

TOWN OF WARSAW  
Warsaw, North Carolina

FINANCIAL STATEMENTS  
Year Ended June 30, 2025

BOARD OF COMMISSIONERS

Tommy Jones  
Ebony Wills-Wells  
Scotty Smith  
Jack Hawes  
Al Searles

ADMINISTRATIVE OFFICERS

A.J. Connors  
Mayor

Lea Turner  
Town Manager

Vickie Deaver  
Town Clerk/Finance Officer

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For the Year Ended June 30, 2025**

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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 Audit of Financial Statements

#### *Opinions*

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, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the accompanying 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, 2025, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund and ARPA Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Warsaw and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Town of Warsaw ABC Board were not audited in accordance with *Governmental Auditing Standards*.

#### *Responsibilities of Management for the Audit of 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about the Town of Warsaw's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

*Members*

*American Institute of CPAs – N.C. Association of CPAs – AICPA's Private Companies Practice Section*

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect material statement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards* we

- exercised professional judgement and maintained professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsible to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Warsaw's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Warsaw's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## ***Required Supplementary Information***

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

## ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Warsaw, North Carolina. The combining and individual fund financial statements, budgetary schedules, other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the

responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2025, 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 the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Warsaw's internal control over financial reporting and compliance.

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

*Wilmington, North Carolina*

*November 24, 2025*

## 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, 2025. 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.

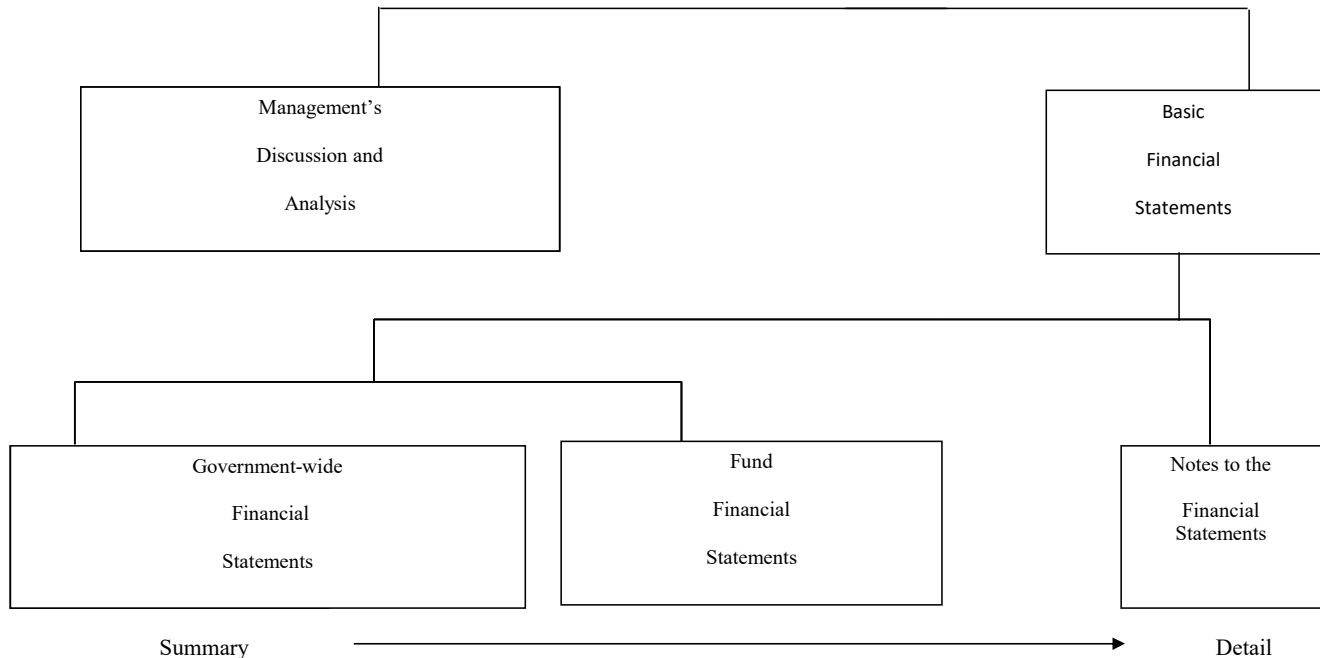
### Financial Highlights

- 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 \$23,901,105 (*net position*).
- The Town’s total net position increased by \$251,535, before restatement, due to increase in business-type net position.
- As of the close of the current fiscal year, the Town of Warsaw’s governmental funds reported combined ending fund balances of \$4,864,456 a decrease of \$145,962 in comparison with the prior year. Approximately 74 percent of this total amount, or \$3,603,192 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 \$3,632,524 or 79% 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 for major governmental funds; 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 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 fund.

**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.

type activities in the government-wide financial statements. Town of Warsaw uses enterprise fund to account for its water and sewer fund activities. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements 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	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 5,630,361	\$ 5,861,935	\$ 3,350,831	\$ 2,700,756	\$ 8,981,192	\$ 8,562,691
Capital assets	1,425,384	1,414,633	20,029,784	20,213,126	21,455,168	21,627,759
Total assets	7,055,745	7,276,568	23,380,615	22,913,882	30,436,360	30,190,450
Deferred outflows of resources	819,774	845,044	218,648	223,591	1,038,422	1,068,635
Long-term liabilities outstanding	1,467,947	1,324,643	858,373	4,523,296	2,326,320	5,847,939
Other liabilities	518,796	574,871	4,308,353	653,006	4,827,149	1,227,877
Total liabilities	1,986,743	1,899,514	5,166,726	5,176,302	7,153,469	7,075,816
Deferred inflows of resources	399,475	489,154	20,733	19,386	420,208	508,540
Net position:						
Net investment in capital assets	1,425,384	1,392,792	15,819,534	15,754,501	17,244,918	17,147,293
Restricted	1,261,264	1,384,683	-	-	1,261,264	1,384,683
Unrestricted	2,802,653	2,955,469	2,592,270	2,187,284	5,394,923	5,142,753
Total net position	\$ 5,489,301	\$ 5,732,944	\$ 18,411,804	\$ 17,941,785	\$ 23,901,105	\$ 23,674,729

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 \$23,901,105 as of June 30, 2025. The Town’s net position increased by \$251,535, before restatement, for the fiscal year ended June 30, 2025. However, the largest portion \$17,244,918 (72%) 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, \$1,261,264 (5%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,394,923 (23%) 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 97.64%.

**Town of Warsaw**  
**Changes in Net Position**  
**Figure 3**

	Governmental Activities		Business Type Activities		Total	
	2025	2024	2025	2024	2025	2024
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 605,148	\$ 988,632	\$ 3,180,744	\$ 1,989,190	3,785,892	\$ 2,977,822
Operating grants and contributions	681,246	215,566	-	-	681,246	215,566
Capital grants and contributions	-	-	601,850	200,500	601,850	200,500
General revenues:						
Property taxes	1,521,933	1,451,668	-	-	1,521,933	1,451,668
Other taxes	1,439,038	1,371,022	-	-	1,439,038	1,371,022
Other	268,217	307,200	85,000	135,526	353,217	442,726
<b>Total revenues</b>	<b>4,515,582</b>	<b>4,334,088</b>	<b>3,867,594</b>	<b>2,325,216</b>	<b>8,383,176</b>	<b>6,659,304</b>
<b>Expenses:</b>						
General government	402,264	365,675	-	-	402,264	365,675
Public safety	1,756,250	1,619,380	-	-	1,756,250	1,619,380
Highways/streets	655,124	507,847	-	-	655,124	507,847
Environmental Protection	346,304	282,206	-	-	346,304	282,206
Economic development	483,817	5,100	-	-	483,817	5,100
Culture and recreation	658,028	520,782	-	-	658,028	520,782
Interest on long-term debt	554	777	-	-	554	777
Water and sewer	-	-	3,472,145	2,700,103	3,472,145	2,700,103
Other	357,155	289,607	-	-	357,155	289,607
<b>Total expenses</b>	<b>4,659,496</b>	<b>3,591,374</b>	<b>3,472,145</b>	<b>2,700,103</b>	<b>8,131,641</b>	<b>6,291,477</b>
Increase in net position before transfers	(143,914)	742,714	395,449	(374,887)	251,535	367,827
Transfers	(85,000)	-	85,000	-	-	-
<b>Increase in net position</b>	<b>(228,914)</b>	<b>742,714</b>	<b>480,449</b>	<b>(374,887)</b>	<b>251,535</b>	<b>367,827</b>
Total net position, beginning, as previously reported	5,732,944	4,990,230	17,941,785	18,316,672	23,674,729	23,306,902
Prior period restatement	(14,729)	-	(10,430)	-	(25,159)	-
Net position, beginning as restated	5,718,215	4,990,230	17,931,355	18,316,672	23,649,570	23,306,902
<b>Total net position, ending</b>	<b>\$ 5,489,301</b>	<b>\$ 5,732,944</b>	<b>\$ 18,411,804</b>	<b>\$ 17,941,785</b>	<b>\$ 23,901,105</b>	<b>\$ 23,674,729</b>

**Governmental activities.** Governmental activities decreased the Town’s net position by \$228,914 thereby accounting for 100% of the total decrease in the net position of the Town of Warsaw. Key elements of this decrease are as follows:

- Increase in expenses.

**Business-type activities.** Business-type activities increased the Town of Warsaw’s net position by \$480,449, accounting for 100% of the total increase in the government’s net position. Key elements of this increase are as follows:

- Increase 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 \$3,632,524, while total fund balance reached \$4,230,361.

At June 30, 2025 the governmental funds of Town of Warsaw reported a combined fund balance of \$4,864,456, with a net decrease in fund balance of \$145,962.

**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 provides 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 \$2,592,270. The total change in net position increase by \$480,449, before restatement. 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, 2025 totals \$21,455,168 (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:

- Generators

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

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 65,727	\$ 65,727	\$ 33,218	\$ 33,218	\$ 98,945	\$ 98,945
Buildings and system	1,064,362	1,095,993	19,328,365	19,420,206	20,392,727	20,516,199
Vehicles and motor equipment	265,463	252,913	466,351	301,985	731,814	554,898
Construction in progress	29,832	-	201,850	457,717	231,682	457,717
<b>Total</b>	<b>\$ 1,425,384</b>	<b>\$ 1,414,633</b>	<b>\$ 20,029,784</b>	<b>\$ 20,213,126</b>	<b>\$ 21,455,168</b>	<b>\$ 21,627,759</b>

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

**Town of Warsaw’s Outstanding Debt**

Long-term Debt. As of June 30, 2025 the Town of Warsaw had total debt outstanding of \$4,210,250.

**Outstanding Debt  
 Figure 5**

**Town of Warsaw's Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Direct Place Installment Purchases	\$ -	\$ 21,841	\$ 272,250	\$ 317,625	\$ 272,250	\$ 339,466
CDBG loan	-	-	2,800,000	2,975,000	2,800,000	2,975,000
USDA loan	-	-	1,138,000	1,166,000	1,138,000	1,166,000
<b>Total</b>	<b>\$ -</b>	<b>\$ 21,841</b>	<b>\$ 4,210,250</b>	<b>\$ 4,458,625</b>	<b>\$ 4,210,250</b>	<b>\$ 4,480,466</b>

Total debt decreased by \$270,216 primarily due to paying down loans.

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, 2026**

**Governmental Activities:** Property taxes are expected to remain the same as the current tax rate. 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 will remain the same.

**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, 2025**

	<b>Primary Government</b>			<b>Town of Warsaw ABC Board</b>
	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 4,441,020	\$ 2,812,077	\$ 7,253,097	\$ 238,562
Restricted cash	517,316	207,341	724,657	-
Taxes receivable	84,364	-	84,364	-
Accrued interest receivable on taxes	16,790	-	16,790	-
Receivables (net)	105,562	394,655	500,217	-
Lease receivables	200,000	-	200,000	-
Due from other governments	202,067	-	202,067	-
Inventories	-	-	-	551,493
Internal balances	63,242	(63,242)	-	-
Non Current Assets:				
Capital assets:				
Land, improvements, and construction in progress	95,559	235,068	330,627	608,000
Other capital assets, net of depreciation	1,329,825	19,794,716	21,124,541	859,214
Total capital assets	<u>1,425,384</u>	<u>20,029,784</u>	<u>21,455,168</u>	<u>1,467,214</u>
Total assets	<u>7,055,745</u>	<u>23,380,615</u>	<u>30,436,360</u>	<u>2,257,269</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>819,774</u>	<u>218,648</u>	<u>1,038,422</u>	<u>32,312</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and accrued expenses	157,495	378,028	535,523	163,492
Compensated absences payable	54,045	23,629	77,674	-
Payable from restricted assets	307,256	207,341	514,597	-
Current portion of long-term liabilities	-	249,375	249,375	-
Long-term liabilities:				
Compensated absences payable	34,115	-	34,115	-
Net pension liability	878,039	247,652	1,125,691	33,505
Total pension liability	201,863	-	201,863	-
Total OPEB liability	353,930	99,826	453,756	-
Due in more than one year	-	3,960,875	3,960,875	1,601,388
Total liabilities	<u>1,986,743</u>	<u>5,166,726</u>	<u>7,153,469</u>	<u>1,798,385</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>399,475</u>	<u>20,733</u>	<u>420,208</u>	<u>803</u>
<b>NET POSITION</b>				
Net investment in capital assets	1,425,384	15,819,534	17,244,918	(194,786)
Restricted for:				
Working Capital	-	-	-	55,419
Stabilization by State Statute	400,203	-	400,203	-
Streets	170,703	-	170,703	-
Economic development	663,427	-	663,427	-
Other	26,931	-	26,931	-
Unrestricted (deficit)	<u>2,802,653</u>	<u>2,592,270</u>	<u>5,394,923</u>	<u>629,760</u>
Total net position	<u>\$ 5,489,301</u>	<u>\$ 18,411,804</u>	<u>\$ 23,901,105</u>	<u>\$ 490,393</u>

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, 2025**

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		Total	
					Governmental Activities	Business-type Activities		
<b>Primary government:</b>								
Governmental Activities:								
General government	\$ 402,264	\$ 52,688	\$ 538,986	\$ -	\$ 189,410	\$ -	\$ 189,410	\$ -
Public safety	1,756,250	4,095	29,500	-	(1,722,655)	-	(1,722,655)	-
Transportation	655,124	-	112,760	-	(542,364)	-	(542,364)	-
Economic and Physical Development	483,817	-	-	-	(483,817)	-	(483,817)	-
Environmental protection	346,304	262,522	-	-	(83,782)	-	(83,782)	-
Recreational	658,028	285,843	-	-	(372,185)	-	(372,185)	-
Special projects	357,155	-	-	-	(357,155)	-	(357,155)	-
Interest on long-term debt	554	-	-	-	(554)	-	(554)	-
Total governmental activities	<u>4,659,496</u>	<u>605,148</u>	<u>681,246</u>	<u>-</u>	<u>(3,373,102)</u>	<u>-</u>	<u>(3,373,102)</u>	<u>-</u>
Business-type activities:								
Water and Sewer	<u>3,472,145</u>	<u>3,180,744</u>	<u>-</u>	<u>601,850</u>	<u>-</u>	<u>310,449</u>	<u>310,449</u>	<u>-</u>
Total business-type activities	<u>3,472,145</u>	<u>3,180,744</u>	<u>-</u>	<u>601,850</u>	<u>-</u>	<u>310,449</u>	<u>310,449</u>	<u>-</u>
Total Primary Government	<u>\$ 8,131,641</u>	<u>\$ 3,785,892</u>	<u>\$ 681,246</u>	<u>\$ 601,850</u>	<u>(3,373,102)</u>	<u>310,449</u>	<u>(3,062,653)</u>	<u>-</u>
Component unit:								
ABC Board	<u>\$ 2,015,644</u>	<u>\$ 1,860,256</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(155,388)</u>
Total component unit	<u>\$ 2,015,644</u>	<u>\$ 1,860,256</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (155,388)</u>
General revenues:								
Taxes:								
Property taxes, levied for general purpose					1,521,933	-	1,521,933	-
Local option sales tax					1,205,630	-	1,205,630	-
Other taxes and licenses					233,408	-	233,408	-
Grants and contributions not restricted to specific programs					-	-	-	-
Investment earnings, unrestricted					229,347	85,000	314,347	-
Miscellaneous, unrestricted					38,870	-	38,870	-
Total general revenues not including transfers					<u>3,229,188</u>	<u>85,000</u>	<u>3,314,188</u>	<u>-</u>
Transfers					<u>(85,000)</u>	<u>85,000</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers					<u>3,144,188</u>	<u>170,000</u>	<u>3,314,188</u>	<u>-</u>
Change in net position					<u>(228,914)</u>	<u>480,449</u>	<u>251,535</u>	<u>(155,388)</u>
Total net position, beginning, as previously reported					5,732,944	17,941,785	23,674,729	645,781
Prior period restatement					(14,729)	(10,430)	(25,159)	-
Net position, beginning as restated					<u>5,718,215</u>	<u>17,931,355</u>	<u>23,649,570</u>	<u>490,393</u>
Total net position, ending					<u>\$ 5,489,301</u>	<u>\$ 18,411,804</u>	<u>\$ 23,901,105</u>	<u>\$ 490,393</u>

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

**Town of Warsaw, North Carolina  
Balance Sheet  
Governmental Funds  
June 30, 2025**

	<b>Major Funds</b>					<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Economic Revolving Loan Fund</b>	<b>ARPA Fund</b>	<b>CDBG Neighborhood Revitalization Project</b>	<b>Total Non- Major Funds</b>	
<b>ASSETS</b>						
Cash and cash equivalents	3,790,019	\$ 651,001	\$ -	\$ -	\$ -	\$ 4,441,020
Restricted cash	197,634	-	307,256	12,426	-	517,316
Taxes receivables, net	84,364	-	-	-	-	84,364
Account receivables, net	105,562	-	-	-	-	105,562
Lease receivables	200,000	-	-	-	-	200,000
Due from other governments	202,067	-	-	-	-	202,067
Due from other funds	92,574	-	-	-	-	92,574
Total assets	<u>4,672,220</u>	<u>651,001</u>	<u>307,256</u>	<u>12,426</u>	<u>-</u>	<u>5,642,903</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable and accrued liabilities	157,495	-	-	-	-	157,495
Unearned revenues	-	-	307,256	-	-	307,256
Due to other funds	-	-	-	-	29,332	29,332
Total liabilities	<u>157,495</u>	<u>-</u>	<u>307,256</u>	<u>-</u>	<u>29,332</u>	<u>494,083</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property taxes receivable	84,364	-	-	-	-	84,364
Leases	200,000	-	-	-	-	200,000
Total deferred inflows of resources	<u>284,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>284,364</u>
<b>FUND BALANCES</b>						
Restricted						
Streets - Powell Bill	170,703	-	-	-	-	170,703
Stabilization by State Statute	400,203	-	-	-	-	400,203
Economic development	-	651,001	-	12,426	-	663,427
Reserve requirement	26,931	-	-	-	-	26,931
Unassigned	3,632,524	-	-	-	(29,332)	3,603,192
Total fund balances	<u>4,230,361</u>	<u>651,001</u>	<u>-</u>	<u>12,426</u>	<u>(29,332)</u>	<u>4,864,456</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,672,220</u>	<u>\$ 651,001</u>	<u>\$ 307,256</u>	<u>\$ 12,426</u>	<u>\$ -</u>	<u>\$ 5,642,903</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.	1,425,384
Deferred outflows of resources related to pensions are not reported in the funds.	819,774
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	84,364
Other long-term assets (accrued interest from taxes) are not available to pay current period expenditures and therefore are deferred in the funds.	16,790
Deferred inflows of resources related to pensions are not reported in the funds	(199,475)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	
Net pension liability.	(878,039)
Total pension liability.	(201,863)
OPEB liability.	(353,930)
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(88,160)
Net position of governmental activities	<u>\$ 5,489,301</u>

**Town of Warsaw, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2025**

	<b>Major Funds</b>				<b>Total Non-Major Funds</b>	<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Economic Revolving Loan Fund</b>	<b>ARPA Fund</b>	<b>CDBG Neighborhood Revitalization Project</b>		
<b>REVENUES</b>						
Ad valorem taxes	\$ 1,507,312	\$ -	\$ -	\$ -	\$ -	\$ 1,507,312
Unrestricted intergovernmental	1,436,922	-	-	-	-	1,436,922
Restricted intergovernmental	144,376	-	85,000	453,986	499	683,861
Permits and fees	484,403	-	-	-	-	484,403
Sales and services	120,745	-	-	-	-	120,745
Investment earnings	172,969	56,378	-	-	-	229,347
Miscellaneous	38,371	-	-	-	-	38,371
Total revenues	<u>3,905,098</u>	<u>56,378</u>	<u>85,000</u>	<u>453,986</u>	<u>499</u>	<u>4,500,961</u>
<b>EXPENDITURES</b>						
Current:						
General government	366,891	-	-	-	-	366,891
Public safety	1,749,160	-	-	-	-	1,749,160
Public Works & Streets	597,995	-	-	-	-	597,995
Special projects	357,155	-	-	-	-	357,155
Environmental protection	346,304	-	-	-	-	346,304
Recreational	638,206	-	-	-	-	638,206
Debt service	22,395	-	-	-	-	22,395
Economic development	-	-	-	453,986	29,831	483,817
Total expenditures	<u>4,078,106</u>	<u>-</u>	<u>-</u>	<u>453,986</u>	<u>29,831</u>	<u>4,561,923</u>
Excess (deficiency) of revenues over expenditures	<u>(173,008)</u>	<u>56,378</u>	<u>85,000</u>	<u>-</u>	<u>(29,332)</u>	<u>(60,962)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in (out)	-	-	(85,000)	-	-	(85,000)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(85,000)</u>	<u>-</u>	<u>-</u>	<u>(85,000)</u>
Net change in fund balance	(173,008)	56,378	-	-	(29,332)	(145,962)
Fund balances-beginning	4,403,369	594,623	-	12,426	-	5,010,418
Fund balances-ending	<u>\$ 4,230,361</u>	<u>\$ 651,001</u>	<u>\$ -</u>	<u>\$ 12,426</u>	<u>\$ (29,332)</u>	<u>\$ 4,864,456</u>

**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, 2025**

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

Net changes in fund balances - total governmental funds \$ (145,962)

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	\$ 94,602	
Depreciation expense for governmental assets	<u>(83,851)</u>	10,751

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		174,116
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Benefit payments paid and administrative expense for the LEOSSA are not included in the Statement of Activities		17,473
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Change in unavailable revenue for tax revenues		2,638

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		(1,041)
Pension and OPEB expense		(308,730)

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.

		<u>21,841</u>
Total changes in net position of governmental activities		<u>\$ (228,914)</u>

**Town of Warsaw, North Carolina**  
**General Fund and Annually Budgeted Major Special Revenue Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual**  
**For the Year Ended June 30, 2025**

	General Fund				ARPA Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>								
Ad valorem taxes	1,447,500	\$ 1,458,500	\$ 1,507,312	\$ 48,812	\$ -	\$ -	\$ -	\$ -
Unrestricted intergovernmental	1,282,000	1,498,500	1,436,922	(61,578)	-	-	-	-
Restricted intergovernmental	125,000	125,000	144,376	19,376	463,256	463,256	85,000	(378,256)
Permits and fees	657,000	663,000	484,403	(178,597)	-	-	-	-
Sales and services	115,800	99,200	120,745	21,545	-	-	-	-
Investment earnings	140,000	140,000	172,969	32,969	-	-	-	-
Miscellaneous	7,000	16,100	38,371	22,271	-	-	-	-
<b>Total revenues</b>	<b>3,774,300</b>	<b>4,000,300</b>	<b>3,905,098</b>	<b>(95,202)</b>	<b>463,256</b>	<b>463,256</b>	<b>85,000</b>	<b>(378,256)</b>
<b>Expenditures</b>								
<b>Current:</b>								
General government	322,900	386,500	366,891	19,609	-	-	-	-
Public safety	1,724,625	1,749,325	1,749,160	165	-	-	-	-
Public Works & Streets	590,150	635,850	597,995	37,855	-	-	-	-
Recreation	532,800	684,800	638,206	46,594	-	-	-	-
Special projects	280,125	361,325	357,155	4,170	-	-	-	-
Debt service	-	22,400	22,395	5	-	-	-	-
Environmental	323,700	346,400	346,304	96	-	-	-	-
<b>Total expenditures</b>	<b>3,774,300</b>	<b>4,186,600</b>	<b>4,078,106</b>	<b>108,494</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Revenues over (under) expenditures	-	(186,300)	(173,008)	13,292	463,256	463,256	85,000	(378,256)
<b>Other financing sources (uses):</b>								
Transfers in (out)	-	-	-	-	(463,256)	(463,256)	(85,000)	(378,256)
Fund Balance Appropriated	-	186,300	-	(186,300)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>186,300</b>	<b>-</b>	<b>(186,300)</b>	<b>(463,256)</b>	<b>(463,256)</b>	<b>(85,000)</b>	<b>378,256</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(173,008)</b>	<b>\$ (173,008)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
<b>Fund Balance, Beginning</b>			<b>4,403,369</b>				<b>-</b>	
<b>Fund Balance, Ending</b>			<b>\$ 4,230,361</b>				<b>\$ -</b>	

**Town of Warsaw, North Carolina**  
**Statement of Fund Net Position**  
**Proprietary Fund**  
**June 30, 2025**

	Water and Sewer Fund
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 2,812,077
Restricted cash	207,341
Accounts Receivable (net)	394,655
Total current assets	3,414,073
Noncurrent assets:	
Capital assets (net)	20,029,784
Total assets	23,443,857
Deferred Outflows of Resources	218,648
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued liabilities	378,028
Compensated absences payable	23,629
Due to other funds	63,242
Current portion of long-term debt	249,375
Total	714,274
Noncurrent liabilities:	
Liabilities payable from restricted assets:	
Deposits	207,341
Net pension liability	247,652
Other postemployment benefits	99,826
Non-current portion of long-term debt	3,960,875
Total noncurrent liabilities	4,515,694
Total liabilities	5,229,968
Deferred Inflows of Resources	20,733
<b>Net Position</b>	
Net investment in capital assets	15,819,534
Unrestricted	2,592,270
Total net position	\$ 18,411,804

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, 2025**

	Water and Sewer Fund
Operating revenues:	
Charges for services	\$ 3,099,543
Water & Sewer taps	12,600
Other operating revenues	68,601
Total operating revenues	3,180,744
Operating expenses:	
Operations	2,624,525
Depreciation	819,927
Total operating expenses	3,444,452
Operating income	(263,708)
Nonoperating revenues (expenses):	
Investment earnings	85,000
Interest and fees	(27,693)
Total nonoperating revenues (expenses)	57,307
Income before transfers and contributions	(206,401)
Transfers from other funds	85,000
Capital Contributions	601,850
Total capital contributions and transfers	686,850
Change in net position	480,449
Total net position, beginning, as previously reported	17,941,785
Prior period restatement	(10,430)
Net position, beginning as restated	17,931,355
Total net position, ending	\$ 18,411,804

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, 2025**

	Water and Sewer Fund
Cash flows from operating activities:	
Cash received from customers	\$ 3,243,371
Cash paid for goods and services	(1,640,156)
Cash paid to employees for services	(749,710)
Net cash provided by operating activities	853,505
Cash flows from noncapital financing activities:	
Transfer in	85,000
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(636,585)
Installment purchase agreement	-
Capital Contributions	601,850
Local Contributions	-
Principal paid on bond maturities and note agreements	(248,375)
Interest and fees paid on bond maturities and notes agreements	(27,693)
Net cash used by capital and related financing activities	(310,803)
Cash flows from investing activities:	
Interest on investments	85,000
Net decrease in cash and cash equivalents	712,702
Cash and cash equivalents:	
Beginning of year, July 1	2,306,716
End of year, June 30	\$ 3,019,418
 <b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	\$ (263,708)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	819,927
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	62,627
Increase (decrease) in accounts payable and accrued liabilities	190,881
Increase (decrease) in net pension liability	36,274
Increase (decrease) in opeb liability	(1,842)
(Increase) decrease in deferred outflows	4,943
Increase (decrease) in deferred inflows	1,347
Increase (decrease) in compensated absences	(9,874)
Increase(decrease) in deposits	12,930
Total adjustments	1,117,213
Net cash provided by operating activities	\$ 853,505

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, 2025**

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.

**American Rescue Plan Fund.** This fund accounts for transaction related to the American Rescue Plan Fund.

**CDBG Neighborhood Revitalization Fund.** This accounts for the CDBG neighborhood revitalization project.

The Town reports the following non-major governmental fund:

**Memorial Park Project Fund.** This accounts for the park project.

The Town reports the following major enterprise funds:

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

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

**Water Improvement Fund.** This fund is used to account for the water improvement 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.

Notes to the Financial Statements

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, 2025, 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.

Town of Warsaw Restricted Cash

Governmental Activities		
	Streets	\$ 170,703
	Reserve requirement	26,931
	Neighborhood	
	Revitalization	12,426
	ARPA	307,256
Total governmental activities		<u>517,316</u>
Business-type Activities		
Water and Sewer Fund		
	Customer Deposits	207,341
Total Business-type activities		<u>207,341</u>
Total Restricted Cash		<u>\$ 724,657</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, 2024. 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. Lease Receivable

The Town's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the Town may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

7. Inventory and Prepaid Items

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 when purchased. If significant, the amount of inventory on hand at year end is reported on the balance sheet in the governmental funds. However, in the Government-wide Statement Activities the cost of these inventories is expensed as the items are used.

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.

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

8. 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

9. 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 2025 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 several items that meet the criterion for this category - property taxes receivable, pension deferrals, leases and OPEB deferrals for the 2025 fiscal year.

10. 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.

11. Compensated Absences

The vacation policy of the Town provides for two weeks' vacation leave per year. The vacation policy provides for a maximum of 240 hours to be carried from one year to the next. Any employee with more than 240 hours of accumulated leave during the last pay period of each calendar year shall have the excess accumulation removed so that only 240 hours are carried forward to the first pay period of the next calendar year. All excess vacation hours over 240 will be converted to the employee's sick leave account. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for 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. In accordance with GASB Statement No. 101 for the Town's government-wide funds, an expense and liability for sick leave is recognized using the "practical expedient approach" allowed by the Standard for the portion of sick leave expected to be used and paid by the Town.

## 12. 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].

Restricted for Reserve Requirements- portion of fund balance restricted for rural development.

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.

### 13. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees’ Retirement System (LGERS) and additions to/deductions from LGERS’ fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town’s employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

### 13. Accounting for Changes

The Town implemented GASB Statement No. 101, Compensated Absences in the current fiscal year. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The implementation of this Statement required a prior period restatement to reduce government-wide net position by \$25,159 to record the estimated liability for sick leave at June 30, 2024.

The Town implemented GASB Statement No. 102, Certain Risk Disclosures. The disclosures provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government’s financial condition.

### 14. Recent Accounting Pronouncements

#### GASB Statement No. 103, Financial Reporting Model Improvements

In April 2024, the GASB issued GASB Statement No. 103, Financial Reporting Model Improvements. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues.

This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This Statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that "boilerplate" discussions should be avoided by presenting only the most relevant information, focused on the primary government. In addition, this Statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units.

This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows. This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses.

In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses. Subsidies are defined as (1) resources received from another party or fund (a) for which the proprietary fund does not provide goods and services to the other party or fund and (b) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise, (2) resources provided to another party or fund (a) for which the other party or fund does not provide goods and services to the proprietary fund and (b) that are recoverable through the proprietary fund's current or future pricing policies, and (3) all other transfers.

This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

This Statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged. The Town is currently reviewing this statement to determine the effect on the financial statements.

GASB Statement No. 104, Disclosure of Certain Capital Assets

In September 2024, the GASB issued GASB Statement No. 104, Disclosure of Certain Capital Assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

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**

Then Memorial Park Project Fund had deficit fund balance at June 30, 2025 related to grant timing issues.

C. **Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2025 the expenditures made in the Town's Memorial Park Project Fund exceeded authorized appropriations made by the governing board. Management and the Board will more closely review the budget reports to ensure compliance in future years

III. **Detail Notes on All Funds**

A. **Assets**

1. **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, 2025, the Town's deposits had a carrying amount of \$721,408 and a bank balance of \$1,036,719 all of which was covered by federal depository insurance. The ABC Board's deposits had a carrying amount of \$238,562 and a bank balance of \$238,562 . \$250,000 of the bank balance was covered by federal depository insurance. The rest of which was covered under the pooling method.

2. **Investments**

At June 30, 2025, the Town of Warsaw had \$7,256,346 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**

	<b>Accounts</b>	<b>Taxes and Related Accrued Interest</b>	<b>Due From Other Governments</b>	<b>Lease Receivable</b>	<b>Total</b>
Governmental Activities:					
General	\$ 105,562	\$ 101,154	\$ 202,067	\$ 200,000	\$ 608,783
Total Governmental Activities	<u>\$ 105,562</u>	<u>\$ 101,154</u>	<u>\$ 202,067</u>	<u>\$ 200,000</u>	<u>\$ 608,783</u>
Business-Type Activities:					
Water and Sewer	\$ 394,655	\$ -	\$ -	\$ -	\$ 394,655
Total Business-Type Activities	<u>\$ 394,655</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 394,655</u>

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	\$ 44,196
Total General fund	<u>44,196</u>
Enterprise Funds	
Water and Sewer Fund - accounts receivable	104,318
Total Enterprise Funds	<u>\$ 104,318</u>

4. Lease Receivable

In August 2014, the Town entered into a lease with Strata Solar Development, LLC. Under the lease, the Lessee pays the Town \$5,000 per Acre up to 10 acres of real property located along East Best Street, in the City of Warsaw for five (5) years. The Tenant shall have the right to extend the Initial Term for up to two (2) additional successive terms of five (5) years each by providing Landlord with written notice of Tenant's election to extend the Initial Term for the applicable Renewal Term prior to the expiration of the Initial Term.

In the fiscal year 2025, the Town recognized \$50,000 of lease revenue under the lease.

5. Capital Assets

**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2025, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 65,727	\$ -	\$ -	\$ 65,727
Construction in progress	-	29,832	-	29,832
Total capital assets not being depreciated	<u>65,727</u>	<u>29,832</u>	<u>-</u>	<u>95,559</u>
<b>Capital assets being depreciated:</b>				
Buildings & Improvements	2,309,623	6,270	-	2,315,893
Equipment and Vehicles	1,634,310	58,500	-	1,692,810
Infrastructure	109,205	-	-	109,205
Total capital assets being depreciated	<u>4,053,138</u>	<u>64,770</u>	<u>-</u>	<u>4,117,908</u>
<b>Less accumulated depreciation for:</b>				
Buildings & Improvements	1,213,630	37,901	-	1,251,531
Equipment and Vehicles	1,381,397	45,950	-	1,427,347
Infrastructure	109,205	-	-	109,205
Total accumulated depreciation	<u>2,704,232</u>	<u>\$ 83,851</u>	<u>\$ -</u>	<u>2,788,083</u>
Total capital assets being depreciated, net	<u>1,348,906</u>			<u>1,329,825</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 1,414,633</u>			<u>\$ 1,425,384</u>

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

General Government	\$ 10,967
Public Safety	7,670
Cultural & Recreation	27,340
Public Works	37,574
Total Depreciation Expense	<u>\$ 83,551</u>

**Business-Type Activities:**

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Water and Sewer Fund</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 33,218	\$ -	\$ -	\$ 33,218
Construction in progress	457,717	403,515	(659,382)	201,850
Total capital assets not being depreciated	<u>490,935</u>	<u>403,515</u>	<u>(659,382)</u>	<u>235,068</u>
<b>Capital assets being depreciated:</b>				
Plant and Distribution Systems	30,665,180	683,080	-	31,348,260
Equipment and Vehicles	726,006	209,372	-	935,378
Total capital assets being depreciated	<u>31,391,186</u>	<u>892,452</u>	<u>-</u>	<u>32,283,638</u>
<b>Less accumulated depreciation for:</b>				
Plant and Distribution Systems	11,244,974	774,921	-	12,019,895
Equipment and Vehicles	424,021	45,006	-	469,027
Total accumulated depreciation	<u>11,668,995</u>	<u>\$ 819,927</u>	<u>\$ -</u>	<u>12,488,922</u>
Total capital assets being depreciated, net	<u>19,722,191</u>			<u>19,794,716</u>
<b>Water &amp; Sewer Fund capital assets, net</b>	<u>\$ 20,213,126</u>			<u>\$ 20,029,784</u>

**Discretely Presented Component Unit:**

Activity for the ABC Board for the year ended June 30, 2025, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ 608,000	\$ -	\$ -	\$ 608,000
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>608,000</u>	<u>-</u>	<u>-</u>	<u>608,000</u>
<b>Capital assets being depreciated:</b>				
Buildings	877,274	-	-	877,274
Other improvements	13,228	-	-	13,228
Equipment and furniture	184,921	-	-	184,921
Computer equipment	8,062	-	-	8,062
Total capital assets being depreciated	<u>1,083,485</u>	<u>-</u>	<u>-</u>	<u>1,083,485</u>
<b>Less accumulated depreciation for:</b>				
Buildings	86,139	16,063	-	102,202
Other improvements	13,228	-	-	13,228
Equipment and furniture	74,889	25,890	-	100,779
Computer equipment	8,062	-	-	8,062
Total accumulated depreciation	<u>182,318</u>	<u>\$ 41,953</u>	<u>\$ -</u>	<u>224,271</u>
Total capital assets being depreciated, net	<u>901,167</u>			<u>859,214</u>
<b>Capital assets, net</b>	<u>\$ 1,509,167</u>			<u>\$ 1,467,214</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

*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, 2025, was 15.04% of compensation for law enforcement officers and 13.76% 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 \$223,225 for the year ended June 30, 2025.

*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, 2025, the Town reported a liability of \$1,125,691 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 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, 2025, the Town's proportion was 0.0167%, which was an increase of 0.00219% from its proportion measured as of June 30, 2024.

For the year ended June 30, 2025, the Town recognized pension expense of \$347,091. At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 197,264	\$ 1,326
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	153,037	-
Changes in proportion and differences between Town's contributions and proportionate share of contributions	75,698	44,667
Town's contributions subsequent to the measurement date	223,225	-
Total	<u>\$ 649,224</u>	<u>\$ 45,993</u>

\$223,225 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, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>June 30</u>	
2026	114,870
2027	225,092
2028	57,348
2029	(17,304)
2030	-
Thereafter	-
	<u>\$ 380,006</u>

*Actuarial Assumptions*. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary Increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	6.50 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, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2012 through December 31, 2016.

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, 2025 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate</u>	
	<u>Target Allocation</u>	<u>of Return</u>
Fixed Income	33.0%	2.4%
Global Equity	38.0%	6.9%
Real Estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Credit	7.0%	5.3%
Inflation Protection	6.0%	4.3%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2025 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 2.38%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 6.50%. 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 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	<u>1 % Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>(5.50%)</u>	<u>(6.50%)</u>	<u>(7.50%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 1,994,757	\$ 1,125,691	\$ 470,764

*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, 2023, the Separation Allowance's membership consisted of:

Inactive members Currently Receiving Benefits	2
Active plan members	12
Total	14

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, 2023 valuation. The total pension liability in the December 31, 2023 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	4.28%

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 \$17,474, 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, 2025, the Town reported a total pension liability of \$201,863. The total pension liability was measured as of December 31, 2024 based on a December 31, 2023 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2024 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2025, the Town recognized pension expense of \$4,663.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 20,567	\$ 99,647
Changes of assumptions and other inputs	23,998	26,320
Benefit payments and administrative expenses made subsequent to the measurement date	-	-
Total	<u>\$ 44,565</u>	<u>\$ 125,967</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:

<b>Year Ended June 30</b>	
2026	(18,205)
2027	(33,115)
2028	(30,621)
2029	(1,493)
2030	2,032
Thereafter	-
	<u>\$ (81,402)</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 4.28 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 (3.28 percent) or 1-percentage-point higher (5.28 percent) than the current rate:

	<b>1 % Decrease (3.28%)</b>	<b>Discount Rate (4.28%)</b>	<b>1% Increase (5.28%)</b>
Total pension liability	\$ 224,277	\$ 201,863	\$ 181,945

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

	<u>2025</u>
Beginning balance	\$ 178,326
Service Cost	19,354
Interest on the total pension liability	6,784
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	20,886
Changes of assumptions or other inputs	(6,014)
Benefit payments	(17,473)
Other changes	-
Ending balance of the total pension liability	<u>\$ 201,863</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, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2012 through December 31, 2016.

***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	\$ 347,091	\$ 4,663	\$ 351,754
Pension Liabilities	1,125,691	201,863	1,327,554
Proportionate share of the net pension liability	0.001670%	N/A	
<b>Deferred of Outflows of Resources</b>			
Differences between expected and actual experience	197,264	20,567	217,831
Changes of assumption	-	23,998	23,998
Net difference between projected and actual earnings on plan investments	153,037	-	153,037
Changes in proportion and differences between contributions and proportionate share of contributions	75,698	-	75,698
Benefit payments and administrative costs paid subsequent to the measurement date	223,225	-	223,225
<b>Deferred of Inflows of Resources</b>			
Difference between expected and actual experience	1,326	99,647	100,973
Changes of assumptions	-	26,320	26,320
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	44,667	-	44,667

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, 2025 totaled \$62,578 from the Town.

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 June 30, 2025 date of the latest actuarial valuation.

	<u>Employees:</u>
Inactive Members or Beneficiaries Currently Receiving Benefits	3
Inactive Members Entitled to But Not Yet Receiving Benefits	-
Active Members	<u>17</u>
Total	<u><u>20</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, 2025, the Town was not required to make contributions in the fiscal year.

**Total OPEB Liability**

The Town's total OPEB liability of \$453,756 was measured as of June 30, 2024 and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2024 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, including wage inflation	
General Employees	3.25% - 8.41%
Law Enforcement Officers	3.25% - 7.90%
Discount rate	3.93 percent
Healthcare cost trend rates	7.00% for 2023 decreasing to an ultimate rate of 4.50% by 2033

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**

	<b>Total OPEB Liability</b>
<b>Balance at July 1, 2024</b>	462,126
<b>Changes for the year</b>	
Service cost	5,886
Interest	16,926
Changes of benefit terms	-
Differences between expected and actual experience	136
Changes in assumptions or other inputs	(22,643)
Benefit payments	(8,675)
<b>Net changes</b>	<b>(8,370)</b>
<b>Balance at June 30, 2025</b>	<b>\$ 453,756</b>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.65% to 3.93%.

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

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period January 2016 through December 2020.

*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 (2.93 percent) or 1-percentage-point higher (4.93 percent) than the current discount rate:

	<b>1% Decrease (2.93%)</b>	<b>Discount Rate (3.93%)</b>	<b>1% Increase (4.93%)</b>
Total OPEB liability	\$ 542,115	\$ 453,756	\$ 383,960

*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:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 378,056	\$ 453,756	\$ 550,490

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

For the year ended June 30, 2025, the Town recognized OPEB expense of \$69,909. 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, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 341,797	\$ 21,539
Changes of assumptions	2,836	26,709
Benefit payments and administrative costs made subsequent to the measurement date	-	-
	<u>\$ 344,633</u>	<u>\$ 48,248</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, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	
2026	\$ 47,097
2027	47,097
2028	47,131
2029	47,283
2030	45,750
Thereafter	62,027
	<u>\$ 296,385</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	\$ 223,225
Benefit payments and administrative expenses for LEOSSA made subsequent to measurement date	-
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	-
Differences between expected and actual experience	559,628
Changes of assumptions	26,834
Net difference between projected and actual	153,037
Changes in proportion and differences between employer contributions and proportionate share of contributions	75,698
Total	<u>\$ 1,038,422</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	\$ -	84,364
Lease receivable (General Fund)	200,000	200,000
Differences between expected and actual experience	122,512	-
Changes in assumptions	53,029	-
Net difference between projected and actual earnings	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	44,667	-
Total	<u>\$ 420,208</u>	<u>\$ 284,364</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 \$750,000.

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, 2025, 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, 2025 was \$0 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, 2025 was \$272,250 for the business-type activities.

The future minimum payments of the direct placement installment purchases as of June 30, 2025 are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2026	\$ -	\$ -	\$ 45,375	\$ -
2027	-	-	45,375	-
2028	-	-	45,375	-
2029	-	-	45,375	-
2030	-	-	45,375	-
Thereafter	-	-	45,375	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 272,250</u>	<u>\$ -</u>

Bonds payable at June 30, 2025 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, 2025 was \$1,138,000.

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
2026	\$ 29,000	\$ 27,028
2027	30,000	26,339
2028	30,000	25,626
2029	31,000	24,914
2030	32,000	24,178
2031-2035	171,000	109,156
2036-2040	193,000	87,781
2041-2045	215,000	63,888
2046-2050	244,000	37,027
2051-2053	163,000	7,814
Total	<u>\$ 1,138,000</u>	<u>\$ 433,751</u>

Notes to the Financial Statements

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, 2025, is as follows:

Operating revenues	\$ 3,180,744
Operating expenses*	<u>(2,624,525)</u>
Operating income	556,219
Nonoperating revenues (expenses)**	<u>85,000</u>
Income available for debt service	641,219
Debt service, principal and interest paid (Revenue bond only)	\$ 55,693
Debt service coverage ratio	1151%

\* This does not include the depreciation expense of \$819,927

\*\* This does not include revenue bond interest paid of \$27,693.

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, 2025 was \$2,800,000.

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2026	\$ 175,000	\$ -
2027	175,000	-
2028	175,000	-
2029	175,000	-
2030	175,000	-
2031-2035	875,000	-
2036-2040	875,000	-
2041	175,000	-
Total	<u>\$ 2,800,000</u>	<u>\$ -</u>

e. Changes in Long-Term Liabilities

	Balance 7/1/2024	Increases	Decreases	Balance 6/30/2025	Current Portion
<b>Governmental activities:</b>					
Direct Placement Installment purchases	\$ 21,841	\$ -	\$ (21,841)	\$ -	\$ -
Net pension liability (LGERS)	749,433	128,606	-	878,039	-
Total pension liability (LEO)	178,326	23,537	-	201,863	-
Total OPEB liability	360,458	-	(6,528)	353,930	-
Compensated absences - vacation	74,472	36,329	(38,343)	72,458	38,343
Compensated absences - sick	14,729	973	-	15,702	15,702
Governmental activity long-term liabilities	<u>\$ 1,399,259</u>	<u>\$ 189,445</u>	<u>\$ (66,712)</u>	<u>\$ 1,521,992</u>	<u>\$ 54,045</u>

Notes to the Financial Statements

<b>Business-type activities:</b>	Balance			Balance		Current Portion
	7/1/2024	Increases	Decreases	6/30/2025		
Direct Placement Installment purchases	\$ 317,625	\$ -	\$ (45,375)	\$ 272,250	\$ 45,375	
NCDWI Revolving Loan	2,975,000	-	(175,000)	2,800,000	175,000	
USDA Water & Sewer	1,166,000	-	(28,000)	1,138,000	29,000	
Compensated absences- vacation	23,073	12,295	(15,876)	19,492	19,492	
Compensated absences - sick	10,430	-	(6,293)	4,137	4,137	
Net pension liability (LRS)	211,378	36,274	-	247,652	-	
Total OPEB liability	101,668	-	(1,842)	99,826	-	
Business-type activity long-term liabilities	\$ 4,805,174	\$ 48,569	\$ (24,011)	\$ 4,581,357	\$ 273,004	

At June 30, 2025, the Town of Warsaw had a legal debt margin of \$24,064,240.

C. Interfund Balances and Activity

The composition of balances due to/from other funds as of June 30, 2025 is as follows:

Due to/from other funds on June 30, 2025, consist of the following:

<b>Fund</b>	<b>To</b>	<b>From</b>	<b>Purpose</b>
General Fund	\$ 63,242		To supplement cash flow
Water Fund		\$ 63,242	
General Fund	\$ 29,332		To supplement cash flow
Memorial Park Project Fund		\$ 29,332	

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers to/from other funds at June 30, 2025, consist of the following:

From the ARPA Fund to the Water Fund to fund revenue replacement.	\$ 85,000
From the Water Fund to the Carbon Cycle Project Fund to fund project.	\$ 59,382

D. Net Investment in Capital Assets

	Governmental		Business-type	
Capital assets	\$	1,425,384	\$	20,029,784
less: long term debt		-		(4,210,250)
Net investment in capital asset	\$	1,425,384	\$	15,819,534

E Fund Balance

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

<b>Total fund balance - General Fund</b>	<b>\$ 4,230,361</b>
<b>Less:</b>	
<b>Stabilization by State Statute</b>	370,871
<b>Streets - Powell Bill</b>	170,703
<b>Reserve requirement</b>	26,931
<b>Remaining Fund Balance</b>	<b>\$ 3,661,856</b>

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

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.

**VII. Change in Accounting Principle**

The Town implemented Government Accounting Standards Board (GASB) Statement No. 101, Compensated Absences, July 1, 2024. The objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. As a result, the Town recognized an additional \$25,159 in compensated absences for sick leave as of June 30, 2024, resulting in a decrease in beginning net position of the same amount.

REQUIRED  
SUPPLEMENTAL FINANCIAL DATA

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

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

Schedule of Contributions – Local Government  
Employees’ Retirement System

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

Schedule of Total Pension Liability as a Percentage of  
Covered Payroll - Law Enforcement Officers' Special  
Separation Allowance

Schedule of Changes in the Net OPEB Liability and  
Related Ratios

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

**Local Government Employees' Retirement System**

	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Town's proportion of the net pension liability (asset) (%)	0.01670%	0.01451%	0.01749%	0.01706%	0.01727%	0.0178%	0.0201%	0.0222%	0.0239%	0.0237%
Town's proportion of the net pension liability (asset) (\$)	\$ 1,125,691	\$ 960,811	\$ 986,686	\$ 261,631	\$ 617,131	\$ 486,104	\$ 477,552	\$ 338,849	\$ 508,087	\$ 106,275
Town's covered-employee payroll	\$ 1,522,728	\$ 1,370,760	\$ 1,317,399	\$ 1,320,066	\$ 1,283,364	\$ 1,242,297	\$ 1,206,481	\$1,276,113	\$1,304,325	\$1,280,772
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	73.93%	70.09%	74.90%	19.82%	48.09%	39.13%	39.58%	26.55%	38.95%	8.30%
Plan fiduciary net position as a percentage of the total pension liability**	83.30%	82.49%	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%

\* 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 Ten Fiscal Years**

**Local Government Employees' Retirement System**

	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Contractually required contribution	\$ 223,225	\$ 204,651	\$ 174,108	\$ 156,015	\$ 140,442	\$ 120,275	\$ 101,705	\$ 96,034	\$ 98,302	\$ 91,160
Contributions in relation to the contractually required contribution	223,225	204,651	174,108	156,015	140,442	120,275	101,705	96,034	98,302	91,160
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 1,564,323	\$ 1,522,728	\$ 1,370,760	\$ 1,317,399	\$ 1,320,066	\$ 1,283,364	\$ 1,242,297	\$ 1,206,481	\$ 1,276,113	\$ 1,304,325
Contributions as a percentage of covered-employee payroll	14.27%	13.44%	12.70%	11.84%	10.64%	9.37%	8.19%	7.96%	7.70%	6.99%

**Town of Warsaw, North Carolina**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2025**

	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 178,326	\$ 205,103	\$ 360,403	\$ 397,304	\$ 250,470	\$ 256,967	\$ 221,035	\$ 171,753	\$ 156,317
Service Cost	19,354	14,292	19,745	23,610	15,721	12,951	18,476	14,828	14,310
Interest on the total pension liability	6,784	8,463	7,912	7,499	8,027	9,354	6,985	6,630	5,581
Changes of benefit terms experience in the measurement of the total pension liability	-	-	-	-	-	-	-	-	-
	20,886	(36,476)	(127,807)	(41,912)	17,703	(36,379)	21,502	12,836	-
Changes of assumptions or other inputs	(6,014)	4,418	(37,676)	(8,624)	113,843	7,577	(11,031)	14,988	(4,455)
Benefit payments	(17,473)	(17,474)	(17,474)	(17,474)	(8,460)	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 201,863</u>	<u>\$ 178,326</u>	<u>\$ 205,103</u>	<u>\$ 360,403</u>	<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, 2025**

	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 201,863	\$ 178,326	\$ 205,103	\$ 360,403	\$ 397,304	\$ 250,470	\$ 256,967	\$ 221,035	\$ 171,753
Covered payroll	660,866	542,880	540,880	541,091	577,598	539,809	600,099	607,571	569,500
Total pension liability as a percentage of covered payroll	30.55%	32.85%	37.92%	66.61%	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 related benefits.

**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, 2025\***

	2025	2024	2023	2022	2021	2020	2019	2018
<b>Total OPEB Liability</b>								
Service cost	\$ 5,886	\$ 1,572	\$ 1,996	\$ 2,109	\$ 1,569	\$ 1,623	\$ 1,672	\$ 1,799
Interest	16,926	1,143	992	1,622	2,251	1,587	1,380	1,131
Differences between expected and actual experience	136	439,166	(5,106)	(30,729)	-	17,651	-	-
Changes of assumptions	(22,643)	(3,605)	(4,348)	(361)	4,709	1,106	(1,021)	(1,748)
Benefit payments	(8,675)	(13,611)	-	-	-	-	-	-
<b>Net change in total OPEB liability</b>	<b>(8,370)</b>	<b>424,665</b>	<b>(6,466)</b>	<b>(27,359)</b>	<b>8,529</b>	<b>21,967</b>	<b>2,031</b>	<b>1,182</b>
<b>Total OPEB liability - beginning</b>	<b>462,126</b>	<b>37,461</b>	<b>43,927</b>	<b>71,286</b>	<b>62,757</b>	<b>40,790</b>	<b>38,759</b>	<b>37,577</b>
<b>Total OPEB liability - ending</b>	<b>\$ 453,756</b>	<b>\$ 462,126</b>	<b>\$ 37,461</b>	<b>\$ 43,927</b>	<b>\$ 71,286</b>	<b>\$ 62,757</b>	<b>\$ 40,790</b>	<b>\$ 38,759</b>
Town's covered payroll	\$ 974,854	\$ 974,854	\$ 1,060,720	\$ 1,060,720	\$ 1,158,174	\$ 1,158,174	\$ 1,125,575	\$ 1,125,575
Town's OPEB liability as a percentage of its covered payroll	46.55%	47.40%	3.53%	4.14%	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 period. The following are the discount rates used in each period:

<u>Fiscal year</u>	<u>Rate</u>
2018	3.56%
2019	3.89%
2020	3.50%
2021	2.21%
2022	2.16%
2023	3.54%
2024	3.65%
2025	3.93%

## GENERAL FUND

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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.

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**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, 2025**

	2025		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes		\$ 1,501,596	
Penalties and interest		5,716	
Total	<u>\$ 1,458,500</u>	<u>1,507,312</u>	<u>\$ 48,812</u>
Unrestricted intergovernmental:			
Utilities sales tax		211,801	
Local option sales taxes		1,205,630	
Beer and wine tax		10,908	
Refunds		8,583	
Total	<u>1,498,500</u>	<u>1,436,922</u>	<u>(61,578)</u>
Restricted intergovernmental:			
Police crime commission grant		29,500	
Solid waste disposal tax		2,116	
Powell Bill allocation		112,760	
Total	<u>125,000</u>	<u>144,376</u>	<u>19,376</u>
Permits and fees:			
Garbage Fees		262,522	
Zoning Permits		4,095	
Business registration fees		470	
Recreation fees		216,673	
Miscellaneous		643	
Total	<u>663,000</u>	<u>484,403</u>	<u>(178,597)</u>
Sales and services:			
Concession and vending		18,437	
Rents		42,280	
Sales of materials		52,218	
Miscellaneous		7,810	
Total	<u>99,200</u>	<u>120,745</u>	<u>21,545</u>
Miscellaneous:			
Insurance proceeds		11,615	
Contributions		26,756	
Total	<u>16,100</u>	<u>38,371</u>	<u>22,271</u>
Investment earnings	<u>140,000</u>	<u>172,969</u>	<u>32,969</u>
Total Revenues	<u>4,000,300</u>	<u>3,905,098</u>	<u>(95,202)</u>

**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, 2025**

	2025		Variance Positive (Negative)
	Budget	Actual	
<b>Expenditures:</b>			
General government:			
Administration:			
Salaries & benefits		225,316	
Operating expense		105,427	
Capital Outlay		36,148	
Total	386,500	366,891	19,609
Total General Government	386,500	366,891	19,609
Environmental:			
Contracted Services		346,304	
Total	346,400	346,304	96
Public Works & Streets:			
Salaries & benefits		252,913	
Operating expense		232,391	
Powell bill		112,691	
Total	635,850	597,995	37,855
Public Safety:			
Salaries & benefits		1,024,692	
Operating expense		560,918	
Contribution to VFD		163,550	
Total	1,749,325	1,749,160	165
Recreation/Wellness:			
Salaries & benefits		103,404	
Operating expense		534,802	
Total	684,800	638,206	46,594
Debt service:			
Principal		21,841	
Interest		554	
Total	22,400	22,395	5
Special projects:			
Library		8,326	
Other		348,829	
Total	361,325	357,155	4,170
Total Expenditures	4,186,600	4,078,106	108,494
Revenues over (under) expenditures	(186,300)	(173,008)	13,292

**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, 2025**

	2025		Variance Positive (Negative)
	Budget	Actual	
Other financing sources (uses):			
Transfers in (out)	-	-	-
Fund Balance Appropriated	186,300	-	(186,300)
Total	<u>186,300</u>	<u>-</u>	<u>(186,300)</u>
 Net change in Fund Balance	 <u>\$ -</u>	 <u>(173,008)</u>	 <u>\$ (173,008)</u>
 Fund balances:			
Beginning of year, July 1		<u>4,403,369</u>	
End of year, June 30		<u>\$ 4,230,361</u>	

**Town of Warsaw, North Carolina**  
**Special Revenue Fund - Grant Project Fund**  
**Economic Revolving Loan Fund (EDRL)**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2025**

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
<b>Revenues:</b>					
Restricted intergovernmental	\$ 434,032	\$ 1,396	\$ -	\$ 1,396	\$ (432,636)
Investment Earnings	114,000	699,801	56,378	756,179	642,179
Other Income	10,000	511,854	-	511,854	501,854
Total	<u>558,032</u>	<u>1,213,051</u>	<u>56,378</u>	<u>1,269,429</u>	<u>711,397</u>
<b>Expenditures:</b>					
Current:					
Economic and physical development:					
Development	70,000	63,563	-	63,563	6,437
Incentive grants	14,000	13,837	-	13,837	163
Loan forgiveness	240,000	238,555	-	238,555	1,445
Total expenditures	<u>324,000</u>	<u>315,955</u>	<u>-</u>	<u>315,955</u>	<u>8,045</u>
Revenues over expenditures	<u>234,032</u>	<u>897,096</u>	<u>56,378</u>	<u>953,474</u>	<u>703,352</u>
Other financing sources:					
Transfers in (out)	<u>(234,032)</u>	<u>(302,473)</u>	<u>-</u>	<u>(302,473)</u>	<u>(68,441)</u>
Total other					
Revenues and other sources over expenditures and other (uses)	<u>\$ -</u>	<u>\$ 594,623</u>	56,378	<u>\$ 651,001</u>	<u>\$ 651,001</u>
<b>Fund balances:</b>					
Beginning of year, July 1			<u>594,623</u>		
End of year, June 30			<u>\$ 651,001</u>		

**Town of Warsaw, North Carolina**  
**Special Revenue Fund**  
**American Rescue Plan**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2025**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Grants	\$ 463,256	\$ 85,000	\$ (378,256)
Total	<u>463,256</u>	<u>85,000</u>	<u>(378,256)</u>
Expenditures:			
Current:			
Lost Revenue Replacement	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>463,256</u>	<u>85,000</u>	<u>(378,256)</u>
Other financing sources:			
Transfers in (out)	<u>(463,256)</u>	<u>(85,000)</u>	<u>378,256</u>
Total other			
Revenues and other sources over expenditures and other (uses)	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances:			
Beginning of year, July 1		-	
End of year, June 30		<u>\$ -</u>	

**Town of Warsaw, North Carolina**  
**CDBG Neighborhood Revitalization Project**  
**Schedule of Revenues and Expenditures-Budget to Actual (Non-GAAP)**  
**From Inception and For the Fiscal Year Ended June 30, 2025**

	Project Author - ization	Prior Years	Actual Current Year	Total to Date
<b>Revenues:</b>				
Restricted intergovernmental				
CDBG grant	\$ 750,000	\$ 17,600	\$ 453,986	471,586
Other Funds	8,000	-	-	-
Total revenues	<u>758,000</u>	<u>17,600</u>	<u>453,986</u>	<u>471,586</u>
<b>Expenditures:</b>				
Economic Development				
Neighborhood Facilities	98,000	-	-	-
Private Rehabilitation	585,000	5,100	420,445	425,545
Administration	75,000	74	33,541	33,615
Total expenditures	<u>758,000</u>	<u>5,174</u>	<u>453,986</u>	<u>459,160</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 12,426</u>	<u>-</u>	<u>\$ 12,426</u>
Fund balance - beginning			<u>12,426</u>	
Fund balance - ending			<u>\$ 12,426</u>	

**Town of Warsaw, North Carolina**  
**Balance sheet**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2025**

	Memorial Park Project	Total Nonmajor Governmental Funds
<b>Assets</b>		
Restricted Cash	\$ -	\$ -
Investments	-	-
Total Assets	\$ -	\$ -
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts payable	\$ -	\$ -
Due to Other Funds	29,332	29,332
Total liabilities	29,332	29,332
<b>Fund Balances</b>		
Restricted:		
Cultural & Recreation	(29,332)	(29,332)
Total Fund Balances	(29,332)	(29,332)
Total Liabilities and Fund Bal	\$ -	\$ -

**Town of Warsaw, North Carolina**  
**Statement of Revenues, Expenditures, and Charges in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2025**

	<b>Memorial Park Project</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>		
Other	\$ 499	\$ 499
Total Revenues	499	499
<b>EXPENDITURES</b>		
Cultural & Recreation	29,831	29,831
Total expenditures	29,831	29,831
<b>Other Financing Sources (Uses)</b>		
Transfers	-	-
Revenues over (under) expenditures	(29,332)	(29,332)
Fund Balances, beginning	-	-
Fund Balances, ending	\$ (29,332)	# \$ (29,332)

**Town of Warsaw, North Carolina**  
**Memorial Park Project**  
**Schedule of Revenues and Expenditures-Budget to Actual (Non-GAAP)**  
**From Inception and For the Fiscal Year Ended June 30, 2025**

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental					
Grant Funds	\$ -	\$ -	\$ -	\$ -	\$ -
Donations	-	-	499	499	499
Total revenues	<u>-</u>	<u>-</u>	<u>499</u>	<u>499</u>	<u>499</u>
Expenditures:					
Cultural & Recreation					
Administration and construction	-	-	29,831	29,831	(29,831)
Total expenditures	<u>-</u>	<u>-</u>	<u>29,831</u>	<u>29,831</u>	<u>(29,831)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(29,332)</u>	<u>\$ (29,332)</u>	<u>\$ (29,332)</u>
Fund balance - beginning			<u>-</u>		
Fund balance - ending			<u>\$ (29,332)</u>		

## PROPRIETARY FUNDS

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Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

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**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, 2025**

	2025		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Charges for services:			
Water sales:			
Residential & Commercial		\$ 3,099,543	
Water and Sewer taps		12,600	
Other operating revenues		68,601	
Total	<u>\$ 2,994,825</u>	<u>3,180,744</u>	<u>\$ 185,919</u>
Nonoperating revenues:			
Interest earnings		85,000	
Total	<u>65,000</u>	<u>85,000</u>	<u>20,000</u>
Total Revenues	<u>3,059,825</u>	<u>3,265,744</u>	<u>205,919</u>
Expenditures:			
Water Operations:			
Salaries and benefits		749,710	
Contracted services		13,864	
Utilities		149,151	
Maintenance and repairs		676,169	
Other		707,603	
Automotive supplies		23,960	
Departmental supplies and materials		273,220	
Total	<u>2,635,675</u>	<u>2,593,677</u>	<u>41,998</u>
Debt service:			
Principal retirement		248,375	
Interest and fees		27,693	
Total debt service	<u>276,075</u>	<u>276,068</u>	<u>7</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, 2025**

	2025		Variance Positive (Negative)
	Budget	Actual	
Capital outlay:			
Equipment		233,070	
Total capital outlay	233,075	233,070	5
Total expenditures	3,144,825	3,102,815	42,010
Revenues over (under) expenditures	(85,000)	162,929	247,929
Other financing sources (uses):			
Transfers to capital project	-	(59,382)	
Transfer from other funds	85,000	85,000	
Installment purchase proceeds	-	-	
Total other financing sources (uses):	85,000	25,618	(59,382)
Revenues and other sources over expenditures and other uses	\$ -	\$ 188,547	\$ 188,547
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues over expenditures		\$ 188,547	
Reconciling items:			
Depreciation		(819,927)	
Capital outlay		233,070	
Transfers to capital project		59,382	
(Increase) decrease in accrued vacation pay		9,874	
(Increase) decrease in net pension liability		(36,274)	
(Increase) decrease in OPEB liability		1,842	
Increase (decrease) in deferred outflows		(4,943)	
(Increase) decrease in deferred inflows		(1,347)	
Capital contributions		601,850	
Principal retirement		248,375	
Total reconciling items		291,902	
Change in net position		\$ 480,449	

**Town of Warsaw, North Carolina  
Capital Project Fund  
Carbon Cycle Project  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
From Inception and For the Fiscal Year Ended June 30, 2025**

	Project Author - ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
Restricted intergovernmental					
C2NC, LLC	\$ 200,000	\$ 200,000	\$ -	\$ 200,000	\$ -
Department of Commerce	400,000	-	400,000	400,000	-
Other funds	10,000	-	-	-	(10,000)
Total	<u>610,000</u>	<u>200,000</u>	<u>400,000</u>	<u>600,000</u>	<u>(10,000)</u>
<b>Expenditures:</b>					
Construction	510,000	346,684	161,544	508,228	1,772
Contingency	8,600	-	8,432	8,432	168
Engineering	88,400	56,400	31,689	88,089	311
Construction Observation	5,800	-	-	-	5,800
Legal and Administrative	3,000	453	-	453	2,547
Permits and Other Expenses	54,200	54,180	-	54,180	20
Total expenditures	<u>670,000</u>	<u>457,717</u>	<u>201,665</u>	<u>659,382</u>	<u>10,618</u>
Revenues over expenditures	-	(257,717)	198,335	(59,382)	618
<b>Other financing sources:</b>					
Transfers in (out)	60,000	-	59,382	59,382	(618)
Total other financing sources	<u>60,000</u>	<u>-</u>	<u>59,382</u>	<u>59,382</u>	<u>(618)</u>
Revenues and other sources over expenditures and other (uses)	<u>\$ -</u>	<u>\$ (257,717)</u>	257,717	<u>\$ -</u>	<u>\$ -</u>
<b>Fund balances:</b>					
Beginning of year, July 1			(257,717)		
End of year, June 30			<u>\$ -</u>		

**Town of Warsaw, North Carolina  
Capital Project Fund  
Water Improvement Project  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
From Inception and For the Fiscal Year Ended June 30, 2025**

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
Restricted intergovernmental					
Grants	\$ 3,000,000	\$ -	\$ 201,850	201,850	\$ (2,798,150)
Total	<u>3,000,000</u>	<u>-</u>	<u>201,850</u>	<u>201,850</u>	<u>(2,798,150)</u>
<b>Expenditures:</b>					
Construction and Administrative	3,000,000	-	201,850	201,850	2,798,150
Total expenditures	<u>3,000,000</u>	<u>-</u>	<u>201,850</u>	<u>201,850</u>	<u>2,798,150</u>
Revenues over expenditures	-	-	-	-	-
<b>Other financing sources:</b>					
Transfers in (out)	-	-	-	-	-
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>
<b>Fund balances:</b>					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ -</u>		

## OTHER SCHEDULES

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

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- 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, 2025**

<u>Fiscal Year</u>	Uncollected Balance <u>July 01, 2024</u>	<u>Additions</u>	<u>Collections And Credits</u>	Uncollected Balance <u>June 30, 2025</u>
2024-2025	\$ -	\$ 1,576,179	\$ 1,539,000	\$ 37,179
2023-2024	33,937		16,270	17,667
2022-2023	11,871		3,505	8,366
2021-2022	8,553		2,095	6,458
2020-2021	6,637		1,334	5,303
2019-2020	4,303		290	4,013
2018-2019	2,517		427	2,090
2017-2018	1,916		224	1,692
2016-2017	1,276		135	1,141
2015-2016	455		-	455
2014-2015	916	-	916	-
	<u>\$ 72,381</u>	<u>\$ 1,576,179</u>	<u>\$ 1,564,196</u>	<u>84,364</u>
				Ad valorem taxes receivable - net
				<u>\$ 84,364</u>
				<u>Reconciliation with revenues:</u>
				Ad valorem taxes - General Fund
				\$ 1,507,312
				Reconciling items:
				Taxes written off
				62,600
				Interest collected
				<u>(5,716)</u>
				Total collections and credits
				<u>\$ 1,564,196</u>

**Town of Warsaw, North Carolina**  
**Analysis of Current Tax Levy**  
**Town - Wide Levy**  
**For the Fiscal Year Ended June 30, 2025**

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 286,578,000	\$ 0.55	\$ 1,576,179	\$ 1,428,968	\$ 147,211
Total	<u>286,578,000</u>		<u>1,576,179</u>	<u>1,428,968</u>	<u>147,211</u>
Total property valuation	<u><u>\$ 286,578,000</u></u>				
Net levy			1,576,179	1,428,968	147,211
Uncollected taxes at June 30, 2025			<u>(37,179)</u>	<u>(37,179)</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 1,539,000</u></u>	<u><u>\$ 1,391,789</u></u>	<u><u>\$ 147,211</u></u>
Current levy collection percentage			<u><u>97.64%</u></u>	<u><u>97.40%</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 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, the discretely presented component unit, and each major fund, and the aggregate remaining fund information of the Town of Warsaw for the year ended June 30, 2025, and the related notes to the financial statement, which collectively comprises the Town of Warsaw's basic financial statements, and have issued our report thereon dated November 24, 2025. The financial statements of Town of Warsaw ABC Board were not audited in accordance with *Government Auditing Standards*.

**Report on Internal Control Over Financial Reporting**

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

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

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

internal control, described in the accompanying schedule of findings and responses as item 2025-001 that we consider to be significant deficiency.

#### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Warsaw's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Town of Warsaw's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the Town of Warsaw's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### 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*

*November 24, 2025*



**Town of Warsaw, North Carolina  
Schedule of Findings and Responses  
For the Fiscal Year Ended June 30, 2025**

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Section II. Financial Statement Findings

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SIGNIFICANT DEFICIENCY

2025-001

Noncompliance with Budget

Criteria: G.S. 159-28(a) states that no obligation may be incurred in a function accounted for in a fund included in the budget ordinance unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year.

Condition: The Town spent more for the Memorial Park Project Fund than was appropriated for in the annual budget ordinance.

Effect: Monies were spent that had not been obligated and appropriated.

Cause: The Town exceeded budget expenditures in the Memorial Park Project Fund while budget amendments were not adopted.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2024-002

Recommendation: Before an obligation is to incur that will exceed the amount that was previously approved in the budget ordinance, an amendment to the budget should be adopted.

Views of responsible officials and planned corrective actions: The Town will continue to monitor the budgets monthly to ensure compliance.



# Town of Warsaw, North Carolina

## Corrective Action Plan For the Fiscal Year Ended June 30, 2025

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### Section II - Financial Statement Findings

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2025- 001

Name of Contact Person: Lea Turner, Town Manager

Corrective Action: When obligations arise that exceed the amount in the approved budget ordinance, amendments to the budget will be created. These amendments will be brought to the Board when they arise for transparency and to ensure compliance.

Proposed Completion Date: The Board will implement the above procedure immediately.

**Town of Warsaw, North Carolina**  
**Summary Schedule of Prior Year Audit Findings**  
**For the Fiscal Year Ended June 30, 2025**

**Status:**

2024-001 Corrected.  
2024-002 Still Occurring.