

FINANCIAL STATEMENTS
TOWN OF WARRENTON
WARRENTON, NORTH CAROLINA
JUNE 30, 2015

BOARD OF COMMISSIONERS

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Robert Davie - Town Administrator

Meredith Valentine - Finance Director

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Independent Auditor's Report

To the Honorable Mayor
 And Board of Commissioners
 Town of Warrenton, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Warrenton, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Warrenton's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Warrenton, North Carolina as of June 30, 2015, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 7 through 17, the Local Government Employees' Retirement System's Schedule of the Proportionate Share of the Net Pension Asset and Contributions, on pages 51 and 52, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The 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, the budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA

Certified Public Accountants
Zebulon, North Carolina

October 28, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Warrenton, we offer readers of the Town of Warrenton's financial statements this narrative overview and analysis of the financial activities of the Town of Warrenton for the fiscal year ended June 30, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

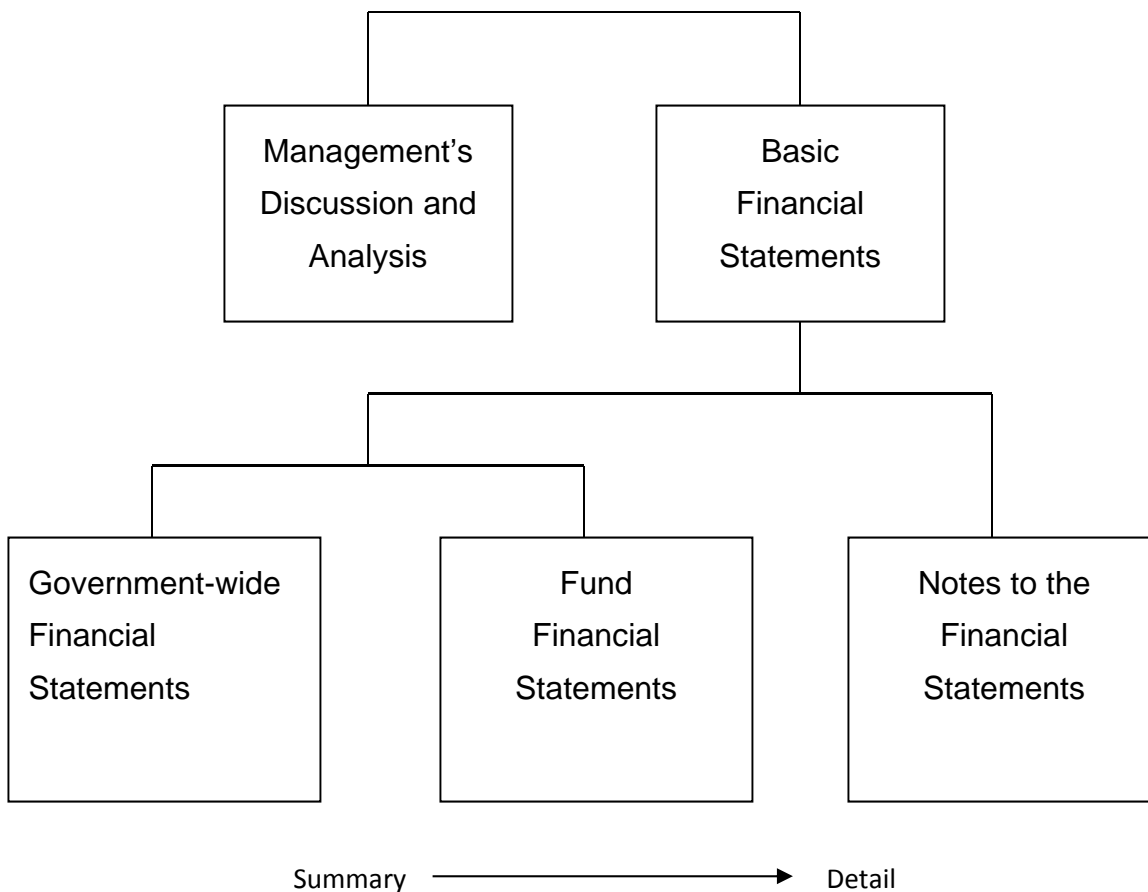
- The assets and deferred outflows of resources of the Town of Warrenton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$4,677,491 (*net position*).
- The government's total net position decreased by \$70,094, primarily due to decreases in the business-type activities net position.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$748,529 an increase of \$41,598 in comparison with the prior year. Approximately 30.32 percent of this total amount, or \$226,979, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$500,843, or 51.32 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

The two government-wide statements report the Town's net position and how they have changed. Net position is the difference between the Town's total assets and total liabilities and deferred inflows of resources. Measuring net position is one way to 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, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Warrenton, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Warrenton can be divided into two categories: governmental funds and proprietary funds.

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

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 29 of this report.

Other Information - In addition to the basic financial statement and accompanying notes, this report includes certain required supplementary information concerning the Town of Warrenton's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found beginning on page 50.

Interdependence with Other Entities: The Town depends on financial resources flowing from or associated with, both federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

Government-Wide Financial Analysis

The Town of Warrenton's Net Position

Figure 2

	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 848,536	\$ 838,850	\$ 614,444	\$ 600,622	\$ 1,462,980	\$ 1,439,472
Capital assets	115,992	141,567	3,779,107	4,066,215	3,895,099	4,207,782
Deferred outflows of resources	46,122	-	37,008	-	83,130	-
Total assets and deferred outflows of resources	<u>1,010,650</u>	<u>980,417</u>	<u>4,430,559</u>	<u>4,666,837</u>	<u>5,441,209</u>	<u>5,647,254</u>
Long-term liabilities outstanding	149,448	136,112	369,971	401,756	519,419	510,764
Other liabilities	24,642	68,722	135,356	233,250	159,998	342,826
Deferred inflows of resources	49,815	-	34,486	-	84,301	-
Total liabilities and deferred inflows of resources	<u>223,905</u>	<u>204,834</u>	<u>539,813</u>	<u>635,006</u>	<u>763,718</u>	<u>839,840</u>
Net position:						
Net investment in capital assets	(14,218)	(13,031)	3,427,233	3,680,648	3,413,015	3,667,617
Restricted	226,979	288,454	-	-	226,979	288,454
Unrestricted	573,984	500,160	463,513	351,183	1,037,497	851,343
Total net position	<u>\$ 786,745</u>	<u>\$ 775,583</u>	<u>\$ 3,890,746</u>	<u>\$ 4,031,831</u>	<u>\$ 4,677,491</u>	<u>\$ 4,807,414</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Warrenton exceeded liabilities and deferred inflows by \$4,677,491 as of June 30, 2015.

The Town of Warrenton's net position decreased by \$70,094 for the fiscal year ended June 30, 2015. However, the largest portion (72.97%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Warrenton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Warrenton's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Warrenton's net position, \$226,979, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,037,477 is unrestricted. Also, the Town of Warrenton implemented GASB Statement 68 this year. With the new reporting change, the Town is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$15,911. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town of Warrenton management. One aspect of the Town's financial operations positively influenced the total unrestricted net position:

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 97.90%. The statewide average in fiscal year 2014 was 98.35%.

Town of Warrenton Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenue:						
Program revenues:						
Charges for services	\$ 157,278	\$ 166,106	\$ 1,670,244	\$ 1,546,974	\$ 1,827,522	\$ 1,713,080
Operating grants and contributions	29,255	71,944	54,817	-	84,072	71,944
Capital grants and contributions	-	-	-	249,350	-	249,350
General revenues:						
Property taxes	429,427	457,045	-	-	429,427	457,045
Other taxes	328,096	246,765	-	-	328,096	246,765
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other	62,917	98,296	1,167	1,027	64,084	99,323
Total revenue	<u>1,006,973</u>	<u>1,040,156</u>	<u>1,726,228</u>	<u>1,797,351</u>	<u>2,733,201</u>	<u>2,837,507</u>
Expenses:						
General government	189,732	184,183	-	-	189,732	184,183
Public safety	482,456	468,061	-	-	482,456	468,061
Highway and streets	180,343	167,122	-	-	180,343	167,122
Economic and physical development	-	-	-	-	-	-
Environmental protection	86,098	89,553	-	-	86,098	89,553
Interest on long-term debt	3,862	4,535	-	-	3,862	4,535
Water and sewer	-	-	1,860,804	1,812,651	1,860,804	1,812,651
Total expenses	<u>942,491</u>	<u>913,454</u>	<u>1,860,804</u>	<u>1,812,651</u>	<u>2,803,295</u>	<u>2,726,105</u>
Increase in net position before transfers	64,482	126,702	(134,576)	(15,300)	(70,094)	111,402
Transfers	-	-	-	-	-	-
Increase in net position	<u>64,482</u>	<u>126,702</u>	<u>(134,576)</u>	<u>(15,300)</u>	<u>(70,094)</u>	<u>8,500</u>
Net position, July 1	775,583	648,881	4,031,831	4,038,631	4,807,414	97,652
Net position, beginning, restated	<u>722,263</u>	<u>648,881</u>	<u>4,025,322</u>	<u>4,047,131</u>	<u>4,747,585</u>	<u>4,687,512</u>
Net position, June 30	<u>\$ 786,745</u>	<u>\$ 775,583</u>	<u>\$ 3,890,746</u>	<u>\$ 4,031,831</u>	<u>\$ 4,677,491</u>	<u>\$ 4,807,414</u>

Governmental activities. Governmental activities increased the Town's net position by \$64,482, thereby accounting for 100% of the total growth in the net position of the Town of Warrenton. Though a recession affected the Town, the increase in net position was the result of a concerted effort to control cost and manage expenditures to minimize the impact of the recession on its citizens. Town management reduced non-essential programs to a minimum and implemented cost saving strategies across Town departments. Increased efforts to maximize tax collections also contributed to the favorable net position. Though many of the Town's residents were hit hard by the recession, tax revenue did not appreciably decline in the current year. Town management acknowledges that 2015 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Business-type activities: Business-type activities decreased the Town of Warrenton's net position by \$134,576.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Warrenton's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Warrenton's financing requirements.

The general fund is the chief operating fund of the Town of Warrenton. At the end of the current fiscal year, Town of Warrenton's fund balance available in the General Fund was \$570,713, while total fund balance reached \$748,529. The Governing Body of Town of Warrenton has determined that the Town should maintain an available fund balance of 45% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 56.23% of general fund expenditures, while total fund balance represents 73.75% of the same amount.

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

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Wastewater Treatment Fund at the end of the fiscal year amounted to (\$54,537), and those for the Water and Sewer Fund amounted to \$518,050. The total change in net position for both funds was \$14,901 and (\$149,477) respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Warrenton's investment in capital assets for its governmental and business-type activities as of June 30, 2015, totals \$3,895,099 (net of accumulated depreciation). These assets include buildings, improvements, land, machinery and equipment, and vehicles.

There were no major capital asset transactions during the year.

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

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 1,000	\$ 1,000	\$ 5,250	\$ 5,250	\$ 6,250	\$ 6,250
Buildings and system	4,544	4,953	125,956	129,962	130,500	134,915
Improvements	92,819	99,449	203,322	213,718	296,141	313,167
Water & Sewer Lines	-	-	3,364,748	3,599,274	3,364,748	3,599,274
Machine and equipment	9,893	14,449	58,057	76,304	67,950	90,753
Vehicles and motorized equipment	7,736	21,716	21,774	41,707	29,510	63,423
Construction in progress	-	-	-	-	-	-
Total	\$ 115,992	\$ 141,567	\$ 3,779,107	\$ 4,066,215	\$ 3,895,099	\$ 4,207,782

Additional information on the Town of Warrenton's capital assets can be found in note III.A.4 of the Basic Financial Statements.

Long Term Debt

As of June 30, 2015 the Town had total debt outstanding of \$482,084. Of this, \$482,084 is debt backed by the full faith and credit of the Town.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin of the Town of Warrenton is \$5,608,072.

Additional information regarding the Town of Warrenton's long-term debt can be found in Note III.B.5 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- Low unemployment. The Town of Warrenton's unemployment rate of 4.2% is well below the State average of 5.9%.

Budget Highlights for the Fiscal Year Ending June 30, 2016 Governmental

Activities:

Property Tax rates will remain unchanged.

Business - type Activities:

The Water & Sewer rates will increase by 4.5%, primarily to cover increased costs of operations.

Requests for Information

This report is designed to provide an overview of the Town of Warrenton finances for those with an interest in the area. Questions concerning any of the information found in this report or requests for additional information should be directed to Mr. Robert Davie, Administrator, Town of Warrenton, PO Box 281, Warrenton, NC 27589.

BASIC FINANCIAL STATEMENTS

**Town of Warrenton
Statement of Net Position
June 30, 2015**

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 544,950	\$ 394,710	\$ 939,660
Restricted cash	49,163	86,368	135,531
Taxes receivables (net)	33,158	-	33,158
Accrued interest receivable	11,841	-	11,841
Accounts receivable (net) - trade	11,523	129,256	140,779
Due from other governments	69,797	-	69,797
Notes receivable	-	10,460	10,460
Internal balances	96,496	(96,496)	-
Inventories	-	68,264	68,264
Total current assets	<u>816,928</u>	<u>592,562</u>	<u>1,409,490</u>
Noncurrent assets:			
Net pension asset	31,608	21,882	53,490
Capital assets:			
Land, non-depreciable improvements, and construction in progress	1,000	5,250	6,250
Other capital assets, net of depreciation	114,992	3,773,857	3,888,849
Total capital assets	<u>115,992</u>	<u>3,779,107</u>	<u>3,895,099</u>
Total assets	<u>964,528</u>	<u>4,393,551</u>	<u>5,358,079</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in current fiscal year	46,122	37,008	83,130
Total deferred outflows of resources	<u>46,122</u>	<u>37,008</u>	<u>83,130</u>
LIABILITIES			
Current liabilities:			
Accounts payable - trade	3,330	35,183	38,513
Accrued payroll	20,070	13,805	33,875
Accrued interest payable	1,242	-	1,242
Deposits held	-	86,368	86,368
Long-term liabilities:			
Due within one year	36,540	45,214	81,754
Due in more than one year	112,908	324,757	437,665
Total liabilities	<u>174,090</u>	<u>505,327</u>	<u>679,417</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	49,815	34,486	84,301
Total deferred inflows of resources	<u>49,815</u>	<u>34,486</u>	<u>84,301</u>
NET POSITION			
Net investment in capital assets	(14,218)	3,427,233	3,413,015
Restricted for:			
Streets	49,163	-	49,163
Stabilization by State Statute	177,816	-	177,816
Unrestricted	573,984	463,513	1,037,497
Total net position	<u>\$ 786,745</u>	<u>\$ 3,890,746</u>	<u>\$ 4,677,491</u>

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

**Town of Warrenton
Statement of Activities
For the Year Ended June 30, 2015**

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 189,732	\$ 2,650	\$ -	\$ -	\$ (187,082)	\$ -	\$ (187,082)
Public safety	482,456	943	1,815	-	(479,698)	-	(479,698)
Transportation	180,343	-	27,440	-	(152,903)	-	(152,903)
Environmental protection	86,098	153,685	-	-	67,587	-	67,587
Interest on long-term debt	3,862	-	-	-	(3,862)	-	(3,862)
Total governmental activities	942,491	157,278	29,255	-	(755,958)	-	(755,958)
Business-type activities:							
Wastewater treatment	595,253	610,135	-	-	-	14,882	14,882
Water and sewer	1,265,551	1,060,109	-	54,817	-	(150,625)	(150,625)
Total business-type activities	1,860,804	1,670,244	-	54,817	-	(135,743)	(135,743)
Total primary government	\$ 2,803,295	\$ 1,827,522	\$ 29,255	\$ 54,817	(755,958)	(135,743)	(891,701)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					429,427	-	429,427
Other taxes					328,096	-	328,096
Unrestricted investment earnings					92	1,167	1,259
Miscellaneous					62,825	-	62,825
Total general revenues					820,440	1,167	821,607
Change in net position					64,482	(134,576)	(70,094)
Net position, beginning, as previously reported					775,583	4,031,831	4,807,414
Prior period adjustment					(43,918)	-	(43,918)
Change in accounting principle					(9,402)	(6,509)	(15,911)
Net position, beginning, as restated					722,263	4,025,322	4,747,585
Net position, ending					\$ 786,745	\$ 3,890,746	\$ 4,677,491

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

**Town of Warrenton
Balance Sheet
Governmental Funds
June 30, 2015**

Exhibit 3

	Major Funds	
	General	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 544,950	\$ 544,950
Restricted cash	49,163	49,163
Receivables, net:		
Taxes	33,158	33,158
Accounts - trade	11,523	11,523
Due from other funds	96,496	96,496
Due from other governments	69,797	69,797
Total assets	\$ 805,087	\$ 805,087
LIABILITIES		
Liabilities:		
Accounts payable - trade	\$ 3,330	\$ 3,330
Accrued payroll	20,070	20,070
Total liabilities	23,400	23,400
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	33,158	33,158
Total deferred inflows of resources	33,158	33,158
FUND BALANCES		
Fund balances:		
Restricted:		
Stabilization by State Statute	177,816	177,816
Streets	49,163	49,163
Assigned:		
Subsequent year's expenditures	20,707	20,707
Unassigned	500,843	500,843
Total fund balances	748,529	748,529
Total liabilities, deferred inflows of resources and fund balances	\$ 805,087	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	115,992
Net Pension asset	31,608
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	46,122
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and therefore are inflows of resources in the funds.	11,841
Earned revenues considered deferred inflows of resources in fund	33,158
Pension related deferrals	(49,815)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	(150,690)
Net position of governmental activities	\$ 786,745

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

Town of Warrenton
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

Exhibit 4

	Major Funds		Total Governmental Funds
	General Fund		
REVENUES			
Ad valorem taxes	\$ 439,365	\$	439,365
Other taxes and licenses	56,073		56,073
Unrestricted intergovernmental	272,023		272,023
Restricted intergovernmental	29,255		29,255
Permits and fees	3,593		3,593
Sales and services	178,175		178,175
Investment earnings	92		92
Miscellaneous	38,335		38,335
Total revenues	1,016,911		1,016,911
EXPENDITURES			
General government	186,842		186,842
Public safety	492,625		492,625
Transportation	176,593		176,593
Environmental protection	91,003		91,003
Debt service:			
Principal	24,388		24,388
Interest and other charges	3,862		3,862
Total expenditures	975,313		975,313
Excess (deficiency) of revenues over expenditures	41,598		41,598
OTHER FINANCING SOURCES (USES)			
Appropriated fund balance	-		-
Total other financing sources (uses)	-		-
Net change in fund balance	41,598		41,598
Fund balances, beginning, as previously reported	750,849		750,849
Prior period adjustment	(43,918)		(43,918)
Fund balances, beginning, as restated	706,931		706,931
Fund balances, ending	\$ 748,529	\$	748,529

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

Town of Warrenton
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2015

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ 41,598
<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	-
Depreciation expense for governmental assets	(25,574)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>	
	46,122
<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 deferred revenue for tax revenues	(9,939)
<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 any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
Principal payments on long-term debt	24,388
<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>	
Pension expense	(8,804)
Compensated absences	(3,308)
Rounding adjustment	(1)
	(12,113)
Total changes in net position of governmental activities	\$ 64,482

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

**Town of Warrenton
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015**

General Fund				
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 452,896	\$ 452,896	\$ 439,365	\$ (13,531)
Other taxes and licenses	13,000	20,000	56,073	36,073
Unrestricted intergovernmental	250,840	256,840	272,023	15,183
Restricted intergovernmental	27,498	51,886	29,255	(22,631)
Permits and fees	1,550	2,750	3,593	843
Sales and services	174,700	173,500	178,175	4,675
Investment earnings	125	125	92	(33)
Miscellaneous	8,000	34,524	38,335	3,811
Total revenues	<u>928,609</u>	<u>992,521</u>	<u>1,016,911</u>	<u>24,390</u>
Expenditures:				
General government	152,403	202,007	186,842	15,165
Public safety	494,291	506,222	492,625	13,597
Transportation	136,292	183,889	176,593	7,296
Environmental protection	127,375	92,751	91,003	1,748
Debt service:				
Principal retirement	28,248	24,388	24,388	-
Interest and other charges	-	5,674	3,862	1,812
Total expenditures	<u>938,609</u>	<u>1,014,931</u>	<u>975,313</u>	<u>39,618</u>
Revenues over (under) expenditures	<u>(10,000)</u>	<u>(22,410)</u>	<u>41,598</u>	<u>64,008</u>
Other financing sources (uses):				
Appropriated fund balance	10,000	22,410	-	(22,410)
Total other financing sources (uses)	<u>10,000</u>	<u>22,410</u>	<u>-</u>	<u>(22,410)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>41,598</u>	<u>\$ 41,598</u>
Fund balances, beginning, as previously reported			<u>750,849</u>	
Prior period adjustment			(43,918)	
Fund balances, beginning, as restated			<u>706,931</u>	
Fund balances, ending			<u>\$ 748,529</u>	

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

**Town of Warrenton
Statement of Fund Net Position
Proprietary Funds
June 30, 2015**

Exhibit 7

	Wastewater Treatment Fund	Water and Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 11,452	\$ 383,258	\$ 394,710
Restricted cash	-	86,368	86,368
Accounts receivable, net	40,997	88,259	129,256
Notes receivable	-	10,460	10,460
Inventories	-	68,264	68,264
Total current assets	<u>52,449</u>	<u>636,609</u>	<u>689,058</u>
Noncurrent assets:			
Net pension asset	11,105	10,777	21,882
Capital assets:			
Land and other non-depreciable assets	-	5,250	5,250
Other capital assets, net of depreciation	22,276	3,751,581	3,773,857
Capital assets (net)	<u>22,276</u>	<u>3,756,831</u>	<u>3,779,107</u>
Total noncurrent assets	<u>33,381</u>	<u>3,767,608</u>	<u>3,800,989</u>
Total assets	<u>\$ 85,830</u>	<u>\$ 4,404,217</u>	<u>\$ 4,490,047</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in current fiscal year	19,260	17,748	37,008
Total deferred outflows of resources	<u>19,260</u>	<u>17,748</u>	<u>37,008</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 2,296	\$ 32,887	\$ 35,183
Accrued payroll	6,475	7,330	13,805
Due to other funds	96,496	-	96,496
Customer deposits	-	86,368	86,368
Compensated absences - current	9,187	2,214	11,401
Installment purchases - current	-	33,813	33,813
Total current liabilities	<u>114,454</u>	<u>162,612</u>	<u>277,066</u>
Non-current liabilities:			
Compensated absences - non-current	5,395	1,301	6,696
Installment purchases - non-current	-	318,061	318,061
Total non-current liabilities	<u>5,395</u>	<u>319,362</u>	<u>324,757</u>
Total liabilities	<u>119,849</u>	<u>481,974</u>	<u>601,823</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	17,502	16,984	34,486
Total deferred inflows of resources	<u>17,502</u>	<u>16,984</u>	<u>34,486</u>
NET POSITION			
Net investment in capital assets	22,276	3,404,957	3,427,233
Unrestricted	(54,537)	518,050	463,513
Total net position	<u>\$ (32,261)</u>	<u>\$ 3,923,007</u>	<u>\$ 3,890,746</u>

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

Town of Warrenton
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2015

Exhibit 8

	Wastewater Treatment Fund	Water and Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 590,925	\$ 1,033,695	\$ 1,624,620
Other operating revenues	19,210	26,414	45,624
Total operating revenues	<u>610,135</u>	<u>1,060,109</u>	<u>1,670,244</u>
OPERATING EXPENSES			
Administration	344,740	190,642	535,382
Water and sewer operations	-	783,481	783,481
Water collection and treatment	246,453	-	246,453
Depreciation	4,060	283,048	287,108
Total operating expenses	<u>595,253</u>	<u>1,257,171</u>	<u>1,852,424</u>
Operating income (loss)	<u>14,882</u>	<u>(197,062)</u>	<u>(182,180)</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment earnings	19	1,148	1,167
Interest and other charges	-	(8,380)	(8,380)
Total non-operating revenue (expenses)	<u>19</u>	<u>(7,232)</u>	<u>(7,213)</u>
Income (loss) before contributions and transfers	14,901	(204,294)	(189,393)
Capital contributions	-	54,817	54,817
Transfers to/from other funds	-	-	-
Change in net position	14,901	(149,477)	(134,576)
Total net position, beginning, as previously stated	(43,859)	4,075,690	4,031,831
Change in accounting principle	(3,303)	(3,206)	(6,509)
Total net position, beginning, as restated	<u>(47,162)</u>	<u>4,072,484</u>	<u>4,025,322</u>
Total net position, ending	<u>\$ (32,261)</u>	<u>\$ 3,923,007</u>	<u>3,890,746</u>

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

**Town of Warrenton
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2015**

Exhibit 9

	Wastewater Treatment Fund	Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 626,686	\$ 1,048,926	\$ 1,675,612
Cash paid for goods and services	(406,807)	(865,754)	(1,272,561)
Cash paid to or on behalf of employees for services	(204,414)	(237,686)	(442,100)
Net customer deposits	-	(1,217)	(1,217)
Net cash provided (used) by operating activities	<u>15,465</u>	<u>(55,731)</u>	<u>(40,266)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Interfund activity	(4,032)	4,032	-
Transfers (to) from other funds	-	-	-
Total cash flows from non-capital financing activities	<u>(4,032)</u>	<u>4,032</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	-	-	-
Capital contributions	-	109,634	109,634
Principal paid on notes payable	-	(33,692)	(33,692)
Interest paid on notes payable	-	(8,380)	(8,380)
Principal received on notes receivable	-	2,024	2,024
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>69,586</u>	<u>69,586</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	19	1,148	1,167
Net increase (decrease) in cash and cash equivalents	11,452	19,035	30,487
Balances, beginning	-	450,591	450,591
Balances, ending	<u>\$ 11,452</u>	<u>\$ 469,626</u>	<u>\$ 481,078</u>
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income (loss)	\$ 14,882	\$ (197,062)	\$ (182,180)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	4,060	283,048	287,108
Pension expense	3,093	3,002	6,095
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	16,550	(11,183)	5,367
(Increase) decrease in inventory	-	(23,661)	(23,661)
Increase (decrease) in accounts payable	(6,607)	(81,077)	(87,684)
Increase (decrease) in accrued payroll	(5,494)	(3,500)	(8,994)
Increase (decrease) in customer deposits	-	(1,217)	(1,217)
Increase (decrease) in compensated absences	8,241	(6,333)	1,908
(Increase) decrease in deferred outflows of resources for pensions	(19,260)	(17,748)	(37,008)
Total adjustments	<u>583</u>	<u>141,331</u>	<u>141,914</u>
Net cash provided (used) by operating activities	<u>\$ 15,465</u>	<u>\$ (55,731)</u>	<u>\$ (40,266)</u>

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

Exhibit 10

**Town of Warrenton, North Carolina
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2015**

	Plummer Hook and Ladder Museum
Assets	
Cash	\$ 3,990
Total Assets	<u>\$ 3,990</u>
Net Position	<u>\$ 3,990</u>

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

Town of Warrenton, North Carolina
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2015

	<u>Plummer Hook and Ladder Museum</u>
Additions:	
Contributions	\$ 3,990
Investment income:	
Interest	-
Total additions	<u>-</u>
Change in net position	3,990
Net position, beginning	-
Net position, ending	<u><u>\$ 3,990</u></u>

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

Town of Warrenton, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Warrenton (the Town) conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town is a municipal corporation, which is governed by an elected mayor and a seven-member council. These financial statements include only the Town, as there were no component units required to be included.

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental funds:

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

Town of Warrenton, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

The Town reports the following major enterprise funds:

Enterprise Funds. The enterprise funds are used to account for those operations that (a) are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis, be financed or recovered primarily through user charges; or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town has two enterprise funds: Water and Sewer Fund and Wastewater Treatment Fund.

The Town operates the regional wastewater treatment plant under an agreement with Warren County. The operating costs are shared with the Town of Norlina and Warren County.

The Town reports the following fiduciary fund:

Plummer Hook and Ladder Museum. The Plummer Hood and Ladder Museum Fund accounts for contributions, other revenues and expenses related to operation of the Museum. The Museum is governed by a committee that is not directly affiliated with the Town.

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 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. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

Town of Warrenton, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Warrenton because the tax is levied by Warren County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. Grant revenues that are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there 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 capital projects. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project 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. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

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

Town of Warrenton, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost.

In accordance with State law, the Town has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected and are classified as restricted cash in the enterprise funds. Powell Bill funds are also classified as restricted cash within the General Fund because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.1.

General Fund			
	Streets	\$	49,163
Total governmental activities		<u>49,163</u>	
Business-type Activities			
Water and Sewer Fund			
	Customer deposits	79,714	
	Prepayment fund credit	<u>6,654</u>	
Total Business-type Activities		<u><u>86,368</u></u>	
Total Restricted Cash		<u><u>\$ 135,531</u></u>	

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2012. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

Town of Warrenton, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

6. Inventory and Prepaid Items

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased. The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, buildings, improvements, equipment, vehicles, substations, lines and other plant and distribution systems, \$5,000; infrastructure, \$50,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives to the cost of the assets:

<u>Asset Type</u>	<u>Years</u>
Buildings	40
Improvements	15
Vehicles	5
Furniture and equipment	7-10
Computer equipment	3
Infrastructure	50

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2015 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet this criterion – property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

9. Long-Term Obligations

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

Town of Warrenton, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

10. Compensated Absences

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

The Town's sick leave policy provides for accrual of sick leave days; there is no limit on the amount of accumulation. 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 an obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Restricted for Stabilization by State Statute – portion of fund balance that is restricted by State Statute (G.S. 159-8(a)).

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

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 Warrenton's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body. 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.

Town of Warrenton, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approved the appropriation.

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

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

12. Pensions

For purposes of measuring the net pension asset, 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 Warrenton's employer contributions are recognized when due and the Town of Warrenton 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.

II. Stewardship, Compliance, and Accountability

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

1. Deficit in Fund Balance or Net Position of Individual Funds

For the fiscal year ended June 30, 2015, the Wastewater Treatment Fund had a deficit in Net Position of \$32,261 primarily as a result of the outstanding payable due to the General Fund. As described in Note III.B.5.c the Town operates the waste water facility at cost; the cost of operations is allocated between the Town of Warrenton, the Town of Norlina and Warren County.

2. Excess of Expenditures over Appropriations

None.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the Town's names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in its name. The

Town of Warrenton, North Carolina
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For the Fiscal Year Ended June 30, 2015

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 undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risks 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, 2015, the Town's deposits had a carrying amount of \$1,028,993 and a bank balance of \$1,040,748. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$790,748 was covered by collateral held under the Pooling Method. The Town's petty cash totaled \$60 at June 30, 2015.

2. Investments

At June 30, 2015 the Town's investment balances were as follows:

	<u>Cost Value</u>	<u>Fair Value</u>
North Carolina Capital Management Trust		
Cash Portfolio	<u>\$50,128</u>	<u>\$50,128</u>

Interest Rate Risk. The Town does not have a formal investment policy that specifically limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates.

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the Town had no formal policy on specifically managing credit risk. As of June 30, 2015, the Town's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's. The Town's investments in US Government Agencies are rated AAA by Standard & Poor's.

Concentration of Credit Risk. The Town places no limit on the amount that the Town may invest in any one issuer.

**Town of Warrenton, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015**

3. Receivables - Allowances for Doubtful Accounts

The receivables shown in Exhibit 1 at June 30, 2015 were as follows:

	Accounts	Taxes	Due from other governments	Total
Governmental Activities				
General	\$ 16,537	\$ 33,158	\$ 65,141	\$ 114,836
Other governmental	-	-	4,656	4,656
Allowance for doubtful accounts	(5,014)	-	-	(5,014)
Total governmental activities	\$ 11,523	\$ 33,158	\$ 69,797	\$ 114,478
Business-Type Activities:				
Wastewater treatment	\$ 182,863	\$ -	\$ -	\$ 182,863
Water and sewer	40,997	-	-	40,997
Allowance for doubtful accounts	(94,604)	-	-	(94,604)
Total Business-type accounts	\$ 129,256	\$ -	\$ -	\$ 129,256

Due from other governments consisted of the following:

Local option sales tax	\$ 13,472
Franchise tax	22,684
Sales tax refund	28,985
Taxes - Warren County	4,656
Total	\$ 69,797

The Town has two outstanding notes receivable with local businesses. These loans were made for improvements on real property, and funds were provided by the US Department of Agriculture to make these loans.

The first loan was made on November 1, 2012 in the amount of \$6,500 with an interest rate of 3.25%. Monthly installments are due to the Town in the amount of \$87, and the first installment was due December 1, 2012. The loan matures on November 1, 2019. The balance of this note receivable is \$4,195 at June 30, 2015 and is considered fully collectible.

The second loan was made on May 24, 2013 in the amount of \$8,500 with an interest rate of 3.25%. Monthly installments are due to the Town in the amount of \$113, and the first installment was due July 1, 2013. The loan matures June 1, 2020. The balance of this note receivable is \$6,265 at June 30, 2015 and is considered fully collectible.

Town of Warrenton, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

4. Capital Assets

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Total capital assets not being depreciated	1,000	-	-	1,000
Capital assets being depreciated				
Buildings	24,111	-	-	24,111
Equipment	155,836	-	-	155,836
Improvements	99,449	-	-	99,449
Vehicles and motorized equipment	422,236	-	-	422,236
Total capital assets being depreciated	701,632	-	-	701,632
Less accumulated depreciation for				
Buildings	19,159	408	-	19,567
Equipment	141,387	4,556	-	145,943
Improvements	-	6,630	-	6,630
Vehicles and motorized equipment	400,520	13,980	-	414,500
Accumulated depreciation	561,066	\$ 25,574	\$ -	586,640
Total capital assets, depreciated, net	140,566			114,992
Governmental activity capital assets, net	\$ 141,566			\$ 115,992

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

General government	\$ 7,416
Public safety	8,230
Transportation	9,928
	<u>\$ 25,574</u>

Town of Warrenton, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Wastewater Treatment Fund				
Capital assets being depreciated				
Improvements	\$ 14,858	\$ -	\$ -	\$ 14,858
Vehicles	30,065	-	-	30,065
Equipment	111,407	-	-	111,407
Total capital assets being depreciated	156,330	-	-	156,330
Less accumulated depreciation for				
Improvements	381	381	-	762
Vehicles	30,065	-	-	30,065
Equipment	99,548	3,679	-	103,227
Accumulated Depreciation	129,994	\$ 4,060	\$ -	134,054
Capital assets, depreciated, net	26,336			22,276
Wastewater Treatment Fund capital assets	<u>\$ 26,336</u>			<u>\$ 22,276</u>
Water and Sewer Fund				
Capital assets not being depreciated				
Land	\$ 5,250	\$ -	\$ -	\$ 5,250
Total capital assets not being depreciated	5,250	-	-	5,250
Capital assets being depreciated				
Water and sewer lines	5,853,043	-	-	5,853,043
Water and sewer plant	160,232	-	-	160,232
Improvements	217,054	-	-	217,054
Vehicles	188,718	-	-	188,718
Equipment	206,423	-	-	206,423
Total capital assets being depreciated	6,625,470	-	-	6,625,470
Less accumulated depreciation for				
Water and sewer lines	2,253,769	234,526	-	2,488,295
Water and sewer plant	30,270	4,006	-	34,276
Improvements	17,813	10,015	-	27,828
Vehicles	147,011	19,933	-	166,944
Equipment	141,978	14,568	-	156,546
Accumulated Depreciation	2,590,841	\$ 283,048	\$ -	2,873,889
Capital assets, depreciated, net	4,034,629			3,751,581
Water and Sewer Fund capital assets	<u>\$ 4,039,879</u>			<u>\$ 3,756,831</u>
Business-type Activities capital assets	<u>\$ 4,066,215</u>			<u>\$ 3,779,107</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Warrenton 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, or by calling (919) 981-5454.

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

Town of Warrenton, North Carolina
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For the Fiscal Year Ended June 30, 2015

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 Warrenton 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 Warrenton's contractually required contribution rate for the year ended June 30, 2015, was 14.4% of compensation for law enforcement officers and 13.92% 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 Warrenton were \$83,130 for the year ended June 30, 2015.

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, 2015, the Town reported an asset of \$53,490 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset 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, 2014, the Town's proportion was 0.00907%, which was an increase of 0.005% from its proportion measured as of June 30, 2013.

Town of Warrenton, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

For the year ended June 30, 2015, the Town recognized pension expense of \$14,899. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 5,845
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	124,523
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	(46,067)
Town contributions subsequent to the measurement date	83,130	-
Total	<u>\$ 83,130</u>	<u>\$ 84,301</u>

\$83,130 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ (21,050)
2017	(21,050)
2018	(21,050)
2019	(21,151)
2020	-
Total	<u>\$ (84,301)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 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, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

Town of Warrenton, North Carolina
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For the Fiscal Year Ended June 30, 2015

historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 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	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 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 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. 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 7.25 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 (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

**Town of Warrenton, North Carolina
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	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 181,568	\$ (53,490)	\$ (251,401)

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description. The Town of Warrenton 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 increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	1
Active plan members	4
Total	5

A separate report was not issued for the plan.

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.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

**Town of Warrenton, North Carolina
Notes to the Financial Statements
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3. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. The Town has chosen not to have an actuarial study performed because the liability is considered immaterial.

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. Contributions for the year ended June 30, 2015 were \$7,518.

d. 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. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. 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. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

3. 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	\$ 83,130
Total	\$ 83,130

Town of Warrenton, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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

Taxes Receivable (General Fund)	\$	33,158
Pension deferrals		84,301
Total	<u>\$</u>	<u>117,459</u>

4. 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 other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Town has made the decision not to purchase flood insurance at this time. The Town does not deem the risk of flooding to outweigh the cost of 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 Administrator is bonded for \$50,000 and the Town Clerk is bonded for \$50,000. The remaining employees that have access to funds are bonded for \$5,000 per occurrence.

5. Long-Term Obligations

a. Installment Purchases

As authorized by State law (G.S. 160A-20 and 153A-158.1), the Town financed various property and equipment acquisitions by installment purchases. Installment purchase contracts at June 30, 2015 are comprised of the following individual agreements:

Government Activities:

An agreement was executed on March 22, 2007 for \$143,000 to purchase new sewer lines. This agreement requires fifteen annual payments of \$12,835, including interest at 3.97% per annum. (45.75% of this note is held by the general fund and 54.25% is held by the water and sewer fund) \$ 35,282

An agreement was executed on October 20, 2010 for \$49,639 to purchase a leaf collection truck. This agreement requires five annual payments of \$11,045, including interest at 3.73% per annum. 10,648

An agreement was executed on September 26, 2013 for \$150,000 for replacement and repair of the Town Hall roof. This agreement requires 120 monthly payments of \$1,417, including interest at 2.54%. (67% of this note is held by the general fund and 33% is held by the water and sewer fund) 84,280

Total governmental activities \$ 130,210

Town of Warrenton, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

Business-Type Activities:

An agreement was executed on March 22, 2007 for \$143,000 to purchase new sewer lines. This agreement requires fifteen annual payments of \$12,835, including interest at 3.97% per annum. (45.75% of this note is held by the general fund and 54.25% is held by the water and sewer fund)	\$ 41,837
An agreement was executed on September 26, 2013 for \$150,000 for replacement and repair of the Town Hall roof. This agreement requires 120 monthly payments of \$1,417, including interest at 2.54%. (67% of this note is held by the general fund and 33% is held by the water and sewer fund)	42,140
An agreement was executed on October 17, 2013 for \$30,334 to purchase a Ford F250 truck. This agreement requires three annual payments of \$11,387, including interest at 1.75%. (67% of this note is held by the general fund and 33% is held by the water and sewer fund)	20,397
NCDENR funded a project for sewer system rehabilitation and related loan proceeds total \$275,000. This agreement requires annual principal payments of \$13,750 plus interest at 2.00% per annum beginning May 1, 2014. Maturity is May 2033.	247,500
Total business-type activities	<u><u>\$ 351,874</u></u>

Future minimum payments as of June 30, 2015 for the installment purchase contracts are as follows:

b. Changes in Long-Term Liabilities

A summary of changes in long-term obligations follows:

Year Ending June 30	Principal	Interest	Total
Governmental Activities:			
2016	\$ 24,420	\$ 3,831	\$ 28,251
2017	14,189	3,017	17,206
2018	14,618	2,587	17,205
2019	15,062	2,144	17,206
2020	15,520	1,686	17,206
2021-2024	46,401	2,180	48,581
	<u>\$ 130,210</u>	<u>\$ 15,445</u>	<u>\$ 145,655</u>
Business-Type Activities:			
Water and Sewer Fund:			
2016	\$ 33,813	\$ 8,016	\$ 41,829
2017	34,320	7,218	41,538
2018	24,374	6,406	30,780
2019	24,727	5,778	30,505
2020	25,093	5,137	30,230
2021-2025	99,548	16,670	116,218
2026-2030	68,750	8,250	77,000
2031-2033	41,249	1,650	42,899
	<u>\$ 351,874</u>	<u>\$ 59,125</u>	<u>\$ 410,999</u>

Town of Warrenton, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 154,598	\$ -	\$ 24,388	\$ 130,210	\$ 24,420
Compensated absences	15,930	3,537	229	19,238	12,120
Total	<u>\$ 170,528</u>	<u>\$ 3,537</u>	<u>\$ 24,617</u>	<u>\$ 149,448</u>	<u>\$ 36,540</u>
Business-type activities:					
Installment purchases	\$ 385,567	\$ -	\$ 33,693	\$ 351,874	\$ 33,813
Compensated absences	16,189	8,241	6,333	18,097	11,401
Total	<u>\$ 401,756</u>	<u>\$ 8,241</u>	<u>\$ 40,026</u>	<u>\$ 369,971</u>	<u>\$ 45,214</u>

At June 30, 2015, the Town of Warrenton had a legal debt margin of \$5,608,072.

c. Commitments

The Town has entered into a contract with Soul City Sanitary District for the sale of water to the Town until March 20, 2037. The Town is obligated to purchase a minimum of 250,000 gallons of water per day under the terms of this agreement.

The Town has entered into a contract with the Town of Norlina and Warren County in which the Town has agreed to operate the wastewater treatment facility, and the cost of these operations is allocated between the parties as follows: Warren County – 58%, Warrenton – 25%, and Norlina 17%. The Town charges all related expenses to the Wastewater Treatment Fund and bills Warren County and Norlina monthly for their share of the expenses. This agreement is in effect until a new agreement or an amendment is made.

The Town has entered into a contract with Warrenton Rural Voluntary Fire Association, Inc. for fire protection services until June 30, 2016. The Town is obligated to pay \$70,000 under the terms of this contract during the fiscal year ended June 30, 2016.

The Town has entered into a contract with W. M. Gardner Family Limited Partnership for the rental of space until August 31, 2017. The Town is obligated to pay \$1,000 plus utilities per month until August 31, 2015 and \$950 plus utilities per month from September 1, 2015 through August 31, 2017.

The Town has entered into a contract with Harris Investments, Inc. to lease land from November 1, 2015 through October 31, 2025 for \$1,000 per year for the purpose of placing yard waste, leaves and storm debris.

C. Interfund Balances and Activity

Due To/From Other Funds

At June 30, 2015, \$96,496 was due to the General Fund from the Wastewater Treatment Fund. This loan represents an advance to cover various expenses.

The Water and Sewer Fund paid \$265,857 to the Wastewater Treatment Fund for the Town's share of wastewater treatment operations. As this amount represents interfund services provided and used it is recorded as revenue in the Wastewater Treatment Fund and as an expense in the Water and Sewer Fund.

Town of Warrenton, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

D. Fund Balance

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

<u>Total fund balance - General Fund</u>	<u>\$ 748,529</u>
Less:	
Stabilization by State Statute	177,816
Streets - Powell Bill	49,163
Appropriated Fund Balance in 2016 budget	20,707
<u>Remaining Fund Balance</u>	<u>\$ 500,843</u>

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

The Town has not officially adopted a fund balance policy.

IV. Jointly Governed Organization

The Kerr-Tar Council of Government is a voluntary association of five county and fifteen city and town governments, including the Town of Warrenton, established to coordinate federal and State projects of a planning nature in the five county area in central North Carolina. Each county, city and town appoints one member to the Council's governing body and his governing body selects the management and determines the budget and financing requirements of the Council. The Town contributed \$416 to the Council during the year ended June 30, 2015.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VI. Subsequent Events

The Town has evaluated events from the date of the balance sheet through the date the report is available to be issued which is the date of the independent auditors' report. The Town has not evaluated subsequent events after that date. There were no subsequent events during this period that require disclosure.

VII. Related Parties

The Town rents space from a related party as described above in the Commitments footnote.

VIII. Deposits Held

Customer deposits in the amount of \$86,368 relate to water and sewer deposits held by the Town.

Town of Warrenton, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

IX. Change in Accounting Principle

The Town implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$9,402 and \$6,509, respectively.

X. Prior Period Adjustment

Adjustments were made to cash which had not been properly reconciled in the Town's software until this year, and as a result fund balance/position for the General Fund/Governmental Activities decreased by \$43,918.

Required Supplementary Financial Data:

**TOWN OF WARRENTON
TOWN OF WARRENTON'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST TWO FISCAL YEARS***

	<u>2015</u>	<u>2014</u>
Warrenton's proportion of the net pension liability (asset) (%)	0.00907%	0.00400%
Warrenton's proportion of the net pension liability (asset) (\$)	\$ (53,490)	\$ 48,215
Warrenton's covered-employee payroll	\$ 488,917	\$ 484,406
Warrenton's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-10.94%	9.95%
Plan fiduciary net position as a percentage of the total pension liability	102.64%	94.35%

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

**TOWN OF WARRENTON
TOWN OF WARRENTON'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 83,130	\$ 32,304
Contributions in relation to the contractually required contribution	83,130	32,304
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Warrenton's covered-employee payroll	\$610,237	\$488,917
Contributions as a percentage of covered-employee payroll	13.62%	6.61%

**Town of Warrenton
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 434,346	\$
Penalties and interest		5,019	
Total	<u>452,896</u>	<u>439,365</u>	<u>(13,531)</u>
Other taxes and licenses:			
Motor vehicles taxes		28,290	
Privilege licenses		27,783	
Total	<u>20,000</u>	<u>56,073</u>	<u>36,073</u>
Unrestricted intergovernmental:			
Local option sales taxes		161,387	
Utility franchise tax		95,091	
Beer and wine tax		4,049	
Gas tax refund		1,847	
ABC profit distribution		9,649	
Total	<u>256,840</u>	<u>272,023</u>	<u>15,183</u>
Restricted intergovernmental:			
Powell Bill allocation		27,440	
Police GCC grant		1,815	
Total	<u>51,886</u>	<u>29,255</u>	<u>(22,631)</u>
Permits and fees:			
Zoning fees		250	
Code enforcement		1,200	
Parking fees and enforcement		555	
Court fees		388	
Cemetery fees		1,200	
Total	<u>2,750</u>	<u>3,593</u>	<u>843</u>
Sales and services:			
Landfill fees		153,685	
Cell tower rent		24,490	
Miscellaneous		38,335	
Total	<u>208,024</u>	<u>216,510</u>	<u>8,486</u>
Investment earnings	<u>125</u>	<u>92</u>	<u>(33)</u>
Total revenues	<u>992,521</u>	<u>1,016,911</u>	<u>24,390</u>

**Town of Warrenton
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Expenditures:			
General Government			
Governing Body			
Personnel services		1,500	
Operating expenses		1,002	
Total	<u>2,509</u>	<u>2,502</u>	<u>7</u>
Administration			
Personnel services		167,748	
Operating expenses		113,431	
Administrative fee paid by Water and Sewer		(96,839)	
Total	<u>199,498</u>	<u>184,340</u>	<u>15,158</u>
Total general government	<u>202,007</u>	<u>186,842</u>	<u>15,165</u>
Public Safety			
Police			
Personnel services		308,132	
Operating expenses		108,645	
Total	<u>427,422</u>	<u>416,777</u>	<u>10,645</u>
Fire			
Personnel services		1,471	
Operating expenses		74,377	
Total	<u>78,800</u>	<u>75,848</u>	<u>2,952</u>
Total public safety	<u>506,222</u>	<u>492,625</u>	<u>13,597</u>
Transportation and Utilities			
Street repair and construction			
Personnel services		86,558	
Operating expenses		103,535	
Mowing fees paid by Water and Sewer		(13,500)	
Total	<u>183,889</u>	<u>176,593</u>	<u>7,296</u>
Total transportation and utilities	<u>183,889</u>	<u>176,593</u>	<u>7,296</u>

**Town of Warrenton
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Environmental Protection			
Sanitation			
Personnel services		61,291	
Operating expenses		29,712	
Total	<u>92,751</u>	<u>91,003</u>	<u>1,748</u>
Total environmental protection	<u>92,751</u>	<u>91,003</u>	<u>1,748</u>
Debt service			
Principal retirement		24,388	
Interest and other charges		3,862	
Total	<u>30,062</u>	<u>28,250</u>	<u>1,812</u>
Total expenditures	<u>1,014,931</u>	<u>975,313</u>	<u>39,618</u>
Revenues over (under) expenditures	<u>(22,410)</u>	<u>41,598</u>	<u>64,008</u>
Other financing sources (uses):			
Appropriated Fund Balance	<u>22,410</u>	-	<u>(22,410)</u>
Total	<u>22,410</u>	-	<u>(22,410)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>41,598</u>	<u>\$ 41,598</u>
Fund balances, beginning, as previously reported		<u>750,849</u>	
Prior period adjustment		<u>(43,918)</u>	
Fund balances, beginning, as restated		<u>706,931</u>	
Fund balances, ending		<u>\$ 748,529</u>	

**Town of Warrenton
Wastewater Treatment Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Charges for services:			
Wastewater Treatment:	\$	\$	\$
Total	<u>597,452</u>	<u>590,925</u>	<u>(6,527)</u>
Total operating revenues	<u>597,452</u>	<u>590,925</u>	<u>(6,527)</u>
Non-operating revenues:			
Interest earnings		19	
Miscellaneous revenue		<u>19,210</u>	
Total nonoperating revenues	<u>36,000</u>	<u>19,229</u>	<u>(16,771)</u>
Total revenues	<u>633,452</u>	<u>610,154</u>	<u>(23,298)</u>
Expenditures:			
Operating expenditures:			
Salaries and benefits		198,920	
Audit		2,830	
Telephone and postage		5,893	
Freight		4,756	
Office supplies		1,209	
Light and heat		70,136	
Insurance and bonds		21,354	
Materials and supplies		46,549	
Vehicle maintenance		2,779	
Truck expense		6,300	
Equipment and plant maintenance		53,375	
Uniforms		3,361	
Sludge hauling		54,335	
Influent debris removal		3,250	
Kerr-Pamlico Basin Association		2,880	
Permits and fees		5,583	
Beaver control		2,000	
OSHA compliance		877	
Lab analysis		27,709	
Certified lab expense		2,084	
Computer improvements		3,931	
Continuing education		228	
Advertising		433	
Mixer project		49,412	
Administrative fee		<u>28,935</u>	
Total	<u>633,452</u>	<u>599,119</u>	<u>34,333</u>

**Town of Warrenton
Wastewater Treatment Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses):			
Transfer from water and sewer	-	-	-
Total other financing sources (uses)	-	-	-
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ 11,035	\$ 11,035

**Reconciliation from budgetary basis
(modified accrual) to full accrual:**

Revenues and other sources over expenditures and other uses	\$ 11,035
Reconciling items:	
Depreciation	(4,060)
Increase in compensated absences	(8,241)
Deferred outflows of resources for contributions made to pension plan in current fiscal year	19,260
Pension expense	(3,093)
Total reconciling items	<u>3,866</u>
Net income	\$ <u>14,901</u>

**Town of Warrenton
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2015**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services:			
Water and sewer sales	\$	\$ 1,028,695	\$
Water and sewer taps		5,000	
Total	<u>1,049,760</u>	<u>1,033,695</u>	<u>(16,065)</u>
Total operating revenues	1,049,760	1,033,695	(16,065)
Non-operating revenues:			
Interest earnings		1,148	
Miscellaneous revenue		26,414	
Total non-operating revenues	<u>23,936</u>	<u>27,562</u>	<u>3,626</u>
Total revenues	<u>1,073,696</u>	<u>1,061,257</u>	<u>(12,439)</u>
Expenditures:			
Operating expenditures:			
Salaries and benefits		234,186	
Water purchases		184,972	
Sewer purchases		265,857	
Rent		3,200	
Audit		2,830	
Equipment maintenance		17,905	
Water tank maintenance		13,417	
Building maintenance		45	
Contracted services		51,651	
Insurance and bonds		22,859	
Departmental supplies and materials		15,945	
Uniforms		3,700	
Telephone and postage		10,897	
Freight		1,277	
Office supplies		4,006	
Lights and heat		5,765	
Advertising		1,085	
Easements		1,000	
Truck expense		15,560	
Continuing education		423	
Dues and permits		2,998	
Certified lab expense		2,013	
OSHA compliance		190	
Computer improvements		4,168	
Contract maintenance		15,446	
Sewer system rehabilitation		5,945	
Wastewater treatment plant rehab		26,459	
Debt service		42,071	
Capital outlay		-	
Mowing fee		13,500	
Administrative fee		67,904	
Total	<u>1,073,696</u>	<u>1,037,274</u>	<u>36,422</u>

**Town of Warrenton
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2015**

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Capital contributions - NCDENR	-	54,817	54,817
Transfer to wastewater treatment	-	-	-
Total other financing sources (uses)	-	54,817	54,817
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ 78,800	\$ 78,800

**Reconciliation from budgetary basis
(modified accrual) to full accrual:**

Revenues and other sources over expenditures and other uses	\$ 78,800
Reconciling items:	
Principal retirement	33,692
Depreciation	(283,048)
Pension expense	(3,002)
Deferred outflows of resources for contributions made to pension plan in current fiscal year	17,748
Decrease in compensated absences	6,333
Total reconciling items	<u>(228,277)</u>
Net income (loss)	<u>\$ (149,477)</u>

**Town of Warrenton
General Fund
Schedule of Ad Valorem Taxes Receivable**

Fiscal Year	Uncollected Balance June 30, 2014	Additions	Collections And Credits	Abatements And Adjustments	Uncollected Balance June 30, 2015
2015	\$ -	\$ 455,789	\$ 446,238	\$ -	\$ 9,551
2014	16,201	-	9,867	-	6,334
2013	6,909	-	3,550	-	3,359
2012	4,415	-	2,438	-	1,977
2011	2,997	-	1,340	-	1,657
2010	1,767	-	47	-	1,720
2009	2,023	-	99	-	1,924
2008	2,420	-	24	(51)	2,345
2007	2,015	-	9	(1)	2,005
2006	2,290	-	4	-	2,286
2005	2,059	-	2,059	-	-
	<u>\$ 43,096</u>	<u>\$ 455,789</u>	<u>\$ 465,675</u>	<u>\$ (52)</u>	<u>\$ 33,158</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 439,365
Reconciling items:	
Motor vehicle taxes	28,290
Interest collected	(5,019)
Other adjustments	3,039
Subtotal	<u>26,310</u>
Total collections and credits	<u>\$ 465,675</u>

**Town of Warrenton
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2015**

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxed at					
Current Year Rate	\$ 74,435,407	0.61	\$ 449,186	\$ 449,186	\$ -
Less old age exemption	(1,002,439)	0.61	(1,221)	(1,221)	-
Releases			(20,116)	(20,116)	-
Registered motor vehicles	4,529,211	0.61	27,940	-	27,940
Total Property Valuation	<u>\$ 77,962,179</u>		<u>\$ 455,789</u>	<u>\$ 427,849</u>	<u>\$ 27,940</u>
Net levy			\$ 455,789	\$ 427,849	\$ 27,940
Uncollected taxes at June 30, 2015			<u>(9,551)</u>	<u>(9,536)</u>	<u>(15)</u>
Current year's taxes collected			<u>\$ 446,238</u>	<u>\$ 418,313</u>	<u>\$ 27,925</u>
Current levy collection percentage			<u>97.90%</u>	<u>97.77%</u>	<u>99.95%</u>