

TOWN OF BISCOE  
FINANCIAL STATEMENTS  
Year Ended June 30, 2012

**Town of Biscoe, North Carolina**  
*List of Principal Officials*  
**June 30, 2012**

Elected Officials

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

Appointed Officials

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

**TOWN OF BISCOE, NORTH CAROLINA**

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

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

To the Honorable Mayor and  
Town Commissioners  
Biscoe, North Carolina

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, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Biscoe's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the 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, 2012, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2012 on our consideration of the Town of Biscoe's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial report or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

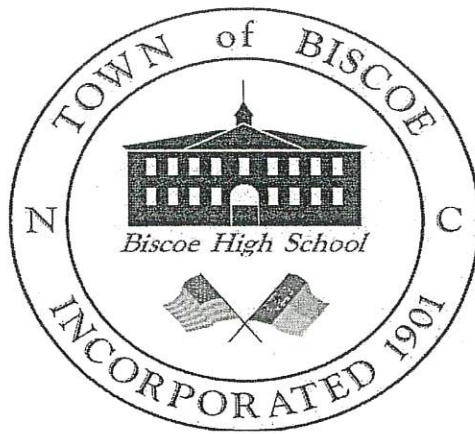
Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress and Schedule of Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedure to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquired of management about the methods of preparing the supplementary 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bischoe's basic financial statements. The combining and individual fund statements, budgetary schedules, other schedules, and additional financing data are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, and additional financing data have 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 fund financial statements, budgetary schedules, other schedules, and additional financing data are stated in all material respects in relation to the basic financial statements as a whole.

*Dixon Hughes Goodman LLP*

November 21, 2012





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 we offer readers of the Town of Biscoe financial statements this narrative overview and analysis of the financial activities of the Town of Biscoe (Town) for the fiscal year ended June 30, 2012. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

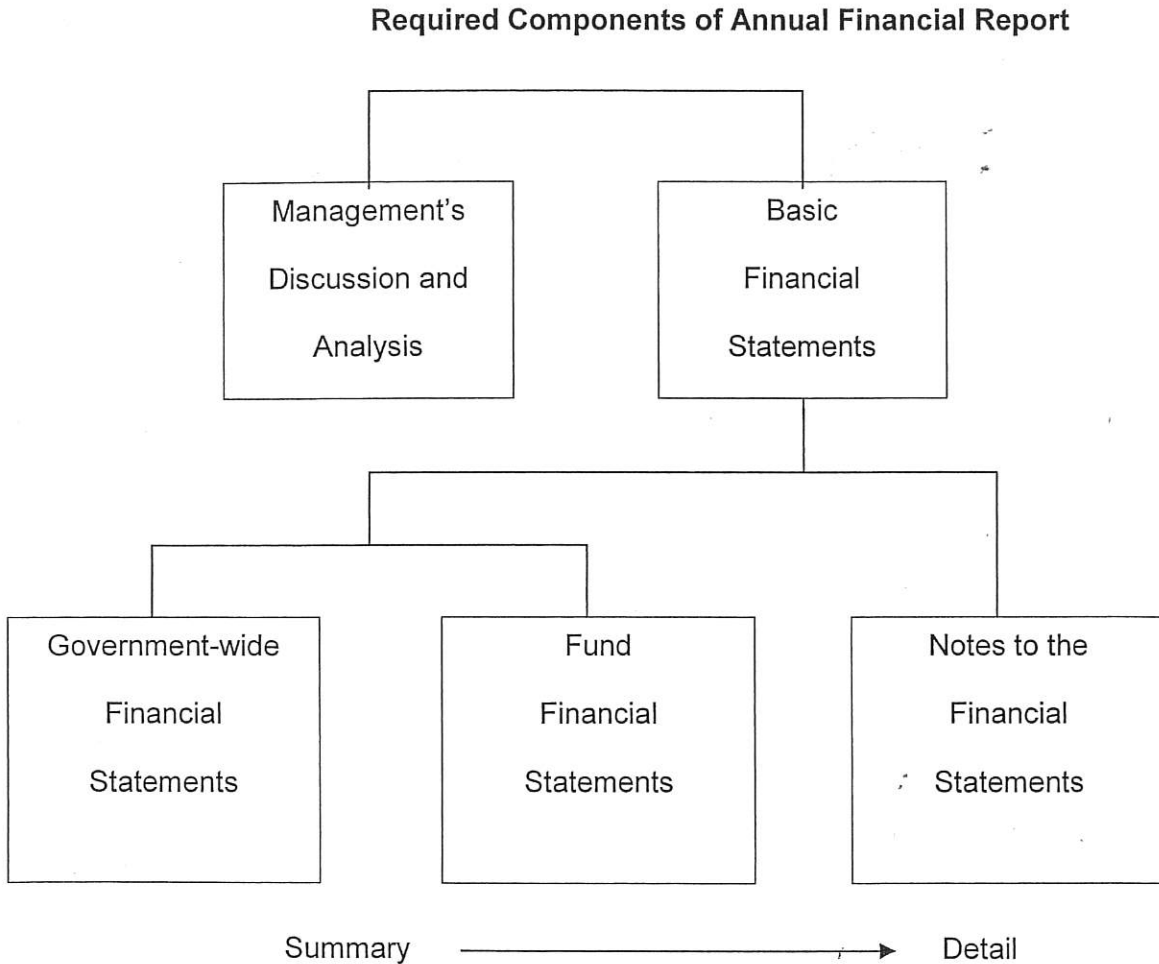
#### **Financial Highlights**

- The assets of the Town of Biscoe exceeded its liabilities at the close of the fiscal year by \$7,942,710. The assets of the governmental activities exceeded liabilities by \$3,803,205 and the assets of the business-type activities exceeded liabilities by \$4,139,505.
- The government's total net assets decreased by \$4,251; due to depreciation.
- The majority of our depreciation was offset by unfreezing capital outlays. These outlays were budgeted at \$140,000 which was approximately the level of the prior year's depreciation.
- As of the close of the current fiscal year, the Town of Biscoe's governmental funds reported combined ending fund balances of \$2,231,062; a decrease of \$133,227 in comparison with the prior year. Approximately 26 percent of this total amount, or \$583,018 is available for spending at the government's discretion (*unassigned fund balance*). The Town maintains more than a minimum of 25% of budgeted expenditures in available fund balance for cash flow and emergencies. In addition the town maintains a capital reserve fund with money dedicated to large capital expenditures.
- As of the close of the current fiscal year, the Town's business-type activities reported combined ending net assets of \$4,139,505 an increase of \$70,302.

## Overview of the Financial Statements

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

Figure 1:



## Basic Financial Statements

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

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

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

## Government-wide Financial Statements

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

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

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

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

## Fund Financial Statements

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



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

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

**Proprietary Funds** – The Town has one enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its water and sewer activity. This fund is the same as the function shown in the business-type activities in the Statement of Net Assets 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 24 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 40 of this report.

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



## Net Assets

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

Figure 2:

### The Town of Biscoe Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Assets:</b>						
Current and other assets	\$ 2,333,800	\$ 2,481,761	\$ 1,857,398	\$ 1,821,909	\$ 4,191,198	\$ 4,303,670
Capital assets	1,531,990	1,475,479	2,348,341	2,312,662	3,880,331	3,788,141
<b>Total assets</b>	<u>3,865,790</u>	<u>3,957,240</u>	<u>4,205,739</u>	<u>4,134,571</u>	<u>8,071,529</u>	<u>8,091,811</u>
<b>Liabilities:</b>						
Current liabilities	62,585	79,482	66,234	65,368	128,819	144,850
<b>Net Assets :</b>						
Invested in capital assets, net of related debt	1,531,990	1,475,479	2,348,341	2,312,662	3,880,331	3,788,141
Restricted	205,602	241,827	-	-	205,602	241,827
Unrestricted	2,065,613	2,160,452	1,791,164	1,756,541	3,856,777	3,916,993
<b>Total net assets</b>	<u>\$ 3,803,205</u>	<u>\$ 3,877,758</u>	<u>\$ 4,139,505</u>	<u>\$ 4,069,203</u>	<u>\$ 7,942,710</u>	<u>\$ 7,946,961</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town exceeded liabilities by \$7,942,710 as of June 30, 2012. The Town's net assets decreased by \$4,251 for the fiscal year ended June 30, 2012. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,856,777 (48.6%) is unrestricted, which is approximately the same proportion as last fiscal year.

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

- The cost of Governmental Activities exceeded the actual received revenues.
- As noted in previous two audits, the County Water System increased the bulk water rate, the rate the Town buys at, by 40% effective July 2010. This required the Town to conduct a comprehensive water and sewer rate study; which led to a rate increase. We assumed we would notice a decline in consumption but an increase in overall system revenue; this assumption was correct leading to higher receivables from customers in 2012 and an additional \$11,474 growth in revenues for 2012. Our consumption has appeared to level out and we should anticipate flat revenues in 2013.
- An increase in overall receivables has increased the amount we must hold in reserve as required by the State.
- In prior years the Town worked to reduce its overall liabilities. This fiscal year saw additional reduction in those liabilities.
- Our investment earnings are only 14% of the amounts they were 5 years ago, prior the recession.

## Changes in Net Assets

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

Figure 2:

### Town of Biscoe Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 39,526	\$ 43,262	\$ 863,845	\$ 852,970	\$ 903,371	\$ 896,232
Operating grants and contributions	100,864	82,757	-	-	100,864	82,757
Capital grants and contributions	28,617	23,025	85,346	155,625	113,963	178,650
General revenues:						
Property taxes	619,852	617,319	-	-	619,852	617,319
Other taxes	270,022	248,068	-	-	270,022	248,068
Unrestricted						
Intergovernmental	236,698	305,881	-	-	236,698	305,881
Other	117,529	(19,353)	(77,454)	(20,029)	40,075	(39,382)
<b>Total revenues</b>	<b>1,413,108</b>	<b>1,300,959</b>	<b>871,737</b>	<b>988,566</b>	<b>2,284,845</b>	<b>2,289,525</b>
<b>Expenses:</b>						
General government	391,805	415,614	-	-	391,805	415,614
Public safety	700,723	667,127	-	-	700,723	667,127
Culture and recreation	120,065	110,849	-	-	120,065	110,849
Transportation	293,008	245,590	-	-	293,008	245,590
Water and sewer	-	-	783,495	925,923	783,495	925,923
<b>Total expenses</b>	<b>1,505,601</b>	<b>1,439,180</b>	<b>783,495</b>	<b>925,923</b>	<b>2,289,096</b>	<b>2,365,103</b>
Increase (decrease) in net assets before transfers	(92,493)	(138,221)	88,242	62,643	(4,251)	(75,578)
Transfers	17,940	-	(17,940)	-	-	-
Increase (decrease) in net assets	(74,553)	(138,221)	70,302	62,643	(4,251)	(75,578)
Net assets, July 1	3,877,758	4,015,979	4,069,203	4,006,560	7,946,961	8,022,539
Net assets, June 30	\$ 3,803,205	\$ 3,877,758	\$ 4,139,505	\$ 4,069,203	\$ 7,942,710	\$ 7,946,961

**Governmental activities** – Governmental activities decreased the Town's net assets by \$74,553. Key elements of this decrease are as follows:

- The Governmental activities have relied on fund balance to supplement our loss in revenues from intergovernmental sources of revenues and from loss of interest income.
- In 2011 Governmental activities decreased the Town's net assets by \$138,221, 2012 decrease in net assets was \$74,553, 54% of the prior year. This is an improvement that the Town has worked toward.
- In 2013 we anticipate that Governmental Activities will increase the Town's net assets. 2013 will benefit from revaluation of property taxes.

**Business-type activities:** Business-type activities increased the Town's assets by \$70,302. Key elements of this increase are as follows:

- Our Business-type activities have seen an increase in revenues from charges for services by \$10,875. As explained earlier we expect that level of revenue to stay flat for 2013.

We had a reduction in expenditures of \$142,428.

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

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,231,062 a decrease of \$133,227 in comparison with the prior year.

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

The actual operating revenues for the General Fund were more than the budgeted amount by \$48,199. The higher than anticipated revenue mostly fell into two categories: increased tax receipts and grant proceeds but were saddled (once again) by lower than anticipated investment earnings. We were extremely cautious in our Revenue estimates, and most state-collected local revenues over-performed our most cautious estimates.

The actual operating expenses for the General Fund were less than the budgeted amount by \$165,478. This was primarily due to the continued efforts of staff to show restraint in purchases and overall responsible fiscal stewardship. Unfortunately, our actual expenditures exceeded our actual revenues by \$166,195. This was anticipated by the board, which is why such a large number was budgeted for fund balance appropriation in the General Fund. The board elected to utilize fund balance instead of considering a tax increase due to revaluation being conducted and the certainty of revisiting the tax rate in the coming fiscal year, which will likely solve this imbalance.

**Proprietary Funds:** The Town's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net assets at the end of the fiscal year amounted to \$1,791,164 reflecting a \$34,623 increase from the prior year. The town, as expressed in earlier sections, resumed normal capital outlay. Net Assets invested in Capital Assets was \$2,348,341, an increase of \$35,679.

### **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, 2012, totals \$3,880,331 reflecting a \$92,190 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**

- A Crown Victoria Police Vehicle.
- A Brush Tractor for cleaning brush from the right-of-ways.
- Resurfacing and rehabilitation of the Basketball Courts in the Park.
- Car mounted Viper radios for all our Police Vehicles via a 50/50 grant/local match.

**Retirements and Dispositions**

- No retirements, just regular book depreciation.

**Proprietary Funds:**

**Additions**

- Bush Hog for clearing water and sewer line easement
- A used 4x4 truck for hauling the Jet Machine to remote sewer lines, to allow us to properly maintain our lines.

**Retirements**

- No retirements, just regular book depreciation

**Figure 4:**

**Town of Biscoe  
Capital Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 490,635	\$ 482,587	\$ 14,900	\$ 14,900	\$ 505,535	\$ 497,487
Buildings	1,998,341	1,998,341	-	-	1,998,341	1,998,341
Equipment, vehicles & infrastructure	1,727,908	1,593,249	716,782	726,502	2,444,690	2,319,751
Water distribution Systems	-	-	4,217,705	4,217,705	4,217,705	4,217,705
Construction in Progress	<u>73,350</u>	<u>108,632</u>	<u>175,551</u>	<u>-</u>	<u>248,901</u>	<u>108,632</u>
Total Net Assets	4,290,234	4,182,809	5,124,938	4,959,107	9,415,172	9,141,916
Depreciation	<u>(2,758,244)</u>	<u>(2,707,330)</u>	<u>(2,776,597)</u>	<u>(2,646,445)</u>	<u>(5,534,841)</u>	<u>(5,353,775)</u>
Total Capital Assets (net of accumulated depreciation)	<u>\$ 1,531,990</u>	<u>\$ 1,475,479</u>	<u>\$ 2,348,341</u>	<u>\$ 2,312,662</u>	<u>\$ 3,880,331</u>	<u>\$ 3,788,141</u>

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

**Long-term Debt.** As of June 30, 2012, the Town of Biscoe does not have any outstanding long-term debt.

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

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

- The Montgomery County unemployment rate, as reported by the Employment Security Commission, in June 2011 was 12.5%; in June 2012, the rate was still 12.5%. Montgomery County has continued to remain above the State average (8.2%) unemployment rate.
- The next fiscal year (2013) will benefit from the previous mentioned property tax revaluation. The Town reduced its tax rate from .58 on the hundred to .56. This amount places the Town at .05 cent above the revenue-neutral tax rate; it is our hope that this tax rate will be sufficient to offset the loss in intergovernmental sources of revenues and loss of interest incomes.
- We have seen the completion of the bank proposed last year and have been in talks about the construction of a second bank. We have also seen some previously vacated store fronts become occupied.
- The Town of Biscoe, in a partnership with Montgomery and Moore Counties is expanding sewer service to **Heart of NC Megapark**. This Megapark consists of over 3,000 acres located in Eastern Montgomery and Western Moore Counties. The Town of Biscoe has been awarded \$800,000 from the Golden Leaf Foundation on a total project of \$1.3 Million Dollars. This infrastructure will make sewer service on the east of Interstate 73/74; which is great for the future growth of the Town of Biscoe. The design phase of this project is complete and we have released the contracts for bids.

### **Next Year's Budget Highlights for the Fiscal Year Ending June 30, 2013**

**Governmental Activities:** Numerous occurrences outside our span of control have created a larger overall budget for our Governmental Activities. The occurrences with the largest impacts, out of our direct control, have been in postemployment benefits. It came to our attention that several years ago we received an unrequested refund from the Volunteer Firefighter's Pension Fund; these refunded contributions lost potential years of growth and will have to be repaid in addition to the lost interest. The other large impact has been from our LEO Separation allowance, we have had 2 officers retire and anticipate a 3rd in 2013. These retirements have required the Town to increase its contributions to the LEO fund balance to cover expenditures and plan for future expenditures.

For the second year, the Town is providing its workers with Cost of Living Adjustment of 2.5%. The Town is also considering adding an additional merit pay system to complement the COLA increases. The Town has planned major capital expenditures in accordance with our Capital Improvement Program. Finally the Town has decided to commit itself to a street resurfacing program; the program will see all the Town owned streets being resurfaced on a ten year rotating cycle; A list has been created which will be the order of the resurfacing and upon completion it will start over. We will be continuing on our annual cycle of replacing a law enforcement vehicle. We will also purchase a new dump truck which will primarily be used to collect brush and debris.

**Business-Type Activities:** We anticipate flat revenues for 2013. The Board has discussed reducing the minimum billable amount, currently 2,000 gallons/month to possibly 1,000 gallons/month. This would work as a cost savings measure to help those on fixed incomes and to reward our consumers that elect to conserve water. With the anticipation of flat revenues, if we lower the minimum billing gallons we will need to make up the revenue elsewhere. Any proposed rate change would need another rate study to ensure we maintain a proper amount of revenues. Design work on the \$1.3 Million dollar sewer expansion is completed and the project has been put out to bid. This project is funded through an \$800,000 Golden Leaf Foundation grant and \$500,000 of local funds. Additionally, the Town will be undertaking an Inflow and Infiltration Study on its sewer system. This study, totaling \$80,000 is half funded by the Rural Center and half by the Town. The study will help us identify and correct inefficiencies to our operations, which will lead to smart investment in capital and a reduction in operational costs. We also anticipate replacing our backhoe, which is one of the most versatile pieces of equipment utilized by our business-type activities.

### **Requests for Information**

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



**TOWN OF BISCOE, NORTH CAROLINA**  
**STATEMENT OF NET ASSETS**  
**June 30, 2012**

**Exhibit 1**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 874,567	\$ 1,739,091	\$ 2,613,658
Restricted cash	1,225,861	770	1,226,631
Receivables - net			
Property taxes	67,830	-	67,830
Due from other governments	129,800	-	129,800
Accounts receivable	10,540	-	10,540
Customers	-	103,336	103,336
Sales tax	13,633	-	13,633
Accrued interest receivable	348	686	1,034
Internal balances	11,221	(11,221)	-
Inventories	-	24,736	24,736
Total current assets	<u>2,333,800</u>	<u>1,857,398</u>	<u>4,191,198</u>
Non-current assets:			
Capital assets:			
Land and other non-depreciable assets	563,985	190,451	754,436
Other capital assets, net of depreciation	968,005	2,157,890	3,125,895
Total capital assets	<u>1,531,990</u>	<u>2,348,341</u>	<u>3,880,331</u>
Total assets	<u>\$ 3,865,790</u>	<u>\$ 4,205,739</u>	<u>\$ 8,071,529</u>
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 34,096	\$ 43,032	\$ 77,128
Customers deposits	-	770	770
Unearned revenue	812	-	812
Current portion of compensated absences	27,677	22,432	50,109
Total liabilities	<u>62,585</u>	<u>66,234</u>	<u>128,819</u>
Net assets:			
Invested in capital assets, net of related debt	1,531,990	2,348,341	3,880,331
Restricted for:			
Stabilization by State Statute	165,542	-	165,542
Streets	38,707	-	38,707
Equitable sharing	1,353	-	1,353
Unrestricted	2,065,613	1,791,164	3,856,777
Total net assets	<u>\$ 3,803,205</u>	<u>\$ 4,139,505</u>	<u>\$ 7,942,710</u>

TOWN OF BISCOE, NORTH CAROLINA  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2012

Exhibit 2

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Government activities:							
General government	\$ 391,805	\$ 2,966	\$ -	\$ -	\$ (388,839)	\$ -	\$ (388,839)
Public safety	700,723	-	49,124	28,617	(622,982)	-	(622,982)
Transportation	293,008	-	51,740	-	(241,268)	-	(241,268)
Cultural and recreational	120,065	36,560	-	-	(83,505)	-	(83,505)
Total governmental activities	1,505,601	39,526	100,864	28,617	(1,336,594)	-	(1,336,594)
Business-type activities:							
Water and Sewer	783,495	863,845	-	85,346	-	165,696	165,696
Total business-type activities	783,495	863,845	-	85,346	-	165,696	165,696
Total primary government	\$ 2,289,096	\$ 903,371	\$ 100,864	\$ 113,963	\$ (1,336,594)	\$ 165,696	\$ (1,170,898)
General revenues:							
Ad valorem taxes					619,852	-	619,852
Local option taxes					270,022	-	270,022
Unrestricted intergovernmental					236,698	-	236,698
Investment earnings					8,877	3,798	12,675
Miscellaneous					64,996	12,920	77,916
Gain/(loss) on disposal of capital assets					43,656	(6,293)	37,363
STAG grant disbursements to other towns					-	(87,879)	(87,879)
Transfers					17,940	(17,940)	-
Total general revenues and transfers					1,262,041	(95,394)	1,166,647
Change in net assets					(74,553)	70,302	(4,251)
Net assets, beginning					3,877,758	4,069,203	7,946,961
Net assets, end of year					\$ 3,803,205	\$ 4,139,505	\$ 7,942,710

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

TOWN OF BISCOE, NORTH CAROLINA  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 June 30, 2012

Exhibit 3

	Major Fund		Total Governmental Funds
	General Fund	Total Non-Major Funds	
<b>ASSETS</b>			
Cash and investments	\$ 918,641	\$ -	\$ 918,641
Restricted cash	1,225,861	-	1,225,861
Receivables - net			
Property taxes	67,830	-	67,830
Due from other governments	129,800	-	129,800
Accounts receivable	10,540	-	10,540
Sales tax	13,633	-	13,633
Accrued interest receivable	348	-	348
Due from other funds	11,221	-	11,221
<b>TOTAL ASSETS</b>	<b>\$ 2,377,874</b>	<b>\$ -</b>	<b>\$ 2,366,653</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Bank overdraft	\$ -	\$ 44,074	\$ 44,074
Accounts payable and accrued liabilities	34,096	-	34,096
Unearned revenue	812	-	812
Deferred revenue	67,830	-	67,830
<b>TOTAL LIABILITIES</b>	<b>102,738</b>	<b>44,074</b>	<b>146,812</b>
<b>FUND BALANCES</b>			
Restricted			
Stabilization by State Statute	165,542	-	165,542
Streets	38,707	-	38,707
Equitable sharing	1,353	-	1,353
Assigned			
Subsequent year's expenditures	255,288	-	255,288
Capital reserve fund	1,187,154	-	1,187,154
Unassigned (deficit)	627,092	(44,074)	583,018
<b>TOTAL FUND BALANCES</b>	<b>2,275,136</b>	<b>(44,074)</b>	<b>2,231,062</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,377,874</b>	<b>\$ -</b>	<b>\$ 2,377,874</b>

Reconciliation of fund balance in the balance sheet - governmental funds with net assets - governmental activities:

Fund balance as reported in the balance sheet - governmental funds	\$ 2,231,062
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	1,531,990
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	67,830
Long-term liabilities, including interest and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds	(27,677)
	<u>\$ 3,803,205</u>

TOWN OF BISCOE, NORTH CAROLINA  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2012

Exhibit 4  
 Page 1 of 2

	Major Fund		Total Governmental Funds
	General Fund	Total Non-Major Funds	
REVENUES			
Ad valorem taxes	\$ 619,852	\$ -	\$ 619,852
Other taxes and licenses	270,022	-	270,022
Unrestricted intergovernmental	236,696	-	236,696
Restricted intergovernmental	107,399	28,617	136,016
Permits and fees	2,966	-	2,966
Sales and services	43,633	-	43,633
Investment earnings	8,875	-	8,875
Miscellaneous	51,390	-	51,390
Total revenues	<u>1,340,833</u>	<u>28,617</u>	<u>1,369,450</u>
EXPENDITURES			
General government	407,378	-	407,378
Public safety	699,767	53,070	752,837
Transportation	273,242	-	273,242
Cultural and recreational	126,641	10,319	136,960
Total expenditures	<u>1,507,028</u>	<u>63,389</u>	<u>1,570,417</u>
REVENUES UNDER EXPENDITURES	<u>(166,195)</u>	<u>(34,772)</u>	<u>(200,967)</u>
OTHER FINANCING SOURCES (USES)			
Transfer from water & sewer fund	17,940	-	17,940
Transfer to PARTF	(53,354)	53,354	-
Transfer to capital project fund	(35,205)	35,205	-
Sale of capital assets	49,800	-	49,800
TOTAL OTHER FINANCING SOURCES (USES)	<u>(20,819)</u>	<u>88,559</u>	<u>67,740</u>
CHANGE IN FUND BALANCE	(187,014)	53,787	(133,227)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>2,462,150</u>	<u>(97,861)</u>	<u>2,364,289</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 2,275,136</u>	<u>\$ (44,074)</u>	<u>\$ 2,231,062</u>



TOWN OF BISCOE, NORTH CAROLINA  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2012

Exhibit 4  
 Page 1 of 2

	Major Fund		Total Governmental Funds
	General Fund	Total Non-Major Funds	
<b>REVENUES</b>			
Ad valorem taxes	\$ 619,852	\$ -	\$ 619,852
Other taxes and licenses	270,022	-	270,022
Unrestricted intergovernmental	236,696	-	236,696
Restricted intergovernmental	107,399	28,617	136,016
Permits and fees	2,966	-	2,966
Sales and services	43,633	-	43,633
Investment earnings	8,875	-	8,875
Miscellaneous	51,390	-	51,390
<b>Total revenues</b>	<b>1,340,833</b>	<b>28,617</b>	<b>1,369,450</b>
<b>EXPENDITURES</b>			
General government	407,378	-	407,378
Public safety	699,767	53,070	752,837
Transportation	273,242	-	273,242
Cultural and recreational	126,641	10,319	136,960
<b>Total expenditures</b>	<b>1,507,028</b>	<b>63,389</b>	<b>1,570,417</b>
<b>REVENUES UNDER EXPENDITURES</b>	<b>(166,195)</b>	<b>(34,772)</b>	<b>(200,967)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from water & sewer fund	17,940	-	17,940
Transfer to PARTF	(53,354)	53,354	-
Transfer to capital project fund	(35,205)	35,205	-
Sale of capital assets	49,800	-	49,800
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(20,819)</b>	<b>88,559</b>	<b>67,740</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(187,014)</b>	<b>53,787</b>	<b>(133,227)</b>
<b>FUND BALANCE (DEFICIT), BEGINNING OF YEAR</b>	<b>2,462,150</b>	<b>(97,861)</b>	<b>2,364,289</b>
<b>FUND BALANCE (DEFICIT), END OF YEAR</b>	<b>\$ 2,275,136</b>	<b>\$ (44,074)</b>	<b>\$ 2,231,062</b>

**TOWN OF BISCOE  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2012**

Reconciliation of net change in fund balance in the statement of revenues, expenditures and changes in fund balance - governmental funds to change in net assets - governmental activities:

Revenues under expenditures	\$ (133,227)
-----------------------------	--------------

Governmental funds report capital outlays as expenditures. However in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, the gain/loss on disposal of those assets would also differ between the two statements in an amount equal to the basis of the asset reported on the date of disposal.

Capital outlay	192,241
Depreciation	(129,586)

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

Proceeds from sale of capital assets	(49,800)
--------------------------------------	----------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

Compensated absences	2,163
Gain on disposal of capital assets	43,656

Total change in net assets of governmental activities	<u>\$ (74,553)</u>
-------------------------------------------------------	--------------------



TOWN OF BISCOE, NORTH CAROLINA  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL  
 GENERAL FUND AND ANNUALLY BUDGETED CAPITAL RESERVE FUND  
 For the Year Ended June 30, 2012

Exhibit 5

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 595,305	\$ 595,305	\$ 619,852	\$ 24,547
Other taxes and licenses	288,560	288,060	270,022	(18,038)
Unrestricted intergovernmental revenues	217,241	217,241	236,696	19,455
Restricted intergovernmental revenues	91,756	96,291	107,399	11,108
Permits and fees	2,600	2,600	2,966	366
Sales and services	38,000	38,000	43,633	5,633
Investment earnings	15,650	15,650	4,417	(11,233)
Miscellaneous	11,000	35,029	51,390	16,361
Total revenues	1,260,112	1,288,176	1,336,375	48,199
EXPENDITURES				
General government	448,613	470,562	407,378	63,184
Public safety	666,031	712,231	699,767	12,464
Transportation - streets	353,240	353,240	273,242	79,998
Cultural and recreational	106,560	136,473	126,641	9,832
Total expenditures	1,574,444	1,672,506	1,507,028	165,478
REVENUES UNDER EXPENDITURES	(314,332)	(384,330)	(170,653)	213,677
OTHER FINANCING SOURCES:				
Transfer from other funds	72,000	72,000	72,000	-
Sale of capital assets	10,000	49,800	49,800	-
Total other financing sources	82,000	121,800	121,800	-
REVENUES UNDER EXPENDITURES AND OTHER FINANCING SOURCES	(232,332)	(262,530)	(48,853)	213,677
FUND BALANCE APPROPRIATED	232,332	262,530	-	(262,530)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	(48,853)	\$ (48,853)
FUND BALANCE, BEGINNING OF YEAR			1,136,835	
FUND BALANCE, END OF YEAR			1,087,982	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Investment earnings			4,458	
Transfer from Water & Sewer fund			17,940	
Transfer to General fund			(72,000)	
Transfer to PARTF			(53,354)	
Transfer to Capital Project fund			(35,205)	
Fund Balance, Beginning			1,325,315	
Fund Balance, Ending (Exhibit 4)			\$ 2,275,136	

TOWN OF BISCOE, NORTH CAROLINA  
 STATEMENT OF NET ASSETS - PROPRIETARY FUND  
 June 30, 2012

Exhibit 6

ASSETS

Current assets:

Cash and investments	\$ 1,739,091
Receivables - net:	
Customers	103,336
Accrued interest	686
Restricted cash and investments	770
Inventories	<u>24,736</u>
Total current assets	<u>1,868,619</u>

Capital assets:

Land and other non-depreciable assets	190,451
Other capital assets, net of depreciation	<u>2,157,890</u>
Total capital assets, net	<u>2,348,341</u>
Total assets	<u>\$ 4,216,960</u>

LIABILITIES

Current Liabilities:

Accounts payable and accrued liabilities	\$ 43,032
Due to other funds	11,221
Compensated absences	22,432
Deposits	<u>770</u>
Total current liabilities	<u>77,455</u>
Total liabilities	<u>77,455</u>

NET ASSETS

Invested in capital assets, net of related debt	2,348,341
Unrestricted	<u>1,791,164</u>
Total net assets	<u>\$ 4,139,505</u>

TOWN OF BISCOE, NORTH CAROLINA  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUND  
 For the Year Ended June 30, 2012

Exhibit 7

OPERATING REVENUES		
Charges for services		\$ 863,845
OPERATING EXPENSES		
Water and sewer operations		628,698
Depreciation		154,797
Total Operating Expenses		<u>783,495</u>
INCOME FROM OPERATIONS		<u>80,350</u>
NONOPERATING REVENUES (EXPENSES)		
Interest earned on investments		3,798
Tax refunds		3,992
Loss on disposal of capital assets		(6,293)
STAG grant disbursements to other towns		(87,879)
Other revenue		8,928
Total Nonoperating Revenues (Expenses)		<u>(77,454)</u>
	INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	2,896
TRANSFER TO CAPITAL RESERVE		(17,940)
CAPITAL CONTRIBUTIONS		<u>85,346</u>
	CHANGE IN NET ASSETS	70,302
NET ASSETS, BEGINNING OF YEAR		<u>4,069,203</u>
	NET ASSETS, END OF YEAR	<u><u>\$ 4,139,505</u></u>

TOWN OF BISCOE, NORTH CAROLINA  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 For the Year Ended June 30, 2012

Exhibit 8

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers		\$ 913,838
Cash paid for goods and services		(460,661)
Cash paid to employees for services		(156,689)
	NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>296,488</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets		(196,769)
Other revenue		10,387
Transfer to capital reserve fund		(17,940)
	NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(204,322)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments		3,798
	NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>3,798</u>
	NET INCREASE IN CASH AND CASH EQUIVALENTS	95,964
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>1,643,897</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>\$ 1,739,861</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income from operations		\$ 80,350
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		154,797
Change in assets and liabilities:		
(Increase) decrease in accounts receivable		49,993
Increase (decrease) in accounts payable and accrued liabilities		12,087
(Increase) decrease in inventories		(739)
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>\$ 296,488</u>

TOWN OF BISCOE, NORTH CAROLINA  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 June 30, 2012

Exhibit 9

	<u>Pension Trust Fund</u> <u>Special Separation</u> <u>Allowance Fund</u>
ASSETS	
Cash and cash equivalents	\$ 30,156
Accrued interest	1
Total assets	<u>30,157</u>
LIABILITIES	
Accrued benefits	<u>635</u>
NET ASSETS	
Reserved for employees' pension benefits	<u>\$ 29,522</u>



TOWN OF BISCOE, NORTH CAROLINA  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 For the Year Ended June 30, 2012

Exhibit 10

	<u>Rension Trust Fund</u> <u>Special Separation</u> <u>Allowance Fund</u>
ADDITIONS:	
Investment earnings	\$           268
Municipal contribution	18,000
TOTAL ADDITIONS	<u>                 18,268</u>
DEDUCTIONS:	
Employee benefits	<u>                 24,099</u>
NET DECREASE	(5,831)
NET ASSETS, BEGINNING OF YEAR, JULY 1	<u>                 35,353</u>
NET ASSETS, END OF YEAR, JUNE 30	<u><u>                 \$           29,522</u></u>



**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2012**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Biscoe conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

*Reporting Entity*

The Town of Biscoe is a municipal corporation which is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town as well as any separate entity for which the Town is financially accountable. For the year ended June 30, 2012, no other entity is included in the Town's financial statements.

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

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

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

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

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

The Town reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, streets, sanitation, parks and recreation, and general government services. Additionally, the Town has legally adopted a Capital Reserve Fund. Under GASB 54 guidance, the Capital Reserve Fund is consolidated in the General Fund. The budgetary comparison for the Capital Reserve Fund has been included in the supplemental information.

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2012**

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

The Town reports the following non-major governmental funds:

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

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

The Town reports the following major enterprise fund:

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

The City reports the following fiduciary fund:

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

*Measurement Focus and Basis of Accounting*

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

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

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

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

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



**TOWN OF BISCOE, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012**

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

*Measurement Focus and Basis of Accounting (Continued)*

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to actual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Montgomery County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Biscoe. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Montgomery County from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as deferred revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989, that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

*Budgetary Data*

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



**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2012**

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

*Budgetary Data (Continued)*

Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. The Town manager is authorized by the budget ordinance to transfer appropriations between functional areas within a fund up to \$1,000; however, any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000 must be approved by the governing board. Amendments were made during the year to the original budget.

*Deposits and Investments*

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

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

*Cash and Cash Equivalents*

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

*Restricted Assets*

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

*Ad Valorem Taxes Receivable*

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

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2012**

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

*Allowances for Doubtful Accounts*

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

*Inventory*

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

*Capital Assets*

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

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

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

*Compensated Absences*

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. Accumulated earned vacation at June 30, 2012, amounted to \$50,109 in total, of which \$27,677 relates to the governmental fund and \$22,432 relates to the enterprise fund. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

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



**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2012**

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

*Net Assets*

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

*Fund Balance*

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

The governmental fund types classify fund balances as follows:

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

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

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

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.

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

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

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

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



**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2012**

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

*Fund Balance (Continued)*

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

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

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

On-behalf of Payments

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

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2012, transfers from the water and sewer fund to the Clean Water Management Trust Fund exceeded authorized appropriations by \$36,411. Management and the commissioners will more closely review the budget reports to ensure compliance in future years.

Deficit in Fund Balance or Net Assets of Individual Funds

The Town had a deficit in fund balance in the Office of State Fire Marshall 2011 to 2012 and 2012 – 2013 funds, Parks and Recreation Trust Fund, Golden Leaf capital project fund, and I&I Rural Center capital project fund as of June 30, 2012. Management and commissioners will transfer budgeted funds or request reimbursement of grant funds in order to remedy the deficits.

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

*Deposits*

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the

**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2012**

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**III. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

*Deposits (Continued)*

Town under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2012, the Town's deposits had a carrying amount of \$3,870,445 and a bank balance of \$3,961,593. Of the bank balance, \$552,820 was covered by federal depository insurance, and \$3,408,773 was secured through the pooling method. At June 30, 2012, the Town had no petty cash fund.

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

The receivables shown in the Town's statement of net assets and balance sheet are presented net of the following allowances for doubtful accounts:

General Fund	
Ad valorem taxes	<u>\$13,639</u>
Water and Sewer Fund	
Customers	<u>\$24,500</u>

**V. CAPITAL ASSETS**

Capital Assets at June 30, 2012, are summarized below:

	<u>June 30,</u> <u>2011</u>	<u>Transfers in/</u> <u>additions</u>	<u>Transfers out/</u> <u>retirements</u>	<u>June 30,</u> <u>2012</u>
Non depreciable assets:				
Land	\$ 482,587	\$ 12,171	\$ (4,123)	\$ 490,635
Construction in progress	<u>108,632</u>	<u>10,694</u>	<u>(45,976)</u>	<u>73,350</u>
	<u>591,219</u>	<u>22,865</u>	<u>(50,099)</u>	<u>563,985</u>
Depreciable assets:				
Buildings and improvements	1,998,341	-	-	1,998,341
Equipment and vehicles	1,385,985	215,352	(80,693)	1,520,644
Infrastructure	<u>207,264</u>	<u>-</u>	<u>-</u>	<u>207,264</u>
	<u>3,591,590</u>	<u>215,352</u>	<u>(80,693)</u>	<u>3,726,249</u>
Grand Total	<u>4,182,809</u>	<u>238,217</u>	<u>(130,792)</u>	<u>4,290,234</u>



**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2012**

**V. CAPITAL ASSETS (Continued)**

	June 30, 2011	Transfers in/ additions	Transfers out/ retirements	June 30, 2012
Less: Accumulated depreciation and amortization for:				
Buildings and improvements to land and buildings	\$ 1,600,057	\$ 34,573	\$ -	\$ 1,634,630
Equipment and vehicles	1,067,938	84,650	(78,672)	1,073,916
Infrastructure	39,335	10,363	-	49,698
	<u>2,707,330</u>	<u>129,586</u>	<u>(78,672)</u>	<u>2,758,244</u>
Depreciable assets – net	884,260	85,766	(2,021)	968,005
Governmental activity capital assets – net	<u>\$ 1,475,479</u>	<u>\$ 108,631</u>	<u>\$ (52,120)</u>	<u>\$ 1,531,990</u>

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

General government	\$ 34,016
Public safety	69,625
Cultural and recreation	6,178
Transportation	19,767
	<u>\$ 129,586</u>

Business Type Activities:

	June 30, 2011	Transfers in/ additions	Transfers out/ retirements	June 30, 2012
Non depreciable assets:				
Land	\$ 14,900	\$ -	\$ -	\$ 14,900
Construction in progress	-	175,551	-	175,551
	<u>14,900</u>	<u>175,551</u>	<u>-</u>	<u>190,451</u>
Depreciable assets:				
Plant, substations, lines, and related equipment	4,217,705	-	-	4,217,705
Equipment and vehicles	726,502	21,218	(30,938)	716,782
	<u>4,944,207</u>	<u>21,218</u>	<u>(30,938)</u>	<u>4,934,487</u>
Grand Total	<u>4,959,107</u>	<u>196,769</u>	<u>(30,938)</u>	<u>5,124,938</u>
Less: Accumulated depreciation:				
Plant, substations, lines, and related equipment	2,084,618	109,161	-	2,193,779
Equipment and vehicles	561,827	45,636	(24,645)	582,818
	<u>2,646,445</u>	<u>154,797</u>	<u>(24,645)</u>	<u>2,776,597</u>
Depreciable assets – net	<u>2,297,762</u>	<u>(133,579)</u>	<u>(6,293)</u>	<u>2,157,890</u>
Business type activities capital assets – net	<u>\$ 2,312,662</u>	<u>\$ 41,972</u>	<u>\$ (6,293)</u>	<u>\$ 2,348,341</u>



**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2012**

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**VI. PAYABLES**

Payables at the government-wide level at June 30, 2012, were as follows:

	<u>Vendors</u>	<u>Salaries and benefits</u>	<u>Total</u>
Governmental Activities:			
General	\$ 19,751	\$ 14,345	\$ 34,096
Total - governmental activities	<u>\$ 19,751</u>	<u>\$ 14,345</u>	<u>\$ 34,096</u>
Business-Type Activities:			
Water and Sewer	\$ 37,812	\$ 5,220	\$ 43,032
Total - business-type activities	<u>\$ 37,812</u>	<u>\$ 5,220</u>	<u>\$ 43,032</u>

**VII. PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS**

*Local Governmental Employees' Retirement System*

Plan Description - The Town of Biscoe contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy - Plan members are required to contribute six percent of their covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.88% and 7.36%, respectively, of annual covered payroll. The contribution requirements of members and of the Town of Biscoe are established and may be amended by the North Carolina General Assembly. The Town's contribution to LGERS for year ended June 30, 2012, 2011, and 2010 were \$40,798, 33,374, and 27,917, respectively. The contribution made by the Town equaled the required contribution for the year.

*Law Enforcement Officers Special Separation Allowance*

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

**TOWN OF BISCOE, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2012**

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

*Law Enforcement Officers Special Separation Allowance (Continued)*

All full-time law enforcement officers of the Town are covered by the Separation allowance. At December 31, 2011, the Separation Allowance's membership consisted of:

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

Summary of Significant Accounting Policies:

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

Method Used to Value Investments – Investments are reported at fair value. Short-term money market debt instruments, deposits, and repurchase agreements, are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price.

Contributions - The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the Town contributed \$12,000, or 4.86% of annual covered payroll. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the Separation allowance are financed through investment earnings.

The annual required contribution for the current year was determined as part of the December 31, 2011, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25 – 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-employment benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2011 was 19 years.



**TOWN OF BISCOE, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012**

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

*Law Enforcement Officers Special Separation Allowance (Continued)*

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

Annual required contribution	\$ 10,860
Interest on net pension obligation	(1,504)
Adjustment to annual required contribution	<u>1,795</u>
Annual pension cost	11,151
Contributions made	<u>12,000</u>
Decrease in net pension obligation	(849)
Net pension obligation beginning of year	<u>(30,089)</u>
 Net pension obligation end of year	 <u>\$ (30,938)</u>

Three Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-10	8,001	256.17%	(15,649)
6-30-11	9,897	245.90%	(30,089)
6-30-12	11,151	107.61%	(30,938)

Funded Status and Funding Progress - As of December 31, 2011, the most recent actuarial valuation date, the plan was 33.61 percent funded. The actuarial accrued liability for benefits was \$163,971, and the actuarial value of assets was \$55,109, resulting in an unfunded actuarial accrued liability (UAAL) of \$108,862. The covered payroll (annual payroll of active employees covered by the plan) was \$246,738 and the ratio of the UAAL to the covered payroll was 44.12 percent.

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

*Supplemental Retirement Income Plan for Law Enforcement Officers*

Plan Description - The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.



TOWN OF BISCOE, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012

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VII. PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (Continued)

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

Funding Policy - Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2012, were \$27,848, which consisted of \$22,893 from the Town and \$4,955 from the law enforcement officers.

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

Plan Description - The State of North Carolina contributes, on behalf of the Town of Biscoe, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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

*Other Post-Employment Benefits*

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

*Other Employment Benefits*

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

**TOWN OF BISCOE, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2012**

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**VIII. DEFERRED/UNEARNED REVENUES**

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

	<u>Deferred revenue</u>	<u>Unearned revenue</u>
Prepaid taxes (General Fund)	\$ -	\$ 812
Taxes receivable (General Fund), less penalties	<u>67,830</u>	<u>-</u>
	<u>\$ 67,830</u>	<u>\$ 812</u>

**IX. INTERFUND BALANCES AND ACTIVITY**

Balances due to/from other funds at June 30, 2012 consist of the following:

Due to the General Fund for governmental expenses from:	
Water/Sewer Fund	<u>\$ 11,221</u>

The interfund balances resulted from payments for payroll withholdings in the Water and Sewer Fund paid by the General Fund.

Transfers to/from funds at June 30, 2012, consist of the following:

From the General Fund to Capital Reserve to correct prior year transfer	\$ 72,000
From Capital Reserve Fund to PARTF to remedy fund deficit	53,354
From Capital Reserve to OSFM Capital Projects to remedy fund deficit	35,205
From Capital Reserve to Water and Sewer for the purchase of equipment	17,940
From Water and Sewer Fund to CWMTF to remedy fund deficit	<u>36,411</u>
Total	<u>\$ 214,910</u>

**X. REVENUE, EXPENDITURES AND EXPENSES**

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

For the fiscal year ended June 30, 2012, the Town of Biscoe has recognized on-behalf of payments for pension contributions made by the State as a revenue and an expenditure of \$14,140 for the thirty-seven firemen who perform firefighting duties for the Town's fire department. The volunteers and employees elected to be members of the Firemen's Pension Fund, a cost-sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member, investment income and a state appropriation.

**XI. LONG-TERM DEBT**

At June 30, 2012, the Town of Biscoe had a legal debt margin of \$8,501,695.



**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2012**

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**XII. RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town has property, general liability, and auto liability coverage of \$1 million per occurrence, worker's compensation coverage of up to statutory limits, and employee health coverage up to \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against property, general liability, and auto liability in excess of \$500,000 and \$300,000 statutory limits for worker's compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the last three fiscal years.

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

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

**XIII. JOINTLY GOVERNED ORGANIZATION**

The Town, in conjunction with 7 counties and 42 other municipalities, established the Piedmont Triad Regional Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$550 to the Council during the fiscal year ended June 30, 2012.

**XIV. JOINT VENTURE**

The Town participates in a joint venture to operate the Montgomery Municipal Board of Alcoholic Beverage Control with four other local governments. Each participating government appoints one board member to the five-member ABC Board. None of the participating governments have any equity interest in the Montgomery Municipal Board of Alcoholic Beverage Control, so no equity interest has been reflected in the financial statements at June 30, 2012. Complete financial statements for the Montgomery Municipal Board of Alcoholic Beverage Control can be obtained at the ABC's offices, at P.O. Box 279, Biscoe, NC 27209.



**TOWN OF BISCOE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2012**

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**XIV. JOINT VENTURE (Continued)**

Firemen's Relief Fund

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insures remit to the State. The State passes these monies to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2012, the Town reported no payments through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2012. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

**XV. FUND BALANCE**

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

<i>Total fund balance-General Fund</i>	<b>\$ 2,275,136</b>
Less:	
Stabilization by State Statute	165,542
Streets – Powell Bill	33,609
Equitable Sharing	1,353
Appropriated Fund Balance in 2012 budget	255,288
Capital Reserve Fund	1,187,154
Remaining Fund Balance	632,190

**XVI. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

Federal and State Assisted Programs

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

***REQUIRED SUPPLEMENTAL  
FINANCIAL DATA***

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

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

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

Schedule 1

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered payroll ((b - a)/c)
12-31-06	\$63,548	\$80,961	\$17,413	78.49%	\$231,852	25.86%
12-31-07	72,054	90,660	18,606	79.48%	287,022	6.48%
12-31-08	80,487	135,601	55,114	59.36%	249,856	22.06%
12-31-09	89,169	155,066	65,897	57.50%	254,781	25.86%
12-31-10	89,169	165,402	76,233	53.91%	253,003	30.13%
12-31-11	55,109	163,971	108,862	33.61%	246,738	44.12%



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

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Schedule 2

<u>Year ended June 30</u>	<u>Annual required contribution</u>	<u>Percentage contributed</u>
2007	\$ 4,976	99.23%
2008	5,065	99.37%
2009	5,670	205.96%
2010	8,001	256.17%
2011	9,897	245.90%
2012	11,151	107.61%

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

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

Valuation date	12-31-11
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	19 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25 – 7.85%
*Includes inflation at	3.00%
Cost-of-living adjustments	N/A

TOWN OF BISCOE, NORTH CAROLINA  
 GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 For the Year Ended June 30, 2012

	2012		Variance favorable (unfavorable)
	Budget	Actual	
REVENUES			
Ad valorem taxes			
Taxes		\$ 613,724	
Penalties and interest		6,128	
Total	\$ 595,305	619,852	\$ 24,547
Other taxes and licenses			
Local option sales tax		270,022	
Total	288,060	270,022	(18,038)
Unrestricted intergovernmental			
Franchise tax		208,864	
Beer and wine taxes		7,366	
Solid waste disposal tax		1,175	
Tax refunds		19,291	
Total	217,241	236,696	19,455
Restricted intergovernmental			
Powell Bill allocation		51,740	
DSM revenues		1,114	
Grant funds		40,405	
On-behalf payments - Fire		14,140	
Total	96,291	107,399	11,108
Permits and fees	2,600	2,966	366
Sales and services			
ABC Revenue		405	
Cemetery lots sales		6,668	
Concession receipts		36,560	
Total	38,000	43,633	5,633
Investment earnings	15,650	4,417	(11,233)
Miscellaneous			
Contributions		8,285	
Fire department donations		23,529	
Other		19,576	
	35,029	51,390	16,361
TOTAL REVENUES	1,288,176	1,336,375	48,199



TOWN OF BISCOE, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	2012		Variance favorable (unfavorable)
	Budget	Actual	
<b>EXPENDITURES</b>			
General government			
Salaries and employee benefits		\$ 162,425	
Other operating expenditures		137,575	
Total	\$ 334,613	300,000	\$ 34,613
Legal and professional services			
Other operating expenditures		49,038	
Total	52,949	49,038	3,911
Public buildings and grounds			
Other operating expenditures		51,968	
Capital outlay		6,372	
Total	83,000	58,340	24,660
<b>TOTAL GENERAL GOVERNMENT</b>	<b>470,562</b>	<b>407,378</b>	<b>63,184</b>
<b>Public Safety</b>			
Police			
Salaries and employee benefits		424,526	
Other operating expenditures		115,112	
Capital outlay		46,656	
Total	610,791	586,294	24,497
Fire			
Salaries and employee benefits		7,638	
Other operating expenditures		76,893	
Fire department expense		14,802	
Total	101,440	99,333	2,107
Fire and rescue workers on behalf of payments	-	14,140	(14,140)
<b>TOTAL PUBLIC SAFETY</b>	<b>712,231</b>	<b>699,767</b>	<b>12,464</b>
<b>Transportation</b>			
Streets			
Salaries and employee benefits		1,668	
Other operating expenditures		194,561	
Total	199,800	196,229	3,571

TOWN OF BISCOE, NORTH CAROLINA  
 GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 For the Year Ended June 30, 2012

	2012		Variance favorable (unfavorable)
	Budget	Actual	
Transportation (continued)			
Streets - Powell Bill			
Salaries and employee benefits		\$ 15,773	
Other operating expenditures		20,145	
Capital outlay		41,095	
Total	\$ 153,440	77,013	\$ 76,427
TOTAL TRANSPORTATION	353,240	273,242	79,998
Cultural and Recreational			
Recreation			
Salaries and employee benefits		40,738	
Other operating expenditures		85,903	
TOTAL CULTURAL AND RECREATIONAL	136,473	126,641	9,832
TOTAL EXPENDITURES	1,672,506	1,507,028	165,478
REVENUES UNDER EXPENDITURES	(384,330)	(170,653)	213,677
OTHER FINANCING SOURCES:			
Transfer from Capital Reserve	72,000	72,000	-
Sale of capital assets	49,800	49,800	-
TOTAL OTHER FINANCING SOURCES	121,800	121,800	-
REVENUES UNDER EXPENDITURES AND OTHER FINANCING SOURCES	(262,530)	(48,853)	213,677
FUND BALANCE APPROPRIATED	262,530	-	(262,530)
NET CHANGE IN FUND BALANCE	\$ -	(48,853)	\$ (48,853)
FUND BALANCE, BEGINNING OF YEAR, JULY 1		1,136,835	
FUND BALANCE, END OF YEAR, JUNE 30		\$ 1,087,982	

TOWN OF BISCOE, NORTH CAROLINA  
 CAPITAL RESERVE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 For the Year Ended June 30, 2012

	2012		Variance favorable (unfavorable)
	Budget	Actual	
REVENUES			
Investment earnings	\$ 29,499	\$ 4,458	\$ (25,041)
EXPENDITURES	47,439	-	47,439
REVENUES OVER/(UNDER) EXPENDITURES	(17,940)	4,458	22,398
OTHER FINANCING SOURCES/(USES)			
Transfer from water & sewer fund	17,940	17,940	-
Transfer to golden leaf	(500,000)	-	500,000
Transfer to general fund	(72,000)	(72,000)	-
Transfer to PARTIF	(53,354)	(53,354)	-
Transfer to capital project fund	(35,205)	(35,205)	-
TOTAL OTHER FINANCING USES	(642,619)	(142,619)	500,000
REVENUES UNDER EXPENDITURES AND OTHER FINANCING USES	(660,559)	(138,161)	522,398
FUND BALANCE APPROPRIATED	660,559	-	(660,559)
NET CHANGE IN FUND BALANCE	\$ -	(138,161)	\$ (138,161)
FUND BALANCE, BEGINNING OF YEAR, JULY 1		1,325,315	
FUND BALANCE, END OF YEAR, JUNE 30		\$ 1,187,154	



TOWN OF BISCOE  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2012

	<u>Capital Project Funds</u>		<u>Total Non-Major Governmental Funds</u>
	<u>OSFM Grant</u>	<u>PARTF Grant</u>	
<b>LIABILITIES AND FUND DEFICIT</b>			
LIABILITIES			
Bank overdraft	\$ 24,453	\$ 19,621	\$ 44,074
FUND DEFICIT			
Unassigned	(24,453)	(19,621)	(44,074)
TOTAL FUND DEFICIT	<u>(24,453)</u>	<u>(19,621)</u>	<u>(44,074)</u>
TOTAL LIABILITIES AND FUND DEFICIT	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF BISCOE  
NON MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - NON MAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2012

	Capital Project Funds		Total Non-Major Governmental Funds
	OSFM Grants	PARTF Grant	
REVENUES			
Grant Proceeds	\$ 28,617	\$ -	\$ 28,617
EXPENDITURES			
Public Safety	53,070	-	53,070
Cultural and Recreation	-	10,319	10,319
TOTAL EXPENDITURES	53,070	10,319	63,389
REVENUES UNDER EXPENDITURES	(24,453)	(10,319)	(34,772)
OTHER FINANCING SOURCES			
Transfer from Capital Reserve	35,205	53,354	88,559
REVENUES AND OTHER FINANCING SOURCES OVEREXPENDITURES	10,752	43,035	53,787
FUND DEFICIT, BEGINNING OF YEAR, JULY 1	(35,205)	(62,656)	(97,861)
FUND DEFICIT, END OF YEAR, JUNE 30	\$ (24,453)	\$ (19,621)	\$ (44,074)

TOWN OF BISCOE  
 CAPITAL PROJECTS FUND (OSFM GRANTS)  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL  
 From Inception and for the Year Ended June 30, 2012

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
<b>REVENUES</b>					
OSFM grant proceeds - 2009-2010	\$ 26,880	\$ 26,882	\$ -	\$ 26,882	\$ 2
OSFM grant proceeds - 2010-2011	23,025	23,025	-	23,025	-
OSFM grant proceeds - 2011-2012	28,810	-	28,617	28,617	(193)
OSFM grant proceeds - 2012-2013	29,851	-	-	-	(29,851)
<b>TOTAL REVENUES</b>	<b>81,686</b>	<b>23,025</b>	<b>28,617</b>	<b>51,642</b>	<b>(30,044)</b>
<b>EXPENDITURES</b>					
OSFM expenditures 2009-2010	53,764	51,291	-	51,291	2,473
OSFM expenditures 2010-2011	46,050	45,975	-	45,975	75
OSFM expenditures 2011-2012	57,620	-	52,695	52,695	4,925
OSFM expenditures 2012-2013	59,702	-	375	375	59,327
<b>TOTAL EXPENDITURES</b>	<b>217,136</b>	<b>97,266</b>	<b>53,070</b>	<b>150,336</b>	<b>66,800</b>
<b>REVENUES UNDER EXPENDITURES</b>	<b>(135,450)</b>	<b>(74,241)</b>	<b>(24,453)</b>	<b>(98,694)</b>	<b>36,756</b>
<b>OTHER FINANCING SOURCES</b>					
Transfer from Capital Reserve	108,570	-	35,205	35,205	(73,365)
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	<b>\$ (26,880)</b>	<b>\$ (74,241)</b>	<b>10,752</b>	<b>\$ (63,489)</b>	<b>\$ (36,609)</b>
<b>FUND DEFICIT, BEGINNING OF YEAR, JULY 1</b>			<b>(35,205)</b>		
<b>FUND DEFICIT, END OF YEAR, JUNE 30</b>			<b>\$ (24,453)</b>		



TOWN OF BISCOE  
 CAPITAL PROJECTS FUND (PARTF GRANT)  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL  
 From Inception and for the Year Ended June 30, 2012

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
<b>REVENUES</b>					
Grant proceeds	\$ 53,355	\$ -	\$ -	\$ -	\$ (53,355)
<b>EXPENDITURES</b>					
Cultural and Recreation					
Pool filter	55,000	42,818	-	42,818	12,182
Pool locker room renovation	11,000	14,274	-	14,274	(3,274)
Basketball court	10,000	-	-	-	10,000
Baseball dugouts	10,000	-	4,215	4,215	5,785
Picnic tables	3,200	-	4,264	4,264	(1,064)
Ballfield backstop	1,500	-	-	-	1,500
Pool repairs	2,500	-	-	-	2,500
Ballfield safety cap	900	-	1,840	1,840	(940)
Contingency	4,705	-	-	-	4,705
Planning and administration	7,904	5,564	-	5,564	2,340
<b>TOTAL EXPENDITURES</b>	<b>106,709</b>	<b>62,656</b>	<b>10,319</b>	<b>72,975</b>	<b>33,734</b>
<b>REVENUES UNDER EXPENDITURES</b>	<b>(53,354)</b>	<b>(62,656)</b>	<b>(10,319)</b>	<b>(72,975)</b>	<b>(19,621)</b>
<b>OTHER FINANCING SOURCES</b>					
Transfer from Capital Reserve	-	-	53,354	53,354	53,354
Transfer from General Fund	53,354	-	-	-	(53,354)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>53,354</b>	<b>-</b>	<b>53,354</b>	<b>53,354</b>	<b>-</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	<b>\$ -</b>	<b>\$ (62,656)</b>	<b>43,035</b>	<b>\$ (19,621)</b>	<b>\$ (19,621)</b>
<b>FUND BALANCE, BEGINNING OF YEAR, JULY 1</b>			<b>(62,656)</b>		
<b>FUND DEFICIT, END OF YEAR, JUNE 30</b>			<b>\$ (19,621)</b>		

TOWN OF BISCOE, NORTH CAROLINA  
 WATER AND SEWER FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP)  
 For the Year Ended June 30, 2012

	Budget	Actual	Variance favorable (unfavorable)
<b>REVENUES</b>			
Operating revenues:			
Charges for services	\$ 828,900	\$ 863,845	\$ 34,945
Nonoperating revenues:			
Interest on investments		3,798	
Tax refunds		3,992	
Miscellaneous		8,928	
Total nonoperating revenues	17,300	16,718	(582)
TOTAL REVENUES	846,200	880,563	34,363
<b>EXPENDITURES</b>			
Operating expenditures			
Salaries and employee benefits		212,130	
Other operating expenditures		177,631	
Water purchases for resale		220,795	
Capital Outlay		40,099	
Total Water and Sewer Operations	828,260	650,655	177,605
TOTAL EXPENDITURES	828,260	650,655	177,605
REVENUES OVER EXPENDITURES	\$ 17,940	\$ 229,908	\$ 211,968
<b>OTHER FINANCING USES</b>			
Transfers to:			
Capital reserve	\$ (17,940)	\$ (17,940)	\$ -
CWMTF	-	(36,411)	(36,411)
TOTAL OTHER FINANCING USES	(17,940)	(54,351)	(36,411)
REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ 175,557	\$ 175,557

TOWN OF BISCOE, NORTH CAROLINA  
 WATER AND SEWER FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP)  
 For the Year Ended June 30, 2012

RECONCILIATION FROM BUDGETARY BASIS  
 (MODIFIED ACCRUAL TO FULL ACCRUAL)

REVENUES OVER EXPENDITURES \$ 175,557

RECONCILING ITEMS

Depreciation	(154,797)
Capital outlay	40,099
Less: Items not capitalized	(18,881)
Loss on disposal of capital assets	(6,293)
Capital contributions	85,346
Change in inventory	739
STAG grant disbursements to other towns	(87,879)
Transfer to:	
CWMTF	36,411
Total	<u>(105,255)</u>

CHANGE IN NET ASSETS \$ 70,302



TOWN OF BISCOE  
 ENTERPRISE CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL  
 From Inception and for the Year Ended June 30, 2012

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
<b>REVENUES</b>					
CWMTF grant proceeds	\$ 530,000	\$ 530,000	\$ -	\$ 530,000	\$ -
STAG grant proceeds	200,000	66,666	85,346	152,012	(47,988)
Golden Leaf grant proceeds	1,300,000	-	-	-	(1,300,000)
I&I Rural Center grant proceeds	40,000	-	-	-	(40,000)
<b>TOTAL REVENUES</b>	<b>2,070,000</b>	<b>596,666</b>	<b>85,346</b>	<b>682,012</b>	<b>(1,387,988)</b>
<b>EXPENDITURES</b>					
STAG grant expenditures	861,133	725,176	87,879	813,055	48,078
Golden Leaf expenditures	1,800,000	-	145,694	145,694	1,654,306
I&I Rural Center expenditures	80,000	-	29,857	29,857	50,143
<b>TOTAL EXPENDITURES</b>	<b>2,741,133</b>	<b>725,176</b>	<b>263,430</b>	<b>988,606</b>	<b>1,752,527</b>
<b>REVENUES UNDER EXPENDITURES</b>	<b>(671,133)</b>	<b>(128,510)</b>	<b>(178,084)</b>	<b>(306,594)</b>	<b>364,539</b>
<b>OTHER FINANCING SOURCES</b>					
Transfer from water and sewer	131,133	92,099	36,411	128,510	2,623
Transfers from capital reserve	500,000	-	-	-	500,000
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>631,133</b>	<b>92,099</b>	<b>36,411</b>	<b>128,510</b>	<b>502,623</b>
<b>FUND BALANCE APPROPRIATED</b>	<b>40,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,000</b>
<b>REVENUES, OTHER FINANCING SOURCES, AND FUND BALANCE APPROPRIATED UNDER EXPENDITURES</b>	<b>\$ -</b>	<b>\$ (36,411)</b>	<b>(141,673)</b>	<b>\$ (178,084)</b>	<b>\$ 907,162</b>
<b>FUND BALANCE, BEGINNING OF YEAR, JULY 1</b>			<b>(36,411)</b>		
<b>FUND BALANCE, END OF YEAR, JUNE 30</b>			<b>\$ (178,084)</b>		

*SUPPLEMENTAL FINANCIAL DATA*

TOWN OF BISCOE, NORTH CAROLINA  
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
 June 30, 2012

<u>Fiscal year</u>	<u>Uncollected balance June 30, 2011</u>	<u>Additions</u>	<u>Collections and credits</u>	<u>Uncollected balance June 30, 2012</u>
2011-2012	\$ -	\$ 616,830	\$ 587,527	\$ 29,303
2010-2011	26,022	-	19,277	6,745
2009-2010	7,455	-	2,347	5,108
2008-2009	4,848	-	362	4,486
2007-2008	4,368	-	365	4,003
2006-2007	3,406	-	(40)	3,446
2005-2006	9,874	-	-	9,874
2004-2005	5,201	-	-	5,201
2003-2004	7,654	-	-	7,654
2002-2003	5,697	-	48	5,649
2000-2001	2,612	-	2,612	-
	<u>\$ 77,137</u>	<u>\$ 616,830</u>	<u>\$ 612,498</u>	81,469
Less allowance for uncollected taxes receivable General fund				<u>(13,639)</u>
Ad valorem taxes receivable (net)				<u>\$ 67,830</u>
<u>Reconciliation with revenues:</u>				
Taxes - ad valorem - General Fund				\$ 619,852
Reconciling items:				
Interest collected				(6,128)
Other adjustments				(3,838)
Taxes written off				<u>2,612</u>
Subtotal				<u>(7,354)</u>
Total collections and credits				<u>\$ 612,498</u>



**TOWN OF BISCOE, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
June 30, 2012**

	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	\$103,468,103	\$.58	\$ 600,115	\$ 551,154	\$ 48,961
Registered motor vehicles taxed at prior year's rate	970,346	.58	5,628	-	5,628
Penalties	-		772	772	-
Total	<u>104,438,449</u>		<u>606,515</u>	<u>551,926</u>	<u>54,589</u>
Discoveries:					
Current year taxes	1,978,941	.58	11,059	11,059	-
Penalties	-		104	104	-
Total	<u>1,978,941</u>		<u>11,163</u>	<u>11,163</u>	<u>-</u>
Abatements	<u>(146,207)</u>		<u>(848)</u>	<u>(184)</u>	<u>(664)</u>
TOTAL PROPERTY VALUATION	<u>\$106,271,183</u>				
Net levy			616,830	562,905	53,925
Uncollected taxes at June 30, 2012			<u>29,303</u>	<u>16,032</u>	<u>13,271</u>
CURRENT YEAR'S TAXES COLLECTED			<u>\$ 587,527</u>	<u>\$ 546,873</u>	<u>\$ 40,654</u>
CURRENT LEVY COLLECTION PERCENTAGE			<u>95.25%</u>	<u>91.15%</u>	<u>75.39%</u>



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

To the Honorable Mayor and  
Town Commissioners  
Biscoe, North Carolina

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Biscoe, as of and for the year ended June 30, 2012, and have issued our report thereon dated November 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Town of Biscoe is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Biscoe's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Biscoe's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Biscoe's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies 2012-1, 2012-2, and 2012-3 described in the accompanying Schedule of Findings and Responses to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Biscoe's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Responses as items 2012-1, 2012-2, and 2012-3.

The Town of Biscoe's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Mayor, management, others within the organization, members of Town Council, and federal and State awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Dixon Hughes Goodman LLP*

November 21, 2012



**TOWN OF BISCOE**  
**SUMMARY OF FINDINGS AND RESPONSES**  
**For the Year Ended June 30, 2012**

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**Section II - Financial Statement Findings**

MATERIAL WEAKNESS

**Finding 2012-1 Fund Deficits**

Criteria: In accordance with General Statutes funds should not report deficits in fund balance at the close of a fiscal year.

Condition: The Town reported deficits in fund balance in the Office of State Fire Marshal capital project funds, Parks and Recreation Trust Fund, Golden Leaf capital project fund, and the I&I Rural Center capital project fund in the amounts of \$24,453, \$19,621, \$145,694, and \$29,857, respectively.

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

Cause: For the Office of State Fire Marshal capital project funds, the deficit was created as a result of the Town not transferring the appropriated funds from the Capital Reserve Fund. For the Parks and Recreation Trust Fund, Golden Leaf and I&I Rural Center capital project funds, the deficits were created as a result of the Town not yet filing for reimbursement of expenditures from grant proceeds.

Recommendation: Management and the Commissioners should more closely review the expenditure reports on a periodic basis and transfer appropriated amounts from the Capital Reserve fund to cover operating deficits as well as file for grant reimbursements on a timely basis.

Views of Responsible

Officials and Planned

Corrective Actions: For the Office of State Fire Marshal, management will transfer the appropriate amount in order to remedy the fund deficit in the 2012-13 fiscal year.

For the Parks and Recreation Trust Fund and the Golden Leaf and I&I Rural Center capital project funds, management will monitor expenditures and will file timely requests for grant reimbursements.

**Finding 2012-2 Expenditures in Excess of Appropriations**

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

Condition: The Town did not budget for a transfer from the Water and Sewer fund to the Clean Water Management Trust Fund. Thus, expenditures exceeded authorized appropriations by \$36,411.

TOWN OF BISCOE  
SUMMARY OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2012

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

**Finding 2012-2 Expenditures in Excess of Appropriations (Continued)**

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

Cause: The Town did not budget for the transfer from the Water and Sewer Fund to the Clean Water Management Trust Fund.

Recommendation: Management and the Commissioners should more closely review budget versus actual reports to ensure that expenditures are not in excess of appropriations.

Views of Responsible  
Officials and Planned

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

**Finding 2012-3 Segregation of Duties**

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled properly.

Condition: There is a lack of segregation of duties among Town personnel without compensating reviews for the preparation of bank reconciliations.

Effect: Transactions could be mishandled.

Cause: There are a limited number of personnel for certain functions without compensating review procedures in place.

Recommendation: The Town should implement a procedure in which someone independent of bank reconciliation preparation, review and approve the reconciliation in a timely manner. This procedure will enhance the controls over cash.

Views of Responsible  
Officials and Planned

Corrective Actions: Management agrees with the finding and will implement review procedures.