

TOWN OF BISCOE  
FINANCIAL STATEMENTS  
Year Ended June 30, 2013

**Town of Biscoe, North Carolina**  
*List of Principal Officials*  
**June 30, 2013**

Elected Officials

Michael Criscoe	Mayor
Jerry Smith	Mayor Pro-Tem
James Blake	Commissioner
John Beard	Commissioner
Eugene Anderson	Commissioner
Jimmy Cagle	Commissioner

Appointed Officials

Brooks Lockhart	Town Manager
Laura Morton	Town Clerk
Laura Jordan	Deputy Clerk
Michael Tedder	Police Chief
Sam Stewart	Public Works Director
Tripp Myrick	Fire Chief

**TOWN OF BISCOE, NORTH CAROLINA**

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**TABLE OF CONTENTS**

	<u>Page No.</u>
<i>FINANCIAL SECTION</i>	
<i>Independent Auditors' Report.....</i>	1-3
<i>Management's Discussion and Analysis.....</i>	4-13
<u>Exhibit</u>	
<i>Basic Financial Statements:</i>	
<i>Government-wide Financial Statements:</i>	
1 <i>Statement of Net Position.....</i>	14
2 <i>Statement of Activities.....</i>	15
<i>Fund Financial Statements:</i>	
3 <i>Balance Sheet - Governmental Funds.....</i>	16
4 <i>Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds.....</i>	17-18
5 <i>Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund and Annually Budgeted Capital Reserve Fund.....</i>	19
6 <i>Statement of Net Position - Proprietary Fund.....</i>	20
7 <i>Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund.....</i>	21
8 <i>Statement of Cash Flows - Proprietary Fund.....</i>	22
9 <i>Statement of Fiduciary Net Position – Fiduciary Fund.....</i>	23
10 <i>Statement of Changes in Fiduciary Net Position – Fiduciary Fund.....</i>	24
<i>Notes to Financial Statements.....</i>	25-41
<u>Schedule</u>	
<i>Required Supplemental Financial Data:</i>	
1 <i>Law Enforcement Officers' Special Separation Allowance Required Supplementary Information - Schedule of Funding Progress.....</i>	42
2 <i>Law Enforcement Officers' Special Separation Allowance Required Supplementary Information - Schedule of Employer Contributions.....</i>	43

**TOWN OF BISCOE, NORTH CAROLINA**

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**TABLE OF CONTENTS**

	<u>Page No.</u>
<i>Individual Fund</i>	
<i>Statements and Schedules:</i>	
<i>The General Fund:</i>	
<i>Schedule of Revenues, Expenditures, and Changes</i>	
<i>In Fund Balance - Budget and Actual .....</i>	44-46
<i>The Capital Reserve Fund:</i>	
<i>Schedule of Revenues, Expenditures, and Changes</i>	
<i>In Fund Balance - Budget and Actual .....</i>	47
<i>Major Governmental Fund:</i>	
<i>Schedule of Revenue, Expenditures and Changes</i>	
<i>In Fund Balance - Budget and Actual (Parks and</i>	
<i>Recreation Trust Fund) .....</i>	48
<i>Non-Major Governmental Fund:</i>	
<i>Schedule of Revenue, Expenditures and Changes</i>	
<i>In Fund Balance - Budget and Actual (Office of</i>	
<i>State Fire Marshal) .....</i>	49
<i>Enterprise Fund:</i>	
<i>Water and Sewer Fund:</i>	
<i>Schedule of Revenues and Expenditures - Budget and</i>	
<i>Actual (Non-GAAP) .....</i>	50-51
<i>Water and Sewer Capital Projects Fund:</i>	
<i>Schedule of Revenues, Expenditures and Changes in Fund</i>	
<i>Balance - Budget and Actual (Non-GAAP) .....</i>	52
<i>Supplemental Financial Data:</i>	
<i>Schedule of Ad Valorem Taxes Receivable .....</i>	53
<i>Analysis of Current Tax Levy .....</i>	54
 <b>COMPLIANCE SECTION</b>	
 <i>Report on Internal Control over Financial Reporting and on Compliance</i>	
<i>and Other Matters Based on an Audit of Financial Statements</i>	
<i>Performed in Accordance with <u>Governmental Auditing Standards</u> .....</i>	55-56
 <i>Summary of Findings and Responses .....</i>	57-58



## ***Independent Auditors' Report***

To the Honorable Mayor and  
Town Commissioners  
Biscoe, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Biscoe, North Carolina as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

## ***Opinions***

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Biscoe, North Carolina as of June 30, 2013, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress and Schedule of Employer Contributions, on pages 42 and 43, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

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

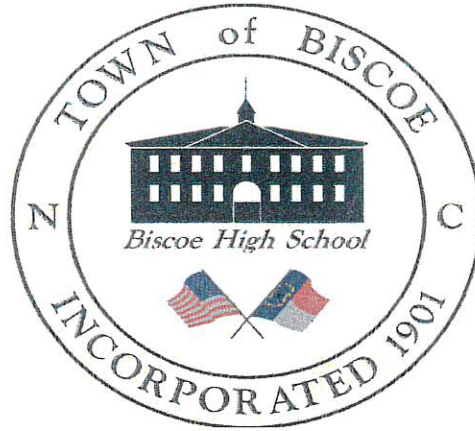
The combining and individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013 on our consideration of Town of Biscoe's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Biscoe's internal control over financial reporting and compliance.

*Dixon Hughes Goodman LLP*

December 13, 2013



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### **Management's Discussion and Analysis**

As management of the Town of Biscoe we offer readers of the Town of Biscoe financial statements this narrative overview and analysis of the financial activities of the Town of Biscoe (Town) for the fiscal year ended June 30, 2013. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

#### **Financial Highlights**

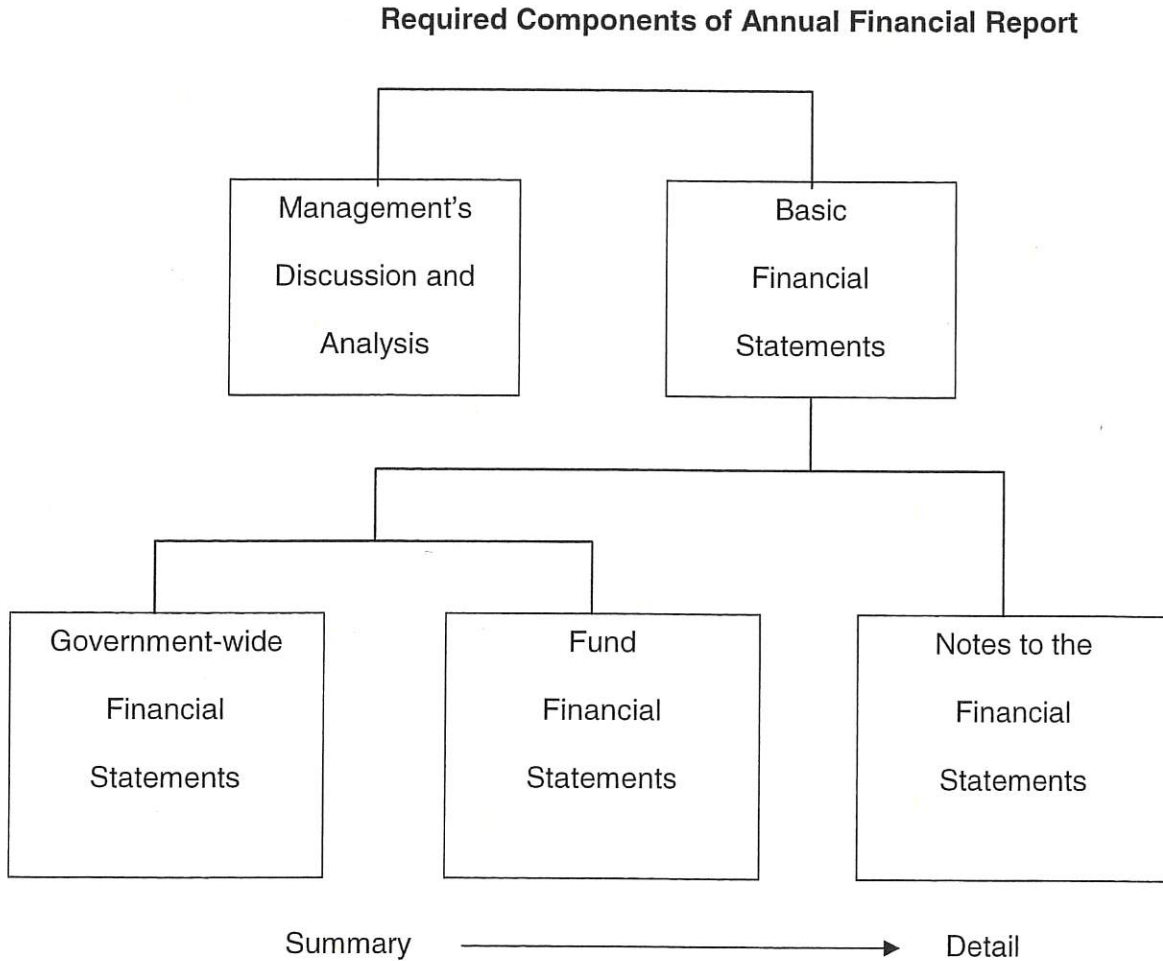
- The assets of the Town of Biscoe exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$8,120,973. The assets of the governmental activities exceeded liabilities by \$3,701,890 and the assets of the business-type activities exceeded liabilities by \$4,419,083.
- The government's total net position increased by \$178,263; due to the Water and Sewer Enterprise fund lower than anticipated expenditures.
- As of the close of the current fiscal year, the Town of Biscoe's governmental funds reported combined ending fund balances of \$2,018,870 a decrease of \$212,192 in comparison with the prior year. Approximately 29 percent of this total amount, or \$582,553 is available for spending at the government's discretion (*unassigned fund balance*). The Town maintains more than a minimum of 20% of budgeted expenditures in available fund balance for cash flow and emergencies. In addition the town maintains a capital reserve fund with money dedicated to large capital expenditures.
- As of the close of the current fiscal year, the Town's business-type activities reported ending net position of \$4,419,083 an increase of \$279,578.



## Overview of the Financial Statements

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

**Figure 1:**



## **Basic Financial Statements**

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

The next statements (Exhibits 3 through 10) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

## **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements are the statement of net position and the statement of activities. Net assets are the difference between the Town's total assets and total liabilities. Measuring net assets is one way to gauge the Town's financial condition. Over time, increases or decreases in net assets help determine whether the Town's financial position is improving or deteriorating. The statement of activities presents information which show how the Town's net assets changed during the most recent fiscal year.

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

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

## **Fund Financial Statements**

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

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

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

**Proprietary Funds** – The Town has one enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its water and sewer activity. This fund is the same as the function shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 25 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 42 of this report.

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

## Net Position

The following (Figure 2) reflects condensed information on the Town's net position.

Figure 2:

### The Town of Biscoe Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 2,220,329	\$ 2,333,800	\$ 1,483,480	\$ 1,857,398	\$ 3,703,809	\$ 4,191,198
Capital assets	<u>1,590,098</u>	<u>1,531,990</u>	<u>3,425,375</u>	<u>2,348,341</u>	<u>5,015,473</u>	<u>3,880,331</u>
<b>Total assets</b>	<u>3,810,427</u>	<u>3,865,790</u>	<u>4,908,855</u>	<u>4,205,739</u>	<u>8,719,282</u>	<u>8,071,529</u>
Current liabilities	106,810	61,773	489,772	66,234	596,582	128,007
Deferred inflows of resources	<u>1,727</u>	<u>812</u>	<u>-</u>	<u>-</u>	<u>1,727</u>	<u>812</u>
<b>Total liabilities and deferred inflows of resources</b>	<u>108,537</u>	<u>62,585</u>	<u>489,772</u>	<u>66,234</u>	<u>598,309</u>	<u>128,819</u>
Net Position :						
Net investment in capital assets	1,590,098	1,531,990	3,425,375	2,348,341	5,015,473	3,880,331
Restricted	228,123	205,602	-	-	228,123	205,602
Unrestricted	<u>1,883,669</u>	<u>2,065,613</u>	<u>993,708</u>	<u>1,791,164</u>	<u>2,877,377</u>	<u>3,856,777</u>
<b>Total net position</b>	<u>\$ 3,701,890</u>	<u>\$ 3,803,205</u>	<u>\$ 4,419,083</u>	<u>\$ 4,139,505</u>	<u>\$ 8,120,973</u>	<u>\$ 7,942,710</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town exceeded liabilities by \$8,120,973 as of June 30, 2013. The Town's net position increased by \$178,263 for the fiscal year ended June 30, 2013. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,877,377 (35.43%) is unrestricted.

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

- The cost of Governmental Activities exceeded the actual received revenues.
- As noted in previous three audits, the County Water System increased the bulk water rate, the rate the Town buys at, by 40% effective July 2010. This required the Town to conduct a comprehensive water and sewer rate study; which led to a rate increase. Our anticipation for 2013 was for our revenues to level out and become flat; this assumption was incorrect. Our Business-type Activities reflected a 9% growth in charges for services.
- In prior years the Town worked to reduce its overall liabilities. This fiscal year saw a large increase in liabilities; these liabilities are primarily tied to substantial one time capital outlay projects. In addition, we had to make a major one time outlay to correct a clerical error by the State Fireman's Pension fund.

### Changes in Net Position

The Town's total revenues and expenses for governmental and business-type activities are reflected in Figure 3.

**Figure 3:**

#### Town of Biscoe Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 36,602	\$ 39,526	\$ 945,134	\$ 863,845	\$ 981,736	\$ 903,371
Operating grants and contributions	102,929	100,864	-	-	102,929	100,864
Capital grants and contributions	95,779	28,617	40,000	85,346	135,779	113,963
<b>General revenues:</b>						
Property taxes	696,376	619,852	-	-	696,376	619,852
Other taxes	284,526	270,022	-	-	284,526	270,022
Unrestricted						
Intergovernmental	213,677	236,698	-	-	213,677	236,698
Other	171,540	117,529	(21,483)	(77,454)	150,057	40,075
<b>Total revenues</b>	<u>1,601,429</u>	<u>1,413,108</u>	<u>963,651</u>	<u>871,737</u>	<u>2,565,080</u>	<u>2,284,845</u>
<b>Expenses:</b>						
General government	461,713	391,805	-	-	461,713	391,805
Public safety	695,390	700,723	-	-	695,390	700,723
Culture and recreation	131,390	120,065	-	-	131,390	120,065
Transportation	268,557	293,008	-	-	268,557	293,008
Water and sewer	-	-	829,767	783,495	829,767	783,495
<b>Total expenses</b>	<u>1,557,050</u>	<u>1,505,601</u>	<u>829,767</u>	<u>783,495</u>	<u>2,386,817</u>	<u>2,289,096</u>
Increase (decrease) in net assets before transfers	18,994	(92,493)	133,884	88,242	152,878	(4,251)
Transfers	(145,694)	17,940	145,694	(17,940)	-	-
Increase (decrease) in net assets	(101,315)	(74,553)	279,578	70,302	178,263	(4,251)
Net position, July 1	<u>3,803,205</u>	<u>3,877,758</u>	<u>4,139,505</u>	<u>4,069,203</u>	<u>7,942,710</u>	<u>7,946,961</u>
Net position, June 30	<u>\$ 3,701,890</u>	<u>\$ 3,803,205</u>	<u>\$ 4,419,083</u>	<u>\$ 4,139,505</u>	<u>\$ 8,120,973</u>	<u>\$ 7,942,710</u>

**Governmental activities** – Governmental activities decreased the Town's net position by \$101,315. Key elements of this decrease are as follows:

- The Governmental activities have relied on fund balance to supplement our loss in revenues from intergovernmental sources of revenues and from loss of interest income.
- Fortunately, following our recent revaluation we have seen growth in our Property Tax revenues, we had growth in our grant revenues, and we have seen an increase in Motor vehicle tax collection.
- In 2011-2012 Governmental activities decreased the Town's net assets by \$74,553; 2012-2013 reflects a decrease in net assets of \$101,315. This reduction in net assets was primarily incurred as part of a transfer, associated with a grant, to the Business-type activities from our Capital Reserve.

**Business-type activities:** Business-type activities increased the Town's net position by \$279,578. Key elements of this increase are as follows:

- Our Business-type activities have seen an increase in revenues from charges for services by \$81,289. This 9% growth can be attributed to an increase in total sales, which is a trend we are anticipating will continue as we have approved permits for new housing and have been in negotiations with an industry which intends to increase of our current monthly consumption volumes by 25%.
- Further growth in Business-type activities has been centered on investment in infrastructure.
- Finally, policy changes were implemented, which have decreased the number of outstanding bills.

We had an increase in expenditures of \$46,272; this growth reflects outlays for equipment.

### **Financial Analysis of the Town's Funds**

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

**Governmental Funds:** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,018,870 a decrease of \$212,192 in comparison with the prior year.

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

The actual operating revenues for the General Fund were more than originally budgeted by \$60,189. The higher than anticipated revenue was primarily from an insurance settlement the town received from our employee dishonesty bond of \$81,000. The remainder of the higher revenues fell into two categories: grant proceeds and increased tax receipts from the revaluation. We were extremely cautious in our Revenue estimates, and most state-collected local revenues over-performed our most cautious estimates. Unfortunately, we are still relying on using fund balance to create our annual budget.

The actual operating expenses for the General Fund were less than the originally budgeted amount by \$67,071. This was primarily due to the continued efforts of staff to show restraint in purchases and overall responsible fiscal stewardship. Unfortunately, our actual expenditures exceeded our actual revenues by \$76,172. This was anticipated by the board, which is why such a large number was budgeted for fund balance appropriation in the General Fund.

**Proprietary Funds:** The Town's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net assets at the end of the fiscal year amounted to \$993,708 reflecting a \$797,456 decrease from the prior year. Net Assets invested in Capital Assets was \$3,425,375, an increase of \$1,077,034.

## Capital Asset and Debt Administration

**Capital assets:** The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2013, totals \$5,015,473 reflecting a \$1,135,142 increase (*net of accumulated depreciation*). These assets include buildings, land, machinery and equipment, water distribution system, and vehicles.

Major capital asset transactions during the year include the following additions:

### Governmental Funds:

#### Additions

- Three new computer workstations
- Financial Software Upgrade
- A Crown Victoria Police Vehicle
- Three insulated fire bay doors (other 3 will be purchased in 2013-2014)
- Dump Truck primarily for collecting brush and debris

#### Retirements and Dispositions

- No significant retirements, just regular book depreciation.

### Proprietary Funds:

#### Additions

- Utility Tractor
- Significant investment in sewer infrastructure relating to the Heart of NC Mega Park

#### Retirements

- No significant retirements, just regular book depreciation

Figure 4:

### Town of Biscoe Capital Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 487,192	\$ 490,635	\$ 14,900	\$ 14,900	\$ 502,092	\$ 505,535
Buildings	2,048,823	1,998,341	-	-	2,048,823	1,998,341
Equipment, vehicles & infrastructure	1,949,151	1,727,908	764,272	716,782	2,713,423	2,444,690
Water distribution Systems	-	-	4,217,705	4,217,705	4,217,705	4,217,705
Construction in Progress	-	73,350	1,329,680	175,551	1,329,680	248,901
Total Net Assets	4,485,166	4,290,234	6,326,557	5,124,938	10,811,723	9,415,172
Depreciation	(2,895,068)	(2,758,244)	(2,901,182)	(2,776,597)	(5,796,250)	(5,534,841)
Total Capital Assets (net of accumulated depreciation)	<u>\$ 1,590,098</u>	<u>\$ 1,531,990</u>	<u>\$ 3,425,375</u>	<u>\$ 2,348,341</u>	<u>\$ 5,015,473</u>	<u>\$ 3,880,331</u>

Additional information on the Town's capital assets can be found in Note 5 of the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2013, the Town of Biscoe does not have any outstanding long-term debt.

### **Economic Factors and Next Year's Budget and Rates**

The following key indicators reflect the economic environment of the Town.

- The Montgomery County unemployment rate reported by the Employment Security Commission in June 2011 was 12.5%, 12.5% in June 2012, and 10.2% in June 2013. This improvement has been noted locally as local employers have created new jobs. Montgomery County has continued to remain above the State average (9.3%) unemployment rate. The Town of Biscoe believes these statistics indicate a local recovery of the recent recession.
- As noted in last year's audit, the Town underwent revaluation and reduced its tax rate from .58 on the hundred to .56. This amount places the Town at .05 cent above the revenue-neutral tax rate; at the time our hope was that this tax rate would be sufficient to offset the loss in intergovernmental sources of revenues and loss of interest incomes. While we have seen growth in tax revenues, we are still relying on appropriations of fund balance and capital reserves to invest in new infrastructure. For various reasons discussed below we are anticipating our current rates should be sufficient in the immediate future.
- We have approved plans for a 160 acre solar farm and a 48 unit apartment complex to be located in the Town limits.
- We have approved a Community Development Block Grant that is tied to the creation of 40 jobs in town. The proposed industry is a food processing plant, which will be investing \$6 million in town.
- The Town of Biscoe, in a partnership with Montgomery and Moore Counties, is expanding sewer service to **Heart of NC Megapark**. This Megapark consists of over 3,000 acres located in Eastern Montgomery and Western Moore Counties. The Town of Biscoe has been awarded \$800,000 from the Golden Leaf Foundation on a total project of \$1.3 Million Dollars. This infrastructure will make sewer service on the east of Interstate 73/74; which is great for the future growth of the Town of Biscoe. Construction will be completed in fiscal year 2013-2014 and aggressive marketing to local industry to site will begin.

### **Next Year's Budget Highlights for the Fiscal Year Ending June 30, 2014**

**Governmental Activities:** For the second year, the Town is providing its workers with Cost of Living Adjustment of 2.5%. The Town is also considering adding an additional merit pay system to complement the COLA increases; this consideration was delayed again and will be reconsidered for fiscal year 2014-2015. The Town has planned major capital expenditures in accordance with our Capital Improvement Program.

Recently, the maintenance of the municipal cemetery has become a frequent topic of discussion. As such 2013-2014 will see the Town invest in two lawnmowers. One will be a bagging mower which will keep the loose grass out of the cemetery. Additionally, we will be investing in the remaining 3 insulated fire bay doors; it is our hope that this investment can lead to a reduction in energy bills.

In 2012-2013 the Town has decided to commit itself to a street resurfacing program; the program will see all the Town owned streets being resurfaced on a ten year rotating cycle; A list has been created which will be the order of the resurfacing and upon completion it will start over. The 2012-2103 fiscal



year saw one of the rainiest summers of recent memory; as such, the street resurfacing project was delayed and will be undertaken in the 2013-2014 fiscal year.

Our Police Department will be receiving numerous equipment upgrades in 2013-2014. To begin, the police department laptops will be replaced. Currently we have "toughbooks" which are very expensive rugged laptops; due to advancements in technology we can replace them for 66% less cost by using laptops with solid state hard drives and no optical drives. Two new desktops will be purchased for police office staff. Finally, we will be continuing on our annual cycle of replacing a law enforcement vehicle. This vehicle will be an unmarked black Dodge Charger used for traffic enforcement and will be 85% paid for by the Governor's Highway Safety Program Grant.

**Business-Type Activities:** As previously noted, we anticipated flat revenues for 2012-2013 and we were delighted that we were wrong. Our charges to customers have increased by 9%. We feel this increase is due to two factors: policy changes in our billing process and increased consumption; which is likely a by-product of the improvement of the local job market. The county has increased our water purchase rate effective for 2013-2014 but with our growth, we are able to absorb this increase without passing a rate increase to our customers.

As mentioned in the earlier economic factors, we have recruited multiple new investments in the community. The most exciting investment for our Business-type Activities is the investment and creation of a food processing facility. This facility will use 25% of our current total water usage and will have a significant impact to our wastewater treatment operations. With this higher volume, we might be able to consider a rate reduction to our customers.

Our investment in bringing sewer to the Heart of NC MegaPark has led to a portion of the park receiving certified status from the NC Department of Commerce. This certification allows our site to be marketed and listed by the NC Department of Commerce to industries considering the State.

The Town continues to pursue grant funding to match and maximize our investment of local funds in our infrastructure. In 2012-2013 we applied for a Clean Water Management Trust Fund grant to facilitate upgrades to our Wastewater Treatment Plant. The grant was approved and design work began in 2013. We anticipate investing \$1.2 million in upgrades to our plant within this grant. As noted earlier we have a proposed industry which will have a major impact to our treatment operations. We are working to understand what additional upgrades might be needed to accommodate this industry; we will likely make additional plans in 2013-2014 for more investment to our wastetreatment plant. Finally, we also anticipate replacing our backhoe, which is one of the most versatile pieces of equipment utilized by our business-type activities. This replacement was planned for 2012-2013 but was delayed in lieu of the need to buy a new dump truck and a smaller utility tractor.

## **Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Clerk or Town Manager.

**TOWN OF BISCOE, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**June 30, 2013**

**Exhibit 1**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 911,857	\$ 1,294,883	\$ 2,206,740
Restricted cash	976,927	3,565	980,492
Receivables - net			
Property taxes	69,569	-	69,569
Due from other governments	207,138	51,810	258,948
Accounts receivable	50	-	50
Customers	-	119,485	119,485
Accrued interest receivable	278	-	278
Internal balances	11,221	(11,221)	-
Net pension asset	43,289	-	43,289
Inventories	-	24,958	24,958
	<u>2,220,329</u>	<u>1,483,480</u>	<u>3,703,809</u>
Total current assets			
Non-current assets:			
Capital assets:			
Land and other non-depreciable assets	487,192	1,344,580	1,831,772
Other capital assets, net of depreciation	1,102,906	2,080,795	3,183,701
	<u>1,590,098</u>	<u>3,425,375</u>	<u>5,015,473</u>
Total capital assets			
	<u>3,810,427</u>	<u>4,908,855</u>	<u>8,719,282</u>
Total assets			
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	86,874	457,065	543,939
Compensated absences	19,936	29,142	49,078
Customer deposits	-	3,565	3,565
	<u>106,810</u>	<u>489,772</u>	<u>596,582</u>
Total liabilities			
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid taxes	1,727	-	1,727
	<u>1,727</u>	<u>-</u>	<u>1,727</u>
Total deferred inflows of resources			
<b>NET POSITION</b>			
Net investment in capital assets	1,590,098	3,425,375	5,015,473
Restricted for:			
Stabilization by State Statute	195,288	-	195,288
Streets	32,835	-	32,835
Public Safety	-	-	-
Unrestricted	1,883,669	993,708	2,877,377
	<u>\$ 3,701,890</u>	<u>\$ 4,419,083</u>	<u>\$ 8,120,973</u>
Total net position			

**TOWN OF BISCOE, NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2013**

**Exhibit 2**

Function/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Government activities:							
General government	\$ 461,713	\$ 3,389	\$ -	\$ -	\$ (458,324)	\$ -	\$ (458,324)
Public safety	695,390	-	49,709	55,236	(590,445)	-	(590,445)
Transportation	268,557	-	53,220	-	(215,337)	-	(215,337)
Cultural and recreational	131,390	33,213	-	40,543	(57,634)	-	(57,634)
Total governmental activities	<u>1,557,050</u>	<u>36,602</u>	<u>102,929</u>	<u>95,779</u>	<u>(1,321,740)</u>	<u>-</u>	<u>(1,321,740)</u>
Business-type activities:							
Water and Sewer	829,767	945,134	-	40,000	-	155,367	155,367
Total business-type activities	<u>829,767</u>	<u>945,134</u>	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>155,367</u>	<u>155,367</u>
Total primary government	<u>\$ 2,386,817</u>	<u>\$ 981,736</u>	<u>\$ 102,929</u>	<u>\$ 135,779</u>	<u>(1,321,740)</u>	<u>155,367</u>	<u>(1,166,373)</u>
General revenues:							
Ad valorem taxes					696,376	-	696,376
Local option taxes					284,526	-	284,526
Unrestricted intergovernmental					213,677	-	213,677
Investment earnings					5,686	3,301	8,987
Miscellaneous					164,797	7,972	172,769
Gain/(loss) on disposal of capital assets					1,057	(32,756)	(31,699)
Transfers					(145,694)	145,694	-
Total general revenues and transfers					<u>1,220,425</u>	<u>124,211</u>	<u>1,344,636</u>
Change in net position					(101,315)	279,578	178,263
Net position, beginning					3,803,205	4,139,505	7,942,710
Net position, end of year					<u>\$ 3,701,890</u>	<u>\$ 4,419,083</u>	<u>\$ 8,120,973</u>

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

TOWN OF BISCOE, NORTH CAROLINA  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 June 30, 2013

Exhibit 3

	Major Funds		Non Major Governmental Funds	Total Governmental Funds
	General Fund	PARTF		
<b>ASSETS</b>				
Cash and investments	\$ 965,972	\$ -	\$ -	\$ 965,972
Restricted cash	976,927	-	-	976,927
Receivables - net				
Property taxes	69,569	-	-	69,569
Due from other governments	141,210	40,543	25,385	207,138
Accounts receivable	50	-	-	50
Accrued interest receivable	278	-	-	278
Due from other funds	28,365	-	-	28,365
<b>TOTAL ASSETS</b>	<b>\$ 2,182,371</b>	<b>\$ 40,543</b>	<b>\$ 25,385</b>	<b>\$ 2,248,299</b>
<b>LIABILITIES</b>				
Bank overdraft	\$ -	\$ 28,721	\$ 25,394	\$ 54,115
Accounts payable and accrued liabilities	62,856	-	24,018	86,874
Due to other funds	-	11,822	5,322	17,144
<b>TOTAL LIABILITIES</b>	<b>62,856</b>	<b>40,543</b>	<b>54,734</b>	<b>158,133</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Prepaid taxes	1,727	-	-	1,727
Property tax receivable	69,569	-	-	69,569
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>71,296</b>	<b>-</b>	<b>-</b>	<b>71,296</b>
<b>FUND BALANCES</b>				
Restricted				
Stabilization by State Statute	169,903	-	25,385	195,288
Streets	32,835	-	-	32,835
Committed				
Public Safety	-	-	-	-
Assigned				
Subsequent year's expenditures	252,011	-	-	252,011
Capital reserve fund	956,183	-	-	956,183
Unassigned (deficit)	637,287	-	(54,734)	582,553
<b>TOTAL FUND BALANCES</b>	<b>2,048,219</b>	<b>-</b>	<b>(29,349)</b>	<b>2,018,870</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 2,182,371</b>	<b>\$ 40,543</b>	<b>\$ 25,385</b>	<b>\$ 2,248,299</b>

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total fund balance, governmental funds	\$ 2,018,870
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	
Gross capital assets at historical cost	4,485,166
Accumulated depreciation	(2,895,068)
	1,590,098
Liabilities for earned revenues considered deferred inflows of resources in fund statements	69,569
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund financial statements:	
Compensated absences	(19,936)
Net pension asset	43,289
Net position of governmental activities	\$ 3,701,890

**TOWN OF BISCOE, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2013**

*Exhibit 4*  
*Page 1 of 2*

	Major Funds		Non Major Governmental Funds	Total Governmental Funds
	General Fund	PARTF		
<b>REVENUES</b>				
Ad valorem taxes	\$ 694,637	\$ -	\$ -	\$ 694,637
Other taxes and licenses	284,526	-	-	284,526
Unrestricted intergovernmental	213,677	-	-	213,677
Restricted intergovernmental	102,929	40,543	55,236	198,708
Permits and fees	3,389	-	-	3,389
Sales and services	45,205	-	-	45,205
Investment earnings	5,686	-	-	5,686
Miscellaneous	152,807	-	-	152,807
<b>Total revenues</b>	<b>1,502,856</b>	<b>40,543</b>	<b>55,236</b>	<b>1,598,635</b>
<b>EXPENDITURES</b>				
General government	454,926	-	-	454,926
Public safety	745,195	-	84,585	829,780
Transportation	248,790	-	-	248,790
Cultural and recreational	127,037	9,100	-	136,137
<b>Total expenditures</b>	<b>1,575,948</b>	<b>9,100</b>	<b>84,585</b>	<b>1,669,633</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(73,092)</b>	<b>31,443</b>	<b>(29,349)</b>	<b>(70,998)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from Capital Reserve	-	-	24,453	24,453
Transfer to Capital Reserve	-	(11,822)	-	(11,822)
Transfer to OSFM fund	(24,453)	-	-	(24,453)
Transfer to Golden Leaf	(145,694)	-	-	(145,694)
Transfer from PARTF	11,822	-	-	11,822
Sale of capital assets	4,500	-	-	4,500
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(153,825)</b>	<b>(11,822)</b>	<b>24,453</b>	<b>(141,194)</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(226,917)</b>	<b>19,621</b>	<b>(4,896)</b>	<b>(212,192)</b>
<b>FUND BALANCE (DEFICIT), BEGINNING OF YEAR</b>	<b>2,275,136</b>	<b>(19,621)</b>	<b>(24,453)</b>	<b>2,231,062</b>
<b>FUND BALANCE (DEFICIT), END OF YEAR</b>	<b>\$ 2,048,219</b>	<b>\$ -</b>	<b>\$ (29,349)</b>	<b>\$ 2,018,870</b>

**TOWN OF BISCOE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2013**

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

Net changes in fund balance - total governmental funds		\$ (212,192)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period</p>		
Capital outlay	\$ 209,744	
Depreciation	<u>(148,193)</u>	
		61,551
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds</p>		
Change in unavailable revenue for tax revenues		1,739
Proceeds from sale of capital assets		(4,500)
Gain on disposal of capital assets		1,057
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds</p>		
Net pension asset		43,289
Compensated absences		<u>7,741</u>
Total changes in net position of governmental activities		<u>\$ (101,315)</u>

**TOWN OF BISCOE, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND AND ANNUALLY BUDGETED CAPITAL RESERVE FUND**  
**For the Year Ended June 30, 2013**

*Exhibit 5*

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Ad valorem taxes	\$ 672,330	\$ 672,330	\$ 694,637	\$ 22,307
Other taxes and licenses	278,640	278,040	284,526	6,486
Unrestricted intergovernmental revenues	214,719	214,719	213,677	(1,042)
Restricted intergovernmental revenues	136,766	136,766	102,929	(33,837)
Permits and fees	2,600	2,600	3,389	789
Sales and services	34,500	34,500	45,205	10,705
Investment earnings	8,932	8,932	2,606	(6,326)
Miscellaneous	91,100	133,811	152,807	18,996
<b>Total revenues</b>	<b>1,439,587</b>	<b>1,481,698</b>	<b>1,499,776</b>	<b>18,078</b>
<b>EXPENDITURES</b>				
General government	436,798	476,097	454,926	21,171
Public safety	759,913	807,280	745,195	62,085
Transportation - streets	334,248	334,248	248,790	85,458
Cultural and recreational	112,060	128,650	127,037	1,613
<b>Total expenditures</b>	<b>1,643,019</b>	<b>1,746,275</b>	<b>1,575,948</b>	<b>170,327</b>
<b>REVENUES UNDER EXPENDITURES</b>	<b>(203,432)</b>	<b>(264,577)</b>	<b>(76,172)</b>	<b>188,405</b>
<b>OTHER FINANCING SOURCES(USES):</b>				
Transfer from other funds	110,700	110,700	75,726	(34,974)
Sale of capital assets	14,000	12,000	4,500	(7,500)
<b>Total other financing sources</b>	<b>124,700</b>	<b>122,700</b>	<b>80,226</b>	<b>(42,474)</b>
<b>REVENUES UNDER EXPENDITURES AND OTHER FINANCING SOURCES</b>	<b>(78,732)</b>	<b>(141,877)</b>	<b>4,054</b>	<b>145,931</b>
<b>FUND BALANCE APPROPRIATED</b>	<b>78,732</b>	<b>141,877</b>	<b>-</b>	<b>(141,877)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>4,054</b>	<b>\$ 4,054</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>			<b>1,087,982</b>	
<b>FUND BALANCE, END OF YEAR</b>			<b>1,092,036</b>	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Investment earnings			3,080	
Transfer to OSFM Fund			(24,453)	
Transfer to General fund			(75,726)	
Transfer to Golden Leaf Fund			(145,694)	
Transfer from PARTF			11,822	
<b>Fund Balance, Beginning</b>			<b>1,187,154</b>	
<b>Fund Balance, Ending (Exhibit 4)</b>			<b>\$ 2,048,219</b>	

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

**TOWN OF BISCOE, NORTH CAROLINA**  
**STATEMENT OF NET POSITION - PROPRIETARY FUND**  
**June 30, 2013**

*Exhibit 6*

**ASSETS**

Current assets:

Cash and investments	\$ 1,294,883
Receivables - net:	
Customers	119,485
Due from other governments	51,810
Restricted cash	3,565
Inventories	24,958

Total current assets	<u>1,494,701</u>
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Capital assets:

Land and other non-depreciable assets	1,344,580
Other capital assets, net of depreciation	2,080,795
Total capital assets, net	<u>3,425,375</u>

Total assets	<u><u>\$ 4,920,076</u></u>
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**LIABILITIES**

Current Liabilities:

Accounts payable and accrued liabilities	\$ 457,065
Due to other funds	11,221
Compensated absences	29,142
Deposits	3,565

Total liabilities	<u>500,993</u>
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**NET POSITION**

Net investment in capital assets	3,425,375
Unrestricted	993,708

Total net position	<u><u>\$ 4,419,083</u></u>
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**TOWN OF BISCOE, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**For the Year Ended June 30, 2013**

*Exhibit 7*

OPERATING REVENUES		
Charges for services		\$ 945,134
OPERATING EXPENSES		
Water and sewer operations		655,039
Depreciation		124,585
Total Operating Expenses		<u>779,624</u>
INCOME FROM OPERATIONS		<u>165,510</u>
NONOPERATING REVENUES (EXPENSES)		
Interest earned on investments		3,301
Tax refunds		5,739
Loss on disposal of fixed asset		(2,899)
Loss on disposal of construction in progress		(29,857)
Other expense		(50,143)
Other revenue		2,233
Total Nonoperating Revenues (Expenses)		<u>(71,626)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS		93,884
TRANSFER FROM CAPITAL RESERVE		145,694
CAPITAL CONTRIBUTIONS		<u>40,000</u>
CHANGE IN NET POSITION		279,578
NET POSITION, BEGINNING OF YEAR		<u>4,139,505</u>
NET POSITION, END OF YEAR		<u><u>\$ 4,419,083</u></u>

**TOWN OF BISCOE, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**For the Year Ended June 30, 2013**

**Exhibit 8**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers		\$ 877,861
Cash paid for goods and services		(70,323)
Cash paid to employees for services		(164,195)
Customer deposits refunded/received		2,795
	<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>646,138</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets		(1,234,375)
Other expense		(50,143)
Other revenue		47,972
Transfer from capital reserve fund		145,694
	<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(1,090,852)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments		3,301
	<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>3,301</u>
	<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(441,413)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<u>1,739,861</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<u><u>\$ 1,298,448</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Income from operations		\$ 165,510
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		124,585
Change in assets and liabilities:		
(Increase) decrease in accounts receivable		(67,273)
Increase (decrease) in accounts payable and accrued liabilities		420,743
(Increase) decrease in inventories		(222)
Increase (decrease) in customer deposits		2,795
	<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 646,138</u></u>

*The accompanying notes are an integral part of these financial statements.*

**TOWN OF BISCOE, NORTH CAROLINA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**June 30, 2013**

*Exhibit 9*

	<u>Pension Trust Fund</u>
	<u>Special Separation</u>
	<u>Allowance Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 31,237
Accrued interest	1
	<hr/>
Total assets	31,238
<b>LIABILITIES</b>	
Accrued benefits	1,221
	<hr/>
<b>NET POSITION</b>	
Reserved for employees' pension benefits	\$ 30,016
	<hr/> <hr/>

**TOWN OF BISCOE, NORTH CAROLINA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**For the Year Ended June 30, 2013**

*Exhibit 10*

	<u>Pension Trust Fund</u> <u>Special Separation</u> <u>Allowance Fund</u>
ADDITIONS:	
Investment earnings	\$ 181
Municipal contribution	25,433
TOTAL ADDITIONS	<u>25,614</u>
DEDUCTIONS:	
Employee benefits	<u>25,120</u>
NET CHANGE	494
NET POSITION, BEGINNING OF YEAR, JULY 1	<u>29,522</u>
NET POSITION, END OF YEAR, JUNE 30	<u>\$ 30,016</u>

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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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:

*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, these financial statements present the Town as well as any separate entity for which the Town is financially accountable. For the year ended June 30, 2013, no other entity is included in the Town's financial statements.

*Basis of Presentation – Government-wide and Fund Financial Statements*

Government-wide Statements - The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements - The fund financial statements provide information about the Town's funds, including fiduciary fund. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The Town reports the following major governmental funds:

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, State grants, and various other taxes and licenses. The primary expenditures are for public safety, streets, sanitation, parks and recreation, and general government services. Additionally, the Town has legally adopted a Capital Reserve Fund. Under GASB 54 guidance, the Capital Reserve Fund is consolidated in the General Fund. The budgetary comparison for the Capital Reserve Fund has been included in the supplemental information.

Parks and Recreation Trust Fund – The Parks and Recreation Trust Fund is a Capital Project Fund for improvements to the Town of Biscoe Recreation Park.

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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

The Town reports the following non-major governmental funds:

Office of State Fire Marshall Grant Funds - These grant funds are provided by the State of North Carolina to be used for equipment upgrade and replacement within the Biscoe Fire Department.

The Town reports the following major enterprise fund:

Water and Sewer Fund - This fund is used to account for the Town's water and sewer operations.

The Town reports the following fiduciary fund:

Special Separation Allowance Pension Trust Fund - This fund is used to account for the Law Enforcement Officers' Special Separation Allowance, a single-employer, public employee retirement system.

*Measurement Focus and Basis of Accounting*

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

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, property tax revenue is recognized in the fiscal year for which the taxes are levied. Revenue from grants, donations and similar items is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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

*Measurement Focus and Basis of Accounting (Continued)*

and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to actual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current 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 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, 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. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

*Budgetary Data*

The Town's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the general and enterprise funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Governmental Capital Project Funds and the Enterprise Capital Project Funds which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting.

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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

*Budgetary Data (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 manager is authorized by the budget ordinance to transfer appropriations between functional areas within a fund up to \$1,000; however, any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000 must be approved by the governing board. Amendments were made during the year to the original budget.

*Deposits and Investments*

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

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

*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.

*Restricted Assets*

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Money in the Capital Reserve Fund is also classified as restricted assets because its use is restricted to that fund. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

*Ad Valorem Taxes Receivable*

In accordance with G.S. 105-347 and G.S. 159-13(a), the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1; however, interest does not accrue until the following January 6. The taxes are based on the assessed values as of January 1, 2011. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.



**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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

*Allowances for Doubtful Accounts*

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

*Inventory*

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 that are recorded as an expenditure when consumed rather than when purchased.

*Capital Assets*

Capital assets are defined by the government as assets with an initial, individual cost of more than \$3,000, and estimated useful life of two years. Minimum capitalization costs for land, buildings, furniture and equipment, computer software, and vehicles have been set at \$3,000. Purchased or constructed assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the assets' estimated useful lives.

Buildings	29 years
Furniture and office equipment	7-10 years
Maintenance and construction equipment	5-7 years
Medium and heavy motor vehicles	5-7 years
Computer Software	5 years
Automobiles and light trucks	3-5 years

*Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has only two items that meet this criterion for this category – prepaid taxes and property taxes receivable.

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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

*Compensated Absences*

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. Accumulated earned vacation at June 30, 2013, amounted to \$49,078 in total, of which \$19,936 relates to the governmental fund and \$29,142 relates to the enterprise fund. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

Compensated absences for governmental activities have typically been liquidated in the General Fund.

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

*Net Position*

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

*Fund Balance*

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

The governmental fund types classify fund balances as follows:

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

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

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

**TOWN OF BISCOE, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

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

*Fund Balance (Continued)*

Committed fund balance – portion of fund balance that can only be used for specific purposes imposed by majority vote of Town of Biscoe’s governing body. Any changes or removal of specific purpose requires majority action by the governing body.

Committed for Public Safety – portion of fund balance committed by the Board for public safety.

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

Assigned for capital reserve fund – portion of fund balance that is held in the capital reserve fund for future purposes.

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the Town manager to modify the appropriations within funds up to \$1,000.

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

The Town of Biscoe has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Town Clerk will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. Town management has the authority to deviate from this policy if it is in the best interest of the Town.

The Town of Biscoe has an informal fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 20% of budgeted expenditures. Any portion of the general fund balance in excess of 20% of budgeted expenditures may be appropriated.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

On-behalf of Payments

Expenditures of on-behalf of payments are not considered to be violations of State statute budget requirements.

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2013, a transfer from the water and sewer fund to the I&I fund exceeded authorized appropriations by \$29,857, respectively. Management and the commissioners will more closely review the budget reports to ensure compliance in future years.

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)**

Deficit in Net Position of Individual Funds

At June 30, 2013, the Town had a deficit of \$29,349 in net position of the OSFM capital project fund. This deficit is the result of timing related to certificate of deposit maturities that will be used to fund the capital project expenditures. Upon maturity, the Town will transfer the funds as approved in the project ordinance.

**III. CASH, CASH EQUIVALENTS AND INVESTMENTS**

*Deposits*

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the unit'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 its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for 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. The Town has no policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2013, the Town's deposits had a carrying amount of \$3,218,469 and a bank balance of \$3,297,958. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$2,797,958 was secured through the pooling method. At June 30, 2013, the Town had no petty cash fund.

**IV. ACCOUNTS RECEIVABLE - ALLOWANCES FOR DOUBTFUL ACCOUNTS**

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

General Fund	
Ad valorem taxes	<u>\$13,640</u>
Water and Sewer Fund	
Customers	<u>\$24,500</u>

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**V. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013, is summarized below:

	<u>July 1, 2012</u>	<u>Transfers in/ additions</u>	<u>Transfers out/ retirements</u>	<u>June 30, 2013</u>
Non depreciable assets:				
Land	\$ 490,635	\$ -	\$ (3,443)	\$ 487,192
Construction in progress	<u>73,350</u>	<u>88,364</u>	<u>(161,714)</u>	<u>-</u>
	<u>563,985</u>	<u>88,364</u>	<u>(165,157)</u>	<u>487,192</u>
Depreciable assets:				
Buildings and improvements	1,998,341	50,482	-	2,048,823
Equipment and vehicles	1,520,644	232,612	(11,369)	1,741,887
Infrastructure	<u>207,264</u>	<u>-</u>	<u>-</u>	<u>207,264</u>
	<u>3,726,249</u>	<u>283,094</u>	<u>(11,369)</u>	<u>3,997,974</u>
Grand Total	<u>4,290,234</u>	<u>371,458</u>	<u>(176,526)</u>	<u>4,485,166</u>
Less: Accumulated depreciation and amortization for:				
Buildings and improvements to land and buildings	\$ 1,634,630	\$ 35,435	\$ -	\$ 1,670,065
Equipment and vehicles	1,073,916	102,395	(11,369)	1,164,942
Infrastructure	<u>49,698</u>	<u>10,363</u>	<u>-</u>	<u>60,061</u>
	<u>2,758,244</u>	<u>148,193</u>	<u>(11,369)</u>	<u>2,895,068</u>
Depreciable assets – net	<u>968,005</u>	<u>134,901</u>	<u>-</u>	<u>1,102,906</u>
Governmental activity capital assets – net	<u>\$ 1,531,990</u>	<u>\$ 223,265</u>	<u>\$ (165,157)</u>	<u>\$ 1,590,098</u>

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

General government	\$ 39,194
Public safety	80,981
Cultural and recreation	8,251
Transportation	<u>19,767</u>
	<u>\$ 148,193</u>

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**V. CAPITAL ASSETS (Continued)**

Business Type Activities:

	<u>July 1, 2012</u>	<u>Transfers in/ additions</u>	<u>Transfers out/ retirements</u>	<u>June 30, 2013</u>
Non depreciable assets:				
Land	\$ 14,900	\$ -	\$ -	\$ 14,900
Construction in progress	<u>175,551</u>	<u>1,183,986</u>	<u>(29,857)</u>	<u>1,329,680</u>
	<u>190,451</u>	<u>1,183,986</u>	<u>(29,857)</u>	<u>1,344,580</u>
Depreciable assets:				
Plant, substations, lines, and related equipment	4,217,705	-	-	4,217,705
Equipment and vehicles	<u>716,782</u>	<u>50,389</u>	<u>(2,899)</u>	<u>764,272</u>
	<u>4,934,487</u>	<u>50,389</u>	<u>(2,899)</u>	<u>4,981,977</u>
Grand Total	<u>5,124,938</u>	<u>1,234,375</u>	<u>(32,756)</u>	<u>6,326,557</u>
Less: Accumulated depreciation:				
Plant, substations, lines, and related equipment	2,193,779	88,400	-	2,282,179
Equipment and vehicles	<u>582,818</u>	<u>36,185</u>	<u>-</u>	<u>619,003</u>
	<u>2,776,597</u>	<u>124,585</u>	<u>-</u>	<u>2,901,182</u>
Depreciable assets – net	<u>2,157,890</u>	<u>(74,196)</u>	<u>(2,899)</u>	<u>2,080,795</u>
Business type activities capital assets – net	<u>\$ 2,348,341</u>	<u>\$ 1,109,790</u>	<u>\$ (32,756)</u>	<u>\$ 3,425,375</u>

Construction Commitments

The Town has active construction projects as of June 30, 2013. At year-end, the Town's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Golden Leaf	<u>\$ 1,030,702</u>	<u>\$ 433,062</u>

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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**VI. PAYABLES**

Payables at the government-wide level at June 30, 2013, were as follows:

	<u>Vendors</u>	<u>Salaries and benefits</u>	<u>Total</u>
Governmental Activities:			
General	\$ 37,673	\$ 25,183	\$ 62,856
OSFM grant fund	<u>24,018</u>	<u>-</u>	<u>24,018</u>
Total – governmental activities	<u>\$ 61,691</u>	<u>\$ 25,183</u>	<u>\$ 86,874</u>
Business-Type Activities:			
Water and Sewer	<u>\$ 448,566</u>	<u>\$ 8,499</u>	<u>\$ 457,065</u>

**VII. PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS**

*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, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, 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 current rate for employees not engaged in law enforcement and for law enforcement officers is 6.74% and 6.77%, respectively, of annual covered payroll. The contribution requirements of members and of the Town of Biscoe are established and may be amended by the North Carolina General Assembly. The Town's contribution to LGERS for year ended June 30, 2013, 2012, and 2011 were \$37,823, \$40,798, and \$33,374, respectively. The contribution made by the Town equaled the required contribution for the year.

*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, fiduciary fund.

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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**VII. PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (Continued)**

*Law Enforcement Officers Special Separation Allowance (Continued)*

All full-time law enforcement officers of the Town are covered by the Separation allowance. At December 31, 2012, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>9</u>
	<u>10</u>

Summary of Significant Accounting Policies:

Basis of Accounting – Financial statements for the Separation Allowance are prepared using the 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 money market debt instruments, deposits, and repurchase agreements, 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 cover the benefits earned by making contributions based on actuarial valuations. For the current year, the Town contributed \$25,434, or 8.75% 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.

The annual required contribution for the current year was determined as part of the December 31, 2012, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25 – 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-employment benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2012 was 18 years.



**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**VII. PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (Continued)**

*Law Enforcement Officers Special Separation Allowance (Continued)*

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

Annual required contribution	\$ 12,705
Interest on net pension obligation	(1,547)
Adjustment to annual required contribution	1,925
Annual pension cost	<u>13,083</u>
Contributions made	(25,434)
Decrease in net pension obligation	<u>(12,351)</u>
Net pension asset beginning of year	<u>(30,938)</u>
 Net pension asset end of year	 <u>\$ (43,289)</u>

Three Year Trend Information

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
6-30-11	9,897	245.90%	(30,089)
6-30-12	11,151	107.61%	(30,938)
6-30-13	13,083	194.40%	(43,289)

Funded Status and Funding Progress - As of December 31, 2012, the most recent actuarial valuation date, the plan was 49.72 percent funded. The actuarial accrued liability for benefits was \$162,305, and the actuarial value of assets was \$80,706, resulting in an unfunded actuarial accrued liability (UAAL) of \$81,599. The covered payroll (annual payroll of active employees covered by the plan) was \$290,438 and the ratio of the UAAL to the covered payroll was 28.10 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

*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. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

**TOWN OF BISCOE, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

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**VII. PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (Continued)**

*Supplemental Retirement Income Plan for Law Enforcement Officers (Continued)*

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, 2013, were \$27,293, which consisted of \$23,044 from the Town and \$4,249 from the law enforcement officers.

*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, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy - Plan members are required to contribute \$10 per month to the Fund. The State, a nonemployer contributor, funds the plan through appropriations. The Town does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by North Carolina General Assembly.

*Other Employment Benefits*

The Town has elected to provide death benefits to employees through the Death Benefit Plan for Members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer State administered cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to his/her death, but the benefit may not exceed \$50,000 or be less than \$25,000. 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. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

**TOWN OF BISCOE, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

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**VIII. DEFERRED INFLOWS OF RESOURCES**

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

	<u>Unearned revenue</u>	<u>Unavailable revenue</u>
Prepaid taxes (General Fund)	\$ 1,727	\$ -
Taxes receivable (General Fund), less penalties	<u>-</u>	<u>69,569</u>
	<u>\$ 1,727</u>	<u>\$ 69,569</u>

**IX. INTERFUND BALANCES AND ACTIVITY**

Balances due to/from other funds at June 30, 2013 consist of the following:

Due to Water/Sewer Fund for proprietary expenses from the Water/Sewer Capital Project Fund	\$ 92,099
Due to the General Fund for governmental expenses from from the Water/ Sewer Fund	11,221
Due to the Capital Reserve Fund from the PARTF capital project fund for excess funding	11,822
Due to the General Fund from the OSFM capital project fund for project expenditures paid by the General Fund	<u>5,322</u>
Total	<u>\$ 120,464</u>

Transfers to/from funds at June 30, 2013, consist of the following:

From Capital reserve fund to the General Fund for reimbursement of prior funding	\$ 75,726
From Capital Reserve to Golden Leaf to fund capital project	145,694
From Water/Sewer to Golden Leaf to fund capital project	1,126,854
From Capital Reserve to OSFM capital project fund to remedy fund deficit	24,453
From the PARTF capital project fund to the capital reserve to pay back excess funds transferred during the project	11,822
From Water and Sewer Fund to I&I fund to fund capital project	<u>29,857</u>
Total	<u>\$ 1,414,406</u>

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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**X. REVENUE, EXPENDITURES AND EXPENSES**

*On-behalf of Payments for Fringe Benefits and Salaries*

For the fiscal year ended June 30, 2013, the Town of Biscoe has recognized on-behalf of payments for pension contributions made by the State as a revenue and an expenditure of \$13,653 for the thirty-seven firemen who perform firefighting duties for the Town's fire department. The volunteers and employees elected to be members of the Firemen'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.

**XI. LONG-TERM DEBT**

At June 30, 2013, the Town of Biscoe had a legal debt margin of \$10,049,911.

**XII. 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 has property, general liability, and auto liability coverage of \$1 million per occurrence, worker's compensation coverage of up to statutory limits, and employee health coverage up to \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against property, general liability, and auto liability in excess of \$500,000 and \$300,000 statutory limits for worker's 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 last three fiscal years.

The Town is not required to carry flood insurance because the Town is not in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency.

In accordance with G.S.159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$100,000. All other employees are covered under a \$100,000 blanket bond.

**XIII. JOINTLY GOVERNED ORGANIZATION**

The Town, in conjunction with 7 counties and 42 other municipalities, established the Piedmont Triad Regional Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$550 to the Council during the fiscal year ended June 30, 2013.

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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**XIV. 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, 2013. Complete financial statements for the Montgomery Municipal Board of Alcoholic Beverage Control can be obtained at the ABC's offices, at P.O. Box 279, Biscoe, NC 27209.

Firemen's Relief Fund

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insures remit to the State. The State passes these monies to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2013, the Town reported no payments through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2013. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

**XV. FUND BALANCE**

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

<i>Total fund balance-General Fund</i>	<b>\$ 2,048,219</b>
Less:	
Stabilization by State Statute	169,903
Streets – Powell Bill	32,835
Appropriated Fund Balance in 2013-14 budget	252,011
Capital Reserve Fund	956,183
Remaining Fund Balance	637,287

**XVI. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

Federal and State Assisted Programs

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

**REQUIRED SUPPLEMENTAL  
FINANCIAL DATA**

This Section contains additional information required by the  
Governmental Accounting Standards Board

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance.
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance.

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

**Schedule 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>
12-31-07	\$72,054	\$90,660	\$18,606	79.48%	\$287,022	6.48%
12-31-08	80,487	135,601	55,114	59.36%	249,856	22.06%
12-31-09	89,169	155,066	65,897	57.50%	254,781	25.86%
12-31-10	89,169	165,402	76,233	53.91%	253,003	30.13%
12-31-11	55,109	163,971	108,862	33.61%	246,738	44.12%
12-31-12	80,706	162,305	81,599	49.72%	290,438	28.08%

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

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**Schedule 2**

<u>Year ended June 30</u>	<u>Annual required contribution</u>	<u>Percentage contributed</u>
2008	\$ 5,065	99.37%
2009	5,670	205.96%
2010	8,001	256.17%
2011	9,897	245.90%
2012	11,151	107.61%
2013	12,705	200.18%



TOWN OF BISCOE, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Year Ended June 30, 2013

	Budget	Actual	Variance favorable (unfavorable)
<b>REVENUES</b>			
Ad valorem taxes			
Taxes		\$ 687,806	
Penalties and interest		6,831	
Total	\$ 672,330	694,637	\$ 22,307
Other taxes and licenses			
Local option sales tax	278,040	284,526	6,486
Unrestricted intergovernmental			
Franchise tax		201,752	
Beer and wine taxes		6,928	
Solid waste disposal tax		1,077	
Tax refunds		3,920	
Total	214,719	213,677	(1,042)
Restricted intergovernmental			
Powell Bill allocation		53,220	
DSM revenues		1,739	
Grant funds		34,317	
On-behalf payments - Fire		13,653	
Total	136,766	102,929	(33,837)
Permits and fees	2,600	3,389	789
Sales and services			
ABC Revenue		4,792	
Cemetery lots sales		7,200	
Concession receipts		33,213	
Total	34,500	45,205	10,705
Investment earnings	8,932	2,606	(6,326)
Miscellaneous			
Contributions		7,651	
Fire department donations		36,710	
Other		108,446	
Total	133,811	152,807	18,996
<b>TOTAL REVENUES</b>	<b>1,481,698</b>	<b>1,499,776</b>	<b>18,078</b>

**TOWN OF BISCOE, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	Variance favorable (unfavorable)
<b>EXPENDITURES</b>			
General government			
Salaries and employee benefits		\$ 177,541	
Other operating expenditures		151,343	
Capital outlay		4,852	
Total	<u>\$ 345,841</u>	<u>333,736</u>	<u>\$ 12,105</u>
Legal and professional services			
Other operating expenditures		31,529	
Total	<u>38,000</u>	<u>31,529</u>	<u>6,471</u>
Public buildings and grounds			
Other operating expenditures		66,970	
Capital outlay		22,691	
Total	<u>92,256</u>	<u>89,661</u>	<u>2,595</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<u>476,097</u>	<u>454,926</u>	<u>21,171</u>
Public Safety			
Police			
Salaries and employee benefits		448,104	
Other operating expenditures		100,653	
Capital outlay		42,376	
Total	<u>665,615</u>	<u>591,133</u>	<u>74,482</u>
Fire			
Salaries and employee benefits		11,581	
Other operating expenditures		68,466	
Capital outlay		15,994	
Fire department expense		44,368	
Total	<u>141,665</u>	<u>140,409</u>	<u>1,256</u>
Fire and rescue workers on behalf of payments	-	13,653	(13,653)
<b>TOTAL PUBLIC SAFETY</b>	<u>807,280</u>	<u>745,195</u>	<u>62,085</u>
Transportation			
Streets			
Salaries and employee benefits		264	
Other operating expenditures		188,745	
Total	<u>203,000</u>	<u>189,009</u>	<u>13,991</u>

**TOWN OF BISCOE, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
Transportation (continued)			
Streets - Powell Bill			
Salaries and employee benefits		\$ 16,662	
Other operating expenditures		15,468	
Capital outlay		27,651	
Total	<u>\$ 131,248</u>	<u>59,781</u>	<u>\$ 71,467</u>
TOTAL TRANSPORTATION	<u>334,248</u>	<u>248,790</u>	<u>85,458</u>
Cultural and Recreational			
Recreation			
Salaries and employee benefits		48,710	
Other operating expenditures		78,327	
TOTAL CULTURAL AND RECREATIONAL	<u>128,650</u>	<u>127,037</u>	<u>1,613</u>
TOTAL EXPENDITURES	<u>1,746,275</u>	<u>1,575,948</u>	<u>170,327</u>
REVENUES OVER (UNDER) EXPENDITURES	(264,577)	(76,172)	188,405
OTHER FINANCING SOURCES (USES):			
Transfer from Capital Reserve	110,700	75,726	(34,974)
Sale of capital assets	<u>12,000</u>	<u>4,500</u>	<u>(7,500)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>122,700</u>	<u>80,226</u>	<u>(42,474)</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(141,877)	4,054	145,931
FUND BALANCE APPROPRIATED	<u>141,877</u>	-	<u>(141,877)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	4,054	<u>\$ 4,054</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1		<u>1,087,982</u>	
FUND BALANCE, END OF YEAR, JUNE 30		<u>\$ 1,092,036</u>	

**TOWN OF BISCOE, NORTH CAROLINA  
CAPITAL RESERVE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Year Ended June 30, 2013**

	Budget	Actual	Variance favorable (unfavorable)
REVENUES			
Investment earnings	\$ 4,000	\$ 3,080	\$ (920)
EXPENDITURES	4,000	-	4,000
REVENUES OVER/(UNDER) EXPENDITURES	-	3,080	3,080
OTHER FINANCING SOURCES/(USES)			
Transfer from PARTF	-	11,822	11,822
Transfer to Golden Leaf	(500,000)	(145,694)	354,306
Transfer to General fund	(110,700)	(75,726)	34,974
Transfer to Water & Sewer fund	(65,856)	-	65,856
Transfer to PARTF fund	(53,354)	-	53,354
Transfer to OSFM fund	(119,662)	(24,453)	95,209
TOTAL OTHER FINANCING SOURCES (USES)	(849,572)	(234,051)	615,521
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(849,572)	(230,971)	618,601
FUND BALANCE APPROPRIATED	849,572	-	(849,572)
NET CHANGE IN FUND BALANCE	\$ -	(230,971)	\$ (230,971)
FUND BALANCE, BEGINNING OF YEAR, JULY 1		1,187,154	
FUND BALANCE, END OF YEAR, JUNE 30		\$ 956,183	

**TOWN OF BISCOE**  
**CAPITAL PROJECTS FUND (PART FUND)**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**From Inception and for the Year Ended June 30, 2013**

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
<b>REVENUES</b>					
Grant proceeds	\$ 53,355	\$ -	\$ 40,543	\$ 40,543	\$ (12,812)
<b>EXPENDITURES</b>					
Cultural and Recreation					
Pool filter	55,000	42,818	-	42,818	12,182
Pool locker room renovation	11,000	14,274	-	14,274	(3,274)
Basketball court	10,000	-	8,500	8,500	1,500
Baseball dugouts	10,000	4,215	-	4,215	5,785
Picnic tables	3,200	4,264	-	4,264	(1,064)
Ballfield backstop	1,500	-	-	-	1,500
Pool repairs	2,500	-	-	-	2,500
Ballfield safety cap	900	1,840	-	1,840	(940)
Contingency	4,705	-	600	600	4,105
Planning and administration	7,904	5,564	-	5,564	2,340
TOTAL EXPENDITURES	106,709	72,975	9,100	82,075	24,634
REVENUES OVER (UNDER) EXPENDITURES	(53,354)	(72,975)	31,443	(41,532)	11,822
<b>OTHER FINANCING SOURCES</b>					
Transfer from Capital Reserve	53,354	53,354	(11,822)	41,532	(11,822)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	\$ -	\$ (19,621)	19,621	\$ -	\$ 11,822
FUND BALANCE, BEGINNING OF YEAR, JULY 1			(19,621)		
FUND BALANCE, END OF YEAR, JUNE 30			\$ -		

**TOWN OF BISCOE**  
**CAPITAL PROJECTS FUND (OSFM GRANTS)**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**From Inception and for the Year Ended June 30, 2013**

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
<b>REVENUES</b>					
OSFM grant proceeds - 2009-2010	\$ 26,880	\$ 39,036	\$ -	\$ 39,036	\$ 12,156
OSFM grant proceeds - 2010-2011	23,025	23,025	-	23,025	-
OSFM grant proceeds - 2011-2012	28,810	28,617	-	28,617	(193)
OSFM grant proceeds - 2012-2013	29,851	-	29,851	29,851	-
OSFM grant proceeds - 2013-2014	30,000	-	25,385	25,385	(4,615)
<b>TOTAL REVENUES</b>	<b>138,566</b>	<b>90,678</b>	<b>55,236</b>	<b>145,914</b>	<b>7,348</b>
<b>EXPENDITURES</b>					
OSFM expenditures 2009-2010	53,764	51,291	-	51,291	2,473
OSFM expenditures 2010-2011	46,050	45,975	-	45,975	75
OSFM expenditures 2011-2012	57,620	52,695	-	52,695	4,925
OSFM expenditures 2012-2013	59,702	375	59,200	59,575	127
OSFM expenditures 2013-2014	60,004	-	25,385	25,385	34,619
<b>TOTAL EXPENDITURES</b>	<b>277,140</b>	<b>150,336</b>	<b>84,585</b>	<b>234,921</b>	<b>42,219</b>
<b>REVENUES UNDER EXPENDITURES</b>	<b>(138,574)</b>	<b>(59,658)</b>	<b>(29,349)</b>	<b>(89,007)</b>	<b>49,567</b>
<b>OTHER FINANCING SOURCES</b>					
Transfer from Capital Reserve	138,574	35,205	24,453	59,658	(78,916)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>138,574</b>	<b>35,205</b>	<b>24,453</b>	<b>59,658</b>	<b>(78,916)</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	<b>\$ -</b>	<b>\$ (24,453)</b>	<b>(4,896)</b>	<b>\$ (29,349)</b>	<b>\$ (29,349)</b>
<b>FUND DEFICIT, BEGINNING OF YEAR, JULY 1</b>			<b>(24,453)</b>		
<b>FUND BALANCE, END OF YEAR, JUNE 30</b>			<b>\$ (29,349)</b>		

**TOWN OF BISCOE, NORTH CAROLINA**  
**WATER AND SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**For the Year Ended June 30, 2013**

	Budget	Actual	Variance favorable (unfavorable)
<b>REVENUES</b>			
Operating revenues:			
Charges for services	\$ 817,600	\$ 945,134	\$ 127,534
Nonoperating revenues:			
Interest on investments		3,301	
Tax refunds		5,739	
Miscellaneous		2,233	
Total nonoperating revenues	11,700	11,273	(427)
<b>TOTAL REVENUES</b>	<b>829,300</b>	<b>956,407</b>	<b>127,107</b>
<b>EXPENDITURES</b>			
Operating expenditures			
Salaries and employee benefits		226,095	
Other operating expenditures		177,584	
Water purchases for resale		229,988	
Capital outlay		71,982	
Total operating expenditures	895,656	705,649	190,007
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(66,356)</b>	<b>250,758</b>	<b>(62,900)</b>
<b>OTHER FINANCING SOURCES</b>			
Sale of capital assets	500	-	(500)
Transfers from:			
Capital reserve	65,856	-	(65,856)
Transfers to:			
Golden Leaf fund	(1,126,854)	(1,126,854)	-
I&I fund	-	(29,857)	(29,857)
	(1,060,998)	(1,156,711)	(96,213)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,060,498)</b>	<b>(1,156,711)</b>	<b>(96,213)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<b>(1,126,854)</b>	<b>(905,953)</b>	<b>220,901</b>
<b>FUND BALANCE APPROPRIATED</b>	<b>1,126,854</b>	<b>-</b>	<b>(1,126,854)</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ -</b>	<b>\$ (905,953)</b>	<b>\$ (905,953)</b>

**TOWN OF BISCOE, NORTH CAROLINA  
 WATER AND SEWER FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP)  
 For the Year Ended June 30, 2013**

RECONCILIATION FROM BUDGETARY BASIS  
 (MODIFIED ACCRUAL) TO FULL ACCRUAL

REVENUES (UNDER) EXPENDITURES \$ (905,953)

RECONCILING ITEMS

Depreciation	(124,585)
Capital outlay	71,982
Less: Items not capitalized	(21,594)
Loss on disposal of fixed assets	(2,899)
Loss on disposal of construction in process	(29,857)
Capital project expenditures not capitalized	(50,143)
Capital contributions	40,000
Change in inventory	222
Transfer from capital reserve fund	145,694
Transfer to:	
Golden Leaf fund	1,126,854
I&I fund	29,857
Total	<u>1,185,531</u>

CHANGE IN NET POSITION \$ 279,578



**TOWN OF BISCOE**  
**ENTERPRISE CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**From Inception and for the Year Ended June 30, 2013**

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
<b>REVENUES</b>					
CWMTF grant proceeds	\$ 1,010,000	\$ 530,000	\$ -	\$ 530,000	\$ (480,000)
STAG grant proceeds	266,000	152,012	-	152,012	(113,988)
Golden Leaf grant proceeds	1,300,000	-	-	-	(1,300,000)
I&I Rural Center grant proceeds	40,000	-	40,000	40,000	-
<b>TOTAL REVENUES</b>	<b>2,616,000</b>	<b>682,012</b>	<b>40,000</b>	<b>722,012</b>	<b>(1,893,988)</b>
<b>EXPENDITURES</b>					
STAG and CWMTF grant expenditures	1,461,133	813,055	-	813,055	648,078
Golden Leaf expenditures	1,800,000	145,694	1,183,986	1,329,680	470,320
I&I Rural Center expenditures	80,000	29,857	50,143	80,000	-
<b>TOTAL EXPENDITURES</b>	<b>3,341,133</b>	<b>988,606</b>	<b>1,234,129</b>	<b>2,222,735</b>	<b>1,118,398</b>
<b>REVENUES UNDER EXPENDITURES</b>	<b>(725,133)</b>	<b>(306,594)</b>	<b>(1,194,129)</b>	<b>(1,500,723)</b>	<b>(775,590)</b>
<b>OTHER FINANCING SOURCES</b>					
Transfer from water and sewer	185,133	128,510	1,156,711	1,285,221	1,100,088
Transfer from capital reserve	500,000	-	145,694	145,694	(354,306)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>685,133</b>	<b>128,510</b>	<b>1,302,405</b>	<b>1,430,915</b>	<b>745,782</b>
<b>FUND BALANCE APPROPRIATED</b>	<b>40,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(40,000)</b>
<b>REVENUES, OTHER FINANCING SOURCES, AND FUND BALANCE APPROPRIATED UNDER EXPENDITURES</b>	<b>\$ -</b>	<b>\$ (178,084)</b>	<b>108,276</b>	<b>\$ (69,808)</b>	<b>\$ (69,808)</b>
<b>FUND DEFICIT, BEGINNING OF YEAR, JULY 1</b>			<b>(178,084)</b>		
<b>FUND DEFICIT, END OF YEAR, JUNE 30</b>			<b>\$ (69,808)</b>		

***SUPPLEMENTAL FINANCIAL DATA***

**TOWN OF BISCOE, NORTH CAROLINA**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**June 30, 2013**

<u>Fiscal year</u>	<u>Uncollected balance July 1, 2012</u>	<u>Additions</u>	<u>Collections and credits</u>	<u>Uncollected balance June 30, 2013</u>
2012-2013	\$ -	\$ 704,960	\$ 671,734	\$ 33,226
2011-2012	29,303	-	21,407	7,896
2010-2011	6,745	-	1,644	5,101
2009-2010	5,108	-	1,147	3,961
2008-2009	4,486	-	914	3,572
2007-2008	4,003	-	360	3,643
2006-2007	3,446	-	290	3,156
2005-2006	9,874	-	-	9,874
2004-2005	5,201	-	75	5,126
2003-2004	7,654	-	-	7,654
2002-2003	<u>5,649</u>	<u>-</u>	<u>5,649</u>	<u>-</u>
	<u>\$ 81,469</u>	<u>\$ 704,960</u>	<u>\$ 703,220</u>	<u>83,209</u>
Less allowance for uncollected taxes receivable General fund				<u>(13,640)</u>
Ad valorem taxes receivable (net)				<u>\$ 69,569</u>
<u>Reconciliation with revenues:</u>				
Taxes - ad valorem - General Fund				\$ 694,637
Reconciling items:				
Interest collected				(6,831)
Other adjustments				9,765
Taxes written off				<u>5,649</u>
Subtotal				<u>8,583</u>
Total collections and credits				<u>\$ 703,220</u>

**TOWN OF BISCOE, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
June 30, 2013**

	Town-wide		Total levy		
	Property valuation	Rate	Total Levy	Property excluding registered motor vehicles	Registered motor vehicles
Original levy:					
Property taxed at current year's rate	\$119,323,189	\$.56	\$ 668,210	\$ 634,216	\$ 33,994
Registered motor vehicles taxed at prior year's rate	3,862,565	.56	22,403	-	22,403
Penalties	-		465	465	-
<b>Total</b>	<u>123,185,754</u>		<u>691,078</u>	<u>634,681</u>	<u>56,397</u>
Discoveries:					
Current year taxes	2,768,824	.56	15,538	15,538	-
Penalties	-		200	200	-
<b>Total</b>	<u>2,768,824</u>		<u>15,738</u>	<u>15,738</u>	<u>-</u>
Abatements	<u>(330,695)</u>		<u>(1,856)</u>	<u>(925)</u>	<u>(931)</u>
<b>TOTAL PROPERTY VALUATION</b>	<u>\$125,623,883</u>				
Net levy			704,960	649,494	55,466
Uncollected taxes at June 30, 2013			<u>33,226</u>	<u>21,086</u>	<u>12,140</u>
<b>CURRENT YEAR'S TAXES COLLECTED</b>			<u>\$ 671,734</u>	<u>\$ 628,408</u>	<u>\$ 43,326</u>
<b>CURRENT LEVY COLLECTION PERCENTAGE</b>			<u>95.29%</u>	<u>96.75%</u>	<u>78.11%</u>



**DIXON HUGHES GOODMAN<sup>LLP</sup>**  
Certified Public Accountants and Advisors

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

To the Honorable Mayor and  
Town Commissioners  
Biscoe, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Biscoe, North Carolina (the Town), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprises the Town of Biscoe's basic financial statements, and have issued our report thereon dated December 13, 2013.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency 2013-1 described in the accompanying Schedule of Findings and Responses to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Responses as item 2013-1.

Town of Biscoe's Response to Findings

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

Purpose of this Report

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

*Dixon Hughes Goodman LLP*

December 13, 2013

**TOWN OF BISCOE**  
**SUMMARY OF FINDINGS AND RESPONSES**  
**For the Year Ended June 30, 2013**

---

**Section I. Summary of Auditors' Results**

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant Deficiency(s) identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted Yes

**Section II Financial Statement Findings**

Material Weakness

Finding 2013-1 Expenditures in Excess of Appropriations

Criteria: In accordance with General Statutes expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds.

Condition: The Town's expenditures exceeded appropriations for the following:

- Transfers from the water and sewer fund to the I&I capital project fund exceeded appropriations by \$29,857.

**TOWN OF BISCOE**  
**SUMMARY OF FINDINGS AND RESPONSES**  
**For the Year Ended June 30, 2013**

---

**Section II      Financial Statement Findings (Continued)**

Finding 2013-1      Expenditures in Excess of Appropriations (Continued)

Effect:              The Town was not in compliance with General Statutes.

Cause:              The Town did not amend the budget for the transfers denoted above.

Recommendation: Management and the Commissioners should more closely review budget versus actual reports to ensure that expenditures are not in excess of appropriations. These reviews should be performed periodically throughout the year to ensure that the Town is not in excess of appropriations at any time.

Views of Responsible  
Officials and Planned

Corrective Actions: Management and the Commissioners will more closely review budget versus actual reports and will make necessary budget amendments to ensure that expenditures are not in excess of appropriations.



Report to the Board of Commissioners of

**Town of Biscoe,  
North Carolina**

June 30, 2013



**DIXON HUGHES GOODMAN<sub>LLP</sub>**

*positively unique*



# Table of Contents

Contacts.....	1
Required Auditor Communications.....	2
Appendix A - Management Representation Letter.....	5





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**Director**

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December 13, 2013

To the Board of Commissioners  
Town of Biscoe, North Carolina

We have audited the financial statements of Town of Biscoe, North Carolina (the “Town”) for the year ended June 30, 2013, and have issued our report thereon dated December 13, 2013. Professional standards require that we provide you with information about our responsibilities in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards. We have communicated such information in our letter to you dated January 17, 2013. In addition, professional standards require that we provide information related to the planned scope and timing of our audit. We communicated such information with management prior to the start of the audit. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Biscoe, North Carolina are described in Note 1 to the financial statements. During the year ended June 30, 2013, the Town implemented GASB Statement No. 62, No. 63, and No. 65. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 GASB and AICPA Pronouncements* codifies sources of generally accepted accounting principles for state and local governments so that they derive from a single source. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* establishes a framework that specifies where and how deferred outflows of resources, deferred inflows of resources – including assets and liabilities – and net position should be displayed. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, reclassify, as deferred outflows or resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows or resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 is effective for periods beginning after December 15, 2012; however, the Town has early adopted this Statement.





We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was (were):

Management's estimate of depreciable lives of long lived assets and allowance for bad debts. We evaluated the key factors and assumptions used to develop these estimated and determined that they are reasonable in relation to the financial statements taken as a whole.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### **Disagreements With Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter included in Appendix A.





## Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Town’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Commissioners and management of the Town of Biscoe, North Carolina and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Dixon Hughes Goodman LLP*





# Appendix A – Management Representation Letter



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## *TOWN OF BISCOE*

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110 West Main Street    P.O. Box 1228    Biscoe, N.C. 27209    Phone (910) 428-4112    FAX (910) 428-3975    [www.townofbiscoe.com](http://www.townofbiscoe.com)

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December 13, 2013

Dixon Hughes Goodman LLP  
130 Turnberry Way  
Pinehurst, NC 28374

This representation letter is provided in connection with your audit of the financial statements of Town of Biscoe which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows for the period then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of December 13, 2013, the following representations made to you during your audit.

### **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 17, 2013, including our responsibility for the preparation and fair presentation of the financial statements and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and responses.
- 8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the Town's accounts. In addition, there are no uncorrected misstatements or omitted disclosures.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the Town is contingently liable, if any, have been properly recorded or disclosed.



**Information Provided**

11) We have provided you with:

- a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
- b) Additional information that you have requested from us for the purpose of the audit.
- c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- d) Minutes of the meetings of Town or summaries of actions of recent meetings for which minutes have not yet been prepared.

12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

- a) Management,
- b) Employees who have significant roles in internal control, or
- c) Others where the fraud could have a material effect on the financial statements.

15) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.

16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

18) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

**Government—specific**

19) We have made available to you all financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.

20) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

21) We have taken timely and appropriate steps to remedy fraud, violations of laws, regulations, contracts, or grant agreements, or abuse that you have reported to us.

22) We have a process to track the status of audit findings and recommendations.


23) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

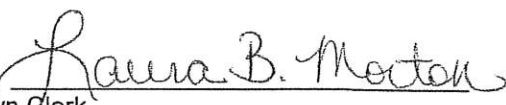
24) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

25) The Town has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

- 26) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 27) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 28) As part of your audit, you assisted with preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have assumed all management responsibilities. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 29) The Town has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 30) The Town has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 31) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 32) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 33) The financial statements properly classify all funds and activities.
- 34) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 35) Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
- 36) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 37) Provisions for uncollectible receivables have been properly identified and recorded.
- 38) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 39) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 40) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 41) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 42) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 43) We have appropriately disclosed the Town's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 44) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

- 45) With respect to the combining and individual fund statements, budgetary schedules, other schedules, and additional financing data
  - a) We acknowledge our responsibility for presenting the supplementary information indicated above in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- 46) Expenditures of federal and State awards were below the \$500,000 threshold in the year ended June 30, 2013, and we were not required to have an audit in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.
- 47) No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements, except as made known to you.

Signature:   
Title: Town Manager

Signature:   
Title: Town Clerk