

**FINANCIAL STATEMENTS**  
**TOWN OF WARRENTON**  
**WARRENTON, NORTH CAROLINA**  
**JUNE 30, 2016**

BOARD OF COMMISSIONERS

Walter M. Gardner, Jr. - Mayor

Mary Hunter - Mayor Pro Tem

Frank Holt

John Blalock

Margaret Britt

Kimberly Harding

Tom Hardy

Michael Coffman

ADMINISTRATIVE AND FINANCIAL STAFF

Robert Davie - Town Administrator

Meredith Valentine - Finance Director

TOWN OF WARRENTON  
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JUNE 30, 2016

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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 and the aggregate remaining fund information of the Town of Warrenton, North Carolina, as of and for the year ended June 30, 2016, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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 and the aggregate remaining fund information of the Town of Warrenton, North Carolina as of June 30, 2016, 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 non-major individual fund statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated October 14, 2016 on our consideration of the Town of Warrenton, North Carolina's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town of Warrenton, North Carolina's internal control over financial reporting and compliance.

*Petway Mills & Pearson, PA*

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PETWAY MILLS & PEARSON, PA  
Certified Public Accountants  
Zebulon, North Carolina

October 14, 2016

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Town of Warrenton, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016**

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, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

**Financial Highlights**

- The assets of the Town of Warrenton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$4,716,595 (net position).
- The government's total net position increased by \$39,104 primarily due to increases in the governmental activities net position.
- At the close of the current fiscal year, the Town of Warrenton's governmental funds reported combined ending fund balances of \$790,637 with a net change of \$42,108 in fund balance. Approximately 28.21 percent of this total amount, or \$223,016, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$557,621, or 57.44 percent of total general fund expenditures for the fiscal year.

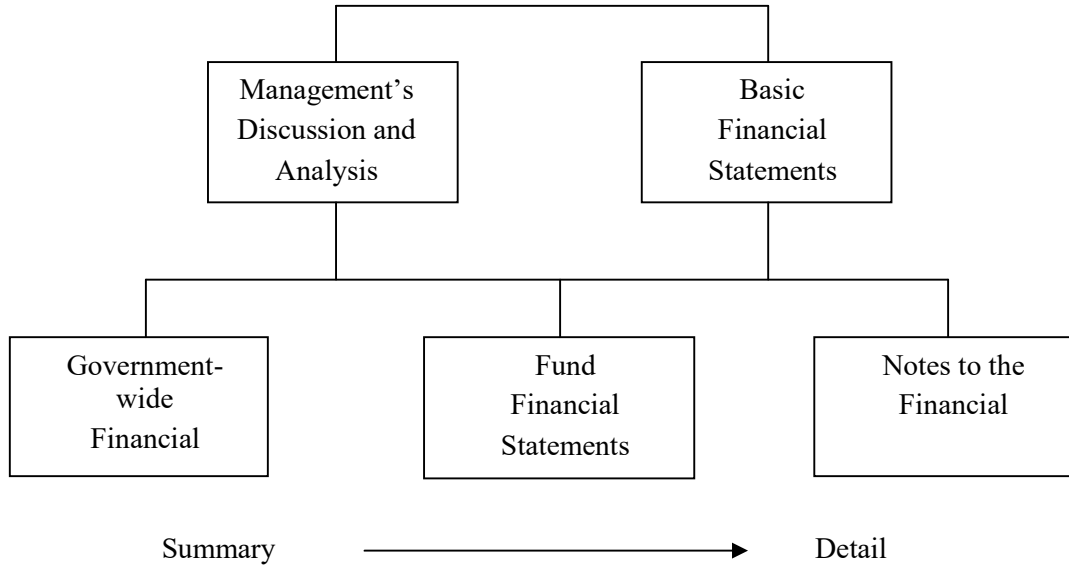
**Overview of the Financial Statements**

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.



**Town of Warrenton, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016**

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



**Basic Financial Statements**

The first two statements (Pages 11 and 12) 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 (Pages 13 through 18) 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 assets is one way to gage the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. 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 and electric services offered by the Town of Warrenton. The final category is the component unit. Although legally separate from the Town, the Town of Warrenton ABC Board

**Town of Warrenton, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016**

is important to the Town because the Town exercises control over the Board by appointing its members and because the Board is required to distribute its profits to 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 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* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

**Proprietary Funds** – Town of 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. Town of Warrenton uses enterprise funds to account for its water and sewer activity. The 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.

**Town of Warrenton, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016**

**Government-wide Financial Analysis  
Town of Warrenton's Net Assets**

**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	6/30/16	6/30/15	6/30/16	6/30/15	6/30/16	6/30/15
Current and other assets	\$ 855,425	\$ 848,536	\$ 678,261	\$ 614,444	\$ 1,533,686	\$ 1,462,980
Capital assets	192,194	115,992	3,531,337	3,779,107	3,723,531	3,895,099
Deferred outflows of resources	92,129	46,122	69,071	37,008	161,200	83,130
Total assets and deferred outflows of resources	\$ 1,139,748	\$ 1,010,650	\$ 4,278,669	\$ 4,430,559	\$ 5,418,417	\$ 5,441,209
Long-term liabilities outstanding	\$ 184,487	\$ 149,448	\$ 352,575	\$ 369,971	\$ 537,062	\$ 519,419
Other liabilities	24,669	24,642	120,415	135,356	145,084	159,998
Deferred inflows of resources	12,530	49,815	11,146	34,486	23,676	84,301
Total liabilities and deferred inflows of resources	\$ 221,686	\$ 223,905	\$ 484,136	\$ 539,813	\$ 705,822	\$ 763,718
Net assets:						
Invested in capital assets, net of related debt	\$ 55,132	\$ (14,218)	\$ 3,213,284	\$ 3,427,233	\$ 3,268,416	\$ 3,413,015
Restricted	223,016	226,979	-	-	223,016	226,979
Unrestricted	639,914	573,984	581,249	463,513	1,221,163	1,037,497
Total Net Assets	\$ 918,062	\$ 786,745	\$ 3,794,533	\$ 3,890,746	\$ 4,712,595	\$ 4,677,491

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Warrenton exceeded liabilities and deferred inflows by \$4,716,595 as of June 30, 2016. The Town's net position increased by \$39,104 for the fiscal year ended June 30, 2016. However, the largest portion (69.30%) 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 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 \$223,016 (4.73%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,226,363 is unrestricted. 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 97.02%. The statewide average in fiscal year 2015 was 98.35%.

**Town of Warrenton, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016**

**Town of Warrenton's Changes in Net Position**

**Figure 3**

	Governmental Activities		Business-type Activities		Total	
	6/30/16	6/30/15	6/30/16	6/30/15	6/30/16	6/30/15
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 159,456	\$ 157,278	\$ 1,702,631	\$ 1,670,244	\$ 1,862,087	\$ 1,827,522
Operating grants and contributions	30,349	29,255	-	-	30,349	29,255
Capital grants and contributions	137,550	-	-	54,817	137,550	54,817
<b>General Revenues:</b>						
Property taxes	426,926	429,427	-	-	426,926	429,427
Other taxes	320,266	328,096	-	-	320,266	328,096
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other	67,154	62,917	835	1,167	67,989	64,084
<b>Total Revenues</b>	<b>\$ 1,141,701</b>	<b>\$ 1,006,973</b>	<b>\$ 1,703,466</b>	<b>\$ 1,726,228</b>	<b>\$ 2,845,167</b>	<b>\$ 2,733,201</b>
<b>Expenses:</b>						
General government	\$ 191,871	\$ 189,732	\$ -	\$ -	\$ 191,871	\$ 189,732
Public safety	453,632	482,456	-	-	453,632	482,456
Transportation	177,742	180,343	-	-	177,742	180,343
Environmental protection	79,311	86,098	-	-	79,311	86,098
Economic and physical development	100,000	-	-	-	100,000	-
Interest on long-term debt	3,828	3,862	-	-	3,828	3,862
Water and sewer	-	-	1,799,679	1,860,804	-	1,860,804
<b>Total Expenses</b>	<b>\$ 1,006,384</b>	<b>\$ 942,491</b>	<b>\$ 1,799,679</b>	<b>\$ 1,860,804</b>	<b>\$ 1,006,384</b>	<b>\$ 2,803,295</b>
<b>Increase in Net Position</b>	<b>\$ 135,317</b>	<b>\$ 64,482</b>	<b>\$ (96,213)</b>	<b>\$ (134,576)</b>	<b>\$ 39,104</b>	<b>\$ (70,094)</b>
Net position, July 1	786,745	775,583	3,890,746	4,031,831	4,677,491	4,807,414
Net position, beginning, restated	-	722,263	-	4,025,322	-	4,747,585
<b>Net Position, June 30</b>	<b>\$ 922,062</b>	<b>\$ 786,745</b>	<b>\$ 3,794,533</b>	<b>\$ 3,890,746</b>	<b>\$ 4,716,595</b>	<b>\$ 4,677,491</b>

**Governmental Activities.** Governmental activities increased the Town's net position by \$131,317, thereby accounting for 100% of the total growth in the net position of the Town of Warrenton.

**Business-type Activities.** Business-type activities decreased the Town's net position by \$96,213.

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

As noted earlier, the Town of Warrenton 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. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

**Town of Warrenton, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016**

The general fund is the chief operating fund of the Town of Warrenton. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$557,621, while total fund balance reached \$789,437. 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 57.44 percent of the total General Fund expenditures, while total fund balance represents 81.31% of the same amount.

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

**Proprietary Funds.** The Town of Warrenton'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 \$(13,353), and those for the Water and Sewer Fund amounted to \$594,602. The total change in net position for both funds was \$50,861 and \$(147,074), respectively. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Warrenton'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, 2016, totals \$3,268,416 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and vehicles.

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

**Figure 4**

	Governmental Activities		Business-type Activities		Total	
	6/30/16	6/30/15	6/30/16	6/30/15	6/30/16	6/30/15
Land	\$ 29,500	\$ 1,000	\$ 5,250	\$ 5,250	\$ 34,750	\$ 6,250
Buildings and system	4,136	4,544	131,668	125,956	135,804	130,500
Improvements	86,189	92,819	192,926	203,322	279,115	296,141
Water and Sewer Lines	-	-	3,133,789	3,364,748	3,133,789	3,364,748
Machinery and equipment	5,724	9,893	53,548	58,057	59,272	67,950
Vehicles and motorized equipment	29,095	7,736	14,156	21,774	43,251	29,510
Construction in progress	37,550	-	-	-	37,550	-
<b>Total</b>	<b>\$ 192,194</b>	<b>\$ 115,992</b>	<b>\$ 3,531,337</b>	<b>\$ 3,779,107</b>	<b>\$ 3,723,531</b>	<b>\$ 3,895,099</b>

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

**Town of Warrenton, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016**

***Long-term Debt.***

As of June 30, 2016, the Town of Warrenton had total debt outstanding of \$455,115. Of this, \$455,115 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 assessed value of taxable property located within that government's boundaries. The legal debt margin of the Town of Warrenton is \$5,168,506.

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

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

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

- **Unemployment.** Warren County's unemployment rate of 7.3% is well below the State average of 5.1%.

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

**Governmental Activities:** Revenues and expenditures are expected to remain comparable with 2015-2016 revenues and expenditures. Property taxes will remain unchanged.

**Business-type Activities:** Revenues and expenditures are expected to remain comparable with 2015-2016 revenues and expenditures. The Water and Sewer rates increased 4.5%.

**Requests for Information**

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

**Town of Warrenton, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016**

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**Town of Warrenton, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016**

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## **BASIC FINANCIAL STATEMENTS**

**Town of Warrenton**  
**Statement of Net Position**  
**June 30, 2016**

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 591,050	\$ 452,658	\$ 1,043,708
Restricted cash	40,090	93,068	133,158
Taxes receivables (net)	29,520	-	29,520
Accrued interest receivable	11,841	-	11,841
Accounts receivable (net) - trade	11,792	128,468	140,260
Due from other governments	106,636	-	106,636
Notes receivable	-	8,548	8,548
Internal balances	64,496	(64,496)	-
Inventories	-	60,015	60,015
Total current assets	855,425	678,261	1,533,686
Noncurrent assets:			
Capital assets:			
Land, non-depreciable improvements, and construction in progress	67,050	5,250	72,300
Other capital assets, net of depreciation	125,144	3,526,087	3,651,231
Total capital assets	192,194	3,531,337	3,723,531
Total assets	1,047,619	4,209,598	5,257,217
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Contributions to pension plan in current fiscal year	49,236	39,090	88,326
Pension deferrals	46,893	29,981	76,874
Total deferred outflows of resources	96,129	69,071	165,200
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable - trade	5,129	10,415	15,544
Accrued payroll	18,298	16,932	35,230
Accrued interest payable	1,242	-	1,242
Deposits held	-	93,068	93,068
Long-term liabilities:			
Due within one year	35,730	45,510	81,240
Net pension liability	29,111	16,441	45,552
Due in more than one year	119,646	290,624	410,270
Total liabilities	209,156	472,990	682,146
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	12,530	11,146	23,676
Total deferred inflows of resources	12,530	11,146	23,676
<b>NET POSITION</b>			
Net investment in capital assets	55,132	3,213,284	3,268,416
Restricted for:			
Streets	38,890	-	38,890
Stabilization by State Statute	182,926	-	182,926
Cultural and recreation	1,200	-	1,200
Unrestricted	643,914	581,249	1,225,163
Total net position	\$ 922,062	\$ 3,794,533	\$ 4,716,595

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, 2016**

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
<b>Primary government:</b>							
Governmental Activities:							
General government	\$ 191,871	\$ 3,275	\$ -	\$ -	\$ (188,596)	\$ -	\$ (188,596)
Public safety	453,632	1,082	1,900	-	(450,650)	-	(450,650)
Transportation	177,742	-	27,249	-	(150,493)	-	(150,493)
Environmental protection	79,311	155,099	-	-	75,788	-	75,788
Economic and physical development	100,000	-	-	137,550	37,550	-	37,550
Cultural and recreation	-	-	1,200	-	1,200	-	1,200
Interest on long-term debt	3,828	-	-	-	(3,828)	-	(3,828)
<b>Total governmental activities</b>	<b>1,006,384</b>	<b>159,456</b>	<b>30,349</b>	<b>137,550</b>	<b>(679,029)</b>	<b>-</b>	<b>(679,029)</b>
Business-type activities:							
Wastewater treatment	523,082	541,939	-	-	-	18,857	18,857
Water and sewer	1,276,597	1,160,692	-	-	-	(115,905)	(115,905)
<b>Total business-type activities</b>	<b>1,799,679</b>	<b>1,702,631</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(97,048)</b>	<b>(97,048)</b>
<b>Total primary government</b>	<b>\$ 2,806,063</b>	<b>\$ 1,862,087</b>	<b>\$ 30,349</b>	<b>\$ 137,550</b>	<b>(679,029)</b>	<b>(97,048)</b>	<b>(776,077)</b>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					426,926	-	426,926
Other taxes					320,266	-	320,266
Unrestricted investment earnings					128	835	963
Miscellaneous					42,854	-	42,854
Donated fixed assets					28,500	-	28,500
Loss on sale of fixed assets					(4,328)	-	(4,328)
<b>Total general revenues</b>					<b>814,346</b>	<b>835</b>	<b>815,181</b>
Change in net position					135,317	(96,213)	39,104
Net position, beginning					786,745	3,890,746	4,677,491
<b>Net position, ending</b>					<b>\$ 922,062</b>	<b>\$ 3,794,533</b>	<b>\$ 4,716,595</b>

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

**Town of Warrenton  
Balance Sheet  
Governmental Funds  
June 30, 2016**

**Exhibit 3**

	Major Funds		Total Non-Major	
	General		Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 591,050		\$ -	\$ 591,050
Restricted cash	38,890		1,200	40,090
Receivables, net:				
Taxes	29,520		-	29,520
Accounts - trade	11,792		-	11,792
Due from other funds	102,046		-	102,046
Due from other governments	69,086		37,550	106,636
Total assets	<u>\$ 842,384</u>		<u>\$ 38,750</u>	<u>\$ 881,134</u>
<b>LIABILITIES</b>				
Liabilities:				
Accounts payable - trade	\$ 5,129		\$ -	\$ 5,129
Accrued payroll	18,298		-	18,298
Due to other funds	-		37,550	37,550
Total liabilities	<u>23,427</u>		<u>37,550</u>	<u>60,977</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes receivable	29,520		-	29,520
Total deferred inflows of resources	<u>29,520</u>		<u>-</u>	<u>29,520</u>
<b>FUND BALANCES</b>				
Fund balances:				
Restricted:				
Stabilization by State Statute	182,926		-	182,926
Streets	38,890		-	38,890
Economic and physical development	-		-	-
Cultural and recreation	-		1,200	1,200
Assigned:				
Subsequent year's expenditures	10,000		-	10,000
Unassigned	557,621		-	557,621
Total fund balances	<u>789,437</u>		<u>1,200</u>	<u>790,637</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 842,384</u>		<u>\$ 38,750</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	192,194
Net pension liability	(29,111)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	49,236
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 statements.	29,520
Pension related deferrals	34,363
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	(156,618)
Net position of governmental activities	<u>\$ 922,062</u>

**Town of Warrenton**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

Exhibit 4

	Major Funds		
	General Fund	Total Non-Major Funds	Total Governmental Funds
<b>REVENUES</b>			
Ad valorem taxes	\$ 430,562	\$ -	\$ 430,562
Other taxes and licenses	29,981	-	29,981
Unrestricted intergovernmental	290,285	-	290,285
Restricted intergovernmental	27,249	138,750	165,999
Permits and fees	4,357	-	4,357
Sales and services	181,499	-	181,499
Investment earnings	128	-	128
Miscellaneous	16,454	1,900	18,354
Total revenues	980,515	140,650	1,121,165
<b>EXPENDITURES</b>			
General government	169,476	-	169,476
Public safety	474,805	1,900	476,705
Transportation	182,066	-	182,066
Economic and physical development	-	100,000	100,000
Environmental protection	85,021	-	85,021
Debt service:			
Principal	24,411	-	24,411
Interest and other charges	3,828	-	3,828
Capital Outlay	31,264	37,550	68,814
Total expenditures	970,871	139,450	1,110,321
Excess (deficiency) of revenues over expenditures	9,644	1,200	10,844
<b>OTHER FINANCING SOURCES (USES)</b>			
Installment purchase proceeds	31,264	-	31,264
Total other financing sources (uses)	31,264	-	31,264
Net change in fund balance	40,908	1,200	42,108
Fund balances, beginning	748,529	-	748,529
Fund balances, ending	\$ 789,437	\$ 1,200	\$ 790,637

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, 2016**

**Exhibit 5**

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

Net changes in fund balances - total governmental funds	\$ 42,108
<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	68,814
Depreciation expense for governmental assets	(16,784)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	49,236
<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	(3,638)
Amount of donated assets	28,500
<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	24,411
New long-term debt issued	(31,264)
<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	(27,251)
Compensated absences	924
Rounding adjustment	261
	261
Total changes in net position of governmental activities	\$ 135,317

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, 2016**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 431,403	\$ 431,403	\$ 430,562	\$ (841)
Other taxes and licenses	22,620	22,620	29,981	7,361
Unrestricted intergovernmental	240,200	240,200	290,285	50,085
Restricted intergovernmental	27,085	27,085	27,249	164
Permits and fees	3,500	3,500	4,357	857
Sales and services	184,000	184,000	181,499	(2,501)
Investment earnings	70	70	128	58
Miscellaneous	11,150	17,727	16,454	(1,273)
Total revenues	920,028	926,605	980,515	53,910
Expenditures:				
General government	159,431	165,981	169,476	(3,495)
Public safety	460,856	468,883	474,805	(5,922)
Transportation	170,739	204,212	182,066	22,146
Environmental protection	97,705	93,704	85,021	8,683
Debt service:				
Principal retirement	24,411	24,411	24,411	-
Interest and other charges	3,829	3,829	3,828	1
Capital outlay	31,264	31,264	31,264	-
Total expenditures	948,235	992,284	970,871	21,413
Revenues over (under) expenditures	(28,207)	(65,679)	9,644	75,323
Other financing sources (uses):				
Appropriated fund balance	28,207	33,679	-	(33,679)
Transfer from wastewater treatment fund	-	32,000	-	(32,000)
Installment purchase proceeds	-	-	31,264	31,264
Total other financing sources (uses)	28,207	65,679	31,264	(34,415)
Revenues and other sources over expenditures and other uses	\$ -	\$ -	40,908	\$ 40,908
Fund balances, beginning			748,529	
Fund balances, ending			\$ 789,437	

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, 2016**

Exhibit 7

	<b>Wastewater Treatment Fund</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 13,992	\$ 438,666	\$ 452,658
Restricted cash	-	93,068	93,068
Accounts receivable, net	39,960	88,508	128,468
Notes receivable	-	8,548	8,548
Inventories	-	60,015	60,015
Total current assets	<u>53,952</u>	<u>688,805</u>	<u>742,757</u>
Noncurrent assets:			
Capital assets:			
Land and other non-depreciable assets	-	5,250	5,250
Other capital assets, net of depreciation	31,953	3,494,134	3,526,087
Capital assets (net)	<u>31,953</u>	<u>3,499,384</u>	<u>3,531,337</u>
Total noncurrent assets	31,953	3,499,384	3,531,337
Total assets	<u>\$ 85,905</u>	<u>\$ 4,188,189</u>	<u>\$ 4,274,094</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Contributions to pension plan in current fiscal year	20,091	18,999	39,090
Pension deferrals	15,375	14,606	29,981
Total deferred outflows of resources	<u>35,466</u>	<u>33,605</u>	<u>69,071</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 2,631	\$ 7,784	\$ 10,415
Accrued payroll	8,093	8,839	16,932
Due to other funds	64,496	-	64,496
Customer deposits	-	93,068	93,068
Compensated absences - current	8,488	2,904	11,392
Installment purchases - current	-	34,118	34,118
Total current liabilities	<u>83,708</u>	<u>146,713</u>	<u>230,421</u>
Non-current liabilities:			
Compensated absences - non-current	4,983	1,706	6,689
Net pension liability	8,399	8,042	16,441
Installment purchases - non-current	-	283,935	283,935
Total non-current liabilities	<u>13,382</u>	<u>293,683</u>	<u>307,065</u>
Total liabilities	<u>97,090</u>	<u>440,396</u>	<u>537,486</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	5,681	5,465	11,146
Total deferred inflows of resources	<u>5,681</u>	<u>5,465</u>	<u>11,146</u>
<b>NET POSITION</b>			
Net investment in capital assets	31,953	3,181,331	3,213,284
Unrestricted	(13,353)	594,602	581,249
Total net position	<u>\$ 18,600</u>	<u>\$ 3,775,933</u>	<u>\$ 3,794,533</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, 2016**

**Exhibit 8**

	<b>Wastewater Treatment Fund</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 522,093	\$ 1,074,628	\$ 1,596,721
Other operating revenues	19,846	86,064	105,910
<b>Total operating revenues</b>	<u>541,939</u>	<u>1,160,692</u>	<u>1,702,631</u>
<b>OPERATING EXPENSES</b>			
Administration	222,942	253,124	476,066
Water and sewer operations	-	748,289	748,289
Water collection and treatment	296,537	-	296,537
Depreciation	3,603	267,197	270,800
<b>Total operating expenses</b>	<u>523,082</u>	<u>1,268,610</u>	<u>1,791,692</u>
<b>Operating income (loss)</b>	<u>18,857</u>	<u>(107,918)</u>	<u>(89,061)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment earnings	4	831	835
Interest and other charges	-	(7,987)	(7,987)
<b>Total non-operating revenue (expenses)</b>	<u>4</u>	<u>(7,156)</u>	<u>(7,152)</u>
<b>Income (loss) before contributions and transfers</b>	18,861	(115,074)	(96,213)
Capital contributions	-	-	-
Transfers to/from other funds	32,000	(32,000)	-
<b>Change in net position</b>	50,861	(147,074)	(96,213)
<b>Total net position, beginning</b>	(32,261)	3,923,007	3,890,746
<b>Total net position, ending</b>	<u>\$ 18,600</u>	<u>\$ 3,775,933</u>	<u>\$ 3,794,533</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**

	<b>Wastewater Treatment Fund</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 542,975	\$ 1,160,443	\$ 1,703,418
Cash paid for goods and services	(333,890)	(795,693)	(1,129,583)
Cash paid to or on behalf of employees for services	(193,269)	(228,527)	(421,796)
Net customer deposits	-	6,700	6,700
Net cash provided (used) by operating activities	<u>15,816</u>	<u>142,923</u>	<u>158,739</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Interfund activity	(32,000)	-	(32,000)
Transfers (to) from other funds	32,000	(32,000)	-
Total cash flows from non-capital financing activities	<u>-</u>	<u>(32,000)</u>	<u>(32,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(13,280)	(9,750)	(23,030)
Capital contributions	-	-	-
Principal paid on notes payable	-	(33,821)	(33,821)
Interest paid on notes payable	-	(7,987)	(7,987)
Principal received on notes receivable	-	1,912	1,912
Net cash provided (used) by capital and related financing activities	<u>(13,280)</u>	<u>(49,646)</u>	<u>(62,926)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	<u>4</u>	<u>831</u>	<u>835</u>
Net increase (decrease) in cash and cash equivalents	2,540	62,108	64,648
Balances, beginning	11,452	469,626	481,078
Balances, ending	<u>\$ 13,992</u>	<u>\$ 531,734</u>	<u>\$ 545,726</u>
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income (loss)	<u>\$ 18,857</u>	<u>\$ (107,918)</u>	<u>\$ (89,061)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	3,603	267,197	270,800
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	1,037	(249)	788
(Increase) decrease in inventory	-	8,249	8,249
Decrease in net pension asset	11,105	10,777	21,882
Increase in deferred outflows of resources - pensions	(16,206)	(15,857)	(32,063)
Increase in net pension liability	8,399	8,042	16,441
Decrease in deferred inflows of resources - pensions	(11,821)	(11,519)	(23,340)
Increase (decrease) in accounts payable	336	(25,102)	(24,766)
Increase (decrease) in accrued payroll	1,616	1,509	3,125
Increase (decrease) in customer deposits	-	6,700	6,700
Increase (decrease) in compensated absences	(1,110)	1,094	(16)
Total adjustments	<u>(3,041)</u>	<u>250,841</u>	<u>247,800</u>
Net cash provided (used) by operating activities	<u>\$ 15,816</u>	<u>\$ 142,923</u>	<u>\$ 158,739</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, 2016**

	<b>Plummer Hook and Ladder Museum</b>
<b>Assets</b>	
Cash	\$ 3,990
Total Assets	<u>\$ 3,990</u>
<b>Net Position</b>	<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, 2016**

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	<b>Plummer Hook and Ladder Museum</b>
Additions:	
Contributions	\$ -
Investment income:	
Interest	-
Total additions	<div style="border-top: 1px solid black;">-</div>
Change in net position	-
Net position, beginning	<div style="border-top: 1px solid black;">3,990</div>
Net position, ending	<div style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 3,990</div>

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, 2016**

**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, 2016**

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 Hook 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  
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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 unavailable 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**  
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acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT-Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

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.

Governmental Activities:

General Fund

Streets	\$	38,890
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Non-major funds

Cultural and recreation		1,200
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Total governmental activities	<u>\$</u>	<u>40,090</u>
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Business-type Activities:

Water and Sewer Fund

Customer deposits	\$	87,008
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Prepayment fund credit		6,060
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Total business-type activities	<u>\$</u>	<u>93,068</u>
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**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.



**Town of Warrenton, North Carolina**  
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**5. Allowances for Doubtful Accounts**

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

**6. 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. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other 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 two items that meet this criterion, contributions made to the pension plan in the 2016 fiscal year and pension deferrals. 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.

**Town of Warrenton, North Carolina**  
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**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 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)).

**Town of Warrenton, North Carolina**  
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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.

Restricted for Economic and Physical Development – portion of fund balance that is restricted due to grantor requirements.

Restricted for Cultural and Recreation – portion of fund balance that is restricted due to grantor requirements.

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.

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.

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

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

The Town 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. Noncompliance with North Carolina General Statutes**

None.

**2. Excess of Expenditures over Appropriations**

There expenditures in excess of appropriations in the General Fund, however, they were immaterial.

**Town of Warrenton, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016**

**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 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, 2016, the Town's deposits had a carrying amount of \$1,175,652 and a bank balance of \$1,210,320. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$960,320 was covered by collateral held under the Pooling Method. The Town's petty cash totaled \$160 at June 30, 2016.

**2. Investments**

At June 30, 2016 the Town's investment balances were as follows:

<b>Investments by Type</b>	<b>Valuation Measurement Method</b>	<b>Book Value at 6/30/2016</b>	<b>Maturity</b>	<b>Rating</b>
NC Capital Management Trust – Cash Portfolio	Amortized Cost	\$1,054	N/A	AAAm

All investments are measured using the market approach; using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

*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, 2016, 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.

**Town of Warrenton, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

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

**3. Receivables - Allowances for Doubtful Accounts**

The receivables shown in Exhibit 1 at June 30, 2016 were as follows:

	Accounts	Taxes	Due from other governments	Total
<b>Governmental Activities</b>				
General	\$ 16,810	\$ 29,520	\$ 28,322	\$ 74,652
Other governmental	-	-	40,764	40,764
Allowance for doubtful accounts	(5,018)	-	-	(5,018)
<b>Total governmental activities</b>	<b>\$ 11,792</b>	<b>\$ 29,520</b>	<b>\$ 69,086</b>	<b>\$ 110,398</b>
<b>Business-Type Activities:</b>				
Wastewater treatment	\$ 39,960	\$ -	\$ -	\$ 39,960
Water and sewer	181,103	-	-	181,103
Allowance for doubtful accounts	(92,595)	-	-	(92,595)
<b>Total Business-type accounts</b>	<b>\$ 128,468</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 128,468</b>

Due from other governments consisted of the following:

Local option sales tax	\$ 30,500
Franchise tax	21,900
Sales tax refund	13,472
ULRC grant	37,550
Taxes - Warren County	3,214
<b>Total</b>	<b>\$ 106,636</b>

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 \$3,357 at June 30, 2016 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 \$5,191 at June 30, 2016 and is considered fully collectible.

**Town of Warrenton, North Carolina**  
**Notes to the Financial Statements**  
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**4. Capital Assets**

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 1,000	\$ 28,500	\$ -	\$ 29,500
Construction in progress	-	37,550	-	37,550
Total capital assets not being depreciated	1,000	66,050	-	67,050
Capital assets being depreciated				
Buildings	24,111	-	-	24,111
Equipment	155,836	-	91,283	64,553
Improvements	99,449	-	-	99,449
Vehicles and motorized equipment	422,236	31,264	101,682	351,818
Total capital assets being depreciated	701,632	31,264	192,965	539,931
Less accumulated depreciation for				
Buildings	19,567	408	-	19,975
Equipment	145,943	1,441	88,555	58,829
Improvements	6,630	6,630	-	13,260
Vehicles and motorized equipment	414,500	8,305	100,082	322,723
Accumulated depreciation	586,640	\$ 16,784	\$ 188,637	414,787
Total capital assets, depreciated, net	114,992			125,144
Governmental activity capital assets, net	\$ 115,992			\$ 192,194

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

General government	\$ 7,416
Public safety	5,232
Transportation	4,136
	<u>\$ 16,784</u>

**Town of Warrenton, North Carolina**  
**Notes to the Financial Statements**  
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	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<b>Wastewater Treatment Fund</b>				
Capital assets being depreciated				
Improvements	\$ 14,858	\$ -	\$ -	\$ 14,858
Vehicles	30,065	-	11,359	18,706
Equipment	111,407	13,280	-	124,687
Total capital assets being depreciated	156,330	13,280	11,359	158,251
Less accumulated depreciation for				
Improvements	762	381	-	1,143
Vehicles	30,065	-	11,359	18,706
Equipment	103,227	3,222	-	106,449
Accumulated Depreciation	134,054	\$ 3,603	\$ 11,359	126,298
Capital assets, depreciated, net	22,276			31,953
Wastewater Treatment Fund capital assets	\$ 22,276			\$ 31,953
<b>Water and Sewer Fund</b>				
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	9,750	-	169,982
Improvements	217,054	-	-	217,054
Vehicles	188,718	-	-	188,718
Equipment	206,423	-	-	206,423
Total capital assets being depreciated	6,625,470	9,750	-	6,635,220
Less accumulated depreciation for				
Water and sewer lines	2,488,295	230,959	-	2,719,254
Water and sewer plant	34,276	4,038	-	38,314
Improvements	27,828	10,015	-	37,843
Vehicles	166,944	7,618	-	174,562
Equipment	156,546	14,567	-	171,113
Accumulated Depreciation	2,873,889	\$ 267,197	\$ -	3,141,086
Capital assets, depreciated, net	3,751,581			3,494,134
Water and Sewer Fund capital assets	\$ 3,756,831			\$ 3,499,384
Business-type Activities capital assets	\$ 3,779,107			\$ 3,531,337

**Town of Warrenton, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016**

**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 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, 2016, was 14.0% of compensation for law enforcement officers and 13.52% 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 \$88,326 for the year ended June 30, 2016.



**Town of Warrenton, North Carolina**  
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*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, 2016, the Town reported a liability of \$45,552 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Town's proportion was 0.010%, which was an increase of 0.001% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$44,674. At June 30, 2016, 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	\$ -	\$ 10,708
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	12,968
Changes in proportion and differences between Town contributions and proportionate share of contributions	76,874	-
Town contributions subsequent to the measurement date	88,326	-
Total	<u>\$ 165,200</u>	<u>\$ 23,676</u>

\$88,326 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, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2017	\$ 7,522
2018	7,522
2019	7,423
2020	30,731
Total	<u>\$ 53,198</u>

**Town of Warrenton, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

*Actuarial Assumptions.* The total pension liability in the December 31, 2014 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, 2014 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 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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	100%	

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 3.00%. All rates of return and inflation are annualized.

*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

**Town of Warrenton, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016**

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:

	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 317,647	\$ 45,552	\$ (183,681)

*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

**Town of Warrenton, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016**

- 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.

### **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, 2016 were \$8,601.

#### **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.

**Town of Warrenton, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016**

**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	\$ 88,326
Pension deferrals	76,874
Total	<u>\$ 165,200</u>

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

Taxes Receivable (General Fund)	\$ 29,520
Pension deferrals	23,676
Total	<u>\$ 53,196</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, 2016 are comprised of the following individual agreements:

**Town of Warrenton, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

**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) \$ 30,819

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. This loan was paid off during 2016. -

An agreement was executed on December 18, 2015 for \$31,264 to purchase a police car. This agreement requires three annual payments of \$10,895, including interest at 2.25% per annum. 31,264

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) 74,979

Total governmental activities \$ 137,062

**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) \$ 36,527

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) 37,489

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) 10,287

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. 233,750

Total business-type activities \$ 318,053

**Town of Warrenton, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016**

Future minimum payments as of June 30, 2016 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
<b>Governmental Activities:</b>			
2017	\$ 24,383	\$ 3,717	\$ 28,100
2018	25,044	3,056	28,100
2019	25,722	2,378	28,100
2020	15,526	1,681	17,207
2021	15,997	1,209	17,206
2022-2024	30,390	984	31,374
	<u>\$ 137,062</u>	<u>\$ 13,025</u>	<u>\$ 150,087</u>
<b>Business-Type Activities:</b>			
<b>Water and Sewer Fund:</b>			
2017	\$ 34,315	\$ 7,208	\$ 41,523
2018	24,369	6,411	30,780
2019	24,722	5,783	30,505
2020	25,087	5,143	30,230
2021	25,465	4,490	29,955
2022-2026	87,847	14,368	102,215
2027-2031	68,750	6,875	75,625
2032-2033	27,498	825	28,323
	<u>\$ 318,053</u>	<u>\$ 51,103</u>	<u>\$ 369,156</u>

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion of Balance
<b>Governmental activities:</b>					
Installment purchases	\$ 130,209	\$ 31,264	\$ 24,411	\$ 137,062	\$ 24,192
Net pension liability	-	29,111	-	29,111	-
Compensated absences	19,238	2,533	3,457	18,314	11,538
Total	<u>\$ 149,447</u>	<u>\$ 62,908</u>	<u>\$ 27,868</u>	<u>\$ 184,487</u>	<u>\$ 35,730</u>
<b>Business-type activities:</b>					
Installment purchases	\$ 351,874	\$ -	\$ 33,821	\$ 318,053	\$ 34,119
Net pension liability	-	16,441	-	16,441	-
Compensated absences	18,097	1,094	1,110	18,081	11,391
Total	<u>\$ 369,971</u>	<u>\$ 17,535</u>	<u>\$ 34,931</u>	<u>\$ 352,575</u>	<u>\$ 45,510</u>

At June 30, 2016, the Town of Warrenton had a legal debt margin of \$5,168,506.

**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.

**Town of Warrenton, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016**

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 \$75,3340 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, 2016, \$64,496 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 \$242,042 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.

The NC Commerce ULRC Grant Fund had a negative cash balance as of June 30, 2016. This is a reimbursement grant, and expenditures had to incur before the cash is received. Therefore, the General Fund loaned the NC Commerce ULRC Grant Fund \$37,550, so the fund would not report a negative cash balance.

**D. Fund Balance**

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

Total fund balance - General Fund	\$ 789,437
Less:	
Stabilization by State Statute	182,926
Streets - Powell Bill	38,890
Appropriated Fund Balance in 2017 budget	10,000
Remaining Fund Balance	\$ 557,621

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.



**Town of Warrenton, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

**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 \$508 to the Council during the year ended June 30, 2016.

**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 \$87,008 relate to water and sewer deposits held by the Town.

**Required Supplementary Financial Data:**

**Town of Warrenton**  
**Town of Warrenton's Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Three Fiscal Years\***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Warrenton's proportion of the net pension liability (asset) (%)	0.01015%	0.00907%	0.00400%
Warrenton's proportion of the net pension liability (asset) (\$)	\$ 45,552	\$ (53,490)	\$ 48,215
Warrenton's covered-employee payroll	\$ 610,237	\$ 488,917	\$ 484,406
Warrenton's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.46%	-10.94%	9.95%
Plan fiduciary net position as a percentage of the total pension liability	98.09%	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 Three Fiscal Years**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 88,326	\$ 83,130	\$ 32,304
Contributions in relation to the contractually required contribution	88,326	83,130	32,304
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Warrenton's covered-employee payroll	\$674,953	\$610,237	\$ 488,917
Contributions as a percentage of covered-employee payroll	13.09%	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, 2016**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
<b>Ad valorem taxes:</b>			
Taxes	\$	\$ 428,100	\$
Penalties and interest		2,462	
Total	<u>431,403</u>	<u>430,562</u>	<u>(841)</u>
<b>Other taxes and licenses:</b>			
Motor vehicles taxes		29,981	
Total	<u>22,620</u>	<u>29,981</u>	<u>7,361</u>
<b>Unrestricted intergovernmental:</b>			
Local option sales taxes		167,793	
Utility franchise tax		95,726	
Beer and wine tax		3,734	
Gas tax refund		1,264	
Refund Sales Tax		21,768	
Total	<u>240,200</u>	<u>290,285</u>	<u>50,085</u>
<b>Restricted intergovernmental:</b>			
Powell Bill allocation		27,249	
Police GCC grant		-	
Total	<u>27,085</u>	<u>27,249</u>	<u>164</u>
<b>Permits and fees:</b>			
Zoning fees		225	
Code enforcement		3,050	
Parking fees and enforcement		615	
Court fees		467	
Cemetery fees		-	
Total	<u>3,500</u>	<u>4,357</u>	<u>857</u>
<b>Sales and services:</b>			
Landfill fees		155,099	
Cell tower rent		26,400	
Miscellaneous		16,454	
Total	<u>201,727</u>	<u>197,953</u>	<u>(3,774)</u>
Investment earnings	<u>70</u>	<u>128</u>	<u>58</u>
Total revenues	<u>926,605</u>	<u>980,515</u>	<u>53,910</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, 2016**

	Budget	Actual	Variance Positive (Negative)
<b>Expenditures:</b>			
<b>General Government</b>			
Governing Body			
Personnel services		1,501	
Operating expenditures		1,530	
Total	<u>3,031</u>	<u>3,031</u>	<u>-</u>
Administration			
Personnel services		165,183	
Operating expenditures		93,970	
Administrative fee paid by Water and Sewer		(92,708)	
Total	<u>162,950</u>	<u>166,445</u>	<u>(3,495)</u>
Total general government	<u>165,981</u>	<u>169,476</u>	<u>(3,495)</u>
<b>Public Safety</b>			
Police			
Personnel services		335,033	
Capital outlay		31,264	
Operating expenditures		64,432	
Total	<u>422,247</u>	<u>430,729</u>	<u>(8,482)</u>
Fire			
Personnel services		3,071	
Operating expenditures		72,269	
Total	<u>77,900</u>	<u>75,340</u>	<u>2,560</u>
Total public safety	<u>500,147</u>	<u>506,069</u>	<u>(5,922)</u>
<b>Transportation and Utilities</b>			
Street repair and construction			
Personnel services		88,237	
Operating expenditures		107,329	
Mowing fees paid by Water and Sewer		(13,500)	
Total	<u>204,212</u>	<u>182,066</u>	<u>22,146</u>
Total transportation and utilities	<u>204,212</u>	<u>182,066</u>	<u>22,146</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, 2016**

	Budget	Actual	Variance Positive (Negative)
Environmental Protection			
Sanitation			
Personnel services		58,344	
Operating expenditures		26,677	
Total	93,704	85,021	8,683
Total environmental protection	93,704	85,021	8,683
Debt service			
Principal retirement		24,411	
Interest and other charges		3,828	
Total	28,240	28,239	1
Total expenditures	992,284	970,871	21,413
Revenues over (under) expenditures	(65,679)	9,644	75,323
Other financing sources (uses):			
Appropriated Fund Balance	33,679	-	(33,679)
Transfer from wastewater treatment fund	32,000	-	(32,000)
Installment purchase proceeds	-	31,264	31,264
Total	65,679	31,264	(34,415)
Revenues and other financing sources over expenditures and other financing uses	\$ -	40,908	\$ 40,908
Fund balances, beginning		748,529	
Fund balances, ending		\$ 789,437	

**Town of Warrenton  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2016**

	Hayley-Haywood Park Grant Fund	NC Main St Grant Fund	NC Commerce ULRC Grant Fund	Body Camera Grant Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,200	\$ -	\$ -	\$ -	\$ 1,200
Due from other governments	-	-	37,550	-	37,550
	<u>1,200</u>	<u>-</u>	<u>37,550</u>	<u>-</u>	<u>38,750</u>
<b>LIABILITIES</b>					
Due to other funds	-	-	37,550	-	37,550
	<u>-</u>	<u>-</u>	<u>37,550</u>	<u>-</u>	<u>37,550</u>
<b>FUND BALANCES</b>					
Restricted:					
Cultural and recreator	1,200	-	-	-	1,200
Economic and physical development	-	-	-	-	-
Total fund balances	<u>1,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,200</u>
Total liabilities and fund balances	<u>\$ 1,200</u>	<u>\$ -</u>	<u>\$ 37,550</u>	<u>\$ -</u>	<u>\$ 38,750</u>



**Town of Warrenton**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2016**

	Hayley-Haywood Park Grant Fund	NC Main St Grant Fund	NC Commerce ULRC Grant Fund	Body Camera Grant Fund	Total Nonmajor Governmental Funds
Revenues:					
Restricted intergovernmental	\$ 1,200	\$ 100,000	\$ 37,550	\$ -	\$ 138,750
Contributions	-	-	-	1,900	1,900
Total revenues	<u>1,200</u>	<u>100,000</u>	<u>37,550</u>	<u>1,900</u>	<u>140,650</u>
Expenditures:					
Public safety	-	-	-	1,900	1,900
Economic and physical development	-	100,000	37,550	-	137,550
Cultural and recreation	-	-	-	-	-
Total expenditures	<u>-</u>	<u>100,000</u>	<u>37,550</u>	<u>1,900</u>	<u>139,450</u>
Revenues over expenditures	<u>1,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,200</u>
Fund balances, beginning	-	-	-	-	-
Fund balances, ending	<u><u>\$ 1,200</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,200</u></u>

**Town of Warrenton**  
**Special Revenue Fund - Hayley-Haywood Park Grant Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**From Inception and for the Fiscal Year Ended June 30, 2016**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted Intergovernmental:					
NC Part F Grant	<u>\$ 28,500</u>	<u>\$ -</u>	<u>\$ 1,200</u>	<u>\$ 1,200</u>	<u>\$ (27,300)</u>
Expenditures:					
Current:					
Cultural and Recreation:					
Construction of the Park	<u>28,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,500</u>
Revenues over expenditures	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u>1,200</u>	<u><u>\$ 1,200</u></u>	<u><u>\$ 1,200</u></u>
Fund balances, beginning			<u>-</u>		
Fund balances, ending			<u><u>\$ 1,200</u></u>		

**Town of Warrenton**  
**Special Revenue Fund - NC Main Street Grant Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**From Inception and for the Fiscal Year Ended June 30, 2016**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted Intergovernmental:					
NC Department of Commerce	\$ 150,000	\$ -	\$ 100,000	\$ 100,000	\$ (50,000)
Expenditures:					
Current:					
Economic and physical development:					
115 E Market St renovation	100,000	-	100,000	100,000	-
132 S Main St renovation	50,000	-	-	-	50,000
Total expenditures	<u>150,000</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>50,000</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balances, beginning			<u>-</u>		
Fund balances, ending			<u>\$ -</u>		

**Town of Warrenton**  
**Special Revenue Fund - NC Commerce ULRC Grant Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**From Inception and for the Fiscal Year Ended June 30, 2016**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted Intergovernmental:					
NC Commerce ULRC Grant	<u>\$ 37,500</u>	<u>\$ -</u>	<u>\$ 37,550</u>	<u>\$ 37,550</u>	<u>\$ 50</u>
Expenditures:					
Current:					
Economic and physical developments					
Streetscape plan and Town branding	<u>37,500</u>	<u>-</u>	<u>37,550</u>	<u>37,550</u>	<u>(50)</u>
Revenues over expenditures	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u>-</u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Fund balances, beginning			<u>-</u>		
Fund balances, ending			<u><u>\$ -</u></u>		

**Town of Warrenton**  
**Special Revenue Fund - Body Camera Grant Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**From Inception and for the Fiscal Year Ended June 30, 2016**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Contributions					
Halifax Helps Grant	\$ 1,900	\$ -	\$ 1,900	\$ 1,900	\$ -
Expenditures:					
Current:					
Public safety					
Body cameras	1,900	-	1,900	1,900	-
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balances, beginning			-		
Fund balances, ending			<u>\$ -</u>		

**Town of Warrenton  
Wastewater Treatment Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non - GAAP)  
For the Fiscal Year Ended June 30, 2016**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Charges for services:			
Wastewater Treatment:	\$	\$	\$
Total	582,787	522,093	(60,694)
Total operating revenues	582,787	522,093	(60,694)
Non-operating revenues:			
Interest earnings		4	
Miscellaneous revenue		19,846	
Total nonoperating revenues	16,400	19,850	3,450
Total revenues	599,187	541,943	(57,244)
<b>Expenditures:</b>			
Operating expenditures:			
Salaries and benefits		194,885	
Audit		5,207	
Telephone and postage		6,158	
Freight		3,439	
Office supplies		902	
Light and heat		73,843	
Insurance and bonds		22,217	
Materials and supplies		37,759	
Vehicle maintenance		1,887	
Truck expense		4,320	
Equipment and plant maintenance		48,549	
Uniforms		3,419	
Sludge hauling		45,408	
Influent debris removal		3,285	
Kerr-Pamlico Basin Association		2,880	
Permits and fees		5,339	
Beaver control		2,000	
OSHA compliance		1,440	
Lab analysis		28,113	
Certified lab expense		1,846	
Computer improvements		5,521	
Continuing education		60	
Advertising		71	
Capital outlay		13,280	
Administrative fee		30,564	
Total	631,187	542,392	88,795

**Town of Warrenton  
Wastewater Treatment Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non - GAAP)  
For the Fiscal Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses):			
Transfer from water and sewer	-	32,000	(32,000)
Total other financing sources (uses)	-	32,000	(32,000)
Revenues and other sources over (under) expenditures and other uses	\$ (32,000)	\$ 31,551	\$ 63,551

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

Revenues and other sources over expenditures and other uses	\$ 31,551
Reconciling items:	
Depreciation	(3,603)
Decrease in compensated absences	1,110
Capital Outlay	13,280
Decrease in net pension asset	(11,105)
Increase in deferred outflows of resources - pensions	16,206
Increase in net pension liability	(8,399)
Decrease in deferred inflows of resources - pensions	11,821
Total reconciling items	<u>19,310</u>
Net income	<u>\$ 50,861</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, 2016**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Charges for services:			
Water and sewer sales	\$	\$ 1,056,993	\$
Water and sewer taps		17,635	
Total operating revenues	<u>1,094,877</u>	<u>1,074,628</u>	<u>(20,249)</u>
Non-operating revenues:			
Interest earnings		831	
Miscellaneous revenue		86,064	
Total non-operating revenues	<u>35,820</u>	<u>86,895</u>	<u>51,075</u>
Total revenues	<u>1,130,697</u>	<u>1,161,523</u>	<u>30,826</u>
<b>Expenditures:</b>			
Operating expenditures:			
Salaries and benefits		230,036	
Water purchases		160,530	
Sewer purchases		242,042	
Rent		3,700	
Audit		5,213	
Equipment maintenance		37,026	
Water tank maintenance		13,434	
Building maintenance		999	
Contracted services		46,945	
Insurance and bonds		15,869	
Departmental supplies and materials		43,849	
Uniforms		3,698	
Telephone and postage		10,159	
Freight		1,474	
Office supplies		2,605	
Lights and heat		3,616	
Advertising		71	
Easements		1,000	
Truck expense		12,380	
Continuing education		229	
Dues and permits		3,159	
Certified lab expense		985	
OSHA compliance		398	
Computer improvements		4,705	
Contract maintenance		15,446	
Sewer system rehabilitation		18,700	
Wastewater treatment plant rehab		54,965	
Debt service		41,808	
Capital outlay		9,750	
Mowing fee		13,500	
Administrative fee		62,144	
Total	<u>1,130,697</u>	<u>1,060,435</u>	<u>70,262</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, 2016**

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Capital contributions - NCDENR	-	-	-
Transfer to Wastewater Treatment	-	(32,000)	(32,000)
Total other financing sources (uses)	-	(32,000)	(32,000)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ 69,088	\$ 69,088
 <b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues and other sources over expenditures and other uses		\$ 69,088	
Reconciling items:			
Principal retirement		33,821	
Capital Outlay		9,750	
Decrease in net pension asset		(10,777)	
Increase in deferred outflows of resources - pensions		15,857	
Increase in net pension liability		(8,042)	
Decrease in deferred inflows of resources - pensions		11,519	
Depreciation		(267,197)	
(Increase) in compensated absences		(1,094)	
Rounding		1	
Total reconciling items		(216,162)	
Net income (loss)		\$ (147,074)	

**Town of Warrenton  
General Fund  
Schedule of Ad Valorem Taxes Receivable  
For the Fiscal Year Ended June 30, 2016**

Fiscal Year	Uncollected Balance June 30, 2015	Additions	Collections And Credits	Abatements And Adjustments	Uncollected Balance June 30, 2016
2015	\$ -	\$ 428,802	\$ 416,038	\$ -	\$ 12,764
2014	9,551	-	7,219	-	2,332
2013	6,334	-	3,599	-	2,735
2012	3,359	-	1,112	-	2,247
2011	1,977	-	49	-	1,928
2010	1,657	-	31	-	1,626
2009	1,720	-	-	-	1,720
2008	1,924	-	42	-	1,882
2007	2,345	-	2,345	-	-
2006	2,005	-	2,005	-	-
2005	2,286	-	-	-	2,286
	<u>\$ 33,158</u>	<u>\$ 428,802</u>	<u>\$ 432,440</u>	<u>\$ -</u>	<u>\$ 29,520</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 430,562
Reconciling items:	
Interest collected	(2,462)
Releases	4,342
Subtotal	<u>1,880</u>
Total collections and credits	<u>\$ 432,442</u>

**Town of Warrenton  
 Analysis of Current Tax Levy  
 Town - Wide Levy  
 For the Fiscal Year Ended June 30, 2016**

	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	\$ 61,669,991	0.61	\$ 376,187	\$ 376,187	\$ -
Discoveries	4,028,151	0.61	24,572	24,572	-
Releases	(271,856)		(1,658)	(1,658)	-
Registered motor vehicles	4,868,973	0.61	29,701	-	29,701
Total Property Valuation	<u>\$ 70,295,259</u>		<u>\$ 428,802</u>	<u>\$ 399,101</u>	<u>\$ 29,701</u>
 Net levy			 \$ 428,802	 \$ 399,101	 \$ 29,701
Uncollected taxes at June 30, 2016			<u>(12,764)</u>	<u>(12,764)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 416,038</u>	<u>\$ 386,337</u>	<u>\$ 29,701</u>
Current levy collection percentage			<u>97.02%</u>	<u>96.80%</u>	<u>100.00%</u>

## **COMPLIANCE SECTION**



**PETWAY**  
**MILLS &**  
**PEARSON, PA**  
 CERTIFIED PUBLIC ACCOUNTANTS

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

C. Briggs Petway, Jr.  
 Phyllis M. Pearson

To the Honorable Mayor and Members of the Board of Commissions  
 Town of Warrenton  
 Warrenton, North Carolina

Zebulon Office  
 P.O. Box 1036  
 806 N. Arendell Ave.  
 Zebulon, NC 27597  
 919.269.7405  
 919.269.8728 Fax

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Warrenton, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Warrenton's basic financial statements, and have issued our report thereon dated October 14, 2016.

Raleigh Office  
 9121 Anson Way  
 Raleigh, NC 27615  
 919-781-1047

Internal Control Over Financial Reporting

[www.pmpcpa.com](http://www.pmpcpa.com)

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

Memberships:

North Carolina  
 Association of  
 Certified Public  
 Accountants

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

American Institute  
 Of Certified Public  
 Accountants

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

Medical Group  
 Management  
 Association

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Warrenton's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of

our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

*Petway Mills & Pearson, PA*

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PETWAY MILLS & PEARSON, PA  
Certified Public Accountants  
Zebulon, North Carolina

October 14, 2016

**Town of Warrenton  
Schedule of Findings and Responses  
For the Year Ended June 30, 2016**

**SECTION I. – SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?    \_\_\_\_\_ yes      x   no

Significant deficiency (ies) identified  
that are not considered to be  
material weaknesses?    \_\_\_\_\_ yes      x   none reported

Noncompliance material to financial  
statements noted    \_\_\_\_\_ yes      x   no

**Town of Warrenton  
Schedule of Findings and Responses  
For the Year Ended June 30, 2016**

**SECTION II. – FINANCIAL STATEMENT FINDINGS**

None.



**Town of Warrenton  
Corrective Action Plan  
For the Year Ended June 30, 2016**

**SECTION II. – FINANCIAL STATEMENT FINDINGS**

None.

**Town of Warrenton  
Summary Schedule of Prior Year's Audit Findings  
For the Year Ended June 30, 2016**

**SECTION II. – FINANCIAL STATEMENT FINDINGS**

**MATERIAL WEAKNESS**

2015-1            Deficit Fund Balance or Net Position

The Wastewater Treatment Plant Fund had a deficit net position at June 30, 2015.

Status:            Corrected

**Town of Warrenton**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2016**

GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	STATE/ PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES	PASSED- THROUGH TO SUBRECIPIENTS
<b>FEDERAL GRANTS:</b>				
CASH ASSISTANCE				
<u>US Department of Agriculture</u>				
Rural Business Enterprise Grant	10.769		\$ -	\$ -
<b>TOTAL FEDERAL AWARDS</b>			<b>-</b>	<b>-</b>
<b>NC STATE GRANTS:</b>				
CASH ASSISTANCE				
<u>NC Department of Transportation</u>				
Powell Bill		DOT-4	37,533	-
Total NC Department of Transportation			37,533	-
<u>NC Department of Commerce</u>				
Main Street Solution Fund Grant Program			-	100,000
Underserved and Limited Resource Communities Grant Program (ULRC)		2016-024-2589-1534	37,550	-
Total NC Department of Commerce			37,550	100,000
<b>TOTAL STATE AWARDS</b>			<b>75,083</b>	<b>100,000</b>
<b>TOTAL FEDERAL AND STATE AWARDS</b>			<b>\$ 75,083</b>	<b>\$ 100,000</b>

Note to the Schedule of Expenditures of Federal and State Awards:

Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and State grant activity of the Town of Warrenton under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. This information in this Schedule of Expenditures of Federal and State Awards is presented in accordance with the requirements of *Government Auditing Standards*. Because the Schedule presents only a selected portion of the operations of the Town of Warrenton, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Warrenton.