

TOWN OF BISCOE

FINANCIAL STATEMENTS

Year Ended June 30, 2014

**Town of Biscoe, North Carolina**  
*List of Principal Officials*  
**June 30, 2014**

Elected Officials

James E. Blake	Mayor
Jerry Smith	Mayor Pro-Tem
John Beard	Commissioner
Eugene Anderson	Commissioner
Jimmy Cagle	Commissioner
W. Eddie Reynolds	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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TOWN OF BISCOE, NORTH CAROLINA

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**DIXON HUGHES GOODMAN** LLP  
Certified Public Accountants and Advisors

## ***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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

### ***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, 2014, 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 44 and 45, 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 relate 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 November 25, 2014 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*

November 25, 2014



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fax (910) 428-3975

### **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, 2014. 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**

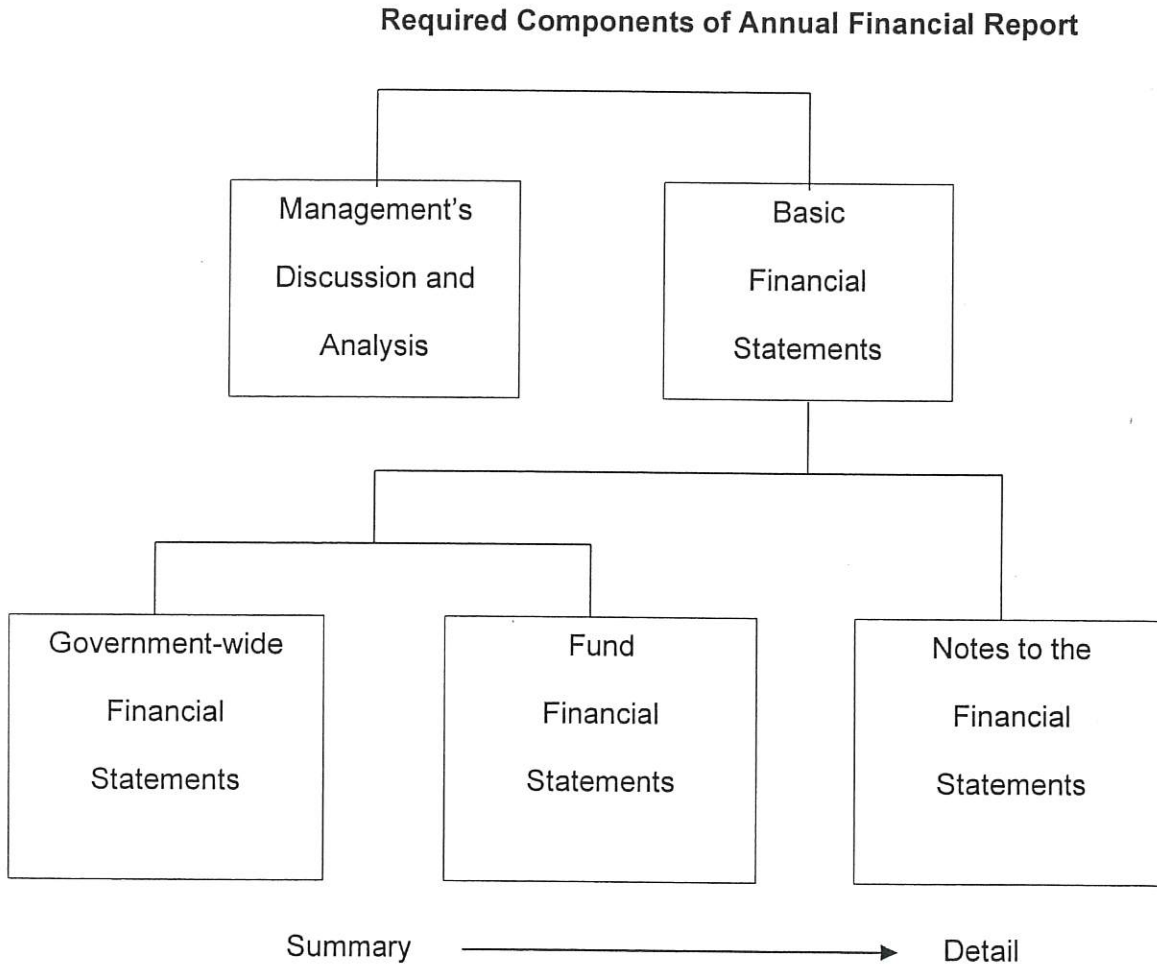
- The assets of the Town of Biscoe exceeded its liabilities at the close of the fiscal year by \$8,980,809. The assets of the governmental activities exceeded liabilities by \$3,665,916 and the assets of the business-type activities exceeded liabilities by \$5,314,893.
- The government's total net position increased by \$859,836; primarily due to the receipt of \$800,000 in grant funding from the Golden Leaf Foundation.
- As of the close of the current fiscal year, the Town of Biscoe's governmental funds reported combined ending fund balances of \$1,936,112 a decrease of \$82,758 in comparison with the prior year. Approximately 35 percent of this total amount, or \$669,279 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 \$5,314,893 an increase of \$895,810 from the prior year.



## Overview of the Financial Statements

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

Figure 1:



Outlook

Search



New message

Delete Archive Junk Sweep Move to Categorize Snooze

Favorites

Inbox 40

Sent Items

Drafts 1

1c Clerk District 8

Deleted Items

Add favorite

Folders

Inbox 40

Audit 2020

Board - Town Board

Code Enforcement

Fiddlers Convention

Land Use Plan - N Focus

Powell Bill 2020

Speed Bumps

Drafts 1

Sent Items

Deleted Items

Junk Email 556

Archive

Notes

> 0 ADAM -- CLERKS WEBSITE

> 1a Clerks' Newsletter

> 1b Clerk Committees

2020

1c Clerk District 8

1d Clerk Legislative

1E Clerk President

### Forgotten Password Verification

Getting too much email? [Unsubscribe](#)

FP **Forgotten Password <ncid.notifications@nc.gov>** [Icons]

Mon 3/9/2020 12:26 PM  
Laura Morton

Thank you for requesting a password reset. To continue with your password reset, please [click here](#) to continue.

If for some reason this link doesn't work, you can copy and paste the following code onto the password reset form:

776277

If you do not wish to change your password at this time, you do not need to take any action.



Outlook

Search



New message

Delete Archive Junk Sweep Move to Categorize Snooze

Favorites

Inbox 39

Sent Items

Drafts 1

1c Clerk District 8

Deleted Items

Add favorite

Folders

Inbox 39

Audit 2020

Board - Town Board

Code Enforcement

Fiddlers Convention

Land Use Plan - N Focus

Powell Bill 2020

Speed Bumps

Drafts 1

Sent Items

Deleted Items

Junk Email 557

Archive

Notes

> 0 ADAM -- CLERKS WEBSITE

> 1a Clerks' Newsletter

> 1b Clerk Committees

2020

1c Clerk District 8

1d Clerk Legislative

1E Clerk President

### NCID Account Reactivation for Laura B Morton

Getting too much email? [Unsubscribe](#)

ncid.notifications@nc.gov  
Mon 3/9/2020 12:24 PM  
Laura Morton; Brandi Harris



Dear Laura B Morton, Your NCID account **lbmorton** has been reactivated. NCID URL where you can now login is <https://ncid.nc.gov>

Thank you!

This is not working.

What is my password?

Are the suggestions above helpful? [Yes](#) [No](#)



## 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 four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. 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 North Carolina 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 (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance 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.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Town has one fiduciary fund.

**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 26 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 44 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	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 2,120,025	\$ 2,220,329	\$ 1,040,399	\$ 1,483,480	\$ 3,160,424	\$ 3,703,809
Capital assets	1,616,838	1,590,098	4,349,353	3,425,375	5,966,191	5,015,473
<b>Total assets</b>	<u>3,736,863</u>	<u>3,810,427</u>	<u>5,389,752</u>	<u>4,908,855</u>	<u>9,126,615</u>	<u>8,719,282</u>
Current liabilities	70,947	106,810	74,859	489,772	145,806	596,582
Deferred inflows of resources	-	1,727	-	-	-	1,727
<b>Total liabilities and deferred inflows of resources</b>	<u>70,947</u>	<u>108,537</u>	<u>74,859</u>	<u>489,772</u>	<u>145,806</u>	<u>598,309</u>
Net Position :						
Net investment in capital assets	1,616,838	1,590,098	4,349,353	3,425,375	5,966,191	5,015,473
Restricted	181,766	228,123	-	-	181,766	228,123
Unrestricted	1,867,312	1,883,669	965,540	993,708	2,832,852	2,877,377
<b>Total net position</b>	<u>\$ 3,665,916</u>	<u>\$ 3,701,890</u>	<u>\$ 5,314,893</u>	<u>\$ 4,419,083</u>	<u>\$ 8,980,809</u>	<u>\$ 8,120,973</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 \$8,980,809 as of June 30, 2014. The Town's net position increased by \$859,836 for the fiscal year ended June 30, 2014. However, the largest portion (66.4%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's 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, \$181,766, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,832,852 (32%) 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.
- Our Business Type Activities reflected a 4.4% growth in charges for services, which culminates in 4 back to back years of growth. As previously mentioned, we received a single grant payout of \$800,000 from the Golden Leaf Foundation. These positive items combined account for most of the \$895,810 increase in net assets in our business-type activities.
- This fiscal year saw a large reduction in liabilities; last year our large amount of liabilities were primarily tied to substantial one time capital outlay projects. With the completion of those projects, more awareness by staff on the timeliness of billing cycles, and our entry into the Debt Set-Off Program we have been able to greatly reduce our liabilities at the close of the fiscal year.

## 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	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 40,665	\$ 36,602	\$ 978,220	\$ 945,134	\$ 1,018,885	\$ 981,736
Operating grants and contributions	163,849	102,929	-	-	163,849	102,929
Capital grants and contributions	4,594	95,779	841,588	40,000	846,182	135,779
General revenues:						
Property taxes	718,213	696,376	-	-	718,213	696,376
Local option sales tax	292,120	284,526	-	-	292,120	284,526
Unrestricted						
Intergovernmental	231,858	213,677	-	-	231,858	213,677
Other	74,942	171,540	29,873	(21,483)	104,815	150,057
<b>Total revenues</b>	<b>1,526,241</b>	<b>1,601,429</b>	<b>1,849,681</b>	<b>963,651</b>	<b>3,375,922</b>	<b>2,565,080</b>
Expenses:						
General government	513,692	461,713	-	-	513,692	461,713
Public safety	705,941	695,390	-	-	705,941	695,390
Culture and recreation	258,072	131,390	-	-	258,072	131,390
Transportation	111,910	268,557	-	-	111,910	268,557
Water and sewer	-	-	926,471	829,767	926,471	829,767
<b>Total expenses</b>	<b>1,589,615</b>	<b>1,557,050</b>	<b>926,471</b>	<b>829,767</b>	<b>2,516,086</b>	<b>2,386,817</b>
Increase (decrease) in net assets before transfers	(63,374)	44,379	923,210	133,884	859,836	178,263
Transfers	27,400	(145,694)	(27,400)	145,694	-	-
Increase (decrease) in net assets	(35,974)	(101,315)	895,810	279,578	859,836	178,263
Net position, July 1	3,701,890	3,803,205	4,419,083	4,139,505	8,120,973	7,942,710
Net position, June 30	\$ 3,665,916	\$ 3,701,890	\$ 5,314,893	\$ 4,419,083	\$ 8,980,809	\$ 8,120,973

**Governmental activities** – Governmental activities decreased the Town's net position by \$35,974. Key elements of this decrease are as follows:

- The Governmental activities have relied on fund balance to supplement our increased operational costs. We have seen growth in tax revenues but not enough to increase our net position.
- Our growth in our property tax revenues have seen back to back annual growth, without adjusting the tax rate. If this trend can be maintained we should be able to grow our net position without relying on grant revenues.

**Business-type activities:** Business-type activities increased the Town's net position by \$895,810. Key elements of this increase are as follows:

- Our Business-type activities have seen an increase in revenues from charges for services by \$33,086. This 4.4% growth can be attributed to an increase in total sales, which is a trend we are anticipating will continue as we have seen the construction of 48 new apartments, have seen the official start-up of a high-volume user (yogurt plant) which intends to increase our current monthly consumption volumes by 25%, and the growth of the local foundry with the addition of a wash-down/paint line.
- The County Water System increased our purchase price for bulk water by 13%. This cost was absorbed by the Town instead of passed on to the customers. The justification for absorbing this rate increase could be found in the increased volume of sales over the last few fiscal years which has helped to mitigate our fixed costs associated with our day-to-day operations.
- Further growth in Business-type activities has been centered on investment in infrastructure.
- This fiscal year saw another round of tightening our billing practices for our water and sewer department.

We had an increase in expenditures of \$96,704; 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.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town's fund balance available in the General Fund was \$699,560, while total fund balance reached \$1,966,393.

At June 30, 2014, the Town's governmental funds reported combined ending fund balances of \$1,936,112 with a net decrease of \$82,758 in comparison with the prior year. Included in this change in fund balance are decreases in fund balance in both the General and Capital Projects Funds.

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

Minimal unanticipated expenditures occurred this fiscal year. The General fund only needed \$42,625 in budget amendments which covered small expenses to primarily cover maintenance on buildings and grounds.

**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 position of the Water and Sewer Fund at the end of the fiscal year amounted to \$965,540 reflecting a \$895,810 increase from the prior year. Net Assets invested in Capital Assets was \$4,349,353, an increase of \$923,978.



## **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, 2014, totals \$5,966,191 reflecting a \$950,718 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**

- Two new computer workstations for Police
- 9 laptops for Patrol Vehicles; solid state hard drives
- 2 Lawn Mowers
- Three insulated fire bay doors (other 3 were purchased in 2012-2013)
- Building Repairs

#### **Retirements and Dispositions**

- No significant retirements, just regular book depreciation.
- We have hired a consultant to actively manage our forest land. We anticipate some adjustments in land values in future fiscal years.

### **Proprietary Funds:**

#### **Additions**

- Backhoe Loader
- 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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 487,192	\$ 487,192	\$ 14,900	\$ 14,900	\$ 502,092	\$ 502,092
Buildings	2,152,836	2,048,823	-	-	2,152,836	2,048,823
Equipment, vehicles & infrastructure	1,839,386	1,949,151	845,678	764,272	2,685,064	2,713,423
Water distribution Systems	-	-	4,217,705	4,217,705	4,217,705	4,217,705
Construction in Progress	-	-	<u>2,315,287</u>	<u>1,329,680</u>	<u>2,315,287</u>	<u>1,329,680</u>
Total Net Assets	4,479,414	4,485,166	7,393,570	6,326,557	11,872,984	10,811,723
Depreciation	<u>(2,862,576)</u>	<u>(2,895,068)</u>	<u>(3,044,217)</u>	<u>(2,901,182)</u>	<u>(5,906,793)</u>	<u>(5,796,250)</u>
Total Capital Assets (net of accumulated depreciation)	<u>\$ 1,616,838</u>	<u>\$ 1,590,098</u>	<u>\$ 4,349,353</u>	<u>\$ 3,425,375</u>	<u>\$ 5,966,191</u>	<u>\$ 5,015,473</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, 2014, 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 was 12.5% in June 2011, 10.2% in June 2012, 10.2% in June 2013, and 6.8% in June 2014. This improvement has been noted locally as employers have created new jobs. Montgomery County has continued to remain above the State average (6.5%) unemployment rate. The Town of Biscoe believes these statistics indicate a local recovery of the recent recession.
- The 160 acre solar farm discussed in last year's audit has grown in scope to be approximately 200 acres. As of fiscal close, this project has not begun construction.
- 48 unit apartment complex located in the Town limits, is under construction and anticipates completion in early 2015.
- The proposed food processing plant, Carolina Dairy, opened in September 2014. It has created 50 jobs, and has invested over 6 million dollars in plant upgrades. They are currently producing Danimals Yogurt under contract with Dannon.
- The largest private employer in Montgomery County is Grede Foundry, which is located in Biscoe, has plans for a 4 million dollar expansion and the creation of 20 more jobs.
- The *Heart of NC Megapark* has seen interest from a few industries but has not seen any announcements of investment by the end of the fiscal year.

## Next Year's Budget Highlights for the Fiscal Year Ending June 30, 2015

**Governmental Activities:** The Town is providing its workers with Cost of Living Adjustment of 2.25%. The most significant planned purchase for the 2014-2015 fiscal year is the purchase of a Platform Ladder Truck for the Fire Department. A new truck would cost close to 1 million dollars. We have been shopping around and intend to purchase a used truck; this purchase would be in accordance with our Capital Improvement Program.

To fund the large anticipated outlay for the Platform Ladder Truck the Town has hired a Forestry Manager to oversee over 220 acres of Town Property. At early estimates, we are anticipating approximately \$250,000 in revenues from harvesting our timber.

We have budgeted \$42,500 for infrastructure upgrades at our Town Park. These upgrades included new light poles, pool resurfacing and a video security system for the park. The Board of Commissioner have also decided to budget \$5,000 towards cleaning distressed properties in town (money to be used for attorney fees and demolition work). Finally, our Police Department will be receiving new ballistic vests and one new vehicle.

**Business-Type Activities:** As previously noted, our charges to customers have increased by 4.4%. We feel this increase is primarily due to increased consumption; which is likely a by-product of the improvement of the local job market. As noted earlier the county increased our water purchase rate 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. With those investments, the Town will be needing to strengthen our Water and Sewer infrastructure. In 2014-2015, we have secured \$585,000 in grant funding from the CWMTF and a loan from the State Revolving Fund for \$1,275,000. Combined these two funding sources will fund \$1,860,000 of \$1,900,000 upgrades to our Waste Water Treatment Plant. The previously mentioned loan is a zero interest loan, but will create the first debt service in the history of the Town of Biscoe. In addition to the major upgrades to our Waste Water Treatment Plant, we also anticipate upgrading the sewer lift station servicing the Carolina Dairy Yogurt Plant; the estimated project cost is \$380,000 and we have applied for two different funding sources.

### 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, 2014**

**Exhibit 1**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 921,809	\$ 81,034	\$ 1,002,843
Restricted cash	909,477	2,700	912,177
Receivables - net			
Property taxes	61,105	-	61,105
Due from other governments	148,988	802,778	951,766
Accounts receivable	90	-	90
Customers	-	129,121	129,121
Accrued interest receivable	147	-	147
Net pension asset	78,409	-	78,409
Inventories	-	24,766	24,766
	<u>2,120,025</u>	<u>1,040,399</u>	<u>3,160,424</u>
Total current assets			
Non-current assets:			
Capital assets:			
Land and other non-depreciable assets	487,192	2,330,187	2,817,379
Other capital assets, net of depreciation	1,129,646	2,019,166	3,148,812
	<u>1,616,838</u>	<u>4,349,353</u>	<u>5,966,191</u>
Total capital assets			
	<u>3,736,863</u>	<u>5,389,752</u>	<u>9,126,615</u>
Total assets			
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	44,399	46,041	90,440
Compensated absences	26,548	26,118	52,666
Payable from restricted assets - customer deposits	-	2,700	2,700
	<u>70,947</u>	<u>74,859</u>	<u>145,806</u>
Total liabilities			
<b>NET POSITION</b>			
Net investment in capital assets	1,616,838	4,349,353	5,966,191
Restricted for:			
Equitable sharing	2,260	-	2,260
Stabilization by State Statute	179,506	-	179,506
Unrestricted	1,867,312	965,540	2,832,852
	<u>\$ 3,665,916</u>	<u>\$ 5,314,893</u>	<u>\$ 8,980,809</u>
Total net position			

TOWN OF BISCOE, NORTH CAROLINA  
 STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2014

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	Governmental Activities	Primary Government Business-type Activities	Total
Primary government:							
Government activities:							
General government	\$ 513,692	\$ 3,390	\$ -	\$ -	\$ (510,302)	\$ -	\$ (510,302)
Public safety	705,941	-	110,243	4,594	(591,104)	-	(591,104)
Transportation	258,072	-	53,606	-	(204,466)	-	(204,466)
Cultural and recreational	111,910	37,275	-	-	(74,635)	-	(74,635)
Total governmental activities	1,589,615	40,665	163,849	4,594	(1,380,507)	-	(1,380,507)
Business-type activities:							
Water and Sewer	926,471	978,220	-	841,588	-	893,337	893,337
Total business-type activities	926,471	978,220	-	841,588	-	893,337	893,337
Total primary government	\$ 2,516,086	\$ 1,018,885	\$ 163,849	\$ 846,182	(1,380,507)	893,337	(487,170)
General revenues:							
Ad valorem taxes					718,213	-	718,213
Local option taxes					292,120	-	292,120
Unrestricted intergovernmental					231,858	-	231,858
Investment earnings					1,823	-	1,823
Miscellaneous					72,638	29,873	102,511
Gain/(loss) on disposal of capital assets					481	-	481
Transfers					27,400	(27,400)	-
Total general revenues and transfers					1,344,533	2,473	1,347,006
Change in net position					(35,974)	895,810	859,836
Net position, beginning					3,701,890	4,419,083	8,120,973
Net position, end of year					\$ 3,665,916	\$ 5,314,893	\$ 8,980,809

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

TOWN OF BISCOE, NORTH CAROLINA  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 June 30, 2014

Exhibit 3

	Major Funds		Total Governmental Funds
	General Fund	OSFM Grant Fund	
<b>ASSETS</b>			
Cash and investments	\$ 921,809	\$ -	\$ 921,809
Restricted cash	909,477	-	909,477
Receivables - net			
Property taxes	61,105	-	61,105
Due from other governments	148,988	-	148,988
Accounts receivable	90	-	90
Accrued interest receivable	147	-	147
Due from other funds	30,281	-	30,281
<b>TOTAL ASSETS</b>	<b>\$ 2,071,897</b>	<b>\$ -</b>	<b>\$ 2,071,897</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 44,399	\$ -	\$ 44,399
Due to other funds	-	30,281	30,281
<b>TOTAL LIABILITIES</b>	<b>44,399</b>	<b>30,281</b>	<b>74,680</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax receivable	61,105	-	61,105
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>61,105</b>	<b>-</b>	<b>61,105</b>
<b>FUND BALANCES</b>			
Restricted			
Equitable sharing	2,260	-	2,260
Stabilization by State Statute	179,506	-	179,506
Assigned			
Subsequent year's expenditures	175,452	-	175,452
Capital reserve fund	909,615	-	909,615
Unassigned (deficit)	699,560	(30,281)	669,279
<b>TOTAL FUND BALANCE (DEFICIT)</b>	<b>1,966,393</b>	<b>(30,281)</b>	<b>1,936,112</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 2,071,897</b>	<b>\$ -</b>	<b>\$ 2,071,897</b>

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

Total fund balance, governmental funds		\$ 1,936,112
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Gross capital assets at historical cost	\$ 4,479,414	
Accumulated depreciation	(2,862,576)	
		1,616,838
Liabilities for earned revenues considered deferred inflows of resources in fund statements		61,105
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		(26,548)
Net pension asset		78,409
Net position of governmental activities		\$ 3,665,916

TOWN OF BISCOE, NORTH CAROLINA  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE (DEFICIT) - GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2014

Exhibit 4  
 Page 1 of 2

	Major Funds		Total Governmental Funds
	General Fund	OSFM Grant Fund	
REVENUES			
Ad valorem taxes	\$ 726,677	\$ -	\$ 726,677
Unrestricted intergovernmental	523,978	-	523,978
Restricted intergovernmental	163,849	4,594	168,443
Permits and fees	3,390	-	3,390
Sales and services	47,220	-	47,220
Investment earnings	1,823	-	1,823
Miscellaneous	62,693	-	62,693
Total revenues	<u>1,529,630</u>	<u>4,594</u>	<u>1,534,224</u>
EXPENDITURES			
General government	468,910	-	468,910
Public safety	691,890	34,875	726,765
Transportation	345,933	-	345,933
Cultural and recreational	104,174	-	104,174
Total expenditures	<u>1,610,907</u>	<u>34,875</u>	<u>1,645,782</u>
REVENUES UNDER EXPENDITURES	<u>(81,277)</u>	<u>(30,281)</u>	<u>(111,558)</u>
OTHER FINANCING SOURCES (USES)			
Transfer from Water & Sewer fund	27,400	-	27,400
Transfer to OSFM Grant fund	(29,349)	-	(29,349)
Transfer from Capital Reserve fund	-	29,349	29,349
Sale of capital assets	1,400	-	1,400
TOTAL OTHER FINANCING SOURCES (USES)	<u>(549)</u>	<u>29,349</u>	<u>28,800</u>
CHANGE IN FUND BALANCE	(81,826)	(932)	(82,758)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>2,048,219</u>	<u>(29,349)</u>	<u>2,018,870</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 1,966,393</u>	<u>\$ (30,281)</u>	<u>\$ 1,936,112</u>

**TOWN OF BISCOE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2014**

*Exhibit 4*  
*Page 2 of 2*

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

Net changes in fund balance - total governmental funds \$ (82,758)

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

Capital outlay	\$	216,822	
Depreciation		<u>(189,163)</u>	
			27,659

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds

Change in unavailable revenue for tax revenues		(8,464)	
Proceeds from sale of capital assets		(1,400)	
Gain on disposal of capital assets		481	

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

Net pension asset		35,120	
Compensated absences		<u>(6,612)</u>	

Total changes in net position of governmental activities \$ (35,974)



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, 2014

Exhibit 5

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 664,241	\$ 664,241	\$ 726,677	\$ 62,436
Unrestricted intergovernmental revenues	520,037	520,037	523,978	3,941
Restricted intergovernmental revenues	144,009	144,009	163,849	19,840
Permits and fees	2,750	2,750	3,390	640
Sales and services	29,100	28,500	47,220	18,720
Investment earnings	2,500	2,500	1,442	(1,058)
Miscellaneous	12,100	52,050	62,693	10,643
Total revenues	<u>1,374,737</u>	<u>1,414,087</u>	<u>1,529,249</u>	<u>115,162</u>
EXPENDITURES				
General government	466,435	493,059	468,910	24,149
Public safety	767,498	778,499	691,890	86,609
Transportation - streets	325,622	346,354	345,933	421
Cultural and recreational	112,593	112,593	104,174	8,419
Total expenditures	<u>1,672,148</u>	<u>1,730,505</u>	<u>1,610,907</u>	<u>119,598</u>
REVENUES UNDER EXPENDITURES	<u>(297,411)</u>	<u>(316,418)</u>	<u>(81,658)</u>	<u>234,760</u>
OTHER FINANCING SOURCES(USES):				
Transfer from other funds	45,000	45,000	45,000	-
Sale of capital assets	14,000	14,000	1,400	(12,600)
Total other financing sources	<u>59,000</u>	<u>59,000</u>	<u>46,400</u>	<u>(12,600)</u>
REVENUES UNDER EXPENDITURES AND OTHER FINANCING SOURCES	<u>(238,411)</u>	<u>(257,418)</u>	<u>(35,258)</u>	<u>222,160</u>
FUND BALANCE APPROPRIATED	<u>238,411</u>	<u>257,418</u>	<u>-</u>	<u>(257,418)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(35,258)</u>	<u>\$ (35,258)</u>
FUND BALANCE, BEGINNING OF YEAR			<u>1,092,036</u>	
FUND BALANCE, END OF YEAR			<u>1,056,778</u>	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Investment earnings			381	
Transfer from Water & Sewer Fund			27,400	
Transfer to General fund			(45,000)	
Transfer to OSFM fund			(29,349)	
Fund Balance, Beginning			<u>956,183</u>	
Fund Balance, Ending (Exhibit 4)			<u>\$ 1,966,393</u>	

TOWN OF BISCOE, NORTH CAROLINA  
 STATEMENT OF NET POSITION - PROPRIETARY FUND  
 June 30, 2014

Exhibit 6

ASSETS

Current assets:

Cash and investments	\$ 81,034
Accounts receivable, net	129,121
Due from other governments	802,778
Restricted cash	2,700
Inventories	<u>24,766</u>

Total current assets 1,040,399

Capital assets:

Land and other non-depreciable assets	2,330,187
Other capital assets, net of depreciation	<u>2,019,166</u>
Total capital assets, net	<u>4,349,353</u>

Total assets 5,389,752

LIABILITIES

Current Liabilities:

Accounts payable and accrued liabilities	46,041
Compensated absences	26,118
Payable from restricted assets - customer deposits	<u>2,700</u>

Total liabilities 74,859

NET POSITION

Net investment in capital assets	4,349,353
Unrestricted	<u>965,540</u>

Total net position \$ 5,314,893

TOWN OF BISCOE, NORTH CAROLINA  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUND  
 For the Year Ended June 30, 2014

Exhibit 7

OPERATING REVENUES	
Charges for services	<u>\$ 978,220</u>
OPERATING EXPENSES	
Water and sewer operations	764,439
Depreciation	<u>121,644</u>
Total Operating Expenses	<u>886,083</u>
INCOME FROM OPERATIONS	<u>92,137</u>
NONOPERATING REVENUES (EXPENSES)	
Other revenue	14,750
Tax refunds	15,123
Other expense	<u>(40,388)</u>
Total Nonoperating Revenues (Expenses)	<u>(10,515)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	81,622
TRANSFER TO CAPITAL RESERVE	(27,400)
CAPITAL CONTRIBUTIONS	<u>841,588</u>
CHANGE IN NET POSITION	895,810
NET POSITION, BEGINNING OF YEAR	<u>4,419,083</u>
NET POSITION, END OF YEAR	<u><u>\$ 5,314,893</u></u>

**TOWN OF BISCOE, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**For the Year Ended June 30, 2014**

*Exhibit 8*

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 217,616
Cash paid for goods and services	(1,017,441)
Cash paid to employees for services	(172,075)
Customer deposits refunded/received	<u>(865)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(972,765)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(1,045,622)
Other expense	(40,388)
Other revenue	29,873
Capital contributions	841,588
Transfer from capital reserve fund	<u>(27,400)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(241,949)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,214,714)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,298,448</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 83,734</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Income from operations	\$ 92,137
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	121,644
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(760,604)
Increase (decrease) in accounts payable and accrued liabilities	(425,269)
(Increase) decrease in inventories	192
Increase (decrease) in customer deposits	<u>(865)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (972,765)</u></u>

Noncash investing, capital, and financing activities:

During the fiscal year ended June 30, 2014, assets of \$21,391 were transferred to the water and sewer fund from the general fund.

TOWN OF BISCOE, NORTH CAROLINA  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
 June 30, 2014

Exhibit 9

	<u>Pension Trust Fund</u> <u>Special Separation</u> <u>Allowance Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 39,589
Accrued interest	<u>1</u>
Total assets	<u>39,590</u>
<b>LIABILITIES</b>	
Accrued benefits	<u>1,368</u>
<b>NET POSITION</b>	
Reserved for employees' pension benefits	<u>\$ 38,431</u>

TOWN OF BISCOE, NORTH CAROLINA  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
 For the Year Ended June 30, 2014

Exhibit 10

	<u>Pension Trust Fund</u> <u>Special Separation</u> <u>Allowance Fund</u>
ADDITIONS:	
Investment earnings	\$ 138
Municipal contribution	30,520
TOTAL ADDITIONS	<u>30,658</u>
DEDUCTIONS:	
Employee benefits	<u>22,243</u>
NET CHANGE	8,415
NET POSITION, BEGINNING OF YEAR, JULY 1	<u>30,016</u>
NET POSITION, END OF YEAR, JUNE 30	<u>\$ 38,431</u>

**TOWN OF BISCOE, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2014**

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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, 2014, 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.

**TOWN OF BISCOE, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2014**

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

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.



**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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

*Measurement Focus and Basis of Accounting (Continued)*

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operation of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as 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 is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

*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.

Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. The Town manager is authorized by the budget ordinance to 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.

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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

*Deposits and Investments*

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptances; and the North Carolina Capital Management Trust. The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT – Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT – Term Portfolio's securities are valued at fair value.

In accordance with State law, the Town has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

*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.

Town of Biscoe Restricted Cash:	
Governmental Activities	
Capital Reserve Fund	\$ 909,477
Business-type Activities	
Water and Sewer Fund	
Customer Deposits	<u>2,700</u>
Total Restricted Cash	<u>\$ 912,177</u>

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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

*Ad Valorem Taxes Receivable*

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1; however, interest does not accrue until the following January 6. The taxes are based on the assessed values as of January 1, 2013. 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.

*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

**TOWN OF BISCOE, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2014**

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

*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 one item that meet this criterion for this category – property taxes receivable.

*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. 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.

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 represents 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)).

**TOWN OF BISCOE, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2014**

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

*Fund Balance (Continued)*

Restricted for Equitable Sharing – portion of fund balance that is restricted through an agreement entered into between the Federal government, the Town's police department, and the governing body.

Committed fund balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Biscoe's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

The Town has no committed fund balance as of June 30, 2014.

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 (See Note X).

**TOWN OF BISCOE, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2014**

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

Deficit in Net Position of Individual Funds

At June 30, 2014, the Town had a deficit of \$30,281 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 and close out of the project, 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, 2014, the Town's deposits had a carrying amount of \$1,946,546 and a bank balance of \$2,043,750. Of the bank balance, \$750,000 was covered by federal depository insurance, and \$1,293,750 was secured through the pooling method. At June 30, 2014, the Town's petty cash fund totaled \$180.

*Investments*

At June 30, 2014, the Town of Biscoe had \$7,883 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**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>

**V. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014, is summarized below:

	July 1, 2013	Additions	Retirements	Transfers/ Reclassifications	June 30, 2014
Non depreciable assets:					
Land	\$ 487,192	\$ -	\$ -	\$ -	\$ 487,192
Depreciable assets:					
Buildings and improvements	2,048,823	76,782	-	27,231	2,152,836
Equipment and vehicles	1,741,887	133,652	(201,183)	(48,622)	1,625,734
Infrastructure	207,264	6,388	-	-	213,652
	<u>3,997,974</u>	<u>216,822</u>	<u>(201,183)</u>	<u>(21,391)</u>	<u>3,992,222</u>
Grand Total	<u>4,485,166</u>	<u>216,822</u>	<u>(201,183)</u>	<u>(21,391)</u>	<u>4,479,414</u>
Less: Accumulated depreciation and amortization for:					
Buildings and improvements to land and buildings	1,670,065	45,126	-	-	1,715,191
Equipment and vehicles	1,164,942	133,354	(200,264)	(21,391)	1,076,641
Infrastructure	60,061	10,683	-	-	70,744
	<u>2,895,068</u>	<u>189,163</u>	<u>(200,264)</u>	<u>(21,391)</u>	<u>2,862,576</u>
Depreciable assets – net	<u>1,102,906</u>	<u>27,659</u>	<u>(919)</u>	<u>-</u>	<u>1,129,646</u>
Governmental activity capital assets – net	<u>\$ 1,590,098</u>	<u>\$ 27,659</u>	<u>\$ (919)</u>	<u>\$ -</u>	<u>\$ 1,616,838</u>

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

General government	\$ 44,178
Public safety	93,117
Cultural and recreation	18,106
Transportation	<u>33,762</u>
Total depreciation expense	<u>\$ 189,163</u>

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**V. CAPITAL ASSETS (Continued)**

Business Type Activities:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Transfers/ Reclassifications</u>	<u>June 30, 2014</u>
Non depreciable assets:				
Land	\$ 14,900	\$ -	\$ -	\$ 14,900
Construction in progress	<u>1,329,680</u>	<u>985,607</u>	<u>-</u>	<u>2,315,287</u>
	<u>1,344,580</u>	<u>985,607</u>	<u>-</u>	<u>2,330,187</u>
Depreciable assets:				
Plant, substations, lines, and related equipment	4,217,705	-	-	4,217,705
Equipment and vehicles	<u>764,272</u>	<u>60,015</u>	<u>21,391</u>	<u>845,678</u>
	<u>4,981,977</u>	<u>60,015</u>	<u>-</u>	<u>5,063,383</u>
<b>Grand Total</b>	<u>6,326,557</u>	<u>1,045,622</u>	<u>21,391</u>	<u>7,393,570</u>
Less: Accumulated depreciation:				
Plant, substations, lines, and related equipment	2,282,179	84,182	-	2,366,361
Equipment and vehicles	<u>619,003</u>	<u>37,462</u>	<u>21,391</u>	<u>677,856</u>
	<u>2,901,182</u>	<u>121,644</u>	<u>21,391</u>	<u>3,044,217</u>
Depreciable assets – net	<u>2,080,795</u>	<u>(61,629)</u>	<u>-</u>	<u>2,019,166</u>
Business type activities capital assets – net	<u>\$ 3,425,375</u>	<u>\$ 923,978</u>	<u>\$ -</u>	<u>\$ 4,349,353</u>

**VI. PAYABLES**

Payables at the government-wide level at June 30, 2014, were as follows:

	<u>Vendors</u>	<u>Salaries and benefits</u>	<u>Total</u>
Governmental Activities:			
General	<u>\$ 13,672</u>	<u>\$ 30,727</u>	<u>\$ 44,399</u>
Business-Type Activities:			
Water and Sewer	<u>\$ 34,023</u>	<u>\$ 12,018</u>	<u>\$ 46,041</u>



**TOWN OF BISCOE, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2014**

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**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 7.28% and 7.07%, 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, 2014, 2013, and 2012 were \$49,913, \$37,823, and \$40,798, respectively. The contribution made by the Town exceeded 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.

*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, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>9</u>
	<u>11</u>

A separate report was not issued for the plan.

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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

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 fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the Town contributed \$48,066, or 17.49% 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. Administration 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, 2013, 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 dollar of projected payroll on a closed basis. The remaining amortization period at December 31, 2013 was 17 years.

*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	\$ 11,583
Interest on net pension obligation	(2,164)
Adjustment to annual required contribution	<u>3,527</u>
Annual pension cost	12,946
Contributions made	<u>(48,066)</u>
Decrease in net pension obligation	(35,120)
Net pension asset beginning of year	<u>(43,289)</u>
Net pension asset end of year	<u>\$ (78,409)</u>

**TOWN OF BISCOE, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2014**

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

Three Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-12	\$11,151	107.61%	\$ (30,938)
6-30-13	13,083	194.40%	(43,289)
6-30-14	12,946	371.28%	(78,409)

Funded Status and Funding Progress - As of December 31, 2013, the most recent actuarial valuation date, the plan was 47.95 percent funded. The actuarial accrued liability for benefits was \$168,508, and the actuarial value of assets was \$80,805, resulting in an unfunded actuarial accrued liability (UAAL) of \$87,703. The covered payroll (annual payroll of active employees covered by the plan) was \$274,761 and the ratio of the UAAL to the covered payroll was 31.92 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.

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, 2014, were \$24,537, which consisted of \$18,277 from the Town and \$6,260 from the law enforcement officers.

TOWN OF BISCOE, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2014

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VII. PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (Continued)

*Firefighter's and Rescue Squad Workers' Pension Fund*

Plan Description - The State of North Carolina contributes, on behalf of the Town of Biscoe, to the Firefighter'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 Firefighter'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. The Town has recognized as a revenue and an expenditure \$14,309 in payments made to the Fund by the State on-behalf of the Town for the year ended June 30, 2014.

*Other Employment Benefits*

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

For the fiscal year ended June 30, 2014, the Town made contributions to the State for death benefits of \$-0-. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.00% of covered payroll, respectively.

**TOWN OF BISCOE, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2014**

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

*Other Employment Benefits (Continued)*

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established as follows:

<u>Number years contributing</u>	<u>Years relief</u>	<u>Fiscal year contributions resume</u>
Less than 10	1	2014
10-20	2	2015
20 or more	3	2016

The period of reprieve is determined separately for law enforcement officers. The Town of Biscoe will have a three year reprieve because it has been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

**VIII. DEFERRED INFLOWS OF RESOURCES**

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

	<u>Unavailable revenue</u>
Taxes receivable (General Fund), less penalties	<u>\$ 61,105</u>

**IX. INTERFUND BALANCES AND ACTIVITY**

Balances due to/from other funds at June 30, 2014 consist of the following:

Due to the General Fund from the OSFM capital project fund for project expenditures paid by the General Fund	<u>\$ 30,281</u>
Total	<u>\$ 30,281</u>

**TOWN OF BISCOE, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2014**

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**IX. INTERFUND BALANCES AND ACTIVITY (Continued)**

Transfers to/from funds at June 30, 2014, consist of the following:

From Water and Sewer Fund to Capital Reserve to fund capital projects	\$ 27,400
From the Capital Reserve Fund to the OSFM Grant Fund for the Town's match on a grant	29,349
From the Water and Sewer Fund to the I&I Capital Project fund for Town's remaining commitment on project	10,143
From the Water and Sewer Fund to the CWMTF fund For Town's remaining commitment on project	2,533
From the Water and Sewer Fund to the Golden Leaf fund For Town's remaining commitment on project	<u>168,522</u>
Total	<u>\$ 237,947</u>

**X. REVENUE, EXPENDITURES AND EXPENSES**

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

For the fiscal year ended June 30, 2014, the Town of Biscoe has recognized on-behalf of payments for pension contributions made by the State as a revenue and an expenditure of \$14,309 for the forty firefighters who perform firefighting duties for the Town's fire department. The volunteers and employees elected to be members of the Firefighter's and Rescue Squad Workers' 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, 2014, the Town of Biscoe had a legal debt margin of \$10,393,897.

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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**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 liability and property exposures are reinsured through commercial companies for 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, 2014.

**XIV. 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>\$ 1,966,393</b>
Less:	
Stabilization by State Statute	179,506
Equitable Sharing Agreement	2,260
Appropriated Fund Balance in 2014-15 budget	175,452
Capital Reserve Fund	909,615
Remaining Fund Balance	699,560

TOWN OF BISCOE, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2014

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XV. 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  
generally accepted accounting principles

- 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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered payroll ((b - a)/c)
12-31-07	\$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%
12-31-13	80,805	168,508	87,703	47.95%	274,761	31.92%

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%
2014	11,583	414.97%

## TOWN OF BISCOE, NORTH CAROLINA

## GENERAL FUND

Page 1 of 3

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

## BUDGET AND ACTUAL

For the Year Ended June 30, 2014

	Budget	Actual	Variance favorable (unfavorable)
<b>REVENUES</b>			
Ad valorem taxes			
Taxes		\$ 717,867	
Penalties and interest		8,810	
Total	\$ 664,241	726,677	\$ 62,436
Unrestricted intergovernmental			
Local option sales tax		292,120	
Franchise tax		215,930	
Beer and wine taxes		7,467	
Solid waste disposal tax		960	
Tax refunds		7,501	
Total	520,037	523,978	3,941
Restricted intergovernmental			
Powell Bill allocation		53,606	
DSM revenues		2,258	
Grant funds		93,676	
On-behalf payments - Fire		14,309	
Total	144,009	163,849	19,840
Permits and fees	2,750	3,390	640
Sales and services			
ABC Revenue		5,045	
Cemetery lots sales		4,900	
Concession receipts		37,275	
Total	28,500	47,220	18,720
Investment earnings	2,500	1,442	(1,058)
Miscellaneous			
Contributions		4,903	
Fire department donations		17,632	
Other		40,158	
Total	52,050	62,693	10,643
<b>TOTAL REVENUES</b>	<b>1,414,087</b>	<b>1,529,249</b>	<b>115,162</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, 2014

	<u>Budget</u>	<u>Actual</u>	Variance favorable (unfavorable)
<b>EXPENDITURES</b>			
General government			
Salaries and employee benefits		\$ 170,636	
Other operating expenditures		156,087	
Capital outlay		1,980	
Total	<u>\$ 341,634</u>	<u>328,703</u>	<u>\$ 12,931</u>
Legal and professional services			
Other operating expenditures		33,148	
Total	<u>40,000</u>	<u>33,148</u>	<u>6,852</u>
Public buildings and grounds			
Other operating expenditures		91,312	
Capital outlay		15,747	
Total	<u>111,425</u>	<u>107,059</u>	<u>4,366</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<u>493,059</u>	<u>468,910</u>	<u>24,149</u>
<b>Public Safety</b>			
Police			
Salaries and employee benefits		443,188	
Other operating expenditures		95,990	
Capital outlay		62,399	
Total	<u>642,230</u>	<u>601,577</u>	<u>40,653</u>
Fire			
Salaries and employee benefits		3,779	
Other operating expenditures		59,777	
Capital outlay		1,189	
Fire department expense		11,259	
Total	<u>136,269</u>	<u>76,004</u>	<u>60,265</u>
Fire and rescue workers on behalf of payments	-	14,309	(14,309)
<b>TOTAL PUBLIC SAFETY</b>	<u>778,499</u>	<u>691,890</u>	<u>86,609</u>
<b>Transportation</b>			
Streets			
Salaries and employee benefits		197	
Other operating expenditures		200,946	
Capital outlay		2,134	
Total	<u>197,400</u>	<u>203,277</u>	<u>(5,877)</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, 2014

	Budget	Actual	Variance favorable (unfavorable)
Transportation (continued)			
Streets - Powell Bill			
Salaries and employee benefits		\$ 18,013	
Other operating expenditures		88,694	
Capital outlay		35,949	
Total	\$ 148,954	142,656	\$ 6,298
TOTAL TRANSPORTATION	346,354	345,933	421
Cultural and Recreational			
Recreation			
Salaries and employee benefits		44,979	
Other operating expenditures		59,195	
TOTAL CULTURAL AND RECREATIONAL	112,593	104,174	8,419
TOTAL EXPENDITURES	1,730,505	1,610,907	119,598
REVENUES OVER (UNDER) EXPENDITURES	(316,418)	(81,658)	234,760
OTHER FINANCING SOURCES (USES):			
Transfer from Capital Reserve	45,000	45,000	-
Sale of capital assets	14,000	1,400	(12,600)
TOTAL OTHER FINANCING SOURCES (USES)	59,000	46,400	(12,600)
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(257,418)	(35,258)	222,160
FUND BALANCE APPROPRIATED	257,418	-	(257,418)
NET CHANGE IN FUND BALANCE	\$ -	(35,258)	\$ (35,258)
FUND BALANCE, BEGINNING OF YEAR, JULY 1		1,092,036	
FUND BALANCE, END OF YEAR, JUNE 30		\$ 1,056,778	

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, 2014

	Budget	Actual	Variance favorable (unfavorable)
REVENUES			
Investment earnings	\$ 4,000	\$ 381	\$ (3,619)
EXPENDITURES	20,651	-	20,651
REVENUES OVER/(UNDER) EXPENDITURES	(16,651)	381	17,032
OTHER FINANCING SOURCES/(USES)			
Transfer from General fund	50,000	-	(50,000)
Transfer to General fund	(45,000)	(45,000)	-
Transfer from Water & Sewer fund	27,400	27,400	-
Transfer to OSFM fund	(29,349)	(29,349)	-
TOTAL OTHER FINANCING SOURCES (USES)	3,051	(46,949)	(50,000)
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(13,600)	(46,568)	(32,968)
FUND BALANCE APPROPRIATED	13,600	-	(13,600)
NET CHANGE IN FUND BALANCE	\$ -	(46,568)	\$ (46,568)
FUND BALANCE, BEGINNING OF YEAR, JULY 1		956,183	
FUND BALANCE, END OF YEAR, JUNE 30		\$ 909,615	

TOWN OF BISCOE  
 CAPITAL PROJECTS FUND (OSFM GRANTS)  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND DEFICIT -  
 BUDGET AND ACTUAL  
 From Inception and for the Year Ended June 30, 2014

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
<b>REVENUES</b>					
OSFM grant proceeds - 2012-2013	\$ 29,851	\$ 29,851	\$ -	\$ 29,851	\$ -
OSFM grant proceeds - 2013-2014	30,000	25,385	4,594	29,979	(21)
<b>TOTAL REVENUES</b>	<b>59,851</b>	<b>55,236</b>	<b>4,594</b>	<b>59,830</b>	<b>(21)</b>
<b>EXPENDITURES</b>					
OSFM expenditures 2012-2013	59,702	59,575	-	59,575	127
OSFM expenditures 2013-2014	60,004	25,385	34,875	60,260	(256)
<b>TOTAL EXPENDITURES</b>	<b>119,706</b>	<b>84,960</b>	<b>34,875</b>	<b>119,835</b>	<b>(129)</b>
REVENUES UNDER EXPENDITURES	(59,855)	(29,724)	(30,281)	(60,005)	(150)
<b>OTHER FINANCING SOURCES</b>					
Transfer from Capital Reserve	59,855	375	29,349	29,724	(30,131)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>59,855</b>	<b>375</b>	<b>29,349</b>	<b>29,724</b>	<b>(30,131)</b>
REVENUES AND OTHER FINANCING SOURCES UNDER EXPENDITURES	\$ -	\$ (29,349)	(932)	\$ (30,281)	\$ (30,281)
FUND DEFICIT, BEGINNING OF YEAR, JULY 1			(29,349)		
FUND DEFICIT, END OF YEAR, JUNE 30			\$ (30,281)		



**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, 2014**

	Budget	Actual	Variance favorable (unfavorable)
<b>REVENUES</b>			
Operating revenues:			
Charges for services	\$ 828,676	\$ 978,220	\$ 149,544
Nonoperating revenues:			
Tax refunds		15,123	
Miscellaneous		14,750	
Total nonoperating revenues	9,100	29,873	20,773
<b>TOTAL REVENUES</b>	<b>837,776</b>	<b>1,008,093</b>	<b>170,317</b>
<b>EXPENDITURES</b>			
Operating expenditures			
Salaries and employee benefits		224,542	
Other operating expenditures		260,127	
Water purchases for resale		265,626	
Capital outlay		73,967	
Total operating expenditures	1,023,278	824,262	199,016
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(185,502)</b>	<b>183,831</b>	<b>(28,699)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	500	-	(500)
Loan proceeds	393,600	-	(393,600)
Transfers to:			
I&I fund	(10,143)	(10,143)	-
CWMTF fund	(2,533)	(2,533)	-
Capital reserve	(27,400)	(27,400)	-
Golden Leaf fund	(168,522)	(168,522)	-
	185,502	(208,598)	(394,100)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>185,502</b>	<b>(208,598)</b>	<b>(394,100)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(24,767)</b>	<b>(24,767)</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ -</b>	<b>\$ (24,767)</b>	<b>\$ (24,767)</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, 2014

RECONCILIATION FROM BUDGETARY BASIS  
 (MODIFIED ACCRUAL) TO FULL ACCRUAL

REVENUES OVER EXPENDITURES	\$ (24,767)
RECONCILING ITEMS	
Depreciation	(121,644)
Capital outlay	73,967
Less: Items not capitalized	(13,952)
Less: Capital project expenditures not capitalized	(40,388)
Capital contributions	841,588
Change in inventory	(192)
Transfers from water and sewer fund to water and sewer capital project funds	181,198
Total	920,577
CHANGE IN NET POSITION	\$ 895,810

TOWN OF BISCOE  
ENTERPRISE CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT) -  
BUDGET AND ACTUAL (NON-GAAP)  
From Inception and for the Year Ended June 30, 2014

	Project Authorization	Actual		Total <sup>3</sup> to date	Variance favorable (unfavorable)
		Prior years	Current year		
<b>REVENUES</b>					
CWMTF grant proceeds	\$ 530,000	\$ 530,000	\$ -	\$ 530,000	\$ -
STAG grant proceeds	200,000	152,012	40,388	192,400	(7,600)
Golden Leaf grant proceeds	800,000	-	800,000	800,000	-
I&I Rural Center grant proceeds	40,000	40,000	-	40,000	-
CWMTF - WWTP grant proceeds	584,000	-	1,200	1,200	(582,800)
<b>TOTAL REVENUES</b>	<b>2,154,000</b>	<b>722,012</b>	<b>841,588</b>	<b>1,563,600</b>	<b>(590,400)</b>
<b>EXPENDITURES</b>					
STAG and CWMTF grant expenditures	861,133	813,055	40,388	853,443	7,690
Golden Leaf expenditures	2,258,960	1,329,680	911,390	2,241,070	17,890
I&I Rural Center expenditures	80,000	80,000	-	80,000	-
WWTP expenditures	1,884,500	-	74,217	74,217	1,810,283
<b>TOTAL EXPENDITURES</b>	<b>5,084,593</b>	<b>2,222,735</b>	<b>1,025,995</b>	<b>3,248,730</b>	<b>1,835,863</b>
<b>REVENUES UNDER EXPENDITURES</b>	<b>(2,930,593)</b>	<b>(1,500,723)</b>	<b>(184,407)</b>	<b>(1,685,130)</b>	<b>1,245,463</b>
<b>OTHER FINANCING SOURCES</b>					
Loan proceeds	1,275,000	-	-	-	(1,275,000)
Transfer from water and sewer	1,484,399	1,285,221	181,198	1,466,419	(17,980)
Transfer from capital reserve	171,194	145,694	-	145,694	(25,500)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>2,930,593</b>	<b>1,430,915</b>	<b>181,198</b>	<b>1,612,113</b>	<b>(1,318,480)</b>
<b>REVENUES, OTHER FINANCING SOURCES, AND FUND BALANCE APPROPRIATED UNDER EXPENDITURES</b>	<b>\$ -</b>	<b>\$ (69,808)</b>	<b>(3,209)</b>	<b>\$ (73,017)</b>	<b>\$ (73,017)</b>
<b>FUND DEFICIT, BEGINNING OF YEAR, JULY 1</b>			<b>(69,808)</b>		
<b>FUND DEFICIT, END OF YEAR, JUNE 30</b>			<b>\$ (73,017)</b>		

***SUPPLEMENTAL FINANCIAL DATA***

**TOWN OF BISCOE, NORTH CAROLINA**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**June 30, 2014**

<u>Fiscal year</u>	<u>Uncollected balance July 1, 2013</u>	<u>Additions</u>	<u>Collections and credits</u>	<u>Uncollected balance June 30, 2014</u>
2013-2014	\$ -	\$ 728,203	\$ 704,027	\$ 24,176
2012-2013	33,226	-	22,227	10,999
2011-2012	7,896	-	2,068	5,828
2010-2011	5,101	-	468	4,633
2009-2010	3,961	-	223	3,738
2008-2009	3,572	-	-	3,572
2007-2008	3,643	-	-	3,643
2006-2007	3,156	-	-	3,156
2005-2006	9,874	-	-	9,874
2004-2005	5,126	-	-	5,126
2003-2004	<u>7,654</u>	<u>-</u>	<u>7,654</u>	<u>-</u>
	<u>\$ 83,209</u>	<u>\$ 721,783</u>	<u>\$ 736,667</u>	<u>74,745</u>
Less allowance for uncollected taxes receivable General fund				<u>(13,640)</u>
Ad valorem taxes receivable (net)				<u>\$ 61,105</u>
<u>Reconciliation with revenues:</u>				
Taxes - ad valorem - General Fund				\$ 726,677
Reconciling items:				
Interest collected				(8,810)
Other adjustments				11,146
Taxes written off				<u>7,654</u>
Subtotal				<u>9,990</u>
Total collections and credits				<u>\$ 736,667</u>

TOWN OF BISCOE, NORTH CAROLINA  
 ANALYSIS OF CURRENT TAX LEVY  
 June 30, 2014

	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	\$126,398,230	\$.56	\$ 707,881	\$ 635,496	\$ 72,385
Registered motor vehicles taxed at prior year's rate	965,105	.56	5,405	-	5,405
Penalties	-		429	429	-
Total	<u>127,363,335</u>		<u>713,715</u>	<u>635,925</u>	<u>77,790</u>
Discoveries:					
Current year taxes	2,674,236	.56	14,976	14,976	-
Penalties	-		151	151	-
Total	2,674,236		15,127	15,127	-
Abatements	<u>(113,857)</u>		<u>(639)</u>	<u>(5)</u>	<u>(634)</u>
TOTAL PROPERTY VALUATION	<u>\$129,923,714</u>				
Net levy			728,203	651,047	77,156
Uncollected taxes at June 30, 2014			<u>24,176</u>	<u>18,546</u>	<u>5,630</u>
CURRENT YEAR'S TAXES COLLECTED			<u>\$ 704,027</u>	<u>\$ 632,501</u>	<u>\$ 71,526</u>
CURRENT LEVY COLLECTION PERCENTAGE			<u>96.68%</u>	<u>97.15%</u>	<u>92.70%</u>



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

**Independent Auditors' Report**

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 basic 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, 2014, 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 November 25, 2014.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

November 25, 2014



Report to the Board of Commissioners  
of

**Town of Biscoe,  
North Carolina**

June 30, 2014



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

*positively unique*



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November 25, 2014

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, 2014, and have issued our report thereon dated November 25, 2014. 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, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 12, 2014. 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. No new accounting policies were adopted and the application of existing policies was not changed during 2014. 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 estimates affecting the financial statements were management's estimate of the depreciable lives of long lived assets and allowance for bad debts. We evaluated the key factors and assumptions used to develop these estimates in determining 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. Item 8 in the attached management representation letter summarizes the uncorrected misstatement of water and sewer receivables. Management has determined that its effect is immaterial both individually and in the aggregate, to the financial statements taken as a whole. 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*

Pinehurst, North Carolina





# 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*

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November 25, 2014

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, 2014, 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 November 25, 2014, 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 May 12, 2014, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP 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) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) There are no uncorrected misstatements or omitted disclosures in the financial statements other than the understatement of water and sewer receivables of \$99,183 at June 30, 2014 for unbilled receivables. This



understatement also results in an understatement of beginning net position of \$90,546 and an understatement of current year revenue of \$8,637. The amounts aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

- 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. In addition, we have not contacted our lawyers about such matters since the effective date of their letter to you.

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.

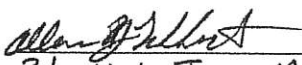
#### **Government—specific**

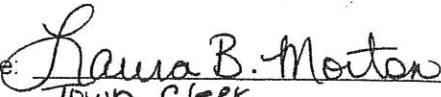
19) There have been no communications from regulatory agencies concerning noncompliance with, or

deficiencies in, financial reporting practices.

- 20) 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.
- 21) We have a process to track the status of audit findings and recommendations.
- 22) 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.
- 23) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 24) The Town has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 25) 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.
- 26) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 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) 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.
- 32) The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.
- 33) 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.
- 34) Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
- 35) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.

- 36) Provisions for uncollectible receivables have been properly identified and recorded.
- 37) 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.
- 38) 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.
- 39) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 40) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 41) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 42) 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.
- 43) 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.
- 44) With respect to the combining and individual fund statements, budgetary schedules, other schedules, and additional financing data ("supplementary information")
- 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.
- b) If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
- 45) Expenditures of federal and State awards were below the \$500,000 threshold in the year ended June 30, 2014, and we were not required to have an audit in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.
- 46) 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: Allen B. Lockhart, Town Manager

Signature:   
Title: Town Clerk