

REVIEWED

By SLGFD at 3:37 pm, Mar 09, 2022

TOWN OF WARSAW
Warsaw, North Carolina

FINANCIAL STATEMENTS
Year Ended June 30, 2021

BOARD OF COMMISSIONERS

Owen Martin
Valerie Nelson
Russell Eason
Jack Hawes

ADMINISTRATIVE OFFICERS

A.J. Connors
Mayor

Scotty Smith
Mayor Pro-Tem

Scotty Summerlin
Town Manager

Lea Turner
Town Clerk/Finance Officer

Town of Warsaw, North Carolina
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June 30, 2021

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FINANCIAL SECTION



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Warsaw, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Town of Warsaw ABC Board were not audited in accordance with *Government Auditing Standards*.

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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

In our opinion, based upon our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Warsaw, North Carolina, as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion, and Analysis, The Other Postemployment Benefits' Schedules of Changes in the Total OPEB Liability and Related Ratios, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Warsaw's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2021, on our consideration of the Town of Warsaw's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Town of Warsaw's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Warsaw's internal control over financial reporting and compliance.

Thompson, Price, Scott, Adams & Co., PA
Wilmington, North Carolina
October 18, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Warsaw (the "Town"), we offer readers of the Town of Warsaw's financial statements this narrative overview and analysis of the financial activities of the Town of Warsaw for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

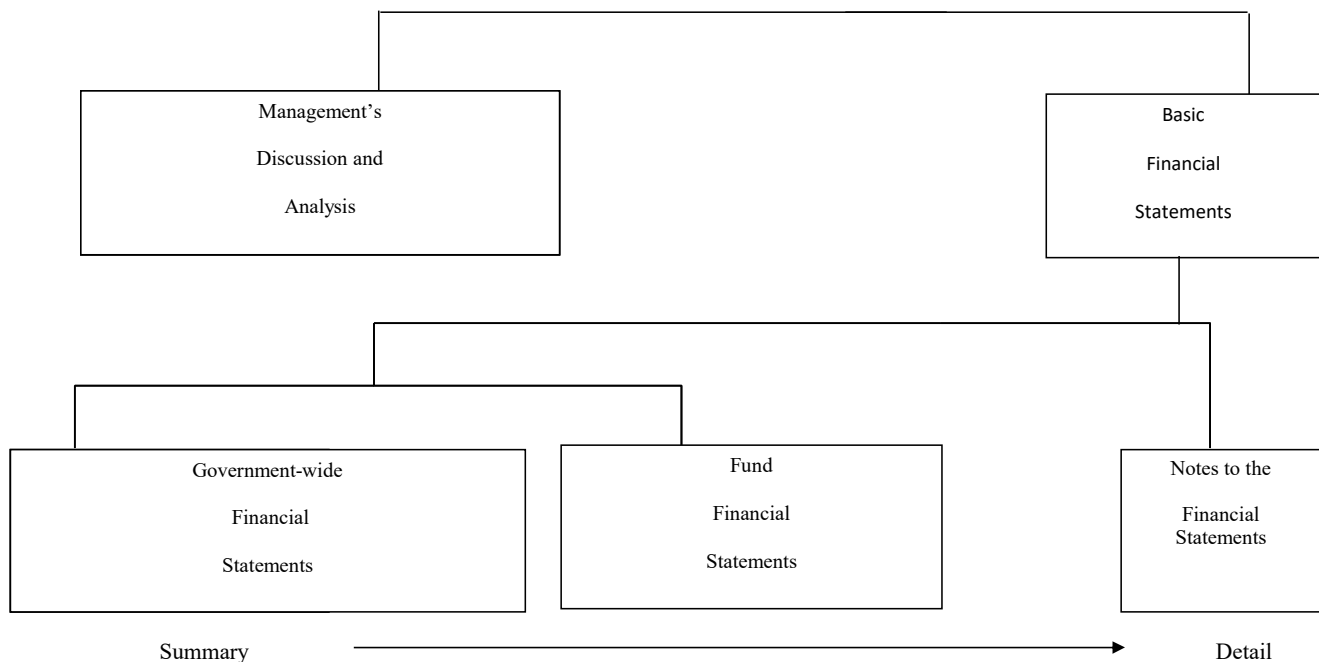
- The assets and deferred outflows of resources of the Town of Warsaw exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$20,324,462 (net position).
- The Town's total net position decreased by \$430,765, primarily due to decrease in both governmental-type and business-type activities net position.
- As of the close of the current fiscal year, the Town of Warsaw's governmental funds reported combined ending fund balances of \$3,168,596, a decrease of \$95,231 in comparison with the prior year. Approximately 72 percent of this total amount, or \$2,295,390 is available for spending at the government's discretion (unassigned).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,295,390 or 72% of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, 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 it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales tax, 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 storm water services offered by the Town of Warsaw. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and the Board is required to distribute its profits to the Town.

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

Fund Financial Statements

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

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

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

Proprietary Funds – Town of Warsaw has two proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Warsaw uses enterprise funds to account for its water fund activities. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow Exhibit 8 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information.

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

Government-Wide Financial Analysis

**Town of Warsaw's Net Position
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 3,461,416	\$ 3,491,865	\$ 2,909,084	\$ 2,621,880	\$ 6,370,500	\$ 6,113,745
Capital assets	1,658,795	1,591,696	18,175,398	15,884,172	19,834,193	17,475,868
Total assets	5,120,211	5,083,561	21,084,482	18,506,052	26,204,693	23,589,613
Deferred outflows of resources	427,267	279,229	81,716	68,529	508,983	347,758
Long-term liabilities outstanding	1,038,521	727,044	4,442,872	2,158,478	5,481,393	2,885,522
Other liabilities	257,529	127,742	592,063	87,679	849,592	215,421
Total liabilities	1,296,050	854,786	5,034,935	2,246,157	6,330,985	3,100,943
Deferred inflows of resources	52,285	72,074	5,944	13,230	58,229	85,304
Net position:						
Net investment in capital assets	1,563,451	1,578,308	13,587,603	14,001,750	15,151,054	15,580,058
Restricted	837,625	754,209	-	-	837,625	754,209
Unrestricted	1,798,067	2,103,413	2,537,716	2,317,547	4,335,783	4,420,960
Total net position	\$ 4,199,143	\$ 4,435,930	\$ 16,125,319	\$ 16,319,297	\$ 20,324,462	\$ 20,755,227

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Warsaw exceeded liabilities and deferred inflows by \$20,324,462 as of June 30, 2021. The Town's net position decreased by \$430,765 for the fiscal year ended June 30, 2021. However, the largest portion \$15,151,054 (75%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Warsaw uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Warsaw's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Warsaw's net position, \$837,625 (4%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,335,783 (21%) is unrestricted.

Several particular aspects of the Town's financial operations influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.87%.

Town of Warsaw
Changes in Net Position

Figure 3

	Governmental Activities		Business Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 499,202	\$ 647,346	\$ 1,692,845	\$ 1,610,024	\$ 2,192,047	\$ 2,257,370
Operating grants and contributions	118,655	144,161	-	-	\$ 118,655	144,161
Capital grants and contributions	-	-	18,800	485,782	\$ 18,800	485,782
General revenues:					\$ -	-
Property taxes	1,272,533	1,288,036	-	-	\$ 1,272,533	1,288,036
Other taxes	1,123,003	1,021,010	-	-	\$ 1,123,003	1,021,010
Other	148,036	114,757	197	11,266	\$ 148,233	126,023
Total revenues	3,161,429	3,215,310	1,711,842	2,107,072	4,873,271	5,322,382
Expenses:						
General government	270,902	320,741	-	-	270,902	320,741
Public safety	1,645,588	1,333,244	-	-	1,645,588	1,333,244
Highways/streets	282,944	383,305	-	-	282,944	383,305
Environmental Protection	491,186	273,809	-	-	491,186	273,809
Economic development	-	-	-	-	-	-
Culture and recreation	323,264	406,016	-	-	323,264	406,016
Interest on long-term debt	25,715	8,680	-	-	25,715	8,680
Water and sewer	-	-	1,905,820	1,820,727	1,905,820	1,820,727
Other	358,617	237,352	-	-	358,617	237,352
Total expenses	3,398,216	2,963,147	1,905,820	1,820,727	5,304,036	4,783,874
Increase in net position before transfers	(236,787)	252,163	(193,978)	286,345	(430,765)	538,508
Transfers	-	48,217	-	(48,217)	-	-
Increase in net position	(236,787)	300,380	(193,978)	238,128	(430,765)	538,508
Net position, beginning as previously reported	4,435,930	4,169,199	16,319,297	16,090,660	20,755,227	20,259,859
Restatement	-	(33,649)	-	(9,491)	-	(43,140)
Net position, beginning restated	4,435,930	4,135,550	16,319,297	16,081,169	20,755,227	20,216,719
Net position, ending	\$ 4,199,143	\$ 4,435,930	\$ 16,125,319	\$ 16,319,297	\$ 20,324,462	\$ 20,755,227

Governmental activities. Governmental activities decreased the Town's net position by \$236,787 thereby accounting for 68% of the total decrease in the net position of the Town of Warsaw. Key elements of this decrease are as follows:

- Decrease in revenues.

Business-type activities. Business-type activities decreased the Town of Warsaw's net position by \$193,978, accounting for 55% of the total decrease in the government's net position. Key elements of this decrease are as follows:

- Decrease in revenues.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Warsaw. At the end of the current fiscal year, Town of Warsaw's unassigned fund balance available in the General Fund was \$2,295,390, while total fund balance reached \$2,677,903.

At June 30, 2021 the governmental funds of Town of Warsaw reported a combined fund balance of \$3,168,596, with a net decrease in fund balance of \$95,231.

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

Proprietary Fund. The Town of Warsaw's proprietary fund provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$2,537,716. The total change in net position decreased by \$193,978. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Warsaw's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Warsaw's investment in capital assets for its governmental and business-type activities as of June 30, 2021 totals \$19,834,193 (net of accumulated depreciation). These assets include buildings, land, infrastructure, machinery and equipment, and vehicles.

Major capital asset transactions during the year include the following:

- Street Sweeper
- Ram Truck

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 65,727	\$ 65,727	\$ 33,218	\$ 33,218	\$ 98,945	\$ 98,945
Buildings and system	1,186,347	1,223,741	15,161,536	15,783,211	16,347,883	17,006,952
Infrastructure	12,319	17,205	-	-	12,319	17,205
Vehicles and motor equipment	394,402	285,023	124,799	77,743	519,201	362,766
Construction in progress	-	-	2,855,845	-	2,855,845	-
Total	\$ 1,658,795	\$ 1,591,696	\$ 18,175,398	\$ 15,894,172	\$ 19,834,193	\$ 17,485,868

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

Long-term Debt. As of June 30, 2021 the Town of Warsaw had total debt outstanding of \$5,854,355.

Town of Warsaw's Outstanding Debt

**Outstanding Debt
Figure 5**

Town of Warsaw's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Direct Place Installment						
Purchases	\$ 95,344	\$ 13,388	\$ 453,750	\$ 509,422	\$ 549,094	\$ 522,810
CDBG loan	-	-	2,837,045	-	2,837,045	-
USDA loan	-	-	1,247,000	1,273,000	1,247,000	1,273,000
Revolving loan	-	-	50,000	100,000	50,000	100,000
Compensated absences	68,033	70,902	17,462	13,199	85,495	84,101
Net Pension liability (LGERS)	481,362	379,161	135,769	106,943	617,131	486,104
Total Pension liability (LEO)	397,304	250,470	-	-	397,304	250,470
Total OPEB liability	55,603	48,950	15,683	13,807	71,286	62,757
Total	\$ 1,097,646	\$ 762,871	\$ 4,756,709	\$ 2,016,371	\$ 5,854,355	\$ 2,779,242

Total debt increased by \$3,075,113 primarily due to the CDBG loan.

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

Economic Factors and Next Year's Budgets and Rates

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

- Unemployment remained steady.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: Property taxes are expected to remain the same as the current tax rate. The Town will use increases in revenues to finance programs currently in place. No new revenues are anticipated and other current sources remain constant. Management continually seeks grants and funding from outside sources to supplement the Town's revenue streams.

Business-type Activities: The water and sewer rates in the Town were left unchanged for the coming year.

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 the Town Manager, Town of Warsaw, Post Office Box 464, Warsaw, NC 28398. You can also call (910) 293-7814.

BASIC FINANCIAL STATEMENTS

Town of Warsaw, North Carolina
Statement of Net Position
June 30, 2021

	Primary Government			Town of Warsaw ABC Board
	Governmental Activities	Business- type Activities	Total	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 2,984,487	\$ 2,619,043	\$ 5,603,530	\$ 161,364
Restricted cash	77,777	163,032	240,809	-
Taxes receivable	75,401		75,401	-
Accrued interest receivable on taxes	19,015		19,015	-
Receivables (net)	76,996	190,251	267,247	-
Due from other governments	164,498		164,498	-
Inventories	-	-	-	183,182
Internal balances	63,242	(63,242)	-	-
Non Current Assets:				
Capital assets:				
Land, improvements, and construction in progress	65,727	2,870,263	2,935,990	58,000
Other capital assets, net of depreciation	1,593,068	15,305,135	16,898,203	7,098
Total capital assets	1,658,795	18,175,398	19,834,193	65,098
Total assets	5,120,211	21,084,482	26,204,693	409,644
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals - LGERS	274,669	77,470	352,139	13,947
Pension deferrals - LEO	137,545	-	137,545	-
OPEB deferrals	15,053	4,246	19,299	-
Total deferred outflows of resources	427,267	81,716	508,983	13,947
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued expenses	198,404	115,194	313,598	38,950
Compensated absences payable	35,000	17,462	52,462	-
Payable from restricted assets	-	163,032	163,032	-
Current portion of long-term liabilities	24,125	296,375	320,500	-
Long-term liabilities:				
Compensated absences payable	33,033	-	33,033	-
Net pension liability	481,362	135,769	617,131	17,867
Total pension liability	397,304	-	397,304	-
Total OPEB liability	55,603	15,683	71,286	-
Due in more than one year	71,219	4,291,420	4,362,639	-
Total liabilities	1,296,050	5,034,935	6,330,985	56,817
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals - LGERS	19,644	5,540	25,184	-
Pension deferrals - LEO	31,209	-	31,209	-
OPEB deferrals	1,432	404	1,836	-
	52,285	5,944	58,229	-
NET POSITION				
Net investment in capital assets	1,563,451	13,587,603	15,151,054	65,098
Restricted for:				
Working Capital	-	-	-	35,554
Stabilization by State Statute	304,736	-	304,736	-
Streets	42,196	-	42,196	-
Economic development	490,693	-	490,693	-
Capital Improvements	-	-	-	65,000
Unrestricted (deficit)	1,798,067	2,537,716	4,335,783	201,122
Total net position	\$ 4,199,143	\$ 16,125,319	\$ 20,324,462	\$ 366,774

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

Town of Warsaw, North Carolina
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position				Town of Warsaw ABC Board
		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	\$ 270,902	\$ 123,971	\$ -	\$ -	\$ (146,931)	\$ -	\$ (146,931)	\$ -	
Public safety	1,645,588	1,237	34,979	-	(1,609,372)	-	(1,609,372)	-	
Transportation	282,944	-	83,676	-	(199,268)	-	(199,268)	-	
Environmental protection	491,186	317,956	-	-	(173,230)	-	(173,230)	-	
Recreational	323,264	56,038	-	-	(267,226)	-	(267,226)	-	
Special projects	358,617	-	-	-	(358,617)	-	(358,617)	-	
Interest on long-term debt	25,715	-	-	-	(25,715)	-	(25,715)	-	
Total governmental activities	3,398,216	499,202	118,655	-	(2,780,359)	-	(2,780,359)	-	
Business-type activities:									
Water and Sewer	1,905,820	1,692,845	-	18,800	-	(194,175)	(194,175)	-	
Total business-type activities	1,905,820	1,692,845	-	18,800	-	(194,175)	(194,175)	-	
Total Primary Government	\$ 5,304,036	\$ 2,192,047	\$ 118,655	\$ 18,800	(2,780,359)	(194,175)	(2,974,534)	-	
Component unit:									
ABC Board	\$ 1,106,921	\$ 1,194,735	\$ -	\$ -	-	-	-	-	87,814
Total component unit	\$ 1,106,921	\$ 1,194,735	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	87,814
General revenues:									
Taxes:									
Property taxes, levied for general purpose					1,272,533	-	1,272,533	-	
Local option sales tax					922,977	-	922,977	-	
Other taxes and licenses					200,026	-	200,026	-	
Grants and contributions not restricted to specific programs					112,042	-	112,042	-	
Investment earnings, unrestricted					2,537	197	2,734	11	
Miscellaneous, unrestricted					33,457	-	33,457	-	
Total general revenues not including transfers					2,543,572	197	2,543,769	11	
Transfers					-	-	-	-	
Total general revenues and transfers					2,543,572	197	2,543,769	11	
Change in net position					(236,787)	(193,978)	(430,765)	87,825	
Net position, beginning					4,435,930	16,319,297	20,755,227	278,949	
Net position, ending					\$ 4,199,143	\$ 16,125,319	\$ 20,324,462	\$ 366,774	

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

Town of Warsaw, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

	Major Funds		
	General Fund	Economic Revolving Loan Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,493,794	\$ 490,693	\$ 2,984,487
Restricted cash	77,777	-	77,777
Taxes receivables, net	75,401	-	75,401
Account receivables, net	76,996	-	76,996
Due from other governments	164,498	-	164,498
Due from other funds	63,242	-	63,242
Total assets	<u>2,951,708</u>	<u>490,693</u>	<u>3,442,401</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	<u>198,404</u>	<u>-</u>	<u>198,404</u>
Total liabilities	<u>198,404</u>	<u>-</u>	<u>198,404</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	<u>75,401</u>	<u>-</u>	<u>75,401</u>
Total deferred inflows of resources	<u>75,401</u>	<u>-</u>	<u>75,401</u>
FUND BALANCES			
Restricted			
Streets - Powell Bill	42,196	-	42,196
Stabilization by State Statute	304,736	-	304,736
Economic development	-	490,693	490,693
Reserve requirement	35,581	-	35,581
Unassigned	<u>2,295,390</u>	<u>-</u>	<u>2,295,390</u>
Total fund balances	<u>2,677,903</u>	<u>490,693</u>	<u>3,168,596</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,951,708</u>	<u>\$ 490,693</u>	<u>\$ 3,442,401</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.			1,658,795
Deferred outflows of resources related to pensions are not reported in the funds.			
LGERS			274,669
LEO			137,545
Deferred outflows of resources related to OPEB are not reported in the funds.			15,053
Liabilities for earned revenues considered deferred inflows of resources in fund statements.			75,401
Other long-term assets (accrued interest from taxes) are not available to pay current period			19,015
Deferred inflows of resources related to pensions are not reported in the funds			
LGERS			(19,644)
LEO			(31,209)
Deferred inflows of resources related to OPEB are not reported in the funds.			(1,432)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds			
Installment purchases			(95,344)
Net pension liability.			(481,362)
Total pension liability.			(397,304)
OPEB liability.			(55,603)
Compensated absences			(68,033)
Net position of governmental activities			<u>\$ 4,199,143</u>

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

Town of Warsaw, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

	Major Funds		Total
	General Fund	Economic Revolving Loan Fund	Governmental Funds
REVENUES			
Ad valorem taxes	\$ 1,314,276	\$ -	\$ 1,314,276
Unrestricted intergovernmental	1,120,803	-	1,120,803
Restricted intergovernmental	232,897	-	232,897
Permits and fees	374,331	-	374,331
Sales and services	124,871	-	124,871
Investment earnings	1,237	1,300	2,537
Miscellaneous	33,355	102	33,457
Total revenues	<u>3,201,770</u>	<u>1,402</u>	<u>3,203,172</u>
EXPENDITURES			
Current:			
General government	261,171	-	261,171
Public safety	1,731,580	-	1,731,580
Public Works & Streets	219,674	-	219,674
Special projects	358,617	-	358,617
Environmental protection	240,109	-	240,109
Recreational	294,745	-	294,745
Debt service	64,759	-	64,759
Economic development	-	248,748	248,748
Total expenditures	<u>3,170,655</u>	<u>248,748</u>	<u>3,419,403</u>
Excess (deficiency) of revenues over expenditures	<u>31,115</u>	<u>(247,346)</u>	<u>(216,231)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Installment Purchase	121,000	-	121,000
Total other financing sources and uses	<u>121,000</u>	<u>-</u>	<u>121,000</u>
Net change in fund balance	152,115	(247,346)	(95,231)
Fund balances-beginning	2,525,788	738,039	3,263,827
Fund balances-ending	<u>\$ 2,677,903</u>	<u>\$ 490,693</u>	<u>\$ 3,168,596</u>

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

Town of Warsaw, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2021

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

Net changes in fund balances - total governmental funds	\$	(95,231)
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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	\$ 186,120	
Depreciation expense for governmental assets	<u>(119,021)</u>	67,099

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		109,545
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Benefit payments paid and administrative expense for the LEOWSA are not included in the Statement of Activities		8,822
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OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		50,814
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Change in unavailable revenue for tax revenues	(33,872)	
Change in accrued interest receivable on taxes	<u>(7,871)</u>	(41,743)

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:

Compensated absences		2,869
Pension and OPEB expense		(257,005)

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. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long term debt issued	(121,000)	
Principal payments on long-term debt	<u>39,044</u>	<u>(81,956)</u>

Total changes in net position of governmental activities	\$	<u><u>(236,787)</u></u>
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Town of Warsaw, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2021

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Ad valorem taxes	\$ 1,162,900	\$ 1,247,900	\$ 1,314,276	\$ 66,376
Unrestricted intergovernmental	963,000	965,000	1,120,803	155,803
Restricted intergovernmental	85,000	210,450	232,897	22,447
Permits and fees	391,100	419,500	374,331	(45,169)
Sales and services	272,550	119,350	124,871	5,521
Investment earnings	23,000	18,000	1,237	(16,763)
Miscellaneous	-	45,900	33,355	(12,545)
Total revenues	<u>2,897,550</u>	<u>3,026,100</u>	<u>3,201,770</u>	<u>175,670</u>
Expenditures				
Current:				
General government	268,550	277,550	261,171	16,379
Public safety	1,334,700	1,765,050	1,731,580	33,470
Public Works & Streets	464,025	229,225	219,674	9,551
Recreation	326,575	329,575	294,745	34,830
Special projects	251,700	360,000	358,617	1,383
Debt service	-	65,000	64,759	241
Environmental	252,000	252,000	240,109	11,891
Total expenditures	<u>2,897,550</u>	<u>3,278,400</u>	<u>3,170,655</u>	<u>107,745</u>
Revenues over (under) expenditures	-	(252,300)	31,115	283,415
Other financing sources (uses):				
Installment purchase obligations issued	-	150,000	121,000	29,000
Fund Balance Appropriated	-	102,300	-	(102,300)
Total other financing sources (uses)	<u>-</u>	<u>252,300</u>	<u>121,000</u>	<u>(131,300)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	152,115	<u>\$ 152,115</u>
Fund Balance, Beginning			2,525,788	
Fund Balance, Ending			<u>\$ 2,677,903</u>	

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

Town of Warsaw, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2021

	Water and Sewer Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 2,619,043
Restricted cash	163,032
Accounts Receivable (net)	190,251
Due from other fund	150,995
Total	<u>3,123,321</u>
Noncurrent assets:	
Capital assets (net)	18,175,398
Total assets	<u>21,298,719</u>
Deferred Outflows of Resources:	
Pension deferrals	77,470
OPEB deferrals	4,246
Total deferred outflows of resources	<u>81,716</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	115,194
Compensated absences payable	17,462
Due to other funds	214,237
Current portion of long-term debt	296,375
Total	<u>643,268</u>
Noncurrent liabilities:	
Liabilities payable from restricted assets:	
Deposits	163,032
Net pension liability	135,769
Other postemployment benefits	15,683
Non-current portion of long-term debt	4,291,420
Total noncurrent liabilities	<u>4,605,904</u>
Total liabilities	<u>5,249,172</u>
Deferred Inflows of Resources:	
Pension deferrals	5,540
OPEB deferrals	404
Total deferred inflows of resources	<u>5,944</u>
Net Position	
Net investment in capital assets	13,587,603
Unrestricted	2,537,716
Total net position	<u>\$ 16,125,319</u>

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

Town of Warsaw, North Carolina
Statement of Revenues, Expenses, and
Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2021

	Water and Sewer Fund
Operating revenues:	
Charges for services	\$ 1,478,661
Water & Sewer taps	113,851
Other operating revenues	100,333
Total operating revenues	<u>1,692,845</u>
Operating expenses:	
Operations	1,237,367
Depreciation	635,649
Total operating expenses	<u>1,873,016</u>
Operating income	<u>(180,171)</u>
Nonoperating revenues (expenses):	
Investment earnings	197
Interest and fees	(32,804)
Total nonoperating revenues (expenses)	<u>(32,607)</u>
Income before transfers	<u>(212,778)</u>
Capital Contributions	18,800
Total capital contributions and transfers	<u>18,800</u>
Change in net position	(193,978)
Total net position, beginning	16,319,297
Total net position, ending	<u><u>\$ 16,125,319</u></u>

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

Town of Warsaw, North Carolina
Statement of Cash Flows
Proprietary Fund
For The Year Ended June 30, 2021

	Water and Sewer Fund
Cash flows from operating activities:	
Cash received from customers	\$ 1,621,758
Cash paid for goods and services	(730,121)
Cash paid to employees for services	(308,010)
Net cash provided by operating activities	<u>583,627</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(2,908,075)
Installment purchase agreement	2,837,045
Capital Contributions	18,800
Principal paid on bond maturities and note agreements	(131,672)
Interest and fees paid on bond maturities and notes agreements	(32,804)
Net cash used by capital and related financing activities	<u>(216,706)</u>
Cash flows from investing activities:	
Interest on investments	<u>197</u>
Net decrease in cash and cash equivalents	367,118
Cash and cash equivalents:	
Beginning of year, July 1	2,414,957
End of year, June 30	<u><u>\$ 2,782,075</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	<u>\$ (180,171)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	635,649
Depreciation	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(71,087)
Increase (decrease) in accounts payable and accrued liabilities	172,916
Increase (decrease) in net pension liability	28,826
Increase (decrease) in opeb liability	1,876
(Increase) decrease in deferred outflows of resources for pensions	(12,661)
(Increase) decrease in deferred outflows of resources for OPEB	(526)
Increase (decrease) in deferred inflows of resources for pensions	(3,127)
Increase (decrease) in deferred inflows of resources for OPEB	(57)
Increase (decrease) in compensated absences	4,263
Increase(decrease) in deposits	7,726
Total adjustments	<u>763,798</u>
Net cash provided by operating activities	<u><u>\$ 583,627</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

Town of Warsaw, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Warsaw and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Warsaw (the "Town") is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally-separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Town of Warsaw ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Warsaw ABC Board, 121 S Front St., Warsaw, North Carolina 28398.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component unit. 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 Town has no Fiduciary Funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The Town reports the following major governmental funds:

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

Economic Revolving Loan Fund (EDRL). This fund is used to account for monies to loan for economic development.

Water Fund and Sewer Fund. These two separate funds are used to account for the Town's water and sewer operations.

NCDWI Sanitary Sewer Improvement Fund. This fund is used to account for the improvements to the Town's Wastewater System.

CDBG Clarifier Project. This fund is used to account for the CDBG water clarification project.

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. 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 and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town 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 water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance 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 beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Warsaw because the tax is levied by the County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-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 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, Special Revenue and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Project ordinances are adopted for the Capital Project Funds. The Enterprise Fund projects are consolidated with their respective operating fund for reporting purposes. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the project level for the multi-year funds. The Town Manager is authorized by the budget ordinance to reallocate departmental appropriations among the various expenditures within each department. The Town Manager is also authorized to affect interdepartmental transfer of minor budget amendments not to exceed ten (10) percent of the appropriated fund for the department's allocation which is being reduced. Notification of all such amendments shall be made to the Board of Commissioners at their next regular meeting following the transfer. During the year, several amendments to the original budget were necessary, the affects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the Town and the ABC Board are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town and the ABC Board 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 and the ABC Board 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 and the ABC Board's investments are generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2021, the Term Portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

The unexpended capital project funds of the Water and Sewer Fund are classified as restricted assets for the enterprise fund because their use is completely restricted to the purpose for which the funds were originally authorized. Customers deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can only be expended for the purposes outlined in G.S. 136-41.1 through 136-41.4.

<u>Town of Warsaw Restricted Cash</u>		
Governmental Activities		
General Fund		
	Streets	\$ 42,196
	Reserve requirement	35,581
Total governmental activities		<u>77,777</u>
Business-type Activities		
Water and Sewer Fund		
	Customer Deposits	163,032
Total Business-type activities		<u>163,032</u>
Total Restricted Cash		<u>\$ 240,809</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which 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 will be written off using the direct write-off method.

6. Inventory

The inventories of the Town and the ABC Board 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 and those of the ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories are expensed when consumed rather than purchased.

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 cost for the Town's assets are \$5,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the Town are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20 years
Furniture & Equipment	10 years
Vehicles	3-5 years
Leasehold Improvements	10-20 years
Computers, etc.	3 years

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 does have one item that meets this criterion, pension deferrals for the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has only three items that meet the criterion for this category - property taxes receivable, pension deferrals, and OPEB deferrals for the 2021 fiscal year.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. 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, 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, and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded with the funds as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

Both the Town and the ABC Board's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the Town nor the ABC Board has any 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 are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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 total unexpended Powell Bill funds.

Restricted for Economic Development - portion of fund balance restricted for economic development [G.S. Chapter 159, Article 3, Part 2].

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Warsaw’s governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees’ Retirement System (LERS) and additions to/deductions from LERS’ fiduciary net position have been determined on the same basis as they are reported by LERS. 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 LERS. Investments are reported at fair value.

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual Violations

None.

B. Deficit Fund Balance or Net Position of Individual Funds

None.

C. Excess of Expenditures over Appropriations

None reported.

III. Detail Notes on All FundsA. Assets1. Deposits

All the deposits of the Town and the ABC Board 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 or ABC Board's agents in these units' 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 and the ABC Board, these deposits are considered to be held by the Town's and the ABC Boards agents in their names. 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 of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town and the ABC Board have no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$538,386 and a bank balance of \$581,024 all of which was covered by federal depository insurance. The ABC Board's deposits had a carrying amount of \$161,364 and a bank balance of \$208,403. All of the bank balance was covered by federal depository insurance.

2. Investments

At June 30, 2021, the Town of Warsaw had \$5,305,953 invested with the North Carolina Capital Management Trust's Government Portfolio which earned a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. Receivables

	Accounts	Taxes and Related Accrued Interest	Due From Other Governments	Other	Total
Governmental Activities:					
General	\$ 76,996	\$ 94,416	\$ 164,498	\$ -	\$ 335,910
Total Governmental Activities	\$ 76,996	\$ 94,416	\$ 164,498	\$ -	\$ 335,910
Business-Type Activities:					
Water and Sewer	\$ 190,251	\$ -	\$ -	\$ -	\$ 190,251
Total Business-Type Activities	\$ 190,251	\$ -	\$ -	\$ -	\$ 190,251

Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts.

General Fund:	
Accounts receivable	\$ 27,196
Total General fund	27,196
Enterprise Funds	
Water and Sewer Fund - accounts receivable	66,174
Total Enterprise Funds	\$ 66,174

4. Capital Assets**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 65,727	\$ -	\$ -	\$ 65,727
Construction in progress	-	-	-	-
Total capital assets not being depreciated	65,727	-	-	65,727
Capital assets being depreciated:				
Buildings & Improvements	2,287,375	-	-	2,287,375
Equipment and Vehicles	1,439,463	186,120	-	1,625,583
Infrastructure	109,205	-	-	109,205
Total capital assets being depreciated	3,836,043	186,120	-	4,022,163
Less accumulated depreciation for:				
Buildings & Improvements	1,063,634	37,394	-	1,101,028
Equipment and Vehicles	1,154,440	76,741	-	1,231,181
Infrastructure	92,000	4,886	-	96,886
Total accumulated depreciation	2,310,074	\$ 119,021	\$ -	2,429,095
Total capital assets being depreciated, net	1,525,969			1,593,068
Governmental activity capital assets, net	\$ 1,591,696			\$ 1,658,795

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

General Government	\$ 19,800
Public Safety	42,125
Cultural & Recreation	18,678
Public Works	38,418
Total Depreciation Expense	<u>\$ 119,021</u>

Business-Type Activities:

	Beginning Balances	Increases	Decreases	Ending Balances
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 33,218	\$ -	\$ -	\$ 33,218
Construction in progress	-	2,855,845	-	2,855,845
Total capital assets not being depreciated	33,218	2,855,845	-	2,889,063
Capital assets being depreciated:				
Plant and Distribution Systems	24,467,012	-	-	24,467,012
Equipment and Vehicles	415,249	71,030	-	486,279
Total capital assets being depreciated	24,882,261	71,030	-	24,953,291
Less accumulated depreciation for:				
Plant and Distribution Systems	8,693,801	611,675	-	9,305,476
Equipment and Vehicles	337,506	23,974	-	361,480
Total accumulated depreciation	9,031,307	\$ 635,649	\$ -	9,666,956
Total capital assets being depreciated, net	15,850,954			15,286,335
Water & Sewer Fund capital assets, net	\$ 15,884,172			\$ 18,175,398

Discretely Presented Component Unit:

Activity for the ABC Board for the year ended June 30, 2021, was as follows:

	Cost	Accumulated Depreciation	Net Amount
Buildings	\$ 74,091	\$ 71,335	\$ 2,756
Other Improvements	13,228	9,494	3,734
Equipment and Furniture	55,471	55,471	-
Computer equipment	8,062	7,454	608
Total Depreciable Property	150,852	<u>\$ 143,754</u>	7,098
Land	<u>58,000</u>		<u>58,000</u>
Total	<u>\$ 208,852</u>		<u>\$ 65,098</u>

B. Liabilities**1. Pension Plan Obligations****a. Local Governmental Employees' Retirement System**

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

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. 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 or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The 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, 2021, was 10.84% of compensation for law enforcement officers and 10.50% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$140,442 for the year ended June 30, 2021.

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, 2021, the Town reported a liability of \$617,131 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2020 (measurement date), the Town's proportion was 0.01717%, which was a decrease of 0.00053% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$199,709. At June 30, 2021, 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	\$	77,933	\$	-
Change in assumptions		45,927		-
Net difference between projected and actual earnings on pension plan investments		86,844		-
Changes in proportion and differences between Town's contributions and proportionate share of contributions		993		25,184
Town's contributions subsequent to the measurement date		140,442		-
Total	\$	352,139	\$	25,184

\$140,442 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 liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2022	46,983
2023	70,939
2024	42,890
2025	25,701
2026	-
Thereafter	-
	\$ 186,513

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. 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, 2020 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%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1 % Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 1,252,091	\$ 617,131	\$ 89,434

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

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description*

The Town of Warsaw 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 of 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 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	13
Total	<u>13</u>

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies:

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

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93%

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 benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. 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, 2021, the Town reported a total pension liability of \$397,304. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$45,869.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 31,394	\$ 24,069
Changes of assumptions and other inputs	106,151	7,140
Benefit payments and administrative expenses made subsequent to the measurement date	-	-
Total	<u>\$ 137,545</u>	<u>\$ 31,209</u>

\$0 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2022	21,759
2023	21,861
2024	20,498
2025	17,792
2026	21,424
Thereafter	3,002
	<u>\$ 106,336</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 1.93 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 (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1 % Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 431,415	\$ 397,304	\$ 366,030

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

	2021
Beginning balance	\$ 250,470
Service Cost	15,721
Interest on the total pension liability	8,027
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	17,703
Changes of assumptions or other inputs	113,843
Benefit payments	(8,460)
Other changes	-
Ending balance of the total pension liability	<u>\$ 397,304</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, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 199,709	\$ 45,869	\$ 245,578
Pension Liabilities	617,131	397,304	1,014,435
Proportionate share of the net pension liability	0.0173%	N/A	
Deferred of Outflows of Resources			
Differences between expected and actual experience	77,933	31,394	109,327
Changes of assumption	45,927	106,151	152,078
Net difference between projected and actual earnings on plan investments	86,844	-	86,844
Changes in proportion and differences between contributions and proportionate share of contributions	993	-	993
Benefit payments and administrative costs paid subsequent to the measurement date	140,442	-	140,442
Deferred of Inflows of Resources			
Difference between expected and actual experience	-	24,069	24,069
Changes of assumptions	-	7,140	7,140
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	25,184	-	25,184

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers and other employees 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. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. 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.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers and other employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021 were \$75,889 which consisted of \$46,875 from the Town and \$29,014 from the law enforcement officers and other employees.

d. Other Postemployment Benefits (OPEB)

1. Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single employer defined benefit Healthcare Plan (the HCB Plan). The plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least twenty- five years of creditable service with the Town, have not reached age 62 and are not eligible to receive Medicare benefits. The Town pays the full cost of coverage for employee's benefits through private insurers and employees have the option of purchasing dependent coverage at the Town's group rates. Employees who retire with a minimum of 25 years of creditable service are eligible for postemployment coverage. Retirees who qualify for coverage receive the same benefits as active employees. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental Plan after qualifying for Medicare. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2020 date of the latest actuarial valuation.

	<u>Employees:</u>
Retirees and dependents receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>30</u>
Total	<u><u>30</u></u>

Funding Policy. By Town resolution, the Town pays the full cost of the coverage for the healthcare benefits to qualified retirees The Town has chosen to fund the healthcare benefits on a pay as you go basis. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. In fiscal year ended, June 30, 2021, the Town was not required to make contributions in the fiscal year.

Total OPEB Liability

The Town's total OPEB liability of \$71,286 was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.50 to 7.75 percent, including inflation
Discount rate	2.21 percent
Healthcare cost trend rates	7.00% For 2019 decreasing to an ultimate rate of 4.50% by 2026

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2020	
Changes for the year	\$ 62,757
Service cost	1,569
Interest	2,251
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	4,709
Benefit payments	-
Net changes	<u>8,529</u>
Balance at June 30, 2021	<u><u>\$ 71,286</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50 % to 2.21%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 75,319	\$ 71,286	\$ 67,588

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Discount Rate	1% Increase
Total OPEB liability	\$ 66,049	\$ 71,286	\$ 77,427

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the Town recognized OPEB expense of \$5,879. Contributions made after the measurement date of the net pension/OPEB liability/collective net pension/OPEB liability but before the end of the employer's or governmental nonemployer contributing entity's reporting period will be recognized as a reduction of the net pension/OPEB liability or collective net pension/OPEB liability in the subsequent fiscal period rather than in the current fiscal period. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,167	\$ -
Changes of assumptions	5,132	1,836
Benefit payments and administrative costs made subsequent to the measurement date	-	-
	<u>\$ 19,299</u>	<u>\$ 1,836</u>

\$0 reported as deferred outflows of resources related to OPEB 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2022	\$ 1,580
2023	1,580
2024	1,580
2025	1,580
2026	1,580
Thereafter	9,563
	<u>\$ 17,463</u>

2. Other Employment Benefits

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

3. Deferred Outflows and Inflows of Resources

Deferred outflows of resources reported on the Statement of Net Position is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 140,442
Benefit payments and administrative expenses for LEOSA made subsequent to measurement date	-
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	-
Differences between expected and actual experience	123,494
Changes of assumptions	157,210
Net difference between projected and actual	86,844
Changes in proportion and differences between employer contributions and proportionate share of contributions	993
Total	<u>\$ 508,983</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund) less penalties	\$ -	75,401
Prepaid taxes (General Fund)	-	-
Differences between expected and actual experience	24,069	-
Changes in assumptions	8,976	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	25,184	-
Total	<u>\$ 58,229</u>	<u>\$ 75,401</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits and employee health coverage up to \$2 million lifetime limit. The pools are reinsured for annual employee health claims in excess of \$150,000. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon percentage of the total insurance values.

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 finance officer and tax collector are each individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

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 is not in a flood plain and does not carry any flood insurance.

Town of Warsaw's ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The ABC Board has property, general liability, auto liability, workers' compensation, and employee health coverage's. The ABC Board also has liquor legal liability coverage. Claims have not exceeded coverage in any of the past three fiscal years.

5. Claims, Judgments, and Contingent Liabilities

At June 30, 2021, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

6. Long Term Obligations

a. Installment Purchases

Governmental Activities

On September 3, 2020 the Town entered into a direct placement installment/purchase contract of \$121,000 for the purchase of new Knuckle Boom Loader Truck. The contract will be paid in annual installments with interest at 1.55%. The balance at June 30, 2021 was \$95,344 for the governmental activities.

Business-Type Activities

NC Clean Water Revolving Loan and Grant Program granted the Town a loan of \$1,815,000 on April 7, 2010. One half of the principal was forgiven in 2011. The contract will be paid in annual installments with interest at 0.00%. The balance at June 30, 2021 was \$453,750 for the business-type activities.

The future minimum payments of the direct placement installment purchases as of June 30, 2021 are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 24,125	\$ 1,531	\$ 45,375	\$ -
2023	24,499	1,157	45,375	-
2024	24,879	777	45,375	-
2025	21,841	392	45,375	-
2026	-	-	45,375	-
2027-2031	-	-	226,875	-
	<u>\$ 95,344</u>	<u>\$ 3,857</u>	<u>\$ 453,750</u>	<u>\$ -</u>

Bonds payable at June 30, 2021 are comprised of the following individual issues:

Serviced by the Water and Sewer Fund:

Revenue Bonds

\$1,394,000 Water and Sewer System Revenue Bond, Series 2014 issued on February 19, 2014; interest at 2.375% due June 1, 2018. Payments ranging from \$23,000 on June 1, 2018 to \$56,000 on June 1, 2053. The first two payments were interest only payments. The balance at June 30, 2021 was \$1,247,000.

Annual debt service requirements to maturity for the note payable for sewer improvements, is as follows:

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2022	\$ 26,000	\$ 29,616
2023	27,000	28,999
2024	28,000	28,358
2025	28,000	27,693
2026	29,000	27,028
2027-2031	156,000	124,475
2032-2036	175,000	105,094
2037-2041	197,000	83,198
2042-2046	220,000	58,781
2047-2051	251,000	31,232
2052-2054	110,000	3,943
Total	<u>\$ 1,247,000</u>	<u>\$ 548,417</u>

The Town has been in compliance with all covenants in Section 3.04 of the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bonds. The debt service coverage ratio calculation for the year ended June 30, 2021, is as follows:

Operating revenues	\$ 1,692,845
Operating expenses*	<u>(1,237,367)</u>
Operating income	455,478
Nonoperating revenues (expenses)**	<u>197</u>
Income available for debt service	455,675
Debt service, principal and interest paid (Revenue bond only)	\$ 50,000
Debt service coverage ratio	911%

* This does not include the depreciation expense of \$635,649.

** This does not include revenue bond interest paid of \$32,607.

The Town has a federal revolving loan for waste water treatment plant construction in the amount of \$1,000,000 at an annual interest rate of 2.570%. The note is payable in 20 annual installments which began May 1, 2002. The balance at June 30, 2021 was \$50,000.

Annual debt service requirements to maturity for the note payable is as follows:

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2022	\$ 50,000	\$ 1,285
Total	<u>\$ 50,000</u>	<u>\$ 1,285</u>

On August 10, 2020 the Town entered into an agreement with the North Carolina Department of Environmental Quality to participate in the State Revolving Loan Fund. for a Sanitary Sewer project in the amount of \$4,000,000. The \$500,000 unpaid principal is immediately reduced of the loan amount as Principal Forgiveness. The contract will be paid in annual installments with interest at 0.00%. Funds available to the Town at June 30, 2021 was \$2,837,045.

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2022	\$ 175,000	\$ -
2023	175,000	-
2024	175,000	-
2025	175,000	-
2026	175,000	-
2027-2031	875,000	-
2032-2036	875,000	-
2037-2041	212,045	-
Total	<u>\$ 2,837,045</u>	<u>\$ -</u>

e. Changes in Long-Term Liabilities

	Balance 7/1/2020	Increases	Decreases	Balance 6/30/2021	Current Portion
Governmental activities:					
Direct Placement Installment purchases	\$ 13,388	\$ 121,000	\$ (39,044)	\$ 95,344	\$ 24,125
Net pension liability (LGRS)	379,161	102,201	-	481,362	-
Total pension liability (LEO)	250,470	146,834	-	397,304	-
Total OPEB liability	48,950	6,653	-	55,603	-
Compensated absences	70,902	32,971	(35,840)	68,033	35,000
Governmental activity long-term liabilities	<u>\$ 762,871</u>	<u>\$ 409,659</u>	<u>\$ (74,884)</u>	<u>\$ 1,097,646</u>	<u>\$ 59,125</u>
Business-type activities:					
Direct Placement Installment purchases	\$ 509,422	\$ -	\$ (55,672)	\$ 453,750	\$ 45,375
NCDWI Revolving Loan	-	2,837,045	-	2,837,045	175,000
USDA Water & Sewer Revolving Loan	1,273,000	-	(26,000)	1,247,000	26,000
Compensated absences	100,000	-	(50,000)	50,000	50,000
Compensated absences	13,199	13,557	(9,294)	17,462	17,462
Net pension liability (LGRS)	106,943	28,826	-	135,769	-
Total OPEB liability	13,807	1,876	-	15,683	-
Business-type activity long-term liabilities	<u>\$ 2,016,371</u>	<u>\$ 44,259</u>	<u>\$ (9,294)</u>	<u>\$ 4,756,709</u>	<u>\$ 313,837</u>

At June 30, 2021, the Town of Warsaw had a legal debt margin of \$19,008,481.

C. Interfund Balances and Activity

The composition of balances due to/from other funds as of June 30, 2021 is as follows:

Fund	To	From	Purpose
General Fund	\$ 63,242		To supplement cash flow
Water Fund		\$ 63,242	

D. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 1,658,795	\$ 18,175,398
less: long term debt	95,344	4,587,795
Net investment in capital asset	<u>\$ 1,563,451</u>	<u>\$ 13,587,603</u>

E. Fund Balance

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

Total fund balance - General Fund	\$ 2,677,903
Less:	
Stabilization by State Statute	304,736
Streets - Powell Bill	42,196
Reserve requirement	35,581
Remaining Fund Balance	\$ 2,295,390

IV. Summary Disclosure of Significant ContingenciesFederal and State Assisted Programs

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

V. Significant Effects of Subsequent Events

There are no subsequent events that would have a material affect on the financial statements. Subsequent events have been analyzed through the date that the financial statements were available to be issued.

REQUIRED
SUPPLEMENTAL FINANCIAL DATA

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

Schedule of the Proportionate Share of the Net Pension
Liability – Local Government Employees’ Retirement
System

Schedule of Contributions – Local Government
Employees’ Retirement System

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

	Local Government Employees' Retirement System							
	2021	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.01727%	0.0178%	0.0201%	0.0222%	0.0239%	0.0237%	0.0215%	0.0204%
Town's proportion of the net pension liability (asset) (\$)	\$ 617,131	\$ 486,104	\$ 477,552	\$ 338,849	\$ 508,087	\$ 106,275	\$ (126,797)	\$ 245,898
Town's covered-employee payroll	\$ 1,283,364	\$ 1,242,297	\$ 1,206,481	\$ 1,276,113	\$ 1,304,325	\$ 1,280,772	\$ 1,168,692	\$ 1,086,244
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	48.09%	39.13%	39.58%	26.55%	38.95%	8.30%	(10.85%)	22.64%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	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.

Town of Warsaw, North Carolina
Town of Warsaw's Contributions
Required Supplementary Information
Last Eight Fiscal Years

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 140,442	\$ 120,275	\$ 101,705	\$ 96,034	\$ 98,302	\$ 91,160	\$ 93,528	\$ 84,684
Contributions in relation to the contractually required contribution	140,442	120,275	101,705	96,034	98,302	91,160	93,528	84,684
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 1,320,066	\$ 1,283,364	\$ 1,242,297	\$ 1,206,481	\$ 1,276,113	\$ 1,304,325	\$ 1,280,772	\$ 1,168,692
Contributions as a percentage of covered-employee payroll	10.64%	9.37%	8.19%	7.96%	7.70%	6.99%	7.30%	7.25%

Town of Warsaw, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

	2021	2020	2019	2018	2017
Beginning balance	\$ 250,470	\$ 256,967	\$ 221,035	\$ 171,753	\$ 156,317
Service Cost	15,721	12,951	18,476	14,828	14,310
Interest on the total pension liability	8,027	9,354	6,985	6,630	5,581
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	17,703	(36,379)	21,502	12,836	-
Changes of assumptions or other inputs	113,843	7,577	(11,031)	14,988	(4,455)
Benefit payments	(8,460)	-	-	-	-
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 397,304</u>	<u>\$ 250,470</u>	<u>\$ 256,967</u>	<u>\$ 221,035</u>	<u>\$ 171,753</u>

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

Town of Warsaw, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

	2021	2020	2019	2018	2017
Total pension liability	\$ 397,304	\$ 250,470	\$ 256,967	\$ 221,035	\$ 171,753
Covered payroll	577,598	539,809	600,099	607,571	569,500
Total pension liability as a percentage of covered payroll	68.79%	46.40%	42.82%	36.38%	30.16%

Notes to the schedules:

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

Town of Warsaw, North Carolina
Schedule of Changes in the Net OPEB Liability and Related Ratios
Healthcare Benefits Plan
For the Year Ended June 30, 2021*

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 1,569	\$ 1,623	\$ 1,672	\$ 1,799
Interest	2,251	1,587	1,380	1,131
Differences between expected and actual experience	-	17,651	-	-
Changes of assumptions	4,709	1,106	(1,021)	(1,748)
Benefit payments	-	-	-	-
Net change in total OPEB liability	8,529	21,967	2,031	1,182
Total OPEB liability - beginning	62,757	40,790	38,759	37,577
Total OPEB liability - ending	\$ 71,286	\$ 62,757	\$ 40,790	\$ 38,759
Town's covered payroll	\$ 1,158,174	\$ 1,158,174	\$ 1,125,575	\$ 1,125,575
Town's OPEB liability as a percentage of its covered payroll	6.16%	5.42%	3.62%	3.44%

* Plan measurement date is the reporting date. Employer measurement date is one year prior to reporting date.

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each

<u>Fiscal year</u>	<u>Rate</u>
2018	3.56%
2019	3.89%
2020	3.50%
2021	2.21%

GENERAL FUND

The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

Town of Warsaw, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended
June 30, 2021

	2021		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes		\$ 1,301,070	
Penalties and interest		13,206	
Total	\$ 1,247,900	1,314,276	\$ 66,376
Unrestricted intergovernmental:			
Utilities sales tax		184,687	
Local option sales taxes		922,977	
Beer and wine tax		12,346	
Refunds		793	
Total	965,000	1,120,803	155,803
Restricted intergovernmental:			
Police crime commission grant		34,979	
Pandemic recovery funds		112,042	
Solid waste disposal tax		2,200	
Powell Bill allocation		83,676	
Total	210,450	232,897	22,447
Permits and fees:			
Garbage Fees		317,956	
Zoning Permits		2,350	
Business registration fees		195	
Recreation fees		52,449	
Miscellaneous		144	
Police fees		1,237	
Total	419,500	374,331	(45,169)
Sales and services:			
Concession and vending		3,589	
Rents		72,840	
Sales of materials		40,546	
Miscellaneous		7,896	
Total	119,350	124,871	5,521
Miscellaneous:			
Insurance proceeds		11,606	
Contributions		21,749	
Total	45,900	33,355	(12,545)
Investment earnings	18,000	1,237	(16,763)
Total Revenues	3,026,100	3,201,770	175,670

Town of Warsaw, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended
June 30, 2021

	2021		Variance
	Budget	Actual	Positive (Negative)
Expenditures:			
General government:			
Administration:			
Salaries & benefits		176,321	
Operating expense		84,850	
Total	277,550	261,171	16,379
Total General Government	277,550	261,171	16,379
Environmental:			
Contracted Services		240,109	
Total	252,000	240,109	11,891
Public Works & Streets:			
Salaries & benefits		102,387	
Operating expense		4,400	
Powell bill		112,887	
Total	229,225	219,674	9,551
Public Safety:			
Salaries & benefits		930,644	
Operating expense		479,516	
Contribution to VFD		135,300	
Capital Outlay		186,120	
Total	1,765,050	1,731,580	33,470
Recreation/Wellness:			
Salaries & benefits		181,062	
Operating expense		113,683	
Total	329,575	294,745	34,830
Debt service:			
Principal		39,044	
Interest		25,715	
Total	65,000	64,759	241
Special projects:			
Library		2,072	
Other		356,545	
Total	360,000	358,617	1,383
Total Expenditures	3,278,400	3,170,655	107,745
Revenues over (under) expenditures	(252,300)	31,115	283,415

Town of Warsaw, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended
June 30, 2021

	2021		Variance
	Budget	Actual	Positive (Negative)
Other financing sources (uses):			
Proceeds from Installment Purchase	150,000	121,000	29,000
Fund Balance Appropriated	102,300	-	(102,300)
Total	<u>252,300</u>	<u>121,000</u>	<u>(131,300)</u>
Net change in			
Fund Balance	<u>\$ -</u>	152,115	<u>\$ 152,115</u>
Fund balances:			
Beginning of year, July 1		<u>2,525,788</u>	
End of year, June 30		<u>\$ 2,677,903</u>	

Town of Warsaw, North Carolina
Special Revenue Fund - Grant Project Fund
EDRL Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2021

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental	\$ 434,032	\$ 1,396	\$ -	\$ 1,396	\$ (432,636)
Investment Earnings	-	529,949	1,300	531,249	531,249
Other Income	10,000	502,786	102	502,888	492,888
Total	<u>444,032</u>	<u>1,034,131</u>	<u>1,402</u>	<u>1,035,533</u>	<u>591,501</u>
Expenditures:					
Current:					
Economic and physical development:					
Development	200,000	53,363	10,200	63,563	136,437
Incentive grants	10,000	13,837	-	13,837	(3,837)
Loan forgiveness	-	-	238,555	238,555	(238,555)
Total expenditures	<u>210,000</u>	<u>67,200</u>	<u>248,755</u>	<u>77,400</u>	<u>132,600</u>
Revenues over expenditures	<u>234,032</u>	<u>966,931</u>	<u>(247,353)</u>	<u>958,133</u>	<u>1,192,165</u>
Other financing sources:					
Transfers in (out)	<u>(234,032)</u>	<u>(282,598)</u>	-	<u>(282,598)</u>	<u>(48,566)</u>
Total other					
Revenues and other sources over expenditures and other (uses)	<u>\$ -</u>	<u>\$ 684,333</u>	<u>(247,353)</u>	<u>\$ 675,535</u>	<u>\$ 675,535</u>
Fund balances:					
Beginning of year, July 1			<u>738,039</u>		
End of year, June 30			<u>\$ 490,686</u>		

Town of Warsaw, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2021

	2021		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Charges for services:			
Water sales:			
Residential & Commercial		\$ 1,478,661	
Water and Sewer taps		113,851	
Other operating revenues		100,333	
Total	1,366,965	1,692,845	325,880
Nonoperating revenues:			
Interest earnings	-	197	
Total	6,100	197	(5,903)
Total Revenues	1,373,065	1,693,042	319,977
Expenditures:			
Water Operations:			
Salaries and benefits		507,246	
Contracted services		14,301	
Utilities		128,095	
Maintenance and repairs		351,825	
Other		92,441	
Automotive supplies		44,790	
Departmental supplies and materials		80,075	
Total	1,181,065	1,218,773	(37,708)
Debt service:			
Interest and fees		32,804	
Principal retirement		131,672	
Total debt service	166,000	164,476	1,524

Town of Warsaw, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2021

	2021		Variance
	Budget	Actual	Positive (Negative)
Capital outlay:			
Equipment		71,030	
Total capital outlay	26,000	71,030	(45,030)
Total expenditures	1,373,065	1,454,279	(81,214)
Revenues over (under) expenditures	-	238,763	238,763
Other financing sources (uses):			
Installment purchase proceeds		-	
Total other financing sources (uses):	-	-	-
Revenues and other sources over expenditures and other uses	\$ -	\$ 238,763	\$ 238,763
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues over expenditures		\$ 238,763	
Reconciling items:			
Depreciation		(635,649)	
Capital outlay		71,030	
Capital outlay - Capital projects		(2,837,045)	
Installment purchase proceeds - Capital projects		2,837,045	
(Increase) decrease in accrued vacation pay		(4,263)	
(Increase) decrease in net pension liability		(28,826)	
(Increase) decrease in OPEB liability		(1,876)	
Increase (decrease) in deferred outflows of resources for pensions		12,661	
Increase (decrease) in deferred outflows of resources for OPEB		526	
(Increase) decrease in deferred inflows of resources for pensions		3,127	
(Increase) decrease in deferred inflows of resources for OPEB		57	
Capital contributions		18,800	
Principal retirement		131,672	
Total reconciling items		(432,741)	
Change in net position		\$ (193,978)	

Town of Warsaw, North Carolina
Capital Project Fund
NCDWI Sanitary Sewer Improvement Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2021

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental					
Community Development					
Grants	\$ -	\$ -	\$ -	\$ -	\$ -
Total	-	-	-	-	-
Expenditures:					
Construction	3,870,500	-	2,181,563	2,181,563	1,688,937
Administrative	209,500	-	655,482	655,482	(445,982)
Total expenditures	4,080,000	-	2,837,045	2,837,045	1,242,955
Revenues over expenditures	-	-	(2,837,045)	(2,837,045)	1,242,955
Other financing sources:					
Loan	4,000,000	-	2,837,045	2,837,045	(1,162,955)
Transfers in (out)	80,000	-	-	-	(80,000)
Total other financing sources	4,080,000	-	2,837,045	2,837,045	(1,242,955)
Revenues and other sources over expenditures and other (uses)	\$ -	\$ -	-	\$ -	\$ -
Fund balances:					
Beginning of year, July 1			-		
End of year, June 30			\$ -		

Town of Warsaw, North Carolina
Capital Project Fund
CDBG Clarifier Project
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2021

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental					
Community Development					
Grants	\$ 750,000	\$ -	\$ 18,800	\$ 18,800	\$ (731,200)
Other funds	8,000	-	-	-	(8,000)
Total	<u>758,000</u>	<u>-</u>	<u>18,800</u>	<u>18,800</u>	<u>(739,200)</u>
Expenditures:					
Construction	683,000	-	-	-	683,000
Administrative	<u>75,000</u>	<u>-</u>	<u>18,800</u>	<u>18,800</u>	<u>56,200</u>
Total expenditures	<u>758,000</u>	<u>-</u>	<u>18,800</u>	<u>18,800</u>	<u>739,200</u>
Revenues over expenditures	-	-	-	-	-
Other financing sources:					
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over expenditures and other (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ -</u>		

OTHER SCHEDULES

This section includes additional information on property taxes, transfers, and cash and investments.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

Town of Warsaw, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balance July 01, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 1,313,388	\$ 1,285,386	\$ 28,002
2019-2020	46,564	-	31,355	15,209
2018-2019	17,712	-	9,231	8,481
2017-2018	9,492	-	3,365	6,127
2016-2017	4,896	-	1,730	3,166
2015-2016	8,877	-	5,969	2,908
2014-2015	6,064	-	3,088	2,976
2013-2014	5,514	-	2,177	3,337
2012-2013	4,524	-	1,901	2,623
2011-2012	3,371	-	799	2,572
2010-2011	2,223	-	2,223	-
	<u>\$ 109,237</u>	<u>\$ 1,313,388</u>	<u>\$ 1,347,224</u>	<u>\$ 75,401</u>
Ad valorem taxes receivable - net				<u>\$ 75,401</u>
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - General Fund				\$ 1,314,276
Reconciling items:				
Taxes written off				46,154
Interest collected				(13,206)
Total collections and credits				<u>\$ 1,347,224</u>

Town of Warsaw, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2021

				Total Levy	
	Town - Wide			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy		
Original levy:					
Property taxed at current year's rate	\$ 238,797,818	\$ 0.55	\$ 1,313,388	\$ 1,207,742	\$ 105,646
Penalties	-		-	-	-
Total	<u>238,797,818</u>		<u>1,313,388</u>	<u>1,207,742</u>	<u>105,646</u>
 Total property valuation	<u><u>\$ 238,797,818</u></u>				
 Net levy			1,313,388	1,207,742	105,646
 Uncollected taxes at June 30, 2021			<u>(28,002)</u>	<u>(28,002)</u>	<u>-</u>
 Current year's taxes collected			<u><u>\$ 1,285,386</u></u>	<u><u>\$ 1,179,740</u></u>	<u><u>\$ 105,646</u></u>
 Current levy collection percentage			<u><u>97.87%</u></u>	<u><u>97.68%</u></u>	<u><u>100.00%</u></u>

COMPLIANCE SECTION



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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Warsaw, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Town of Warsaw's basic financial statements, and have issued our report thereon dated October 18, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Warsaw'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 Town of Warsaw's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Warsaw'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 entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Warsaw's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

October 18, 2021



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**Report on Compliance for Each Major Federal Program; Report on Internal
Control Over Compliance; With OMB Uniform Guidance and the State Single
Audit Implementation Act
Independent Auditor's Report**

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Warsaw, North Carolina, 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 of Warsaw's major federal programs for the year ended June 30, 2021. The Town of Warsaw's major federal programs are 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 Federal and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Warsaw's major federal programs 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 of Warsaw'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 of Warsaw's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Warsaw complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Town of Warsaw 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 of Warsaw's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our 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 a 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 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 significant deficiencies or material weaknesses. 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.

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

October 18, 2021

Town of Warsaw, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

Section I.	Summary of Auditor's Results
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Financial Statements

Type of report auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___yes Xno
- Significant Deficiency(s) identified? ___yes Xno

Noncompliance material to financial statements noted? ___yes Xno

Federal Awards

Internal control over major State programs:

- Material weakness(es) identified? ___yes Xno
- Significant Deficiency(s) identified ___yes Xnone reported

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 Federal Single Audit Implementation Act ___yes Xno

Identification of major federal programs:

CFDA No(s).	Names of Federal Program
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66.458	Capitalization Grants for Clean Water State Revolving Funds
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Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Auditee qualified as low-risk auditee? ___yes Xno

Town of Warsaw, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

Town of Warsaw, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2021

Grantor/Pass-through Grantor/Program Title	Federal AL#/ CFDA No.	State/ Pass-through Grantor's No.	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Pass-through to subrecipients
Federal Grants:					
Cash Programs:					
<u>U.S. Dept. of Housing and Urban Development</u>					
Passed-through N.C. Department of Environmental Quality: CDBG - Special Purpose Grants - CARES Act	14.225		\$ 1,049	\$ -	\$ -
Community Development Block Grant, State's Program	14.228	19-I-31115	18,800	-	-
Total U.S. Dept. of Housing and Urban Development			19,849	-	-
<u>U.S. Environmental Protection Agency</u>					
Passed-through N.C. Department of Environmental Quality: Capitalization Grants for Clean Water State Revolving Funds	66.458	CS370474-05	2,837,045	-	-
Total U.S. Environmental Protection Agency			2,837,045	-	-
<u>U.S. Dept. of Treasury</u>					
Passed-through the Office of State Budget and Management: NC Pandemic Recovery Office					
Passed-through Duplin County: Coronavirus Relief Fund	21.019		102,014	-	-
Total U.S. Dept. of Treasury			102,014	-	-
Total assistance - federal programs			2,958,908	-	-
State Grants:					
Cash Assistance:					
<u>NC Department of Public Safety</u>					
Governor's Crime Commission			-	59,487	-
<u>N.C. Department of Transportation:</u>					
Powell Bill		38024	-	112,887	-
Total assistance - State programs			-	172,374	-
Total assistance			\$ 2,958,908	\$ 172,374	\$ -

Notes to the Schedule of Expenditures of Federal and State Financial Awards

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 Warsaw under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. 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 Schedule presents only a selected portion of the operations of the Town of Warsaw, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Warsaw.

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.

Note 3: Indirect Cost Rate

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

Note 4: Loans Outstanding

The Town of Warsaw had the following loan balances outstanding at June 30, 2021 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2021 consist of:

Program Title	AL#/ CFDA No.	Pass-through Grantor's Number	Amount Outstanding
Capitalization Grants for Clean Water State Revolving Funds	66.458	-	\$ 2,837,045