

**Town of Biscoe  
Biscoe, North Carolina**

**Audited Financial Statements**

**Year Ended June 30, 2023**



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June 30, 2023**

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## **Financial Section**

# S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS  
American Institute of CPAs  
N. C. Association of CPAs

## **Independent Auditor's Report**

To the Honorable Mayor and  
Members of the Board of Commissioners  
Biscoe, North Carolina

### ***Opinion***

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, 2023, and the related notes to the financial statements, which collectively comprise the Town of Biscoe, North Carolina's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Biscoe, North Carolina, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Biscoe, North Carolina, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Audit of the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Biscoe, North Carolina's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Governmental Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Governmental Auditing Standards*, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Biscoe, North Carolina's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Biscoe, North Carolina's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### ***Other Matters***

##### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 11, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 46 and 47, and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 48 and 49 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### *Supplementary and Other Information*

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

The combining and individual fund financial statements, budgetary schedules, other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to 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, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, and other schedules are fairly stated in, all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2024 on our consideration of the Town of Biscoe's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Biscoe's internal control over financial reporting and compliance.

*S. Hunter Douglas & Associates, LLP*

Lumberton, North Carolina  
January 19, 2024



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

**Town of Biscoe, North Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2023**



110 West Main Street  
Post Office Box 1228  
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**Management's Discussion and Analysis**

As management of the Town of Biscoe (the "Town"), we offer readers of the Town of Biscoe's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2023. 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.

The MD&A is an opportunity for management to proactively address any issues that might be affecting the unit's financial status or questions that might be posed by readers of the financial statements. A thoughtful discussion and analysis of economic, financial, or budgetary factors that might influence the unit should be presented.

**Financial Highlights**

- The assets and deferred outflows of the Town of Biscoe exceeded its liabilities and deferred inflows at the close of the fiscal year by \$10,129,647 (net position).
- Governmental activities reported a decrease in total net position of \$231,180. Business-type activities reported a decrease in the current year of \$207,991.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,750,776 a decrease of \$272,626 in comparison with the prior year. Approximately 59% of this total amount, or \$1,649,073 is available or spending at the government's discretion (unassigned fund balance). In addition, the Town maintains a capital reserve fund with money dedicated to large capital expenditures.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,649,073 or approximately 55% of total General Fund expenditures for the year.

**Overview of the Financial Statements**

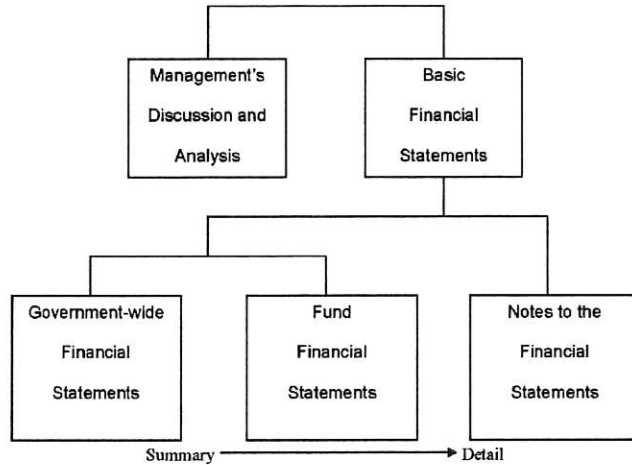
This discussion and analysis is intended to serve as an introduction to the Town of Biscoe's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see 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 also contains other supplementary information that will enhance the reader's understanding of the financial condition of the Town of Biscoe.

**Town of Biscoe, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2023**

**Overview of the Financial Statements (continued)**

Required Components of Annual Financial Report

Figure 1



**Financial Statements**

The first two statements 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 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 to the Financial Statements**. The notes explain in detail some of the data contained in those statements. After the notes, additional information is provided to show details about the Town's individual funds. Budgetary information required by the N.C. General Statutes can also 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, in a manner similar to the private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net position and how they have changed. Net position is the difference between the Town's total assets and total liabilities. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities, and 2) business-type activities. The governmental activities include most of the Town's basic services such as general government, public safety, highways/streets, sanitation, economic development, culture and recreation, and debt service. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water services offered by the Town of Biscoe.

The government-wide financial statements can be found on pages 12 and 13 of this report.

**Town of Biscoe, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2023**

**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 of Biscoe, like other state and local governments, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories, governmental funds and proprietary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same 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 monies that are unexpended 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 determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Biscoe adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities.

The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document.

The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**Proprietary Funds.** The Town of Biscoe maintains one type of proprietary fund called an 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 the enterprise fund to account for its water and sewer activity.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, which is considered a major fund of the Town.

**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 can be found on pages 22-45 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 46 of this report.

**Supplementary Information.** The combining statements, referred to earlier about nonmajor governmental funds and details of the enterprise fund, can be found on pages 53-56 of this report.

**Town of Biscoe, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2023**

**Government-Wide Financial Analysis**

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

	Governmental Activities 2023	Governmental Activities 2022	Business-type Activities 2023	Business-type Activities 2022	Totals 2023	Totals 2022
Current and other assets	\$ 3,361,582	\$ 3,323,482	\$ 1,313,905	\$ 1,333,580	\$ 4,675,487	\$ 4,657,062
Capital assets	1,039,570	1,033,200	6,333,333	6,593,840	7,372,903	7,627,040
<b>Total assets</b>	<b>4,401,152</b>	<b>4,356,682</b>	<b>7,647,238</b>	<b>7,927,420</b>	<b>12,048,390</b>	<b>12,284,102</b>
Deferred Outflows of Resources	321,370	192,573	155,008	86,720	476,378	279,293
Current liabilities	75,276	69,165	82,839	100,775	158,115	169,940
Long-term liabilities	602,067	313,121	1,018,171	916,143	1,620,238	1,229,264
<b>Total liabilities</b>	<b>677,343</b>	<b>382,286</b>	<b>1,101,010</b>	<b>1,016,918</b>	<b>1,778,353</b>	<b>1,399,204</b>
Deferred Inflows of Resources	611,488	502,098	5,280	93,275	616,768	595,373
<b>Net position</b>						
Net investment in capital assets	944,297	920,772	5,473,313	5,667,665	6,417,610	6,588,437
Restricted	286,071	379,654	-	-	286,071	379,654
Unrestricted	2,203,323	2,364,445	1,222,643	1,236,282	3,425,966	3,600,727
<b>Total net position</b>	<b>\$ 3,433,691</b>	<b>\$ 3,664,871</b>	<b>\$ 6,695,956</b>	<b>\$ 6,903,947</b>	<b>\$ 10,129,647</b>	<b>\$ 10,568,818</b>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of the Town exceeded liabilities and deferred inflows by \$10,129,647 at the close of the current fiscal year. By far the largest portion of the Town's net position, 63%, reflects its net investment in capital assets.

The restricted portion of net position, 3%, represents the Town's resources that are subject to external restrictions on how they may be used. The remaining balance of net position is unrestricted assets at \$3,425,966 or 34% of the total which is (e.g., land, buildings, machinery and equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. 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 related debt, it should note that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Ad valorem taxes were the largest revenue contributor for the governmental funds with 42% of total governmental fund revenues.

**Town of Biscoe, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2023**

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

	Governmental Activities 2023	Governmental Activities 2022	Business-type Activities 2023	Business-type Activities 2022	Totals 2023	Totals 2022
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 75,541	\$ 65,960	\$ 1,377,228	\$ 1,344,129	\$ 1,452,769	\$ 1,410,089
Operating grants and contributions	278,045	124,651	-	-	278,045	124,651
Capital grants and contributions	-	-	121,433	313,595	121,433	313,595
<b>General revenues:</b>						
Property taxes	1,055,135	1,004,488	-	-	1,055,135	1,004,488
Local option sales tax	710,531	625,072	747	8,755	711,278	633,827
Unrestricted intergovernmental	260,749	263,387	-	-	260,749	263,387
Other	147,360	144,475	4,935	165	152,295	144,640
Total revenues	<u>2,527,361</u>	<u>2,228,033</u>	<u>1,504,343</u>	<u>1,666,644</u>	<u>4,031,704</u>	<u>3,894,677</u>
<b>Expenses:</b>						
General government	867,337	803,920	-	-	867,337	803,920
Public safety	1,181,166	982,512	-	-	1,181,166	982,512
Transportation	489,182	301,955	-	-	489,182	301,955
Cultural and Recreation	419,133	195,547	-	-	419,133	195,547
Interest on long-term debt	4,212	4,833	-	-	4,212	4,833
Water and Sewer	-	-	1,712,334	1,394,174	1,712,334	1,394,174
Total expenses	<u>2,961,030</u>	<u>2,288,767</u>	<u>1,712,334</u>	<u>1,394,174</u>	<u>4,673,364</u>	<u>3,682,941</u>
Increase (decrease) in net position before transfers	(433,669)	(60,734)	(207,991)	272,470	(641,660)	211,736
Transfers	-	95,300	-	(95,300)	-	-
Sale of capital assets	171,450	-	-	-	171,450	-
Insurance proceeds	31,039	-	-	-	31,039	-
Increase (decrease) in net position	(231,180)	34,566	(207,991)	177,170	(439,171)	211,736
Net position - July 1	3,664,871	3,630,305	6,903,947	6,726,777	10,568,818	10,357,082
Net position - June 30	<u>\$ 3,433,691</u>	<u>\$ 3,664,871</u>	<u>\$ 6,695,956</u>	<u>\$ 6,903,947</u>	<u>\$ 10,129,647</u>	<u>\$ 10,568,818</u>

**Town of Biscoe, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2023**

**Government-wide Financial Analysis (continued)**

Capital and operating grants for governmental activities furnished resources to support the five functions of the Town: general government, public safety, transportation, and cultural and recreation.

**Business-type activities.** Business-type activities decreased the Town's net position by \$207,991. Key elements of this decrease are as follows:

- The Town had an increase in expenditures of \$318,160.

**Financial Analysis of the Government's Funds**

As noted earlier, the Town of Biscoe 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. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the principal operating fund of the Town of Biscoe. At the end of the fiscal year, unassigned fund balance for the General Fund was \$1,649,073 with a total fund balance of \$2,750,776. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 55% of total General Fund expenditures.

**Proprietary Funds.** The Town of Biscoe's proprietary fund provides the same type of information found in the governmental-wide financial statements, but in more detail.

Unrestricted net position of the Water Fund at the end of the fiscal year amounted to \$1,222,643. Other factors concerning this fund have been discussed in the Town's business-type activities.

**General Fund Budgetary Highlights**

During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories:

- Amendments that adjust for the estimates that are prepared for the original budget ordinance, which reflect actual cost.
- Amendments that recognize new funding from external sources, such as federal and State grants.
- Amendments that appropriate increases that becomes necessary to maintain services and obligations from prior years not completed.

In the General Fund Schedule of Revenues and Ependitures Budget and Actual, the Town had a negative variance of \$49,961 in transfers. This was primarily factor leading to the negative variance was due to \$50,000 budgeted for transfers to be received in the General Fund.

**Proprietary Fund Budgetary Highlights**

In the Water and Sewer Fund Schedule of Revenues and Expenditures Budget and Actual, the Town had a negative variance of \$50,517 in operating revenues and a negative variance of \$27,851 in operating expenditures. The primary factor leading to the negative variance was an increase in operating expenditures in the current year.

**Town of Biscoe, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2023**

**Capital Assets and Debt Administration**

The Town of Biscoe's investments in capital assets for its governmental and business-type activities as of June 30, 2023, totals \$7,372,903 (net of accumulated depreciation). The investments in capital assets includes land, buildings, improvements, furniture and equipment, infrastructure (including distribution systems), and vehicles.

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

**Governmental Funds:**

**Additions**

- Police Vehicle - \$50,956
- LED Sign - \$25,395
- Improvements - \$97,926

**Retirements and Dispositions**

- None

**Proprietary Funds:**

**Additions**

- Inserta Valve - \$16,000
- Construction in progress of \$32,600

**Retirements and Dispositions**

- None

**The Town of Biscoe's Capital Assets**  
**(net of depreciation)**  
**Figure 4**

	Governmental Activities 2023	Governmental Activities 2022	Business-type Activities 2023	Business-type Activities 2022	Totals 2023	Totals 2022
Land and construction in progress	\$ 351,794	\$ 351,794	\$ 1,801,939	\$ 1,769,339	\$ 2,153,733	\$ 2,121,133
Buildings and improvements	444,225	409,096	-	-	444,225	409,096
Equipment, vehicles, and infrastructure	243,551	272,310	179,532	207,640	423,083	479,950
Water distribution systems	-	-	4,351,862	4,616,861	4,351,862	4,616,861
<b>Total capital assets, net</b>	<b>\$ 1,039,570</b>	<b>\$ 1,033,200</b>	<b>\$ 6,333,333</b>	<b>\$ 6,593,840</b>	<b>\$ 7,372,903</b>	<b>\$ 7,627,040</b>

Additional information on the Town's capital assets can be found in the notes on page 31 of this report.

**Long-term debt.** As shown in Note 3, the Town has notes payable related to two enterprise capital projects totaling \$860,020 along with a note payable for a new ladder fire truck totaling \$95,273. These notes are backed by the full faith and credit of the Town. The principal and interest on these notes are being serviced by the Water and Sewer Fund and General Fund, respectively.



**Town of Biscoe, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2023**

**The Town of Biscoe's Outstanding Debt**  
**Figure 5**

	Governmental		Business-type		Totals	
	Activities	Activities	Activities	Activities	2023	2022
	2023	2022	2023	2022		
Installment purchase	\$ 95,273	\$ 112,428	\$ 860,020	\$ 926,175	\$ 955,293	\$ 1,038,603
Compensated absneeces	27,078	43,540	1,724	30,965	28,802	74,505
Net pension obligation (LGERS)	422,766	110,426	224,306	56,123	647,072	166,549
Total pension obligation (LEO)	101,827	107,422	-	-	101,827	107,422
<b>Total</b>	<b>\$ 646,944</b>	<b>\$ 373,816</b>	<b>\$ 1,086,050</b>	<b>\$ 1,013,263</b>	<b>\$ 1,732,994</b>	<b>\$ 1,387,079</b>

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within the government's boundaries. The legal debt margin for the Town of Biscoe is \$15,255,143.

Additional information pertaining to the Town of Biscoe's long-term debt can be found in the notes on page 43 of this report.

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

Biscoe has experienced a rise in real estate development due to national, regional (RTP), and local (Campbell University) development pressures. Underutilized parcels and vacant buildings are in the process of being developed and repurposed. Entire residential blocks which had previously been abandoned, are now being invested in and revitalized. This private sector investment has been enhanced by the Town's rezoning and condemnation and demolition efforts. Overall, these trends of steady growth are contributing to a steady increase of residential housing supply and commercial and retail use that are beginning to take shape.

Property tax revenue are experiencing modest increases due to this steady expansion of the property tax base. Added retail business and commercial traffic will continue to positively impact sales tax revenue received. Overall, modest tax revenue increases have been used to fund modest employee salary increases.

The Town has not appropriated fund balance in the fiscal year 2023 budget. The Town has kept capital expenditures in the General Fund and Water Fund to a minimum. There are no large capital expenditures that would require a property tax rate increase in the foreseeable future. However, the Town's water system has improvement needs (short and long term) for which the Town must consider future water rate increases.

**Request for Information**

This financial report is designed to provide a general overview of the Town of Biscoe's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 110 West Main Street, Biscoe NC 27209.

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## **Basic Financial Statements**

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**Town of Biscoe, North Carolina**  
**Statement of Net Position**  
**Governmental Funds**  
**June 30, 2023**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 2,495,104	\$ 1,173,805	\$ 3,668,909
Receivables, net:			
Property taxes, net	33,522	-	33,522
Accounts receivable, net	-	128,121	128,121
Due from other governments	192,007	-	192,007
Inventories	-	11,979	11,979
Restricted cash and cash equivalents	640,949	-	640,949
<b>Total current assets</b>	<u>3,361,582</u>	<u>1,313,905</u>	<u>4,675,487</u>
Non-current assets:			
Capital assets (Note 3):			
Land and non-depreciable improvements	351,794	1,801,939	2,153,733
Other capital assets, net of depreciation	687,776	4,531,394	5,219,170
<b>Total capital assets</b>	<u>1,039,570</u>	<u>6,333,333</u>	<u>7,372,903</u>
<b>Total assets</b>	<u>4,401,152</u>	<u>7,647,238</u>	<u>12,048,390</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	321,370	155,008	476,378
<b>Total deferred outflows of resources</b>	<u>321,370</u>	<u>155,008</u>	<u>476,378</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	30,399	14,960	45,359
Current portion of long-term liabilities	17,799	66,155	83,954
Compensated absences	27,078	1,724	28,802
<b>Total current liabilities</b>	<u>75,276</u>	<u>82,839</u>	<u>158,115</u>
Long-term liabilities:			
Net pension liability	422,766	224,306	647,072
Total pension liability	101,827	-	101,827
Due in more than one year	77,474	793,865	871,339
<b>Total liabilities</b>	<u>677,343</u>	<u>1,101,010</u>	<u>1,778,353</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned grant revenue	546,885	-	546,885
Pension deferrals	64,603	5,280	69,883
<b>Total deferred inflows of resources</b>	<u>611,488</u>	<u>5,280</u>	<u>616,768</u>
<b>NET POSITION</b>			
Net investment in capital assets	944,297	5,473,313	6,417,610
Restricted for:			
Stabilization by State Statute	192,007	-	192,007
Streets	94,064	-	94,064
Unrestricted	2,203,323	1,222,643	3,425,966
<b>Total net position</b>	<u>\$ 3,433,691</u>	<u>\$ 6,695,956</u>	<u>\$ 10,129,647</u>

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

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**Town of Biscoe, North Carolina**  
**Statement of Activities**  
**Governmental Funds**  
**June 30, 2023**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
<b>Primary government:</b>							
<b>Governmental Activities:</b>							
General government	\$ 867,337	\$ 4,931	\$ -	\$ -	\$ (862,406)	\$ -	\$ (862,406)
Public safety	1,181,166	-	-	-	(1,181,166)	-	(1,181,166)
Transportation	489,182	-	278,045	-	(211,137)	-	(211,137)
Cultural and recreation	419,133	70,610	-	-	(348,523)	-	(348,523)
Interest on long-term debt	4,212	-	-	-	(4,212)	-	(4,212)
<b>Total governmental activities</b>	<b>2,961,030</b>	<b>75,541</b>	<b>278,045</b>	<b>-</b>	<b>(2,607,444)</b>	<b>-</b>	<b>(2,607,444)</b>
<b>Business-type activities:</b>							
Water and sewer	1,712,334	1,377,228	-	121,433	-	(213,673)	(213,673)
<b>Total business-type activities</b>	<b>1,712,334</b>	<b>1,377,228</b>	<b>-</b>	<b>121,433</b>	<b>-</b>	<b>(213,673)</b>	<b>(213,673)</b>
<b>Total primary government</b>	<b>4,673,364</b>	<b>1,452,769</b>	<b>278,045</b>	<b>121,433</b>	<b>(2,607,444)</b>	<b>(213,673)</b>	<b>(2,821,117)</b>
<b>General revenues:</b>							
Taxes:							
Ad valorem taxes					1,055,135	-	1,055,135
Local option taxes					710,531	747	711,278
Unrestricted intergovernmental					260,749	-	260,749
Miscellaneous, unrestricted					107,271	-	107,271
Investment earnings, unrestricted					40,089	4,935	45,024
<b>Total general revenues not including transfers</b>					<b>2,173,775</b>	<b>5,682</b>	<b>2,179,457</b>
Sale of capital assets					171,450	-	171,450
Insurance proceeds					31,039	-	31,039
<b>Total general revenues and transfers</b>					<b>2,376,264</b>	<b>5,682</b>	<b>2,210,496</b>
<b>Change in net position</b>					<b>(231,180)</b>	<b>(207,991)</b>	<b>(439,171)</b>
<b>Net position, beginning</b>					<b>3,664,871</b>	<b>6,903,947</b>	<b>10,568,818</b>
<b>Net position, ending</b>					<b>3,433,691</b>	<b>6,695,956</b>	<b>10,129,647</b>

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

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**Town of Biscoe, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2023**

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>American Rescue Plan Act Fund</u>	
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 2,495,104	\$ -	\$ 2,495,104
Restricted cash and cash equivalents	94,064	546,885	640,949
Receivables, net:			
Taxes	33,522	-	33,522
Due from other governments	192,007	-	192,007
<b>Total assets</b>	<b><u>\$ 2,814,697</u></b>	<b><u>\$ 546,885</u></b>	<b><u>\$ 3,361,582</u></b>
<b><u>LIABILITIES</u></b>			
Accounts payable and accrued liabilities	<u>\$ 30,399</u>	<u>\$ -</u>	<u>\$ 30,399</u>
<b>Total liabilities</b>	<b><u>30,399</u></b>	<b><u>-</u></b>	<b><u>30,399</u></b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Property taxes receivable	33,522	-	33,522
Unearned grant revenue	-	546,885	546,885
<b>Total deferred inflows of resources</b>	<b><u>33,522</u></b>	<b><u>546,885</u></b>	<b><u>580,407</u></b>
<b><u>FUND BALANCES</u></b>			
Restricted:			
Stabilization by State Statute	192,007	-	192,007
Streets	94,064	-	94,064
Committed:			
LEO Special Separation Allowance	69,219	-	69,219
Capital reserve fund	746,413	-	746,413
Unassigned	1,649,073	-	1,649,073
<b>Total fund balances</b>	<b><u>2,750,776</u></b>	<b><u>-</u></b>	<b><u>2,750,776</u></b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b><u>\$ 2,814,697</u></b>	<b><u>\$ 546,885</u></b>	<b><u>\$ 3,361,582</u></b>

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

**Town of Biscoe, North Carolina**  
**Balance Sheet**  
**Governmental Funds (continued)**  
**June 30, 2023**

**Amounts reported for governmental activities in the Statement of Activities are different because:**

Net changes in fund balances - total governmental funds	\$	(272,626)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	180,277	
Depreciation expense for governmental assets	(173,907)	6,370
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>		
		88,836
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		15,354
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has an effect on net position. These amounts are the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal payments on long-term debt	17,155	17,155
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.</p>		
Compensated absences	16,462	
LEO revenue (expense)	8,204	
Pension revenue (expense)	(110,935)	(86,269)
<b>Total changes in net position of governmental activities</b>		<b>\$ (231,180)</b>

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

**Town of Biscoe, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2023**

	<u>Major Fund</u>	<u>Major Fund</u>	<u>Total</u>
	<u>General Fund</u>	<u>American Rescue Plan Act Fund</u>	<u>Governmental Funds</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 1,070,489	\$ -	\$ 1,070,489
Unrestricted intergovernmental	971,280	-	971,280
Restricted intergovernmental	278,045	-	278,045
Permits and fees	4,931	-	4,931
Sales and services	70,610	-	70,610
Investment earnings	40,089	-	40,089
Miscellaneous	106,646	-	106,646
<b>Total revenues</b>	<u>2,542,090</u>	<u>-</u>	<u>2,542,090</u>
<b>Expenditures:</b>			
Current:			
General government	885,319	-	885,319
Public safety	1,152,108	-	1,152,108
Transportation	453,689	-	453,689
Cultural and recreational	504,722	-	504,722
Debt service:			
Principal retirement	17,155	-	17,155
Interest	4,212	-	4,212
<b>Total expenditures</b>	<u>3,017,205</u>	<u>-</u>	<u>3,017,205</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(475,115)</u>	<u>-</u>	<u>(475,115)</u>
<b>Other financing sources (uses):</b>			
Sale of capital assets	171,450	-	171,450
Insurance proceeds	31,039	-	31,039
<b>Total other financing sources (uses)</b>	<u>202,489</u>	<u>-</u>	<u>202,489</u>
<b>Net change in fund balances</b>	(272,626)	-	(272,626)
<b>Fund balances, beginning</b>	<u>3,023,402</u>	<u>-</u>	<u>3,023,402</u>
<b>Fund balances, ending</b>	<u>\$ 2,750,776</u>	<u>\$ -</u>	<u>\$ 2,750,776</u>

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

**Town of Biscoe, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2023**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total Fund Balance, Governmental Funds	\$	2,750,776
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	\$	5,598,417
Accumulated depreciation		<u>(4,558,847)</u>
		1,039,570
Deferred outflows of resources related to pensions are not reported in the funds.		
		321,370
Earned revenues considered deferred inflows of resources in fund statements.		
		33,522
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Gross long-term debt		(95,273)
Compensated absences		(27,078)
Total pension liability		(101,827)
Net pension liability		<u>(422,766)</u>
		(646,944)
Deferred inflows of resources related to pension are not reported in the funds.		
		<u>(64,603)</u>
<b>Net position of governmental activities</b>		<u><u>\$ 3,433,691</u></u>

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

**Town of Biscoe, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
Ad valorem taxes	\$ 898,100	\$ 1,036,800	\$ 1,070,489	\$ 33,689
Unrestricted intergovernmental	662,308	970,478	971,280	802
Restricted intergovernmental	102,420	159,810	278,045	118,235
Permits and fees	3,500	4,825	4,931	106
Sales and services	32,500	38,620	70,610	31,990
Investment earnings	2,210	27,185	40,089	12,904
Miscellaneous	39,900	99,325	106,646	7,321
<b>Total revenues</b>	<u>1,740,938</u>	<u>2,337,043</u>	<u>2,542,090</u>	<u>205,047</u>
<b>Expenditures:</b>				
Current:				
General government	616,382	868,181	885,319	(17,138)
Public safety	840,163	1,143,485	1,152,108	(8,623)
Transportation	303,754	434,718	453,689	(18,971)
Cultural and recreational	122,670	481,785	504,722	(22,937)
Debt service:				
Principal retirement	16,534	17,155	17,155	-
Interest	4,866	4,245	4,212	33
<b>Total expenditures</b>	<u>1,904,369</u>	<u>2,949,569</u>	<u>3,017,205</u>	<u>(67,636)</u>
<b>Revenues over (under) expenditures</b>	<u>(163,431)</u>	<u>(612,526)</u>	<u>(475,115)</u>	<u>137,411</u>
<b>Other financing sources (uses):</b>				
Transfers to other funds	-	50,000	-	(50,000)
Sale of capital assets	-	171,450	171,450	-
Insurance proceeds	145,300	31,000	31,039	39
<b>Total other financing sources (uses)</b>	<u>145,300</u>	<u>252,450</u>	<u>202,489</u>	<u>(49,961)</u>
<b>Fund balance appropriated</b>	<u>18,131</u>	<u>360,076</u>	<u>-</u>	<u>(360,076)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(272,626)</u>	<u>\$ (272,626)</u>
<b>Fund balance, beginning</b>			<u>3,023,402</u>	
<b>Fund balance, ending</b>			<u>\$ 2,750,776</u>	

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

**Town of Biscoe, North Carolina**  
**Statement of Fund Net Position**  
**Proprietary Fund**  
**June 30, 2023**

	<b>Water and Sewer Fund</b>
<b><u>ASSETS</u></b>	
Current assets:	
Cash and cash equivalents	\$ 1,173,805
Accounts receivable, net	128,121
Inventories	11,979
<b>Total current assets</b>	<b>1,313,905</b>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	1,801,939
Other capital assets, net of depreciation	4,531,394
<b>Total noncurrent assets</b>	<b>6,333,333</b>
<b>Total assets</b>	<b>7,647,238</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	
Pension deferrals	155,008
<b>Total deferred outflows of resources</b>	<b>155,008</b>
<b><u>LIABILITIES</u></b>	
Current liabilities:	
Accounts payable and accrued liabilities	14,960
Compensated absences	1,724
Current portion of long-term debt	66,155
<b>Total current liabilities</b>	<b>82,839</b>
Noncurrent liabilities:	
Long-term debt, less current portion	793,865
Net pension liability	224,306
<b>Total noncurrent liabilities</b>	<b>1,018,171</b>
<b>Total liabilities</b>	<b>1,101,010</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Pension deferrals	5,280
<b><u>NET POSITION</u></b>	
Net investment in capital assets	5,473,313
Unrestricted	1,222,643
<b>Total net position</b>	<b>\$ 6,695,956</b>

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

**Town of Biscoe, North Carolina**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund**  
**For the Year Ended June 30, 2023**

	<b>Water and Sewer Fund</b>
<b>Operating revenues:</b>	
Charges for services	\$ 1,328,885
Water and sewer taps and connection fees	12,249
Other operating revenues	36,094
<b>Total operating revenues</b>	<b>1,377,228</b>
<b>Operating expenses:</b>	
Salaries and employee benefits	545,917
Water purchases resale	424,368
Other operating expenditures	432,942
Depreciation	309,107
<b>Total operating expenses</b>	<b>1,712,334</b>
<b>Operating income (loss)</b>	<b>(335,106)</b>
<b>Nonoperating revenues (expenses):</b>	
Miscellaneous	747
Investment earnings	4,935
<b>Total nonoperating revenues (expenses)</b>	<b>5,682</b>
<b>Income (loss) before contributions and transfers</b>	<b>(329,424)</b>
Capital contributions	121,433
Transfers to General Fund	-
<b>Change in net position</b>	<b>(207,991)</b>
<b>Total net position, beginning</b>	<b>6,903,947</b>
<b>Total net position, ending</b>	<b>\$ 6,695,956</b>

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

**Town of Biscoe, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2023**

	<b>Water and Sewer Fund</b>
<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 1,376,763
Cash paid for goods and services	(823,429)
Cash paid to employees	(563,258)
<b>Net cash provided (used) by operating activities</b>	<b>(9,924)</b>
<b>Cash flows from non-capital financing activities</b>	
Other	5,682
<b>Net cash provided (used) by non-capital financing activities</b>	<b>5,682</b>
<b>Cash flows from capital and related financing activities</b>	
Capital contributions and grants	121,433
Acquisition of capital assets	(48,600)
Payments on long-term debt	(66,155)
<b>Net cash provided (used) by non-capital financing activities</b>	<b>6,678</b>
<b>Cash flows from investing activities</b>	
Interest on investments	4,935
<b>Net cash provided (used) by investing activities</b>	<b>4,935</b>
<b>Net increase (decrease) in cash</b>	7,371
<b>Cash and cash equivalents - beginning of year</b>	<b>1,166,434</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 1,173,805</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
<b>Operating income (loss)</b>	<b>\$ (335,106)</b>
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -</b>	
Depreciation	309,107
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(465)
(Increase) decrease in inventory	27,511
Increase (decrease) in accounts payable and accrued liabilities	6,370
(Increase) decrease in deferred outflows of resources for pensions	(68,288)
Increase (decrease) in deferred inflows of resources for pensions	(87,995)
Increase (decrease) in net pension liability	168,183
Increase (decrease) in compensated absences	(29,241)
<b>Total adjustments</b>	<b>325,182</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ (9,924)</b>

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



## **Notes to the Financial Statements**

**Town of Biscoe, North Carolina**  
**Notes to the Financial Statements**  
**June 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A - Reporting Entity**

The Town of Biscoe is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the financial activity of the Town.

**B - Basis of Presentation**

*Government-wide Statements:* The statement of net position and 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. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods and services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of the fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. This town has no fiduciary funds to report. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

**Town of Biscoe, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B - Basis of Presentation (continued)**

The Town reports the following major governmental funds:

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

**American Rescue Plan Act Fund** – This fund is a capital project fund used to account for the American Rescue Plan Act grant monies received and spent during the year.

The Town reports the following major enterprise fund:

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

**C - Measurement Focus and Basis of Accounting**

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

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

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

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

**Town of Biscoe, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C - Measurement Focus and Basis of Accounting (continued)**

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

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad Valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts.

Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered shared revenue for the Town of Biscoe because the tax is levied by Montgomery County and then remitted to and distributed by the State. Most intergovernmental revenue and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenue that is unearned at year-end is recorded as deferred revenue.

**D - Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments to the original budget must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

**1. Deposits and Investments**

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

**Town of Biscoe, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)**

**1. Deposits and Investments (continued)**

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 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 nonguaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptances and the North Carolina Capital Management Trust (NCCMT).

The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT--Government Portfolio, a SEC-registered (2a-7) external investment pool is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2023, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

**2. Cash and Cash Equivalents**

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Tourism Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

**3. Restricted Assets**

Powell Bill funds are 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. Unspent grant proceeds of the American Grant Proceeds of the American Rescue Plan Act grant in the governmental funds is restricted because their use is completely restricted to the purpose for which the grants were originally issued.

**Town of Biscoe Restricted Cash**

Governmental Activities:

General Fund:

Streets	\$	94,064
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American Rescue Plan Act Fund:

Unearned grant revenue		546,885
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Total Governmental Activities		640,949
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Total Restricted Cash	\$	640,949
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**Town of Biscoe, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)**

**4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2022. 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 revenue is reported net of such discounts.

**5. Allowance for Doubtful Accounts**

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

**6. Inventory and Prepaid Items**

The inventories of the Town are valued at cost (first-in, first-out), which approximates market.

**7. Capital Assets**

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of one year. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

	<u>Estimated Useful Lives</u>
Buildings	29
Furniture and office equipment	7-10
Maintenance and construction equipment	5-7
Medium and heavy motor vehicle	5-7
Computer software	5
Automobiles and light trucks	3-5

**8. Deferred Outflows/Inflows of Resources**

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

**Town of Biscoe, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)**

**9. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**10. Compensated Absences**

The vacation policies of the Town provide for the accumulation of up to thirty (30) days of earned vacation leave with such leave being fully vested when earned. For the Town, the current portion of the accumulated vacation pay is not considered to be material; therefore, no expenditure or liability has been reported in the governmental funds. For the Town's proprietary fund, an expense and a liability for compensated absences and the salary-related payments are recorded within the fund as the leave is earned.

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.

**11. Net Position / Fund Balances**

**Net Position**

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

**Fund Balances**

In the governmental fund financial statements, fund balance is composed of five 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:

**Nonspendable Fund Balance** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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

**Town of Biscoe, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)**

11. Net Position / Fund Balances (continued)

*Restricted for Stabilization by State Statute* – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net Position and Restricted fund balance on the face of the balance sheet portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

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

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

Capital Reserve Fund Allowance – portion of fund balance that the Town intends to use for specific purposes.

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

The Town of Biscoe has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer 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. The Board of Commissioners has the authority to deviate from this policy if it is in the best interest of the Town.



**Town of Biscoe, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)**

11. Net Position / Fund Balances (continued)

The Town of Biscoe has also adopted a minimum 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 10% of budgeted expenditures. Any portion of the General Fund balance in excess of 10% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

12. Defined Benefit Cost-Sharing Plans

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

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A - Significant Violations of Finance-Related Legal and Contractual Provisions**

1. Noncompliance with North Carolina General Statutes

None

2. Contractual Violations

None

**B - Deficit in Fund Balance or Net Position of Individual Funds**

None

**C - Excess of Expenditures over Appropriations**

The Town expended more than appropriated in the General Fund's annual budget ordinance totaling \$67,636, as well as \$49,961 in the General Fund's transfer budget line items, and \$21,446 in the Water and Sewer Fund, respectively.

**Town of Biscoe, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2023**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS**

**A - Assets**

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. 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 agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. 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 formal 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, 2023, the Town's deposits had a carrying amount of \$3,811,747 and a bank balance of \$3,413,582. Of the bank balance, \$500,000 was covered by federal depository insurance. At June 30, 2023, the Town's cash on hand totaled \$2,042.

2. Investments

At June 30, 2023, the Town had \$496,068 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. Receivables - Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2023 are net of the following allowance for doubtful accounts:

General Fund:		
Streets	\$	94,064
American Rescue Plan Act Fund:		
Unearned grant revenue		546,885
Total Governmental Activities		640,949
Total Restricted Cash	\$	640,949

**Town of Biscoe, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2023**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**A - Assets (continued)**

4. Capital Assets

**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2023, was as follows:

	Beginning			Ending
	Balances	Increases	Decreases	Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 351,794	\$ -	\$ -	\$ 351,794
Total capital assets not being depreciated	<u>351,794</u>	<u>-</u>	<u>-</u>	<u>351,794</u>
<b>Capital assets being depreciated:</b>				
Buildings and improvements	2,427,496	97,926	-	2,525,422
Equipment and vehicles	2,410,539	82,351	-	2,492,890
Infrastructure	228,311	-	-	228,311
Total capital assets being depreciated	<u>5,066,346</u>	<u>180,277</u>	<u>-</u>	<u>5,246,623</u>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	2,078,255	51,871	-	2,130,126
Equipment and vehicles	2,138,229	111,110	-	2,249,339
Infrastructure	168,456	10,926	-	179,382
Total accumulated depreciation	<u>4,384,940</u>	<u>\$ 173,907</u>	<u>\$ -</u>	<u>4,558,847</u>
Total capital assets being depreciated, net	<u>681,406</u>			<u>687,776</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 1,033,200</u>			<u>\$ 1,039,570</u>

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

General government	\$ 22,575
Public safety	103,502
Transportation	35,493
Culture and recreation	12,337
Total depreciation expense	<u>\$ 173,907</u>

**Town of Biscoe, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2023**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**A - Assets (continued)**

4. Capital Assets (continued)

	Beginning			Ending
	Balances	Increases	Decreases	Balances
<b>Business-type activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 14,900	\$ -	\$ -	\$ 14,900
Construction in progress	1,754,439	32,600	-	1,787,039
Total capital assets not being depreciated	<u>1,769,339</u>	<u>32,600</u>	<u>-</u>	<u>1,801,939</u>
<b>Capital assets being depreciated:</b>				
Plant, substations, lines and related	8,741,247	-	-	8,741,247
Equipment and vehicles	1,081,950	16,000	-	1,097,950
Total capital assets being depreciated	<u>9,823,197</u>	<u>16,000</u>	<u>-</u>	<u>9,839,197</u>
<b>Less accumulated depreciation for:</b>				
Plant, substations, lines and related	4,124,386	264,999	-	4,389,385
Equipment and vehicles	874,310	44,108	-	918,418
Total accumulated depreciation	<u>4,998,696</u>	<u>\$ 309,107</u>	<u>\$ -</u>	<u>5,307,803</u>
Total capital assets being depreciated, net	<u>4,824,501</u>			<u>4,531,394</u>
<b>Business-type activity capital assets, net</b>	<u><u>\$ 6,593,840</u></u>			<u><u>\$ 6,333,333</u></u>

**B - Liabilities**

1. Pension Plan and Postemployment Obligations

a. *Local Governmental Employees' Retirement System*

*Plan Description.* The Town of Biscoe is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

**Town of Biscoe, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2023**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

1. Pension Plan and Postemployment Obligations (continued)

*a. Local Governmental Employees' Retirement System (continued)*

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Biscoe employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Biscoe's contractually required contribution rate for the year ended June 30, 2023, was 9.70% of compensation for law enforcement officers and 8.95% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Biscoe were \$136,670 for the year ended June 30, 2023.

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

**Town of Biscoe, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2023**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)**

**B – Liabilities (continued)**

1. Pension Plan and Postemployment Obligations (continued)

*a. Local Governmental Employees' Retirement System (continued)*

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

At June 30, 2023, the Town reported a liability of \$647,072 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2022, the Town's proportion was 0.01147%, which was an increase of 0.00061% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of \$170,669. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 27,882	\$ 2,734
Changes of assumptions	64,563	-
Net difference between projected and actual earnings on pension plan investments	213,864	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	6,588	12,432
Town contributions subsequent to the measurement date	136,670	-
Total	\$ 449,567	\$ 15,166

\$136,670 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2024	\$ 85,533
2025	84,183
2026	26,126
2027	101,889
2028	-
Thereafter	-

**Town of Biscoe, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2023**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)**

**B – Liabilities (continued)**

1. Pension Plan and Postemployment Obligations (continued)

a. *Local Governmental Employees' Retirement System (continued)*

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

*Actuarial Assumptions.* The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	33.0%	0.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
Inflation Protection	6.0%	2.7%
Total	100.0%	

**Town of Biscoe, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2023**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)**

**B – Liabilities (continued)**

1. Pension Plan and Postemployment Obligations (continued)

a. *Local Governmental Employees' Retirement System (continued)*

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2021 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00 percent. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 6.50 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability (asset)	\$1,167,881	\$ 647,072	\$ 217,895

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



**Town of Biscoe, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2023**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)**

**B – Liabilities (continued)**

1. Pension Plan and Postemployment Obligations (continued)

*b. Law Enforcement Officers’ Special Separation Allowance*

1. Plan Description

The Town of Biscoe administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the Town’s qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 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 covers all full-time law enforcement officers of the Town. At December 31, 2021, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>7</u>
Total	<u><u>8</u></u>

2. Summary of Significant Accounting Policies

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

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2021 valuation. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent	
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor	
Discount rate	4.31 percent	

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2021.

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

**Town of Biscoe, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2023**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)**

**B – Liabilities (continued)**

1. Pension Plan and Postemployment Obligations (continued)

*b. Law Enforcement Officers' Special Separation Allowance (continued)*

4. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$11,730 for the reporting period.

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

At June 30, 2023, the Town reported a total pension liability of \$101,827. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the Town recognized pension expense of \$3,867.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 12,189	\$ 38,611
Changes of assumptions and other inputs	14,622	16,106
Benefit payment and administrative expenses subsequent to the measurement date	-	-
Total	\$ 26,811	\$ 54,717

No amount was reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2024	\$ (8,393)
2025	(7,816)
2026	(7,654)
2027	(2,944)
2028	(825)
Thereafter	(274)

**Town of Biscoe, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2023**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)**

**B – Liabilities (continued)**

1. Pension Plan and Postemployment Obligations (continued)

*b. Law Enforcement Officers' Special Separation Allowance (continued)*

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

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 4.31 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.31 percent) or 1-percentage-point higher (5.31 percent) than the current rate:

	<b>1% Decrease (3.31%)</b>	<b>Current Discount Rate (4.31%)</b>	<b>1% Increase (5.31%)</b>
Total pension liability	\$109,080	\$101,827	\$95,196

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

	<b>2023</b>
Beginning balance	\$ 107,422
Service Cost	9,074
Interest on the total pension liability	2,285
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	10,437
Changes of assumptions or other inputs	(15,661)
Benefit payments	(11,730)
Other changes	-
Ending balance of the total pension liability	\$ 101,827

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

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

**Town of Biscoe, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2023**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)**

**B – Liabilities (continued)**

1. Pension Plan and Postemployment Obligations (continued)

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$170,669	\$ 3,687	\$174,356
Pension Liability	647,072	101,827	748,899
Proportionate share of the net pension liability	0.01147%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	27,882	12,189	40,071
Changes of assumptions	64,563	14,622	79,185
Net difference between projected and actual earnings on plan investments	213,864	-	213,864
Changes in proportion and differences between contributions and proportionate share of contributions	6,588	-	6,588
Benefit payments and administrative costs paid subsequent to the measurement date	136,670	-	136,670
Deferred of Inflows of Resources			
Differences between expected and actual experience	2,734	38,611	41,345
Changes of assumptions	-	16,106	16,106
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	12,432	-	12,432

**Town of Biscoe, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2023**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)**

**B – Liabilities (continued)**

1. Pension Plan and Postemployment Obligations (continued)

*c. Supplemental Retirement Income Plan for Law Enforcement Officers and General Employees*

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

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer’s salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2023 were \$60,816, which consisted of \$38,837 from the Town and \$7,238 from the law enforcement officers. General employees of the Town are also permitted to make voluntary contributions to the Plan. Contribution made by general employees for the year ended June 30, 2023 was \$14,741.

2. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees’ Retirement System (Death Benefit Plan), a multi-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 month’s salary in a row during the 24 months prior to the employees 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 the contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 40,071
Changes of assumptions	79,185
Net difference between projected and actual earnings on pension plan investments	213,864
Changes in proportion and differences between Town contributions and proportionate share of contributions	6,588
Town contributions subsequent to the measurement date	136,670
Total	<u>\$ 476,378</u>

**Town of Biscoe, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2023**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)**

**B – Liabilities (continued)**

3. Deferred Outflows and Inflows of Resources (continued)

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

	<u>Statement of Net Position</u>	<u>Governmental Funds Balance Sheet</u>
Taxes receivable, less penalties (General Fund)	\$ -	\$ 33,522
Unearned grant revenue	546,885	546,885
Changes in assumptions	16,106	
Differences between expected and actual experience	41,345	-
Net difference between projected and actual earnings on plan investments	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,432	-
Total	<u>\$ 616,768</u>	<u>\$ 580,407</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to \$2 million lifetime coverage. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$50,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of total insurance values.

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

Because the Town is in an area of the State that has been mapped and designated moderate to low flood zone by the Federal Emergency Management Agency, the Town has chosen not to obtain flood insurance.

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

**Town of Biscoe, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2023**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)**

**B – Liabilities (continued)**

5. Long-Term Obligations

a. Notes Payable

In May 2018, the Town entered into a \$175,000 direct placement note with a financial institution for a new ladder fire truck. The financing agreement requires annual payments of principal, plus accrued interest at 3.75%, beginning May 2019 for a period of 10 years. At June 30, 2023, the balance on this note was \$95,273.

In March 2015, the Town entered into a direct placement note with the Department of Environment and Natural Resources for improvement for the Town’s wastewater treatment plant. The note provided for funding for the project up to \$1,402,500. The note carries no interest and is payable in annual installments of \$66,155 beginning May 2017 for a period of 20 years. At June 30, 2023, the balance on this note was \$860,020.

Annual debt service payments are as follows:

Years Ending June 30:	Governmental-Type Activities	
	Principal	Interest
2024	\$ 17,799	\$ 3,573
2025	18,468	2,905
2026	19,161	2,213
2027	19,881	1,494
2028	19,964	1,412
Total	\$ 95,273	\$ 11,597

Years Ending June 30:	Business-Type Activities	
	Principal	Interest
2024	\$ 66,155	\$ -
2025	66,155	-
2026	66,155	-
2027	66,155	-
2028	66,155	-
2029-2033	330,775	-
2034-2036	198,470	-
Total	\$ 860,020	\$ -

At June 30, 2023 the Town of Biscoe had a legal debt margin of \$15,225,143.

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

**Town of Biscoe, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2023**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

5. Long-Term Obligations (continued)

b. Changes in Debt

The General Fund and Water and Sewer Funds are used to liquidated the liabilities for compensated absences, net pension liability, and total pension liabilities for governmental activities.

	Beginning Balances	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Direct placement notes payable	\$ 112,428	\$ -	\$ (17,155)	\$ 95,273	\$ 17,799
Compensated absences	43,540	-	(16,462)	27,078	27,078
Total pension liability (LEO)	107,422	-	(5,595)	101,827	-
Net pension liability (LGERS)	110,426	312,340	-	422,766	-
Governmental activity long-term liabilities	<u>\$ 373,816</u>	<u>\$ 312,340</u>	<u>\$ (39,212)</u>	<u>\$ 646,944</u>	<u>\$ 44,877</u>
Business-type activities:					
Direct placement notes payable	\$ 926,175	\$ -	\$ (66,155)	\$ 860,020	\$ 66,155
Compensated absences	30,965	-	(29,241)	1,724	1,724
Net pension liability (LGERS)	56,123	168,183	-	224,306	-
Business-type activity long-term liabilities	<u>\$ 1,013,263</u>	<u>\$ 168,183</u>	<u>\$ (95,396)</u>	<u>\$ 1,086,050</u>	<u>\$ 67,879</u>

**C - Interfund Balances and Activity**

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs. There were no interfund trasfers in fiscal year ended June 30, 2023.



**Town of Biscoe, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2023**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)**

**D - Fund Balance**

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

Total Fund Balance - General Fund	\$ 2,750,776
Less:	
Stabilization by State Statute	192,007
Streets - Powell Bill	94,064
LEO Special Separation Allowance	69,219
Capital reserve fund	746,413
Remaining Fund Balance	\$ 1,649,073

**NOTE 4 - JOINT VENTURE AND JOINTLY GOVERNED ORGANIZATION**

Jointly Governed Organization

The Town, in conjunction with 7 counties and 42 other municipalities, established the Piedmont Triad Regional Council of Governments "Council". The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$550 to the Council during the fiscal year ended June 30, 2023.

**NOTE 5 - SUBSEQUENT EVENTS**

Subsequent events were evaluated through January 19, 2024, which is the date the financial statements were available to be issued.

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## **Required Supplementary Financial Data**

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

- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

**Town of Biscoe, North Carolina**  
**Town of Biscoe Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Ten Fiscal Years\***

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Biscoe proportion of the net pension liability (asset) (%)	0.01147%	0.01086%	0.01058%	0.01235%	0.01250%	0.01330%	0.01150%	0.01240%	0.01310%	0.01330%
Biscoe proportion of the net pension liability (asset) (\$)	\$ 647,072	\$ 166,549	\$ 378,068	\$ 337,269	\$ 297,792	\$ 203,798	\$ 243,007	\$ 55,741	\$ (77,316)	\$ 160,316
Biscoe covered-employee payroll	\$ 829,999	\$ 728,805	\$ 649,639	\$ 650,024	\$ 642,647	\$ 648,555	\$ 581,921	\$ 653,042	\$ 591,129	\$ 577,872
Biscoe proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	77.96%	22.85%	58.20%	51.89%	46.34%	31.42%	41.76%	8.54%	-13.08%	27.74%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%	96.45%

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

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

**Town of Biscoe, North Carolina**  
**Town of Biscoe Contributions**  
**Required Supplementary Information**  
**Last Ten Fiscal Years**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 136,670	\$ 96,185	\$ 75,726	\$ 59,260	\$ 52,136	\$ 50,034	\$ 49,036	\$ 40,119	\$ 47,375	\$ 42,384
Contributions in relation to the contractually required contribution	136,670	96,185	75,726	59,260	52,136	50,034	49,036	40,119	47,375	42,384
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Biscoe covered-employee payroll	#####	\$ 829,999	\$ 728,805	\$ 649,639	\$ 650,024	\$ 642,647	\$ 648,555	\$ 581,921	\$ 653,042	\$ 591,129
Contributions as a percentage of covered-employee payroll	12.48%	11.59%	10.39%	9.12%	8.02%	7.79%	7.56%	6.89%	7.25%	7.17%

**Town of Biscoe, North Carolina**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2023**

	2023	2022	2021	2020	2019	2018
Beginning balance	\$ 107,422	\$ 105,147	\$ 152,988	\$ 150,082	\$ 157,529	\$ 162,168
Service cost	9,074	9,336	6,301	5,902	6,935	6,858
Interest on the total pension liability	2,285	1,916	4,796	5,249	4,793	5,853
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	10,437	5,153	(71,942)	(906)	(1,650)	(5,145)
Changes of assumptions or other inputs	(15,661)	(2,400)	24,734	4,391	(5,795)	8,850
Benefit payments	(11,730)	(11,730)	(11,730)	(11,730)	(11,730)	(21,055)
Other changes	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 101,827</u>	<u>\$ 107,422</u>	<u>\$ 105,147</u>	<u>\$ 152,988</u>	<u>\$ 150,082</u>	<u>\$ 157,529</u>

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

**Town of Biscoe, North Carolina**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2023**

	2023	2022	2021	2020	2019	2018
Total pension liability	\$ 101,827	\$ 107,422	\$ 105,147	\$ 152,988	\$ 150,082	\$ 157,529
Covered payroll	268,877	249,146	240,156	234,797	261,751	291,268
Total pension liability as a percentage of covered payroll	37.87%	43.12%	43.78%	65.16%	57.34%	54.08%

Notes to the schedule:

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

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**Individual Fund Statements and Schedules**

**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, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
<b>Ad valorem taxes:</b>			
Taxes	\$	\$ 1,052,514	\$
Penalties and interest		17,975	
<b>Total</b>	<u>1,036,800</u>	<u>1,070,489</u>	<u>33,689</u>
<b>Unrestricted intergovernmental:</b>			
Local option sales taxes		710,531	
Telecommunications sales tax		5,044	
Utility sales tax		237,258	
Beer and wine tax		8,321	
Video programming		5,101	
Solid waste disposal fee		1,088	
Tax refunds		3,937	
<b>Total</b>	<u>970,478</u>	<u>971,280</u>	<u>802</u>
<b>Restricted intergovernmental:</b>			
Powell Bill allocation		59,436	
Grant funds		218,609	
<b>Total</b>	<u>159,810</u>	<u>278,045</u>	<u>118,235</u>
<b>Permits and fees</b>	<u>4,825</u>	<u>4,931</u>	<u>106</u>
<b>Sales and services:</b>			
ABC revenue		17,683	
Cemetery lot sales		18,240	
Recreation department fees		34,687	
<b>Total</b>	<u>38,620</u>	<u>70,610</u>	<u>31,990</u>
<b>Investment earnings</b>	<u>27,185</u>	<u>38,742</u>	<u>11,557</u>
<b>Other revenues:</b>			
Fire department donations		46,186	
Miscellaneous		60,460	
<b>Total</b>	<u>99,325</u>	<u>106,646</u>	<u>7,321</u>
<b>Total revenues</b>	<u>\$ 2,337,043</u>	<u>\$ 2,540,743</u>	<u>\$ 203,700</u>

**Town of Biscoe, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual (continued)**  
**For the Year Ended June 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures:</b>			
<b>General government:</b>			
<b>Administration:</b>			
Salaries and employee benefits	\$	\$ 381,813	\$
Other operating expenditures		315,843	
Capital outlay		3,633	
<b>Total</b>	<u>681,171</u>	<u>701,289</u>	<u>(20,118)</u>
<b>Legal and professional:</b>			
Other operating expenditures		41,852	
<b>Total</b>	<u>43,000</u>	<u>41,852</u>	<u>1,148</u>
<b>Public buildings and grounds:</b>			
Other operating expenditures		114,418	
Capital outlay		27,760	
<b>Total</b>	<u>144,010</u>	<u>142,178</u>	<u>1,832</u>
<b>Total general government</b>	<u>868,181</u>	<u>885,319</u>	<u>(17,138)</u>
<b>Public safety:</b>			
<b>Police:</b>			
Salaries and employee benefits		664,744	
Other operating expenditures		176,974	
Capital outlay		50,959	
<b>Total</b>	<u>893,123</u>	<u>892,677</u>	<u>446</u>
<b>Fire:</b>			
Salaries and employee benefits		35,386	
Other operating expenditures		224,045	
<b>Total</b>	<u>250,362</u>	<u>259,431</u>	<u>(9,069)</u>
<b>Total public safety</b>	<u>1,143,485</u>	<u>1,152,108</u>	<u>(8,623)</u>
<b>Transportation:</b>			
<b>Streets and highways:</b>			
Other operating expenditures		345,326	
<b>Total</b>	<u>334,977</u>	<u>345,326</u>	<u>(10,349)</u>
<b>Powell Bill:</b>			
Other operating expenditures		108,363	
<b>Total</b>	<u>99,741</u>	<u>108,363</u>	<u>(8,622)</u>
<b>Total transportation</b>	<u>\$ 434,718</u>	<u>\$ 453,689</u>	<u>\$ (18,971)</u>

**Town of Biscoe, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual (continued)**  
**For the Year Ended June 30, 2023**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Culture and recreational:</b>			
<b>Recreation:</b>			
Salaries and employee benefits	\$	\$ 142,306	\$
Other operating expenditures		264,490	
Capital outlay		97,926	
<b>Total</b>	481,785	504,722	(22,937)
<b>Debt service:</b>			
Principal retirement		17,155	
Interest and other charges		4,212	
<b>Total</b>	21,400	21,367	33
<b>Total expenditures</b>	2,949,569	3,017,205	(67,636)
<b>Revenues over (under) expenditures</b>	(612,526)	(476,462)	136,064
<b>Other financing sources (uses):</b>			
Transfers from (to) other funds	50,000	-	(50,000)
Sale of capital assets	171,450	171,450	-
Insurance proceeds	31,000	31,039	39
<b>Total other financing sources (uses)</b>	252,450	202,489	(49,961)
Fund balance appropriated	360,076	-	(360,076)
<b>Net change in fund balance</b>	\$ -	(273,973)	\$ (273,973)
<b>Fund balance, beginning</b>		2,278,336	
<b>Fund balance, ending</b>		\$ 2,004,363	

Fund balance, end of year (General Fund)

\$ 2,004,363

Amounts reported for Revenues, Expenditures and Changes in Fund Balance (deficit) are different from the Budget and Actual Statement due to consolidation of the Capital Reserve Fund:

Investment earnings

1,347

Fund balance, beginning of year  
(Capital Reserve Fund)

745,066

Fund balance, end of year  
(Consolidated General Fund)

\$ 2,750,776

**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, 2023**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
Investment earnings	\$	\$ 1,347	\$
<b>Total</b>	-	1,347	1,347
<b>Net change in fund balance</b>	\$ -	1,347	\$ 1,347
<b>Fund balance, beginning</b>		745,066	
<b>Fund balance, ending</b>		\$ 746,413	

**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, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b><u>Revenues:</u></b>			
<b>Operating revenues:</b>			
Water and sewer charges	\$	\$ 1,328,885	\$
Water and sewer taps and connection fees		12,249	
Late fees		31,355	
Other revenues		4,739	
<b>Total</b>	<u>1,427,745</u>	<u>1,377,228</u>	<u>(50,517)</u>
<b>Nonoperating revenues:</b>			
Miscellaneous		747	
Interest revenue		4,683	
<b>Total</b>	<u>5,170</u>	<u>5,430</u>	<u>260</u>
<b>Total revenues</b>	<u>1,432,915</u>	<u>1,382,658</u>	<u>(50,257)</u>
<b><u>Expenditures:</u></b>			
<b>Operating expenditures:</b>			
Salaries and employee benefits		563,258	
Water purchases		424,368	
Other operating expenditures		432,942	
Capital outlay		16,000	
<b>Total operating expenditures</b>	<u>1,408,717</u>	<u>1,436,568</u>	<u>(27,851)</u>
<b>Debt service:</b>			
Principal retirement		66,155	
<b>Total debt service</b>	<u>72,560</u>	<u>66,155</u>	<u>6,405</u>
<b>Total expenditures</b>	<u>1,481,277</u>	<u>1,502,723</u>	<u>(21,446)</u>
<b>Revenues over expenditures</b>	<u>(48,362)</u>	<u>(120,065)</u>	<u>(71,703)</u>
<b><u>Other financing sources (uses):</u></b>			
Transfers to General Fund	-	-	-
Appropriated fund balance	48,362	-	(48,362)
<b>Total other financing sources (uses)</b>	<u>48,362</u>	<u>-</u>	<u>(48,362)</u>
<b>Revenues over (under) expenditures</b>	<u>\$ -</u>	<u>\$ (120,065)</u>	<u>\$ (120,065)</u>

**Town of Biscoe, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP) (continued)**  
**For the Year Ended June 30, 2023**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
<b>Revenues over (under) expenditures and other financing (uses)</b>		\$ (120,065)	
<b>Reconciling items:</b>			
(Increase) decrease in accrued vacation		29,241	
Increase (decrease) in deferred outflows of resources - pensions		68,288	
(Increase) decrease in net pension liability		(168,183)	
(Increase) decrease in deferred inflows of resources - pensions		87,995	
Capital outlay		16,000	
Principal retirement		66,155	
Capital contribution		121,433	
Interest income		252	
Depreciation		(309,107)	
<b>Total reconciling items</b>		<b>(87,926)</b>	
<b>Change in net position</b>		<b>\$ (207,991)</b>	

**Town of Biscoe, North Carolina**  
**Enterprise Capital Project Fund**  
**CDBG Bruton Street Project**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)**  
**From Inception and For the Year Ended June 30, 2023**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>					
Restricted intergovernmental:					
Federal grant	\$ 1,865,000	\$ 1,612,009	\$ 121,433	\$ 1,733,442	\$ (131,558)
Investment earnings	-	51,544	252	51,796	51,796
<b>Total revenues</b>	<u>1,865,000</u>	<u>1,663,553</u>	<u>121,685</u>	<u>1,785,238</u>	<u>(79,762)</u>
<b>Expenditures:</b>					
Public sewer improvements	1,766,500	1,754,439	32,600	1,787,039	(20,539)
Administration	98,500	77	-	77	98,423
<b>Total expenditures</b>	<u>1,865,000</u>	<u>1,754,516</u>	<u>32,600</u>	<u>1,787,116</u>	<u>77,884</u>
<b>Revenues over (under) expenditures</b>	<u>\$ -</u>	<u>\$ (90,963)</u>	89,085	<u>\$ (1,878)</u>	<u>\$ (1,878)</u>
<b>Fund balance, beginning</b>			(90,963)		
<b>Fund balance, ending</b>			<u>\$ (1,878)</u>		



### Other Schedules

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**This section contains additional information on property taxes.**

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

**Town of Biscoe, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2023**

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2022</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2023</u>
2022-2023	\$ -	\$ 1,094,188	\$ 1,059,019	\$ 35,169
2021-2022	31,401	-	11,102	20,299
2020-2021	6,013	-	1,619	4,394
2019-2020	3,766	-	437	3,329
2018-2019	5,236	-	409	4,827
2017-2018	3,104	-	579	2,525
2016-2017	2,234	-	342	1,892
2015-2016	1,851	-	107	1,744
2014-2015	1,172	-	63	1,109
2013-2014	2,523	-	1,411	1,112
2012-2013	3,716	-	3,716	-
	<u>\$ 61,016</u>	<u>\$ 1,094,188</u>	<u>\$ 1,039,234</u>	<u>76,400</u>

Less: allowance for uncollectible accounts - General Fund 42,848

**Ad valorem taxes receivable - net** \$ 33,552

**Reconciliation to revenues:**

Ad valorem taxes - General Fund	\$ 1,070,489
Interest and penalties collected	(17,975)
Reconciling items:	
Other adjustments	<u>(13,280)</u>
<b>Total collections and credits</b>	<u><u>\$ 1,039,234</u></u>

**Town of Biscoe, North Carolina**  
**Analysis of Current Year Tax Levy**  
**For the Year Ended June 30, 2023**

	Town-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original levy</b>					
Property taxed at					
current year's rate	\$ 190,314,286	0.56	\$ 1,065,760	\$ 978,994	\$ 86,766
<b>Total</b>	<u>\$ 190,314,286</u>		<u>1,065,760</u>	<u>978,994</u>	<u>86,766</u>
<b>Discoveries</b>	<u>5,076,429</u>	0.56	<u>28,428</u>	<u>28,428</u>	<u>-</u>
<b>Total property valuation</b>	<u><u>195,390,714</u></u>				
<b>Net levy</b>			1,094,188	1,007,422	86,766
<b>Uncollected taxes at June 30, 2023</b>			<u>(35,169)</u>	<u>(35,169)</u>	<u>-</u>
<b>Current year's taxes collected</b>			<u>\$ 1,059,019</u>	<u>\$ 972,253</u>	<u>\$ 86,766</u>
<b>Current levy collection percentage</b>			<u>96.79%</u>	<u>96.51%</u>	<u>100.00%</u>

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## **Compliance Section**

# S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

## MEMBERS

American Institute of CPAs  
N. C. Association of CPAs

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

#### Independent Auditor's Report

To the Honorable Mayor and  
Members of the Town Council  
Town of Biscoe, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining funds information of the Town of Biscoe, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprises the Town of Biscoe's basic financial statements, and have issued our report thereon dated January 19, 2024.

#### Report on Internal Control Over Financial Reporting

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

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

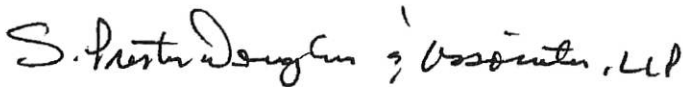
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses (2023-001, 2023-002).

Report Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Biscoe's financial statements are free from 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 Standard* and which is described in the schedule of findings and responses as items: 2023-001 and 2023-002.

Purpose of this Report

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

 S. Porter Douglas, Associate, LLP

Lumberton, North Carolina  
January 19, 2024

**Town of Biscoe, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2023**

<b>Section I. Summary of Auditor's Results</b>
--

**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	___ <u>X</u> ___ yes    ___ ___ no
• Significant deficiency(s) identified that are not considered to be material weaknesses	___ ___ yes    ___ <u>X</u> ___ none reported
• Noncompliance material to financial statements	___ ___ yes    ___ ___



**Town of Biscoe, North Carolina**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the Year Ended June 30, 2023**

<b>Section II. Financial Statement Findings</b>
---

MATERIAL WEAKNESS

**Finding 2023-001      Excess of Expenditures over Appropriations**

- Criteria:                    N.C. General Statute 159-8(a) states that all moneys expended by a local government should be included in the budget ordinance.
- Condition:                The Town expended more than appropriated in the General Fund's annual budget ordinance totaling \$67,636, as well as \$49,961 in the General Fund's transfer budget line items, and \$21,446 in the Water and Sewer Fund, respectively.
- Effect:                    Expenditures were incurred that had not been budgeted.
- Cause:                    There is a breakdown in communication between the Finance Officer and Town Manager.
- Repeat Finding:        This was not a repeat finding.
- Recommendation:      We recommend that the key financial personnel obtain training in governmental finance.

Views of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the correction action plan on page 64.

**Town of Biscoe, North Carolina**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the Year Ended June 30, 2023**

**Section II. Financial Statement Findings (continued)**

MATERIAL WEAKNESS/MATERIAL NONCOMPLIANCE

**Finding: 2023 - 002 Late Audit**

Criteria: N.C. General Statute 159-34(a) states the Town should have its accounts audited as soon as possible after the close of each fiscal year by a certified public accountant. The deadline to submit June 30 year end audits to the Local Government Commission is October 31.

Condition: The June 30, 2023 audit which was due October 31, 2023, was submitted late on January 19, 2024

Effect: By submitting the audit late, the board or other agencies such as the Local Government Commission do not have the opportunity to receive important, timely feedback from the independent auditor such as internal control deficiencies or financial statement trends.

Cause: Due to excessive turnover during the year, the Finance Officer was not able to allocate enough time to preparing for the audit.

Repeat Finding: ~~This was a repeat finding.~~

Recommendation: The Town should make the necessary adjustments to meet the October 31 audit deadline.

View of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the corrective action plan on page 64.



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

**Corrective Action Plan  
For the Year Ended June 30, 2023**

**MATERIAL WEAKNESS**

**Finding 2023 - 001            Excess of Expenditures over Appropriations**

Name of Contact Person:    Laura Morton, Town Clerk

Corrective Action: The Town has contracted with an accountant that has the skills, knowledge, and experience in governmental accounting to provide additional expertise needed to support the Town's business office. The Town Manager and Financial Officer will improve communication of the needed budget amendments on a monthly basis.

Proposed Completion Date: The Town has implemented the above procedures.

**Finding 2023 - 002            Late Audit**

Name of Contact Person:    Laura Morton, Town Clerk

Corrective Action: The Town will set internal deadlines for completing audit requests to that the October 31 deadline will be met.

Proposed Completion Date: The Town has implemented the above procedures.





# S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS  
American Institute of CPAs  
N. C. Association of CPAs

March 11, 2024

Mayor and Members of the Board of Commissioners  
Biscoe, North Carolina

We have audited the financial statements of the Town of Biscoe for the year ended June 30, 2023, and have issued our report thereon dated January 19, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit.

## **Our Responsibility under U.S. Generally Accepted Auditing Standards**

Our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

## **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you.

## **Significant Audit Findings**

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. We will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Town of Biscoe are described in the first note to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2022-23. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### *Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No misstatements were encountered.



### *Disagreements with Management*

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

### *Management Representations*

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

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

#### **Finding: 2023 - 001      Excess of Expenditures over Appropriations**

The Town expended more than appropriated in the General Fund's annual budget ordinance totaling \$67,636, as well as \$49,961 in the General Fund's transfer budget line items, and \$21,446 in the Water and Sewer Fund, respectively. Management should closely monitor the budget versus actual statements to ensure that expenditures are within budgetary constraints.

#### **Finding: 2023 - 002      Late Audit**

The June 30, 2023, audit which was due October 31, 2023, was submitted late on January 19, 2024. General Statute 159-34(a) states the Town should have its accounts audited as soon as possible after the close of each fiscal year by a certified public accountant. The deadline to submit June 30 year end audits to the Local Government Commission is October 31. We recommend that the board considers hiring additional resources to support the Finance Officer and other business office staff





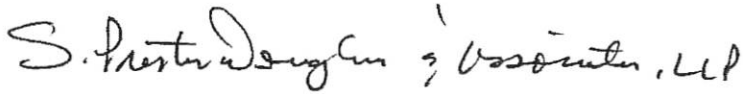
*Other Matters*

This information is intended solely for the use of the management, the board of Town of Biscoe, other cognizant agencies, and the North Carolina Department of State Treasurer and is not intended to be and should not be used by anyone other than these specified parties.

*Restriction on Use*

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

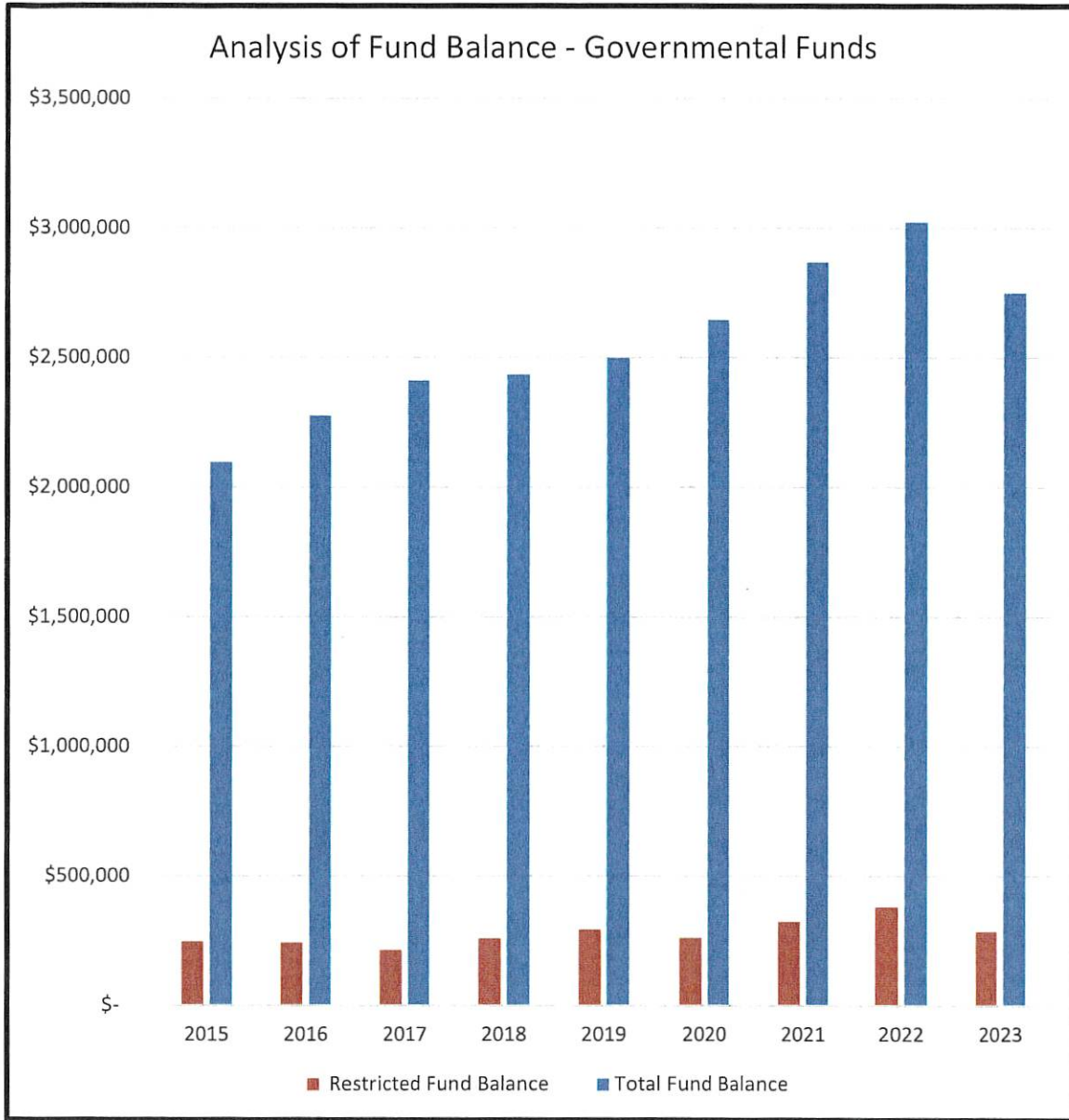
Respectfully yours,

A handwritten signature in black ink that reads "S. Preston Douglas & Associates, LLP". The signature is written in a cursive, flowing style.

S. Preston Douglas & Associates, LLP  
Lumberton, North Carolina



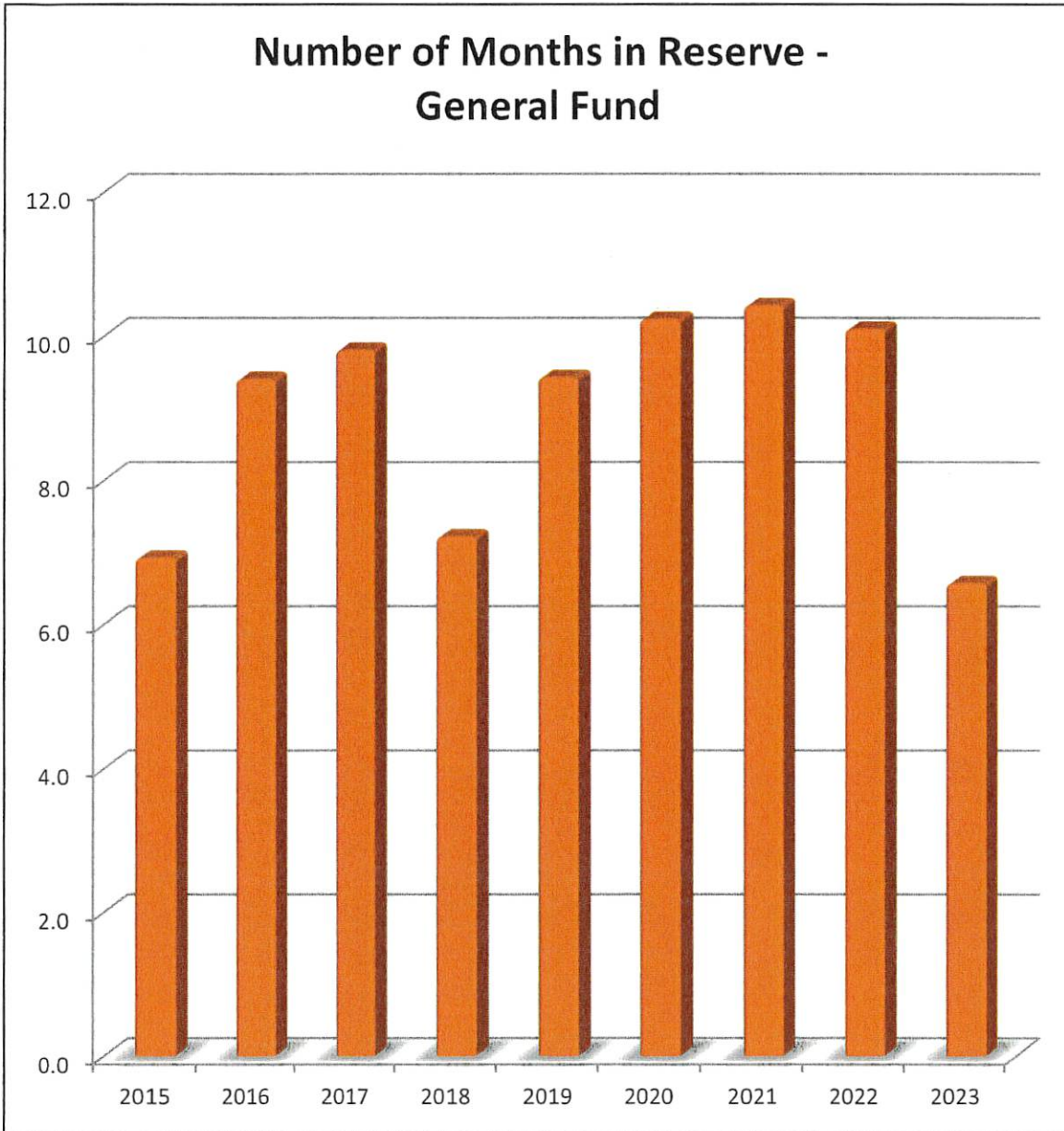
# Town of Biscoe



	<b>Total Fund Balance</b>	<b>Restricted Fund Balance</b>
2015	\$ 2,096,139	\$ 246,636
2016	\$ 2,275,388	\$ 242,355
2017	\$ 2,412,303	\$ 213,633
2018	\$ 2,435,156	\$ 258,839
2019	\$ 2,499,431	\$ 293,456
2020	\$ 2,646,598	\$ 261,805
2021	\$ 2,868,998	\$ 323,772
2022	\$ 3,023,402	\$ 379,654
2023	\$ 2,750,776	\$ 286,071



## Town of Biscoe

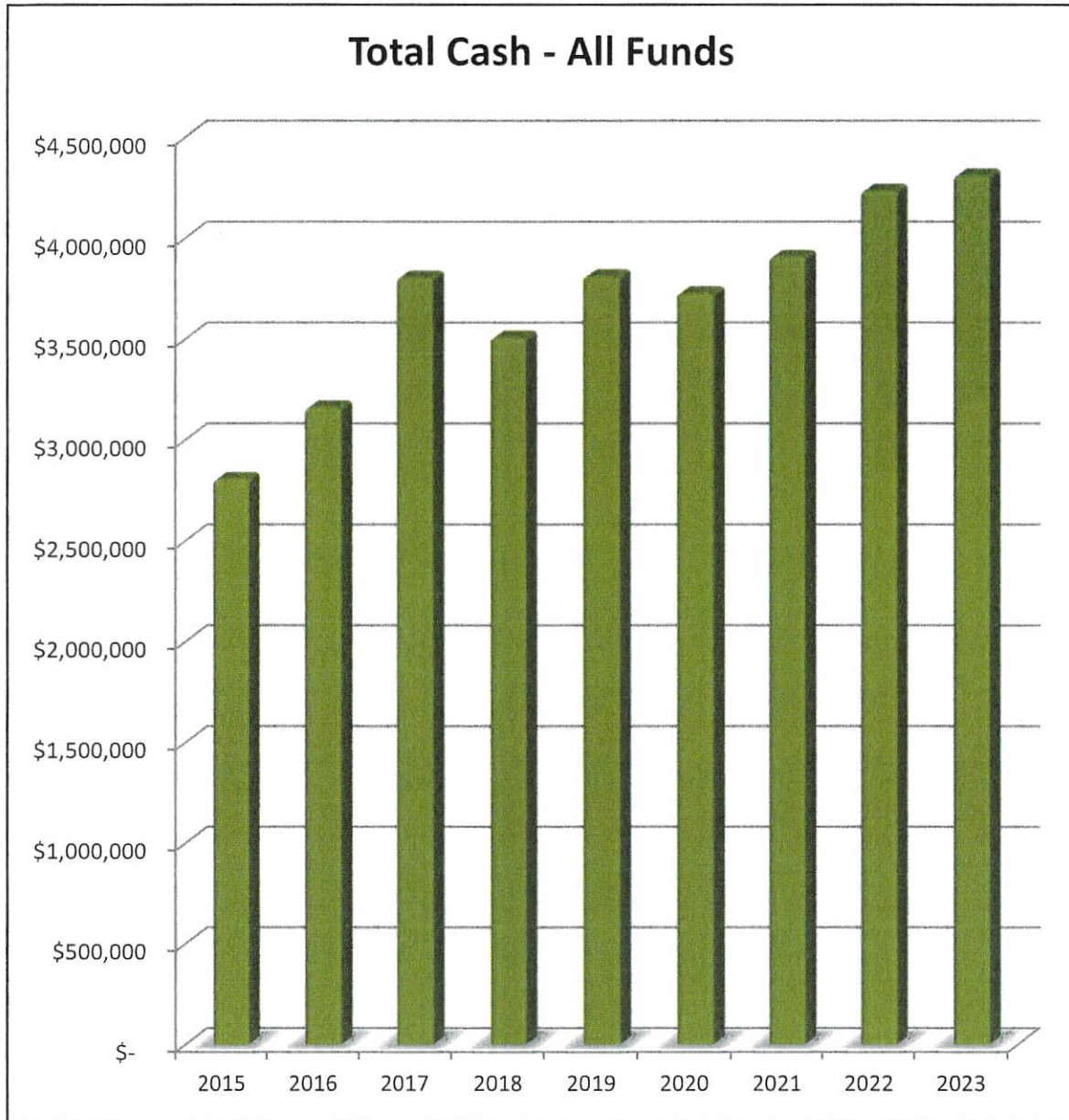


	<b># Months in Reserve</b>	<b>As % of Expenditures</b>
2015	6.9	52.62%
2016	9.4	78.29%
2017	9.8	81.66%
2018	7.2	60.07%
2019	9.4	78.48%
2020	10.2	85.22%
2021	10.4	86.80%
2022	10.1	84.08%
2023	6.6	54.66%

\*8.33% equals one month of General Fund expenditures in the unassigned category of fund balance.



# Town of Biscoe

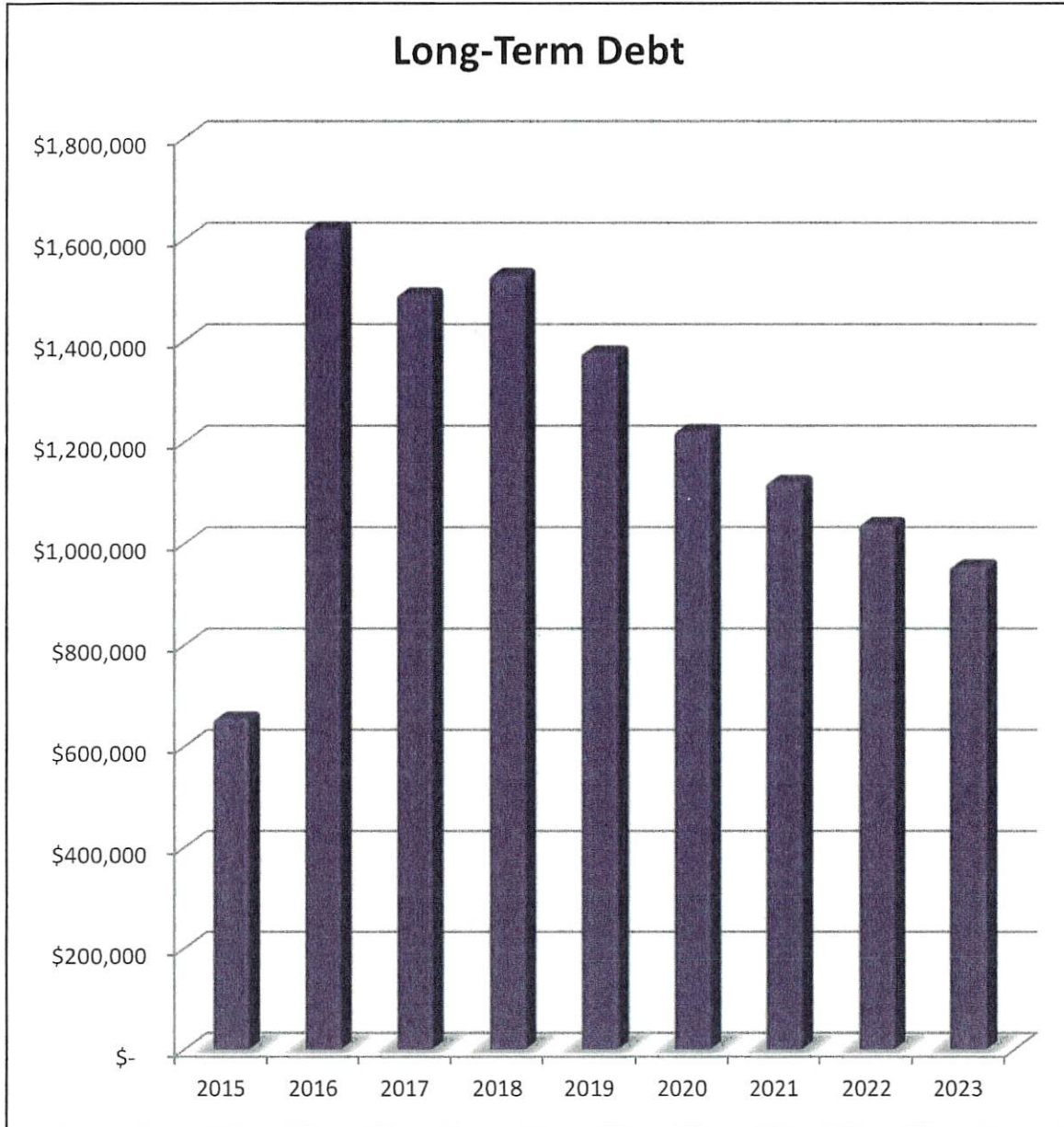


2015	\$	2,805,657
2016	\$	3,160,439
2017	\$	3,803,927
2018	\$	3,506,793
2019	\$	3,810,747
2020	\$	3,726,023
2021	\$	3,906,867
2022	\$	4,233,876
2023	\$	4,309,858





# Town of Biscoe

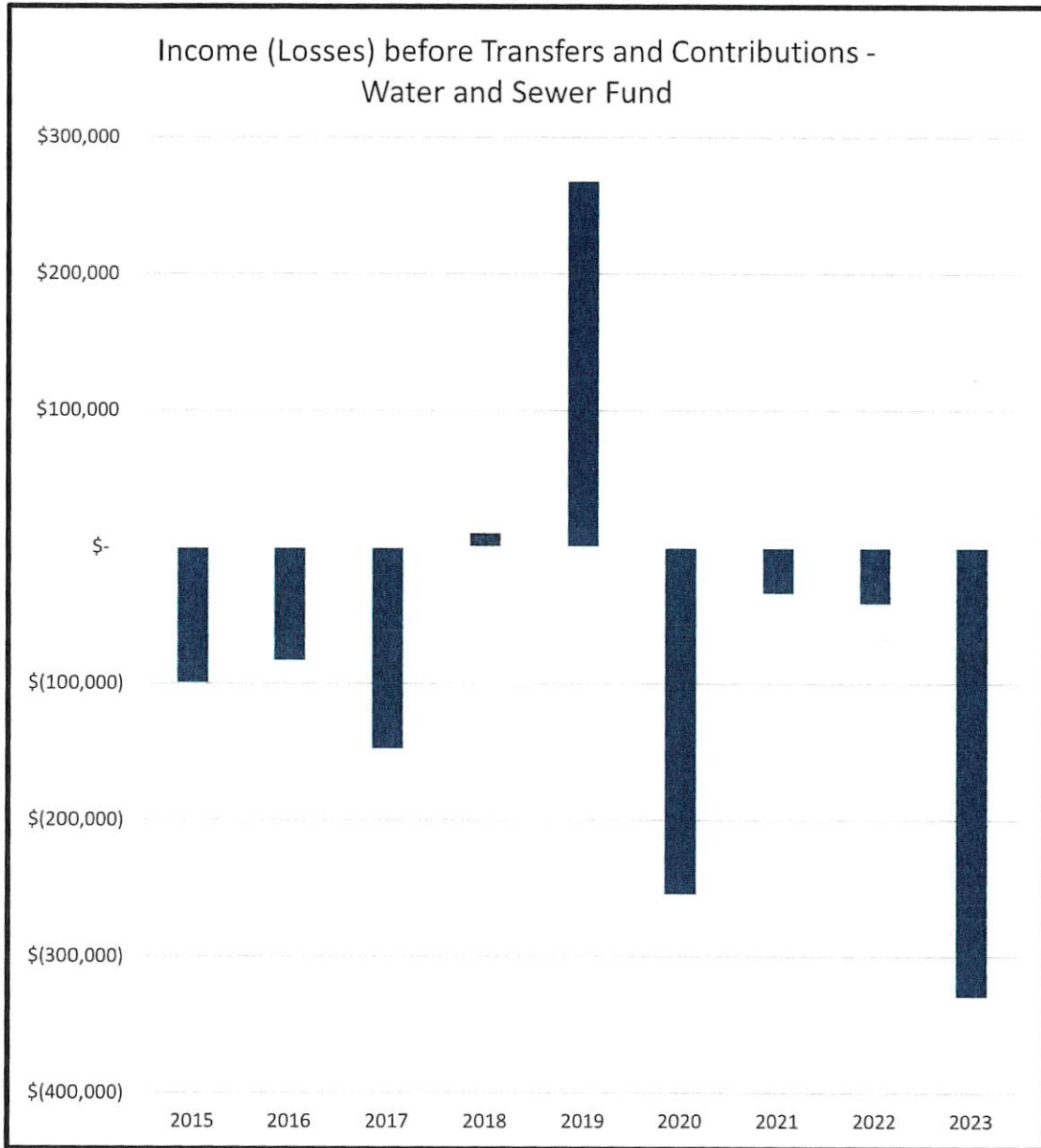


2015	\$	655,257
2016	\$	1,621,188
2017	\$	1,491,332
2018	\$	1,529,486
2019	\$	1,376,631
2020	\$	1,221,885
2021	\$	1,121,292
2022	\$	1,038,603
2023	\$	955,293

\*Excludes pension liabilities and compensated absences.



## Town of Biscoe



	Income (Loss)	(noncash expense) Depreciation
2015	\$ (99,147)	\$ 179,786
2016	\$ (82,711)	\$ 225,072
2017	\$ (147,608)	\$ 301,301
2018	\$ 10,535	\$ 359,224
2019	\$ 267,762	\$ 340,325
2020	\$ (254,044)	\$ 310,635
2021	\$ (33,593)	\$ 313,479
2022	\$ (41,125)	\$ 312,514
2023	\$ (329,424)	\$ 309,107

