\$ 152,028
	86,910	34,769	-	121,679
Total capital assets not being depreciated	238,938	34,769	-	273,707
<b>Capital assets being depreciated:</b>				
Buildings	869,298	-	-	869,298
Other improvements	415,914	-	-	415,914
Equipment	404,672	553	-	405,225
Vehicles and motorized equipment	384,160	17,300	-	401,460
Total capital assets being depreciated	2,074,044	17,853	-	2,091,897
<b>Less accumulated depreciation for:</b>				
Buildings	296,222	20,838	-	317,060
Other improvements	406,150	1,232	-	407,382
Equipment	343,632	26,055	-	369,687
Vehicles and motorized equipment	287,382	38,217	-	325,599
Total accumulated depreciation	1,333,386	86,342	-	1,419,728
Total capital assets being depreciated, net	740,658			672,169
<b>Governmental activities capital assets, net</b>	<b>\$ 979,596</b>			<b>\$ 945,876</b>

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

General government	\$ 15,650
Public safety	35,892
Transportation	14,833
Environmental protection	10,569
Cultural and recreational	9,398
Total depreciation expense	\$ 86,342

**Town of Princeton, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**A - Assets (continued)**

4. Capital Assets (continued)

<b>Business-type activities:</b>	Beginning			Ending
<b>Water and sewer fund</b>	Balances	Increases	Decreases	Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ 24,280	\$ -	\$ -	\$ 24,280
Construction in progress	22,800	25,280	-	48,080
Total capital assets not being depreciated	47,080	25,280	-	72,360
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	6,876,057	-	-	6,876,057
Furniture and maintenance equipment	232,378	-	-	232,378
Vehicles	34,134	-	-	34,134
Total capital assets being depreciated	7,142,569	-	-	7,142,569
<b>Less accumulated depreciation for:</b>				
Plant and distribution systems	3,182,012	152,406	-	3,334,418
Furniture and maintenance equipment	194,726	6,938	-	201,664
Vehicles	33,862	272	-	34,134
Total accumulated depreciation	3,410,600	159,616	-	3,570,216
Total capital assets being depreciated, net	3,731,969			3,572,353
<b>Water and sewer fund capital assets, net</b>	\$ 3,779,049			\$ 3,644,713

**Town of Princeton, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities**

1. Pension Plan and Postemployment Obligations

*a. Local Governmental Employees' Retirement System*

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

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Princeton employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Princeton's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.95% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Princeton were \$44,139 for the year ended June 30, 2020.

**Town of Princeton, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

1. Pension Plan and Postemployment Obligations (continued)

*a. Local Governmental Employees' Retirement System (continued)*

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

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

At June 30, 2020, the Town reported a liability of \$163,036 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Town's proportion was 0.00597%, which was an decrease of 0.00182% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$66,534. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 27,916	\$ -
Changes of assumptions	26,572	-
Net difference between projected and actual earnings on pension plan investment	3,977	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	18,867
Town contributions subsequent to the measurement date	44,139	-
Total	\$ 102,604	\$ 18,867

**Town of Princeton, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

1. Pension Plan and Postemployment Obligations (continued)

*a. Local Governmental Employees' Retirement System (continued)*

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)***

\$44,139 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>		
2021	\$	22,594
2022		3,793
2023		11,783
2024		1,428
Thereafter		-

*Actuarial Assumptions.* The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis.

**Town of Princeton, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

1. Pension Plan and Postemployment Obligations (continued)

a. *Local Governmental Employees' Retirement System (continued)*

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)***

These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 372,893	\$ 163,036	\$ (11,398)

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

**Town of Princeton, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

1. Pension Plan and Postemployment Obligations (continued)

*b. Law Enforcement Officers' Special Separation Allowance*

1. Plan Description

The Town of Princeton administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increase in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

The Separation Allowance covers all full-time law enforcement officers of the Town. At December 31, 2018, the Separation Allowance's membership consisted of:

Active plan members	3
Total	<u>3</u>

2. *Summary of Significant Accounting Policies*

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018.

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

4. Contributions.

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

**Town of Princeton, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

1. Pension Plan and Postemployment Obligations (continued)

*b. Law Enforcement Officers' Special Separation Allowance (continued)*

At June 30, 2020, the Town reported a total pension liability of \$37,512. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$4,774.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,082	\$ 779
Changes of assumptions	2,479	1,316
Total	\$ 4,561	\$ 2,095

No amount was reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2021	\$	453
2022		453
2023		552
2024		552
2025		360
Thereafter		96

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 3.26 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	<b>1% Decrease (2.26%)</b>	<b>Discount rate (3.26%)</b>	<b>1% Increase (4.26%)</b>
Total pension liability	\$ 40,851	\$ 37,512	\$ 34,456

**Town of Princeton, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

1. Pension Plan and Postemployment Obligations (continued)

*b. Law Enforcement Officers' Special Separation Allowance (continued)*

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

		<b>2020</b>
Beginning balance	\$	32,299
Service cost		3,145
Interest on the total pension liability		1,176
Differences between expected and actual experience in the measurement of the total pension liability		(303)
Changes of assumptions or other inputs		1,195
<b>Ending balance of the total pension liability</b>	<b>\$</b>	<b>37,512</b>

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

	<b>LGERS</b>	<b>LEOSSA</b>	<b>Total</b>
Pension Expense	\$ 66,534	\$ 4,774	\$ 71,308
Pension Liability	163,036	37,512	200,548
Proportionate share of the net pension liability	0.00597%	n/a	
 Deferred of Outflows of Resources			
Differences between expected and actual experience	27,916	2,082	29,998
Changes of assumptions	26,572	2,479	29,051
Net difference between projected and actual earnings on plan investments and proportionate share of contributions	3,977	-	3,977
Benefit payments and administrative costs paid subsequent to the measurement date	44,139	-	44,139
 Deferred of Inflows of Resources			
Differences between expected and actual experience	-	779	779
Changes of assumptions	-	1,316	1,316
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	18,867	-	18,867

**Town of Princeton, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

1. Pension Plan and Postemployment Obligations (continued)

**c. Supplemental Retirement Income Plan for Law Enforcement Officers**

*Plan Description.* The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

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

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

*Plan Description.* The State of North Carolina contributes, on behalf of the Town of Princeton, to the Firefighter's and Rescue Squad Workers' Pension Fund (Fund), a cost sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members, 9 appointed by the Governor, 1 appointed by the State Senate, 1 appointed by the State House of Representatives, and the State Treasurer, and State Superintendent, who serve as the ex - officio members. The Firefighter's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighter's and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454 or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

*Contributions.* Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2020, the State contributed \$18,302,000 to the plan. The Town of Princeton's proportionate share of the State's contribution is \$3,400.

**Town of Princeton, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

1. Pension Plan and Postemployment Obligations (continued)

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

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

**e. Other Employment Benefits**

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State - administered, cost-sharing plan funded on a one year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

2. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 44,139
Differences between expected and actual experience	29,997
Changes of assumptions	29,051
Net difference between projected and actual	3,977
<b>Total</b>	<b>\$ 107,164</b>

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

	Statement of Net Position	General Fund Balance sheet
Taxes Receivable, less penalties (General Fund)	\$ -	\$ 5,973
Changes in assumptions	1,316	-
Differences between expected and actual experience	779	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	18,867	-
<b>Total</b>	<b>\$ 20,962</b>	<b>\$ 5,973</b>

**Town of Princeton, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

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

4. Claims, Judgements, and Contingent Liabilities

At June 30, 2020, the Town did not have any litigation pending.

5. Long-Term Obligations

a. Installment Purchases

*Governmental Direct Placement:*

Installment purchase with KS Bank, Inc to purchase a garbage truck, carts and bins for \$271,003 on September 29, 2014 with fifteen annual payments of \$22,135 including interest at 2.650% with the first payment due on September 30, 2015. Balance at June 30, 2020 was \$192,207.

Installment purchase with USDA in the amount of \$450,000 for town hall building and land. Principal in the amount of \$30,000 with interest of 2.44% due yearly until December 2032. Balance at June 30, 2020 was \$360,000.

*Business-Type Direct Placement:*

Installment purchase with USDA in the amount of \$392,000 for sewer improvements in the sewer upgrade capital projects fund due \$21,306 annually including interest at 4.5% on December 15 for forty years with the final payment on December 15, 2044. Balance at June 30, 2020 was \$315,806.

Installment purchase with USDA in the amount of \$400,000 for town hall building and land due \$24,200 annually plus interest at 4.375% on December 18 for thirty years with the final payment on December 18, 2036. This loan was paid off through refinancing with BB&T on December 14, 2016. Balance at June 30, 2020 was \$329,854.

Installment purchase with BB&T in the amount of \$165,385. Principal in the amount of \$36,993 with interest of 3.91% due yearly until 2024. Balance at June 30, 2020 was \$134,858.

**Town of Princeton, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

5. Long-Term Obligations (continued)

a. Installment Purchases (continued)

Years Ending June 30:	Governmental Activities		Business Type-Activities	
	Principal	Interest	Principal	Interest
2021	\$ 47,041	\$ 13,877	\$ 44,922	\$ 33,091
2022	47,493	12,694	46,734	31,280
2023	47,957	11,498	48,618	29,395
2024	48,432	10,290	50,919	27,434
2025	48,921	9,070	15,640	25,380
2026-2030	252,363	26,578	88,959	116,141
2031-2035	60,000	2,196	109,958	95,142
2036-2040	-	-	145,927	69,175
2041-2045	-	-	168,038	37,062
2046-2050	-	-	60,803	7,476
Total	<u>\$ 552,207</u>	<u>\$ 86,203</u>	<u>\$ 780,518</u>	<u>\$ 471,576</u>

b. General Obligation Indebtedness

The Town's general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due. Bonds payable at June 30, 2020 are comprised of the following individual issues:

General obligation bonds	<u>\$40,400</u>
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Bonds payable in the amount of \$40,400 in the water and sewer fund due at \$24,692 per year including interest at 4.85% for eighteen years.

Years Ending June 30:	Principal	Interest
2021	\$20,700	\$ 1,482
2022	19,700	980
Total	<u>40,400</u>	<u>2,462</u>

At June 30, 2020, the Town of Princeton had no bonds authorized but unissued and a legal debt margin of \$9,836,683.

**Town of Princeton, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

5. Long-Term Obligations (continued)

c. Revenue Bond

The Town's revenue bond issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. Principal and interest requirements are appropriated when due.

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

Years Ending June 30:	Business Type-Activities	
	Principal	Interest
2021	\$ 7,500	\$ 6,439
2022	7,500	6,311
2023	7,500	6,163
2024	7,500	6,014
2025	7,500	5,716
2026-2030	39,800	26,286
2031-2035	45,100	22,950
2036-2040	50,500	17,404
2041-2045	55,900	12,196
2046-2050	62,300	6,418
2051-2053	24,706	708
Total	\$ 315,806	\$ 116,605

The Town has been in compliance with the covenants as to rates, fees, rentals, and charges in Section 704 of the Bond Order, authorizing the issuance of Water and Sewer Revenues Bonds, Series 1994, since its adoption in 1994. Section 704(a) of the Bond Order requires the debt service coverage ratio to be no less than 125%. The debt service coverage ratio calculation for the year ended June 30, 2020, is as follows:

Operating revenues	\$ 693,042
Operating expense*	501,744
Operating income	191,298
Non-operating revenues (expense)**	(9,660)
Income available for debt service	\$ 181,638
Debt service, principal and interest paid (revenue bond only)	\$ 16,333
Debt service coverage ratio	1121%

\*Per rate covenants, this does not include the depreciation expense of \$159,616.

\*\*Per rate covenants, this does not include the revenue bond interest paid of \$6,632.

**Town of Princeton, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

5. Long-Term Obligations (continued)

d. Changes in Long-Term Liabilities

	Beginning Balances	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Direct placement					
Installment purchase	\$ 640,065	\$ -	\$ (87,858)	\$ 552,207	\$ 47,041
Compensated absences	32,432	8,750	(16,024)	25,158	-
Total pension liability (LEO)	32,299	5,213	-	37,512	-
Net pension liability (LGERS)	137,643	-	(16,327)	121,316	-
Governmental activity long-term liabilities	<u>\$ 842,439</u>	<u>\$ 13,963</u>	<u>\$ (120,209)</u>	<u>\$ 736,193</u>	<u>\$ 47,041</u>
Business-type activities:					
Direct placement					
Installment purchase	\$ 829,740	\$ -	\$ (49,222)	\$ 780,518	\$ 44,922
General obligation bonds	61,100	-	(20,700)	40,400	20,700
Revenue bonds	325,700	-	(9,894)	315,806	7,500
Compensated absences	11,424	6,575	(8,535)	9,464	-
Net pension liability (LGERS)	47,162	-	(5,442)	41,720	-
Business-type activity long-term liabilities	<u>\$ 1,275,126</u>	<u>\$ 6,575</u>	<u>\$ (93,793)</u>	<u>\$ 1,187,908</u>	<u>\$ 73,122</u>

**C - Beautification Program**

During the year the M T Barefoot Beautification Fund earned \$1,397 and had unrealized gains of \$2,730. No expenditures were recorded in 2020.

**D - Net Investment in Capital Assets**

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 824,197	\$ 3,644,713
less: long-term debt	(552,207)	(1,209,084)
Net investment in capital assets	<u>\$ 271,990</u>	<u>\$ 2,435,629</u>

**Town of Princeton, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**E - Fund Balance**

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

Total Fund Balance - General Fund	\$ 461,837
Less:	
Stabilization by State Statute	80,761
Streets - Powell Bill	43,242
Non Spendable - Prepays	27,854
Remaining Fund Balance	\$ 309,980

There were no encumbrances needed to pay commitments at year end.

**NOTE 4 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

**Federal and State Assisted Programs**

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

**NOTE 5 – RESTATEMENTS**

**Prior Period Adjustments**

During the fiscal year ended June 30, 2020, the Town noticed that revenues of \$100,000 that were posted during the fiscal year ended June 30, 2019 were not reflected on the 2019 Audited Financial Statements for the Town. Therefore, a prior period adjustment to beginning fund balance in the General Fund in the amount of \$100,000 was required to correct the fund balance in the General Fund for the year ended June 30, 2020.

During the June 30, 2020 year-end financial audit, the auditor noticed that prior year expenditures in the Town’s non-major Capital Project Funds were improperly expensed in the Government-wide Financial Statements for the 2019 Audited Financial Statements instead of being included as construction in progress for fixed assets. This error caused a decrease in net position in governmental activities by \$86,910. Therefore, a prior period adjustment to beginning net position in governmental activities in the amount of \$86,910 was required to correct the net position in the governmental activities on the Government-wide Financial Statements for the year ended June 30, 2020.

**NOTE 6 - SUBSEQUENT EVENTS**

There are no subsequent events that would have a material effect on the financial statements. Subsequent events were evaluated through December 28, 2020, which is the date the financial statements were available to be issued.

## Required Supplementary Financial Data

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

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- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

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

**Local Government Employees' Retirement System**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Princeton's proportion of the net pension liability (asset) (%)	0.00597%	0.00779%	0.00771%	0.00779%	0.00804%	0.00755%	0.00690%
Princeton's proportion of the net pension liability (asset) (\$)	\$ 163,036	\$ 184,805	\$ 11,787	\$ 165,330	\$ 36,083	\$ (91,033)	\$ 83,171
Princeton's covered-employee payroll	\$ 444,302	\$ 440,462	\$ 403,326	\$ 387,031	\$ 387,031	\$ 387,093	\$ 329,615
Princeton's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.69%	41.96%	26.74%	42.72%	9.32%	-23.52%	25.23%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

**Local Government Employees' Retirement System**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 44,139	\$ 35,637	\$ 34,222	\$ 30,346	\$ 26,503	\$ 28,119	\$ 23,598
Contributions in relation to the contractually required contribution	44,139	35,637	34,222	30,346	26,503	28,119	23,598
Contribution deficiency (excess)	<u>\$ -</u>						
Princeton's covered-employee payroll	\$ 478,958	\$ 444,302	\$ 440,462	\$ 403,326	\$ 387,031	\$ 387,031	\$ 387,093
Contributions as a percentage of covered-employee payroll	9.22%	8.02%	7.77%	7.52%	6.85%	7.27%	6.10%

**Town of Princeton, North Carolina**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 32,299	\$ 26,556	\$ 23,206	\$ 25,926
Service cost	3,145	3,560	3,036	2,676
Interest on the total pension liability	1,176	839	854	825
Differences between expected and actual experience in the measurement of the total pension liability	(303)	2,904	(903)	-
Changes of assumptions or other inputs	1,195	(1,560)	2,527	(594)
Benefit payments	-	-	(2,164)	(5,627)
Ending balance of the total pension liability	<u>\$ 37,512</u>	<u>\$ 32,299</u>	<u>\$ 26,556</u>	<u>\$ 23,206</u>

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

**Town of Princeton, North Carolina**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 37,512	\$ 32,299	\$ 26,556	\$ 23,206
Covered payroll	140,207	157,731	158,340	150,702
Total pension liability as a percentage of covered payroll	26.75%	20.48%	16.77%	15.40%

Notes to the schedules:

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

## **Individual Fund Statements and Schedules**

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
<b>Ad valorem taxes:</b>			
Taxes	\$	\$ 498,942	\$
Penalties and interest		1,362	
<b>Total</b>	<u>491,665</u>	<u>500,304</u>	<u>8,639</u>
<b>Unrestricted intergovernmental:</b>			
Local option sales tax		187,493	
Utility sales tax		68,204	
Telecommunications sales tax		7,527	
Video franchise fee		864	
Beer and wine tax		5,488	
ABC profit distribution		9,806	
<b>Total</b>	<u>277,048</u>	<u>279,382</u>	<u>2,334</u>
<b>Restricted intergovernmental:</b>			
Powell bill allocation		37,849	
Solid waste disposal tax		966	
<b>Total</b>	<u>37,321</u>	<u>38,815</u>	<u>1,494</u>
<b>Permits and fees:</b>			
Public safety grant		12,967	
Building permits		17,096	
Zoning permits		2,030	
<b>Total</b>	<u>41,750</u>	<u>32,093</u>	<u>(9,657)</u>
<b>Sales and services:</b>			
Solid waste		188,232	
<b>Total</b>	<u>186,596</u>	<u>188,232</u>	<u>1,636</u>
<b>Investment earnings</b>	<u>\$ 175</u>	<u>\$ 8</u>	<u>\$ (167)</u>

**Town of Princeton, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual (continued)**  
**For the Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Miscellaneous:</b>			
Rent	\$	\$ 4,370	\$
Other		27,529	
<b>Total</b>	<u>5,175</u>	<u>31,899</u>	<u>26,724</u>
<b>Total revenues</b>	<u>1,039,730</u>	<u>1,070,733</u>	<u>31,003</u>
<b>Expenditures:</b>			
<b>General government:</b>			
<b>Governing body:</b>			
Salaries and employee benefits		6,782	
Other expenditures		48	
<b>Total</b>	<u>6,837</u>	<u>6,830</u>	<u>7</u>
<b>Administration:</b>			
Salaries and employee benefits		98,164	
Other expenditures		117,269	
Capital outlay		2,073	
<b>Total</b>	<u>217,508</u>	<u>217,506</u>	<u>2</u>
<b>Taxes:</b>			
Collection fees		9,040	
<b>Total</b>	<u>10,704</u>	<u>9,040</u>	<u>1,664</u>
<b>Legal:</b>			
Contracted services		1,509	
<b>Total</b>	<u>9,622</u>	<u>1,509</u>	<u>8,113</u>
<b>Total general government</b>	<u>244,671</u>	<u>234,885</u>	<u>9,786</u>
<b>Public Safety:</b>			
Police:			
Salaries and employee benefits		276,431	
Other expenditures		49,929	
Capital outlay		15,182	
<b>Total</b>	<u>346,238</u>	<u>341,542</u>	<u>4,696</u>
<b>Fire:</b>			
Other expenditures		110,911	
<b>Total</b>	<u>111,030</u>	<u>110,911</u>	<u>119</u>
<b>Total public safety</b>	<u>\$ 457,268</u>	<u>\$ 452,453</u>	<u>\$ 4,815</u>

**Town of Princeton, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual (continued)**  
**For the Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Transportation:</b>			
<b>Streets and highways:</b>			
Salaries and employee benefits	\$	\$ 145,603	\$
Other expenditures		107,621	
Capital outlay		598	
<b>Total</b>	<u>292,261</u>	<u>253,822</u>	<u>38,439</u>
<b>Inspections:</b>			
Zoning administrator fees		14,358	
<b>Total</b>	<u>14,500</u>	<u>14,358</u>	<u>142</u>
<b>Total transportation</b>	<u>306,761</u>	<u>268,180</u>	<u>38,581</u>
<b>Environmental protection:</b>			
<b>Solid waste:</b>			
Other expenditures		2,838	
<b>Total</b>	<u>4,843</u>	<u>2,838</u>	<u>2,005</u>
<b>Cultural and recreation:</b>			
<b>Parks and recreation:</b>			
Other expenditures		19,855	
<b>Total</b>	<u>20,043</u>	<u>19,855</u>	<u>188</u>
<b>Debt service:</b>			
Principal retirement	87,858	87,858	
Interest and fees	5,076	4,900	
<b>Total</b>	<u>92,934</u>	<u>92,758</u>	<u>176</u>
Total Expenditures	<u>1,126,520</u>	<u>1,070,969</u>	<u>55,551</u>
Revenues over (under) expenditures	<u>(86,790)</u>	<u>(236)</u>	<u>(86,554)</u>
<b>Fund balance appropriated</b>	<u>86,790</u>	-	<u>86,790</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>(236)</u>	<u>\$ 236</u>
<b>Fund balances, beginning as previously reported</b>		362,073	
<b>Prior period adjustment (Note 5)</b>		<u>100,000</u>	
<b>Fund balances, beginning, restated</b>		462,073	
<b>Fund balances, ending</b>		<u>\$ 461,837</u>	

## **Nonmajor Governmental Funds**

**Town of Princeton, North Carolina**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2020**

	Special Revenue Funds			Total Nonmajor Special Revenue Funds	Capital Project Funds				Total Nonmajor Governmental Funds
	EPA Brownfield Fund	Princeton Community Day Fund	Barefoot Endowment Fund		Golden Leaf Beaver Dam Ditch Repair Grant Project Fund	Golden Leaf Downtown Drainage Fund	Community Building Project Fund	Total Nonmajor Capital Project Funds	
<b>Assets:</b>									
Cash and cash equivalents	\$ -	\$ -	\$ 23,388	\$ 23,388	\$ 6,422	\$ -	\$ 13,260	\$ 19,682	\$ 43,070
Accounts Receivables	-	-	-	-	-	9,580	-	9,580	9,580
<b>Total assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,388</u>	<u>\$ 23,388</u>	<u>\$ 6,422</u>	<u>\$ 9,580</u>	<u>\$ 13,260</u>	<u>\$ 29,262</u>	<u>\$ 52,650</u>
<b>Liabilities:</b>									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,260	\$ 13,260	\$ 13,260
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,260</u>	<u>13,260</u>	<u>13,260</u>
<b>Fund balances:</b>									
Beautification	-	-	23,388	23,388	-	-	-	-	23,388
Cultural and recreation	-	-	-	-	-	-	-	-	-
Economic and physical development	-	-	-	-	6,422	9,580	-	16,002	16,002
<b>Total fund balances</b>	<u>-</u>	<u>-</u>	<u>23,388</u>	<u>23,388</u>	<u>6,422</u>	<u>9,580</u>	<u>-</u>	<u>16,002</u>	<u>39,390</u>
<b>Total liabilities and fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,388</u>	<u>\$ 23,388</u>	<u>\$ 6,422</u>	<u>\$ 9,580</u>	<u>\$ 13,260</u>	<u>\$ 29,262</u>	<u>\$ 52,650</u>

**Town of Princeton, North Carolina**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2020**

	Special Revenue Funds			Total Nonmajor Special Revenue Funds	Capital Project Funds				Total Nonmajor Governmental Funds
	EPA Brownfield Fund	Princeton Community Day Fund	Barefoot Endowment Fund		Golden Leaf Beaver Dam Ditch Repair Grant Project Fund	Golden Leaf Downtown Drainage Fund	Community Building Project Fund	Total Nonmajor Capital Project Funds	
<b>Revenues:</b>									
Restricted intergovernmental grants	\$ -	\$ -	\$ -	\$ -	\$ 13,254	\$ 35,355	\$ -	\$ 48,609	\$ 48,609
Investment earnings	-	-	1,397	1,397	-	-	-	-	1,397
Unrealized gains	-	-	2,730	2,730	-	-	-	-	2,730
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>4,127</u>	<u>4,127</u>	<u>13,254</u>	<u>35,355</u>	<u>-</u>	<u>48,609</u>	<u>52,736</u>
<b>Expenditures</b>									
Current:									
Economic and physical development	1,251	-	-	1,251	8,994	25,775	-	34,769	36,020
Cultural and recreation	-	132	-	132	-	-	-	-	132
<b>Total expenditures</b>	<u>1,251</u>	<u>132</u>	<u>-</u>	<u>1,383</u>	<u>8,994</u>	<u>25,775</u>	<u>-</u>	<u>34,769</u>	<u>36,152</u>
<b>Revenues over (under) expenditures</b>	(1,251)	(132)	4,127	2,744	4,260	9,580	-	13,840	16,584
<b>Fund Balances, beginning</b>	1,251	132	19,261	20,644	2,162	-	-	2,162	22,806
<b>Fund Balances, ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,388</u>	<u>\$ 23,388</u>	<u>\$ 6,422</u>	<u>\$ 9,580</u>	<u>\$ -</u>	<u>\$ 16,002</u>	<u>\$ 39,390</u>

**Town of Princeton, North Carolina**  
**EPA Brownfield Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances-**  
**Budget and Actual**  
**From the Inception and for the Year Ended June 30, 2020**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Actual</u>	<u>Total to Date</u>	<u>Positive (Negative)</u>
<b>Revenues:</b>					
Restricted Intergovernmental:					
EPA Brownfield Grant	\$ 400,000	\$ 340,572	\$ -	\$ 340,572	\$ (59,428)
<b>Total revenues</b>	<u>400,000</u>	<u>340,572</u>	<u>-</u>	<u>340,572</u>	<u>(59,428)</u>
<b>Expenditures:</b>					
Economic and physical development:					
Travel	3,800	200	-	200	3,600
Contracted services	396,200	339,121	1,251	340,372	55,828
<b>Total expenditures</b>	<u>400,000</u>	<u>339,321</u>	<u>1,251</u>	<u>340,572</u>	<u>59,428</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ 1,251</u>	<u>(1,251)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund balance, beginning</b>			<u>1,251</u>		
<b>Fund balance, ending</b>			<u>\$ -</u>		

**Town of Princeton, North Carolina**  
**Princeton Community Day Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual**  
**For the Year Ended June 30, 2020**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
Sales and service:			
Sponsor and T shirt revenue	\$ -	\$ -	\$ -
<b>Total revenues</b>	-	-	-
<b>Expenditures:</b>			
Cultural and recreation:			
Community day expenses	-	132	(132)
<b>Total expenditures</b>	-	132	(132)
<b>Net change in fund balance</b>	\$ -	(132)	\$ -
<b>Fund balance, beginning</b>		132	
<b>Fund balance, ending</b>		\$ -	

**Town of Princeton, North Carolina**  
**Barefoot Endowment Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual**  
**For the Year Ended June 30, 2020**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 1,397	\$ (1,397)
Unrealized gains	-	2,730	(2,730)
<b>Total Revenues</b>	<u>-</u>	<u>4,127</u>	<u>(4,127)</u>
 <b>Revenues over (under) expenditures</b>	 <u>\$ -</u>	 4,127	 <u>\$ (4,127)</u>
 <b>Fund balance, beginning</b>		<u>19,261</u>	
<b>Fund balance, ending</b>		<u>\$ 23,388</u>	

**Town of Princeton, North Carolina**  
**Golden Leaf Beaver Dam Ditch Repair Grant Project Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances-**  
**Budget and Actual**  
**From the Inception and for the Year Ended June 30, 2020**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual</u>		<u>Variance Positive (Negative)</u>
			<u>Current Year</u>	<u>Total to Date</u>	
<b>Revenues:</b>					
Golden Leaf Foundation Grant	\$ 497,874	\$ -	\$ 13,254	\$ 13,254	\$ (484,620)
<b>Total revenues</b>	<u>497,874</u>	<u>-</u>	<u>13,254</u>	<u>13,254</u>	<u>(484,620)</u>
<b>Expenditures:</b>					
Economic and physical development:					
Engineering fees	54,420	35,850	8,994	44,844	9,576
Legal fees	4,000	-	-	-	4,000
Construction administration	39,510	-	-	-	39,510
Beaver Dam construction project	399,944	-	-	-	399,944
<b>Total expenditures</b>	<u>497,874</u>	<u>35,850</u>	<u>8,994</u>	<u>44,844</u>	<u>453,030</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ (35,850)</u>	4,260	<u>\$ (31,590)</u>	<u>\$ (31,590)</u>
<b>Fund balance, beginning</b>			2,162		
<b>Fund balance, ending</b>			<u>\$ 6,422</u>		

**Town of Princeton, North Carolina**  
**Golden Leaf Downtown Drainage Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances-**  
**Budget and Actual**  
**From the Inception and for the Year Ended June 30, 2020**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>					
Restricted intergovernmental:					
Golden Leaf Foundation Grant	\$ 555,135	\$ 25,300	\$ 35,355	\$ 60,655	\$ (494,480)
<b>Total revenues</b>	<u>555,135</u>	<u>25,300</u>	<u>35,355</u>	<u>60,655</u>	<u>(494,480)</u>
<b>Expenditures:</b>					
Economic and physical development:					
Engineering fees	65,200	25,300	23,695	48,995	16,205
Legal fees	4,000	-	-	-	4,000
Construction administration	30,000	-	2,080	2,080	27,920
Downtown drainage construction contract	455,935	-	-	-	455,935
<b>Total Expenditures</b>	<u>555,135</u>	<u>25,300</u>	<u>25,775</u>	<u>51,075</u>	<u>504,060</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	9,580	<u>\$ 9,580</u>	<u>\$ 9,580</u>
<b>Fund balance, beginning</b>			-		
<b>Fund balance, ending</b>			<u>\$ 9,580</u>		

**Town of Princeton, North Carolina  
Community Building Project Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances-  
Budget and Actual  
From the Inception and for the Year Ended June 30, 2020**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>					
Restricted intergovernmental:					
Local grant	\$ -	\$ 25,760	\$ -	\$ 25,760	\$ 25,760
<b>Total revenues</b>	<u>-</u>	<u>25,760</u>	<u>-</u>	<u>25,760</u>	<u>25,760</u>
<b>Expenditures:</b>					
Cultural and recreation:					
Professional fees- architect	-	25,760	-	25,760	(25,760)
<b>Total expenditures</b>	<u>-</u>	<u>25,760</u>	<u>-</u>	<u>25,760</u>	<u>(25,760)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund balance, beginning</b>			<u>-</u>		
<b>Fund balance, ending</b>			<u>\$ -</u>		

## **Enterprise Funds**

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

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
<b>Operating revenues:</b>			
Charges for services	\$	\$ 624,485	\$
Water and sewer taps		10,000	
Capacity fees		48,391	
Other operating revenues		10,166	
<b>Total</b>	720,500	693,042	(27,458)
<b>Nonoperating revenues:</b>			
Investment earnings	508	1,155	647
<b>Total revenues</b>	721,008	694,197	(26,811)
<b>Expenditures:</b>			
Salaries and employee benefits		184,970	
County water purchased		126,704	
Repairs and maintenance		83,105	
Other operating expenditures		103,326	
<b>Total</b>	598,300	498,105	100,195
<b>Debt Service:</b>			
Interest and other charges		42,527	
Principal retirement		79,816	
<b>Total</b>	122,708	122,343	365
<b>Total expenditures</b>	721,008	620,448	100,560
<b>Revenues over expenditures</b>	\$ -	\$ 73,749	\$ 73,749
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues over expenditures		\$ 73,749	
Reconciling items:			
Principal retirement		79,816	
Capital contributions		25,280	
Decrease (increase) in accrued vacation pay		1,960	
Increase (decrease) in deferred outflows of resources-pensions		(9,109)	
Decrease (increase) in net pension liability		5,442	
Decrease (increase) in deferred inflow of resources-pensions		(1,932)	
Depreciation		(159,616)	
<b>Total reconciling items</b>		(58,159)	
<b>Change in net position</b>		\$ 15,590	

**Town of Princeton, North Carolina**  
**2017 Water and Sewer Rehab Project**  
**Schedule of Revenues, Expenditures and changes in Fund Balance**  
**Budget and Actual (Non-GAAP)**  
**From Inception and For the Year Ended June 30, 2020**

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
<b>Revenues:</b>					
Restricted intergovernmental:					
USDA grant funds	\$ 840,000	\$ -	\$ -	\$ -	\$ (840,000)
USDA loan funds	310,000	15,598	25,280	40,878	(269,122)
Local contribution	7,202	7,202	-	7,202	-
<b>Total revenues</b>	<b>1,157,202</b>	<b>22,800</b>	<b>25,280</b>	<b>48,080</b>	<b>(1,109,122)</b>
<b>Expenditures:</b>					
Water and sewer Infrastructure					
Engineering- basic	158,000	22,800	25,280	48,080	109,920
Legal fees	10,000	-	-	-	10,000
Construction	877,820	-	-	-	877,820
Contingency	84,782	-	-	-	84,782
Miscellaneous	26,600	-	-	-	26,600
<b>Total expenditures</b>	<b>1,157,202</b>	<b>22,800</b>	<b>25,280</b>	<b>48,080</b>	<b>1,109,122</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund balance, beginning</b>			<u>1,150,000</u>		
<b>Fund balance, ending</b>			<u>\$ 1,150,000</u>		

**Town of Princeton, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2020**

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2019</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2020</u>
2019-2020	\$ -	\$ 504,130	\$ 499,475	\$ 4,655
2018-2019	414	-	48	366
2017-2018	209	-	7	202
2016-2017	202	-	-	202
2015-2016	198	-	-	198
2014-2015	229	-	-	229
2013-2014	320	-	318	2
2012-2013	266	-	147	119
2011-2012	383	-	383	-
2010-2011	315	-	315	-
	<u>\$ 2,536</u>	<u>\$ 504,130</u>	<u>\$ 500,693</u>	<u>5,973</u>

Less: allowance for uncollectible accounts - General Fund

-

**Ad valorem taxes receivable - net**

\$ 5,973

**Reconciliation to revenues:**

Ad valorem taxes - General Fund

\$ 500,304

Reconciling items:

Interest collected

(1,362)

Taxes written off

1,751

**Total collections and credits**

\$ 500,693

**Town of Princeton, North Carolina**  
**Analysis of Current Year Tax Levy**  
**For the Year Ended June 30, 2020**

	Town-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original levy</b>					
Property taxed at					
current year's rate	\$ 122,958,537	0.560	\$ 504,130	\$ 456,175	\$ 47,955
<b>Total</b>	<u>122,958,537</u>		<u>504,130</u>	<u>456,175</u>	<u>47,955</u>
<b>Total property valuation</b>	<u>\$ 122,958,537</u>				
<b>Net levy</b>			504,130	456,175	47,955
<b>Uncollected taxes at June 30, 2020</b>			<u>(4,655)</u>	<u>(4,655)</u>	<u>-</u>
<b>Current year's taxes collected</b>			<u>\$ 499,475</u>	<u>\$ 451,520</u>	<u>\$ 47,955</u>
<b>Current levy collection percentage</b>			<u>99.08%</u>	<u>98.98%</u>	<u>100.00%</u>

## **Compliance Section**

# S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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

#### **Independent Auditor's Report**

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

We have audited, 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, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Princeton, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the Town of Princeton's basic financial statements and have issued our report thereon dated December 28, 2020.

#### Internal Control over Financial Reporting

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

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 that we consider to be a significant deficiency.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses/ schedule of findings and questioned costs (2020-003, 2020-004) to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses/ schedule of findings and questioned costs (2020-001, 2020-002) to be significant deficiencies.

### Compliance and Other Matters

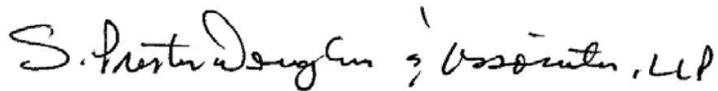
As part of obtaining reasonable assurance about whether the Town of Princeton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and which is described in the schedule of findings and responses as item (2020-002, 2020-004).

### Town of Princeton's Response to Findings

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

### Purpose of this Report

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

A handwritten signature in black ink that reads "S. Preston Douglas, III, CPA". The signature is written in a cursive style with a large, stylized initial "S".

Lumberton, North Carolina  
December 28, 2020

**Town of Princeton, North Carolina  
 Schedule of Findings and Responses  
 For the Year Ended June 30, 2020**

<b>Section I. Summary of Auditor's Results</b>
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**Financial Statements**

Type of auditor's report issued:	Unmodified.
Internal control over financial reporting:	
<ul style="list-style-type: none"> <li>• Material weakness(es) identified? <span style="float: right;">_____ no</span></li> <li>• Significant deficiency(s) identified that are not considered to be material weaknesses <span style="float: right;">_____ none reported</span></li> <li>• Noncompliance material to financial statements <span style="float: right;">_____ no</span></li> </ul>	<ul style="list-style-type: none"> <li>_____ <u>X</u> yes</li> <li>_____ <u>X</u> yes</li> <li>_____ <u>X</u> yes</li> </ul>

**Town of Princeton, North Carolina**  
**Schedule of Findings and Responses (continued)**  
**For the Year Ended June 30, 2020**

<b>Section II. Financial Statement Findings</b>
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**Significant Deficiencies**

**Finding: 2020 – 001      Segregation of Duties**

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

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

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

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

Repeat finding:              This is a repeat finding from the immediate previous audit, 2019-001.

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

Views of responsible officials and planned corrective actions:

The Town agrees with this finding and will adhere to the corrective action plan on page 71 in this report.

**Significant Deficiencies/ Material noncompliance**

**Finding 2020 – 002      Investment of Donated Funds**

Criteria:                      The Town should invest in investments that meet the requirements of NC General Statute 159-33.

Condition:                    The Town invested donated funds into an investment that is not allowed by NC General Statute 159-33. This investment was at the request of the donor.

Effect:                        The Town violated NC General Statute 159-33.

Cause:                        The Town management is aware of the General Statute limiting the type of investments for donated or idle funds, but they want to uphold the request of the donor.

Repeat finding:              This is a repeat finding from the immediate previous audit, 2019-003.

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

Views of responsible officials and planned corrective actions:

The Town agrees with the finding and will adhere to the corrective action plan on page 71 of this report.

**Town of Princeton, North Carolina**  
**Schedule of Findings and Responses (continued)**  
**For the Year Ended June 30, 2020**

<b>Section II. Financial Statement Findings</b>
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MATERIAL WEAKNESS

**Finding 2020-003      Material Prior Period Adjustments**

Criteria:                      Balance sheet accounts should be accurately presented to ensure that financial reporting is accurate and reliable.

Condition:                    Beginning fund balances and net position at July 1, 2019 were materially understated. Details of the prior period adjustments are shown in Note 5.

Effect:                        June 30, 2019 audited financial statements presented balances were materially understated which could cause the users of the financial statements to be misinformed about the Town's financial position and operating results.

Cause:                        The Town Administrator did not adequately review the June 30, 2019 audited financial statements and underlying accounting records before issuance.

Repeat Finding:              This is not a repeat finding.

Recommendation:          We recommend that the Town Administrator perform a careful review of the audit report before issuance.

Views of responsible officials and planned corrective actions:

Town officials understand this audit corrects deficiencies and agree with the finding. The current Town Administrator has taken action to ensure the same mistakes are not made in future fiscal years.

**Town of Princeton, North Carolina  
Schedule of Findings and Responses (continued)  
For the Year Ended June 30, 2020**

<b>Section II. Financial Statement Findings</b>
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MATERIAL WEAKNESS

<b>Finding 2020-004</b>	<b>Material Noncompliance Excess of Expenditures over Appropriations</b>
Criteria:	N.C. General Statute 159-8(a) states that all moneys received and expended by a local government should be included in the budget ordinance.
Condition:	The Town expended more than appropriated in the annual budget ordinance in Non-major Funds. The amount of expenditures that exceeded appropriations by department are presented in Note 2.
Effect:	Expenditures were incurred that had not been budgeted.
Cause:	The Town did not monitor reports at frequent intervals to ensure budgetary compliance. Also, the Town did not create a budget for every fund.
Repeat Finding:	This is a repeat finding from the immediate previous audit, 2019-002.
Recommendation:	Management should closely monitor the budget versus actual statements to ensure actual expenditures are within budgetary constraints. Management should ensure every fund has a related budget.

Views of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the correction action plan on page 71.



*Mayor*  
*Donald Rains*

*Mayor Pro Tem*  
*Walter Martin, Jr.*

*Commissioners*  
*Mike Rose*  
*Susan Watson*

*Town Administrator*  
*Marla Ashworth*

*Town Clerk*  
*April Williamson*

*Chief of Police*  
*Tyrone Sutton*

503 Doctor Donnie H. Jones Jr. Blvd., West  
PO Box 67  
Princeton, North Carolina 27569

Phone: (919) 936-8171 \* Fax: (919) 936-2842

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**Town of Princeton, North Carolina  
Corrective Action Plan  
For the Year Ended June 30, 2020**

**Finding: 2020-001**

**Segregation of Duties**

Name of contact person:

Marla Ashworth, Town Administrator

Corrective Action:

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

Proposed Completion Date:

The board will implement the above procedure immediately.

**Finding: 2020-002**

**Investment of Donated Funds**

Name of contact person:

Marla Ashworth, Town Administrator

Corrective Action:

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

Proposed Completion Date:

The board will implement the above procedure immediately.

**Finding 2020-003**

**Material Prior Period Adjustments**

Name of contact person:

Marla Ashworth, Town Administrator

Corrective Action:

Town administrator will perform a careful review of the review of the audit report before issuance.

Proposed Completion Date:

The board will implement the above procedure immediately.

**Finding 2020-004**

**Excess of Expenditures over Appropriations**

Name of contact person:

Marla Ashworth, Town Administrator

Corrective Action:

The Town will record the appropriate budget amendments when significant transactions occur during the year and create a budget for every fund.

Proposed Completion Date:

The board will implement the above procedure immediately.

**Town of Princeton, North Carolina**  
**Schedule of Prior Year Findings**  
**For the Year Ended June 30, 2020**

**Finding:** 2019-001

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

**Finding:** 2019-002

**Status:** This finding has not been corrected. The Town will monitor the budget and expenditures and make amendments accordingly.

**Finding:** 2019-003

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