

TOWN OF WARRENTON, NORTH CAROLINA

ANNUAL FINANCIAL REPORT

As of and for the Year Ended June 30, 2018

And Report of Independent Auditor

BOARD OF COMMISSIONERS

Walter M. Gardner, Jr. - Mayor

John Blalock - Mayor Pro Tem

Kimberly Harding

Tom Hardy

Mary Hunter

Margaret Britt

Frank Holt

Michael Coffman

ADMINISTRATIVE AND FINANCIAL STAFF

Meredith Valentine - Finance Director

Robert Davie, Jr. - Town Administrator

TOWN OF WARRENTON, NORTH CAROLINA

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TOWN OF WARRENTON

FINANCIAL SECTION

Report of Independent Auditor

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, each major fund, and the aggregate remaining fund information of the Town of Warrenton, North Carolina (the "Town"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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 Town'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, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2018, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information as listed in the table of contents 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.

Supplemental and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements as a whole. The individual fund statements and schedules and other schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2019 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that 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 the 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's internal control over financial reporting and compliance.

Chemy Bekaert LLP

Raleigh, North Carolina
March 26, 2019

TOWN OF WARRENTON, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

As management of the Town of Warrenton (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018. 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

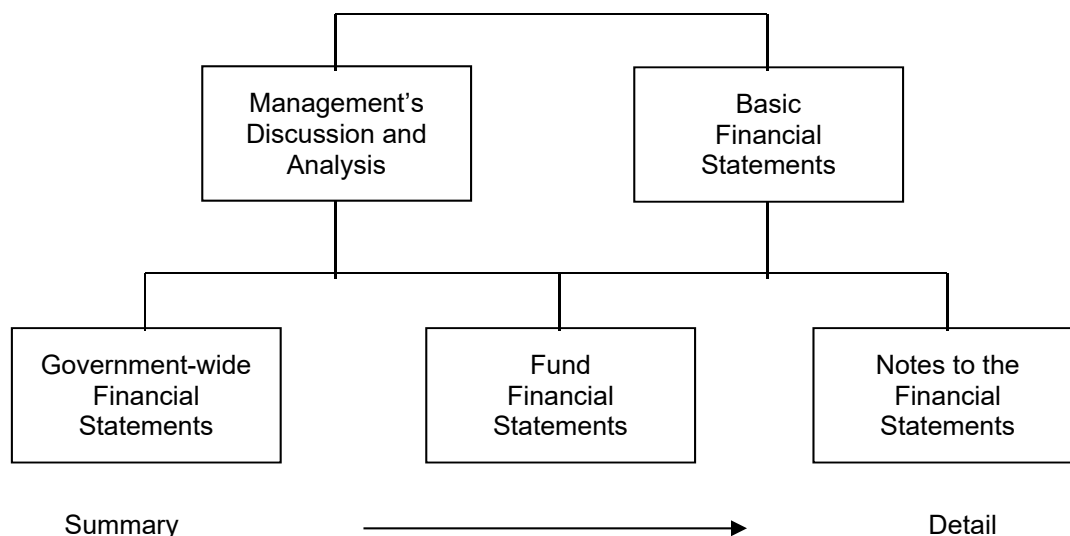
- The assets of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$4,514,770 (net position).
- The government's total net position decreased by \$99,223 (including the restatement) primarily due to decreases in the governmental activities capital grants and contributions and increases in water and sewer expenses.
- At the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$911,847 with a net change of \$58,508 (including the restatement) in fund balance. Approximately 29.92% of this total amount, or \$272,824, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$639,023, or 64.54%, 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 the Town'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.

Required Components of Annual Financial Report

Figure 1



TOWN OF WARRENTON, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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 21) 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 four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes explain in detail some of the data contained in those statements. After the notes, **Supplemental information** is provided to show 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 outflows and inflows of resources. Measuring net assets is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer and wastewater services offered by the Town.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, 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 Town's funds 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.

TOWN OF WARRENTON, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside of the Board. The Town's fiduciary fund is an agency fund for the Plummer Hook and Ladder Museum.

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 22 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 47 of this report.

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

TOWN OF WARRENTON, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Current and other assets	\$ 940,731	\$ 893,757	\$ 2,831,198	\$ 801,216	\$ 3,771,929	\$ 1,694,973
Capital assets	297,129	263,219	3,645,165	3,262,527	3,942,294	3,525,746
Deferred outflows of resources	161,773	210,118	106,640	146,726	268,413	356,844
Total assets and deferred outflows of resources	<u>1,399,633</u>	<u>1,367,094</u>	<u>6,583,003</u>	<u>4,210,469</u>	<u>7,982,636</u>	<u>5,577,563</u>
Long-term liabilities outstanding	295,059	394,258	3,001,674	406,479	3,296,733	800,737
Other liabilities	6,113	8,255	133,399	144,517	139,512	152,772
Deferred inflows of resources	29,718	6,171	1,903	3,890	31,621	10,061
Total Liabilities and deferred inflows of resources	<u>330,890</u>	<u>408,684</u>	<u>3,136,976</u>	<u>554,886</u>	<u>3,467,866</u>	<u>963,570</u>
Net Assets:						
Invested in capital assets, net of related debt	144,328	90,595	734,794	2,978,788	879,122	3,069,383
Restricted	266,991	216,834	2,045,220	-	2,312,211	216,834
Unrestricted	657,424	650,981	666,013	676,795	1,323,437	1,327,776
Total Net Assets	<u>\$ 1,068,743</u>	<u>\$ 958,410</u>	<u>\$ 3,446,027</u>	<u>\$ 3,655,583</u>	<u>\$ 4,514,770</u>	<u>\$ 4,613,993</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town exceeded liabilities and deferred inflows by \$4,514,770 as of June 30, 2018. The Town's net position decreased by \$117,996 for the fiscal year ended June 30, 2018. 19.47% reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town'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's net position, \$2,312,211 (51.21%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,323,437 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 98.47%.

TOWN OF WARRENTON, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

Town of Warrenton's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Revenues:						
Program Revenues:						
Charges for services	\$ 152,472	\$ 164,635	\$ 1,716,360	\$ 1,748,498	\$ 1,868,832	\$ 1,913,133
Operating grants and contributions	120,143	29,729	-	-	120,143	29,729
Capital grants and contributions	48,263	31,813	40,000	-	88,263	31,813
General Revenues:						
Property taxes	461,790	460,189	-	-	461,790	460,189
Other taxes	353,388	338,311	-	-	353,388	338,311
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other	45,357	39,367	425	356	45,782	39,723
Total Revenues	1,181,413	1,064,044	1,756,785	1,748,854	2,938,198	2,812,898
Expenses:						
General government	197,047	254,004	-	-	197,047	254,004
Public safety	500,135	453,368	-	-	500,135	453,368
Transportation	186,494	172,609	-	-	186,494	172,609
Environmental protection	99,932	96,146	-	-	99,932	96,146
Economic and physical development	93,750	-	-	-	93,750	-
Cultural and recreational	11,854	-	-	-	11,854	-
Interest on long-term debt	641	5,136	-	-	641	5,136
Water and sewer	-	-	1,966,341	1,887,804	1,966,341	1,887,804
Total Expenses	1,089,853	981,263	1,966,341	1,887,804	3,056,194	2,869,067
Increase (Decrease) in Net Position	91,560	82,781	(209,556)	(138,950)	(117,996)	(56,169)
Net position, July 1	958,410	922,062	3,655,583	3,794,533	4,613,993	4,716,595
Net position, beginning, restated	18,773	(46,433)	-	-	18,773	(46,433)
Net position, June 30	\$ 1,068,743	\$ 958,410	\$ 3,446,027	\$ 3,655,583	\$ 4,514,770	\$ 4,613,993

Governmental Activities – Governmental activities increased the Town's net position by \$110,333, thereby accounting for 100% of the total growth in the net position of the Town.

Business-type Activities – Business-type activities decreased the Town's net position by \$209,556.

TOWN OF WARRENTON, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$639,023, while total fund balance reached \$910,864. The Governing Body of the Town 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 64.53% of the total General Fund expenditures, while total fund balance represents 91.99% of the same amount.

General Fund Budgetary Highlights – During the fiscal year, the Town 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'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 \$(39,850), and those for the Water and Sewer Fund amounted to \$705,863. The total change in net position for both funds was \$(1,342) and \$(208,214), respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital Assets – The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2018, totaled \$3,942,294 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and vehicles.

TOWN OF WARRENTON, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Land	\$ 29,500	\$ 29,500	\$ 5,250	\$ 5,250	\$ 34,750	\$ 34,750
Buildings and system	1,501	1,501	122,876	127,272	124,377	128,773
Improvements	72,929	79,559	172,133	182,530	245,062	262,089
Water and sewer lines	-	-	2,672,954	2,902,984	2,672,954	2,902,984
Machinery and equipment	28,984	22,269	32,534	35,244	61,518	57,513
Vehicles and motorized equipment	104,252	70,427	69,638	8,089	173,890	78,516
Construction in progress	59,963	59,963	569,780	1,158	629,743	61,121
Total	<u>\$ 297,129</u>	<u>\$ 263,219</u>	<u>\$ 3,645,165</u>	<u>\$ 3,262,527</u>	<u>\$ 3,942,294</u>	<u>\$ 3,525,746</u>

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

Long-Term Debt – As of June 30, 2018, the Town had total debt outstanding of \$3,063,172. Of this, \$3,063,172 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% of the assessed value of taxable property located within that government's boundaries. The legal debt margin of the Town is \$2,461,676.

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

Economic Factors and Next Year's Budgets and Rates

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

- Unemployment. Warren County's unemployment rate of 5.9% is above the state average of 4.2%.

Budget Highlights for the Fiscal Year Ending June 30, 2019

Governmental Activities – Revenues and expenditures are expected to remain comparable with 2017-2018 revenues and expenditures. Property taxes will remain unchanged.

Business-type Activities – Revenues and expenditures are expected to remain comparable with 2017-2018 revenues and expenditures.

TOWN OF WARRENTON, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

Requests for Information

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

TOWN OF WARRENTON

BASIC FINANCIAL STATEMENTS

TOWN OF WARRENTON, NORTH CAROLINA
STATEMENT OF NET POSITION

EXHIBIT 1

JUNE 30, 2018

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 680,047	\$ 505,403	\$ 1,185,450
Restricted cash	22,870	2,145,434	2,168,304
Taxes receivables (net)	22,771	-	22,771
Prepaid expenses	5,833	-	5,833
Accounts receivable (net) - trade	11,527	124,257	135,784
Due from other governments	133,187	68,774	201,961
Notes receivable	-	1,459	1,459
Internal balances	64,496	(64,496)	-
Inventories	-	50,367	50,367
Total current assets	940,731	2,831,198	3,771,929
Noncurrent Assets:			
Capital Assets:			
Land, non-depreciable improvements, and construction in progress	89,463	575,030	664,493
Other capital assets, net of depreciation	207,666	3,070,135	3,277,801
Total capital assets	297,129	3,645,165	3,942,294
Total assets	1,237,860	6,476,363	7,714,223
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	161,773	106,640	268,413
Total deferred outflows of resources	161,773	106,640	268,413
LIABILITIES			
Current Liabilities:			
Accounts payable - trade	2,978	18,205	21,183
Accrued payroll	3,135	14,980	18,115
Deposits held	-	100,214	100,214
Long-term Liabilities:			
Due within one year	42,035	44,646	86,681
Net pension liability - LGERS	100,830	67,220	168,050
Total pension liability - LEOSSA	26,571	-	26,571
Due in more than one year	125,623	2,889,808	3,015,431
Total liabilities	301,172	3,135,073	3,436,245
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	29,718	1,903	31,621
Total deferred inflows of resources	29,718	1,903	31,621
NET POSITION			
Net investment in capital assets	144,328	734,794	879,122
Restricted for:			
Streets	16,783	-	16,783
Stabilization by State Statute	248,029	-	248,029
USDA	1,196	2,045,220	2,046,416
Cultural and recreation	983	-	983
Unrestricted	657,424	666,013	1,323,437
Total net position	\$ 1,068,743	\$ 3,446,027	\$ 4,514,770

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

TOWN OF WARRENTON, NORTH CAROLINA
STATEMENT OF ACTIVITIES

EXHIBIT 2

YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 197,047	\$ 3,700	\$ -	\$ -	\$ (193,347)	\$ -	\$ (193,347)
Public safety	500,135	674	-	34,000	(465,461)	-	(465,461)
Streets	186,494	-	26,393	-	(160,101)	-	(160,101)
Environmental protection	99,932	145,098	-	-	45,166	-	45,166
Economic and physical development	93,750	3,000	93,750	-	3,000	-	3,000
Cultural and recreation	11,854	-	-	14,263	2,409	-	2,409
Interest on long-term debt	641	-	-	-	(641)	-	(641)
Total governmental activities	1,089,853	152,472	120,143	48,263	(768,975)	-	(768,975)
Business-type Activities:							
Wastewater treatment	614,669	613,275	-	-	-	(1,394)	(1,394)
Water and sewer	1,351,672	1,103,085	-	40,000	-	(208,587)	(208,587)
Total business-type activities	1,966,341	1,716,360	-	40,000	-	(209,981)	(209,981)
Total primary government	\$ 3,056,194	\$ 1,868,832	\$ 120,143	\$ 88,263	(768,975)	(209,981)	(978,956)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					461,790	-	461,790
Other taxes					353,388	-	353,388
Unrestricted investment earnings					167	425	592
Miscellaneous					43,690	-	43,690
Gain on sale of fixed assets					1,500	-	1,500
Total general revenues					860,535	425	860,960
Change in net position					91,560	(209,556)	(117,996)
Net position, beginning					958,410	3,655,583	4,613,993
Restatement (Note 8)					18,773	-	18,773
Net position, beginning, restated					977,183	3,655,583	4,632,766
Net position, ending					\$ 1,068,743	\$ 3,446,027	\$ 4,514,770

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

TOWN OF WARRENTON, NORTH CAROLINA
BALANCE SHEET – GOVERNMENTAL FUNDS

EXHIBIT 3

JUNE 30, 2018

	General	Total Non-Major Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 680,047	\$ -	\$ 680,047
Restricted cash	17,979	4,891	22,870
Receivables, net:			
Taxes	22,771	-	22,771
Accounts - trade	11,527	-	11,527
Prepaid expenses	5,833	-	5,833
Due from other funds	98,612	-	98,612
Due from other governments	102,979	30,208	133,187
Total assets	<u>\$ 939,748</u>	<u>\$ 35,099</u>	<u>\$ 974,847</u>
LIABILITIES			
Accounts payable - trade	\$ 2,978	\$ -	\$ 2,978
Accrued payroll	3,135	-	3,135
Due to other funds	-	34,116	34,116
Total liabilities	<u>6,113</u>	<u>34,116</u>	<u>40,229</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	22,771	-	22,771
Total deferred inflows of resources	<u>22,771</u>	<u>-</u>	<u>22,771</u>
FUND BALANCES			
Nonspendable:			
Prepays	5,833	-	5,833
Restricted:			
Stabilization by State Statute	248,029	-	248,029
USDA	1,196	-	1,196
Streets	16,783	-	16,783
Cultural and recreation	-	983	983
Unassigned	639,023	-	639,023
Total fund balances	<u>910,864</u>	<u>983</u>	<u>911,847</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 939,748</u>	<u>\$ 35,099</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.	297,129
Net pension liability	(100,830)
Total pension liability	(26,571)
Deferred outflows of resources related to pensions are not reported in the funds	161,773
Earned revenues considered deferred inflows of resources in fund statements	22,771
Deferred inflows of resources related to pensions are not reported in the funds	(29,718)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	(167,658)
Net position of governmental activities	<u>\$ 1,068,743</u>

TOWN OF WARRENTON, NORTH CAROLINA

EXHIBIT 4

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2018

	General Fund	Total Non-Major Funds	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 459,099	\$ -	\$ 459,099
Other taxes and licenses	1,484	-	1,484
Unrestricted intergovernmental	353,388	-	353,388
Restricted intergovernmental	26,393	142,013	168,406
Permits and fees	7,374	-	7,374
Sales and services	173,498	-	173,498
Investment earnings	167	-	167
Miscellaneous	15,290	-	15,290
Total revenues	<u>1,036,693</u>	<u>142,013</u>	<u>1,178,706</u>
Expenditures:			
General government	176,852	-	176,852
Public safety	477,730	4,000	481,730
Streets	181,811	-	181,811
Economic and physical development	-	93,750	93,750
Culture and recreation	-	11,854	11,854
Environmental protection	99,489	-	99,489
Debt service:			
Principal	52,371	-	52,371
Interest and other charges	1,883	-	1,883
Capital outlay	-	70,231	70,231
Total expenditures	<u>990,136</u>	<u>179,835</u>	<u>1,169,971</u>
Excess (deficiency) of revenues over expenditures	<u>46,557</u>	<u>(37,822)</u>	<u>8,735</u>
Other Financing Sources (Uses):			
Transfers	(9,305)	9,305	-
Proceeds from sale of capital assets	1,500	-	1,500
Installment purchase proceeds	-	29,500	29,500
Total other financing sources (uses)	<u>(7,805)</u>	<u>38,805</u>	<u>31,000</u>
Net change in fund balance	<u>38,752</u>	<u>983</u>	<u>39,735</u>
Fund balances, beginning	853,339	-	853,339
Restatement (Note 8)	18,773	-	18,773
Fund balances, beginning, restated	<u>872,112</u>	<u>-</u>	<u>872,112</u>
Fund balances, ending	<u>\$ 910,864</u>	<u>\$ 983</u>	<u>\$ 911,847</u>

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

TOWN OF WARRENTON, NORTH CAROLINA

EXHIBIT 5

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES***YEAR ENDED JUNE 30, 2018*

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

Net changes in fund balances - total governmental funds	\$ 39,735
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	
Capital outlay expenditures which were capitalized	74,194
Depreciation expense for governmental assets	(40,284)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	57,583
Benefit payments paid and administrative expense for LEOSSA are not included on the Statement of Activities	(11,841)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred revenue for tax revenues	1,207
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Principal payments on long-term debt	50,565
New long-term debt issued	(29,500)
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.	
Pension expense	(55,448)
Compensated absences	5,349
Total changes in net position of governmental activities	<u>\$ 91,560</u>

TOWN OF WARRENTON, NORTH CAROLINA

EXHIBIT 6

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET TO ACTUAL – GENERAL FUND**

YEAR ENDED JUNE 30, 2018

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 430,000	\$ 430,000	\$ 459,099	\$ 29,099
Other taxes and licenses	30,000	30,000	1,484	(28,516)
Unrestricted intergovernmental	308,006	308,006	353,388	45,382
Restricted intergovernmental	26,500	36,442	26,393	(10,049)
Permits and fees	4,200	4,200	7,374	3,174
Sales and services	203,348	205,361	173,498	(31,863)
Investment earnings	100	100	167	67
Miscellaneous	-	-	15,290	15,290
Total revenues	<u>1,002,154</u>	<u>1,014,109</u>	<u>1,036,693</u>	<u>22,584</u>
Expenditures:				
General government	179,476	178,123	176,852	1,271
Public safety	500,111	490,134	477,730	12,404
Streets	173,765	189,631	181,811	7,820
Environmental protection	105,782	105,782	99,489	6,293
Debt service:				
Principal retirement	52,371	52,371	52,371	-
Interest and other charges	(9,351)	1,889	1,883	6
Total expenditures	<u>1,002,154</u>	<u>1,017,930</u>	<u>990,136</u>	<u>27,794</u>
Revenues over expenditures	<u>-</u>	<u>(3,821)</u>	<u>46,557</u>	<u>50,378</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	-	-	1,500	1,500
Transfers	-	-	(9,305)	(9,305)
Appropriated fund balance	-	3,821	-	(3,821)
Total other financing sources (uses)	<u>-</u>	<u>3,821</u>	<u>(7,805)</u>	<u>(11,626)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>38,752</u>	<u>\$ 38,752</u>
Fund balances, beginning			853,339	
Restatement (Note 8)			18,773	
Fund balances, ending			<u>\$ 910,864</u>	

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

TOWN OF WARRENTON, NORTH CAROLINA
STATEMENT OF NET POSITION –
PROPRIETARY FUNDS

EXHIBIT 7

JUNE 30, 2018

	Wastewater Treatment Fund	Water and Sewer Fund	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ -	505,403	\$ 505,403
Restricted cash	-	2,145,434	2,145,434
Accounts receivable, net	30	124,227	124,257
Notes receivable	-	1,459	1,459
Due from other governments	68,774	-	68,774
Due from other funds	-	33,078	33,078
Inventories	-	50,367	50,367
Total current assets	68,804	2,859,968	2,928,772
Noncurrent Assets:			
Capital Assets:			
Land and other non-depreciable assets	-	575,030	575,030
Other capital assets, net of depreciation	27,646	3,042,489	3,070,135
Capital assets (net)	27,646	3,617,519	3,645,165
Total noncurrent assets	27,646	3,617,519	3,645,165
Total assets	96,450	6,477,487	6,573,937
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	53,320	53,320	106,640
Total deferred outflows of resources	53,320	53,320	106,640
LIABILITIES			
Current Liabilities:			
Accounts payable	1,480	16,725	18,205
Accrued payroll	9,723	5,257	14,980
Due to other funds	97,574	-	97,574
Customer deposits	-	100,214	100,214
Compensated absences - current	11,741	3,432	15,173
Installment purchases - current	-	29,473	29,473
Total current liabilities	120,518	155,101	275,619
Noncurrent Liabilities:			
Compensated absences - noncurrent	6,895	2,015	8,910
Net pension liability	33,610	33,610	67,220
Installment purchases - noncurrent	-	2,880,898	2,880,898
Total noncurrent liabilities	40,505	2,916,523	2,957,028
Total liabilities	161,023	3,071,624	3,232,647
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	951	952	1,903
Total deferred inflows of resources	951	952	1,903
NET POSITION			
Net investment in capital assets	27,646	707,148	734,794
Restricted	-	2,045,220	2,045,220
Unrestricted	(39,850)	705,863	666,013
Total net position	\$ (12,204)	\$ 3,458,231	\$ 3,446,027

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

TOWN OF WARRENTON, NORTH CAROLINA

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUNDS***YEAR ENDED JUNE 30, 2018*

	Wastewater Treatment Fund	Water and Sewer Fund	Total
Operating Revenues:			
Charges for services	\$ 590,342	\$ 1,057,164	\$ 1,647,506
Other operating revenues	22,933	45,921	68,854
Total operating revenues	<u>613,275</u>	<u>1,103,085</u>	<u>1,716,360</u>
Operating Expenses:			
Administration	275,488	292,480	567,968
Water and sewer operations	-	781,137	781,137
Water collection and treatment	334,924	-	334,924
Depreciation	4,257	271,633	275,890
Total operating expenses	<u>614,669</u>	<u>1,345,250</u>	<u>1,959,919</u>
Operating loss	<u>(1,394)</u>	<u>(242,165)</u>	<u>(243,559)</u>
Non-operating Revenues (Expenses):			
Investment earnings	52	373	425
Interest and other charges	-	(6,422)	(6,422)
Total non-operating revenue (expenses)	<u>52</u>	<u>(6,049)</u>	<u>(5,997)</u>
Loss before contributions and transfers	(1,342)	(248,214)	(249,556)
Capital contributions	<u>-</u>	<u>40,000</u>	<u>40,000</u>
Change in net position	(1,342)	(208,214)	(209,556)
Total net position, beginning	(10,862)	3,666,445	3,655,583
Total net position, ending	<u>\$ (12,204)</u>	<u>\$ 3,458,231</u>	<u>\$ 3,446,027</u>

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

TOWN OF WARRENTON, NORTH CAROLINA
STATEMENT OF CASH FLOWS–
PROPRIETARY FUNDS

EXHIBIT 9

YEAR ENDED JUNE 30, 2018

	Wastewater Treatment Fund	Water and Sewer Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers	\$ 571,249	\$ 1,147,574	\$ 1,718,823
Cash paid for goods and services	(334,924)	(761,587)	(1,096,511)
Cash paid to or on behalf of employees for services	(270,672)	(304,417)	(575,089)
Net customer deposits	-	2,665	2,665
Net cash provided (used) by operating activities	<u>(34,347)</u>	<u>84,235</u>	<u>49,888</u>
Cash Flows from Non-Capital Financing Activities:			
Interfund activity	33,078	(33,078)	-
Decrease in due from other funds	-	87	33,165
Transfers (to) from other funds	-	-	-
Total cash flows from non-capital financing activities	<u>33,078</u>	<u>(32,991)</u>	<u>87</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets	(4,069)	(654,459)	(658,528)
Note payable proceeds	-	2,651,000	2,651,000
Capital contributions	-	40,000	40,000
Principal paid on notes payable	-	(24,368)	(24,368)
Interest paid on notes payable	-	(6,422)	(6,422)
Principal received on notes receivable	-	953	953
Net cash used by capital and related financing activities	<u>(4,069)</u>	<u>2,006,704</u>	<u>2,002,635</u>
Cash Flows from Investing Activities:			
Interest and dividends	<u>52</u>	<u>373</u>	<u>425</u>
Net increase (decrease) in cash and cash equivalents	(5,286)	2,058,321	2,053,035
Balances, beginning	5,286	592,516	597,802
Balances, ending	<u>\$ -</u>	<u>\$ 2,650,837</u>	<u>\$ 2,650,837</u>
Reconciliation of operating income to net cash provided (used)			
by operating activities:			
Operating loss	<u>\$ (1,394)</u>	<u>\$ (242,165)</u>	<u>\$ (243,559)</u>
Adjustments to reconcile operating income to net cash provided			
by operating activities:			
Depreciation	4,257	271,633	275,890
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(42,026)	44,489	2,463
(Increase) decrease in inventory	-	19,550	19,550
Decrease in deferred outflows of resources - pensions	18,329	21,757	40,086
Decrease in net pension liability	(16,233)	(17,947)	(34,180)
Increase (decrease) in deferred inflows of resources - pensions	951	(2,938)	(1,987)
Increase (decrease) in accounts payable	1,774	(6,572)	(4,798)
Increase (decrease) in accrued payroll	(1,617)	(7,368)	(8,985)
Increase (decrease) in customer deposits	-	2,665	2,665
Increase (decrease) in compensated absences	1,612	1,131	2,743
Total adjustments	<u>(32,953)</u>	<u>326,400</u>	<u>293,447</u>
Net cash provided (used) by operating activities	<u>\$ (34,347)</u>	<u>\$ 84,235</u>	<u>\$ 49,888</u>

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

TOWN OF WARRENTON, NORTH CAROLINA
STATEMENT OF NET POSITION –
FIDUCIARY FUNDS

EXHIBIT 10

YEAR ENDED JUNE 30, 2018

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

TOWN OF WARRENTON, NORTH CAROLINA
STATEMENT OF CHANGES IN NET POSITION –
FIDUCIARY FUNDS

EXHIBIT 11

YEAR ENDED JUNE 30, 2018

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

TOWN OF WARRENTON

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF WARRENTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

Note 1—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 nonmajor 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

JUNE 30, 2018

Note 1—Summary of significant accounting policies (continued)

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 the 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 ("G.S."), 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.

TOWN OF WARRENTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

Note 1—Summary of significant accounting policies (continued)

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as 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 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.

TOWN OF WARRENTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

Note 1—Summary of significant accounting policies (continued)

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust ("NCCMT"). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

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. They 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	\$ 16,783
USDA	1,196
	<u>17,979</u>

Nonmajor Funds:

Cultural and Recreational

Total governmental activities	<u>\$ 4,891</u>
	<u><u>\$ 22,870</u></u>

Business-Type Activities:

Water and Sewer Fund

Customer deposits	\$ 93,345
Prepayment fund credit	6,869
USDA	2,045,220
Total business-type activities	<u><u>\$ 2,145,434</u></u>

TOWN OF WARRENTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

Note 1—Summary of significant accounting policies (continued)

4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

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

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; and 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

TOWN OF WARRENTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

Note 1—Summary of significant accounting policies (continued)

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 2018 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 Governmental Accounting Standards Board (“GASB”) Statement 68.

9. Long-Term Obligations

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

TOWN OF WARRENTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

Note 1—Summary of significant accounting policies (continued)

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

Restricted for USDA – 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'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 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's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

TOWN OF WARRENTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

Note 2—Stewardship, compliance, and accountability

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

1. Noncompliance with North Carolina General Statutes

For the fiscal year ended June 30, 2018, the Wastewater Treatment Fund had a deficit in net position of \$12,204 primarily as a result of the outstanding payable due to the General Fund. As described in Note III.B.5.c, the Town operates the wastewater facility at cost. The cost of operations is allocated between the Town of Warrenton, the Town of Norlina, and Warren County.

Note 3—Detail notes on all funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in 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 under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer 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, 2018, the Town's deposits had a carrying amount of \$3,356,571 and a bank balance of \$3,256,536. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$3,006,536 was covered by collateral held under the Pooling Method. The Town's petty cash totaled \$100 at June 30, 2018.

TOWN OF WARRENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

Note 3—Detail notes on all funds (continued)

2. Investments

At June 30, 2018, the Town had \$1,073 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAA by Standard and Poor's. The Town has no policy regarding credit risk.

3. Receivables - Allowances for Doubtful Accounts

The receivables shown in Exhibit 1 at June 30, 2018 were as follows:

	Accounts	Taxes	Due from Other Governments	Total
Governmental Activities:				
General	\$ 18,431	\$ 22,771	\$ 102,979	\$ 144,181
Other governmental	-	-	30,208	30,208
Allowance for doubtful accounts	(6,904)	-	-	(6,904)
Total governmental	<u>\$ 11,527</u>	<u>\$ 22,771</u>	<u>\$ 133,187</u>	<u>\$ 167,485</u>
Business Type Activities:				
Wastewater treatment	\$ 30	\$ -	\$ 68,774	\$ 68,804
Water and sewer	186,363	-	-	186,363
Allowance for doubtful accounts	(62,136)	-	-	(62,136)
Total business-type activities	<u>\$ 124,257</u>	<u>\$ -</u>	<u>\$ 68,774</u>	<u>\$ 193,031</u>

Due from other governments consisted of the following:

Local option sales tax	\$ 58,763
Franchise tax	20,017
Sales tax refund	20,984
MS Downtown Redevelopment	2,908
Hayley Haywood Park Grant	27,300
Taxes - Warren County	3,215
Total	<u>\$ 133,187</u>
Town of Norlina	\$ 30,391
Warren County	38,383
	<u>\$ 68,774</u>

The Town has an outstanding note receivable with a local business. The loan was made for improvements on real property, and funds were provided by the U.S. Department of Agriculture to make the loan.

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 \$1,459 at June 30, 2018 and is considered fully collectible.

TOWN OF WARRENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

Note 3—Detail notes on all funds (continued)

4. Capital Assets

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 29,500	\$ -	\$ -	\$ 29,500
Construction in progress	59,963	-	-	59,963
Total capital assets not being depreciated	<u>89,463</u>	<u>-</u>	<u>-</u>	<u>89,463</u>
Capital assets being depreciated:				
Buildings	6,773	-	-	6,773
Equipment	83,653	10,694	-	94,347
Improvements	99,449	-	-	99,449
Vehicles and motorized equipment	369,012	63,500	32,876	399,636
Total capital assets being depreciated	<u>558,887</u>	<u>74,194</u>	<u>32,876</u>	<u>600,205</u>
Less accumulated depreciation for:				
Buildings	5,272	-	-	5,272
Equipment	61,384	3,979	-	65,363
Improvements	19,890	6,630	-	26,520
Vehicles and motorized equipment	298,585	29,675	32,876	295,384
Total accumulated depreciation	<u>385,131</u>	<u>\$ 40,284</u>	<u>\$ 32,876</u>	<u>392,539</u>
Total capital assets being depreciated, net	<u>173,756</u>			<u>207,666</u>
Governmental activity capital assets, net	<u>\$ 263,219</u>			<u>\$ 297,129</u>

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

General Government	\$ 8,013
Public Safety	20,490
Transportation	11,781
Total depreciation expense	<u>\$ 40,284</u>

TOWN OF WARRENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

Note 3—Detail notes on all funds (continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activities:				
Wastewater Treatment Fund				
Capital assets being depreciated:				
Improvements	\$ 14,858	\$ -	\$ -	\$ 14,858
Vehicles	18,706	-	-	18,706
Equipment	124,687	4,069	-	128,756
Total capital assets being depreciated	<u>158,251</u>	<u>4,069</u>	<u>-</u>	<u>162,320</u>
Less accumulated depreciation for:				
Improvements	1,524	381	-	1,905
Vehicles	18,706	-	-	18,706
Equipment	110,187	3,876	-	114,063
Total accumulated depreciation	<u>130,417</u>	<u>\$ 4,257</u>	<u>\$ -</u>	<u>134,674</u>
Total capital assets being depreciated, net	<u>27,834</u>			<u>27,646</u>
Wastewater Treatment Fund capital assets	<u>\$ 27,834</u>			<u>\$ 27,646</u>
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 5,250	\$ -	\$ -	\$ 5,250
Construction in progress	1,158	568,622	-	569,780
Total capital assets not being depreciated	<u>6,408</u>	<u>568,622</u>	<u>-</u>	<u>575,030</u>
Capital assets being depreciated:				
Water and sewer lines	5,853,043	-	-	5,853,043
Water and sewer plant	169,982	-	-	169,982
Improvements	217,054	-	-	217,054
Vehicles	188,718	78,018	39,828	226,908
Equipment	206,424	7,819	-	214,243
Total capital assets being depreciated	<u>6,635,221</u>	<u>85,837</u>	<u>39,828</u>	<u>6,681,230</u>
Less accumulated depreciation for:				
Water and sewer lines	2,950,059	230,030	-	3,180,089
Water and sewer plant	42,710	4,396	-	47,106
Improvements	47,858	10,016	-	57,874
Vehicles	180,629	16,469	39,828	157,270
Equipment	185,680	10,722	-	196,402
Total accumulated depreciation	<u>3,406,936</u>	<u>\$ 271,633</u>	<u>\$ 39,828</u>	<u>3,638,741</u>
Total capital assets being depreciated, net	<u>3,228,285</u>			<u>3,042,489</u>
Water and Sewer Fund capital assets, net	<u>3,234,693</u>			<u>3,617,519</u>
Business-type Activities capital assets, net	<u>\$ 3,262,527</u>			<u>\$ 3,645,165</u>

TOWN OF WARRENTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

Note 3—Detail notes on all funds (continued)

Construction Commitments - The identification of possible commitments is the responsibility of the Finance Department. Once identified, the department involved with the project and the Finance Department evaluates the financial statement impact by evaluating the funding and timing of the contracts.

<u>Project</u>	<u>Contract Amount</u>	<u>Expensed</u>	<u>Remaining□</u>
Town Hall Renovation for Public Works	\$ 1,844,851	\$ (404,593)	\$ 1,440,258
Water and Sewer Line Replacements	3,792,182	(161,287)	3,630,895
	<u>\$ 5,637,033</u>	<u>\$ (565,880)</u>	<u>\$ 5,071,153</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town is a participating employer in the statewide 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 LGERS 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.

TOWN OF WARRENTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

Note 3—Detail notes on all funds (continued)

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 G.S. 128-30 and may be amended only by the North Carolina General Assembly. Town 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's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.50% 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 were \$95,971 for the year ended June 30, 2018.

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, 2018, the Town reported a liability of \$168,050 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the Town's proportion was 0.011%, which was an increase of 0.001% from its proportion measured as of June 30, 2016.

TOWN OF WARRENTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

Note 3—Detail notes on all funds (continued)

For the year ended June 30, 2018, the Town recognized pension expense of \$98,613. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,681	\$ 4,757
Changes of assumptions	24,000	-
Net difference between projected and actual earnings on pension plan investments	40,803	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	96,146	-
Town contributions subsequent to the measurement date	95,971	-
Total	<u>\$ 266,601</u>	<u>\$ 4,757</u>

\$95,971 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 ending June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,

2019	\$ 50,805
2020	77,188
2021	42,329
2022	(4,449)
2023	-
Thereafter	-
	<u>\$ 165,873</u>

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	3.50 to 8.10%, including inflation and productivity factor
Investment rate of return	7.20%, 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.

TOWN OF WARRENTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

Note 3—Detail notes on all funds (continued)

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc cost of living adjustment amounts are not considered to be substantively automatic and are therefore not included in the measurement.

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

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF WARRENTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

Note 3—Detail notes on all funds (continued)

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 7.20%, 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 1-percentage-point lower (6.20%) or 1-percentage-point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Town's proportionate share of the net pension liability (asset)	\$ 504,488	\$ 168,050	\$ (37,213)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued CAFR for the State of North Carolina.

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description. The Town administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85% 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 North Carolina 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, 2016, the Separation Allowance's membership consisted of:

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

2. **Summary of Significant Accounting Policies:**

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits 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 Statement 73.

TOWN OF WARRENTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

Note 3—Detail notes on all funds (continued)

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	3.50 to 7.35%, including inflation and productivity factor
Discount rate	3.16%

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

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. Contributions

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

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

At June 30, 2018, the Town reported a total pension liability of \$26,571. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the Town recognized pension expense of \$360.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 25,848
Changes of assumptions	1,812	1,016
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 1,812</u>	<u>\$ 26,864</u>

TOWN OF WARRENTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

Note 3—Detail notes on all funds (continued)

\$-0- reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,

2019	\$ (4,016)
2020	(4,016)
2021	(4,016)
2022	(4,016)
2023	(4,016)
Thereafter	(4,972)
	<u>\$ (25,052)</u>

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.16 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16%) or 1-percentage-point higher (4.16%) than the current rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	\$ 29,136	\$ 26,571	\$ 24,190

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

	2018
Beginning balance	\$ 50,058
Service Cost	2,444
Interest on the total pension liability	1,932
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(29,964)
Changes of assumptions or other inputs	2,101
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 26,571</u>

TOWN OF WARRENTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

Note 3—Detail notes on all funds (continued)

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on 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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (the “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 5% of each officer’s salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan.

The Town made contributions of \$7,657 for the reporting year. No amounts were forfeited.

d. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the LGERS (“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 LGERS, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the LGERS 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

JUNE 30, 2018

Note 3—Detail notes on all funds (continued)

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	\$ 95,971
Pension deferrals	172,442
	<u>\$ 268,413</u>

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

Source	Amount
Taxes receivable (General Fund)	\$ 22,771
Pension deferrals	31,621
Total	<u>\$ 54,392</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 North Carolina 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.

TOWN OF WARRENTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

Note 3—Detail notes on all funds (continued)

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, 2018 are comprised of the following individual agreements:

Government Activities:

An agreement was executed on March 22, 2007 for \$143,000 to purchase new sewer lines. This agreement requires 15 annual payments of \$12,835, including interest of 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)

\$ 21,326

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)

55,654

An agreement was executed on October 11, 2016 for \$63,607 to finance the purchase of a truck and leaf blower. This agreement requires 5 annual payments of \$13,593, including interest at 2.25%.

38,953

An agreement was executed on December 7, 2016 for \$8,500 to finance the purchase of surveillance cameras. This agreement requires 7 annual payments of \$1,333, including interest at 2.375%.

7,368

An agreement was executed on July 18, 2017 for \$29,500 to finance the purchase of two patrol cars. This agreement requires 7 annual payments of \$4,780, beginning in 2018, including interest at 3.25%.

29,500

Total governmental activities

\$ 152,801

Business-Type Activities:

An agreement was executed on March 22, 2007 for \$143,000 to purchase new sewer lines. This agreement requires 15 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)

\$ 25,295

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)

27,826

An agreement was executed on October 24, 2017 for \$36,000 to finance the purchase of two public works trucks. This agreement requires 7 annual payments of \$5,834, beginning in 2018, including interest at 3.25%.

36,000

An agreement was executed on January 24, 2018 for a Water and Sewer System Revenue Bond Anticipation Note in the amount of \$2,615,000. The note matures on July 24, 2019, bearing interest at 2.03%.

2,615,000

NCDENR funded a project for sewer system rehabilitation and related loan proceeds for \$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.

206,250

\$ 2,910,371

TOWN OF WARRENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

Note 3—Detail notes on all funds (continued)

b. Changes in Long-Term Liabilities

A summary of changes in long-term obligations follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Governmental Activities:			
2019	\$ 32,762	\$ 4,390	\$ 37,152
2020	33,656	3,256	36,912
2021	34,520	2,336	36,856
2022	21,907	1,412	23,319
2023	16,724	723	17,447
2024-2025	13,232	490	13,722
	<u>\$ 152,801</u>	<u>\$ 12,607</u>	<u>\$ 165,408</u>
Business-type Activities:			
Water and Sewer Fund:			
2019	\$ 29,386	\$ 6,953	\$ 36,339
2020	2,644,903	6,161	2,651,064
2021	30,435	5,354	35,789
2022	31,015	4,499	35,514
2023	24,605	3,671	28,276
2024-2033	150,027	15,676	165,703
	<u>\$ 2,910,371</u>	<u>\$ 42,314</u>	<u>\$ 2,952,685</u>

	<u>Balance July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>	<u>Current Portion of Balance</u>
Governmental Activities:					
Installment purchases	\$ 172,624	\$ 29,500	\$ 49,323	\$ 152,801	\$ 32,675
Net pension liability (LGERs)	151,370	-	50,540	100,830	-
Total pension liability (LEOSSA)	50,058	-	23,487	26,571	-
Compensated absences	20,206	2,881	8,230	14,857	9,360
Total	<u>\$ 394,258</u>	<u>\$ 32,381</u>	<u>\$ 131,580</u>	<u>\$ 295,059</u>	<u>\$ 42,035</u>
Business-type Activities:					
Installment purchases	\$ 283,739	\$ 2,651,000	\$ 24,368	\$ 2,910,371	\$ 29,473
Net pension liability (LGERs)	101,400	-	34,180	67,220	-
Compensated absences	21,340	3,512	769	24,083	15,173
Total	<u>\$ 406,479</u>	<u>\$ 2,654,512</u>	<u>\$ 59,317</u>	<u>\$ 3,001,674</u>	<u>\$ 44,646</u>

TOWN OF WARRENTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

Note 3—Detail notes on all funds (continued)

At June 30, 2018, the Town had a legal debt margin of \$2,461,676.

c. Commitments

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

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

The Town has entered into a contract with Warrenton Rural Voluntary Fire Association, Inc. for fire protection services until June 30, 2019. The Town is obligated to pay \$70,000 annually under the terms of this contract during the fiscal year ending June 30, 2019.

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, 2018, \$64,496 was due to the General Fund from the Wastewater Treatment Fund which represents a loan advance from prior years to cover various expenses.

The Water and Sewer Fund paid \$260,636 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 Wastewater Treatment Fund had a negative cash balance as of June 30, 2018. This is due to the timing of receipts from Norlina and Warren County for the June 2018 share of the cost of the jointly operated wastewater treatment plant. These amounts were received in July 2018. The Water and Sewer Fund loaned the Wastewater Treatment Fund \$33,078 so the fund would not report a negative cash balance.

The Haley Haywood Park Grant Fund had a negative cash balance as of June 30, 2018. This is a reimbursement grant, and expenditures had to incur before the cash is received. Therefore, the General Fund loaned the Hayley Haywood Park Grant Fund \$27,208, so the fund would not report a negative cash balance.

The M.S. Downtown Redevelopment Grant Fund had a negative cash balance as of June 30, 2018. This is a reimbursement grant, and expenditures had to incur before the cash is received. Therefore, the General Fund loaned the M.S. Downtown Redevelopment Grant Fund \$2,908, so the fund would not report a negative cash balance.

TOWN OF WARRENTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

Note 3—Detail notes on all funds (continued)

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	\$ 910,864
Less:	
Prepays	5,833
Stabilization by state statue	248,029
USDA	1,196
Streets - Powell Bill	16,783
Appropriated Fund Balance in 2019 budget	-
Remaining Fund Balance	\$ 639,023

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.

Note 4—Jointly governed organization

The Kerr-Tar Council of Government (the "Council") is a voluntary association of five county and fifteen city and town governments, including the Town, 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, 2018.

Note 5—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.

Note 6—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 report of independent auditor. The Town has not evaluated subsequent events after that date. There were no subsequent events during this period that require disclosure.

TOWN OF WARRENTON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

Note 7—Related Parties

During the year ended June 30, 2018, the Town rented space in the amount of \$11,650 from the W. M. Gardner Family Limited Partnership.

Note 8—Deposits Held

Customer deposits in the amount of \$100,214 relate to water and sewer deposits held by the Town.

Note 8—Prior Period Adjustment

During the fiscal year ended June 30, 2018, the Town determined that sales tax revenues had been under reported in previous years. This resulted in an increase to beginning net assets at the Government-Wide level and the beginning fund balance in the General Fund of \$18,773.

TOWN OF WARRENTON

REQUIRED SUPPLEMENTARY FINANCIAL DATA

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

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

TOWN OF WARRENTON, NORTH CAROLINA**SCHEDULE 1****REQUIRED SUPPLEMENTARY INFORMATION****LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM –****SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)***LAST FIVE FISCAL YEARS*

	2018	2017	2016	2015	2014
Warrenton's proportion of the net pension liability (asset) (%)	0.01100%	0.01191%	0.01015%	0.00907%	0.00400%
Warrenton's proportion of the net pension liability (asset) (\$)	\$ 168,050	\$ 252,770	\$ 45,552	\$ (53,490)	\$ 48,215
Warrenton's covered-employee payroll	\$ 693,131	\$ 674,953	\$ 610,237	\$ 488,917	\$ 484,406
Warrenton's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	24.25%	37.45%	7.46%	-10.94%	9.95%
Plan fiduciary net position as a percentage of the total pension liability	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

TOWN OF WARRENTON, NORTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM –
SCHEDULE OF CONTRIBUTIONS

SCHEDULE 2

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 95,971	\$ 97,279	\$ 88,326	\$ 83,130	\$ 32,304
Contributions in relation to the contractually required contribution	95,971	97,279	88,326	83,130	32,304
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Warrenton's covered-employee payroll	\$ 661,731	\$ 693,131	\$ 674,953	\$ 610,237	\$ 488,917
Contributions as a percentage of covered-employee payroll	14.50%	14.03%	13.09%	13.62%	6.61%

TOWN OF WARRENTON, NORTH CAROLINA**SCHEDULE 3****REQUIRED SUPPLEMENTARY INFORMATION****LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE –****SCHEDULE OF CHANGES IN TOTAL PENSION OBLIGATION***LAST TWO YEARS*

	2018	2017
Beginning balance	\$ 50,058	\$ 46,433
Service Cost	2,444	3,361
Interest on the total pension liability	1,932	1,658
Changes of benefit terms	-	-
Differences between the expected and actual experience in the measurement of the total pension liability	(29,964)	-
Changes of assumptions or other inputs	2,101	(1,394)
Benefit payments	-	-
Other changes	-	-
Ending balance of the total pension liability	<u>\$ 26,571</u>	<u>\$ 50,058</u>

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

TOWN OF WARRENTON, NORTH CAROLINA**SCHEDULE 4****REQUIRED SUPPLEMENTARY INFORMATION****LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE –****SCHEDULE OF TOTAL PENSION OBLIGATION AS A PERCENTAGE OF COVERED PAYROLL***LAST TWO YEARS*

	2018	2017
Total pension liability	\$ 26,571	\$ 50,058
Covered payroll	\$ 156,513	\$ 180,588
Total pension liability as a percentage of covered payroll	16.98%	27.72%

Notes to the schedules:

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

TOWN OF WARRENTON

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

TOWN OF WARRENTON, NORTH CAROLINA

SCHEDULE 5

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET TO ACTUAL – GENERAL FUND**

YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 426,964	\$
Penalties and interest		1,484	
Total	430,000	428,448	(1,552)
Other taxes and licenses:			
Motor vehicles taxes		32,135	
Total	30,000	32,135	2,135
Unrestricted intergovernmental:			
Local option sales taxes		237,983	
Utility franchise tax		89,994	
Beer and wine tax		3,612	
Gas tax refund		815	
Refund Sales Tax		20,984	
Total	308,006	353,388	45,382
Restricted intergovernmental:			
Powell Bill allocation		26,393	
Total	36,442	26,393	(10,049)
Permits and fees:			
Zoning fees		1,175	
Code enforcement		2,525	
Parking fees and enforcement		290	
Court fees		384	
Cemetery fees		3,000	
Total	4,200	7,374	3,174
Sales and services:			
Landfill fees		145,098	
Cell tower rent		28,400	
Miscellaneous		15,290	
Total	205,361	188,788	(16,573)
Investment earnings	100	167	67
Total revenues	1,014,109	1,036,693	22,584

TOWN OF WARRENTON, NORTH CAROLINA

SCHEDULE 5

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET TO ACTUAL – GENERAL FUND (CONTINUED)**

YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General Government			
Governing Body			
Personnel services	\$	\$ 1,501	\$
Total	1,831	1,501	330
Administration			
Personnel services		151,837	
Operating expenditures		103,149	
Administrative fee paid by Water and Sewer		(79,635)	
Total	176,292	175,351	941
Total general government	178,123	176,852	1,271
Public Safety			
Police			
Personnel services		326,502	
Operating expenditures		82,412	
Total	413,167	408,914	4,253
Fire			
Personnel services		2,302	
Operating expenditures		66,514	
Total	76,967	68,816	8,151
Total public safety	490,134	477,730	12,404
Streets			
Street repair and construction			
Personnel services		105,377	
Operating expenditures		89,934	
Mowing fees paid by Water and Sewer		(13,500)	
Total	189,631	181,811	7,820
Total streets	189,631	181,811	7,820

TOWN OF WARRENTON, NORTH CAROLINA

SCHEDULE 5

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET TO ACTUAL – GENERAL FUND (CONTINUED)**

YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
Environmental Protection			
Sanitation			
Personnel services	\$	\$ 72,390	\$
Operating expenditures		27,099	
Total	<u>105,782</u>	<u>99,489</u>	<u>6,293</u>
Total environmental protection	<u>105,782</u>	<u>99,489</u>	<u>6,293</u>
Debt service			
Principal retirement		52,371	
Interest and other charges		1,883	
Total	<u>54,260</u>	<u>54,254</u>	<u>6</u>
Total expenditures	<u>1,017,930</u>	<u>990,136</u>	<u>27,794</u>
Revenues over expenditures	<u>(3,821)</u>	<u>46,557</u>	<u>50,378</u>
Other financing sources (uses):			
Gain on sale of fixed assets	-	1,500	1,500
Transfers	-	(9,305)	(9,305)
Fund balance appropriated	<u>3,821</u>	<u>-</u>	<u>(3,821)</u>
Total	<u>3,821</u>	<u>(7,805)</u>	<u>(11,626)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>38,752</u>	<u>\$ 38,752</u>
Fund balances, beginning		853,339	
Restatement (Note 8)		18,773	
Fund balances, ending		<u>\$ 910,864</u>	

TOWN OF WARRENTON, NORTH CAROLINA
COMBINING BALANCE SHEET –
NONMAJOR GOVERNMENTAL FUNDS

SCHEDULE 6

JUNE 30, 2018

	Hayley- Haywood Park Grant Fund	NC Main St Grant Fund	NC Commerce Demolition Grant Fund	Patrol Cars Grant Fund	Milano's Downtown Grant Fund	Warren County Arts Council Grant Fund	Bicycle and Pedestrian Planning Grant Fund	Duke Energy EV Charging Station Grant Fund	Total Nonmajor Governmental Funds
ASSETS									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 621	\$ 4,000	\$ 270	\$ 4,891
Due from other governments	27,300	-	-	-	2,908	-	-	-	30,208
	<u>\$ 27,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,908</u>	<u>\$ 621</u>	<u>\$ 4,000</u>	<u>\$ 270</u>	<u>\$ 35,099</u>
LIABILITIES									
Due to other funds	<u>\$ 27,208</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,908</u>	<u>\$ -</u>	<u>\$ 4,000</u>	<u>\$ -</u>	<u>\$ 34,116</u>
FUND BALANCES									
Restricted:									
Cultural and recreation	92	-	-	-	-	621	-	270	983
Economic and physical development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>92</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>621</u>	<u>-</u>	<u>270</u>	<u>983</u>
Total liabilities and fund balances	<u>\$ 27,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,908</u>	<u>\$ 621</u>	<u>\$ 4,000</u>	<u>\$ 270</u>	<u>\$ 35,099</u>

TOWN OF WARRENTON, NORTH CAROLINA

SCHEDULE 7

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
NONMAJOR GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2018

	Hayley-Haywood Park Grant Fund	NC Main St Grant Fund	NC Commerce Demolition Grant Fund	Patrol Cars Grant Fund	Milano's Downtown Grant Fund	Warren County Arts Council Grant Fund	Bicycle and Pedestrian Planning Grant Fund	Duke Energy EV Charging Station Grant Fund	Total Nonmajor Governmental Funds
Revenues:									
Restricted intergovernmental	\$ 6,087	\$ 50,000	\$ 41,250	\$ 34,000	\$ 2,500	\$ 1,175	\$ -	\$ 7,001	\$ 142,013
Contributions	-	-	-	-	-	-	-	-	-
Total revenues	<u>6,087</u>	<u>50,000</u>	<u>41,250</u>	<u>34,000</u>	<u>2,500</u>	<u>1,175</u>	<u>-</u>	<u>7,001</u>	<u>142,013</u>
Expenditures:									
Public safety	-	-	-	63,500	-	-	4,000	-	67,500
Economic and physical development	-	50,000	41,250	-	2,500	-	-	-	93,750
Cultural and recreation	9,800	-	-	-	-	2,054	-	6,731	18,585
Total expenditures	<u>9,800</u>	<u>50,000</u>	<u>41,250</u>	<u>63,500</u>	<u>2,500</u>	<u>2,054</u>	<u>4,000</u>	<u>6,731</u>	<u>179,835</u>
Revenues over (under) expenditures	<u>(3,713)</u>	<u>-</u>	<u>-</u>	<u>(29,500)</u>	<u>-</u>	<u>(879)</u>	<u>(4,000)</u>	<u>270</u>	<u>(37,822)</u>
Other financing sources									
Transfers	3,805	-	-	-	-	1,500	4,000	-	9,305
Installment purchase proceeds	-	-	-	29,500	-	-	-	-	29,500
Total other financings sources	<u>3,805</u>	<u>-</u>	<u>-</u>	<u>29,500</u>	<u>-</u>	<u>1,500</u>	<u>4,000</u>	<u>-</u>	<u>38,805</u>
Net change in fund balance	92	-	-	-	-	621	-	270	983
Fund balances, beginning	-	-	-	-	-	-	-	-	-
Fund balances, ending	<u>\$ 92</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 621</u>	<u>\$ -</u>	<u>\$ 270</u>	<u>\$ 983</u>

TOWN OF WARRENTON, NORTH CAROLINA

SCHEDULE 8

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
 BUDGET TO ACTUAL (NON-GAAP) – SPECIAL REVENUE FUND –
 HAYLEY HAYWOOD PARK GRANT FUND**

YEAR ENDED JUNE 30, 2018

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted Intergovernmental:					
NC Part F Grant	\$ 28,500	\$ 22,413	\$ 6,087	\$ 28,500	\$ -
Expenditures:					
Cultural and Recreation:					
Construction of the Park	28,500	22,413	9,800	32,213	(3,713)
Revenues under expenditures	-	-	(3,713)	(3,713)	(3,713)
Other financing sources					
Transfers	-	-	3,805	3,805	3,805
Revenues and other financing sources over expenditures	\$ -	\$ -	92	\$ 92	\$ 92
Fund balances, beginning			-		
Fund balances, ending			\$ 92		

TOWN OF WARRENTON, NORTH CAROLINA

SCHEDULE 9

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET TO ACTUAL (NON-GAAP) – SPECIAL REVENUE FUND –
NC MAIN STREET GRANT FUND***YEAR ENDED JUNE 30, 2018*

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

TOWN OF WARRENTON, NORTH CAROLINA

SCHEDULE 10

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET TO ACTUAL (NON-GAAP) – SPECIAL REVENUE FUND –
NC COMMERCE DEMOLITION GRANT FUND***YEAR ENDED JUNE 30, 2018*

	<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 Demolition Grant	<u>\$ 41,250</u>	<u>\$ -</u>	<u>\$ 41,250</u>	<u>\$ 41,250</u>	<u>\$ -</u>
Expenditures:					
Economic and physical developments					
Demolition	<u>41,250</u>	<u>-</u>	<u>41,250</u>	<u>41,250</u>	<u>-</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, NORTH CAROLINA

SCHEDULE 11

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET TO ACTUAL (NON-GAAP) – SPECIAL REVENUE FUND –
PATROL CARS GRANT FUND***YEAR ENDED JUNE 30, 2018*

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
USDA grant	<u>\$ 34,000</u>	<u>\$ -</u>	<u>\$ 34,000</u>	<u>\$ 34,000</u>	<u>\$ -</u>
Expenditures:					
Public Safety					
Patrol cars	<u>63,500</u>	<u>-</u>	<u>63,500</u>	<u>63,500</u>	<u>-</u>
Revenues under expenditures	<u>(29,500)</u>	<u>-</u>	<u>(29,500)</u>	<u>(29,500)</u>	<u>-</u>
Other financing sources:					
Installment purchase proceeds	<u>29,500</u>	<u>-</u>	<u>29,500</u>	<u>29,500</u>	<u>-</u>
Revenues and other financing sources over expenditures	<u><u>\$ -</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, NORTH CAROLINA

SCHEDULE 12

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
 BUDGET TO ACTUAL (NON-GAAP) – SPECIAL REVENUE FUND –
 M.S. DOWNTOWN REDEVELOPMENT FUND**

YEAR ENDED JUNE 30, 2018

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Reimbursable Grant	\$ 500,000	\$ 408	\$ -	\$ 408	\$ (499,592)
Reimbursable COG Fee	5,000	2,500	2,500	5,000	-
Total Revenues	<u>505,000</u>	<u>2,908</u>	<u>2,500</u>	<u>5,408</u>	<u>(499,592)</u>
Expenditures:					
Economic and Physical Development:					
Building renovation	500,000	408	-	408	499,592
COG fee	5,000	2,500	2,500	5,000	-
Total expenditures	<u>505,000</u>	<u>2,908</u>	<u>2,500</u>	<u>5,408</u>	<u>499,592</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balances, beginning			-		
Fund balances, ending			<u>\$ -</u>		

TOWN OF WARRENTON, NORTH CAROLINA

SCHEDULE 13

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET TO ACTUAL (NON-GAAP) – SPECIAL REVENUE FUND –
WARREN COUNTY ARTS COUNCIL GRANT FUND**

YEAR ENDED JUNE 30, 2018

	<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:					
Arts Council Grant	\$ 1,175	\$ -	\$ 1,175	\$ 1,175	\$ -
Expenditures:					
Current:					
Cultural and recreational:					
Quilters Lane sculpture	2,675	-	2,054	2,054	621
Revenues under expenditures	(1,500)	-	(879)	(879)	(621)
Other financing sources					
Transfers	1,500	-	1,500	1,500	-
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	621	<u>\$ 621</u>	<u>\$ (621)</u>
Fund balances, beginning			-		
Fund balances, ending			<u>\$ 621</u>		

TOWN OF WARRENTON, NORTH CAROLINA

SCHEDULE 14

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
 BUDGET TO ACTUAL (NON-GAAP) – SPECIAL REVENUE FUND –
 BICYCLE AND PEDESTRIAN PLANNING FUND**

YEAR ENDED JUNE 30, 2018

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
NCDOT grant	<u>\$ 36,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (36,000)</u>
Expenditures:					
Current:					
Public Safety					
Plan improvements	<u>40,000</u>	<u>-</u>	<u>4,000</u>	<u>4,000</u>	<u>36,000</u>
Revenues over (under) expenditures	<u>(4,000)</u>	<u>-</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>
Other financing sources:					
Transfers	<u>4,000</u>	<u>-</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances, beginning			<u>-</u>		
Fund balances, ending			<u>\$ -</u>		

TOWN OF WARRENTON, NORTH CAROLINA

SCHEDULE 15

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET TO ACTUAL (NON-GAAP) – SPECIAL REVENUE FUND –
DUKE ENERGY VEHICLE CHARGING STATION FUND***YEAR ENDED JUNE 30, 2018*

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted Intergovernmental:					
Duke Energy Grant	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ 7,001</u>	<u>7,001</u>	<u>\$ (7,999)</u>
Expenditures:					
Cultural and recreational					
Charging Station Purchase and Install	<u>15,000</u>	<u>-</u>	<u>6,731</u>	<u>6,731</u>	<u>8,269</u>
Revenues over expenditures	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u>270</u>	<u><u>\$ 270</u></u>	<u><u>\$ 270</u></u>
Fund balances, beginning			<u>-</u>		
Fund balances, ending			<u><u>\$ 270</u></u>		

TOWN OF WARRENTON, NORTH CAROLINA

SCHEDULE 16

**SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET TO ACTUAL (NON-GAAP) –
WASTEWATER TREATMENT PLANT FUND**

YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services:			
Wastewater Treatment	\$ -	\$ 590,342	\$ -
Total	609,025	590,342	(18,683)
Total operating revenues	609,025	590,342	(18,683)
Non-operating revenues:			
Interest earnings		52	
Miscellaneous revenue		22,933	
Total non-operating revenues	43,423	22,985	(20,438)
Total revenues	652,448	613,327	(39,121)
Expenditures:			
Operating expenditures:			
Salaries and benefits		256,171	
Audit		3,821	
Telephone and postage		7,893	
Freight		2,583	
Office supplies		492	
Light and heat		82,579	
Materials and supplies		44,013	
Truck expense		12,605	
Equipment and plant maintenance		63,693	
Uniforms		4,531	
Sludge hauling		49,994	
Influent debris removal		2,948	
Kerr-Pamlico Basin Association		2,880	
Permits and fees		5,400	
OSHA compliance		737	
Lab analysis		15,058	
Certified lab expense		18,949	
Computer improvements		6,687	
Continuing education		1,555	
Advertising		896	
Capital outlay		4,069	
Administrative fee		22,268	
Total	652,448	609,822	42,626

TOWN OF WARRENTON, NORTH CAROLINA

SCHEDULE 16

**SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET TO ACTUAL (NON-GAAP) –
WASTEWATER TREATMENT PLANT FUND (CONTINUED)**

YEAR ENDED JUNE 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses):			
Transfer from water and sewer	\$ -	\$ -	\$ -
Total other financing sources (uses)	-	-	-
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 3,505</u>	<u>\$ 3,505</u>

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

Revenues and other sources over expenditures and other uses	\$ 3,505
Reconciling items:	
Depreciation	(4,257)
Increase in compensated absences	(1,612)
Capital Outlay	4,069
Decrease in deferred outflows of resources - pensions	(18,329)
Decrease in net pension liability	16,233
Increase in deferred inflows of resources - pensions	(951)
Total reconciling items	<u>(4,847)</u>
Net loss	<u>\$ (1,342)</u>

TOWN OF WARRENTON, NORTH CAROLINA

SCHEDULE 17

**SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET TO ACTUAL (NON-GAAP) –
WWTP GRANT, DIVISION OF WATER INFRASTRUCTURE FUND – CAPITAL PROJECT FUND**

YEAR ENDED JUNE 30, 2018

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Contributions					
Grant	\$ 1,600,000	\$ -	\$ -	\$ -	\$ (1,600,000)
Expenditures:					
Construction costs:					
Submersible mixers	85,000	-	-	-	85,000
Submersible mixer installation and controls	113,500	-	-	-	113,500
Rotor controls	65,000	-	-	-	65,000
Bar screen and installation	250,000	-	-	-	250,000
Grit classifier and installation	80,000	-	-	-	80,000
New lime silo and installation	435,000	-	-	-	435,000
SCADA improvements, bar screen line silo	40,000	-	-	-	40,000
2nd oxidation ditch cleaning	100,000	-	-	-	100,000
Contingency	116,850	-	-	-	116,850
Total construction costs	1,285,350	-	-	-	1,285,350
Engineering costs:					
Engineering design	101,600	-	-	-	101,600
Construction administration	50,000	-	-	-	50,000
Construction inspection	100,000	-	-	-	100,000
Total engineering costs	251,600	-	-	-	251,600
Administration costs:					
Grant/loan administration	30,000	-	-	-	30,000
ER preparation	15,000	-	-	-	15,000
Environmental documentation preparation	15,000	-	-	-	15,000
Legal, fiscal, admin, permitting	3,050	-	-	-	3,050
Total administration costs	63,050	-	-	-	63,050
Total expenditures	1,600,000	-	-	-	1,600,000
Revenues over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

TOWN OF WARRENTON, NORTH CAROLINA

SCHEDULE 18

**SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET TO ACTUAL (NON-GAAP) –
WATER AND SEWER FUND**

YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services:			
Water and sewer sales		\$ 1,022,114	
Water and sewer taps		35,050	
Total operating revenues	<u>\$ 1,106,309</u>	<u>1,057,164</u>	<u>\$ (49,145)</u>
Non-operating revenues:			
Interest earnings		373	
Miscellaneous revenue		34,079	
Total non-operating revenues	<u>27,934</u>	<u>34,452</u>	<u>6,518</u>
Total revenues	<u>1,134,243</u>	<u>1,091,616</u>	<u>(42,627)</u>
Expenditures:			
Operating expenditures:			
Salaries and benefits		245,934	
Water purchases		197,117	
Sewer purchases		260,636	
Rent		3,883	
Audit		3,747	
Equipment maintenance		14,962	
Water tank maintenance		13,109	
Building maintenance		-	
Contracted services		77,047	
Insurance and bonds		15,351	
Departmental supplies and materials		64,238	
Uniforms		4,656	
Telephone and postage		9,946	
Freight		99	
Office supplies		2,469	
Lights and heat		3,365	
Advertising		684	
Easements		1,000	
Truck expense		17,964	
Continuing education		2,287	
Dues and permits		3,717	
Certified lab expense		1,750	
Computer improvements		6,342	
Contract maintenance		15,823	
Wastewater treatment plant rehab		24,661	
Debt service		30,791	
Capital outlay		7,819	
Mowing fee		13,500	
Grant expense		2,250	
Administrative fee		50,577	
Total	<u>1,134,243</u>	<u>1,095,724</u>	<u>38,519</u>

TOWN OF WARRENTON, NORTH CAROLINA

SCHEDULE 18

**SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET TO ACTUAL (NON-GAAP) –
WATER AND SEWER FUND (CONTINUED)**

YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Capital contributions - NCDENR	\$ -	\$ -	\$ -
Transfer to Wastewater Treatment	-	-	-
Total other financing sources (uses)	-	-	-
Revenues and other sources under expenditures and other uses	\$ -	\$ (4,108)	\$ (4,108)

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

Revenues and other sources under expenditures and other uses	\$ (4,108)
Reconciling items:	
Principal retirement	24,368
Capital outlay	7,819
Transfers	(5,000)
Decrease in deferred outflows of resources - pensions	(21,757)
Decrease in net pension liability	17,947
Decrease in deferred inflows of resources - pensions	2,938
Revenue and other financing sources from capital projects	2,343
Depreciation	(271,633)
Increase in compensated absences	(1,131)
Total reconciling items	(244,106)
Net income (loss)	\$ (248,214)

TOWN OF WARRENTON, NORTH CAROLINA

SCHEDULE 19

**SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET TO ACTUAL (NON-GAAP) –
WATER ASSET MAPPING GRANT FUND – CAPITAL PROJECT FUND***YEAR ENDED JUNE 30, 2018*

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Contributions					
Town match	\$ 5,000	\$ -	\$ 5,000	\$ 5,000	\$ -
Grant	100,000	-	13,000	13,000	(87,000)
Total revenues	105,000	-	18,000	18,000	(87,000)
Expenditures:					
Engineering	105,000	-	14,500	14,500	90,500
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,500</u>	<u>\$ 3,500</u>	<u>\$ (3,500)</u>

TOWN OF WARRENTON, NORTH CAROLINA

SCHEDULE 20

**SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET TO ACTUAL (NON-GAAP) –
USDA RURAL DEVELOPMENT GRANT FUND – CAPITAL PROJECT FUND**

YEAR ENDED JUNE 30, 2018

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Contributions					
Grant	\$ 3,420,000	\$ 1,158	\$ (1,158)	\$ -	\$ (3,420,000)
Expenditures:					
Water and sewer line					
replacements	3,321,907	-	366,507	366,507	2,955,400
Construction	1,932,489	-	107,228	107,228	1,825,261
Architect fees	60,000	-	47,810	47,810	12,190
Contingency	293,638	-	-	-	293,638
Engineering fees	223,325	-	29,337	29,337	193,988
Administration	61,750	-	-	-	61,750
Interest	86,891	-	-	-	86,891
Service easement	30,000	-	-	-	30,000
Legal and administrative	25,000	1,158	17,740	18,898	6,102
Total expenditures	6,035,000	1,158	568,622	569,780	5,465,220
Revenues under expenditures	(2,615,000)	-	(569,780)	(569,780)	2,045,220
Other financing sources					
USDA loan	2,615,000	-	2,615,000	2,615,000	-
Revenues and other financing sources under expenditures	\$ -	\$ -	\$ 2,045,220	\$ 2,045,220	\$ 2,045,220

TOWN OF WARRENTON, NORTH CAROLINA

SCHEDULE 21

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET TO ACTUAL (NON-GAAP) –
PUBLIC WORKS TRUCKS FUND – CAPITAL PROJECT FUND***YEAR ENDED JUNE 30, 2018*

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
USDA grant	<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ -</u>
Expenditures:					
Public Safety					
Public Works Trucks	<u>76,000</u>	<u>-</u>	<u>76,000</u>	<u>76,000</u>	<u>-</u>
Revenues under expenditures	(36,000)	-	(36,000)	(36,000)	-
Other Financing Sources:					
Installment purchase proceeds	<u>36,000</u>	<u>-</u>	<u>36,000</u>	<u>36,000</u>	<u>-</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances, beginning			<u>-</u>		
Fund balances, ending			<u>\$ -</u>		

TOWN OF WARRENTON

OTHER SCHEDULES

This section contains additional information required on property taxes.

- Schedule of Ad Valorem Taxes Receivable – General Fund
- Analysis of Current Tax Levy – Town-wide Levy

TOWN OF WARRENTON, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE – GENERAL FUND

SCHEDULE 22

YEAR ENDED JUNE 30, 2018

Fiscal Year	Uncollected Balance June 30, 2017	Additions	Collections And Credits	Uncollected Balance June 30, 2018
2017- 2018	\$ -	\$ 463,202	\$ 456,102	\$ 7,100
2016- 2017	7,259	-	4,418	2,841
2015- 2016	1,808	-	103	1,705
2014- 2015	1,489	-	8	1,481
2013- 2014	2,309	-	60	2,249
2012- 2013	1,798	-	8	1,790
2011- 2012	1,069	-	8	1,061
2010- 2011	1,100	-	8	1,092
2009- 2010	1,220	-	9	1,211
2008- 2009	1,044	-	-	1,044
2007- 2008	1,476	-	279	1,197
2006- 2007	992	-	992	-
	<u>\$ 21,564</u>	<u>\$ 463,202</u>	<u>\$ 461,995</u>	<u>\$ 22,771</u>

Reconcilement with revenues:

Ad valorem taxes - General Fund	\$ 460,583
Reconciling items:	
Adjustments	(1,393)
Interest collected	(1,484)
Releases	4,289
Subtotal	<u>1,412</u>
Total collections and credits	<u>\$ 461,995</u>

TOWN OF WARRENTON, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY – TOWN-WIDE LEVY

SCHEDULE 23

YEAR ENDED JUNE 30, 2018

	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	\$ 62,023,538	0.65	\$ 403,153	\$ 403,153	\$ -
Discoveries	4,281,538	0.65	27,830	27,830	-
Releases	(197,385)		(1,283)	(1,283)	-
Registered motor vehicles	5,154,154	0.65	33,502	-	33,502
Total Property Valuation	<u>\$ 71,261,846</u>		<u>\$ 463,202</u>	<u>\$ 429,700</u>	<u>\$ 33,502</u>
Net levy			\$ 463,202	\$ 429,700	\$ 33,502
Uncollected taxes at June 30, 2018			<u>(7,100)</u>	<u>(7,100)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 456,102</u>	<u>\$ 422,600</u>	<u>\$ 33,502</u>
Current levy collection percentage			<u>98.47%</u>	<u>98.35%</u>	<u>100.00%</u>

TOWN OF WARRENTON

COMPLIANCE SECTION

**Report of Independent Auditor on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Warrenton, North Carolina (the "Town"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 26, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town'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.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control described in the accompanying schedule of findings and responses, as item 2018-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2018-002.

Town's Response to Findings

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

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

Chemy Bekaert LLP

Raleigh, North Carolina
March 26, 2019

TOWN OF WARRENTON, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2018

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? ☒ yes ☐ no
- Significant deficiency identified that is not considered to be material weakness ☐ yes ☒ none reported

Noncompliance material to financial statements noted

☐ yes ☒ no

Section II. Financial Statement Findings

Finding 2018-001: Material Weakness - Financial Reporting

Criteria: Management should have sufficient controls over financial reporting such that the financial statements are materially correct without proposed audit adjustments.

Condition: During the audit, one material audit adjustment was proposed to management. An adjustment was made to record a payable and expense for the matching portion of the Bicycle and Pedestrian Planning Grant in accordance with the grant agreement that stated it was due at the time the grant agreement approved which was in fiscal year 2018.

Cause: The Town changed service providers assisting with audit preparation and did not realize that accounts payable cutoff procedures were not performed prior to when the audit started.

Effect: Management agreed with and posted the proposed audit adjustment.

Recommendation: Management should continue efforts to improve the accuracy of year-end financial reporting by reviewing the procedures that have been implemented and make appropriate changes as needed.

Management Response: The Town agrees with this finding and has contracted with a consultant to develop, train, and document in writing year-end procedures.

TOWN OF WARRENTON, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2018

Finding 2018-002:

North Carolina General Statute 159-12 – Advertising the Budget Non-material Non-compliance

Criteria: In accordance with North Carolina General Statute 159-12, the Clerk shall publish a statement that the budget has been submitted to the governing board and is available for public inspection and where a copy of the budget is available for review.

Condition: The Town published statement an advertisement in the local newspaper during the time the budget for Fiscal Year 2017-2018 was submitted to the governing board, but it did not include information about where a copy of the budget was made available for review.

Effect: The Town is in non-compliance with North Carolina General Statute requirements.

Cause: Oversight by management.

Recommendation: We recommend the Town ensure they have include the necessary wording in the future advertisements.

Views of responsible officials: The Town agrees with this finding and will take the necessary actions as described in the Corrective Action Plan.



Walter M. Gardner, Jr. – Mayor
Robert Davie – Town Administrator

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**Audit of Financial Statements for the Fiscal Year Ending 6/30/2018
CORRECTIVE ACTION PLAN**

Finding 2018-001:
Material Weakness-Financial Reporting

Name of Contact Person: Meredith Valentine

The Town agrees with this finding and has contracted with a consultant to develop, train and document in writing year end procedures.

Proposed Completion Date: October 31, 2019

Finding 2018-002:
Material Weakness-Advertising the Budget

Name of Contact Person: Robert Davie

In the past the Town has relied on procedures performed in the past. The Town has re-familiarized itself with General Statutes 159.8-17 and will comply with the General Statutes in the future.

Proposed Completion Date: April 30, 2019