

**TOWN OF BISCOE**  
**GENERAL PURPOSE FINANCIAL STATEMENTS**  
*For the Fiscal Year Ended June 30, 2002*

**TOWN OF BISCOE, NORTH CAROLINA**

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**TOWN OF BISCOE, NORTH CAROLINA**

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# DIXON ODOM PLLC

Certified Public Accountants and Consultants

## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Town of Biscoe  
Biscoe, North Carolina

We have audited the accompanying general purpose financial statements of the Town of Biscoe, North Carolina as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of Town of Biscoe's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Biscoe, North Carolina as of June 30, 2002 and the results of its operations and the cash flows of its proprietary fund type for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements, taken as a whole. The combining and individual fund financial statements and schedules, and supplementary information, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Dixon Odom PLLC*

October 3, 2002

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TOWN OF BISCOE, NORTH CAROLINA  
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
 June 30, 2002  
 With Comparative Totals June 30, 2001

Exhibit A

	Governmental Fund Types		Proprietary Fund Types	Fiduciary Fund Types	Account Group	Totals	
	General	Special Revenue				Enterprise	Trust
					Fixed Assets	June 30 2002	June 30 2001
<b>ASSETS AND OTHER DEBITS</b>							
Cash and investments	\$ 890,161	\$1,303,159	\$1,116,108	\$ 42,799	\$ -	\$ 3,352,227	\$ 4,103,496
Taxes receivable	38,559	-	-	-	-	38,559	38,406
Accounts receivable	114,707	-	52,562	-	-	167,269	140,682
Accrued interest receivable	7,572	19,399	9,786	384	-	37,141	62,032
Inventories	-	-	33,181	-	-	33,181	30,842
Restricted cash and investments	-	-	9,517	-	-	9,517	9,809
Fixed assets, net	-	-	2,067,594	-	3,259,447	5,327,041	4,753,663
	<u>\$1,050,999</u>	<u>\$1,322,558</u>	<u>\$3,288,748</u>	<u>\$ 43,183</u>	<u>\$3,259,447</u>	<u>\$ 8,964,935</u>	<u>\$ 9,138,930</u>
<b>TOTAL ASSETS AND OTHER DEBITS</b>							
<b>LIABILITIES EQUITY AND OTHER CREDITS</b>							
Accounts payable and accrued liabilities	\$ 16,819	\$ -	\$ 50,085	\$ -	\$ -	\$ 66,904	\$ 142,609
Deposits	-	-	9,517	-	-	9,517	9,809
Deferred revenues	40,009	-	-	-	-	40,009	39,728
	<u>56,828</u>	<u>-</u>	<u>59,602</u>	<u>-</u>	<u>-</u>	<u>116,430</u>	<u>192,146</u>
<b>TOTAL LIABILITIES</b>							
<b>EQUITY AND OTHER CREDITS</b>							
Contributed capital (net)	-	-	1,160,016	-	-	1,160,016	1,196,241
Investment in general fixed assets	-	-	-	-	3,259,447	3,259,447	2,714,800
Retained earnings	-	-	2,069,130	-	-	2,069,130	2,141,458
Fund balances							
Reserved by State statute	122,279	-	-	-	-	122,279	90,581
Reserved for streets - Powell Bill	92,106	-	-	-	-	92,106	61,097
Reserved for employees' pension benefits	-	-	-	43,183	-	43,183	39,520
Unreserved:							
Designated for subsequent years' expenditures	58,500	-	-	-	-	58,500	734,925
Designated for capital projects	-	1,322,558	-	-	-	1,322,558	1,573,387
Undesignated	721,286	-	-	-	-	721,286	394,775
	<u>994,171</u>	<u>1,322,558</u>	<u>3,229,146</u>	<u>43,183</u>	<u>3,259,447</u>	<u>8,848,505</u>	<u>8,946,784</u>
<b>TOTAL EQUITY AND OTHER CREDITS</b>							
<b>TOTAL LIABILITIES, EQUITY AND OTHER CREDITS</b>							
	<u>\$1,050,999</u>	<u>\$1,322,558</u>	<u>\$3,288,748</u>	<u>\$ 43,183</u>	<u>\$3,259,447</u>	<u>\$ 8,964,935</u>	<u>\$ 9,138,930</u>

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

TOWN OF BISCOE, NORTH CAROLINA  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - ALL GOVERNMENTAL FUND TYPES  
 For the Fiscal Year Ended June 30, 2002  
 With Comparative Totals for Year Ended June 30, 2001

Exhibit B

	Governmental Fund Types		Totals (Memorandum Only)	
	General	Special Revenue	June 30 2002	June 30 2001
<b>REVENUES</b>				
Ad valorem taxes	\$ 426,884	\$ -	\$ 426,884	\$ 374,165
Other taxes and licenses	204,285	-	204,285	213,046
Unrestricted intergovernmental revenues	207,716	-	207,716	261,910
Restricted intergovernmental revenues	73,271	-	73,271	72,135
Sales and services	73,770	-	73,770	28,641
Investment earnings	28,038	59,193	87,231	150,657
Miscellaneous	15,912	-	15,912	28,773
<b>TOTAL REVENUES</b>	<u>1,029,876</u>	<u>59,193</u>	<u>1,089,069</u>	<u>1,129,327</u>
<b>EXPENDITURES</b>				
Current:				
General government	700,680	-	700,680	624,931
Public safety	530,859	-	530,859	440,757
Transportation	317,783	-	317,783	270,511
Cultural and recreational	77,783	-	77,783	145,948
<b>TOTAL EXPENDITURES</b>	<u>1,627,105</u>	<u>-</u>	<u>1,627,105</u>	<u>1,482,147</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(597,229)	59,193	(538,036)	(352,820)
Other financing sources (uses)				
Operating transfers (to) from other funds				
Capital Reserve Fund	310,022	(310,022)	-	-
Total other financing sources (uses)	310,022	(310,022)	-	-
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	(287,207)	(250,829)	(538,036)	(352,820)
<b>FUND BALANCE</b>				
Beginning of year, July 1	1,281,378	1,573,387	2,854,765	3,207,585
<b>END OF YEAR, JUNE 30</b>	<u>\$ 994,171</u>	<u>\$1,322,558</u>	<u>\$2,316,729</u>	<u>\$2,854,765</u>



TOWN OF BISCOE, NORTH CAROLINA  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS  
 For the Year Ended June 30, 2002

	General Fund		Special Revenue Fund		Totals (Memorandum Only)	
	Budget	Actual	Budget	Actual	Budget	Actual
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ 736,000	\$ (287,207)	\$ (245,022)	\$ (250,829)	\$ (981,022)	\$ (538,036)
FUND BALANCE APPROPRIATED	736,000	-	245,022	-	981,022	-
REVENUES AND OTHER FINANCING SOURCES AND APPROPRIATED FUND BALANCE OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ -	(287,207)	\$ -	(250,829)	\$ (538,036)	\$ (538,036)
FUND BALANCE		1,281,378		1,573,387		2,854,765
Beginning of year, July 1		994,171		1,322,558		2,316,729
END OF YEAR, JUNE 30						

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



**TOWN OF BISCOE, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**RETAINED EARNINGS - PROPRIETARY FUND**  
**WATER AND SEWER FUND**  
**For the Fiscal Year Ended June 30, 2002**  
**With Comparative Totals for Year Ended June 30, 2001**

**Exhibit D**

	<u>June 30,</u> <u>2002</u>	<u>June 30,</u> <u>2001</u>
OPERATING REVENUES		
Charges for services	\$ 512,844	\$ 517,188
TOTAL OPERATING REVENUES	<u>512,844</u>	<u>517,188</u>
OPERATING EXPENSES		
Water and sewer department	553,453	498,444
Depreciation	<u>110,411</u>	<u>97,750</u>
TOTAL OPERATING EXPENSES	<u>663,864</u>	<u>596,194</u>
OPERATING LOSS	<u>(151,020)</u>	<u>(79,006)</u>
NONOPERATING REVENUES		
Interest earned on investments	36,365	63,174
Tax refunds	2,401	10,286
Miscellaneous revenue	<u>3,701</u>	<u>1,723</u>
TOTAL NONOPERATING REVENUES	<u>42,467</u>	<u>75,183</u>
	NET LOSS	(108,553) (3,823)
ADD DEPRECIATION ON CONTRIBUTED CAPITAL	<u>36,225</u>	<u>36,225</u>
DECREASE) INCREASE IN RETAINED EARNINGS	(72,328)	32,402
RETAINED EARNINGS, JULY 1	<u>2,141,458</u>	<u>2,109,056</u>
RETAINED EARNINGS, JUNE 30	<u>\$ 2,069,130</u>	<u>\$ 2,141,458</u>

**TOWN OF BISCOE, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**WATER AND SEWER FUND**  
**For the Fiscal Year Ended June 30, 2002**  
**With Comparative Totals for Year Ended June 30, 2001**

**Exhibit E**

	<u>June 30,</u> <u>2002</u>	<u>June 30,</u> <u>2001</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers/contributions	\$ 515,399	\$ 647,411
Cash paid for goods and services	(445,663)	(422,151)
Cash paid to employees	(94,417)	(94,208)
Net (decrease) customer deposits	<u>(292)</u>	<u>(635)</u>
<b>NET CASH PROVIDED (USED)</b> <b>BY OPERATING ACTIVITIES</b>	<u>(24,973)</u>	<u>130,417</u>
<b>CASH FLOWS FROM CAPITAL AND</b> <b>RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(139,142)	(213,408)
Miscellaneous non-operating revenue	3,701	1,723
Tax refunds	<u>2,401</u>	<u>10,286</u>
<b>NET CASH USED BY CAPITAL</b> <b>AND RELATED FINANCING ACTIVITIES</b>	<u>(133,040)</u>	<u>(201,399)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	<u>36,554</u>	<u>66,853</u>
<b>NET DECREASE IN CASH</b>	(121,459)	(4,129)
<b>CASH AT BEGINNING OF YEAR</b>	<u>1,247,084</u>	<u>1,251,213</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 1,125,625</u>	<u>\$ 1,247,084</u>
<b>RECONCILIATION OF OPERATING LOSS TO</b> <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating loss	\$ (151,020)	\$ (79,006)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	110,411	97,750
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	2,555	130,223
Inventory	(2,339)	(12,499)
Increase (decrease) in:		
Accounts payable	15,712	(5,416)
Customer deposits	<u>(292)</u>	<u>(635)</u>
Total adjustments	<u>126,047</u>	<u>209,423</u>
<b>NET CASH PROVIDED (USED) BY</b> <b>OPERATING ACTIVITIES</b>	<u>\$ (24,973)</u>	<u>\$ 130,417</u>

**TOWN OF BISCOE, NORTH CAROLINA**  
**STATEMENT OF CHANGES IN PLAN NET ASSETS**  
**PENSION TRUST FUND**  
**For the Fiscal Years Ended June 30, 2002 and 2001**

**Exhibit F**

	<u>June 30,</u> <u>2002</u>	<u>June 30,</u> <u>2001</u>
<b>ADDITIONS</b>		
Employer contributions	\$ 2,500	\$ 2,500
Interest income	<u>1,163</u>	<u>2,149</u>
TOTAL ADDITIONS	3,663	4,649
<b>DEDUCTIONS</b>		
	<u>-</u>	<u>-</u>
NET INCREASE	3,663	4,649
<b>FUND BALANCE RESERVED FOR</b>		
<b>EMPLOYEE'S PENSION BENEFITS</b>		
Beginning of year	<u>39,520</u>	<u>34,871</u>
End of year	<u>\$ 43,183</u>	<u>\$ 39,520</u>

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**June 30, 2002**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Biscoe 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 Biscoe is a municipal corporation which is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, the Town includes any component unit for which it is financially accountable. For the year ended June 30, 2002, no component units were included in the financial statements.

B. Basis of Presentation - Fund Accounting

The accounts of the Town are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The account groups are not funds but are a reporting device used to account for certain assets and liabilities of the governmental funds that are not recorded directly in those funds.

The Town uses the following fund categories (further divided by fund type) and account groups:

GOVERNMENTAL FUNDS are used to account for the Town's governmental functions. Governmental Funds include the following fund types:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and State-shared revenues. The primary expenditures are for public safety, streets and highways, and general government services.

Special Revenue Fund - Special Revenue Funds account for specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Town maintains one Special Revenue Fund, the Capital Reserve Fund.

PROPRIETARY FUNDS include the following fund type:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town of Biscoe has one Enterprise Fund - the Water and Sewer Fund.

TOWN OF BISCOE, NORTH CAROLINA  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
June 30, 2002

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

FIDUCIARY FUNDS

Fiduciary Funds account for the assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Fiduciary funds include the following fund:

Pension Trust Fund - The Town has a Pension Trust Fund, the Special Separation Allowance Fund, that accounts for the Law Enforcement Officers' Special Separation Allowance, a single-employer, public employee retirement system.

ACCOUNT GROUPS

General Fixed Assets Account Group - This group of accounts is used to account for all fixed assets of the Town, other than those accounted for in the proprietary funds.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing uses) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary funds are accounted for on the flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements for these funds present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. As required for periods beginning after June 15, 2000 by Statement 33 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Nonexchange Transactions*, the Board has begun recognizing capital contributions as revenue in the current year rather than contributed capital. There were no additions for the year ended June 30, 2002.

The basis of accounting determines when the revenues and expenditures or expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting. The governmental fund types are presented in the financial statements on this same basis. Under the modified accrual basis, revenues are recognized in the accounting period when they become susceptible to accrual (i.e., when they are "measurable" and "available") to pay the liabilities of the current period. In addition, expenditures are recorded when the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgements, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**June 30, 2002**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Town recognizes assets of nonexchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized on the modified accrual basis of accounting when they are measurable and available. Nonexchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. The Town considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the subsequent year. Also, as of January 1, 1993, 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, Montgomery County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Biscoe. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Montgomery County from March 2001 through February 2002 apply to the fiscal year ended June 30, 2002. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. Those taxes for vehicles registered from March 1 through the fiscal year-end apply to the 2002-2003 fiscal year and are not shown as receivables at June 30, 2002. For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which interest begins to accrue passed prior to June 30. The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2002 because they are intended to finance the Town's operations during the 2002-2003 fiscal year.

Sales taxes collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as deferred revenues. On-behalf of payments made by the State to the Firemen's and Rescue Squad Worker's Pension Plan for volunteer firemen, as well as employees of the Town, are recognized as revenues and expenditures during the period in which the State makes the contributions to the plan. Also, the State's contributions to the Firemen's Relief Fund, which have been spent by the local board of trustees for various salary supplements and stipends for employees and volunteers, have been recognized as revenues and expenditures during the period in which those payments were received.

Proprietary funds and the Pension Trust Fund are presented in the financial statements on the accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when earned and expenses are recognized in the period when incurred. As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations and Pension Trust Fund.

**D. Budgetary Data**

The Town's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General Fund, Capital Reserve Fund, and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting.

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**June 30, 2002**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. The Town Finance Officer is authorized to transfer appropriations between functional areas within a fund up to \$1,000; however, any revisions that alter the total expenditures of any fund or that changes functional appropriations by more than \$1,000 must be approved by the governing board. During the year several amendments to the original budget were necessary, the effects of which were not material.

A budget calendar is included in the North Carolina General Statutes which prescribes the last day on which certain steps of that budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

April 30 - Each department head will transmit to the budget officer the budget requests and the revenue estimates for their department for the budget year.

June 1 - The budget and the budget message shall be submitted to the governing board. The public hearing on the budget shall be scheduled at this time.

July 1 - The budget ordinance shall be adopted by the governing board.

**F. Assets, Liabilities and Fund Equity**

**Deposits and Investments**

**1. Deposits**

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

State law (G.S. 159-30(c)) authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptances; and the North Carolina Capital Management Trust, (NCCMT).

**2. Cash and Cash Equivalents**

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

**3. Restricted Assets**

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**June 30, 2002**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

4. Ad Valorem Taxes Receivable

In accordance with G.S. 105-347 and G.S. 159-13(a), ad valorem taxes are levied on property other than motor vehicles on July 1, the beginning of the fiscal year and are due on September 1 (lien date); however, interest does not accrue until the following January 6. The taxes levied are based on the assessed values as of January 1, 2001. 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 are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Inventories

Inventories are maintained for all enterprise fund supplies. They are valued at cost (first-in, first-out), which approximates market. The inventory of the enterprise fund consists of expendable supplies and is recorded as an expenditure as it is consumed.

7. Fixed Assets

General fixed assets are recorded at original cost. Donated assets are listed at the market value at the time of donation. The original cost of certain items acquired before July 1, 1970, are recorded at an estimated original cost. The total of such estimates is not considered large enough that errors would be material when the fixed assets are considered as a whole. Assets in the General Fixed Assets Account Group are not depreciated.

It is the Town's policy not to capitalize infrastructure type assets. Infrastructure, or public domain assets include roads, bridges, curbs and gutters, street and sidewalks, drainage systems and lighting systems. Such assets are immovable and of value only to the Town.

Enterprise fixed assets are recorded at original cost at the time of acquisition. Property, plant and equipment donated to the enterprise fund are recorded at the estimated fair market value at the date of donation. Plant assets are depreciated on a composite straight-line basis for the entire plant regardless of year of acquisition, at a 2.5% annual rate. In the composite rate, gain or loss on dispositions is not calculated except in extraordinary circumstances. Other assets in the Enterprise Fund of the Town are depreciated by the straight-line method over the assets' estimated useful lives as follows:

Furniture and office equipment	7-10 years
Maintenance and construction equipment	5-7 years
Medium and heavy motor vehicles	5-7 years
Automobiles and light trucks	3-5 years



TOWN OF BISCOE, NORTH CAROLINA  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
June 30, 2002

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Fund Equity

Reservations or restrictions of equity represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of equity represent tentative management plans that are subject to change.

State law (G.S. 159-13(b)(16)) restricts appropriation of fund balance or fund equity for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as these amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved

Reserved by State statute - portion of fund balance not available for appropriation under State law (G.S. 159-8(a)). This amount is usually comprised of receivables and interfund receivables which have not been offset by deferred revenues.

Reserved for streets - Powell Bill - portion of fund balance available for appropriation but legally segregated for street construction and maintenance expenditures. It represents the balance of the total unexpended Powell Bill funds.

Unreserved

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation which has been designated for the adopted 2002-2003 budget ordinance.

Designated for Capital Projects - portion of fund balance available for appropriation which has been designated for Capital Projects.

Undesignated - portion of total fund balance available for appropriation which is uncommitted at year-end.

G. Revenues, Expenditures, and Expenses

1. Other Resources

The General Fund provides the basis of local resources for other governmental funds. These transactions are recorded as "Operating transfers-out" in the General Fund and "Operating transfers-in" to the receiving fund.

2. Compensated Absences

The policies of the Town provide for no accumulation of earned vacation as of June 30, 2002.

The Town's sick leave policy provides for a maximum of 90 days of earned sick leave. Sick leave does not vest but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

TOWN OF BISCOE, NORTH CAROLINA  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
June 30, 2002

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

H. Total (Memorandum Only) Columns

The total columns on the accompanying financial statements are captioned as "Total (Memorandum Only)" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations, or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

**I. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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

1. Noncompliance with North Carolina General Statutes

Expenditures of on-behalf payments are not considered to be violations of state statute budget requirements (see Note III, D).

**II. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At June 30, 2002, the Town's deposits had a carrying amount of \$3,360,063 and a bank balance of \$3,383,431. Of the bank balance, \$200,000 was covered by federal depository insurance, and \$3,183,431 was covered by collateral held by authorized escrow agents in the name of the Town.

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**June 30, 2002**

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**II. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

2. Receivables - Allowances for Doubtful Accounts

The amounts presented in Exhibit A, the Combined Balance Sheet, are net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>June 30, 2002</u>
Proprietary Funds	
Accounts receivable	<u>\$ 16,000</u>

3. Fixed Assets

Changes in General Fixed Assets

A summary of changes in the Town's general fixed assets is as follows:

	General fixed assets <u>7-1-01</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	General fixed assets <u>6-30-02</u>
By asset type:					
Land and buildings	\$1,953,002	\$452,222	\$ -	\$ -	\$ 2,405,224
Equipment	341,523	70,324	-	-	411,847
Vehicles and motorized equipment	<u>420,275</u>	<u>22,101</u>	-	-	<u>442,376</u>
	<u>\$2,714,800</u>	<u>\$544,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,259,447</u>
By function:					
General government	\$2,001,456	\$446,410	\$ -	\$ -	\$ 2,447,866
Public safety	537,523	93,110	-	-	630,633
Street and sanitation	92,448	-	-	-	92,448
Cultural and recreational	<u>83,373</u>	<u>5,127</u>	-	-	<u>88,500</u>
	<u>\$2,714,800</u>	<u>\$544,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,259,447</u>
Reconciliation of additions:					
Capital outlay expenditures		\$544,859			
Items under capitalization threshold		<u>(212)</u>			
		<u>\$544,647</u>			

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**June 30, 2002**

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**III. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

4. Proprietary Fund Fixed Assets

The fixed assets of the Enterprise Fund at June 30, 2002 are composed as follows:

<u>Water and Sewer Fund</u>	<u>Fixed assets</u>	<u>Accumulated depreciation</u>	<u>Net</u>
Plant and distribution systems	\$ 3,090,112	\$ 1,267,338	\$ 1,822,774
Furniture and maintenance equipment	308,016	82,383	225,633
Vehicles	<u>93,709</u>	<u>74,522</u>	<u>19,187</u>
	<u>\$ 3,491,837</u>	<u>\$ 1,424,243</u>	<u>\$ 2,067,594</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Biscoe contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 3512 Bush Street, Raleigh, North Carolina 27609, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the rate for employees not engaged in law enforcement and for law enforcement officers is 10.29% and 10.27%, respectively, of annual covered payroll for the year ending June 30, 2002. The contribution requirements of member of the Town of Biscoe is established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for years ended June 30, 2002, 2001, and 2000 were \$47,210, \$43,325, and \$36,159, respectively. The contributions made by the Town equaled the required contributions for each year.

TOWN OF BISCOE, NORTH CAROLINA  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 June 30, 2002

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II. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

b. Law Enforcement Officers Special Separation Allowance

Plan Description

The Town of Biscoe administers a public employee retirement system (the "Separation Allowance"), a single-employer retirement defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Separation Allowance is reported in the Town's report as a pension trust fund.

All full-time law enforcement officers of the Town are covered by the Separation allowance. At December 31, 2001, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>8</u>
Total	<u>8</u>

Summary of Significant Accounting Policies

Basis of Accounting. Financial statements for the Separation Allowance are prepared using the modified accrual basis of accounting. Employer contributions to the plan are recognized when due and when the Town has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments. Investments are reported at fair value. Short-term debt, deposits, repurchase agreements, and the North Carolina Capital Management Trust investments are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price.

Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the Town contributed \$2,500, or 1.06% of annual covered payroll. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the Separation Allowance are financed through investment earnings.

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**June 30, 2002**

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**II. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

b. Law Enforcement Officers Special Separation Allowance (Continued)

The annual required contribution for the current year was determined as part of the December 31, 2000 actuarial valuation using the aggregate method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5.9% – 9.8% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases.

Annual Pension Cost and Net Pension Obligation - The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 4,891
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	<u>4,891</u>
Contributions made	<u>2,500</u>
Increase (decrease) in net pension obligation	<u>2,391</u>
Net pension obligation beginning of fiscal year	<u>-</u>
 Net pension obligation end of fiscal year	 <u>\$ 2,391</u>

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-02	\$ 4,891	51.11%	\$ 2,391

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2002 were \$24,322, which consisted of \$16,469 from the Town and \$7,853 from the law enforcement officers.

TOWN OF BISCOE, NORTH CAROLINA  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
June 30, 2002

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III. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

d. Firemen's and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the Town of Biscoe, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 3512 Bush Street, Raleigh, North Carolina 27609, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute \$10 per month to the Fund which is paid by the Town. The State, a nonemployer contributor, funds the plan through appropriations. Contribution requirements of plan members and the State of North Carolina are established and may be amended by North Carolina General Assembly.

e. Postemployment Benefits

At retirement, all employees have the option to purchase basic medical insurance at the Town's group rate. The entire cost of this insurance is borne by the employees.

The Town has also 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 \$20,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. 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. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. For the fiscal year ended June 30, 2002, the Town made contributions to the State for death benefits of \$313. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented -0-% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount.

TOWN OF BISCOE, NORTH CAROLINA  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
June 30, 2002

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II. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

2. Deferred Revenues

The balance in deferred revenues at year-end is composed of the following elements:

	<u>General Fund</u>
Prepaid taxes not yet earned	\$ 1,450
Taxes receivable	<u>38,559</u>
Total deferred revenues	<u>\$ 40,009</u>

3. 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, worker's compensation coverage up to the statutory limits, and employee health coverage up to \$1 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property liability in excess of \$500,000, and \$300,000 statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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.

4. Long-term Debt

At June 30, 2002, the Town had a legal debt margin of approximately \$7,404,387.

C. Fund Equity

Enterprise Fund - Contributed Capital

Grants, entitlements, and shared revenues restricted for the acquisition or construction of capital assets were recorded as contributed capital prior to the implementation of GASB Statement 33, Accounting and Financial Reporting for Nonexchange Transactions. As required by GASB Statement 33, the Town has begun recognizing capital contributions as revenue in the current year rather than as contributed capital. The Town utilizes an option allowed under NCGA Statement 2 for the Combined Statement of Revenues, Expenses, and Changes in Retained Earnings (Exhibit 4) whereby it closes depreciation expense on assets acquired or constructed through grants, entitlements, or shared revenues to the contributed capital account rather than to retained earnings.



**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**June 30, 2002**

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**II. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**C. Fund Equity (Continued)**

The following is a summary of the changes in contributed capital of the Town of Biscoe for the fiscal year ended June 30, 2002:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Contributed capital, 7/1/01	\$418,339	\$777,902	\$ 1,196,241
Less: amortization	<u>(13,345)</u>	<u>(22,880)</u>	<u>(36,225)</u>
Contributed capital, 6/30/02	<u>\$404,994</u>	<u>\$755,022</u>	<u>\$ 1,160,016</u>

**D. Revenues, Expenditures, and Expenses**

On-behalf of payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2002, the Town of Biscoe recognized on-behalf of payments for pension contributions made by the State as a revenue and an expenditure of \$10,890 for the 33 volunteer firemen who perform firefighting duties for the Town's fire department. The volunteers elected to be members of the Firemen and Rescue Squad Worker's Pension Fund, a cost-sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

**V. JOINT VENTURE**

The Town participates in a joint venture to operate the Montgomery Municipal Board of Alcoholic Beverage Control with our other local governments. Each participating government appoints one board member to the five-member ABC board. None of the participating governments have any equity interest in the Montgomery municipal Board of Alcoholic Beverage Control, so no equity interest has been reflected in the financial statements at June 30, 2002. Complete financial statements for the Montgomery Municipal Board of Alcoholic Beverage can be obtained at the ABC's offices at P. O. Box 279, Biscoe, NC 27209.

**I. SIGNIFICANT TAXPAYER**

The Town, a political subdivision of Montgomery County, North Carolina, is located near the center of the State. It has one taxpayer that comprises approximately 13.86% of its total tax levy. If this taxpayer were to leave its present location, it would materially affect the financial situation of the Town. As of June 30, 2002, this significant taxpayer has ceased operations and is in the process of removing personal property from its location. The taxes paid on their personal property comprises approximately 54% of total tax paid by this one taxpayer.

**REQUIRED SUPPLEMENTAL  
FINANCIAL DATA**

**TOWN OF BISCOE, NORTH CAROLINA  
 LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS**

**Statement 1**

<u>Actuarial valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial accrued liability (AAL) projected unit credit (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>UAAL as a % of covered payroll ((b - a)/c)</u>
12-31-98*	N/A	N/A	N/A	N/A	N/A	N/A
12-31-99*	N/A	N/A	N/A	N/A	N/A	N/A
12-31-00	\$ 37,616	\$ 54,666	\$17,050	68.81%	\$ 203,443	8.38%
12-31-01	42,045	62,708	20,663	67.05%	187,336	11.03%

\*N/A denotes a year in which no actuarial study was performed.

TOWN OF BISCOE, NORTH CAROLINA  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS

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Statement 2

<u>Year ended June 30</u>	<u>Annual required contribution</u>	<u>Percentage contributed</u>
1999	\$ 2,044	122%
2000*	N/A	N/A
2001*	N/A	N/A
2002	4,891	51%

\*N/A denotes a year in which no actuarial study was performed.

**TOWN OF BISCOE, NORTH CAROLINA  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO THE REQUIRED SCHEDULES**

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The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12-31-01
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	29 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	5.9 – 9.8%
Includes inflation at	3.75%
Cost of living adjustments	N/A

***INDIVIDUAL FUND  
FINANCIAL STATEMENTS***

TOWN OF BISCOE, NORTH CAROLINA  
GENERAL FUND  
COMPARATIVE BALANCE SHEETS  
June 30, 2002 and June 30, 2001

Statement 4

	June 30, 2002	June 30, 2001
<b>ASSETS</b>		
Cash and investments	\$ 890,161	\$1,284,359
Taxes receivable	38,559	38,406
Accounts receivable	114,707	85,565
Accrued interest receivable	<u>7,572</u>	<u>21,012</u>
	<u>\$1,050,999</u>	<u>\$1,429,342</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 16,819	\$ 108,236
Deferred revenues	<u>40,009</u>	<u>39,728</u>
Total liabilities	<u>56,828</u>	<u>147,964</u>
<b>FUND BALANCE</b>		
Reserved by State statute	122,279	90,581
Reserved for streets - Powell Bill	92,106	61,097
Unreserved		
Designated for subsequent year's expenditures	58,500	734,925
Undesignated, as restated	<u>721,286</u>	<u>394,775</u>
Total fund balance	<u>994,171</u>	<u>1,281,378</u>
	<u>\$1,050,999</u>	<u>\$1,429,342</u>

TOWN OF BISCOE, NORTH CAROLINA  
 GENERAL FUND

Statement 5  
 Page 1 of 3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2002

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2001

	2002		Variance favorable (unfavorable)	2001
	Budget	Actual		Actual
<b>REVENUES</b>				
Ad valorem taxes				
Taxes		\$ 424,671		\$ 372,805
Penalties and interest		2,213		1,360
	\$ 396,500	426,884	\$ 30,384	374,165
Other taxes and licenses				
ABC mixed beverage		3,086		4,374
Local option sales tax		196,320		204,200
Cablevision franchise tax		4,496		4,142
Other taxes		383		330
	208,300	204,285	(4,015)	213,046
Unrestricted intergovernmental revenues				
Inventory tax reimbursement		15,854		31,992
Intangibles tax reimbursement		9,511		9,968
Senior citizens exemption reimbursement		-		1,171
Franchise tax		95,633		195,261
Beer and wine		-		7,284
Telecomm sales tax		1,824		-
Grant funds		81,820		7,979
Tax refunds		3,074		8,255
	278,050	207,716	(70,334)	261,910
Restricted intergovernmental revenues				
"State Street-Aid" allocation		62,381		61,695
On-behalf of payments-fire		10,890		10,440
	63,000	73,271	10,271	72,135
Sales and service				
Cemetery lots		10,850		7,973
Park fees and concessions		60,351		19,078
Tennis courts and softball field		2,569		1,590
	14,000	73,770	59,770	28,641
Investment earnings	55,500	28,038	(27,462)	70,245
Miscellaneous				
Sale of fixed assets		-		1,400
Other		15,912		27,373
	6,500	15,912	9,412	28,773
<b>TOTAL REVENUES</b>	<b>1,021,850</b>	<b>1,029,876</b>	<b>8,026</b>	<b>1,048,915</b>



TOWN OF BISCOE, NORTH CAROLINA  
GENERAL FUND

Statement 5  
Page 2 of 3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2002

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2001

	2002		Variance favorable (unfavorable)	2001
	Budget	Actual		Actual
EXPENDITURES				
General government				
Governing body				
Salaries and employee benefits		\$ 14,400		\$ 12,600
Operating expenditures		59		256
	\$ 16,900	14,459	\$ 2,441	12,856
Administration				
Salaries and employee benefits		111,378		112,242
Operating expenditures		92,829		136,446
Capital outlay		1,453		32,020
	236,800	205,660	31,140	280,708
Legal and professional services				
Operating expenditures	35,000	13,407	21,593	20,179
Public buildings and grounds				
Operating expenditures		21,984		96,676
Capital outlay		445,170		214,512
	655,884	467,154	188,730	311,188
TOTAL GENERAL GOVERNMENT	944,584	700,680	243,904	624,931
Public safety				
Police department				
Salaries and employee benefits		327,298		291,268
Operating expenditures		46,889		37,611
Capital outlay		71,366		33,630
	502,100	445,553	56,547	362,509
Fire department				
Salaries and employee benefits		25,425		25,763
Operating expenditures		27,247		31,846
Capital outlay		21,744		10,199
	108,163	74,416	33,747	67,808
On behalf of payments	-	10,890	(10,890)	10,440
TOTAL PUBLIC SAFETY	610,263	530,859	79,404	440,757

TOWN OF BISCOE, NORTH CAROLINA  
GENERAL FUND

Statement 5  
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STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2002

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2001

	2002		Variance favorable (unfavorable)	2001
	Budget	Actual		Actual
EXPENDITURES (Continued)				
Transportation				
Street repair and maintenance				
Salaries and employee benefits		\$ 94,177		\$ 82,867
Operating expenditures		124,520		126,840
Capital outlay		67,605		1,225
	<u>\$ 317,025</u>	<u>286,302</u>	<u>\$ 30,723</u>	<u>210,932</u>
Powell Bill				
Operating expenditures		29,100		54,107
Sidewalk construction		2,381		5,472
	<u>96,500</u>	<u>31,481</u>	<u>65,019</u>	<u>59,579</u>
TOTAL TRANSPORTATION	<u>413,525</u>	<u>317,783</u>	<u>95,742</u>	<u>270,511</u>
Cultural and recreational				
Recreation				
Salaries and employee benefits		23,461		32,795
Operating expenditures		49,195		113,153
Capital outlay		5,127		-
TOTAL CULTURAL AND RECREATIONAL	<u>99,500</u>	<u>77,783</u>	<u>21,717</u>	<u>145,948</u>
TOTAL EXPENDITURES	<u>2,067,872</u>	<u>1,627,105</u>	<u>440,767</u>	<u>1,482,147</u>
REVENUES OVER (UNDER) EXPENDITURES	(1,046,022)	(597,229)	448,793	(433,232)
Other financing sources (uses)				
Operating transfers (to) from other funds				
Capital Reserve Fund	<u>310,022</u>	<u>310,022</u>		-
Total other financing sources (uses)	<u>310,022</u>	<u>310,022</u>		-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(736,000)	(287,207)	448,793	(433,231)
FUND BALANCE APPROPRIATED	<u>736,000</u>	-	(736,000)	-
REVENUES AND APPROPRIATED FUND BALANCE OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>(287,207)</u>	<u>\$ (287,207)</u>	<u>(433,232)</u>
FUND BALANCE				
Beginning of Year, July 1		<u>1,281,378</u>		<u>1,714,610</u>
END OF YEAR, June 30		<u>\$ 994,171</u>		<u>\$ 1,281,378</u>

TOWN OF BISCOE, NORTH CAROLINA

Statement 6

CAPITAL RESERVE FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2002

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2001

	2002		Variance favorable (unfavorable)	2001
	Budget	Actual		Actual
REVENUES				
Investment earnings	\$ 65,000	\$ 59,193	\$ (5,807)	\$ 80,412
TOTAL REVENUES	65,000	59,193	(5,807)	80,412
EXPENDITURES	-	-	-	-
Revenues over expenditures	65,000	59,193	(5,807)	80,412
Other financing sources (uses)				
Operating transfers (to) from other funds				
Capital Reserve Fund	(310,022)	(310,022)	-	-
Total other financing sources (uses)	(310,022)	(310,022)	-	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(245,022)	(250,829)	(5,807)	
FUND BALANCE APPROPRIATED	245,022	-	(245,022)	-
REVENUES AND APPROPRIATED FUND BALANCE OVER EXPENDITURES	\$ -	(250,829)	\$(250,829)	80,412
Fund balance				
Beginning of year		1,573,387		1,492,975
END OF YEAR		\$ 1,322,558		\$ 1,573,387

TOWN OF BISCOE, NORTH CAROLINA  
 WATER AND SEWER FUND  
 STATEMENT OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP)  
 For the Fiscal Year Ended June 30, 2002  
 With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2001

Statement 7  
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	2002		Variance favorable (unfavorable)	2001
	Budget	Actual		Actual
<b>REVENUES</b>				
Operating revenues:				
Charges for services	\$ 435,000	\$ 512,844	\$ 77,844	\$ 517,188
TOTAL OPERATING REVENUES	435,000	512,844	77,844	517,188
Nonoperating revenues:				
Investment earnings		36,365		63,174
Tax refunds		2,401		10,286
Miscellaneous non-operating revenue		3,701		1,723
TOTAL NONOPERATING REVENUES	62,000	42,467	(19,533)	75,183
TOTAL REVENUES	497,000	555,311	58,311	592,371
<b>EXPENDITURES</b>				
Water and sewer department				
Salaries and employee benefits		95,659		94,315
Operating expenditures		239,374		171,523
Water purchased		218,420		232,606
Capital outlay		139,142		213,408
TOTAL OPERATING EXPENDITURES	744,300	692,595	51,705	711,852
TOTAL EXPENDITURES	744,300	692,595	51,705	711,852
Excess of revenues over (under) expenditures	(247,300)	(137,284)	110,016	(119,481)
Appropriated retained earnings	247,300	-	247,300	-
EXCESS OF REVENUES AND APPROPRIATED RETAINED EARNINGS UNDER EXPENDITURES	\$ -	\$(137,284)	\$(137,284)	\$(119,481)

TOWN OF BISCOE, NORTH CAROLINA  
 WATER AND SEWER FUND  
 STATEMENT OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP)  
 For the Fiscal Year Ended June 30, 2002  
 With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2001

	<u>2002</u> <u>Actual</u>	<u>2001</u> <u>Actual</u>
<u>Reconciliation of modified accrual basis</u> <u>to full accrual basis:</u>		
Excess of revenues and appropriated retained earnings under expenditures	\$(137,284)	\$(119,481)
Depreciation	(110,411)	(97,750)
Capital outlay	<u>139,142</u>	<u>213,408</u>
NET LOSS - EXHIBIT D	<u>\$(108,553)</u>	<u>\$ (3,823)</u>

***OTHER SCHEDULES***

TOWN OF BISCOE, NORTH CAROLINA  
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
 June 30, 2002

Statement 8

<u>Fiscal year</u>	<u>Uncollected balance June 30, 2001</u>	<u>Additions</u>	<u>Collections and credits</u>	<u>Uncollected balance June 30, 2002</u>
2001-2002	\$ -	\$ 425,752	\$ (412,938)	\$ 12,814
2000-2001	\$ 25,659	-	(9,636)	16,023
1999-2000	3,662	-	(1,684)	1,978
1998-1999	2,838	-	(239)	2,599
1997-1998	1,157	-	(84)	1,073
1996-1997	817	-	(29)	788
1995-1996	1,297	-	(119)	1,178
1994-1995	1,060	-	(42)	1,018
1993-1994	674	-	(3)	671
1992-1993	417	-	-	417
1991-1992	<u>825</u>	<u>-</u>	<u>(825)</u>	<u>-</u>
	<u>\$ 38,406</u>	<u>\$ 425,752</u>	<u>\$ (425,599)</u>	<u>\$ 38,559</u>
<u>Reconciliation with revenues:</u>				
Taxes - ad valorem - General Fund		\$ 426,884		
<u>Reconciling items:</u>				
Interest collected		(2,213)		
Taxes written off		825		
Other adjustments		<u>103</u>		
Total collections and credits		<u>\$ 425,599</u>		

TOWN OF BISCOE, NORTH CAROLINA  
 ANALYSIS OF CURRENT TAX LEVY  
 June 30, 2002

Schedule 9

	<u>Total property valuation</u>	<u>Rate</u>	<u>Amount of levy</u>	<u>Total levy</u>	
				<u>Property excluding registered motor vehicles</u>	<u>Registered motor vehicles</u>
Original Levy:					
Property taxed at current year's rate	\$89,513,937	\$.46	\$ 411,764	\$ 378,120	\$ 33,644
Property taxed at prior year's rate	<u>3,316,078</u>	.46	<u>15,254</u>	<u>-</u>	<u>15,254</u>
TOTAL	92,830,015		427,018	378,120	48,898
Discoveries:					
Current year taxes	58,802	.46	270	270	-
Abatements	<u>(333,985)</u>	.46	<u>(1,536)</u>	<u>(1,097)</u>	<u>(439)</u>
Total property valuation	<u>\$92,554,832</u>				
Net levy			425,752	377,293	48,459
Uncollected taxes			<u>12,814</u>	<u>4,340</u>	<u>8,474</u>
Current years taxes collected			<u>\$ 412,938</u>	<u>\$ 372,953</u>	<u>\$ 39,985</u>
Current levy collection percentage			<u>96.99%</u>	<u>98.85%</u>	<u>82.51%</u>



PERMANENT COPY

**TOWN OF BISCOE**  
**GENERAL PURPOSE FINANCIAL STATEMENTS**  
*For the Fiscal Year Ended June 30, 2002*

**TOWN OF BISCOE, NORTH CAROLINA**

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TOWN OF BISCOE, NORTH CAROLINA

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# DIXON ODOM PLLC

Certified Public Accountants and Consultants

## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Town of Biscoe  
Biscoe, North Carolina

We have audited the accompanying general purpose financial statements of the Town of Biscoe, North Carolina as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of Town of Biscoe's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Biscoe, North Carolina as of June 30, 2002 and the results of its operations and the cash flows of its proprietary fund type for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements, taken as a whole. The combining and individual fund financial statements and schedules, and supplementary information, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Dixon Odom PLLC*

October 3, 2002

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TOWN OF BISCOE, NORTH CAROLINA  
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
 June 30, 2002  
 With Comparative Totals June 30, 2001

Exhibit A

	Governmental Fund Types		Proprietary Fund Types	Fiduciary Fund Types	Account Group	Totals		
	General	Special Revenue				Enterprise	Trust	General
<b>ASSETS AND OTHER DEBITS</b>								
Cash and investments	\$ 890,161	\$1,303,159	\$1,116,108	\$ 42,799	\$ -	\$ 3,352,227	\$ 4,103,496	
Taxes receivable	38,559	-	-	-	-	38,559	38,406	
Accounts receivable	114,707	-	52,562	-	-	167,269	140,682	
Accrued interest receivable	7,572	19,399	9,786	384	-	37,141	62,032	
Inventories	-	-	33,181	-	-	33,181	30,842	
Restricted cash and investments	-	-	9,517	-	-	9,517	9,809	
Fixed assets, net	-	-	2,067,594	-	3,259,447	5,327,041	4,753,663	
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$1,050,999</b>	<b>\$1,322,558</b>	<b>\$3,288,748</b>	<b>\$ 43,183</b>	<b>\$3,259,447</b>	<b>\$ 8,964,935</b>	<b>\$ 9,138,930</b>	
<b>LIABILITIES EQUITY AND OTHER CREDITS</b>								
Accounts payable and accrued liabilities	\$ 16,819	\$ -	\$ 50,085	\$ -	\$ -	\$ 66,904	\$ 142,609	
Deposits	-	-	9,517	-	-	9,517	9,809	
Deferred revenues	40,009	-	-	-	-	40,009	39,728	
<b>TOTAL LIABILITIES</b>	<b>56,828</b>	<b>-</b>	<b>59,602</b>	<b>-</b>	<b>-</b>	<b>116,430</b>	<b>192,146</b>	
<b>EQUITY AND OTHER CREDITS</b>								
Contributed capital (net)	-	-	1,160,016	-	-	1,160,016	1,196,241	
Investment in general fixed assets	-	-	-	-	3,259,447	3,259,447	2,714,800	
Retained earnings	-	-	2,069,130	-	-	2,069,130	2,141,458	
Fund balances								
Reserved by State statute	122,279	-	-	-	-	122,279	90,581	
Reserved for streets - Powell Bill	92,106	-	-	-	-	92,106	61,097	
Reserved for employees' pension benefits	-	-	-	43,183	-	43,183	39,520	
Unreserved:								
Designated for subsequent years' expenditures	58,500	-	-	-	-	58,500	734,925	
Designated for capital projects	-	1,322,558	-	-	-	1,322,558	1,573,387	
Undesignated	721,286	-	-	-	-	721,286	394,775	
<b>TOTAL EQUITY AND OTHER CREDITS</b>	<b>994,171</b>	<b>1,322,558</b>	<b>3,229,146</b>	<b>43,183</b>	<b>3,259,447</b>	<b>8,848,505</b>	<b>8,946,784</b>	
<b>TOTAL LIABILITIES, EQUITY AND OTHER CREDITS</b>	<b>\$1,050,999</b>	<b>\$1,322,558</b>	<b>\$3,288,748</b>	<b>\$ 43,183</b>	<b>\$3,259,447</b>	<b>\$ 8,964,935</b>	<b>\$ 9,138,930</b>	

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

**TOWN OF BISCOE, NORTH CAROLINA**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - ALL GOVERNMENTAL FUND TYPES**  
**For the Fiscal Year Ended June 30, 2002**  
**With Comparative Totals for Year Ended June 30, 2001**

**Exhibit B**

	Governmental Fund Types		Totals (Memorandum Only)	
	General	Special Revenue	June 30 2002	June 30 2001
<b>REVENUES</b>				
Ad valorem taxes	\$ 426,884	\$ -	\$ 426,884	\$ 374,165
Other taxes and licenses	204,285	-	204,285	213,046
Unrestricted intergovernmental revenues	207,716	-	207,716	261,910
Restricted intergovernmental revenues	73,271	-	73,271	72,135
Sales and services	73,770	-	73,770	28,641
Investment earnings	28,038	59,193	87,231	150,657
Miscellaneous	15,912	-	15,912	28,773
<b>TOTAL REVENUES</b>	<u>1,029,876</u>	<u>59,193</u>	<u>1,089,069</u>	<u>1,129,327</u>
<b>EXPENDITURES</b>				
Current:				
General government	700,680	-	700,680	624,931
Public safety	530,859	-	530,859	440,757
Transportation	317,783	-	317,783	270,511
Cultural and recreational	77,783	-	77,783	145,948
<b>TOTAL EXPENDITURES</b>	<u>1,627,105</u>	<u>-</u>	<u>1,627,105</u>	<u>1,482,147</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(597,229)</u>	<u>59,193</u>	<u>(538,036)</u>	<u>(352,820)</u>
Other financing sources (uses)				
Operating transfers (to) from other funds				
Capital Reserve Fund	310,022	(310,022)	-	-
Total other financing sources (uses)	<u>310,022</u>	<u>(310,022)</u>	<u>-</u>	<u>-</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>(287,207)</u>	<u>(250,829)</u>	<u>(538,036)</u>	<u>(352,820)</u>
<b>FUND BALANCE</b>				
Beginning of year, July 1	<u>1,281,378</u>	<u>1,573,387</u>	<u>2,854,765</u>	<u>3,207,585</u>
<b>END OF YEAR, JUNE 30</b>	<u>\$ 994,171</u>	<u>\$1,322,558</u>	<u>\$2,316,729</u>	<u>\$2,854,765</u>

TOWN OF BISCOE, NORTH CAROLINA  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS  
For the Year Ended June 30, 2002

	General Fund		Special Revenue Fund		Totals (Memorandum Only)	
	Budget	Actual	Budget	Actual	Budget	Actual
<b>REVENUES</b>						
Ad valorem taxes	\$ 396,500	\$ 426,884	\$ -	\$ -	\$ 396,500	\$ 426,884
Other taxes and licenses	208,300	204,285	-	-	208,300	204,285
Unrestricted intergovernmental revenues	278,050	207,716	-	-	278,050	207,716
Restricted intergovernmental revenues	63,000	73,271	-	-	63,000	73,271
Sales and services	14,000	73,770	-	-	14,000	73,770
Investment earnings	55,500	28,038	65,000	59,193	120,500	87,231
Miscellaneous	6,500	15,912	-	-	6,500	15,912
<b>TOTAL REVENUES</b>	<b>1,021,850</b>	<b>1,029,876</b>	<b>65,000</b>	<b>59,193</b>	<b>1,086,850</b>	<b>1,089,069</b>
<b>EXPENDITURES</b>						
Current:						
General government	944,584	700,680	-	-	944,584	700,680
Public safety	610,263	530,859	-	-	610,263	530,859
Transportation	413,525	317,783	-	-	413,525	317,783
Cultural and recreational	99,500	77,783	-	-	99,500	77,783
<b>TOTAL EXPENDITURES</b>	<b>2,067,872</b>	<b>1,627,105</b>	-	-	<b>2,067,872</b>	<b>1,627,105</b>
Revenues over (under) expenditures	(1,046,022)	(597,229)	65,000	59,193	(981,022)	(538,036)
Other financing sources (uses)						
Operating transfers (to) from other funds						
General Fund	310,022	310,022	-	-	310,022	310,022
Capital Reserve Fund	-	-	(310,022)	(310,022)	(310,022)	(310,022)
Total other financing sources (uses)	310,022	310,022	(310,022)	(310,022)	-	-
<b>Net Change in Fund Balance</b>	<b>(736,000)</b>	<b>(597,229)</b>	<b>(245,022)</b>	<b>(250,829)</b>	<b>(981,022)</b>	<b>(748,055)</b>
<b>Fund Balance - Beginning</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>
<b>Fund Balance - Ending</b>	<b>263,980</b>	<b>402,771</b>	<b>750,000</b>	<b>749,171</b>	<b>263,980</b>	<b>251,945</b>

TOWN OF BISCOE, NORTH CAROLINA  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS  
 For the Year Ended June 30, 2002

	General Fund		Variance favorable (Unfavorable)	Special Revenue Fund		Variance favorable (Unfavorable)	Totals (Memorandum Only)		Variance favorable (Unfavorable)
	Budget	Actual		Budget	Actual		Budget	Actual	
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ (736,000)	\$ (287,207)	\$ 448,793	\$(245,022)	\$ (250,829)	\$ (5,807)	\$ (981,022)	\$ (538,036)	\$ 442,986
FUND BALANCE APPROPRIATED	736,000	-	(736,000)	245,022	-	(245,022)	981,022	-	(981,022)
REVENUES AND OTHER FINANCING SOURCES AND APPROPRIATED FUND BALANCE OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ -	(287,207)	\$(287,207)	\$ -	(250,829)	\$(250,829)	\$ -	(538,036)	\$(538,036)
FUND BALANCE Beginning of year, July 1		1,281,378			1,573,387			2,854,765	
END OF YEAR, JUNE 30		\$ 994,171			\$1,322,558			\$2,316,729	



TOWN OF BISCOE, NORTH CAROLINA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
RETAINED EARNINGS - PROPRIETARY FUND  
WATER AND SEWER FUND  
For the Fiscal Year Ended June 30, 2002  
With Comparative Totals for Year Ended June 30, 2001

Exhibit D

	<u>June 30, 2002</u>	<u>June 30, 2001</u>
OPERATING REVENUES		
Charges for services	\$ 512,844	\$ 517,188
TOTAL OPERATING REVENUES	<u>512,844</u>	<u>517,188</u>
OPERATING EXPENSES		
Water and sewer department	553,453	498,444
Depreciation	<u>110,411</u>	<u>97,750</u>
TOTAL OPERATING EXPENSES	<u>663,864</u>	<u>596,194</u>
OPERATING LOSS	<u>(151,020)</u>	<u>(79,006)</u>
NONOPERATING REVENUES		
Interest earned on investments	36,365	63,174
Tax refunds	2,401	10,286
Miscellaneous revenue	<u>3,701</u>	<u>1,723</u>
TOTAL NONOPERATING REVENUES	<u>42,467</u>	<u>75,183</u>
NET LOSS	(108,553)	(3,823)
ADD DEPRECIATION ON CONTRIBUTED CAPITAL	<u>36,225</u>	<u>36,225</u>
(DECREASE) INCREASE IN RETAINED EARNINGS	(72,328)	32,402
RETAINED EARNINGS, JULY 1	<u>2,141,458</u>	<u>2,109,056</u>
RETAINED EARNINGS, JUNE 30	<u>\$ 2,069,130</u>	<u>\$ 2,141,458</u>

TOWN OF BISCOE, NORTH CAROLINA  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
WATER AND SEWER FUND  
For the Fiscal Year Ended June 30, 2002  
With Comparative Totals for Year Ended June 30, 2001

Exhibit E

	June 30, 2002	June 30, 2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers/contributions	\$ 515,399	\$ 647,411
Cash paid for goods and services	(445,663)	(422,151)
Cash paid to employees	(94,417)	(94,208)
Net (decrease) customer deposits	(292)	(635)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(24,973)</u>	<u>130,417</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(139,142)	(213,408)
Miscellaneous non-operating revenue	3,701	1,723
Tax refunds	2,401	10,286
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(133,040)</u>	<u>(201,399)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	36,554	66,853
NET DECREASE IN CASH	(121,459)	(4,129)
CASH AT BEGINNING OF YEAR	<u>1,247,084</u>	<u>1,251,213</u>
CASH AT END OF YEAR	<u>\$ 1,125,625</u>	<u>\$ 1,247,084</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating loss	\$ (151,020)	\$ (79,006)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	110,411	97,750
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	2,555	130,223
Inventory	(2,339)	(12,499)
Increase (decrease) in:		
Accounts payable	15,712	(5,416)
Customer deposits	(292)	(635)
Total adjustments	<u>126,047</u>	<u>209,423</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (24,973)</u>	<u>\$ 130,417</u>

TOWN OF BISCOE, NORTH CAROLINA  
 STATEMENT OF CHANGES IN PLAN NET ASSETS  
 PENSION TRUST FUND  
 For the Fiscal Years Ended June 30, 2002 and 2001

Exhibit F

	June 30, 2002	June 30, 2001
ADDITIONS		
Employer contributions	\$ 2,500	\$ 2,500
Interest income	<u>1,163</u>	<u>2,149</u>
	TOTAL ADDITIONS	4,649
	3,663	4,649
DEDUCTIONS	<u>-</u>	<u>-</u>
	NET INCREASE	4,649
	3,663	4,649
FUND BALANCE RESERVED FOR EMPLOYEE'S PENSION BENEFITS		
Beginning of year	<u>39,520</u>	<u>34,871</u>
End of year	<u>\$ 43,183</u>	<u>\$ 39,520</u>

TOWN OF BISCOE, NORTH CAROLINA  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
June 30, 2002

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Biscoe 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 Biscoe is a municipal corporation which is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, the Town includes any component unit for which it is financially accountable. For the year ended June 30, 2002, no component units were included in the financial statements.

B. Basis of Presentation - Fund Accounting

The accounts of the Town are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The account groups are not funds but are a reporting device used to account for certain assets and liabilities of the governmental funds that are not recorded directly in those funds.

The Town uses the following fund categories (further divided by fund type) and account groups:

GOVERNMENTAL FUNDS are used to account for the Town's governmental functions. Governmental Funds include the following fund types:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and State-shared revenues. The primary expenditures are for public safety, streets and highways, and general government services.

Special Revenue Fund - Special Revenue Funds account for specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Town maintains one Special Revenue Fund, the Capital Reserve Fund.

PROPRIETARY FUNDS include the following fund type:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town of Biscoe has one Enterprise Fund - the Water and Sewer Fund.

TOWN OF BISCOE, NORTH CAROLINA  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
June 30, 2002

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FIDUCIARY FUNDS

Fiduciary Funds account for the assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Fiduciary funds include the following fund:

Pension Trust Fund - The Town has a Pension Trust Fund, the Special Separation Allowance Fund, that accounts for the Law Enforcement Officers' Special Separation Allowance, a single-employer, public employee retirement system.

ACCOUNT GROUPS

General Fixed Assets Account Group - This group of accounts is used to account for all fixed assets of the Town, other than those accounted for in the proprietary funds.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing uses) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary funds are accounted for on the flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements for these funds present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. As required for periods beginning after June 15, 2000 by Statement 33 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Nonexchange Transactions*, the Board has begun recognizing capital contributions as revenue in the current year rather than contributed capital. There were no additions for the year ended June 30, 2002.

The basis of accounting determines when the revenues and expenditures or expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting. The governmental fund types are presented in the financial statements on this same basis. Under the modified accrual basis, revenues are recognized in the accounting period when they become susceptible to accrual (i.e., when they are "measurable" and "available") to pay the liabilities of the current period. In addition, expenditures are recorded when the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgements, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**June 30, 2002**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Town recognizes assets of nonexchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized on the modified accrual basis of accounting when they are measurable and available. Nonexchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. The Town considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the subsequent year. Also, as of January 1, 1993, 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, Montgomery County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Biscoe. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Montgomery County from March 2001 through February 2002 apply to the fiscal year ended June 30, 2002. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. Those taxes for vehicles registered from March 1 through the fiscal year-end apply to the 2002-2003 fiscal year and are not shown as receivables at June 30, 2002. For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which interest begins to accrue passed prior to June 30. The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2002 because they are intended to finance the Town's operations during the 2002-2003 fiscal year.

Sales taxes collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as deferred revenues. On-behalf of payments made by the State to the Firemen's and Rescue Squad Worker's Pension Plan for volunteer firemen, as well as employees of the Town, are recognized as revenues and expenditures during the period in which the State makes the contributions to the plan. Also, the State's contributions to the Firemen's Relief Fund, which have been spent by the local board of trustees for various salary supplements and stipends for employees and volunteers, have been recognized as revenues and expenditures during the period in which those payments were received.

Proprietary funds and the Pension Trust Fund are presented in the financial statements on the accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when earned and expenses are recognized in the period when incurred. As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations and Pension Trust Fund.

**D. Budgetary Data**

The Town's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General Fund, Capital Reserve Fund, and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting.

TOWN OF BISCOE, NORTH CAROLINA  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
June 30, 2002

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. The Town Finance Officer is authorized to transfer appropriations between functional areas within a fund up to \$1,000; however, any revisions that alter the total expenditures of any fund or that changes functional appropriations by more than \$1,000 must be approved by the governing board. During the year several amendments to the original budget were necessary, the effects of which were not material.

A budget calendar is included in the North Carolina General Statutes which prescribes the last day on which certain steps of that budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

April 30 - Each department head will transmit to the budget officer the budget requests and the revenue estimates for their department for the budget year.

June 1 - The budget and the budget message shall be submitted to the governing board. The public hearing on the budget shall be scheduled at this time.

July 1 - The budget ordinance shall be adopted by the governing board.

F. Assets, Liabilities and Fund Equity

Deposits and Investments

1. Deposits

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

State law (G.S. 159-30(c)) authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptances; and the North Carolina Capital Management Trust, (NCCMT).

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

TOWN OF BISCOE, NORTH CAROLINA  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
June 30, 2002

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Ad Valorem Taxes Receivable

In accordance with G.S. 105-347 and G.S. 159-13(a), ad valorem taxes are levied on property other than motor vehicles on July 1, the beginning of the fiscal year and are due on September 1 (lien date); however, interest does not accrue until the following January 6. The taxes levied are based on the assessed values as of January 1, 2001. 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 are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Inventories

Inventories are maintained for all enterprise fund supplies. They are valued at cost (first-in, first-out), which approximates market. The inventory of the enterprise fund consists of expendable supplies and is recorded as an expenditure as it is consumed.

7. Fixed Assets

General fixed assets are recorded at original cost. Donated assets are listed at the market value at the time of donation. The original cost of certain items acquired before July 1, 1970, are recorded at an estimated original cost. The total of such estimates is not considered large enough that errors would be material when the fixed assets are considered as a whole. Assets in the General Fixed Assets Account Group are not depreciated.

It is the Town's policy not to capitalize infrastructure type assets. Infrastructure, or public domain assets include roads, bridges, curbs and gutters, street and sidewalks, drainage systems and lighting systems. Such assets are immovable and of value only to the Town.

Enterprise fixed assets are recorded at original cost at the time of acquisition. Property, plant and equipment donated to the enterprise fund are recorded at the estimated fair market value at the date of donation. Plant assets are depreciated on a composite straight-line basis for the entire plant regardless of year of acquisition, at a 2.5% annual rate. In the composite rate, gain or loss on dispositions is not calculated except in extraordinary circumstances. Other assets in the Enterprise Fund of the Town are depreciated by the straight-line method over the assets' estimated useful lives as follows:

Furniture and office equipment	7-10 years
Maintenance and construction equipment	5-7 years
Medium and heavy motor vehicles	5-7 years
Automobiles and light trucks	3-5 years



TOWN OF BISCOE, NORTH CAROLINA  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
June 30, 2002

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Fund Equity

Reservations or restrictions of equity represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of equity represent tentative management plans that are subject to change.

State law (G.S. 159-13(b)(16)) restricts appropriation of fund balance or fund equity for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as these amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved

Reserved by State statute - portion of fund balance not available for appropriation under State law (G.S. 159-8(a)). This amount is usually comprised of receivables and interfund receivables which have not been offset by deferred revenues.

Reserved for streets - Powell Bill - portion of fund balance available for appropriation but legally segregated for street construction and maintenance expenditures. It represents the balance of the total unexpended Powell Bill funds.

Unreserved

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation which has been designated for the adopted 2002-2003 budget ordinance.

Designated for Capital Projects - portion of fund balance available for appropriation which has been designated for Capital Projects.

Undesignated - portion of total fund balance available for appropriation which is uncommitted at year-end.

G. Revenues, Expenditures, and Expenses

1. Other Resources

The General Fund provides the basis of local resources for other governmental funds. These transactions are recorded as "Operating transfers-out" in the General Fund and "Operating transfers-in" to the receiving fund.

2. Compensated Absences

The policies of the Town provide for no accumulation of earned vacation as of June 30, 2002.

The Town's sick leave policy provides for a maximum of 90 days of earned sick leave. Sick leave does not vest but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

TOWN OF BISCOE, NORTH CAROLINA  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
June 30, 2002

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Total (Memorandum Only) Columns

The total columns on the accompanying financial statements are captioned as "Total (Memorandum Only)" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations, or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

1. Noncompliance with North Carolina General Statutes

Expenditures of on-behalf payments are not considered to be violations of state statute budget requirements (see Note III, D).

III. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At June 30, 2002, the Town's deposits had a carrying amount of \$3,360,063 and a bank balance of \$3,383,431. Of the bank balance, \$200,000 was covered by federal depository insurance, and \$3,183,431 was covered by collateral held by authorized escrow agents in the name of the Town.

TOWN OF BISCOE, NORTH CAROLINA  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 June 30, 2002

III. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

2. Receivables - Allowances for Doubtful Accounts

The amounts presented in Exhibit A, the Combined Balance Sheet, are net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>June 30, 2002</u>
Proprietary Funds Accounts receivable	<u>\$ 16,000</u>

3. Fixed Assets

Changes in General Fixed Assets

A summary of changes in the Town's general fixed assets is as follows:

	<u>General fixed assets 7-1-01</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>General fixed assets 6-30-02</u>
By asset type:					
Land and buildings	\$1,953,002	\$452,222	\$ -	\$ -	\$ 2,405,224
Equipment	341,523	70,324	-	-	411,847
Vehicles and motorized equipment	<u>420,275</u>	<u>22,101</u>	<u>-</u>	<u>-</u>	<u>442,376</u>
	<u>\$2,714,800</u>	<u>\$544,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,259,447</u>
By function:					
General government	\$2,001,456	\$446,410	\$ -	\$ -	\$ 2,447,866
Public safety	537,523	93,110	-	-	630,633
Street and sanitation	92,448	-	-	-	92,448
Cultural and recreational	<u>83,373</u>	<u>5,127</u>	<u>-</u>	<u>-</u>	<u>88,500</u>
	<u>\$2,714,800</u>	<u>\$544,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,259,447</u>
Reconciliation of additions:					
Capital outlay expenditures		\$544,859			
Items under capitalization threshold		<u>(212)</u>			
		<u>\$544,647</u>			

TOWN OF BISCOE, NORTH CAROLINA  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 June 30, 2002

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III. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

4. Proprietary Fund Fixed Assets

The fixed assets of the Enterprise Fund at June 30, 2002 are composed as follows:

<u>Water and Sewer Fund</u>	<u>Fixed assets</u>	<u>Accumulated depreciation</u>	<u>Net</u>
Plant and distribution systems	\$ 3,090,112	\$ 1,267,338	\$ 1,822,774
Furniture and maintenance equipment	308,016	82,383	225,633
Vehicles	<u>93,709</u>	<u>74,522</u>	<u>19,187</u>
	<u>\$ 3,491,837</u>	<u>\$ 1,424,243</u>	<u>\$ 2,067,594</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Biscoe contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 3512 Bush Street, Raleigh, North Carolina 27609, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the rate for employees not engaged in law enforcement and for law enforcement officers is 10.29% and 10.27%, respectively, of annual covered payroll for the year ending June 30, 2002. The contribution requirements of member of the Town of Biscoe is established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for years ended June 30, 2002, 2001, and 2000 were \$47,210, \$43,325, and \$36,159, respectively. The contributions made by the Town equaled the required contributions for each year.

TOWN OF BISCOE, NORTH CAROLINA  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 June 30, 2002

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III. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

b. Law Enforcement Officers Special Separation Allowance

Plan Description .

The Town of Biscoe administers a public employee retirement system (the "Separation Allowance"), a single-employer retirement defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Separation Allowance is reported in the Town's report as a pension trust fund.

All full-time law enforcement officers of the Town are covered by the Separation allowance. At December 31, 2001, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>8</u>
Total	<u>8</u>

Summary of Significant Accounting Policies

Basis of Accounting. Financial statements for the Separation Allowance are prepared using the modified accrual basis of accounting. Employer contributions to the plan are recognized when due and when the Town has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments. Investments are reported at fair value. Short-term debt, deposits, repurchase agreements, and the North Carolina Capital Management Trust investments are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price.

Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the Town contributed \$2,500, or 1.06% of annual covered payroll. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the Separation Allowance are financed through investment earnings.

TOWN OF BISCOE, NORTH CAROLINA  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 June 30, 2002

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III. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

The annual required contribution for the current year was determined as part of the December 31, 2000 actuarial valuation using the aggregate method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5.9% – 9.8% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases.

Annual Pension Cost and Net Pension Obligation - The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 4,891
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	<u>4,891</u>
Contributions made	<u>2,500</u>
Increase (decrease) in net pension obligation	2,391
Net pension obligation beginning of fiscal year	<u>-</u>
 Net pension obligation end of fiscal year	 <u>\$ 2,391</u>

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-02	\$ 4,891	51.11%	\$ 2,391

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2002 were \$24,322, which consisted of \$16,469 from the Town and \$7,853 from the law enforcement officers.

III. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

d. Firemen's and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the Town of Biscoe, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 3512 Bush Street, Raleigh, North Carolina 27609, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute \$10 per month to the Fund which is paid by the Town. The State, a nonemployer contributor, funds the plan through appropriations. Contribution requirements of plan members and the State of North Carolina are established and may be amended by North Carolina General Assembly.

e. Postemployment Benefits

At retirement, all employees have the option to purchase basic medical insurance at the Town's group rate. The entire cost of this insurance is borne by the employees.

The Town has also 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 \$20,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. 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. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. For the fiscal year ended June 30, 2002, the Town made contributions to the State for death benefits of \$313. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented -0-% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount.

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**June 30, 2002**

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**III. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

2. Deferred Revenues

The balance in deferred revenues at year-end is composed of the following elements:

	<u>General Fund</u>
Prepaid taxes not yet earned	\$ 1,450
Taxes receivable	<u>38,559</u>
Total deferred revenues	<u>\$ 40,009</u>

3. 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, worker's compensation coverage up to the statutory limits, and employee health coverage up to \$1 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property liability in excess of \$500,000, and \$300,000 statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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.

4. Long-term Debt

At June 30, 2002, the Town had a legal debt margin of approximately \$7,404,387.

C. Fund Equity

Enterprise Fund - Contributed Capital

Grants, entitlements, and shared revenues restricted for the acquisition or construction of capital assets were recorded as contributed capital prior to the implementation of GASB Statement 33, Accounting and Financial Reporting for Nonexchange Transactions. As required by GASB Statement 33, the Town has begun recognizing capital contributions as revenue in the current year rather than as contributed capital. The Town utilizes an option allowed under NCGA Statement 2 for the Combined Statement of Revenues, Expenses, and Changes in Retained Earnings (Exhibit 4) whereby it closes depreciation expense on assets acquired or constructed through grants, entitlements, or shared revenues to the contributed capital account rather than to retained earnings.



**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**June 30, 2002**

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**III. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

C. Fund Equity (Continued)

The following is a summary of the changes in contributed capital of the Town of Biscoe for the fiscal year ended June 30, 2002:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Contributed capital, 7/1/01	\$418,339	\$777,902	\$ 1,196,241
Less: amortization	<u>(13,345)</u>	<u>(22,880)</u>	<u>(36,225)</u>
Contributed capital, 6/30/02	<u>\$404,994</u>	<u>\$755,022</u>	<u>\$ 1,160,016</u>

D. Revenues, Expenditures, and Expenses

On-behalf of payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2002, the Town of Biscoe recognized on-behalf of payments for pension contributions made by the State as a revenue and an expenditure of \$10,890 for the 33 volunteer firemen who perform firefighting duties for the Town's fire department. The volunteers elected to be members of the Firemen and Rescue Squad Worker's Pension Fund, a cost-sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

**IV. JOINT VENTURE**

The Town participates in a joint venture to operate the Montgomery Municipal Board of Alcoholic Beverage Control with four other local governments. Each participating government appoints one board member to the five-member ABC board. None of the participating governments have any equity interest in the Montgomery municipal Board of Alcoholic Beverage Control, so no equity interest has been reflected in the financial statements at June 30, 2002. Complete financial statements for the Montgomery Municipal Board of Alcoholic Beverage can be obtained at the ABC's offices at P. O. Box 279, Biscoe, NC 27209.

**V. SIGNIFICANT TAXPAYER**

The Town, a political subdivision of Montgomery County, North Carolina, is located near the center of the State. It has one taxpayer that comprises approximately 13.86% of its total tax levy. If this taxpayer were to leave its present location, it would materially affect the financial situation of the Town. As of June 30, 2002, this significant taxpayer has ceased operations and is in the process of removing personal property from its location. The taxes paid on their personal property comprises approximately 54% of total tax paid by this one taxpayer.

***REQUIRED SUPPLEMENTAL  
FINANCIAL DATA***

TOWN OF BISCOE, NORTH CAROLINA  
 LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS

Statement 1

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) projected unit credit (b)	Unfunded AAL (UAAL) (b - a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a % of covered payroll ((b - a)/c)
12-31-98*	N/A	N/A	N/A	N/A	N/A	N/A
12-31-99*	N/A	N/A	N/A	N/A	N/A	N/A
12-31-00	\$ 37,616	\$ 54,666	\$17,050	68.81%	\$ 203,443	8.38%
12-31-01	42,045	62,708	20,663	67.05%	187,336	11.03%

\*N/A denotes a year in which no actuarial study was performed.

TOWN OF BISCOE, NORTH CAROLINA  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS

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Statement 2

<u>Year ended June 30</u>	<u>Annual required contribution</u>	<u>Percentage contributed</u>
1999	\$ 2,044	122%
2000*	N/A	N/A
2001*	N/A	N/A
2002	4,891	51%

\*N/A denotes a year in which no actuarial study was performed.

**TOWN OF BISCOE, NORTH CAROLINA  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO THE REQUIRED SCHEDULES**

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The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12-31-01
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	29 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	5.9 – 9.8%
Includes inflation at	3.75%
Cost of living adjustments	N/A

*INDIVIDUAL FUND*  
*FINANCIAL STATEMENTS*

TOWN OF BISCOE, NORTH CAROLINA  
GENERAL FUND  
COMPARATIVE BALANCE SHEETS  
June 30, 2002 and June 30, 2001

Statement 4

	June 30, 2002	June 30, 2001
<b>ASSETS</b>		
Cash and investments	\$ 890,161	\$1,284,359
Taxes receivable	38,559	38,406
Accounts receivable	114,707	85,565
Accrued interest receivable	<u>7,572</u>	<u>21,012</u>
	<u>\$1,050,999</u>	<u>\$1,429,342</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 16,819	\$ 108,236
Deferred revenues	<u>40,009</u>	<u>39,728</u>
Total liabilities	<u>56,828</u>	<u>147,964</u>
<b>FUND BALANCE</b>		
Reserved by State statute	122,279	90,581
Reserved for streets - Powell Bill	92,106	61,097
Unreserved		
Designated for subsequent year's expenditures	58,500	734,925
Undesignated, as restated	<u>721,286</u>	<u>394,775</u>
Total fund balance	<u>994,171</u>	<u>1,281,378</u>
	<u>\$1,050,999</u>	<u>\$1,429,342</u>

TOWN OF BISCOE, NORTH CAROLINA  
GENERAL FUND

Statement 5  
Page 1 of 3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2002

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2001

	2002		Variance favorable (unfavorable)	2001
	Budget	Actual		Actual
<b>REVENUES</b>				
Ad valorem taxes				
Taxes		\$ 424,671		\$ 372,805
Penalties and interest		2,213		1,360
	<u>\$ 396,500</u>	<u>426,884</u>	<u>\$ 30,384</u>	<u>374,165</u>
Other taxes and licenses				
ABC mixed beverage		3,086		4,374
Local option sales tax		196,320		204,200
Cablevision franchise tax		4,496		4,142
Other taxes		383		330
	<u>208,300</u>	<u>204,285</u>	<u>(4,015)</u>	<u>213,046</u>
Unrestricted intergovernmental revenues				
Inventory tax reimbursement		15,854		31,992
Intangibles tax reimbursement		9,511		9,968
Senior citizens exemption reimbursement		-		1,171
Franchise tax		95,633		195,261
Beer and wine		-		7,284
Telecomm sales tax		1,824		-
Grant funds		81,820		7,979
Tax refunds		3,074		8,255
	<u>278,050</u>	<u>207,716</u>	<u>(70,334)</u>	<u>261,910</u>
Restricted intergovernmental revenues				
"State Street-Aid" allocation		62,381		61,695
On-behalf of payments-fire		10,890		10,440
	<u>63,000</u>	<u>73,271</u>	<u>10,271</u>	<u>72,135</u>
Sales and service				
Cemetery lots		10,850		7,973
Park fees and concessions		60,351		19,078
Tennis courts and softball field		2,569		1,590
	<u>14,000</u>	<u>73,770</u>	<u>59,770</u>	<u>28,641</u>
Investment earnings	<u>55,500</u>	<u>28,038</u>	<u>(27,462)</u>	<u>70,245</u>
Miscellaneous				
Sale of fixed assets		-		1,400
Other		15,912		27,373
	<u>6,500</u>	<u>15,912</u>	<u>9,412</u>	<u>28,773</u>
<b>TOTAL REVENUES</b>	<u>1,021,850</u>	<u>1,029,876</u>	<u>8,026</u>	<u>1,048,915</u>



TOWN OF BISCOE, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2002  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2001

Statement 5  
Page 2 of 3

	2002		Variance favorable (unfavorable)	2001
	Budget	Actual		Actual
EXPENDITURES				
General government				
Governing body				
Salaries and employee benefits		\$ 14,400		\$ 12,600
Operating expenditures		59		256
	\$ 16,900	14,459	\$ 2,441	12,856
Administration				
Salaries and employee benefits		111,378		112,242
Operating expenditures		92,829		136,446
Capital outlay		1,453		32,020
	236,800	205,660	31,140	280,708
Legal and professional services				
Operating expenditures	35,000	13,407	21,593	20,179
Public buildings and grounds				
Operating expenditures		21,984		96,676
Capital outlay		445,170		214,512
	655,884	467,154	188,730	311,188
TOTAL GENERAL GOVERNMENT	944,584	700,680	243,904	624,931
Public safety				
Police department				
Salaries and employee benefits		327,298		291,268
Operating expenditures		46,889		37,611
Capital outlay		71,366		33,630
	502,100	445,553	56,547	362,509
Fire department				
Salaries and employee benefits		25,425		25,763
Operating expenditures		27,247		31,846
Capital outlay		21,744		10,199
	108,163	74,416	33,747	67,808
On behalf of payments	-	10,890	(10,890)	10,440
TOTAL PUBLIC SAFETY	610,263	530,859	79,404	440,757

TOWN OF BISCOE, NORTH CAROLINA  
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2002

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2001

	2002		Variance favorable (unfavorable)	2001
	Budget	Actual		Actual
EXPENDITURES (Continued)				
Transportation				
Street repair and maintenance				
Salaries and employee benefits		\$ 94,177		\$ 82,867
Operating expenditures		124,520		126,840
Capital outlay		67,605		1,225
	<u>\$ 317,025</u>	<u>286,302</u>	<u>\$ 30,723</u>	<u>210,932</u>
Powell Bill				
Operating expenditures		29,100		54,107
Sidewalk construction		2,381		5,472
	<u>96,500</u>	<u>31,481</u>	<u>65,019</u>	<u>59,579</u>
TOTAL TRANSPORTATION	<u>413,525</u>	<u>317,783</u>	<u>95,742</u>	<u>270,511</u>
Cultural and recreational				
Recreation				
Salaries and employee benefits		23,461		32,795
Operating expenditures		49,195		113,153
Capital outlay		5,127		-
	<u>99,500</u>	<u>77,783</u>	<u>21,717</u>	<u>145,948</u>
TOTAL CULTURAL AND RECREATIONAL	<u>99,500</u>	<u>77,783</u>	<u>21,717</u>	<u>145,948</u>
TOTAL EXPENDITURES	<u>2,067,872</u>	<u>1,627,105</u>	<u>440,767</u>	<u>1,482,147</u>
REVENUES OVER (UNDER) EXPENDITURES	(1,046,022)	(597,229)	448,793	(433,232)
Other financing sources (uses)				
Operating transfers (to) from other funds				
Capital Reserve Fund	<u>310,022</u>	<u>310,022</u>		-
Total other financing sources (uses)	<u>310,022</u>	<u>310,022</u>	<u>-</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(736,000)	(287,207)	448,793	(433,231)
FUND BALANCE APPROPRIATED	<u>736,000</u>	<u>-</u>	<u>(736,000)</u>	<u>-</u>
REVENUES AND APPROPRIATED FUND BALANCE OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>(287,207)</u>	<u>\$ (287,207)</u>	<u>(433,232)</u>
FUND BALANCE				
Beginning of Year, July 1		<u>1,281,378</u>		<u>1,714,610</u>
END OF YEAR, June 30		<u>\$ 994,171</u>		<u>\$ 1,281,378</u>

TOWN OF BISCOE, NORTH CAROLINA

Statement 6

CAPITAL RESERVE FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2002

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2001

	2002		Variance favorable (unfavorable)	2001
	Budget	Actual		Actual
REVENUES				
Investment earnings	\$ 65,000	\$ 59,193	\$ (5,807)	\$ 80,412
TOTAL REVENUES	65,000	59,193	(5,807)	80,412
EXPENDITURES	-	-	-	-
Revenues over expenditures	65,000	59,193	(5,807)	80,412
Other financing sources (uses)				
Operating transfers (to) from other funds				
Capital Reserve Fund	(310,022)	(310,022)	-	-
Total other financing sources (uses)	(310,022)	(310,022)	-	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(245,022)	(250,829)	(5,807)	
FUND BALANCE APPROPRIATED	245,022	-	(245,022)	-
REVENUES AND APPROPRIATED FUND BALANCE OVER EXPENDITURES	\$ -	(250,829)	\$(250,829)	80,412
Fund balance				
Beginning of year		1,573,387		1,492,975
END OF YEAR		\$ 1,322,558		\$ 1,573,387

TOWN OF BISCOE, NORTH CAROLINA  
 WATER AND SEWER FUND  
 STATEMENT OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP)

For the Fiscal Year Ended June 30, 2002

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2001

	2002		Variance favorable (unfavorable)	2001
	Budget	Actual		Actual
<b>REVENUES</b>				
Operating revenues:				
Charges for services	\$ 435,000	\$ 512,844	\$ 77,844	\$ 517,188
TOTAL OPERATING REVENUES	<u>435,000</u>	<u>512,844</u>	<u>77,844</u>	<u>517,188</u>
Nonoperating revenues:				
Investment earnings		36,365		63,174
Tax refunds		2,401		10,286
Miscellaneous non-operating revenue		3,701		1,723
TOTAL NONOPERATING REVENUES	<u>62,000</u>	<u>42,467</u>	<u>(19,533)</u>	<u>75,183</u>
TOTAL REVENUES	<u>497,000</u>	<u>555,311</u>	<u>58,311</u>	<u>592,371</u>
<b>EXPENDITURES</b>				
Water and sewer department				
Salaries and employee benefits		95,659		94,315
Operating expenditures		239,374		171,523
Water purchased		218,420		232,606
Capital outlay		139,142		213,408
TOTAL OPERATING EXPENDITURES	<u>744,300</u>	<u>692,595</u>	<u>51,705</u>	<u>711,852</u>
TOTAL EXPENDITURES	<u>744,300</u>	<u>692,595</u>	<u>51,705</u>	<u>711,852</u>
Excess of revenues over (under) expenditures	(247,300)	(137,284)	110,016	(119,481)
Appropriated retained earnings	<u>247,300</u>	<u>-</u>	<u>247,300</u>	<u>-</u>
<b>EXCESS OF REVENUES AND APPROPRIATED RETAINED EARNINGS UNDER EXPENDITURES</b>	<u>\$ -</u>	<u>\$(137,284)</u>	<u>\$(137,284)</u>	<u>\$(119,481)</u>

TOWN OF BISCOE, NORTH CAROLINA  
WATER AND SEWER FUND  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
For the Fiscal Year Ended June 30, 2002  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2001

	<u>2002</u> <u>Actual</u>	<u>2001</u> <u>Actual</u>
<u>Reconciliation of modified accrual basis</u>		
<u>to full accrual basis:</u>		
Excess of revenues and appropriated retained earnings under expenditures	\$(137,284)	\$(119,481)
Depreciation	(110,411)	(97,750)
Capital outlay	<u>139,142</u>	<u>213,408</u>
NET LOSS - EXHIBIT D	<u>\$(108,553)</u>	<u>\$ (3,823)</u>

***OTHER SCHEDULES***

TOWN OF BISCOE, NORTH CAROLINA  
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
 June 30, 2002

Statement 8

<u>Fiscal year</u>	<u>Uncollected balance June 30, 2001</u>	<u>Additions</u>	<u>Collections and credits</u>	<u>Uncollected balance June 30, 2002</u>
2001-2002	\$ -	\$ 425,752	\$ (412,938)	\$ 12,814
2000-2001	\$ 25,659	-	(9,636)	16,023
1999-2000	3,662	-	(1,684)	1,978
1998-1999	2,838	-	(239)	2,599
1997-1998	1,157	-	(84)	1,073
1996-1997	817	-	(29)	788
1995-1996	1,297	-	(119)	1,178
1994-1995	1,060	-	(42)	1,018
1993-1994	674	-	(3)	671
1992-1993	417	-	-	417
1991-1992	<u>825</u>	<u>-</u>	<u>(825)</u>	<u>-</u>
	<u>\$ 38,406</u>	<u>\$ 425,752</u>	<u>\$ (425,599)</u>	<u>\$ 38,559</u>

Reconciliation with revenues:

Taxes - ad valorem - General Fund \$ 426,884

Reconciling items:

Interest collected (2,213)  
 Taxes written off 825  
 Other adjustments 103

Total collections and credits \$ 425,599

TOWN OF BISCOE, NORTH CAROLINA  
 ANALYSIS OF CURRENT TAX LEVY  
 June 30, 2002

Schedule 9

	Total property valuation	Rate	Amount of levy	Total levy	
				Property excluding registered motor vehicles	Registered motor vehicles
Original Levy:					
Property taxed at current year's rate	\$89,513,937	\$.46	\$ 411,764	\$ 378,120	\$ 33,644
Property taxed at prior year's rate	<u>3,316,078</u>	.46	<u>15,254</u>	-	<u>15,254</u>
TOTAL	92,830,015		427,018	378,120	48,898
Discoveries:					
Current year taxes	58,802	.46	270	270	-
Abatements	<u>(333,985)</u>	.46	<u>(1,536)</u>	<u>(1,097)</u>	<u>(439)</u>
Total property valuation	<u>\$92,554,832</u>				
Net levy			425,752	377,293	48,459
Uncollected taxes			<u>12,814</u>	<u>4,340</u>	<u>8,474</u>
Current years taxes collected			<u>\$ 412,938</u>	<u>\$ 372,953</u>	<u>\$ 39,985</u>
Current levy collection percentage			<u>96.99%</u>	<u>98.85%</u>	<u>82.51%</u>