

TOWN OF BISCOE
GENERAL PURPOSE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003

TOWN OF BISCOE, NORTH CAROLINA

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Town of Biscoe
Biscoe, North Carolina

We have audited the accompanying general purpose financial statements of the Town of Biscoe, North Carolina as of and for the year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of Town of Biscoe's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Biscoe, North Carolina as of June 30, 2003 and the results of its operations and the cash flows of its proprietary fund type for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements, taken as a whole. The combining and individual fund financial statements and schedules, and supplementary information, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Dixon Odom PLLC

October 10, 2003

TOWN OF BISCOE, NORTH CAROLINA
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 June 30, 2003
 With Comparative Totals June 30, 2002

	Governmental Fund Types		Proprietary Fund Types	Fiduciary Fund Types	Account Group		Totals	
	General	Special Revenue			Enterprise	Trust	General Fixed Assets	General Long-term debt
ASSETS AND OTHER DEBITS								
Cash and investments	\$1,073,360	\$1,328,759	\$1,249,929	\$ 48,664	\$ -	\$ -	\$ 3,700,712	\$ 3,352,227
Taxes receivable	46,169	-	-	-	-	-	46,169	38,559
Accounts receivable	3,476	-	55,213	-	-	-	58,689	167,269
Accrued interest receivable	4,740	16,641	6,889	543	-	-	28,813	37,141
Inventories	-	-	34,354	-	-	-	34,354	33,181
Restricted cash and investments	-	-	9,309	-	-	-	9,309	9,517
Fixed assets, net	-	-	2,052,392	-	3,324,758	-	5,377,150	5,327,041
Amounts to be provided for the retirement of general long-term debt	-	-	-	-	-	2,651	2,651	-
TOTAL ASSETS AND OTHER DEBITS	<u>\$1,127,745</u>	<u>\$1,345,400</u>	<u>\$3,408,086</u>	<u>\$ 49,207</u>	<u>\$ 3,324,758</u>	<u>\$ 2,651</u>	<u>\$ 9,257,847</u>	<u>\$ 8,964,935</u>
LIABILITIES EQUITY AND OTHER CREDITS								
Accounts payable and accrued liabilities	\$ 29,752	\$ -	\$ 22,500	\$ -	\$ -	\$ -	\$ 52,252	\$ 66,904
Deposits	-	-	9,309	-	-	-	9,309	9,517
Deferred revenues	48,203	-	-	-	-	-	48,203	40,009
Unfunded pension obligation	-	-	-	-	-	2,651	2,651	-
TOTAL LIABILITIES	<u>77,955</u>	<u>-</u>	<u>31,809</u>	<u>-</u>	<u>-</u>	<u>2,651</u>	<u>112,415</u>	<u>116,430</u>
EQUITY AND OTHER CREDITS								
Contributed capital (net)	-	-	1,123,791	-	-	-	1,123,791	1,160,016
Investment in general fixed assets	-	-	-	-	3,324,758	-	3,324,758	3,259,447
Retained earnings	-	-	2,252,486	-	-	-	2,252,486	2,069,130
Fund balances								
Reserved by State statute	8,216	16,641	-	-	-	-	24,857	122,279
Reserved for streets - Powell Bill	96,990	-	-	-	-	-	96,990	92,106
Reserved for employees' pension benefits	-	-	-	49,207	-	-	49,207	43,183
Unreserved:								
Designated for subsequent years' expenditures	49,100	-	-	-	-	-	49,100	58,500
Designated for capital projects	-	1,328,759	-	-	-	-	1,328,759	1,322,558
Undesignated	895,484	-	-	-	-	-	895,484	721,286
TOTAL EQUITY AND OTHER CREDITS	<u>1,049,790</u>	<u>1,345,400</u>	<u>3,376,277</u>	<u>49,207</u>	<u>3,324,758</u>	<u>-</u>	<u>9,145,432</u>	<u>8,848,505</u>
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	<u>\$1,127,745</u>	<u>\$1,345,400</u>	<u>\$3,408,086</u>	<u>\$ 49,207</u>	<u>\$ 3,324,758</u>	<u>\$ 2,651</u>	<u>\$ 9,257,847</u>	<u>\$ 8,964,935</u>

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

TOWN OF BISCOE, NORTH CAROLINA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
 For the Year Ended June 30, 2003
 With Comparative Totals for Year Ended June 30, 2002

Exhibit B

	Governmental Fund Types		Totals (Memorandum Only)	
	General	Special Revenue	June 30 2003	June 30 2002
REVENUES				
Ad valorem taxes	\$ 541,538	\$ -	\$ 541,538	\$ 426,884
Other taxes and licenses	159,555	-	159,555	204,285
Unrestricted intergovernmental revenues	206,367	-	206,367	207,716
Restricted intergovernmental revenues	65,151	-	65,151	73,271
Sales and services	37,258	-	37,258	73,770
Investment earnings	7,042	22,842	29,884	87,231
Miscellaneous	22,652	-	22,652	15,912
TOTAL REVENUES	<u>1,039,563</u>	<u>22,842</u>	<u>1,062,405</u>	<u>1,089,069</u>
EXPENDITURES				
Current:				
General government	255,168	-	255,168	700,680
Public safety	405,443	-	405,443	530,859
Transportation	265,354	-	265,354	317,783
Cultural and recreational	57,979	-	57,979	77,783
TOTAL EXPENDITURES	<u>983,944</u>	<u>-</u>	<u>983,944</u>	<u>1,627,105</u>
REVENUES OVER (UNDER) EXPENDITURES	55,619	22,842	78,461	(538,036)
FUND BALANCE				
Beginning of year, July 1	994,171	1,322,558	2,316,729	2,854,765
END OF YEAR, JUNE 30	<u>\$1,049,790</u>	<u>\$1,345,400</u>	<u>\$2,395,190</u>	<u>\$2,316,729</u>

TOWN OF BISCOE, NORTH CAROLINA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2003

	General Fund			Special Revenue Fund			Totals (Memorandum Only)		
	Budget	Actual	Variance favorable (Unfavorable)	Budget	Actual	Variance favorable (Unfavorable)	Budget	Actual	Variance favorable (Unfavorable)
REVENUES									
Ad valorem taxes	\$ 550,000	\$ 541,538	\$ (8,462)	\$ -	\$ -	\$ -	\$ 550,000	\$ 541,538	\$ (8,462)
Other taxes and licenses	207,300	159,555	(47,745)	-	-	-	207,300	159,555	(47,745)
Unrestricted intergovernmental revenues	110,270	206,367	96,097	-	-	-	110,270	206,367	96,097
Restricted intergovernmental revenues	63,000	65,151	2,151	-	-	-	63,000	65,151	2,151
Sales and services	3,500	37,258	33,758	-	-	-	3,500	37,258	33,758
Investment earnings	10,100	7,042	(3,058)	35,000	22,842	(12,158)	45,100	29,884	(15,216)
Miscellaneous	96,350	22,652	(73,698)	-	-	-	96,350	22,652	(73,698)
TOTAL REVENUES	1,040,520	1,039,563	(957)	35,000	22,842	(12,158)	1,075,520	1,062,405	(13,115)
EXPENDITURES									
Current:									
General government	297,046	255,168	41,878	-	-	-	297,046	255,168	41,878
Public safety	401,870	405,443	(3,573)	-	-	-	401,870	405,443	(3,573)
Transportation	378,200	265,354	112,846	-	-	-	378,200	265,354	112,846
Cultural and recreational	40,300	57,979	(17,679)	-	-	-	40,300	57,979	(17,679)
TOTAL EXPENDITURES	1,117,416	983,944	133,472	-	-	-	1,117,416	983,944	133,472
Revenues over (under) expenditures	(76,896)	55,619	132,515	35,000	22,842	(12,158)	(41,896)	78,461	120,357
Other financing sources (uses)									
Operating transfers (to) from other funds									
Capital Reserve Fund				(15,000)		15,000	(15,000)		(15,000)
Total other financing sources (uses)				(15,000)		15,000	(15,000)		(15,000)

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

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2003

	General Fund		Variance favorable (Unfavorable)	Special Revenue Fund		Variance favorable (Unfavorable)	Totals (Memorandum Only)		
	Budget	Actual		Budget	Actual		Budget	Actual	
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ (76,896)	\$ 55,619	\$ 132,515	\$ 20,000	\$ 22,842	\$ 2,842	\$ (56,896)	\$ 78,461	\$ 135,357
FUND BALANCE APPROPRIATED	<u>736,000</u>	-	<u>(736,000)</u>	<u>(20,000)</u>	-	<u>20,000</u>	<u>716,000</u>	-	<u>(716,000)</u>
REVENUES AND OTHER FINANCING SOURCES AND APPROPRIATED FUND BALANCE OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ 659,104</u>	55,619	<u>\$(603,485)</u>	<u>\$ -</u>	22,842	<u>\$ 22,842</u>	<u>\$ 659,104</u>	78,461	<u>\$(580,643)</u>
FUND BALANCE									
Beginning of year, July 1		994,171			1,322,558			2,316,729	
END OF YEAR, JUNE 30		<u>\$1,049,790</u>			<u>\$1,345,400</u>			<u>\$2,395,190</u>	

TOWN OF BISCOE, NORTH CAROLINA
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
 RETAINED EARNINGS - PROPRIETARY FUND
 WATER AND SEWER FUND
 For the Year Ended June 30, 2003
 With Comparative Totals for Year Ended June 30, 2002

Exhibit D

	<u>June 30,</u> <u>2003</u>	<u>June 30,</u> <u>2002</u>
OPERATING REVENUES		
Charges for services	\$ 695,619	\$ 512,844
TOTAL OPERATING REVENUES	<u>695,619</u>	<u>512,844</u>
OPERATING EXPENSES		
Water and sewer department	454,898	553,453
Depreciation	<u>115,595</u>	<u>110,411</u>
TOTAL OPERATING EXPENSES	<u>570,493</u>	<u>663,864</u>
OPERATING INCOME (LOSS)	<u>125,126</u>	<u>(151,020)</u>
NONOPERATING REVENUES		
Interest earned on investments	16,282	36,365
Tax refunds	558	2,401
Grant funds	5,000	-
Miscellaneous revenue	<u>165</u>	<u>3,701</u>
TOTAL NONOPERATING REVENUES	<u>22,005</u>	<u>42,467</u>
NET INCOME (LOSS)	<u>147,131</u>	<u>(108,553)</u>
ADD DEPRECIATION ON CONTRIBUTED CAPITAL	<u>36,225</u>	<u>36,225</u>
INCREASE (DECREASE) IN RETAINED EARNINGS	183,356	(72,328)
RETAINED EARNINGS, JULY 1	<u>2,069,130</u>	<u>2,141,458</u>
RETAINED EARNINGS, JUNE 30	<u>\$ 2,252,486</u>	<u>\$ 2,069,130</u>

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TOWN OF BISCOE, NORTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
WATER AND SEWER FUND
For the Year Ended June 30, 2003
With Comparative Totals for Year Ended June 30, 2002

Exhibit E

	June 30, 2003	June 30, 2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers/contributions	\$ 692,968	\$ 515,399
Cash paid for goods and services	(392,623)	(445,663)
Cash paid to employees	(91,033)	(94,417)
Net (decrease) customer deposits	(208)	(292)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>209,104</u>	<u>(24,973)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(100,393)	(139,142)
Miscellaneous non-operating revenue	165	3,701
Grant funds	5,000	-
Tax refunds	558	2,401
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(94,670)</u>	<u>(133,040)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	19,179	36,554
NET INCREASE (DECREASE) IN CASH	133,613	(121,459)
CASH AT BEGINNING OF YEAR	<u>1,125,625</u>	<u>1,247,084</u>
CASH AT END OF YEAR	<u>\$ 1,259,238</u>	<u>\$ 1,125,625</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating loss	\$ 125,126	\$ (151,020)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	115,595	110,411
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(2,651)	2,555
Inventory	(1,173)	(2,339)
Increase (decrease) in:		
Accounts payable	(27,585)	15,712
Customer deposits	(208)	(292)
Total adjustments	<u>83,978</u>	<u>126,047</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 209,104</u>	<u>\$ (24,973)</u>

TOWN OF BISCOE, NORTH CAROLINA
STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUND
For the Years Ended June 30, 2003 and 2002

Exhibit F

	<u>June 30,</u> <u>2003</u>	<u>June 30,</u> <u>2002</u>
ADDITIONS		
Employer contributions	\$ 4,900	\$ 2,500
Interest income	<u>1,124</u>	<u>1,163</u>
TOTAL ADDITIONS	<u>6,024</u>	<u>3,663</u>
NET INCREASE	6,024	3,663
FUND BALANCE RESERVED FOR EMPLOYEE'S PENSION BENEFITS		
Beginning of year	<u>43,183</u>	<u>39,520</u>
End of year	<u>\$ 49,207</u>	<u>\$ 43,183</u>

TOWN OF BISCOE, NORTH CAROLINA
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
June 30, 2003

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town of Biscoe is a municipal corporation which is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, the Town includes any component unit for which it is financially accountable. For the year ended June 30, 2003, no component units were included in the financial statements.

B. Basis of Presentation - Fund Accounting

The accounts of the Town are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The account groups are not funds but are a reporting device used to account for certain assets and liabilities of the governmental funds that are not recorded directly in those funds.

The Town uses the following fund categories (further divided by fund type) and account groups:

GOVERNMENTAL FUNDS are used to account for the Town's governmental functions. Governmental Funds include the following fund types:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and State-shared revenues. The primary expenditures are for public safety, streets and highways, transportation, and general government services.

Special Revenue Fund - Special Revenue Funds account for specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Town maintains one Special Revenue Fund, the Capital Reserve Fund.

PROPRIETARY FUNDS include the following fund type:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town of Biscoe has one Enterprise Fund - the Water and Sewer Fund.

TOWN OF BISCOE, NORTH CAROLINA
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
June 30, 2003

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FIDUCIARY FUNDS

Fiduciary Funds account for the assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Fiduciary funds include the following fund:

Pension Trust Fund - The Town has a Pension Trust Fund, the Special Separation Allowance Fund, that accounts for the Law Enforcement Officers' Special Separation Allowance, a single-employer, public employee retirement system.

ACCOUNT GROUPS

General Fixed Assets Account Group - This group of accounts is used to account for all fixed assets of the Town, other than those accounted for in the proprietary funds.

General Long-term Debt Account Group - This group of accounts is used to account for all general long-term obligations of the Town except those which are accounted for in the proprietary fund.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing uses) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary funds are accounted for on the flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements for these funds present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. As required for periods beginning after June 15, 2000 by Statement 33 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Nonexchange Transactions*, the Board has begun recognizing capital contributions as revenue in the current year rather than contributed capital. There were no additions for the year ended June 30, 2003.

The basis of accounting determines when the revenues and expenditures or expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting. The governmental fund types are presented in the financial statements on this same basis. Under the modified accrual basis, revenues are recognized in the accounting period when they become susceptible to accrual (i.e., when they are "measurable" and "available") to pay the liabilities of the current period. In addition, expenditures are recorded when the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgements, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

TOWN OF BISCOE, NORTH CAROLINA
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
June 30, 2003

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Town recognizes assets of nonexchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized on the modified accrual basis of accounting when they are measurable and available. Nonexchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. The Town considers all revenues available if they are collected within 60 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 are materially past due and are not considered to be an available resource to finance the operations of the subsequent year. Montgomery County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Biscoe. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Montgomery County from March 2002 through February 2003 apply to the fiscal year ended June 30, 2003. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. Those taxes for vehicles registered from March 1 through the fiscal year-end apply to the 2003-2004 fiscal year and are not shown as receivables at June 30, 2003. For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which interest begins to accrue passed prior to June 30. The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2003 because they are intended to finance the Town's operations during the 2003-2004 fiscal year.

Sales taxes collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as deferred revenues. On-behalf of payments made by the State to the Firemen's and Rescue Squad Worker's Pension Plan for volunteer firemen, as well as employees of the Town, are recognized as revenues and expenditures during the period in which the State makes the contributions to the plan. Also, the State's contributions to the Firemen's Relief Fund, which have been spent by the local board of trustees for various salary supplements and stipends for employees and volunteers, have been recognized as revenues and expenditures during the period in which those payments were received.

Proprietary funds and the Pension Trust Fund are presented in the financial statements on the accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when earned and expenses are recognized in the period when incurred. As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations and Pension Trust Fund.

D. Budgetary Data

The Town's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General Fund, Capital Reserve Fund, and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. The Town Finance Officer is authorized to transfer appropriations between functional areas within a fund up to \$1,000; however, any revisions that alter the total expenditures of any fund or that changes functional appropriations by more than \$1,000 must be approved by the governing board. During the year several amendments to the original budget were necessary, the effects of which were not material.

A budget calendar is included in the North Carolina General Statutes which prescribes the last day on which certain steps of that budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

April 30 - Each department head will transmit to the budget officer the budget requests and the revenue estimates for their department for the budget year.

June 1 - The budget and the budget message shall be submitted to the governing board. The public hearing on the budget shall be scheduled at this time.

July 1 - The budget ordinance shall be adopted by the governing board.

F. Assets, Liabilities and Fund Equity

Deposits and Investments

1. Deposits

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

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

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.

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

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

6. Inventories

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

7. Fixed Assets

General fixed assets are recorded at original cost. Donated assets are listed at the market value at the time of donation. The original cost of certain items acquired before July 1, 1970, are recorded at an estimated original cost. The total of such estimates is not considered large enough that errors would be material when the fixed assets are considered as a whole. Assets in the General Fixed Assets Account Group are not depreciated.

It is the Town's policy not to capitalize infrastructure type assets. Infrastructure, or public domain assets include roads, bridges, curbs and gutters, street and sidewalks, drainage systems and lighting systems. Such assets are immovable and of value only to the Town.

Enterprise fixed assets are recorded at original cost at the time of acquisition. Property, plant and equipment donated to the enterprise fund are recorded at the estimated fair market value at the date of donation. Plant assets are depreciated on a composite straight-line basis for the entire plant regardless of year of acquisition, at a 2.5% annual rate. In the composite rate, gain or loss on dispositions is not calculated except in extraordinary circumstances. Other assets in the Enterprise Fund of the Town are depreciated by the straight-line method over the assets' estimated useful lives as follows:

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

TOWN OF BISCOE, NORTH CAROLINA
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
June 30, 2003

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Fund Equity

Reservations or restrictions of equity represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of equity represent tentative management plans that are subject to change.

State law (G.S. 159-13(b)(16)) restricts appropriation of fund balance or fund equity for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as these amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved

Reserved by State statute - portion of fund balance not available for appropriation under State law (G.S. 159-8(a)). This amount is usually comprised of receivables and interfund receivables which have not been offset by deferred revenues.

Reserved for streets - Powell Bill - portion of fund balance available for appropriation but legally segregated for street construction and maintenance expenditures. It represents the balance of the total unexpended Powell Bill funds.

Unreserved

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation which has been designated for the adopted 2003-2004 budget ordinance.

Designated for Capital Projects - portion of fund balance available for appropriation which has been designated for Capital Projects.

Undesignated - portion of total fund balance available for appropriation which is uncommitted at year-end.

G. Revenues, Expenditures, and Expenses

1. Other Resources

The General Fund provides the basis of local resources for other governmental funds. These transactions are recorded as "Operating transfers-out" in the General Fund and "Operating transfers-in" to the receiving fund.

2. Compensated Absences

The policies of the Town provide for no accumulation of earned vacation as of June 30, 2003.

The Town's sick leave policy provides for a maximum of 90 days 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Total (Memorandum Only) Columns

The total columns on the accompanying financial statements are captioned as "Total (Memorandum Only)" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations, or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Material Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

Expenditures of on-behalf payments are not considered to be violations of state statute budget requirements (see Note III, D).

I. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

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 agent in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At June 30, 2003, the Town's deposits had a carrying amount of \$3,703,879 and a bank balance of \$3,724,841. Of the bank balance, \$200,000 was covered by federal depository insurance, and \$3,524,841 was covered by collateral held by authorized escrow agents in the name of the Town.

TOWN OF BISCOE, NORTH CAROLINA
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 June 30, 2003

II. **DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

2. Receivables - Allowances for Doubtful Accounts

The amounts presented in Exhibit A, the Combined Balance Sheet, are net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>June 30, 2003</u>
Proprietary Funds	
Accounts receivable	<u>\$ 22,000</u>

3. Fixed Assets

Changes in General Fixed Assets

A summary of changes in the Town's general fixed assets is as follows:

	<u>General fixed assets 7-1-02</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>General fixed assets 6-30-03</u>
By asset type:					
Land and buildings	\$2,405,224	\$ 5,000	\$ -	\$ -	\$ 2,410,224
Equipment	411,847	18,951	-	-	430,798
Vehicles and motorized equipment	<u>442,376</u>	<u>41,360</u>	<u>-</u>	<u>-</u>	<u>483,736</u>
	<u>\$3,259,447</u>	<u>\$ 65,311</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,324,758</u>
By function:					
General government	\$2,447,866	\$ 18,396	\$ -	\$ -	\$ 2,466,262
Public safety	630,633	30,908	-	-	661,541
Street and sanitation	92,448	8,350	-	-	100,798
Cultural and recreational	<u>88,500</u>	<u>7,657</u>	<u>-</u>	<u>-</u>	<u>96,157</u>
	<u>\$3,259,447</u>	<u>\$ 65,311</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,324,758</u>
Reconciliation of additions:					
Capital outlay expenditures		<u>\$ 65,311</u>			

TOWN OF BISCOE, NORTH CAROLINA
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 June 30, 2003

II. **DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

4. Proprietary Fund Fixed Assets

The fixed assets of the Enterprise Fund at June 30, 2003 are composed as follows:

<u>Water and Sewer Fund</u>	<u>Fixed assets</u>	<u>Accumulated depreciation</u>	<u>Net</u>
Plant and distribution systems	\$ 3,142,540	\$ 1,343,820	\$ 1,798,720
Furniture and maintenance equipment	355,981	114,010	241,971
Vehicles	<u>93,709</u>	<u>82,008</u>	<u>11,701</u>
	<u>\$ 3,592,230</u>	<u>\$ 1,539,838</u>	<u>\$ 2,052,392</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Biscoe contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 3512 Bush Street, Raleigh, North Carolina 27609, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the rate for employees not engaged in law enforcement and for law enforcement officers is 10.29% and 10.27%, respectively, of annual covered payroll for the year ending June 30, 2003. The contribution requirements of member of the Town of Biscoe is established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for years ended June 30, 2003, 2002, and 2001 were \$39,910, \$47,210, and \$43,325, respectively. The contributions made by the Town equaled the required contributions for each year.

TOWN OF BISCOE, NORTH CAROLINA
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 June 30, 2003

II. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

b. Law Enforcement Officers Special Separation Allowance

Plan Description

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

All full-time law enforcement officers of the Town are covered by the Separation allowance. At December 31, 2002, the Separation Allowance's membership consisted of:

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

Summary of Significant Accounting Policies

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

Method Used to Value Investments. Investments are reported at fair value. Short-term debt, deposits, repurchase agreements, and the North Carolina Capital Management Trust investments are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price.

Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the Town contributed \$4,900, or 2.49% of annual covered payroll. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the Separation Allowance are financed through investment earnings.

TOWN OF BISCOE, NORTH CAROLINA
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 June 30, 2003

II. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

The annual required contribution for the current year was determined as part of the December 31, 2003 actuarial valuation using the aggregate method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5.9% – 9.8% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases.

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

Annual required contribution	\$ 5,115
Interest on net pension obligation	173
Adjustment to annual required contribution	<u>(128)</u>
Annual pension cost	5,160
Contributions made	<u>4,900</u>
Increase (decrease) in net pension obligation	260
Net pension obligation beginning of fiscal year	<u>2,391</u>
 Net pension obligation end of fiscal year	 <u>\$ 2,651</u>

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-03	\$ 5,160	94.96%	\$ 2,651

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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, 2003 were \$19,054, which consisted of \$13,580 from the Town and \$5,474 from the law enforcement officers.

TOWN OF BISCOE, NORTH CAROLINA
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
June 30, 2003

II. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

d. Firemen's and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the Town of Biscoe, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 3512 Bush Street, Raleigh, North Carolina 27609, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute \$10 per month to the Fund which is paid by the Town. The State, a nonemployer contributor, funds the plan through appropriations. Contribution requirements of plan members and the State of North Carolina are established and may be amended by North Carolina General Assembly.

e. Postemployment Benefits

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

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$20,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. For the fiscal year ended June 30, 2003, the Town made contributions to the State for death benefits of \$273. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount.

TOWN OF BISCOE, NORTH CAROLINA
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
June 30, 2003

II. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

2. Deferred Revenues

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

	<u>General Fund</u>
Prepaid taxes not yet earned	\$ 2,034
Taxes receivable	<u>46,170</u>
Total deferred revenues	<u>\$ 48,204</u>

3. 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 insurance values of the property policy, worker's compensation coverage up to the statutory limits, and employee health coverage up to \$1 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property liability in excess of \$500,000, and \$300,000 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 the total insurance values.

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

4. Long-term Debt

At June 30, 2003, the Town had a legal debt margin of approximately \$7,141,993.

C. Fund Equity

Enterprise Fund - Contributed Capital

Grants, entitlements, and shared revenues restricted for the acquisition or construction of capital assets were recorded as contributed capital prior to the implementation of GASB Statement 33, Accounting and Financial Reporting for Nonexchange Transactions. As required by GASB Statement 33, the Town has begun recognizing capital contributions as revenue in the current year rather than as contributed capital. The Town utilizes an option allowed under NCGA Statement 2 for the Statement of Revenues, Expenses, and Changes in Retained Earnings (Exhibit D) whereby it closes depreciation expense on assets acquired or constructed through grants, entitlements, or shared revenues to the contributed capital account rather than to retained earnings.

TOWN OF BISCOE, NORTH CAROLINA
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
June 30, 2003

II. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

C. Fund Equity (Continued)

The following is a summary of the changes in contributed capital of the Town of Biscoe for the fiscal year ended June 30, 2003:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Contributed capital, 7/1/02	\$404,994	\$755,022	\$ 1,160,016
Less: amortization	<u>(13,345)</u>	<u>(22,880)</u>	<u>(36,225)</u>
Contributed capital, 6/30/03	<u>\$391,649</u>	<u>\$732,142</u>	<u>\$ 1,123,791</u>

D. Revenues, Expenditures, and Expenses

On-behalf of payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2003, the Town of Biscoe recognized on-behalf of payments for pension contributions made by the State as a revenue and an expenditure of \$6,230 for the 35 volunteer firemen who perform firefighting duties for the Town's fire department. The volunteers elected to be members of the Firemen and Rescue Squad Worker's Pension Fund, a cost-sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

V. JOINT VENTURE

The Town participates in a joint venture to operate the Montgomery Municipal Board of Alcoholic Beverage Control with our other local governments. Each participating government appoints one board member to the five-member ABC board. None of the participating governments have any equity interest in the Montgomery municipal Board of Alcoholic Beverage Control, so no equity interest has been reflected in the financial statements at June 30, 2003. Complete financial statements for the Montgomery Municipal Board of Alcoholic Beverage can be obtained at the ABC's offices at P. O. Box 279, Biscoe, NC 27209.

VI. SIGNIFICANT TAXPAYER

The Town, a political subdivision of Montgomery County, North Carolina, is located near the center of the State. It has one taxpayer that comprises approximately 10.59% of its total tax levy. As of June 30, 2003, this significant taxpayer has ceased operations and is in the process of removing personal property from its location. The taxes paid on their personal property comprises approximately 48% of total tax paid by this one taxpayer. The Town has another taxpayer that comprises approximately 10.86% of its total tax levy. If this taxpayer were to leave its present location, it would materially affect the financial situation of the Town.

***REQUIRED SUPPLEMENTAL
FINANCIAL DATA***

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

Statement 1

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) projected unit credit (b)	Unfunded AAL (UAAL) (b - a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a % of covered payroll ((b - a)/c)
2-31-98*	N/A	N/A	N/A	N/A	N/A	N/A
2-31-99*	N/A	N/A	N/A	N/A	N/A	N/A
2-31-00	\$ 37,616	\$ 54,666	\$17,050	68.81%	\$ 203,443	8.38%
2-31-01	42,045	62,708	20,663	67.05%	187,336	11.03%
2-31-02	42,799	64,932	22,133	65.91%	196,508	11.26%

N/A denotes a year in which no actuarial study was performed.

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

Statement 2

<u>Year ended June 30</u>	<u>Annual required contribution</u>	<u>Percentage contributed</u>
1999	\$ 2,044	122%
2000*	N/A	N/A
2001*	N/A	N/A
2002	4,891	51%
2003	5,160	94.96%

N/A denotes a year in which no actuarial study was performed.

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

Statement 3

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

Valuation date	12-31-02
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	28 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	5.9 – 9.8%
Includes inflation at	3.75%
Cost of living adjustments	N/A

INDIVIDUAL FUND
FINANCIAL STATEMENTS

TOWN OF BISCOE, NORTH CAROLINA
 GENERAL FUND
 COMPARATIVE BALANCE SHEETS
 June 30, 2003 and June 30, 2002

Statement 4

	<u>June 30,</u> <u>2003</u>	<u>June 30,</u> <u>2002</u>
ASSETS		
Cash and investments	\$1,073,360	\$ 890,161
Accounts receivable	46,169	38,559
Accounts receivable	3,476	114,707
Accrued interest receivable	<u>4,740</u>	<u>7,572</u>
	<u>\$1,127,745</u>	<u>\$1,050,999</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 29,752	\$ 16,819
Deferred revenues	<u>48,203</u>	<u>40,009</u>
Total liabilities	<u>77,955</u>	<u>56,828</u>
FUND BALANCE		
Reserved by State statute	8,216	122,279
Reserved for streets - Powell Bill	96,990	92,106
Unreserved		
Designated for subsequent year's expenditures	49,100	58,500
Undesignated, as restated	<u>895,484</u>	<u>721,286</u>
Total fund balance	<u>1,049,790</u>	<u>994,171</u>
	<u>\$1,127,745</u>	<u>\$1,050,999</u>

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

for the Fiscal Year Ended June 30, 2003

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2002

	2003		Variance favorable (unfavorable)	2002
	Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Taxes		\$ 539,371		\$ 424,671
Penalties and interest		2,167		2,213
	\$ 550,000	541,538	\$ (8,462)	426,884
Other taxes and licenses				
ABC mixed beverage		2,315		3,086
Local option sales tax		152,745		196,320
Cablevision franchise tax		4,333		4,496
Other taxes		162		383
	207,300	159,555	(47,745)	204,285
Unrestricted intergovernmental revenues				
Inventory tax reimbursement		-		15,854
Intangibles tax reimbursement		-		9,511
Franchise tax		176,877		95,633
Beer and wine		7,353		-
Telecomm sales tax		11,108		1,824
Grant funds		9,990		81,820
Tax refunds		1,039		3,074
	110,270	206,367	96,097	207,716
Restricted intergovernmental revenues				
"State Street-Aid" allocation		58,921		62,381
On-behalf of payments-fire		6,230		10,890
	63,000	65,151	2,151	73,271
Sales and service				
Cemetery lots		3,495		10,850
Park fees and concessions		23,492		60,351
Tennis courts and softball field		10,271		2,569
	3,500	37,258	33,758	73,770
Investment earnings	10,100	7,042	(3,058)	28,038
Miscellaneous				
Other		22,652		15,912
	96,350	22,652	(73,698)	15,912
TOTAL REVENUES	1,040,520	1,039,563	(957)	1,029,876

TOWN OF BISCOE, NORTH CAROLINA

Statement 5

GENERAL FUND

Page 2 of 3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2003

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2002

	2003		Variance favorable (unfavorable)	2002
	Budget	Actual		Actual
EXPENDITURES				
General government				
Governing body				
Salaries and employee benefits		\$ -		\$ 14,400
Operating expenditures		-		59
	\$ -	-	\$ -	14,459
Administration				
Salaries and employee benefits		75,745		111,378
Operating expenditures		98,883		92,829
Capital outlay		13,396		1,453
	222,046	188,024	34,022	205,660
Legal and professional services				
Operating expenditures	17,500	19,029	(1,529)	13,407
Public buildings and grounds				
Operating expenditures		43,115		21,984
Capital outlay		5,000		445,170
	57,500	48,115	9,385	467,154
TOTAL GENERAL GOVERNMENT	297,046	255,168	41,878	700,680
Public safety				
Police department				
Salaries and employee benefits		295,783		327,298
Operating expenditures		37,135		46,889
Capital outlay		27,964		71,366
	365,650	360,882	4,768	445,553
Fire department				
Salaries and employee benefits		3,685		25,425
Operating expenditures		31,702		27,247
Capital outlay		2,944		21,744
	36,220	38,331	(2,111)	74,416
On behalf of payments	-	6,230	(6,230)	10,890
TOTAL PUBLIC SAFETY	401,870	405,443	(3,573)	530,859

TOWN OF BISCOE, NORTH CAROLINA

GENERAL FUND

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STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

for the Fiscal Year Ended June 30, 2003

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2002

	2003		Variance favorable (unfavorable)	2002
	Budget	Actual		Actual
EXPENDITURES (Continued)				
Transportation				
Street repair and maintenance				
Salaries and employee benefits		\$ 78,177		\$ 94,177
Operating expenditures		124,657		124,520
Capital outlay		8,350		67,605
	\$ 223,200	211,184	\$ 12,016	286,302
Powell Bill				
Operating expenditures		50,591		29,100
Sidewalk construction		3,579		2,381
	155,000	54,170	100,830	31,481
TOTAL TRANSPORTATION	378,200	265,354	112,846	317,783
Cultural and recreational				
Recreation				
Salaries and employee benefits		22,540		23,461
Operating expenditures		27,782		49,195
Capital outlay		7,657		5,127
	40,300	57,979	(17,679)	77,783
TOTAL CULTURAL AND RECREATIONAL	40,300	57,979	(17,679)	77,783
TOTAL EXPENDITURES	1,117,416	983,944	133,472	1,627,105
REVENUES OVER (UNDER) EXPENDITURES	(76,896)	55,619	132,515	(597,229)
Other financing sources (uses)				
Operating transfers (to) from other funds				
Capital Reserve Fund		-		310,022
Total other financing sources (uses)	-	-	-	310,022
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(76,896)	55,619	132,515	(287,207)
FUND BALANCE APPROPRIATED	736,000	-	(736,000)	-
FUND REVENUES AND APPROPRIATED FUND BALANCE OVER (UNDER) EXPENDITURES	\$ 659,104	55,619	\$ (603,485)	(287,207)
FUND BALANCE				
Beginning of Year, July 1		994,171		1,281,378
END OF YEAR, June 30		\$ 1,049,790		\$ 994,171

TOWN OF BISCOE, NORTH CAROLINA

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CAPITAL RESERVE FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2003

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2002

	2003		Variance favorable (unfavorable)	2002
	Budget	Actual		Actual
REVENUES				
Investment earnings	\$ 35,000	\$ 22,842	\$ (12,158)	\$ 59,193
TOTAL REVENUES	35,000	22,842	(12,158)	59,193
EXPENDITURES	-	-	-	-
Revenues over expenditures	35,000	22,842	(12,158)	59,193
Other financing sources (uses)				
Operating transfers (to) from other funds	(15,000)	-	(15,000)	(310,022)
Total other financing sources (uses)	(15,000)	-	(15,000)	(310,022)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	20,000	22,842	2,842	(250,829)
FUND BALANCE APPROPRIATED	(20,000)	-	20,000	-
REVENUES AND APPROPRIATED FUND BALANCE OVER EXPENDITURES	\$ -	22,842	\$ 22,842	(250,829)
Fund balance				
Beginning of year		1,322,558		1,573,387
END OF YEAR		\$ 1,345,400		\$ 1,322,558

TOWN OF BISCOE, NORTH CAROLINA
 WATER AND SEWER FUND
 STATEMENT OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 for the Fiscal Year Ended June 30, 2003
 With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2002

	2003		Variance favorable (unfavorable)	2002
	Budget	Actual		Actual
REVENUES				
Operating revenues:				
Charges for services	\$ 525,000	\$ 695,619	\$ 170,619	\$ 512,844
TOTAL OPERATING REVENUES	525,000	695,619	170,619	512,844
Nonoperating revenues:				
Investment earnings		16,282		36,365
Tax refunds		558		2,401
Grant funds		5,000		
Miscellaneous non-operating revenue		165		3,701
TOTAL NONOPERATING REVENUES	21,000	22,005	1,005	42,467
TOTAL REVENUES	546,000	717,624	171,624	555,311
EXPENDITURES				
Water and sewer department				
Salaries and employee benefits		90,589		95,659
Operating expenditures		165,855		239,374
Water purchased		198,454		218,420
Capital outlay		100,393		139,142
TOTAL OPERATING EXPENDITURES	567,700	555,291	12,409	692,595
TOTAL EXPENDITURES	567,700	555,291	12,409	692,595
Excess of revenues over (under) expenditures	(21,700)	162,333	184,033	(137,284)
Appropriated retained earnings	21,700	-	21,700	-
EXCESS OF REVENUES AND APPROPRIATED RETAINED EARNINGS UNDER EXPENDITURES	\$ -	\$ 162,333	\$ 162,333	\$(137,284)

TOWN OF BISCOE, NORTH CAROLINA
 WATER AND SEWER FUND
 STATEMENT OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 for the Fiscal Year Ended June 30, 2003
 With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2002

	<u>2003</u> <u>Actual</u>	<u>2002</u> <u>Actual</u>
<u>Reconciliation of modified accrual basis</u> <u>to full accrual basis:</u>		
Excess of revenues and appropriated retained earnings under expenditures	\$ 162,333	\$(137,284)
Depreciation	(115,595)	(110,411)
Capital outlay	<u>100,393</u>	<u>139,142</u>
NET INCOME (LOSS) - EXHIBIT D	<u>\$ 147,131</u>	<u>\$(108,553)</u>

OTHER SCHEDULES

TOWN OF BISCOE, NORTH CAROLINA
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE
 June 30, 2003

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<u>fiscal year</u>	<u>Uncollected balance June 30, 2002</u>	<u>Additions</u>	<u>Collections and credits</u>	<u>Uncollected balance June 30, 2003</u>
2002-2003	\$ -	\$ 548,925	\$ (529,296)	\$ 19,629
2001-2002	12,814	-	(8,331)	4,483
2000-2001	16,023	-	(1,820)	14,203
1999-2000	1,978	-	(600)	1,378
1998-1999	2,599	-	(652)	1,947
1997-1998	1,073	-	(11)	1,062
1996-1997	788	-	(14)	774
1995-1996	1,178	-	(70)	1,108
1994-1995	1,018	-	(77)	941
1993-1994	671	-	(27)	644
1992-1993	<u>417</u>	<u>-</u>	<u>(417)</u>	<u>-</u>
	<u>\$ 38,559</u>	<u>\$ 548,925</u>	<u>\$ 541,315</u>	<u>\$ 46,169</u>
<u>Reconciliation with revenues:</u>				
Taxes - ad valorem - General Fund		\$ 541,538		
<u>Reconciling items:</u>				
Interest collected		(2,167)		
Taxes written off		417		
Other adjustments		<u>1,527</u>		
Total collections and credits		<u>\$ 541,315</u>		

TOWN OF BISCOE, NORTH CAROLINA
 ANALYSIS OF CURRENT TAX LEVY
 June 30, 2003

Schedule 9

	Total property valuation	Rate	Amount of levy	Total levy	
				Property excluding registered motor vehicles	Registered motor vehicles
Original-Levy:					
Property taxed at current year's rate	\$ 86,960,474	\$0.62	\$ 539,155	\$ 498,309	\$ 40,845
Property taxed at prior year's rate	<u>2,862,230</u>	0.46	<u>13,166</u>	<u>-</u>	<u>13,166</u>
TOTAL	89,822,704		552,321	498,309	54,011
Discoveries:					
Current year taxes	-	0.46	-	-	-
Adjustments	<u>(547,789)</u>	0.62	<u>(3,396)</u>	<u>(2,356)</u>	<u>(1,040)</u>
Total property valuation	<u>\$ 89,274,915</u>				
Net levy			548,925	495,953	52,971
Uncollected taxes at June 30, 2003			<u>19,629</u>	<u>9,373</u>	<u>10,255</u>
Current years taxes collected			<u>\$ 529,296</u>	<u>\$ 486,580</u>	<u>\$ 42,716</u>
Current levy collection percentage			<u>96.42%</u>	<u>98.11%</u>	<u>80.64%</u>