

**TOWN OF BISCOE, NORTH CAROLINA**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**JUNE 30, 2018**

# TOWN OF BISCOE, NORTH CAROLINA

## TABLE OF CONTENTS

	<u>Page No.</u>
<b>Members of Board of Commissioners and Town Officials</b> .....	4
<b>Independent Auditors' Report</b> .....	5
<b>Management's Discussion and Analysis</b> .....	8
<b>Basic Financial Statements:</b>	
<u>Government-wide Financial Statements</u>	
Statement of Net Position (Exhibit 1) .....	18
Statement of Activities (Exhibit 2).....	19
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds (Exhibit 3) .....	20
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds (Exhibit 4).....	22
Statement of Revenues, Expenditures, and Changes in Fund Balance – Annual Budget and Actual – General Fund (Exhibit 5).....	24
Statement of Net Position – Proprietary Fund (Exhibit 6) .....	25
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund (Exhibit 7) .....	26
Statement of Cash Flows – Proprietary Fund (Exhibit 8) .....	27
Notes to Financial Statements .....	30

# TOWN OF BISCOE, NORTH CAROLINA

## TABLE OF CONTENTS (CONTINUED)

	<u>Page No.</u>
<b>Required Supplemental Financial Data:</b>	
Schedule of the Proportionate Share of the Net Pension Liability (Asset) – Local Government Employees’ Retirement System (Schedule A-1).....	55
Schedule of Contributions – Local Government Employees’ Retirement System (Schedule A-2) .....	56
Schedule of Changes in Total Pension Liability – Law Enforcement Officers’ Special Separation Allowance (Schedule A-3) .....	57
Schedule of Total Pension Liability as a Percentage of Covered Payroll – Law Enforcement Officers’ Special Separation Allowance (Schedule A-4) .....	58
<b>Individual Fund Statements:</b>	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – General Fund.....	60
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Reserve Fund.....	64
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) – Water and Sewer Fund.....	65
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – From Inception to Date Capital Project Fund – Industrial Park Pump Lift Station.....	67
<b>Other Schedules</b>	
Schedule of Ad Valorem Taxes Receivable .....	69
Analysis of Current Tax Levy-Town-Wide Levy .....	70

**TOWN OF BISCOE, NORTH CAROLINA**

**MEMBERS OF BOARD OF COMMISSIONERS**

**ELECTED OFFICIALS**

James E. Blake .....Mayor  
Jerry Smith .....Mayor Pro-Tem  
John Beard.....Commissioner  
Eugene Anderson .....Commissioner  
Kay Cagle-Kinch.....Commissioner  
Vacant Seat.....Commissioner

**APPOINTED OFFICIALS**

Brandon Holland .....Town Manager  
Laura Morton.....Town Clerk

**TOWN STAFF**

Laura Jordan .....Deputy Town Clerk  
Sam Stewart.....Public Works Director  
Brent Tedder.....Police Chief  
Sam Stewart.....Fire Chief



cannon&company  
Certified Public Accountants L.L.P.

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor  
and Members of the Board of Commissioners  
Town of Biscoe  
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, 2018, 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 presentation 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

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 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, 2018, and the respective changes in financial position and, where applicable, cash flows 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 on Pages 9 through 16, the local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 55 and 56 and the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages 57 and 58, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

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

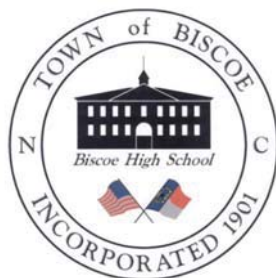
The combining and individual non-major fund financial statements, budgetary schedules and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has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

The introductory information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

*Cannon & Company, S.P.C.*

September 7, 2018

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



110 West Main Street  
Post Office Box 1228  
Biscoe, North Carolina 27209  
Phone (910) 428-4112  
Fax (910) 428-3975

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

As management of the Town of Biscoe (the "Town"), we offer readers of the Town of Biscoe's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

#### **Financial Highlights**

- The assets and deferred outflows of resources of the Town of Biscoe *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by \$9,216,963 (*net position*).
- Governmental activities reported a decrease in total net position of \$128,044. Business-type activities reported an increase in the current year of \$10,535.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,435,156 a decrease of \$139,299 in comparison with the prior year. Approximately 50 percent of this total amount, or \$1,215,099 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.

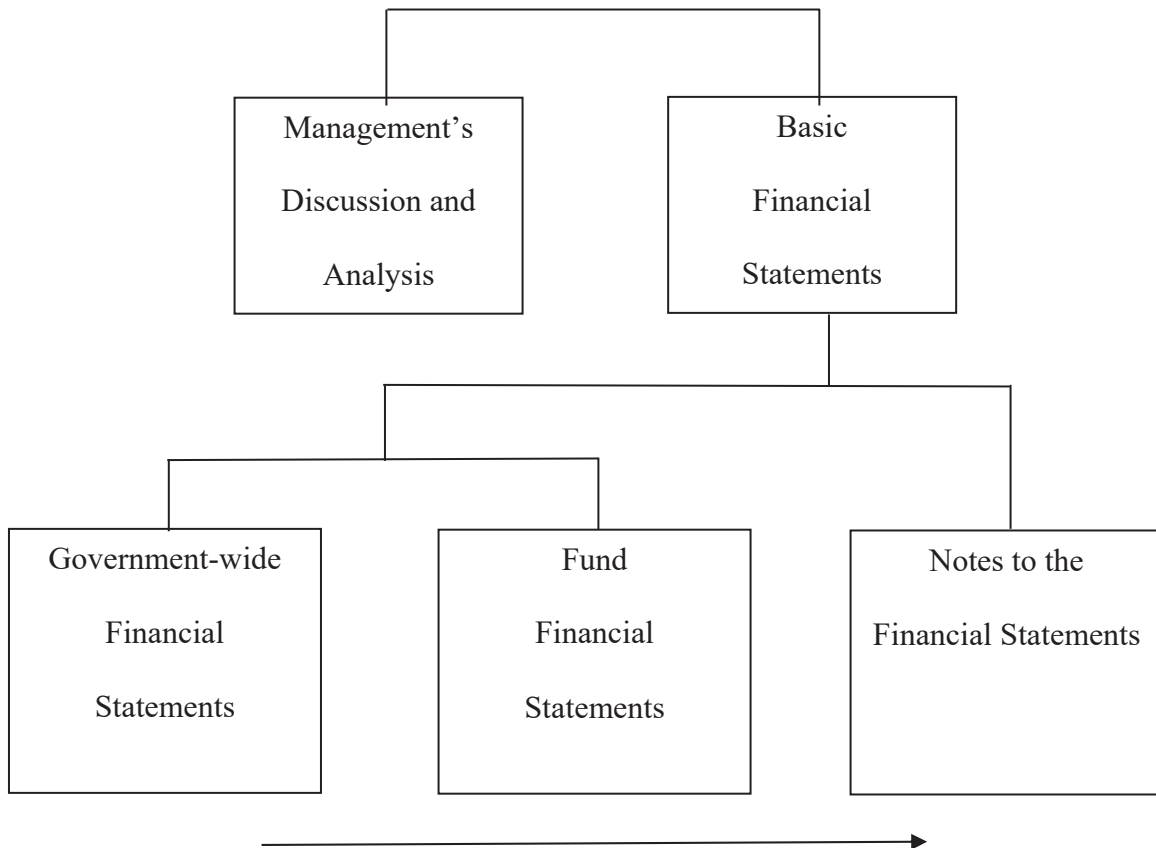
#### **Overview of the Financial Statements**

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.



**Required Components of Annual Financial Report**

**Figure 1**



**Basic Financial Statements**

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

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes 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 report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into 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, 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. This includes the water and sewer offered by the Town.

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

### **Fund Financial Statements**

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

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

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

**TOWN OF BISCOE, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
For the Fiscal Year Ended June 30, 2018

accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

**Proprietary Funds** – The Town has one kind of proprietary fund. The *Enterprise Fund* is 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 those functions shown in the business-type activities in the Statement of Net position and the Statement of Activities.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 30 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 55 of this report.

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

**Government-Wide Financial Analysis**

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 2,490,788	\$ 2,514,537	\$ 1,300,296	\$ 1,161,441	\$ 3,791,084	\$ 3,675,978
Capital assets	1,609,866	1,173,319	5,728,279	5,967,044	7,338,145	7,140,363
Total assets	4,100,654	3,687,856	7,028,575	7,128,485	11,129,229	10,816,341
Deferred outflows of resources	102,261	146,921	45,733	69,221	147,994	216,142
Current liabilities	88,248	100,552	209,056	213,209	297,304	313,761
Long-term liabilities outstanding	456,366	322,960	1,281,591	1,436,702	1,737,957	1,759,662
Total liabilities	544,614	423,512	1,490,647	1,649,911	2,035,261	2,073,423
Deferred inflows of resources	18,366	23,498	6,633	10,558	24,999	34,056
Net position:						
Invested in capital assets	1,434,866	1,173,319	4,373,793	4,475,712	5,808,659	5,649,031
Restricted	258,839	213,633	-	-	258,839	213,633
Unrestricted	1,946,230	2,000,815	1,203,235	1,061,525	3,149,465	3,062,340
Total net position	\$ 3,639,935	\$ 3,387,767	\$ 5,577,028	\$ 5,537,237	\$ 9,216,963	\$ 8,925,004

**TOWN OF BISCOE, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
For the Fiscal Year Ended June 30, 2018

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town exceeded liabilities and deferred inflows by \$9,216,963 as of June 30, 2018. The Town's net position decreased by \$117,509 for the fiscal year ended June 30, 2018. However, the largest portion, (63%), 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 net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$258,839 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,149,465 (34%) is unrestricted.

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

- Governmental activities saw an increase in expenses; we can attribute this change to a significant increase in general government and public safety expenses.
- Business-type activities saw an increase in revenues from the prior year which resulted in a small increase in net position in business-type activities.

**Town of Biscoe's Changes in Net Position**  
**Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 54,660	\$ 50,294	\$ 1,305,938	\$ 1,093,878	\$ 1,360,598	\$ 1,144,172
Operating grants and contributions	142,672	62,113	-	-	142,672	62,113
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	761,285	772,570	-	-	761,285	772,570
Local options sales tax	421,434	389,835	-	-	421,434	389,835
Unrestricted intergovernmental	277,114	254,542	-	-	277,114	254,542
Other	34,960	57,477	57,236	17,050	92,196	74,527
Total revenues	1,692,125	1,586,831	1,363,174	1,110,928	3,055,299	2,697,759
Expenses:						
General government	583,425	509,083	-	-	583,425	509,083
Public safety	826,784	729,300	-	-	826,784	729,300
Culture and recreation	246,735	245,616	-	-	246,735	245,616
Transportation	163,225	157,932	-	-	163,225	157,932
Water and sewer	-	-	1,352,639	1,258,536	1,352,639	1,258,536
Total expenses	1,820,169	1,641,931	1,352,639	1,258,536	3,172,808	2,900,467
Decrease in net position	(128,044)	(55,100)	10,535	(147,608)	(117,509)	(202,708)
Net position, beginning, restated	3,767,979	3,442,867	5,566,493	5,684,845	9,334,472	9,127,712
Net position, June 30	\$ 3,639,935	\$ 3,387,767	\$ 5,577,028	\$ 5,537,237	\$ 9,216,963	\$ 8,925,004

**TOWN OF BISCOE, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
For the Fiscal Year Ended June 30, 2018

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**Governmental activities:** Governmental activities decreased the Town's net position by \$128,044. Key elements of this decrease are as follows:

- As previously noted the cost of governmental activities was more than revenues. We have seen growth in intergovernmental revenues (primarily sales tax), indicating a healthier state economy.
- Revenues exceeded 2017 year end by \$105,294 largely in part due to increased operating grants.
- In comparison to the previous year, operating expenses increased by \$178,238. This increase was also largely due to general government and public safety.

**Business-type activities:** Business-type activities increased the Town's net position by \$10,535. Key elements of this increase are as follows:

- Our business-type activities reflected an increase in water and sewer charges.
- The industrial pump station project and associated debt payments will continue to make an impact. However, future revenues are expected to cover debt cost in future years.
- Further growth in business-type activities has been centered on investment in and maintenance of infrastructure.
- This fiscal year experienced improvements of administration billing practices for the water and sewer department including implementation of a formal fee schedule that includes tampering and reconnect fees.

#### **Financial Analysis of the Town of Biscoe'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.

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 \$1,215,099, while total fund balance was \$2,435,156. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 60 percent of total General Fund expenditures.

At June 30, 2018 the governmental funds of Town of Biscoe reported a combined fund balance of \$2,435,156 with a net decrease in fund balance of \$139,299.

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

**Proprietary Funds:** The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,203,235 reflecting a \$10,535 increase from the prior year. Net investment in capital assets was \$4,373,793.

**TOWN OF BISCOE, NORTH CAROLINA**  
**MANAGEMENT’S DISCUSSION & ANALYSIS**  
For the Fiscal Year Ended June 30, 2018

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**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, 2018, totals \$7,338,145 reflecting a \$197,782 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**

- Electric car charging station - \$10,466
- Playground Equipment - \$47,061
- Swimming pool plastering - \$72,596
- Fire Department remodeling – \$76,385
- Ford F-150 (partial) - \$14,165
- Ford Explorer - \$30,305
- Ladder Fire Truck - \$209,000

**Retirements and Dispositions**

- None

**Proprietary Funds:**

**Additions**

- Mobile Generator - \$10,988
- New pumps (3) - \$17,935
- Ford F-150 (partial) - \$15,156
- Industrial Pump station upgrade - \$295,079

**Retirements and Dispositions**

- None

**Town of Biscoe’s Capital Assets**  
(Net of depreciation)

**Figure 4**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Land	\$ 358,715	\$ 358,715	\$ 14,900	\$ 14,900	\$ 373,615	\$ 373,615
Buildings and improvements	693,950	339,099	-	-	693,950	339,099
Equipment, vehicles and infrastructure	557,201	475,505	237,657	249,808	794,858	725,313
Water distribution systems	-	-	5,475,722	5,702,336	5,475,722	5,702,336
<b>Total</b>	<b>\$ 1,609,866</b>	<b>\$ 1,173,319</b>	<b>\$ 5,728,279</b>	<b>\$ 5,967,044</b>	<b>\$ 7,338,145</b>	<b>\$ 7,140,363</b>

**TOWN OF BISCOE, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
For the Fiscal Year Ended June 30, 2018

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

**Long-term Debt.** As shown in Note B, the Town has notes payable related to two enterprise capital projects totaling \$1,354,487 along with a note payable for a new ladder fire truck totaling \$175,000. These notes are backed by the full faith and credit of the Town. The principal and interest on these notes are being serviced by the Water and Sewer Fund and General Fund, respectively.

**Town of East Bend's Outstanding Debt**  
**Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Compensated absences	\$ 33,288	\$ 29,987	\$ 23,014	\$ 20,424	\$ 56,302	\$ 50,411
Pension related debt (LGERS)	138,583	160,792	65,215	82,215	203,798	243,007
Pension related debt (LEO)	157,529	162,168	-	-	157,529	162,168
Notes payable	175,000	-	1,354,486	1,491,332	1,529,486	1,491,332
<b>Total</b>	<b>\$ 504,400</b>	<b>\$ 352,947</b>	<b>\$ 1,442,715</b>	<b>\$ 1,593,971</b>	<b>\$ 1,947,115</b>	<b>\$ 1,946,918</b>

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within the government's boundaries. The legal debt margin for the Town of Biscoe is \$13,940,992.

**Economic Factors and Next Year's Budgets and Rates**

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

- The Montgomery County unemployment rate reported by the Division of Employment Security was 10.2% in June 2012, 10.2% in June 2013, 6.8% in June 2014, 6.2% in June 2015, 5.3% in October 2016, 4.3% in June 2017 and 3.6% in May 2018. This improvement has been noted locally as employers have created new jobs. Montgomery County remains competitive, the State's average continues to remain at 4.2% unemployment. The Town of Biscoe believes these statistics indicate a continued local recovery of the recent recession, and growth in the local economy.
- 48 unit apartment complex located in the Town limits, maintains an occupation rate of approximately 80%.
- Market Montgomery and the Chamber remain as a vital partner while promoting Town businesses and events.
- 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. In addition to being a high priority of the County Commissioners for economic development.

**Budget Highlights for the Fiscal Year Ending June 30, 2019**

**Governmental Activities:** The 2017-2018 General Fund Budget experienced capital items, causing the 2018-2019 Budget to be prepared in an effort to decrease fund balance usage. The General Fund expenditure changes are highlighted as follows:

**Police Department:** The Police Department will replace a 2008 vehicle with one 2018 SUV. The Police Department Budget will not include the Transfer to the LEO Separation Fund of \$25,000. The funds will be transferred from the CD just as we did last year. The current CD has a balance of \$96,481. This transfer is normally around \$20,000, next year's budget will include funding the CD again.

**Fire Department:** The Fire Department has been awarded \$30,000 from the OSFM for a remodeling project totaling \$157,000. The Town will also match \$30,000 of the State funds. \$90,000 of the project is in need of funding to allow for future planning. The Department was awarded the same grant for the 2018-2019 budget also. The most notable expense was the replacement of the Ladder Truck. The Final price was \$250,000; the Town used the truck to be replaced for a \$75,000 trade-in on the price, leaving \$175,000 to be financed. Fidelity Bank in Biscoe was the low bidder on the RFP for 10 year financing at 3.75% interest. This change is an increase of \$11,400 to their total operating budget.

**Deaton-Monroe Park:** Recently the park has had several upgrades; resurfacing of the tennis courts, re-plastering of the pool, renovated pool house, new playground equipment, new roof on the shelter new light poles at the ball field. No capital items are proposed for the 2018-2019 fiscal year.

**Business - Type Activities:** Rates are proposed to remain the same in the Water & Sewer Fund. Last year the minimum rate increased \$2 to prepare for the loss of revenue for when Montgomery Central High School opens, water tank maintenance and repairs to our water/sewer system. In an effort to minimize loss, there are only a few changes. The budget reflects the second year of the Water Tank Maintenance contract in addition to reimbursement to the General Fund to reimburse for insurance expenses, and debt expenses.

\$13,111 of Fund Balance is appropriated to offset the expenditures. The department will continue to experience debt payments totaling \$140,560, for the SRF Loan payments and the First Bank loan for the Industrial Park Lift Station, therefore capital spending has been limited to a sewer camera and improvements to the shop door.

**CDBG – Infrastructure Grant**

The Town was awarded \$1,865,000 of State CDBG-Infrastructure funds for the Bruton Street infrastructure improvements. A separate fund will be set up at the appropriate time to start the project.

***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, 110 West Main Street, Biscoe, North Carolina 27209. One can also call (910) 428-4112 or visit our website at [www.townofbiscoe.com](http://www.townofbiscoe.com).



## **BASIC FINANCIAL STATEMENTS**

**TOWN OF BISCOE, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 2,216,989	\$ 1,211,117	\$ 3,428,106
Restricted cash	75,927	2,760	78,687
Receivables, net			
Property taxes	11,882	-	11,882
Due from other governments	180,251	-	180,251
Accounts receivable	2,055	60,530	62,585
Accrued interest receivable	3,684	-	3,684
Inventories	-	25,889	25,889
Total current assets	<u>2,490,788</u>	<u>1,300,296</u>	<u>3,791,084</u>
Non-current assets:			
Capital assets (Note 1):			
Land, and other non-depreciable assets	358,715	14,900	373,615
Other capital assets, net of depreciation	1,251,151	5,713,379	6,964,530
Total capital assets	<u>1,609,866</u>	<u>5,728,279</u>	<u>7,338,145</u>
Total assets	<u>4,100,654</u>	<u>7,028,575</u>	<u>11,129,229</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	102,261	45,733	147,994
Total deferred outflows of resources	<u>102,261</u>	<u>45,733</u>	<u>147,994</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	40,214	45,172	85,386
Compensated absences	33,288	23,014	56,302
Payables from restricted assets - customer deposits	-	2,760	2,760
Current portion of notes payable	14,746	138,110	152,856
Total current liabilities	<u>88,248</u>	<u>209,056</u>	<u>297,304</u>
Long-term liabilities:			
Net pension liability	138,583	65,215	203,798
Total pension liability	157,529	-	157,529
Due in more than one year	160,254	1,216,376	1,376,630
Total long-term liabilities	<u>456,366</u>	<u>1,281,591</u>	<u>1,737,957</u>
Total liabilities	<u>544,614</u>	<u>1,490,647</u>	<u>2,035,261</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	18,366	6,633	24,999
Total deferred inflows of resources	<u>18,366</u>	<u>6,633</u>	<u>24,999</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,434,866	4,373,793	5,808,659
Restricted for:			
Equitable sharing	458	-	458
Stabilization by State Statute	182,454	-	182,454
Streets	75,927	-	75,927
Unrestricted	1,946,230	1,203,235	3,149,465
Total net position	<u>\$ 3,639,935</u>	<u>\$ 5,577,028</u>	<u>\$ 9,216,963</u>

**TOWN OF BISCOE, NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Program Revenues					Net (Expense)	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Revenue and Changes in Net Position	
						Primary Government	Business-type Activities
<b>Primary government:</b>							
Governmental Activities:							
General government	\$ 583,425	\$ 3,291	\$ -	\$ -	\$ (580,134)	\$ -	\$ (580,134)
Public safety	826,784	-	90,197	-	(736,587)	-	(736,587)
Transportation	246,735	-	52,475	-	(194,260)	-	(194,260)
Cultural and recreation	163,225	51,369	-	-	(111,856)	-	(111,856)
Total governmental activities	1,820,169	54,660	142,672	-	(1,622,837)	-	(1,622,837)
Business-type activities:							
Water and sewer	1,352,639	1,305,938	-	-	-	(46,701)	(46,701)
Total business-type activities	1,352,639	1,305,938	-	-	-	(46,701)	(46,701)
Total primary government	\$ 3,172,808	\$ 1,360,598	\$ 142,672	\$ -	\$ (1,622,837)	\$ (46,701)	\$ (1,669,538)
General revenues:							
Taxes:							
Ad valorem taxes					761,285	-	761,285
Local option taxes					421,434	-	421,434
Unrestricted intergovernmental					277,114	-	277,114
Investment earnings					6,632	-	6,632
Miscellaneous					28,328	57,236	85,564
Total general revenues and transfers					1,494,793	57,236	1,552,029
Change in net position					(128,044)	10,535	(117,509)
Net position, beginning, previously reported					3,387,767	5,537,237	8,925,004
Restatement					380,212	29,256	409,468
Net position, beginning, restated					3,767,979	5,566,493	9,334,472
Net position, ending					\$ 3,639,935	\$ 5,577,028	\$ 9,216,963

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

**TOWN OF BISCOE, NORTH CAROLINA**  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2018

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>ASSETS</b>		
Cash and investments	\$ 2,216,989	\$ 2,216,989
Restricted cash	75,927	75,927
Receivables, net		
Property taxes	11,882	11,882
Due from other governments	180,251	180,251
Accounts receivable	2,055	2,055
Accrued interest receivable	148	148
Total assets	<u>\$ 2,487,252</u>	<u>\$ 2,487,252</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	<u>\$ 40,214</u>	<u>\$ 40,214</u>
Total liabilities	<u>40,214</u>	<u>40,214</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes receivable	<u>11,882</u>	<u>11,882</u>
Total deferred inflows of resources	<u>11,882</u>	<u>11,882</u>
<b>FUND BALANCES</b>		
Restricted:		
Equitable sharing	458	458
Stabilization by State Statute	182,454	182,454
Streets	75,927	75,927
Committed		
LEO Special Separation Allowance	101,756	101,756
Assigned		
Subsequent year's expenditures	65,123	65,123
Capital reserve fund	794,339	794,339
Unassigned	<u>1,215,099</u>	<u>1,215,099</u>
Total fund balances	<u>2,435,156</u>	<u>\$ 2,435,156</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 2,487,252</u>	

**TOWN OF BISCOE, NORTH CAROLINA**  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2018

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

Total Fund Balance, Governmental Funds	\$	2,435,156
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Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

Gross capital assets at historical cost	\$	5,074,833	
Accumulated depreciation		<u>(3,464,967)</u>	1,609,866

Deferred outflows of resources related to pensions are not reported in the funds	102,261
--	---------

Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds	3,536
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Earned revenues considered deferred inflows of resources in fund statements	11,882
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Long-term liabilities used in governmental activities are not financial uses and therefore are not  
reported in the funds.

Compensated absences	(33,288)
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Net pension liability	(138,583)
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Total pension liability	(157,529)
-------------------------	-----------

Total notes payable	(175,000)
---------------------	-----------

Deferred inflows of resources related to pensions are not reported in the funds	<u>(18,366)</u>
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Net position of governmental activities	<u>\$</u>	<u>3,639,935</u>
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**TOWN OF BISCOE, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2018

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>REVENUES</b>		
Ad valorem taxes	\$ 777,541	\$ 777,541
Unrestricted intergovernmental	698,548	698,548
Restricted intergovernmental	142,672	142,672
Permits and fees	3,291	3,291
Sales and services	51,369	51,369
Investment earnings	6,632	6,632
Other revenues	28,330	28,330
Total revenues	<u>1,708,383</u>	<u>1,708,383</u>
<b>EXPENDITURES</b>		
Current:		
General government	542,647	542,647
Public safety	993,092	993,092
Transportation	238,980	238,980
Cultural and recreation	247,963	247,963
Total expenditures	<u>2,022,682</u>	<u>2,022,682</u>
Excess of revenues over expenditures	(314,299)	(314,299)
<b>OTHER FINANCING SOURCES</b>		
Proceeds from installment purchases	175,000	175,000
Total other financing sources	<u>175,000</u>	<u>175,000</u>
Net change in fund balance	<u>(139,299)</u>	<u>(139,299)</u>
Fund balances, beginning as previously reported	2,412,303	2,412,303
Prior period adjustment	162,152	162,152
Fund balance, beginning as restated	<u>2,574,455</u>	<u>2,574,455</u>
Fund balances, ending	<u>\$ 2,435,156</u>	<u>\$ 2,435,156</u>

**TOWN OF BISCOE, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2018

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

Net changes in fund balances - total governmental funds \$ (139,299)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlay expenditures which were capitalized	\$ 476,794	
Depreciation expense for governmental assets	<u>(258,303)</u>	218,491

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		32,746
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Benefit payments paid and administrative expenses for the LEOSSA are not included on the statement of Activities		9,851
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in:

Unavailable revenue for tax revenues		(16,256)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds.

New long-term debt issued		(175,000)
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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

Change in compensated absences		(3,300)
Pension expense		<u>(55,277)</u>

Total changes in net position of governmental activities		<u><u>\$ (128,044)</u></u>
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**TOWN OF BISCOE, NORTH CAROLINA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Year Ended June 30, 2018

	Budget		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 669,780	\$ 744,419	\$ 777,541	\$ 33,122
Unrestricted intergovernmental	574,804	641,498	698,548	57,050
Restricted intergovernmental	88,292	138,292	142,672	4,380
Permits and fees	3,500	3,500	3,291	(209)
Sales and services	32,650	42,529	51,369	8,840
Investment earnings	1,300	52,405	6,581	(45,824)
Other revenues	2,600	29,372	28,330	(1,042)
<b>Total revenues</b>	<b>1,372,926</b>	<b>1,652,015</b>	<b>1,708,332</b>	<b>56,317</b>
Expenditures:				
Current:				
General government	447,531	576,971	542,647	34,324
Public safety	712,080	970,407	993,092	(22,685)
Transportation	283,542	306,243	238,980	67,263
Cultural and recreation	195,543	256,623	247,963	8,660
<b>Total expenditures</b>	<b>1,638,696</b>	<b>2,110,244</b>	<b>2,022,682</b>	<b>87,562</b>
Revenues over (under) expenditures	(265,770)	(458,229)	(314,350)	143,879
Other financing sources (uses):				
Transfers from other funds	50,000	-	-	-
Proceeds from installment purchases	-	175,000	175,000	-
Total other financing sources and uses	50,000	175,000	175,000	-
Fund balance appropriated	215,770	283,229	-	(283,229)
Net change in fund balance	\$ -	\$ -	(139,350)	\$ (139,350)
Fund balances, beginning as previously reported			1,618,015	
Prior period adjustment			162,152	
Fund balance, beginning as restated			\$ 1,780,167	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Investment earnings			51	
Fund balances, beginning			794,288	
Fund balances, ending			\$ 2,435,156	



**TOWN OF BISCOE, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
June 30, 2018

	<u>Water and Sewer Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 1,211,117
Restricted cash	2,760
Accounts receivable (net) - billed	60,530
Inventories	<u>25,889</u>
Total current assets	<u>1,300,296</u>
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	14,900
Other capital assets, net of depreciation	<u>5,713,379</u>
Capital assets	<u>5,728,279</u>
Total noncurrent assets	<u>5,728,279</u>
Total assets	<u><u>\$ 7,028,575</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension deferrals	\$ 45,733
Total deferred outflows of resources	<u>\$ 45,733</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 45,172
Compensated absences	23,014
Payable from restricted assets	2,760
Current portion of notes payable	<u>138,110</u>
Total current liabilities	<u>209,056</u>
Noncurrent liabilities:	
Net pension liability	65,215
Long-term debt, less current installments	<u>1,216,376</u>
Total liabilities	<u>1,490,647</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension deferrals	<u>6,633</u>
Total deferred inflows of resources	<u>6,633</u>
<b>NET POSITION</b>	
Net investment in capital assets	4,373,793
Unrestricted	<u>1,203,235</u>
Total net position	<u><u>\$ 5,577,028</u></u>

**TOWN OF BISCOE, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
For the Year Ended June 30, 2018

	<b>Water and Sewer Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 1,283,215
Water and sewer taps and connection fees	10,223
Other operating revenues	12,500
<b>Total operating revenues</b>	<u>1,305,938</u>
<b>OPERATING EXPENSES</b>	
Operating expenses:	
Salaries and employee benefits	330,747
Other operating expenditures	296,338
Water purchases resale	366,330
Depreciation	359,224
<b>Total operating expenses</b>	<u>1,352,639</u>
<b>Operating loss</b>	<u>(46,701)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Other non-operating revenues	60,933
Interest and other charges	(3,697)
<b>Total nonoperating revenues (expenses)</b>	<u>57,236</u>
<b>Change in net position</b>	10,535
<b>Total net position, previously reported</b>	5,537,237
<b>Beginning net position, restated</b>	<u>5,566,493</u>
<b>Total net position, ending</b>	<u><u>\$ 5,577,028</u></u>

**TOWN OF BISCOE, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
For the Fiscal Year Ended June 30, 2018

	<b>Water and Sewer Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 1,296,226
Cash paid for goods and services	(658,898)
Cash paid to or on behalf of employees for services	(328,157)
Customer deposits received (net)	231
Net cash provided by operating activities	<u>309,402</u>
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Other revenues	<u>60,933</u>
Net cash provided by capital and related financing activities	<u>60,933</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(91,203)
Payments on notes payable	(136,845)
Interest on notes payable	(3,697)
Net cash used by capital and related financing activities	<u>(231,745)</u>
Net increase in cash and investments	138,590
Balances, beginning	<u>1,075,287</u>
Balances, ending	<u>\$ 1,213,877</u>

**TOWN OF BISCOE, NORTH CAROLINA**  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For the Fiscal Year Ended June 30, 2018

	<u>Water and Sewer Fund</u>
Reconciliation of operating earnings to net cash provided by operating activities	
Operating earnings	\$ (46,701)
Adjustments to reconcile operating earnings to net cash provided by operating activities:	
Depreciation	359,224
Changes in assets and liabilities:	
Increase in accounts receivable	(9,712)
Decrease in inventories	9,447
Decrease in deferred outflows of resources - pensions	23,488
Decrease in net pension liability	(17,000)
Decrease in deferred inflows of resources - pensions	(3,925)
Decrease in accounts payable and accrued liabilities	(8,240)
Increase in compensated absences	2,590
Increase in customer deposits	231
Total adjustments	<u>356,103</u>
Net cash provided by operating activities	<u>\$ 309,402</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2018

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Biscoe, North Carolina (Town) 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, 2018, no other entity is included in the Town's financial statements.

**Basis of Presentation**

*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. Separate statements for each fund category – governmental and proprietary – 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 non-major funds.

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

The Town reports the following major governmental funds:

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

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The primary expenditures are for public safety, streets, sanitation, parks and recreations, and general government services. 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.

The Town reports the following major enterprise funds:

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

**Measurement Focus and Basis of Accounting**

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's 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 non-operating revenues and expenses.

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

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Sales taxes and certain intergovernmental revenues such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Biscoe because the tax is levied by Biscoe County and then remitted to and distributed by the state. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

**Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for the Capital Projects Funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. All amendments must be approved by the governing board. During the year, some amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers the time until the annual ordinance can be adopted.



**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2018

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**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 and loan association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G. S. 159-30(c)] authorizes the Town and the Tourism Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers’ acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town’s investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT—Government Portfolio, a SEC-registered (2a-7) external investment pool is measured at amortized cost, which is the NCCMT’s share price. The NCCMT-Term Portfolio’s securities are valued at fair value.

**Cash and Cash Equivalents**

The Town pools money from the general fund, the water and sewer fund, and all other 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. The Tourism Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

**Restricted Assets**

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4 for purposes of maintaining, repairing, constructing, reconstructing or widening of local streets.. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

**Town of Biscoe Restricted Cash**

Governmental Activities		
General Fund	Powell Bill - Streets	<u>\$ 75,927</u>
Business-type Activities		
Water and Sewer Fund	Customer deposits	<u>2,760</u>
Total Restricted Cash		<u><u>\$ 78,687</u></u>

**NOTE A – 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 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2017. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

**Allowances for Doubtful Accounts**

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

**Inventories**

Inventories of the Town consist of expendable parts and supplies, and are valued at cost (first in, first out), which approximates market.

**Capital Assets**

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of one year. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical 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.

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	29 years
Furniture and office equipment	7-10 years
Maintenance and construction equipment	5-7 years
medium and heavy motor vehicle	5-7 years
Computer software	5 years
Automobiles and light trucks	3-5 years

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion which is pension deferrals for the 2018 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category - property taxes receivable and pension deferrals.

**Long Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Compensated Absences**

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. 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/Fund Balances**

**Net Position**

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position 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 Balances**

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:

*Non-spendable fund balance* - This classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

*Prepaid assets* - portion of fund balance that is not an available resource because it represents the yearend balance of costs applicable to future accounting periods, which are not spendable resources.

*Restricted fund balance* - This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

*Restricted for stabilization by state statute* - portion of fund balance that is restricted by State Statute (G.S. 159-8(a)).

*Restricted for 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.

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

*Committed for LEO Special Separation Allowance* - portion of fund balance that will be used for the Law Enforcement Officers' Special Separation Allowance obligations.

*Assigned fund balance* - portion of fund balance that the Town 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 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 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.

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Defined Benefit Cost-Sharing Plans**

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

**NOTE B – DETAIL NOTES ON ALL FUNDS**

**Assets**

**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 under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town 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, 2018, the Town's deposits had a carrying amount of \$2,994,564 and a bank balance of \$3,385,277. Of the bank balance, \$750,000 was covered by federal depository insurance and the remainder was covered under the pooling method.

**Investments**

At June 30, 2018, the Town had \$512,028 invested with the North Carolina Capital Management Trust's Government 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 Fiscal Year Ended June 30, 2018

**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

**Receivables – Allowances for Doubtful Accounts**

The amounts presented in the Balance Sheet and the Statement of Net Position for the year June 30, 2018 are net of the following allowance for doubtful accounts:

General Fund - Ad valorem taxes	\$ 38,676
Enterprise Fund - Customers	<u>24,500</u>
 Total	 <u><u>\$ 63,176</u></u>

**Capital Assets**

Capital asset activity for the Primary Government for the year ended June 30, 2018 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 358,715	-	-	\$ 358,715
Total capital assets not being depreciated	<u>358,715</u>	<u>-</u>	<u>-</u>	<u>358,715</u>
<b>Capital assets being depreciated:</b>				
Buildings and improvements	2,202,924	217,651	-	2,420,575
Equipment and vehicles	1,808,089	259,143	-	2,067,232
Infrastructure	228,311	-	-	228,311
Total capital assets being depreciated	<u>4,239,324</u>	<u>476,794</u>	<u>-</u>	<u>4,716,118</u>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	1,647,295	79,330	-	1,726,625
Equipment and vehicles	1,456,187	165,845	-	1,622,032
Infrastructure	103,182	13,128	-	116,310
Total accumulated depreciation	<u>3,206,664</u>	<u>258,303</u>	<u>-</u>	<u>3,464,967</u>
Total capital assets being depreciated, net	<u>1,032,660</u>			<u>1,251,151</u>
<b>Governmental activity capital assets, net</b>	<u><u>\$ 1,391,375</u></u>			<u><u>\$ 1,609,866</u></u>

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2018

**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

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

General government	\$ 47,042
Public safety	137,605
Culture and recreation	42,099
Transportation	31,557
Total depreciation expense	<u>\$ 258,303</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 14,900	\$ -	\$ -	\$ 14,900
Total capital assets not being depreciated	<u>14,900</u>	<u>-</u>	<u>-</u>	<u>14,900</u>
<b>Capital assets being depreciated:</b>				
Plant, substations, lines, and related equipment	8,570,980	38,200	-	8,609,180
Equipment and vehicles	773,748	53,003	-	826,751
Total capital assets being depreciated	<u>9,344,728</u>	<u>91,203</u>	<u>-</u>	<u>9,435,931</u>
<b>Less accumulated depreciation for:</b>				
Plant, substations, lines, and related equipment	2,868,644	264,814	-	3,133,458
Equipment and vehicles	494,684	94,410	-	589,094
Total accumulated depreciation	<u>3,363,328</u>	<u>359,224</u>	<u>-</u>	<u>3,722,552</u>
Total capital assets being depreciated, net	<u>5,981,400</u>			<u>5,713,379</u>
<b>Water and Sewer fund capital assets, net</b>	<u>5,996,300</u>			<u>5,728,279</u>
<b>Business-type activity capital assets, net</b>	<u>\$ 5,996,300</u>			<u>\$ 5,728,279</u>

**Liabilities**

**Pension Plan and Postemployment Obligations**

**Local Governmental Employees' Retirement System**

**Plan Description.** The Town of Biscoe is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOS) of participating governmental entities. Article 3 of G.S. Chapter 128 assigns



**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the 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, or at [www.osc.nc.gov](http://www.osc.nc.gov).

**Benefits Provided.** LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Biscoe employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Biscoe's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.50% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Biscoe were \$50,034 for the year ended June 30, 2018.

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2018

**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

**Refunds of Contributions.** Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual’s right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2018, the Town reported a liability of \$203,798 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the Town’s proportion was 0.01334%, which was an increase of 0.00189% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$62,027. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 11,741	\$ 5,769
Changes of assumptions	29,105	-
Net difference between projected and actual earnings on pension plan investments	49,482	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	2,554	14,959
Town contributions subsequent to the measurement date	50,034	-
Total	<u>\$ 142,916</u>	<u>\$ 20,728</u>

\$50,034 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2018

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**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

**Year ended June 30:**

2019	\$	3,771
2020		54,845
2021		28,088
2022		(14,549)
2023		-
Thereafter		-

**Actuarial Assumptions.** The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2018

**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

**Discount rate.** The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Town’s proportionate share of the net pension asset to changes in the discount rate.** The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the Town’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 611,807	\$ 203,798	\$ (136,760)

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

**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

**Law Enforcement Officers’ Special Separation Allowance**

**Plan Description**

The Town administers a public employee retirement system (the “Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the Town’s qualified sworn law enforcement officers. 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.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2017, 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>8</u>
Total	<u><u>10</u></u>

**Summary of Significant Accounting Policies**

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

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

**Actuarial Assumptions**

The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2018

**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA

**Contributions**

The Town is required by Article 12D of 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 on a pay as you go basis through appropriations made in the General Fund operating budget. 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 town paid \$21,055 as benefits came due for the reporting period.

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

At June 30, 2018, the City reported a total pension liability of \$157,529. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the City recognized pension expense of \$13,099.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 4,271
Changes of assumptions	7,347	2,269
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	\$ 7,347	\$ 6,540

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2018

**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2018	\$	49
2019		49
2020		49
2021		100
2022		560
Thereafter		-

**Sensitivity of the City’s total pension liability to changes in the discount rate**

The following presents the Town’s total pension liability calculated using the discount rate of 3.16%, as well as what the Town’s total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	<b>1% Decrease (2.16%)</b>	<b>Discount Rate (3.16%)</b>	<b>1% Increase (4.16%)</b>
Total pension liability	\$ 170,814	\$ 157,529	\$ 145,482

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

	<b>2018</b>
Beginning balance	\$ 162,168
Service cost	6,858
Interest on the total pension liability	5,853
Changes of benefit terms	-
Differences between expected and actual experience in the measurements of the total pension liability	(5,145)
Changes in assumptions or other inputs	8,850
Benefit payments	(21,055)
Other changes	-
Ending balance of the total pension liability	<u>\$ 157,529</u>

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2018

**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 62,027	\$ 13,099	\$ 75,126
Pension Liability	203,798	157,529	361,327
Proportionate share of the net pension liability	0.01334%	n/a	
<b>Deferred of Outflows of Resources</b>			
Differences between expected and actual experience	11,741	-	11,741
Changes of assumptions	29,105	7,347	36,452
Net difference between projected and actual earnings on plan investments	49,482	-	49,482
Changes in proportion and differences between contributions and proportionate share of contributions	2,554	-	2,554
Benefit payments and administrative cost paid subsequent to the measurement date	50,034	5,078	55,112
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	5,769	4,271	10,040
Changes of assumptions	-	2,269	2,269
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	14,959	-	14,959

**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 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. The report may be obtained



**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2018

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**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

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. The law enforcement officers may also make voluntary contributions to the plan.

The town made contributions of \$15,960 for the reporting year. No amounts were forfeited.

**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 a death benefit payment is 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 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.

**Deferred Outflows and Inflows of Resources**

The Town has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Contributions to pension plan in current fiscal year	\$ 55,112
Differences between expected and actual experience	11,741
Changes of assumptions	36,452
Net difference between projected and actual earnings on pension plan investments	49,482
Changes in proportion and differences between Town contributions and proportionate share of contributions	2,554
Total	<u>\$ 155,341</u>

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2018

**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund)	\$ -	\$ 11,882
Changes in assumptions	2,269	-
Differences between expected and actual experience	10,040	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,959	-
Total	<u>\$ 27,268</u>	<u>\$ 11,882</u>

**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 past 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.

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2018

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**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

**Long-Term Obligations**

Long-Term Debt

In March 2015, the Town entered into a promissory note with the Department of Environment and Natural Resources for improvement for the Town’s wastewater treatment plant. The note provided for funding for the project up to \$1,402,500, and as of June 30, 2018, the total balance on the note was \$1,190,796. The note carries no interest and is payable in annual installments of \$66,155 beginning May 2017 for a period of 20 years.

In November 2015, the Town entered into a \$350,000 promissory note with a financial institution for funding the Industrial Park Pump Station capital project. The financing agreement requires monthly payments of principal, plus accrued interest at 1.75%, of \$6,199 beginning December 2015 for a period of 5 years. At June 30, 2017, the balance on this note was \$163,690.

In May 2018, the Town entered into a \$175,000 promissory note with a financial institution for a new ladder fire truck. The financing agreement requires annual payments of principal, plus accrued interest at 3.75%, beginning May 2019 for a period of 10 years. At June 30, 2017, the balance on this note was \$175,000.

Annual debt service requirements to maturity for long-term debt obligations are as follows:

<b>Year ended June 30:</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2019	\$ 152,856	\$ 8,995
2020	154,696	7,155
2021	100,522	5,528
2022	82,623	4,841
2023	83,240	4,223
2024-2028	426,307	11,010
2029-2033	330,777	-
2034-2036	198,465	-
	<hr/>	<hr/>
Total	<u>\$ 1,529,486</u>	<u>\$ 41,752</u>

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2018

**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

Changes in Long-Term Liabilities

During the year ended June 30, 2018, the following changes occurred in long-term liabilities:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
<b>Governmental Activities:</b>					
Compensated absences	\$ 29,987	\$ 33,288	\$ 29,987	\$ 33,288	\$ 33,288
Net pension liability (LGERS)	160,792	-	22,209	138,583	-
Note payable	-	175,000	-	175,000	14,746
Total pension liability (LEO)	162,168	-	4,639	157,529	-
Total governmental activities	<u>\$ 352,947</u>	<u>\$ 208,288</u>	<u>\$ 56,835</u>	<u>\$ 504,400</u>	<u>\$ 48,034</u>
<b>Business-type activities:</b>					
Compensated absences	\$ 20,424	\$ 23,014	\$ 20,424	\$ 23,014	\$ 23,014
Note payable	1,491,332	-	136,846	1,354,486	138,110
Net pension liability (LGERS)	82,215	-	17,000	65,215	-
Total business-type activities	<u>1,593,971</u>	<u>23,014</u>	<u>174,270</u>	<u>1,442,715</u>	<u>161,124</u>
Total long-term obligations	<u><u>\$ 1,946,918</u></u>	<u><u>\$ 231,302</u></u>	<u><u>\$ 231,105</u></u>	<u><u>\$ 1,947,115</u></u>	<u><u>\$ 209,158</u></u>

**NOTE C – FUND BALANCE**

Total fund balance - General Fund	\$ 2,435,156
Less:	
Equitable sharing	458
Stabilization by State Statute	182,454
Streets	75,927
LEO Special Separation allowance	101,756
Subsequent year's expenditures	65,123
Capital reserve fund	794,339
Remaining fund balance	<u><u>\$ 1,215,099</u></u>

**NOTE D – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2018, the Town expended \$32,989 more in public safety-fire expenditures in the General Fund than appropriated in the annual budget ordinance. This over-expenditure occurred because of supplemental retirement payments to firefighters.

**NOTE E – JOINT VENTURE AND JOINTLY GOVERNED ORGANIZATION**

**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, 2018.

**NOTE F – SUMMARY 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 grant agreements. Such audits could result in the refund of grant monies 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.

**NOTE G – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 7, 2018 the date which the financial statements were available for issue.

**NOTE H – RESTATEMENTS**

**Prior Period Adjustment**

During the fiscal year ended June 30, 2018, the town determined that certain fire department balances had been inadvertently excluded from the town's books. Therefore, an adjustment to beginning fund balance has been recorded to account for these balances, the net effect of which increased beginning fund balance by \$162,152. The town also determined that accumulated depreciation was misstated due to an issue in the software. An adjustment to increase beginning net position has been recorded to account for these changes in the amount of \$247,316.

**REQUIRED SUPPLEMENTARY  
FINANCIAL DATA**

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

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- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Contributions to the Law Enforcement Officers' Special Separation Allowance

**TOWN OF BISCOE, NORTH CAROLINA**  
**TOWN OF BISCOE'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
 Last Five Fiscal Years\*

	2018	2017	2016	2015	2014
<b>Local Government Employees' Retirement System</b>					
Town of Biscoe's proportion of the net pension liability (asset) (%)	0.0133%	0.0115%	0.0124%	0.0131%	0.0133%
Town of Biscoe's proportion of the net pension liability (asset) (\$)	\$ 203,798	\$ 243,007	\$ 55,741	\$ (77,316)	\$ 160,316
Town of Biscoe's covered-employee payroll	\$ 648,555	\$ 581,921	\$ 653,042	\$ 591,129	\$ 577,872
Town of Biscoe's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	31.42%	41.76%	8.54%	-13.08%	27.74%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

\*The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

\*\*This will be the same percentage for all participant employers in the LGERS plan.

**TOWN OF BISCOE, NORTH CAROLINA**  
**TOWN OF BISCOE'S CONTRIBUTIONS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
 Last Five Fiscal Years

<b>Local Government Employees' Retirement System</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 50,034	\$ 49,036	\$ 40,119	\$ 47,375	\$ 42,384
Contributions in relation to the contractually required contribution	50,034	49,036	40,119	47,375	42,384
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town of Biscoe's covered-employee payroll	\$ 642,647	\$ 648,555	\$ 581,921	\$ 653,042	\$ 591,129
Contributions as a percentage of covered-employee payroll	7.79%	7.56%	6.89%	7.25%	7.17%



**TOWN OF BISCOE, NORTH CAROLINA**  
**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY**  
 June 30, 2018

<b>Law Enforcement Officers' Special Separation Allowance</b>	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 162,168	\$ 173,519
Service cost	6,858	7,314
Interest on the total pension liability	5,853	5,819
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement	(5,145)	-
Changes of assumptions or other inputs	8,850	(3,429)
Benefit payments	(21,055)	(21,055)
Other changes	-	-
Ending balance of the total pension liability	<u>\$ 157,529</u>	<u>\$ 162,168</u>

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

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL**  
 June 30, 2018

<b>Law Enforcement Officers' Special Separation Allowance</b>	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 157,529	\$ 162,168
Covered payroll	244,710	281,857
Total pension liability as a percentage of covered payroll	64.37%	57.54%

Notes to the schedules:

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

**INDIVIDUAL FUND  
FINANCIAL STATEMENTS SECTION**

**TOWN OF BISCOE, NORTH CAROLINA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes		\$ 774,013	
Penalties and interest		3,528	
Total	<u>\$ 744,419</u>	<u>777,541</u>	<u>\$ 33,122</u>
Unrestricted intergovernmental:			
Local option sales taxes		421,434	
Telecommunications sales tax		9,045	
Utilities sales tax		225,319	
Video franchise fee		5,745	
Solid waste disposal fee		1,160	
Beer and wine tax		7,355	
Tax refunds		28,490	
Total	<u>641,498</u>	<u>698,548</u>	<u>57,050</u>
Restricted intergovernmental:			
Powell Bill allocation		52,475	
DSM revenues		215	
Grant funds		89,982	
Total	<u>138,292</u>	<u>142,672</u>	<u>4,380</u>
Permits and fees	<u>3,500</u>	<u>3,291</u>	<u>(209)</u>
Sales and services:			
ABC Revenue		7,130	
Cemetery lots sales		5,101	
Recreation department fees		39,138	
Total	<u>42,529</u>	<u>51,369</u>	<u>8,840</u>
Investment earnings	<u>52,405</u>	<u>6,581</u>	<u>(45,824)</u>

**TOWN OF BISCOE, NORTH CAROLINA**  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other revenues:			
Fire department donations		13,712	
Miscellaneous		14,618	
Total	<u>29,372</u>	<u>28,330</u>	<u>(1,042)</u>
Total revenues	<u>1,652,015</u>	<u>1,708,332</u>	<u>56,317</u>
<b>Expenditures:</b>			
General government:			
Administration:			
Salaries and employee benefits		223,177	
Other operating expenditures		194,769	
Total administration	<u>446,047</u>	<u>417,946</u>	<u>28,101</u>
Legal and professional services:			
Other operating expenditures	<u>40,500</u>	<u>36,227</u>	<u>4,273</u>
Public buildings and grounds:			
Other operating expenditures		78,008	
Capital outlay		10,466	
Total public buildings and grounds	<u>90,424</u>	<u>88,474</u>	<u>1,950</u>
Total general government	<u>576,971</u>	<u>542,647</u>	<u>34,324</u>
Public Safety:			
Police:			
Salaries and employee benefits		433,066	
Other operating expenditures		82,816	
Capital outlay		43,212	
Total police	<u>569,398</u>	<u>559,094</u>	<u>10,304</u>

**TOWN OF BISCOE, NORTH CAROLINA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Fire:			
Salaries and employee benefits		74,776	
Other operating expenditures		173,951	
Capital outlay		185,271	
Total Fire	<u>401,009</u>	<u>433,998</u>	<u>(32,989)</u>
Total Public Safety	<u>970,407</u>	<u>993,092</u>	<u>(22,685)</u>
Transportation:			
Streets:			
Other operating expenditures		203,430	
Capital outlay		27,451	
Total streets	<u>250,966</u>	<u>230,881</u>	<u>20,085</u>
Streets - Powell Bill:			
Other operating expenditures		8,099	
Total streets - Powell Bill	<u>55,277</u>	<u>8,099</u>	<u>47,178</u>
Total transportation	<u>306,243</u>	<u>238,980</u>	<u>67,263</u>
Culture and recreational			
Recreation:			
Salaries and employee benefits		43,909	
Other operating expenditures		82,890	
Capital outlay		121,164	
Total cultural and recreational	<u>256,623</u>	<u>247,963</u>	<u>8,660</u>
Total expenditures	<u>2,110,244</u>	<u>2,022,682</u>	<u>87,562</u>
Revenues over (under) expenditures	<u>(458,229)</u>	<u>(314,350)</u>	<u>143,879</u>
Other financing sources (uses)			
Proceeds from installment purchases	<u>175,000</u>	<u>175,000</u>	<u>-</u>
Total other financing sources and uses	<u>175,000</u>	<u>175,000</u>	<u>-</u>
Revenues and other financing sources over			

**TOWN OF BISCOE, NORTH CAROLINA**  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
expenditures and other uses	(283,229)	(139,350)	143,879
Fund balance appropriated	283,229	-	(283,229)
Net change in fund balance	\$ -	(139,350)	\$ (139,350)
Fund balances, beginning as previously reported		1,618,015	
Prior period adjustment		162,152	
Fund balance, beginning as restated		1,780,167	
Fund balances, ending		\$ 1,640,817	
Fund balance, end of year (General Fund)		\$ 1,640,817	
Amounts reported for Revenues, Expenditures and Changes in Fund Balance (deficit) are different from the Budget and Actual Statement due to consolidation of the Capital Reserve Fund:			
Investment earnings		51	
Fund balance, beginning of year (Capital Reserve Fund)		794,288	
Fund balance, end of year (Consolidated General Fund)		\$ 2,435,156	

**TOWN OF BISCOE, NORTH CAROLINA**  
**CAPITAL RESERVE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Investment earnings	<u>\$ -</u>	<u>\$ 51</u>	<u>\$ 51</u>
Net change in fund balance	<u>\$ -</u>	51	<u>\$ 51</u>
Fund balances, beginning as previously reported		<u>794,288</u>	
Fund balances, ending		<u>\$ 794,339</u>	



**TOWN OF BISCOE, NORTH CAROLINA**  
**WATER AND SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**For the Fiscal Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Operating revenues:			
Water and sewer charges		\$ 1,283,215	
Water and sewer taps and connection fees		10,223	
Miscellaneous revenue		12,500	
Total operating revenues	<u>\$ 1,199,259</u>	<u>1,305,938</u>	<u>\$ 106,679</u>
Nonoperating revenues:			
Tax refunds		34,052	
Miscellaneous		26,881	
Total nonoperating revenues	<u>60,467</u>	<u>60,933</u>	<u>466</u>
Total revenues	<u>1,259,726</u>	<u>1,366,871</u>	<u>107,145</u>
<b>Expenditures:</b>			
Operating expenditures			
Salaries and employee benefits		325,594	
Other operating expenditures		286,892	
Water purchases for resale		366,330	
Total administration	<u>1,028,277</u>	<u>978,816</u>	<u>49,461</u>
Debt service:			
Principal retirement		136,845	
Interest and other charges		3,697	
Total debt services	<u>140,560</u>	<u>140,542</u>	<u>18</u>
Capital outlay	<u>90,889</u>	<u>90,594</u>	<u>295</u>
Total expenditures	<u>1,259,726</u>	<u>1,209,952</u>	<u>49,774</u>
Revenues over expenditures	<u>-</u>	<u>156,919</u>	<u>156,919</u>
<b>Other financing sources</b>			
Transfers from enterprise capital projects funds	<u>-</u>	<u>66,096</u>	<u>66,096</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 223,015</u>	<u>\$ 223,015</u>

**TOWN OF BISCOE, NORTH CAROLINA**  
**WATER AND SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**For the Fiscal Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues and other sources over expenditures and other uses		\$ 223,015	
Reconciling items:			
Depreciation		(359,224)	
Capital outlay		90,594	
Principal payments on debt		136,845	
Increase in accrued vacation pay		(2,590)	
Decrease in deferred outflows of resources - pension		(23,488)	
Decrease in net pension liability		17,000	
Decrease in deferred inflows of resources - pensions		3,925	
Increase in inventory		(9,446)	
Transfers to water and sewer fund from enterprise capital projects fund		(66,096)	
Total reconciling items		<u>(212,480)</u>	
Change in net position		<u>\$ 10,535</u>	

**TOWN OF BISCOE, NORTH CAROLINA**  
**ENTERPRISE CAPITAL PROJECT FUND - INDUSTRIAL PARK PUMP LIFT STATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP)**  
For the Year Ended June 30, 2018

	<b>Project Authorization</b>	<b>Prior Year</b>	<b>Current Year</b>	<b>Total To Date</b>	<b>Variance Positive (Negative)</b>
<b>EXPENDITURES</b>					
Construction	\$ 342,500	\$ 255,127	\$ -	\$ 255,127	\$ 87,373
Bid award	4,500	8,000	-	8,000	(3,500)
Final Certification	3,000	-	-	-	3,000
Total expenditures	<u>350,000</u>	<u>263,127</u>	<u>-</u>	<u>263,127</u>	<u>86,873</u>
Revenues under expenditures	<u>(350,000)</u>	<u>(263,127)</u>	<u>-</u>	<u>(263,127)</u>	<u>86,873</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Loan proceeds	350,000	350,000	-	350,000	-
Transfers to water and sewer fund	-	(30,468)	(66,096)	(96,564)	(96,564)
Total other financing sources (uses)	<u>350,000</u>	<u>319,532</u>	<u>(66,096)</u>	<u>253,436</u>	<u>(96,564)</u>
Total revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 56,405</u>	<u>(66,096)</u>	<u>\$ (9,691)</u>	<u>\$ (9,691)</u>
Fund balance, beginning			<u>56,405</u>		
Fund balance, ending			<u>\$ (9,691)</u>		

## OTHER SCHEDULES

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This section contains additional information on property taxes.

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

**TOWN OF BISCOE, NORTH CAROLINA**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
June 30, 2018

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2017</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2018</u>
2017-2018	\$ -	\$ 781,758	\$ 768,511	\$ 13,247
2016-2017	13,490	-	6,198	7,292
2015-2016	7,327	-	2,024	5,303
2014-2015	4,214	-	1,071	3,143
2013-2014	4,288	-	268	4,020
2012-2013	4,410	-	1	4,409
2011-2012	3,933	-	190	3,743
2010-2011	2,850	-	-	2,850
2009-2010	3,133	-	-	3,133
2008-2009	3,418	-	-	3,418
2007-2008	3,348	-	3,348	-
	<u>\$ 50,411</u>	<u>\$ 781,758</u>	<u>\$ 781,611</u>	<u>50,558</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>38,676</u>
Ad valorem taxes receivable - net				<u>\$ 11,882</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 777,541
Reconciling items:				
Interest collected				(7,060)
Other adjustments				5,895
Taxes written off				<u>5,235</u>
Total collections and credits				<u>\$ 781,611</u>

**TOWN OF BISCOE, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY**  
**TOWN-WIDE LEVY**  
For the Fiscal Year Ending June 30, 2018

	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	\$ 144,754,464	\$ 0.56	\$ 810,625	\$ 739,630	\$ 70,995
Penalty			535	535	-
	<u>144,754,464</u>		<u>811,160</u>	<u>740,165</u>	<u>70,995</u>
Discoveries: current year taxes	21,250	0.56	119	119	-
Abatements	(5,365,798)		(29,521)	(29,521)	-
	<u>\$ 139,409,916</u>				
Net levy			781,758	710,763	70,995
Uncollected taxes at June 30, 2018			(13,247)	(13,247)	-
Current year's taxes collected			<u>\$ 768,511</u>	<u>\$ 697,516</u>	<u>\$ 70,995</u>
Current levy collection percentage			<u>98.31%</u>	<u>98.14%</u>	<u>100.00%</u>