

# **TOWN OF WARRENTON, NORTH CAROLINA**

## **ANNUAL FINANCIAL REPORT**

*As of and for the Year Ended June 30, 2020*

*And Report of Independent Auditor*

## **BOARD OF COMMISSIONERS**

**Walter M. Gardner, Jr. - Mayor**

**Mary Hunter -- Mayor Pro Tem**

**John Blalock**

**Kimberly Harding**

**Tom Hardy**

**Margaret Britt**

**Travis Packer**

**Michael Coffman**

## **ADMINISTRATIVE AND FINANCIAL STAFF**

**Meredith Valentine - Finance Director**

**Robert Davie, Jr. - Town Administrator**

# TOWN OF WARRENTON, NORTH CAROLINA

## TABLE OF CONTENTS

---

<b><u>EXHIBIT</u></b>		<b><u>PAGE</u></b>
	<b>Financial Section:</b>	
	Report of Independent Auditor.....	1-2
	Management's Discussion and Analysis .....	3-9
	<b>Basic Financial Statements:</b>	
	Government-Wide Financial Statements:	
1	Statement of Net Position .....	10
2	Statement of Activities .....	11
	Fund Financial Statements:	
3	Balance Sheet – Governmental Funds.....	12
4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	13
5	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	14
6	Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – General Fund.....	15
7	Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Milano's Downtown Fund .....	16
8	Statement of Net Position – Proprietary Funds .....	17
9	Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Funds.....	18
10	Statement of Cash Flows – Proprietary Funds.....	19
11	Statement of Net Position – Fiduciary Funds .....	20
12	Statement of Changes in Net Position – Fiduciary Funds .....	21
	Notes to the Financial Statements.....	22-45
	<b><u>SCHEDULE</u></b>	
	<b>Required Supplementary Information:</b>	
1	Local Government Employees' Retirement System – Schedule of the Proportionate Share of Net Pension Liability (Asset) .....	46
2	Local Government Employees' Retirement System – Schedule of Contributions .....	47
3	Law Enforcement Officers' Special Separation Allowance – Schedule of Changes in Total Pension Obligation .....	48
4	Law Enforcement Officers' Special Separation Allowance – Schedule of Total Pension Obligation as a Percentage of Covered Payroll .....	49

# TOWN OF WARRENTON, NORTH CAROLINA

## TABLE OF CONTENTS

---

<b><u>SCHEDULE</u></b>	<b><u>PAGE</u></b>
<b>Individual Fund Statements and Schedules:</b>	
5	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – General Fund ..... 50-52
6	Combining Balance Sheet – Nonmajor Governmental Funds.....53
7	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....54
8	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual (Non-GAAP) – Patrol Cars Grant Fund.....55
9	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual (Non-GAAP) – Bicycle and Pedestrian Planning Fund.....56
10	Schedule of Revenues, Expenditures – Budget to Actual (Non-GAAP) – Wastewater Treatment Plant Fund ..... 57-58
11	Schedule of Revenues and Expenditures – Budget to Actual (Non-GAAP) – WWTP Grant, Division of Water Infrastructure Fund – Capital Project Fund.....59
12	Schedule of Revenues and Expenditures – Budget to Actual (Non-GAAP) – Water and Sewer Fund – Capital Project Fund ..... 60-61
13	Schedule of Revenues and Expenditures – Budget to Actual (Non-GAAP) – Water Asset Mapping Grant Fund – Capital Project Fund .....62
14	Schedule of Revenues and Expenditures – Budget to Actual (Non-GAAP) – USDA Rural Development Grant Fund – Capital Project Fund .....63
15	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual (Non-GAAP) – Sewer Asset Mapping Grant Fund.....64
16	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual (Non-GAAP) – Battle Avenue Sewer Replacement Grant Fund.....65
17	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual (Non-GAAP) – Bute/Unity Sewer Replacement Grant Fund.....66
<b>Other Schedules:</b>	
21	Schedule of Ad Valorem Taxes Receivable – General Fund .....67
22	Analysis of Current Tax Levy – Town-Wide Levy .....68

**TOWN OF WARRENTON, NORTH CAROLINA**  
**TABLE OF CONTENTS**

---

	<u><b>PAGE</b></u>
<b>Compliance Section:</b>	
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 <i>Government Auditing Standards</i> .....	69-70
Report of Independent Auditor on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act.....	71-72
Report of Independent Auditor on Compliance with Requirements Applicable for Each Major State Program and on Internal Control over Compliance in Accordance with the Uniform Guidance and the State Single Audit Implementation Act .....	73-74
Schedule of Expenditures of Federal and State Awards .....	75
Notes to the Schedule of Expenditures of Federal and State Awards .....	76
Schedule of Findings and Questioned Costs .....	77-78
Schedule of Prior Audit Findings .....	79

## **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, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller 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, 2020, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the general and Milano's Downtown funds, 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 as well as the Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, *Cost Principles*, and Audit requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund statements and schedules and other schedules as listed in the table of contents as well as the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 January 29, 2021 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.



Raleigh, North Carolina  
January 29, 2021



# TOWN OF WARRENTON, NORTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

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, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

### Financial Highlights

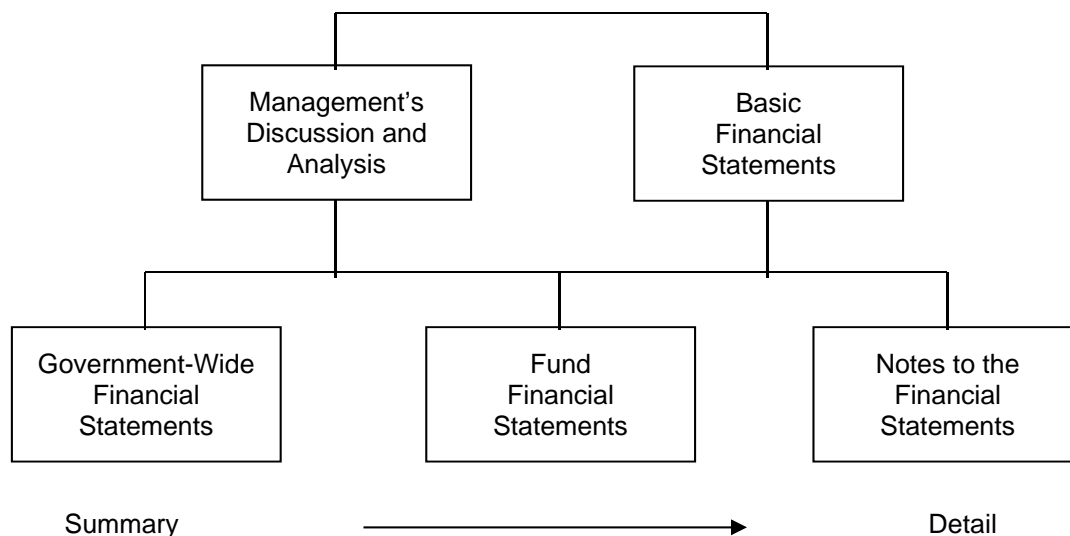
- The assets of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$8,301,251 (net position).
- The government's total net position increased by \$1,941,592 primarily due to increases in water and sewer activities capital grants and contributions.
- At the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,104,551 with a net change of \$48,532 in fund balance. Approximately 23.74% of this total amount, or \$262,166, is non-spendable or restricted.
- At the end of the current fiscal year, the total fund balance for the General fund was \$1,104,551 and the unassigned portion of that fund balance was \$842,386, or 80.84%, 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, 2020

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### Basic Financial Statements

The first two statements (pages 10 and 11) 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 12 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. 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.

# TOWN OF WARRENTON, NORTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

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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 46 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, 2020

### Government-Wide Financial Analysis Town of Warrenton's Net Assets

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Current and other assets	\$ 1,154,664	\$ 1,097,188	\$ 999,224	\$ 1,413,989	\$ 2,153,888	\$ 2,511,177
Capital assets	278,188	257,675	9,361,041	7,440,616	9,639,229	7,698,291
Deferred outflows of resources	180,658	181,465	118,246	119,962	298,904	301,427
Total assets and deferred outflows of resources	1,613,510	1,536,328	10,478,511	8,974,567	12,092,021	10,510,895
Long-term liabilities outstanding	321,652	287,119	3,213,916	2,985,942	3,535,568	3,273,061
Other liabilities	17,515	10,646	216,550	840,422	234,065	851,068
Deferred inflows of resources	21,137	26,680	-	427	21,137	27,107
Total Liabilities and deferred inflows of resources	360,304	324,445	3,430,466	3,826,791	3,790,770	4,151,236
Net Assets:						
Invested in capital assets, net of related debt	157,762	137,409	6,268,435	4,559,633	6,426,197	4,697,042
Restricted	262,166	198,458	-	-	262,166	198,458
Unrestricted	833,278	876,016	779,610	588,143	1,612,888	1,464,159
Total Net Assets	\$ 1,253,206	\$ 1,211,883	\$ 7,048,045	\$ 5,147,776	\$ 8,301,251	\$ 6,359,659

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 \$8,301,251 as of June 30, 2020. The Town's net position increased by \$1,941,592 for the fiscal year ended June 30, 2020. 77.41% 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, \$262,166 (3.16%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,612,888 is unrestricted. One aspect of the Town's financial operations positively influenced the total unrestricted net position:

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 97.70%.

# TOWN OF WARRENTON, NORTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

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

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Revenues:						
Program Revenues:						
Charges for services	\$ 153,963	\$ 158,110	\$ 1,739,868	\$ 1,705,733	\$ 1,893,831	\$ 1,863,843
Operating grants and contributions	113,580	360,246	1,403	-	114,983	360,246
Capital grants and contributions	41,200	930	2,277,718	2,107,664	2,318,918	2,108,594
General Revenues:						
Property taxes	473,713	470,205	-	-	473,713	470,205
Other taxes	369,118	380,271	-	-	369,118	380,271
Other	46,643	57,510	4,910	4,209	51,553	61,719
Total Revenues	<u>1,198,217</u>	<u>1,427,272</u>	<u>4,023,899</u>	<u>3,817,606</u>	<u>5,222,116</u>	<u>5,244,878</u>
Expenses:						
General government	263,361	188,452	-	-	263,361	188,452
Public safety	541,729	610,831	-	-	541,729	610,831
Transportation	181,336	164,372	-	-	181,336	164,372
Environmental protection	102,801	98,208	-	-	102,801	98,208
Economic and physical development	32,407	252,475	-	-	32,407	252,475
Cultural and recreational	-	621	-	-	-	621
Interest on long-term debt	3,260	2,235	-	-	3,260	2,235
Water and sewer	-	-	2,155,630	2,082,795	2,155,630	2,082,795
Total Expenses	<u>1,124,894</u>	<u>1,317,194</u>	<u>2,155,630</u>	<u>2,082,795</u>	<u>3,280,524</u>	<u>3,399,989</u>
Change in Net Position	73,323	110,078	1,868,269	1,734,811	1,941,592	1,844,889
Transfers	(32,000)	33,062	32,000	(33,062)	-	-
Net position, July 1	<u>1,211,883</u>	<u>1,068,743</u>	<u>5,147,776</u>	<u>3,446,027</u>	<u>6,359,659</u>	<u>4,514,770</u>
Net position, June 30	<u>\$ 1,253,206</u>	<u>\$ 1,211,883</u>	<u>\$ 7,048,045</u>	<u>\$ 5,147,776</u>	<u>\$ 8,301,251</u>	<u>\$ 6,359,659</u>

**Governmental Activities** – Governmental activities increased the Town's net position by \$41,323, thereby accounting for 2.1% of the total growth in the net position of the Town.

**Business-Type Activities** – Business-type activities increased the Town's net position by \$1,900,269, thereby accounting for 97.9% of the total growth in the net position of the Town.

# TOWN OF WARRENTON, NORTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

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### 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 \$842,386, while total fund balance reached \$1,104,551. 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 81% of the total General Fund expenditures, while total fund balance represents 106% 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 (\$20,344), and those for the Water and Sewer Fund amounted to \$799,954. The total change in net position for both funds was \$23,698 and \$1,876,571, 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, 2020, totaled \$9,639,229 (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, 2020

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

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Land	\$ 29,500	\$ 29,500	\$ 5,250	\$ 5,250	\$ 34,750	\$ 34,750
Buildings and system	1,501	1,501	114,084	118,480	115,585	119,981
Improvements	116,634	66,299	4,755,881	166,570	4,872,515	232,869
Water and sewer lines	-	-	2,216,182	2,444,162	2,216,182	2,444,162
Machinery and equipment	21,517	26,893	43,185	43,873	64,702	70,766
Vehicles and motorized equipment	109,036	73,519	36,408	52,012	145,444	125,531
Construction in progress	-	59,963	2,190,051	4,610,269	2,190,051	4,670,232
Total	\$ 278,188	\$ 257,675	\$ 9,361,041	\$ 7,440,616	\$ 9,639,229	\$ 7,698,291

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, 2020, the Town had total debt outstanding of \$3,213,032. Of this, \$3,213,032 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 \$5,855,015.

Additional information regarding the Town's long-term debt can be found in the Notes to the 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: The state's seasonally adjusted June unemployment rate was 7.6 percent, Warren County was 10%.

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

**Governmental Activities** – Revenues and expenditures are expected to remain comparable with 2019-2020 revenues and expenditures. Property taxes will remain unchanged.

**Business-Type Activities** – Revenues and expenditures are expected to remain comparable with 2019-2020 revenues and expenditures.

### 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, 2020

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 859,900	\$ 391,219	\$ 1,251,119
Restricted cash	36,968	105,014	141,982
Taxes receivables (net)	32,597	-	32,597
Accounts receivable (net) - trade	13,229	109,732	122,961
Due from other governments	179,474	339,695	519,169
Notes receivable	-	12,402	12,402
Internal balances	32,496	(32,496)	-
Inventories	-	73,658	73,658
Total current assets	1,154,664	999,224	2,153,888
Noncurrent Assets:			
Capital Assets:			
Land, non-depreciable improvements, and construction in progress	29,500	2,195,301	2,224,801
Other capital assets, net of depreciation	248,688	7,165,740	7,414,428
Total capital assets	278,188	9,361,041	9,639,229
Total assets	1,432,852	10,360,265	11,793,117
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	180,658	118,246	298,904
Total deferred outflows of resources	180,658	118,246	298,904
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable - trade	4,059	81,279	85,338
Accrued payroll	13,456	30,257	43,713
Deposits held	-	105,014	105,014
Long-Term Liabilities:			
Due within one year	56,641	2,677,419	2,734,060
Net pension liability - LGERS	141,571	94,381	235,952
Total pension liability - LEOSSA	31,828	-	31,828
Due in more than one year	91,612	442,116	533,728
Total liabilities	339,167	3,430,466	3,769,633
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	21,137	-	21,137
Total deferred inflows of resources	21,137	-	21,137
<b>NET POSITION</b>			
Net investment in capital assets	157,762	6,268,435	6,426,197
Restricted for:			
Streets	32,461	-	32,461
Stabilization by State Statute	225,198	-	225,198
USDA	4,507	-	4,507
Unrestricted	833,278	779,610	1,612,888
Total net position	\$ 1,253,206	\$ 7,048,045	\$ 8,301,251

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, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 263,361	\$ 4,590	\$ -	\$ -	\$ (258,771)	\$ -	\$ (258,771)
Public safety	541,729	896	55,590	41,200	(444,043)	-	(444,043)
Streets	181,336	-	25,583	-	(155,753)	-	(155,753)
Environmental protection	102,801	148,477	32,407	-	78,083	-	78,083
Economic and physical development	32,407	-	-	-	(32,407)	-	(32,407)
Interest on long-term debt	3,260	-	-	-	(3,260)	-	(3,260)
Total governmental activities	1,124,894	153,963	113,580	41,200	(816,151)	-	(816,151)
Business-Type Activities:							
Wastewater treatment	653,853	644,727	824	-	-	(8,302)	(8,302)
Water and sewer	1,501,777	1,095,141	579	2,277,718	-	1,871,661	1,871,661
Total business-type activities	2,155,630	1,739,868	1,403	2,277,718	-	1,863,359	1,863,359
Total primary government	\$ 3,280,524	\$ 1,893,831	\$ 114,983	\$ 2,318,918	(816,151)	1,863,359	1,047,208
General revenues:							
Taxes:							
Property taxes, levied for general purpose					473,713	-	473,713
Other taxes					369,118	-	369,118
Unrestricted investment earnings					6,755	4,910	11,665
Miscellaneous					38,338	-	38,338
Total general revenues					889,474	4,910	894,384
Transfers					(32,000)	32,000	-
Total general revenues and transfers					857,474	36,910	894,384
Change in net position					41,323	1,900,269	1,941,592
Net position, beginning					1,211,883	5,147,776	6,359,659
Net position, ending					\$ 1,253,206	\$ 7,048,045	\$ 8,301,251

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, 2020

	<b>General</b>	<b>Milano's Downtown</b>	<b>Total Nonmajor Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 863,489	\$ -	\$ -	\$ 863,489
Restricted cash	36,968	-	-	36,968
Receivables, net:				
Taxes	32,597	-	-	32,597
Accounts - trade	13,229	-	-	13,229
Due from other funds	32,496	-	-	32,496
Due from other governments	175,884	3,589	-	179,473
Total assets	<u>\$ 1,154,663</u>	<u>\$ 3,589</u>	<u>\$ -</u>	<u>\$ 1,158,252</u>
<b>LIABILITIES</b>				
Accounts payable - trade	\$ 4,059	\$ -	\$ -	\$ 4,059
Overdrawn cash	-	3,589	-	3,589
Accrued payroll	13,456	-	-	13,456
Due to other funds	-	-	-	-
Total liabilities	<u>17,515</u>	<u>3,589</u>	<u>-</u>	<u>21,104</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes receivable	32,597	-	-	32,597
Total deferred inflows of resources	<u>32,597</u>	<u>-</u>	<u>-</u>	<u>32,597</u>
<b>FUND BALANCES</b>				
Restricted:				
Stabilization by State Statute	225,198	-	-	225,198
USDA	4,507	-	-	4,507
Streets	32,461	-	-	32,461
Unassigned	842,386	-	-	842,386
Total fund balances	<u>1,104,551</u>	<u>-</u>	<u>-</u>	<u>1,104,551</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,154,663</u>	<u>\$ 3,589</u>	<u>\$ -</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.

Net pension liability

Total pension liability

Deferred outflows of resources related to pensions are not reported in the funds

Earned revenues considered deferred inflows of resources in fund statements

Deferred inflows of resources related to pensions are not reported in the funds

Long-term liabilities used in governmental activities are not financial uses and,  
therefore, are not reported in the funds.

Net position of governmental activities

278,188  
(141,571)  
(31,828)  
180,658  
32,597  
(21,137)  
(148,253)  
\$ 1,253,206

**TOWN OF WARRENTON, NORTH CAROLINA**

EXHIBIT 4

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

YEAR ENDED JUNE 30, 2020

	<b>General</b>	<b>Milano's Downtown</b>	<b>Total Nonmajor Funds</b>	<b>Total Governmental Funds</b>
Revenues:				
Ad valorem taxes	\$ 471,638	\$ -	\$ -	\$ 471,638
Unrestricted intergovernmental	369,118	-	-	369,118
Restricted intergovernmental	81,173	32,407	41,200	154,780
Permits and fees	5,486	-	-	5,486
Sales and services	178,478	-	-	178,478
Investment earnings	6,755	-	-	6,755
Miscellaneous	8,337	-	-	8,337
Total revenues	<u>1,120,985</u>	<u>32,407</u>	<u>41,200</u>	<u>1,194,592</u>
Expenditures:				
General government	226,587	-	-	226,587
Public safety	509,401	-	75,000	584,401
Streets	168,688	-	-	168,688
Economic and physical development	-	32,407	-	32,407
Environmental protection	100,427	-	-	100,427
Debt service:				
Principal	33,640	-	-	33,640
Interest and other charges	3,260	-	-	3,260
Capital outlay	-	-	-	-
Total expenditures	<u>1,042,003</u>	<u>32,407</u>	<u>75,000</u>	<u>1,149,410</u>
Excess (deficiency) of revenues over expenditures	<u>78,982</u>	<u>-</u>	<u>(33,800)</u>	<u>45,182</u>
Other Financing Sources (Uses):				
Transfers	(32,000)	-	-	(32,000)
Proceeds from sale of capital assets	1,550	-	-	1,550
Installment purchase proceeds	-	-	33,800	33,800
Total other financing sources (uses)	<u>(30,450)</u>	<u>-</u>	<u>33,800</u>	<u>3,350</u>
Net change in fund balance	<u>48,532</u>	<u>-</u>	<u>-</u>	<u>48,532</u>
Fund balances, beginning	<u>1,056,019</u>	<u>-</u>	<u>-</u>	<u>1,056,019</u>
Fund balances, ending	<u>\$ 1,104,551</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,104,551</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, 2020*

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

Net changes in fund balances - total governmental funds	\$ 48,532
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	75,000
Depreciation expense for governmental assets	(54,487)
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	2,075
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	33,640
New long-term debt issued	(33,800)
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	(18,850)
Compensated absences	(10,787)
Total changes in net position of governmental activities	<u>\$ 41,323</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, 2020

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 469,624	\$ 469,624	\$ 471,638	\$ 2,014
Unrestricted intergovernmental	344,600	356,600	369,118	12,518
Restricted intergovernmental	25,965	25,965	81,173	55,208
Permits and fees	5,400	5,400	5,486	86
Sales and services	179,400	179,400	178,478	(922)
Investment earnings	12,000	12,000	6,755	(5,245)
Miscellaneous	12,492	28,992	8,337	(20,655)
Total revenues	<u>1,049,481</u>	<u>1,077,981</u>	<u>1,120,985</u>	<u>43,004</u>
Expenditures:				
General government	213,287	241,787	226,587	15,200
Public safety	511,017	511,017	509,401	1,616
Streets	172,469	172,469	168,688	3,781
Environmental protection	104,661	104,661	100,427	4,234
Debt service:				
Principal retirement	33,640	33,640	33,640	-
Interest and other charges	6,407	6,407	3,260	3,147
Total expenditures	<u>1,041,481</u>	<u>1,069,981</u>	<u>1,042,003</u>	<u>27,978</u>
Revenues over expenditures	<u>8,000</u>	<u>8,000</u>	<u>78,982</u>	<u>70,982</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	4,000	4,000	1,550	(2,450)
Transfers	-	-	(32,000)	(32,000)
Appropriated fund balance	(12,000)	(12,000)	-	12,000
Total other financing sources (uses)	<u>(8,000)</u>	<u>(8,000)</u>	<u>(30,450)</u>	<u>(22,450)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>48,532</u>	<u>\$ 48,532</u>
Fund balances, beginning			<u>1,056,019</u>	
Fund balances, ending			<u>\$ 1,104,551</u>	

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

**TOWN OF WARRENTON, NORTH CAROLINA**

EXHIBIT 7

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET TO ACTUAL – MILANO’S DOWNTOWN FUND***FROM INCEPTION TO THE YEAR ENDED JUNE 30, 2020*

	<b>Budget</b>	<b>Prior Years</b>	<b>Actual</b>	<b>Total to Date</b>	<b>Variance Positive (Negative)</b>
Revenues:					
Restricted intergovernmental:					
Reimbursable grant	\$ 500,000	\$ 247,475	\$ 32,407	\$ 279,882	\$ (220,118)
Reimbursable COG fee	5,000	5,000	-	5,000	-
Total	<u>505,000</u>	<u>252,475</u>	<u>32,407</u>	<u>284,882</u>	<u>(220,118)</u>
Total revenues	<u>505,000</u>	<u>252,475</u>	<u>32,407</u>	<u>284,882</u>	<u>(220,118)</u>
Expenditures:					
Economic and Physical Development:					
Building renovation	500,000	247,475	32,407	279,882	220,118
COG fee	5,000	5,000	-	5,000	-
Total	<u>505,000</u>	<u>252,475</u>	<u>32,407</u>	<u>284,882</u>	<u>220,118</u>
Total expenditures	<u>505,000</u>	<u>252,475</u>	<u>32,407</u>	<u>284,882</u>	<u>220,118</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances, beginning			-		
Fund balances, ending			<u>\$ -</u>		

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

EXHIBIT 8

JUNE 30, 2020

	<b>Wastewater Treatment Fund</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ -	\$ 411,203	\$ 411,203
Restricted cash	-	105,014	105,014
Accounts receivable, net	-	109,732	109,732
Notes receivable	-	12,402	12,402
Due from other governments	57,683	282,012	339,695
Inventories	-	73,658	73,658
Total current assets	<u>57,683</u>	<u>994,021</u>	<u>1,051,704</u>
Noncurrent Assets:			
Capital Assets:			
Land and other non-depreciable assets	-	2,195,301	2,195,301
Other capital assets, net of depreciation	33,200	7,132,540	7,165,740
Capital assets (net)	<u>33,200</u>	<u>9,327,841</u>	<u>9,361,041</u>
Total noncurrent assets	<u>33,200</u>	<u>9,327,841</u>	<u>9,361,041</u>
Total assets	<u>90,883</u>	<u>10,321,862</u>	<u>10,412,745</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	59,123	59,123	118,246
Total deferred outflows of resources	<u>59,123</u>	<u>59,123</u>	<u>118,246</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	2,715	78,564	81,279
Accrued payroll	16,638	13,619	30,257
Overdrawn cash	19,984	-	19,984
Due to other funds	32,496	-	32,496
Customer deposits	-	105,014	105,014
Compensated absences - current	11,420	5,545	16,965
Installment purchases - current	-	2,660,454	2,660,454
Total current liabilities	<u>83,253</u>	<u>2,863,196</u>	<u>2,946,449</u>
Noncurrent Liabilities:			
Compensated absences - noncurrent	6,707	3,257	9,964
Net pension liability	47,190	47,191	94,381
Installment purchases - noncurrent	-	432,152	432,152
Total noncurrent liabilities	<u>53,897</u>	<u>482,600</u>	<u>536,497</u>
Total liabilities	<u>137,150</u>	<u>3,345,796</u>	<u>3,482,946</u>
<b>NET POSITION</b>			
Net investment in capital assets	33,200	6,235,235	6,268,435
Unrestricted	(20,344)	799,954	779,610
Total net position	<u>\$ 12,856</u>	<u>\$ 7,035,189</u>	<u>\$ 7,048,045</u>

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



**TOWN OF WARRENTON, NORTH CAROLINA**

EXHIBIT 9

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION –  
PROPRIETARY FUNDS**

YEAR ENDED JUNE 30, 2020

	<b>Wastewater Treatment Fund</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
Operating Revenues:			
Charges for services	\$ 629,935	\$ 1,066,717	\$ 1,696,652
Other operating revenues	14,792	28,424	43,216
Total operating revenues	<u>644,727</u>	<u>1,095,141</u>	<u>1,739,868</u>
Operating Expenses:			
Administration	291,446	338,110	629,556
Water and sewer operations	-	812,708	812,708
Water collection and treatment	357,639	-	357,639
Depreciation	4,768	350,959	355,727
Total operating expenses	<u>653,853</u>	<u>1,501,777</u>	<u>2,155,630</u>
Operating loss	<u>(9,126)</u>	<u>(406,636)</u>	<u>(415,762)</u>
Nonoperating Revenues (Expenses):			
Investment earnings	-	4,910	4,910
Coronavirus Relief Fund revenue	824	579	1,403
Interest and other charges	-	-	-
Total nonoperating revenue (expenses)	<u>824</u>	<u>5,489</u>	<u>6,313</u>
Loss before contributions and transfers	(8,302)	(401,147)	(409,449)
Capital contributions	-	2,277,718	2,277,718
Transfers to/from other funds	<u>32,000</u>	<u>-</u>	<u>32,000</u>
Change in net position	23,698	1,876,571	1,900,269
Total net position, beginning	(10,842)	5,158,618	5,147,776
Total net position, ending	<u>\$ 12,856</u>	<u>\$ 7,035,189</u>	<u>\$ 7,048,045</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 10

YEAR ENDED JUNE 30, 2020

	<b>Wastewater Treatment Fund</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 636,711	\$ 1,529,256	\$ 2,165,967
Cash paid for goods and services	(357,639)	(1,468,607)	(1,826,246)
Cash paid to or on behalf of employees for services	(279,858)	(323,748)	(603,606)
Net customer deposits	-	6,794	6,794
Net cash from operating activities	(786)	(256,305)	(257,091)
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Interfund activity	(43,592)	-	(43,592)
Decrease in due from other funds		43,592	43,592
Federal Grants	824	579	1,403
Transfers (to) from other funds	32,000	-	32,000
Total cash from non-capital financing activities	(10,768)	44,171	33,403
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition of capital assets	(8,430)	(2,267,722)	(2,276,152)
Capital contributions	-	2,277,718	2,277,718
Principal paid on notes payable	-	(29,922)	(29,922)
Interest paid on notes payable	-	-	-
Principal received on notes receivable	-	1,920	1,920
Net cash from capital and related financing activities	(8,430)	223,539	215,109
<b>Cash Flows from Investing Activities:</b>			
Interest and dividends	-	4,910	4,910
Net increase (decrease) in cash and cash equivalents	(19,984)	16,315	(3,669)
Balances, beginning	-	499,902	499,902
Balances, ending	\$ (19,984)	\$ 516,217	\$ 496,233
Reconciliation of operating income to net cash from by operating activities:			
Operating income	\$ (9,126)	\$ (406,636)	\$ (415,762)
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation	4,768	350,959	355,727
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(8,016)	434,115	426,099
(Increase) decrease in inventory	-	(16,923)	(16,923)
pensions	858	858	1,716
Increase (decrease) in net pension liability	5,911	5,912	11,823
pensions	(213)	(214)	(427)
Increase (decrease) in accounts payable	76	(638,976)	(638,900)
Increase (decrease) in accrued payroll	3,666	4,568	8,234
Increase (decrease) in customer deposits	-	6,794	6,794
Increase (decrease) in compensated absences	1,290	3,238	4,528
Total adjustments	8,340	150,331	158,671
Net cash from operating activities	\$ (786)	\$ (256,305)	\$ (257,091)

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 11

*YEAR ENDED JUNE 30, 2020*

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	<b>Plummer Hook and Ladder Museum</b>
<b>Assets</b>	
Cash	<u>\$          3,208</u>
<b>Net Position</b>	<u><u>\$          3,208</u></u>

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

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

EXHIBIT 12

*YEAR ENDED JUNE 30, 2020*

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	<b>Plummer Hook and Ladder Museum</b>
	<hr/>
Additions:	
Contributions	\$ -
Subtractions:	
Miscellaneous	<hr/> 732
Change in net position	(732)
Net position, beginning	<hr/> 3,940
Net position, ending	<hr/> <hr/> \$ 3,208

**TOWN OF WARRENTON**

**NOTES TO THE FINANCIAL STATEMENTS**

# TOWN OF WARRENTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

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### 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. Nonoperating 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.

**Milano’s Downtown Fund.** This fund is a special revenue fund, used to account for the specific grant funding received and expended for the purposes of renovating a building in downtown Warrenton.

# TOWN OF WARRENTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

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### 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 Plummer Hook and Ladder Museum (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 nonoperating 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 nonoperating revenues and expenses.

# TOWN OF WARRENTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

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### **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, 2020

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### 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 fair value, 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	\$ 32,461
USDA	4,507
Total governmental activities	<u>\$ 36,968</u>

#### Business-Type Activities:

##### Water and Sewer Fund

Customer deposits	\$ 105,014
Total business-type activities	<u>\$ 105,014</u>

# TOWN OF WARRENTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

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### 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, 2020

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### 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 2020 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.

#### 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, 2020

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### 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.

*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 liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System ("LGERS") and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town'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, 2020*

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### **Note 2—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, 2020, the Town's deposits had a carrying amount of \$455,450 and a bank balance of \$465,195. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$906,054 was covered by collateral held under the Pooling Method. The Town's petty cash totaled \$100 at June 30, 2020.

##### **2. Investments**

At June 30, 2020, the Town had \$940,759, invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no policy regarding credit risk.

**TOWN OF WARRENTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2020

**Note 2—Detail notes on all funds (continued)**

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

The receivables shown in Exhibit 1 at June 30, 2020 were as follows:

	<b>Accounts</b>	<b>Taxes</b>	<b>Due from Other Governments</b>	<b>Total</b>
Governmental Activities:				
General	\$ 19,426	\$ 32,597	\$ 175,884	\$ 227,907
Milano's Downtown	-	-	3,589	3,589
Allowance for doubtful accounts	(6,197)	-	-	(6,197)
Total governmental activities	<u>\$ 13,229</u>	<u>\$ 32,597</u>	<u>\$ 179,473</u>	<u>\$ 225,299</u>
Business-Type Activities:				
Wastewater treatment	\$ -	\$ -	\$ 57,683	\$ 57,683
Water and sewer	218,228	-	282,012	500,240
Allowance for doubtful accounts	(108,496)	-	-	(108,496)
Total business-type activities	<u>\$ 109,732</u>	<u>\$ -</u>	<u>\$ 339,695</u>	<u>\$ 449,427</u>

Due from other governments consisted of the following:

Warren County	\$ 5,194
Local option sales tax	63,261
Franchise tax	18,201
Sales tax refund	33,638
Coronavirus Relief Fund	55,590
MS Downtown Redevelopment	3,589
Total	<u>\$ 179,473</u>
Town of Norlina	\$ 25,126
Warren County	31,733
Coronavirus Relief Fund	824
	<u>\$ 57,683</u>
Sales Tax Refund	\$ 1,327
USDA	280,106
Coronavirus Relief Fund	579
	<u>\$ 282,012</u>

The Town has three outstanding notes receivable with local businesses. 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 was paid in full on November 1, 2019 and there is no balance due at June 30, 2020.

**TOWN OF WARRENTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2020

**Note 2—Detail notes on all funds (continued)**

The second loan was made on September 15, 2018 in the amount of \$5,000 with an interest rate of 5%. Monthly installments are due to the Town in the amount of \$71. The loan matures on August 15, 2025. The balance of this note receivable is \$3,854 at June 30, 2020 and is considered fully collectible.

The third loan was made on December 19, 2018 in the amount of \$10,500 with an interest rate of 5%. Monthly installments are due to the Town in the amount of \$148. The loan matures on December 25, 2025. The balance of this note receivable is \$8,548 at June 30, 2020 and is considered fully collectible.

**4. Capital Assets**

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>
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	89,463	-	(59,963)	29,500
Capital assets being depreciated:				
Buildings	6,773	-	-	6,773
Equipment	97,556	-	-	97,556
Improvements	99,449	59,963	-	159,412
Vehicles and motorized equipment	399,636	75,000	-	474,636
Total capital assets being depreciated	603,414	134,963	-	738,377
Less accumulated depreciation for:				
Buildings	5,272	-	-	5,272
Equipment	70,663	5,376	-	76,039
Improvements	33,150	9,628	-	42,778
Vehicles and motorized equipment	326,117	39,483	-	365,600
Total accumulated depreciation	435,202	\$ 54,487	\$ -	489,689
Total capital assets being depreciated, net	168,212			248,688
Governmental activity capital assets, net	\$ 257,675			\$ 278,188

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

General Government	\$ 12,408
Public Safety	30,299
Transportation	11,780
Total depreciation expense	<u>\$ 54,487</u>

**TOWN OF WARRENTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2020

**Note 2—Detail notes on all funds (continued)**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-Type Activities:				
<b>Wastewater Treatment Fund</b>				
Capital assets being depreciated:				
Improvements	\$ 14,858	\$ -	\$ -	\$ 14,858
Vehicles	18,706	-	-	18,706
Equipment	133,763	8,430	(6,163)	136,030
Total capital assets being depreciated	<u>167,327</u>	<u>8,430</u>	<u>(6,163)</u>	<u>169,594</u>
Less accumulated depreciation for:				
Improvements	2,286	381	-	2,667
Vehicles	18,706	-	-	18,706
Equipment	116,797	4,387	(6,163)	115,021
Total accumulated depreciation	<u>137,789</u>	<u>\$ 4,768</u>	<u>\$ (6,163)</u>	<u>136,394</u>
Total capital assets being depreciated, net	<u>29,538</u>			<u>33,200</u>
Wastewater Treatment Fund capital assets	<u>\$ 29,538</u>			<u>\$ 33,200</u>
<b>Water and Sewer Fund</b>				
Capital assets not being depreciated:				
Land	\$ 5,250	\$ -	\$ -	\$ 5,250
Construction in progress	4,610,269	2,267,722	(4,687,940)	2,190,051
Total capital assets not being depreciated	<u>4,615,519</u>	<u>2,267,722</u>	<u>(4,687,940)</u>	<u>2,195,301</u>
Capital assets being depreciated:				
Water and sewer lines	5,853,043	-	-	5,853,043
Water and sewer plant	169,982	-	-	169,982
Improvements	222,054	4,687,940	-	4,909,994
Vehicles	226,908	-	-	226,908
Equipment	228,439	-	-	228,439
Total capital assets being depreciated	<u>6,700,426</u>	<u>4,687,940</u>	<u>-</u>	<u>11,388,366</u>
Less accumulated depreciation for:				
Water and sewer lines	3,408,881	227,980	-	3,636,861
Water and sewer plant	51,502	4,396	-	55,898
Improvements	68,056	98,248	-	166,304
Vehicles	174,896	15,604	-	190,500
Equipment	201,532	4,731	-	206,263
Total accumulated depreciation	<u>3,904,867</u>	<u>\$ 350,959</u>	<u>\$ -</u>	<u>4,255,826</u>
Total capital assets being depreciated, net	<u>2,795,559</u>			<u>7,132,540</u>
Water and Sewer Fund capital assets, net	<u>7,411,078</u>			<u>9,327,841</u>
Business-type activities capital assets, net	<u>\$ 7,440,616</u>			<u>\$ 9,361,041</u>



# TOWN OF WARRENTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

### Note 2—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. Construction commitments at June 30, 2020 for the Town Hall Renovation for Public Works and Water/Sewer Line Replacements projects are:

<u>Contract Amount</u>	<u>Expensed</u>	<u>Remaining</u>
\$ 6,180,897	\$ (5,404,484)	\$ 776,413

#### **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 ("LEO") 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, 2020

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### **Note 2—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, 2020, was 8.75% of compensation for law enforcement officers and 8.00% 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 \$120,920 for the year ended June 30, 2020.

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

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

At June 30, 2020, the Town reported a liability of \$235,952 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Town's proportion was 0.00864%, which was a decrease of 0.00006% from its proportion measured as of June 30, 2018.

# TOWN OF WARRENTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

### Note 2—Detail notes on all funds (continued)

For the year ended June 30, 2020, the Town recognized pension expense of \$151,234. At June 30, 2020, 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	\$ 40,401	\$ -
Changes of assumptions	38,456	-
Net difference between projected and actual earnings on pension plan investments	5,755	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	90,082	-
Town contributions subsequent to the measurement date	120,920	-
Total	<u>\$ 295,614</u>	<u>\$ -</u>

\$120,920 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### Years Ending June 30,

2021	\$ 77,620
2022	38,801
2023	40,564
2024	17,709
	<u>\$ 174,694</u>

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

Inflation	3%
Salary increases	3.50 to 8.10%, including inflation and productivity factor
Investment rate of return	7%, net of pension plan investment expense, including inflation

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

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

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

# TOWN OF WARRENTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

### Note 2—Detail notes on all funds (continued)

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, 2019 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 2018 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

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

**Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.** The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00%, 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Town's proportionate share of the net pension liability (asset)	\$ 539,665	\$ 235,952	\$ (16,495)

**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.

# TOWN OF WARRENTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

### Note 2—Detail notes on all funds (continued)

#### 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, 2018, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	3
Total	<u>3</u>

##### 2. Summary of Significant Accounting Policies

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

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statement 73.

##### 3. Actuarial Assumptions

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

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

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

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

# TOWN OF WARRENTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

### Note 2—Detail notes on all funds (continued)

#### 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, 2020, the Town reported a total pension liability of \$31,828. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of (\$818).

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,142	\$ 19,639
Changes of assumptions	2,148	1,498
Total	<u>\$ 3,290</u>	<u>\$ 21,137</u>

\$-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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### **Years Ending June 30,**

2021	\$ (4,225)
2022	(4,225)
2023	(4,225)
2024	(4,107)
2025	(1,181)
Thereafter	116
	<u>\$ (17,847)</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 3.26 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26%) or 1-percentage-point higher (4.26%) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 34,857	\$ 31,828	\$ 29,043

# TOWN OF WARRENTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

### Note 2—Detail notes on all funds (continued)

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

	<b>2020</b>
Beginning balance	\$ 25,977
Service Cost	2,461
Interest on the total pension liability	946
Differences between expected and actual experience in the measurement of the total pension liability	1,357
Changes of assumptions or other inputs	1,087
Ending balance of the total pension liability	<u>\$ 31,828</u>

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, 2018 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 \$8,008 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, 2020

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### Note 2—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:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 120,920
Pension deferrals	177,984
	<u>\$ 298,904</u>

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

<u>Source</u>	<u>Amount</u>
Taxes receivable (General Fund)	\$ 32,597
Pension deferrals (Government Wide)	21,137

#### 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/Clerk is bonded for \$50,000, the Finance Officer is bonded for \$50,000, and the Police Chief is bonded for \$10,000. 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, 2020

### Note 2—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, 2020 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)

\$ 11,085

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)

35,321

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%.

13,461

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%.

5,025

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%.

21,734

An agreement was executed on November 20, 2019 for \$33,800 to finance the purchase of two patrol cars. This agreement requires 7 annual payments of \$5,426, beginning in 2020, including interest at 3.0%.

33,800

Total governmental activities

\$ 120,426

# TOWN OF WARRENTON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

### Note 2—Detail notes on all funds (continued)

#### 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)

\$ 13,133

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)

17,658

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%.

26,520

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 matured October 24, 2019, but was extended until October 24, 2020. The extended note bears interest at 2.32%.

2,615,000

An agreement was executed on April 2, 2020 for sewer upgrades in the amount of \$115,000. This agreement requires 20 annual payments of \$5,750, beginning in 2021, at 0% interest.

88,440

An agreement was executed on April 2, 2020 for sewer upgrades in the amount of \$184,531. This agreement requires 20 annual payments of \$9,227, beginning in 2021, at 0% interest.

153,105

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.

178,750

\$ 3,092,606

**TOWN OF WARRENTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2020

**Note 2—Detail notes on all funds (continued)**

**b. Changes in Long-Term Liabilities**

A summary of changes in long-term obligations follows:

**Years Ending June 30,**

**Governmental Activities:**

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 39,110	\$ 3,300	\$ 42,410
2022	26,451	2,294	28,745
2023	21,405	1,468	22,873
2024	13,424	944	14,368
2025	9,593	613	10,206
2026-2027	10,443	469	10,912
	<u>\$ 120,426</u>	<u>\$ 9,088</u>	<u>\$ 129,514</u>

**Business-Type Activities:**

**Water and Sewer Fund:**

2021	\$ 2,660,454	\$ 26,809	\$ 2,687,263
2022	45,993	4,498	50,491
2023	39,582	3,671	43,253
2024	35,610	3,117	38,727
2025	34,371	2,659	37,030
2026-2040	276,596	9,900	286,496
	<u>\$ 3,092,606</u>	<u>\$ 50,654</u>	<u>\$ 3,143,260</u>

	<b>Balance July 1, 2019</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2020</b>	<b>Current Portion of Balance</b>
<b>Governmental Activities:</b>					
Installment purchases	\$ 120,266	\$ 33,800	\$ 33,640	\$ 120,426	\$ 39,110
Net pension liability (LGERS)	123,836	17,735	-	141,571	-
Total pension liability (LEOSSA)	25,977	5,851	-	31,828	-
Compensated absences	17,040	11,618	831	27,827	17,531
Total	<u>\$ 287,119</u>	<u>\$ 69,004</u>	<u>\$ 34,471</u>	<u>\$ 321,652</u>	<u>\$ 56,641</u>
<b>Business-Type Activities:</b>					
Installment purchases	\$ 2,880,983	\$ 241,545	\$ 29,922	\$ 3,092,606	\$ 2,660,454
Net pension liability (LGERS)	82,558	11,823	-	94,381	-
Compensated absences	22,401	4,528	-	26,929	16,965
Total	<u>\$ 2,985,942</u>	<u>\$ 257,896</u>	<u>\$ 29,922</u>	<u>\$ 3,213,916</u>	<u>\$ 2,677,419</u>

At June 30, 2020, the Town had a legal debt margin of \$5,855,015.

**TOWN OF WARRENTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2020*

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**Note 2—Detail notes on all funds (continued)**

**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 – 31.17%, Warrenton – 44.15%, and Norlina 24.68%. 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, 2024. The Town is obligated to pay \$70,000 annually under the terms of this contract.

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, 2020, \$32,496 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 \$278,117 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 Town made a transfer from the General Fund to the Waste Water Treatment Fund in the amount of \$32,000 to refund the double payment of a previous loan that occurred in a prior year.

**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	\$ 1,104,551
Less:	
Stabilization by state statue	225,198
USDA	4,507
Streets - Powell Bill	32,461
Remaining Fund Balance	<u>\$ 842,386</u>

# **TOWN OF WARRENTON, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2020*

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### **Note 2—Detail notes on all funds (continued)**

#### **D. Fund Balance (continued)**

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 officially adopted a fund balance policy to maintain an available fund balance of 45% of the general fund expenditures

### **Note 3—Jointly governed organization**

The Kerr-Tar Council of Government (the “Council”) is a voluntary association of five county and fifteen Town 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, Town, 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 \$577 to the Council during the year ended June 30, 2020.

### **Note 4—Summary disclosure of significant contingencies**

#### **Federal and State Assisted Programs**

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

Coronavirus “COVID-19” - As a result of the spread of COVID-19 in early 2020, economic uncertainties have arisen, which are likely to negatively impact operating results of the Town through the next fiscal year. These uncertainties include, but are not limited to, a decrease in property and sales taxes, and other sources of revenue. We are taking a conservative approach to spending and believe that this in conjunction with our reserve, unrestricted fund balances, and receipt of the CARES Act grant funding are sufficient to continue operations. However, we acknowledge that the full financial impact cannot be reasonably estimated at this time.

### **Note 5—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**

### **REQUIRED SUPPLEMENTARY FINANCIAL DATA**

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

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- 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 SEVEN FISCAL YEARS*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Warrenton's proportion of the net pension liability (asset) (%)	0.00864%	0.00870%	0.01100%	0.01191%	0.01015%	0.00907%	0.00400%
Warrenton's proportion of the net pension liability (asset) (\$)	\$ 235,952	\$ 206,394	\$ 168,050	\$ 252,770	\$ 45,552	\$ (53,490)	\$ 48,215
Warrenton's covered payroll	\$ 693,583	\$ 661,731	\$ 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 payroll	34.02%	31.19%	24.25%	37.45%	7.46%	-10.94%	9.95%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	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

Note: Ten years of information will be presented as it becomes available.

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

SCHEDULE 2

*LAST SEVEN FISCAL YEARS*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 120,920	\$ 104,607	\$ 95,971	\$ 97,279	\$ 88,326	\$ 83,130	\$ 32,304
Contributions in relation to the contractually required contribution	120,920	104,607	95,971	97,279	88,326	83,130	32,304
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Warrenton's covered payroll	\$ 744,419	\$ 693,583	\$ 661,731	\$ 693,131	\$ 674,953	\$ 610,237	\$ 488,917
Contributions as a percentage of covered payroll	16.24%	15.08%	14.50%	14.03%	13.09%	13.62%	6.61%

Note: Ten years of information will be presented as it becomes available.



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

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	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 25,977	\$ 26,571	\$ 50,058	\$ 46,433
Service Cost	2,461	2,643	2,444	3,361
Interest on the total pension liability	946	840	1,932	1,658
Differences between the expected and actual experience in the measurement of the total pension liability	1,357	(2,861)	(29,964)	-
Changes of assumptions or other inputs	1,087	(1,216)	2,101	(1,394)
Ending balance of the total pension liability	<u>\$ 31,828</u>	<u>\$ 25,977</u>	<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.

Note: Ten years of information will be presented as it becomes available.

**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 FOUR YEARS*

---

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 31,828	\$ 25,977	\$ 26,571	\$ 50,058
Covered payroll	\$ 128,043	\$ 119,611	\$ 156,513	\$ 180,588
Total pension liability as a percentage of covered payroll	24.86%	21.72%	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.

Note: Ten years of information will be presented as it becomes available.

**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, 2020

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Revenues:			
Ad valorem taxes:			
Taxes	\$ -	\$ 435,110	-
Motor vehicles taxes	-	34,645	-
Penalties and interest	-	1,883	-
Total	<u>469,624</u>	<u>471,638</u>	<u>2,014</u>
Unrestricted intergovernmental:			
Local option sales taxes	-	238,675	-
Utility franchise tax	-	87,170	-
Beer and wine tax	-	3,540	-
Gas tax refund	-	1,408	-
Refund Sales Tax	-	38,325	-
Total	<u>356,600</u>	<u>369,118</u>	<u>12,518</u>
Restricted intergovernmental:			
Powell Bill allocation	-	25,583	-
Coronavirus Relief Fund revenue	-	55,590	-
Total	<u>25,965</u>	<u>81,173</u>	<u>55,208</u>
Permits and fees:			
Zoning fees	-	1,400	-
Code enforcement	-	3,190	-
Parking fees and enforcement	-	495	-
Court fees	-	401	-
Cemetery fees	-	-	-
Total	<u>5,400</u>	<u>5,486</u>	<u>86</u>
Sales and services:			
Landfill fees	-	148,477	-
Cell tower rent	-	30,001	-
Miscellaneous	-	8,337	-
Total	<u>208,392</u>	<u>186,815</u>	<u>(21,577)</u>
Investment earnings	<u>12,000</u>	<u>6,755</u>	<u>(5,245)</u>
Total revenues	<u>1,077,981</u>	<u>1,120,985</u>	<u>43,004</u>

**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, 2020

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Expenditures:			
General Government			
Governing Body			
Personnel services	\$ -	\$ 1,720	\$ -
Operating expenditures	-	304	-
Total	<u>2,050</u>	<u>2,024</u>	<u>26</u>
Administration			
Personnel services	-	209,643	-
Operating expenditures	-	129,366	-
Administrative fee paid by Water and Sewer	-	(114,446)	-
Total	<u>239,737</u>	<u>224,563</u>	<u>15,174</u>
Total general government	<u>241,787</u>	<u>226,587</u>	<u>15,200</u>
Public Safety			
Police			
Personnel services	-	340,543	-
Operating expenditures	-	92,927	-
Total	<u>436,367</u>	<u>433,470</u>	<u>2,897</u>
Fire			
Personnel services	-	3,793	-
Operating expenditures	-	72,138	-
Total	<u>74,650</u>	<u>75,931</u>	<u>(1,281)</u>
Total public safety	<u>511,017</u>	<u>509,401</u>	<u>1,616</u>
Streets			
Street repair and construction			
Personnel services	-	96,761	-
Operating expenditures	-	85,427	-
Mowing fees paid by Water and Sewer	-	(13,500)	-
Total	<u>172,469</u>	<u>168,688</u>	<u>3,781</u>
Total streets	<u>172,469</u>	<u>168,688</u>	<u>3,781</u>

**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, 2020

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Environmental Protection			
Sanitation			
Personnel services	\$ -	\$ 70,255	\$ -
Operating expenditures	-	30,172	-
Total	<u>104,661</u>	<u>100,427</u>	<u>4,234</u>
Total environmental protection	<u>104,661</u>	<u>100,427</u>	<u>4,234</u>
Debt service			
Principal retirement	-	33,640	-
Interest and other charges	-	3,260	-
Total	<u>40,047</u>	<u>36,900</u>	<u>3,147</u>
Total expenditures	<u>1,069,981</u>	<u>1,042,003</u>	<u>27,978</u>
Revenues over (under) expenditures	<u>8,000</u>	<u>78,982</u>	<u>70,982</u>
Other financing sources (uses):			
Gain on sale of fixed assets	4,000	1,550	(2,450)
Transfers	-	(32,000)	(32,000)
Fund balance appropriated	(12,000)	-	12,000
Total	<u>(8,000)</u>	<u>(30,450)</u>	<u>(22,450)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>48,532</u>	<u>\$ 48,532</u>
Fund balances, beginning		<u>1,056,019</u>	
Fund balances, ending		<u>\$ 1,104,551</u>	

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

SCHEDULE 6

*JUNE 30, 2020*

	<b>Patrol Cars Grant Fund</b>	<b>Bicycle and Pedestrian Planning Grant Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Due from other governments	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES</b>			
Due to other funds	\$ -	\$ -	\$ -
<b>FUND BALANCES</b>			
Restricted:			
Cultural and recreation	-	-	-
Economic and physical development	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2020*

	<b>Patrol Cars Grant Fund</b>	<b>Bicycle and Pedestrian Planning Grant Fund</b>	<b>Total Nonmajor Governmental Funds</b>
Revenues:			
Restricted intergovernmental	\$ 41,200	\$ -	\$ 41,200
Total revenues	41,200	-	41,200
Expenditures:			
Public safety	75,000	-	75,000
Cultural and recreation	-	-	-
Total expenditures	75,000	-	75,000
Revenues over (under) expenditures	(33,800)	-	(33,800)
Other financing sources			
Installment purchase proceeds	33,800	-	33,800
Total other financings sources	33,800	-	33,800
Net change in fund balance	-	-	-
Fund balances, beginning	-	-	-
Fund balances, ending	\$ -	\$ -	\$ -



**TOWN OF WARRENTON, NORTH CAROLINA**

SCHEDULE 8

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
 BUDGET TO ACTUAL (NON-GAAP) – SPECIAL REVENUE FUND –  
 PATROL CARS GRANT FUND**
*FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020*

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total to Date</b>	<b>Variance Positive (Negative)</b>
Revenues:					
USDA grant	\$ 41,200	\$ -	\$ 41,200	41,200	\$ -
Expenditures:					
Public Safety					
Patrol Cars	75,000	-	75,000	75,000	-
Revenues under expenditures	(33,800)	-	(33,800)	(33,800)	-
Other Financing Sources:					
Installment purchase proceeds	33,800	-	33,800	33,800	-
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balances, beginning			-		
Fund balances, ending			<u>\$ -</u>		

**TOWN OF WARRENTON, NORTH CAROLINA**

SCHEDULE 9

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
 BUDGET TO ACTUAL (NON-GAAP) – SPECIAL REVENUE FUND –  
 BICYCLE AND PEDESTRIAN PLANNING FUND**
*FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020*

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

**TOWN OF WARRENTON, NORTH CAROLINA**

SCHEDULE 10

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

YEAR ENDED JUNE 30, 2020

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Revenues:			
Charges for services:			
Wastewater Treatment	\$ -	\$ 629,935	\$ -
Total	670,526	629,935	(40,591)
Total operating revenues	670,526	629,935	(40,591)
Nonoperating revenues:			
Interest earnings	-	-	-
Miscellaneous revenue	-	14,792	-
Total nonoperating revenues	19,828	14,792	(5,036)
Total revenues	690,354	644,727	(45,627)
Expenditures:			
Operating expenditures:			
Salaries and benefits	-	248,040	-
Audit	-	7,447	-
Telephone and postage	-	8,014	-
Freight	-	1,929	-
Office supplies	-	588	-
Light and heat	-	89,588	-
Materials and supplies	-	38,498	-
Truck expense	-	6,462	-
Equipment and plant maintenance	-	90,267	-
Uniforms	-	2,879	-
Sludge hauling	-	38,355	-
Influent debris removal	-	3,850	-
Kerr-Pamlico Basin Association	-	2,880	-
Permits and fees	-	6,153	-
OSHA compliance	-	737	-
Lab analysis	-	17,146	-
Certified lab expense	-	6,357	-
Computer improvements	-	6,809	-
Continuing education	-	2,430	-
Advertising	-	355	-
Capital outlay	-	8,430	-
Administrative fee	-	41,006	-
Total	690,354	649,669	40,685

**TOWN OF WARRENTON, NORTH CAROLINA**

SCHEDULE 10

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

YEAR ENDED JUNE 30, 2020

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Other financing sources (uses):			
Transfer from the general fund	\$ -	32,000	\$ (32,000)
Coronavirus Relief Fund revenue	-	824	(824)
Transfer to water and sewer	-	-	-
Total other financing sources (uses)	-	32,824	(32,824)
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 27,882</u>	<u>\$ 27,882</u>

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

Revenues and other sources over expenditures and other uses	\$ 27,882
Reconciling items:	
Depreciation	(4,768)
Increase in compensated absences	(1,290)
Capital Outlay	8,430
Revenue and other financing sources from capital projects	-
Decrease in deferred outflows of resources - pensions	(858)
Decrease in net pension liability	(5,911)
Increase in deferred inflows of resources - pensions	213
Total reconciling items	<u>(4,184)</u>
Net loss	<u>\$ 23,698</u>

**TOWN OF WARRENTON, NORTH CAROLINA**

SCHEDULE 11

**SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET TO ACTUAL (NON-GAAP) –  
WWTP GRANT, DIVISION OF WATER INFRASTRUCTURE FUND – CAPITAL PROJECT FUND***FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020*

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total to Date</b>	<b>Variance Positive (Negative)</b>
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	-	670	670	2,380
Total administration costs	63,050	-	670	670	62,380
Total expenditures	1,600,000	-	670	670	1,599,330
Revenues over expenditures	\$ -	\$ -	\$ (670)	\$ (670)	\$ (670)

**TOWN OF WARRENTON, NORTH CAROLINA**

SCHEDULE 12

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

YEAR ENDED JUNE 30, 2020

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Revenues:			
Charges for services:			
Water and sewer sales	\$ -	\$ 1,050,195	\$ -
Water and sewer taps	-	16,522	-
Total operating revenues	<u>1,216,940</u>	<u>1,066,717</u>	<u>(150,223)</u>
Nonoperating revenues:			
Interest earnings	-	4,910	-
Miscellaneous revenue	-	28,424	-
Total nonoperating revenues	<u>32,250</u>	<u>33,334</u>	<u>1,084</u>
Total revenues	<u>1,249,190</u>	<u>1,100,051</u>	<u>(149,139)</u>
Expenditures:			
Operating expenditures:			
Salaries and benefits	-	271,269	-
Water purchases	-	185,686	-
Sewer purchases	-	278,117	-
Rent	-	1,138	-
Audit	-	7,446	-
Equipment maintenance	-	8,109	-
Water tank maintenance	-	11,699	-
Building maintenance	-	2,387	-
Contracted services	-	64,320	-
Insurance and bonds	-	16,606	-
Departmental supplies and materials	-	38,045	-
Uniforms	-	4,087	-
Telephone and postage	-	15,506	-
Office supplies	-	4,051	-
Lights and heat	-	8,930	-
Advertising	-	419	-
Easements	-	1,000	-
Truck expense	-	11,055	-
Continuing education	-	110	-
Dues and permits	-	3,278	-
Certified lab expense	-	1,420	-
Computer improvements	-	9,631	-
Contract maintenance	-	16,619	-
Wastewater treatment plant rehab	-	23,436	-
Debt service	-	36,077	-
Capital outlay	-	-	-
Mowing fee	-	13,500	-
Administrative fee	-	73,440	-
Total	<u>1,271,256</u>	<u>1,107,381</u>	<u>163,875</u>

**TOWN OF WARRENTON, NORTH CAROLINA**

SCHEDULE 12

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

YEAR ENDED JUNE 30, 2020

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Other financing sources (uses):			
Fund balance appropriated	\$ 30,066	\$ -	\$ (30,066)
Proceeds from sale of fixed asset	-	748	748
Transfer to General Fund	(8,000)	(19,470)	(11,470)
Coronavirus Relief Fund revenue	-	579	579
Total other financing sources (uses)	22,066	(18,143)	(40,209)
Revenues and other sources under expenditures and other uses	\$ -	\$ (25,473)	\$ (25,473)

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

Revenues and other sources under expenditures and other uses	\$ (25,473)
Reconciling items:	
Principal retirement	29,922
Capital outlay	
Decrease in deferred outflows of resources - pensions	(858)
Decrease in net pension liability	(5,912)
Decrease in deferred inflows of resources - pensions	214
Revenue and other financing sources from capital projects	2,211,068
Depreciation	(350,959)
Transfers to capital project funds	19,470
Increase in compensated absences	(3,238)
Other	2,337
Total reconciling items	1,902,044
Net income	\$ 1,876,571

**TOWN OF WARRENTON, NORTH CAROLINA**

SCHEDULE 13

**SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET TO ACTUAL (NON-GAAP) –  
WATER ASSET MAPPING GRANT FUND – CAPITAL PROJECT FUND***FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020*

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	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total to Date</b>	<b>Variance Positive (Negative)</b>
Revenues:					
Contributions					
Town match	\$ 5,000	\$ 5,000	\$ -	\$ 5,000	\$ -
Grant	100,000	41,850	38,350	80,200	(19,800)
Total revenues	105,000	46,850	38,350	85,200	(19,800)
Expenditures:					
Engineering	105,000	37,080	48,120	85,200	19,800
Revenues under expenditures	<u>\$ -</u>	<u>\$ 9,770</u>	<u>\$ (9,770)</u>	<u>\$ -</u>	<u>\$ -</u>



**TOWN OF WARRENTON, NORTH CAROLINA**

SCHEDULE 14

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

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

	Actual				Variance
	Project	Prior	Current	Closed	Positive
	Authorization	Years	Year	Projects	(Negative)
Revenues:					
Contributions					
Grant	\$ 3,420,000	\$ 1,990,690	\$ 1,496,724	\$ (2,072,940)	\$ 1,414,474
					\$ (2,005,526)
Expenditures:					
Water and sewer line					
replacements	3,321,907	2,246,985	884,112	(2,250,887)	880,210
Construction	1,932,489	1,904,665	141,518	(1,902,658)	143,525
Architect fees	60,000	47,810	14,257	(62,067)	-
Contingency	293,638	236,809	92,725	(227,467)	102,067
Engineering fees	223,325	76,312	9,262	(76,312)	9,262
Administration	61,750	-	-	-	-
Interest	86,891	79,627	66,903	(146,530)	-
Service easement	30,000	-	-	-	-
Legal and administrative	25,000	18,061	15,808	(22,019)	11,850
Total expenditures	6,035,000	4,610,269	1,224,585	(4,687,940)	1,146,914
					4,888,086
Revenues under expenditures	(2,615,000)	(2,619,579)	272,139	2,615,000	267,560
					2,882,560
Other financing sources					
USDA loan	2,615,000	2,615,000	-	(2,615,000)	-
					(2,615,000)
Revenues and other financing					
sources over (under)					
expenditures	\$ -	\$ (4,579)	\$ 272,139	\$ -	\$ 267,560
					\$ 267,560

**TOWN OF WARRENTON, NORTH CAROLINA**

SCHEDULE 15

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET TO ACTUAL (NON-GAAP) –  
SEWER ASSET MAPPING GRANT FUND***FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020*

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	<b>Project</b>	<b>Actual</b>			<b>Variance</b>
	<b>Authorization</b>	<b>Prior</b>	<b>Current</b>	<b>Total to</b>	<b>Positive</b>
		<b>Years</b>	<b>Year</b>	<b>Date</b>	<b>(Negative)</b>
Revenues:					
Contributions					
Town match	\$ 7,500	\$ 5,250	\$ -	\$ 5,250	\$ (2,250)
Grant	150,000	82,350	21,600	103,950	(46,050)
Total revenues	157,500	87,600	21,600	109,200	(48,300)
Expenditures:					
Engineering	157,500	87,600	21,600	109,200	48,300
Revenues under expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

**TOWN OF WARRENTON, NORTH CAROLINA**

SCHEDULE 16

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
 BUDGET TO ACTUAL (NON-GAAP) –  
 BATTLE AVENUE SEWER REPLACEMENT GRANT FUND**
*FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020*

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total to Date</b>	<b>Variance Positive (Negative)</b>
Revenues:					
Contributions					
Town match	\$ 11,995	\$ -	\$ 11,995	\$ 11,995	\$ -
Grant	553,594	262	459,056	459,318	(94,276)
Total revenues	565,589	262	471,051	471,313	(94,276)
Expenditures:					
Engineering	738,125	349	626,777	627,126	110,999
Grant fee	8,304	-	-	-	8,304
Loan fee	3,691	-	3,641	3,641	50
Total expenditures	750,120	349	630,418	630,767	119,353
Revenues under expenditures	(184,531)	(87)	(159,367)	(159,454)	25,077
Other financing sources					
NC DEQ loan	184,531	-	153,105	153,105	(31,426)
Revenues and other financing sources under expenditures	\$ -	\$ (87)	\$ (6,262)	\$ (6,349)	\$ (6,349)

**TOWN OF WARRENTON, NORTH CAROLINA**

SCHEDULE 17

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
 BUDGET TO ACTUAL (NON-GAAP) –  
 BUTE/UNITY SEWER REPLACEMENT GRANT FUND**
*FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020*

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total to Date</b>	<b>Variance Positive (Negative)</b>
Revenues:					
Contributions					
Town match	\$ 7,475	\$ -	\$ 7,475	\$ 7,475	\$ -
Grant	345,000	262	265,058	265,320	(79,680)
Total revenues	352,475	262	272,533	272,795	(79,680)
Expenditures:					
Engineering	460,000	349	405,244	405,593	54,407
Grant fee	5,175	-	5,175	5,175	-
Loan fee	2,300	-	2,300	2,300	-
Total expenditures	467,475	349	412,719	413,068	54,407
Revenues under expenditures	(115,000)	(87)	(140,186)	(140,273)	(25,273)
Other financing sources					
NC DEQ loan	115,000	-	88,440	88,440	(26,560)
Revenues and other financing sources under expenditures	\$ -	\$ (87)	\$ (51,746)	\$ (51,833)	\$ (51,833)

## **TOWN OF WARRENTON**

### **OTHER SCHEDULES**

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This section contains additional information required on property taxes.

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- 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 21

YEAR ENDED JUNE 30, 2020

<b>Fiscal Year</b>	<b>Uncollected Balance June 30, 2019</b>	<b>Additions</b>	<b>Collections And Credits</b>	<b>Uncollected Balance June 30, 2020</b>
2019- 2020	\$ -	\$ 475,720	\$ 464,765	\$ 10,955
2018- 2019	13,229		5,303	7,926
2017- 2018	3,875	-	1,631	2,244
2016- 2017	1,820	-	240	1,580
2015- 2016	1,705	-	130	1,575
2014- 2015	1,481	-	130	1,351
2013- 2014	2,236	-	103	2,133
2012- 2013	1,790	-	314	1,476
2011- 2012	1,061	-	7	1,054
2010- 2011	1,092	-	-	1,092
2009- 2010	1,211	-	-	1,211
2008- 2009	1,022	-	1,022	-
	<u>\$ 30,522</u>	<u>\$ 475,720</u>	<u>\$ 473,645</u>	<u>\$ 32,597</u>

Reconcilement with revenues:

Ad valorem taxes - General Fund	\$ 471,638
Reconciling items:	
Adjustments	4,664
Interest collected	(1,883)
Releases	(774)
Subtotal	<u>2,007</u>
Total collections and credits	<u>\$ 473,645</u>

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

SCHEDULE 22

YEAR ENDED JUNE 30, 2020

	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	\$ 67,785,077	0.65	\$ 440,603	\$ 440,603	\$ -
Discoveries	-	0.65	-	-	-
Registered motor vehicles	5,402,615	0.65	35,117	-	35,117
Total Property Valuation	<u>\$ 73,187,692</u>		<u>\$ 475,720</u>	<u>\$ 440,603</u>	<u>\$ 35,117</u>
Net levy			\$ 475,720	\$ 440,603	\$ 35,117
Uncollected taxes at June 30, 2020			<u>(10,955)</u>	<u>(10,955)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 464,765</u>	<u>\$ 429,648</u>	<u>\$ 35,117</u>
Current levy collection percentage			<u>97.70%</u>	<u>97.51%</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, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 29, 2021.

**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") as a basis for designing 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not identified.

**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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Cheryl Bekaert LLP

Raleigh, North Carolina  
January 29, 2021

**Report of Independent Auditor on Compliance for Each Major Federal Program and  
on Internal Control over Compliance in Accordance with OMB Uniform Guidance  
and the State Single Audit Implementation Act**

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

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Warrenton, North Carolina (the "Town"), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town's major federal program for the year ended June 30, 2020. The Town's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2020.

**Report on Internal Control over Compliance**

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

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

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

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

Cheryl Bekaert LLP

Raleigh, North Carolina  
January 29, 2021

**Report of Independent Auditor on Compliance with Requirements Applicable for Each Major State Program and on Internal Control over Compliance in Accordance with the Uniform Guidance and the State Single Audit Implementation Act**

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

**Report on Compliance for Each Major State Program**

We have audited the Town of Warrenton, North Carolina's (the "Town") compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on the Town's major state program for the year ended June 30, 2020. The Town's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major State Program**

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2020.

## Report on Internal Control over Compliance

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

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

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

## Purpose of this Report

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

A handwritten signature in dark ink that reads "Cheryl Bekaert LLP". The signature is written in a cursive, flowing style.

Raleigh, North Carolina  
January 29, 2021

**TOWN OF WARRENTON, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

*YEAR ENDED JUNE 30, 2020*

	<u>Federal CFDA #</u>	<u>State/Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
<b><u>Federal Awards:</u></b>				
<u>U.S. Department of Agriculture</u>				
Water and Waste Disposal				
Systems for Rural Communities	10.760		\$ 1,224,585	\$ -
<u>U.S. Department of Treasury</u>				
Passed-Through Warrenton County				
Coronavirus Relief Fund and CARES Act	21.019		56,993	-
<b><u>State Awards:</u></b>				
M.S Downtown Redevelopment Grant		15-E-2768 E-1	-	32,407
WWTP		E-SRP-W-17-0038	-	669
<u>N.C. Department of Transportation</u>				
Non-State System Street-Aid Allocation Fund (Powell Bill)			-	24,128
<u>North Carolina Department of Environmental Quality, Water Infrastructure Fund</u>				
Water AIA		H-AIA-D-17-0104	-	48,120
Sewer AIA		E-AIA-W-18-0131	-	21,600
Connect NC Bonds Tax Exempt Program				
Unity/Bute Sewer Rehab		E-SRP-W-17-0102	-	412,719
Battle Ave Sewer Rehab		E-SRP-W-17-0052	-	630,767
Total North Carolina Department of Environmental Quality			-	1,113,206
Total Federal and State Awards			\$ 1,281,578	\$ 1,170,410

# **TOWN OF WARRENTON, NORTH CAROLINA**

## **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

*YEAR ENDED JUNE 30, 2020*

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### **Note 1—Basis of Presentation**

The accompanying schedule of expenditures of Federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Warrenton under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

### **Note 2—Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from those amounts presented in, or used in the preparation of, the basic financial statements.

The Town of Warrenton has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

The Town did not incur any passed-through sub-recipient expenditures during the fiscal year ended June 30, 2020.

### **Note 3—State Program Loans**

The Town received no interest financing under the North Carolina Department of Environmental Quality, Water Infrastructure Fund, Connect NC tax exempt bond program. Total obligations due by the Town under the program at June 30, 2020 totaled \$241,545



**TOWN OF WARRENTON, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

YEAR ENDED JUNE 30, 2020

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**Section I. Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted

☐ yes ☒ no

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses ☐ yes ☒ none reported

Noncompliance material to federal awards

☐ yes ☒ no

Type of auditor's report issued on compliance for major federal program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

☐ yes ☒ no

Identification of major federal programs:

**CFDA No.**

10.760

**Name of Federal Program or Cluster**

Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B Programs

\$750,000

Auditee qualified as low-risk auditee?

☐ yes ☒ no

# TOWN OF WARRENTON, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2020

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### **State Awards**

Internal control over major state programs:

- Material weakness(es) identified? \_\_\_\_\_ yes      X   no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes      X   none reported
- Noncompliance material to state awards noted? \_\_\_\_\_ yes      X   no

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act

\_\_\_\_\_ yes      X   no

Identification of major state programs:

Program Name

NCDEQ Water Infrastructure Fund, Connect NC Bonds Tax Exempt Program

### **Section II. Financial Statement Findings**

None reported.

### **Section III. Federal Award Findings and Questioned Costs**

None reported.

### **Section IV. State Award Findings and Questioned Costs**

None reported.

**TOWN OF WARRENTON, NORTH CAROLINA**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**

*YEAR ENDED JUNE 30, 2020*

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**Status of Prior Year Audit Findings:**

**Finding 2019-001**

Corrected