

**Town of Broadway, North Carolina**

Financial Statements

For the Fiscal Year Ended June 30, 2014

Town Board Members

Donald F. Andrews, Mayor

Thomas H. Beal, Mayor Pro Tem

Garland W. Beale

James F. Davis

Lynne West Green

Janet C. Harrington

Administrative and Financial Staff

Bob Stevens, Town Manager

Barbara Cox, Finance Officer



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# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

## **Independent Auditor's Report**

To the Honorable Mayor and  
Board of Commissioners  
Town of Broadway, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Broadway, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Broadway, North Carolina, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, 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.

Management has omitted the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Broadway's basic financial statements. The individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
October 24, 2014

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**TOWN OF BROADWAY, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

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As management of the Town of Broadway, we offer readers of the Town of Broadway's financial statements this narrative overview and analysis of the financial activities of the Town of Broadway (the "Town") for the fiscal year ended June 30, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements which follow this narrative.

**Financial Highlights**

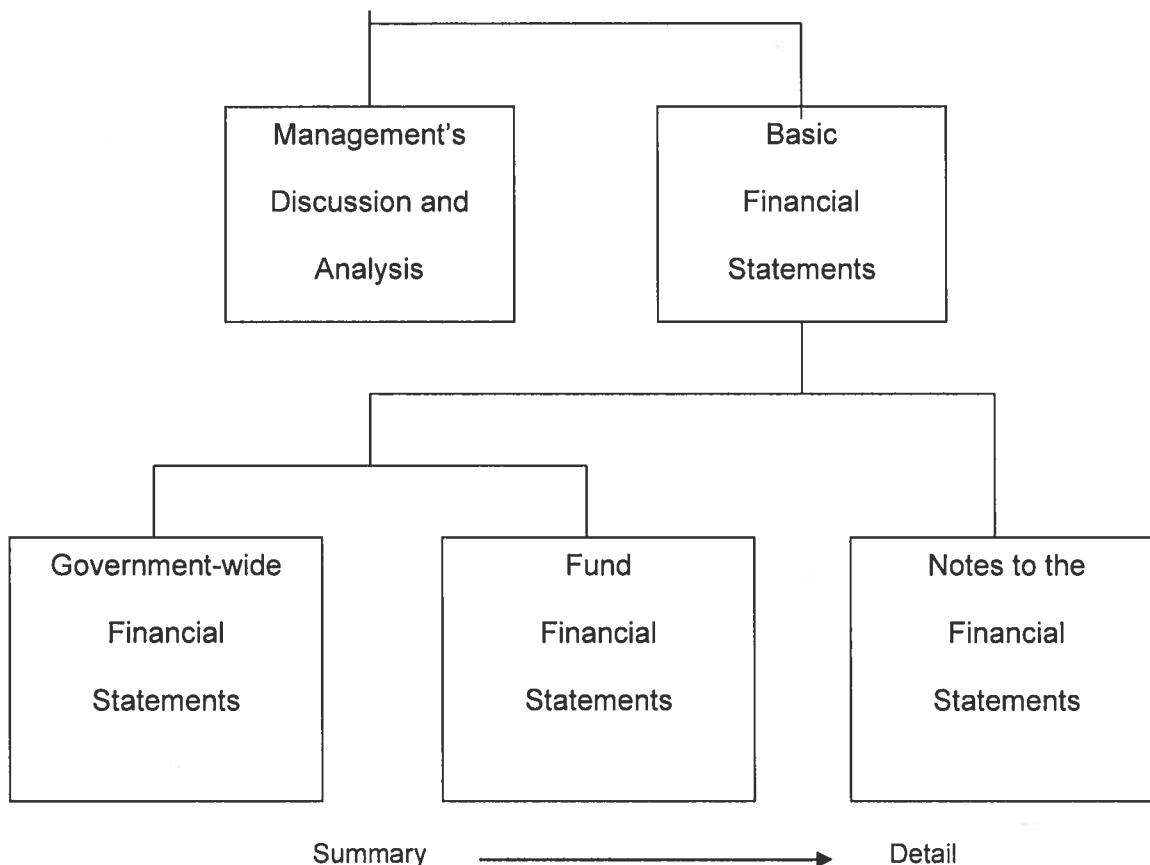
- The assets of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,062,642 (*net position*). The assets of the governmental activities exceeded liabilities and deferred inflows of resources by \$1,481,321 and the assets of the business-type activities exceeded liabilities and deferred inflows of resources by \$1,581,321.
- The government's total net position increased by \$61,476, primarily due to increases in the governmental activities net position.
- As of the close of the current fiscal year, the Town's governmental funds reported ending fund balance of \$837,347, an increase of \$37,013 in comparison with the prior year. Approximately 28 percent of this total amount, or \$230,738, is non spendable or restricted.
- At the end of the current fiscal year unassigned fund balance for the general fund was \$589,854, or 71.26 percent of total general fund expenditures for the fiscal year.
- As of the close of the current fiscal year, the Town's business-type funds reported combined ending net position of \$1,581,321, an increase of \$18,552.

**Overview of the Financial Statements**

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

*Required Components of Annual Financial Report*

**Figure 1**



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

**Government-wide Financial Statements**

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

**TOWN OF BROADWAY, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

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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 and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition. Over time, increases or decreases in net position help determine whether the Town's financial position is improving or deteriorating. The statement of activities presents information which show how the Town's net position changed during the most recent fiscal year.

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

The government-wide financial statements are on pages 12 and 13 of this report.

**Fund Financial Statements**

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

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

The Town adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Town 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 Council; 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 has one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its water and sewer activity. This fund is the same as the function shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**TOWN OF BROADWAY, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.

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

**Government-Wide Financial Analysis**

The following reflects condensed information on the Town's net position.

**Town of Broadway  
Statement of Net Position  
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 879,147	\$ 867,225	\$ 522,803	\$ 468,251	\$ 1,401,950	\$ 1,335,476
Capital assets	731,280	717,235	1,568,873	1,665,266	2,300,153	2,382,501
Total assets	<u>1,610,427</u>	<u>1,584,460</u>	<u>2,091,676</u>	<u>2,133,517</u>	<u>3,702,103</u>	<u>3,717,977</u>
Long-term liabilities	73,952	78,027	459,688	526,647	533,640	604,674
Other liabilities	52,473	66,421	50,667	44,101	103,140	110,522
Deferred inflows of resources	2,681	1,615	-	-	2,681	1,615
Total liabilities and deferred inflows of resources	<u>129,106</u>	<u>146,063</u>	<u>510,355</u>	<u>570,748</u>	<u>639,461</u>	<u>716,811</u>
Net position:						
Net investment in capital assets	725,035	697,511	1,109,185	1,138,619	1,834,220	1,836,130
Restricted	224,863	251,478	-	-	224,863	251,478
Unrestricted	<u>531,423</u>	<u>489,408</u>	<u>472,136</u>	<u>424,150</u>	<u>1,003,559</u>	<u>913,558</u>
Total net position	<u>\$ 1,481,321</u>	<u>\$ 1,438,397</u>	<u>\$ 1,581,321</u>	<u>\$ 1,562,769</u>	<u>\$ 3,062,642</u>	<u>\$ 3,001,166</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town exceeded liabilities and deferred inflows by \$3,062,642 as of June 30, 2014. The Town's net position increased by \$61,476 for the fiscal year ended June 30, 2014. However, the largest portion of net position (59.89%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment) The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$224,863 (7.34%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,003,559 (32.77%) is unrestricted.

**TOWN OF BROADWAY, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

The Town's total revenues and expenses for governmental and business-type activities are reflected below:

**Town of Broadway  
Changes in Net Position  
Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 132,460	\$ 90,357	\$ 363,122	\$ 369,401	\$ 495,582	\$ 459,758
Operating grants and contributions	131,683	61,753	-	-	131,683	61,753
Capital grants and contributions	-	7,559	-	-	-	7,559
General revenues:						
Property taxes	387,996	368,001	-	-	387,996	368,001
Other taxes	117,289	204,603	-	-	117,289	204,603
Other	81,711	76,719	50	183	81,761	76,902
<b>Total revenues</b>	<b>851,139</b>	<b>808,992</b>	<b>363,172</b>	<b>369,584</b>	<b>1,214,311</b>	<b>1,178,576</b>
<b>Expenses:</b>						
General government	423,000	431,907	-	-	423,000	431,907
Public safety	243,519	238,481	-	-	243,519	238,481
Transportation	27,001	27,751	-	-	27,001	27,751
Environmental protection	87,857	84,746	-	-	87,857	84,746
Cultural and recreational	26,390	22,078	-	-	26,390	22,078
Interest on long-term debt	448	309	-	-	448	309
Water and sewer	-	-	344,620	326,500	344,620	326,500
<b>Total expenses</b>	<b>808,215</b>	<b>805,272</b>	<b>344,620</b>	<b>326,500</b>	<b>1,152,835</b>	<b>1,131,772</b>
Increase in net position	42,924	3,720	18,552	43,084	61,476	46,804
Net position, beginning, previously reported	1,438,397	1,434,677	1,562,769	1,528,361	3,001,166	2,963,038
Restatement	-	-	-	(8,676)	-	(8,676)
Net position, beginning, restated	1,438,397	1,434,677	1,562,769	1,519,685	3,001,166	2,954,362
Net position, ending	<b>\$ 1,481,321</b>	<b>\$ 1,438,397</b>	<b>\$ 1,581,321</b>	<b>\$ 1,562,769</b>	<b>\$ 3,062,642</b>	<b>\$ 3,001,166</b>

**Governmental activities** – Governmental activities increased the Town's net position by \$42,924.

- Increase of 2.13% in operating grants and contributions due to interlocal agreement with the County for public safety services.
- Decrease of 42.67% in general revenues of other taxes due to the County's change in sales tax distribution method from per capita to ad valorem adopted in April 2013.

**TOWN OF BROADWAY, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

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**Business-type activities:** Business-type activities increased the Town's net position by \$18,552. Key factors to this change in net position are as follows:

- Decrease in user charges for water and sewer of 3%.
- Increase in operating expenses of 4% for contract services, electricity and engineering services.

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

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

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

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, fund balance available in the General Fund was \$759,280, while total fund balance reached \$837,347. As a measure of General Fund liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 91.7 percent of total General Fund expenditures, while total fund balance represents 101 percent of the same amount.

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

Revenues were more than the budgeted amounts primarily due to ad valorem taxes were higher than expected due to a slight increase in the tax base.. Expenditures were less than budgeted amounts primarily due to less operating expenditures in the General Government, Public Safety, Transportation, Environmental Protection and Cultural and Recreational departments.

**Proprietary Funds.** The Town's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$472,136. The total increase in net position was \$18,552. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town's business-type activities.

**Capital Assets and Debt Administration**

**Capital assets.** The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2014, totals \$2,300,153 (net of accumulated depreciation). These assets include buildings, streets, storm drainage, sidewalks, land, machinery and equipment, and vehicles.

- Major capital asset purchases in the governmental fund included street resurfacing, public building improvements and public safety equipment.
- Major capital purchases in the proprietary fund included lift station upgrades.

**TOWN OF BROADWAY, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**Town of Broadway  
Capital Assets  
Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 256,754	\$ 256,754	\$ 60,934	\$ 60,934	\$ 317,688	\$ 317,688
Construction in progress	-	-	-	-	-	-
Total non-depreciable assets	256,754	256,754	60,934	60,934	317,688	317,688
Buildings and improvements	715,001	647,416	3,861,219	3,850,994	4,576,220	4,498,410
Furniture and equipment	44,038	41,545	-	-	44,038	41,545
Vehicles	145,304	169,749	58,858	58,858	204,162	228,607
Total depreciable assets	904,343	858,710	3,920,077	3,909,852	4,824,420	4,768,562
Accumulated depreciation	429,817	398,229	2,412,138	2,305,520	2,841,955	2,703,749
Depreciable assets, net	474,526	460,481	1,507,939	1,604,332	1,982,465	2,064,813
Total	\$ 731,280	\$ 717,235	\$ 1,568,873	\$ 1,665,266	\$ 2,300,153	\$ 2,382,501

Additional information on the Town's capital assets can be found in Note II of the basic financial statements beginning on page 30 of this report.

**Long-term Debt.** As of June 30, 2014, the Town had total bonded debt outstanding of \$440,000. This debt is backed by the full faith and credit of the Town. The remainder of the Town's debt represents capital lease purchase agreement.

**Town of Broadway  
Outstanding Debt  
General Obligation Bonds, Capital Leases  
Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ -	\$ -	\$ 440,000	\$ 498,000	\$ 440,000	\$ 498,000
Capital leases	6,245	19,724	19,688	28,647	25,933	48,371
Total	\$ 6,245	\$ 19,724	\$ 459,688	\$ 526,647	\$ 465,933	\$ 546,371

The Town's total debt was decreased by \$80,438 during the past fiscal year. This represents a decrease in bonded debt due to principal payment of \$58,000, and a net decrease in capital leases due to principal payment of \$22,438.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to eight percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town is approximately \$6.9 million.

**TOWN OF BROADWAY, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

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Additional information regarding the Town's long-term debt can be found in Note II beginning on page 34 of this report.

**Economic Factors**

The following is the key economic indicator for the Town.

- The county unemployment rate decreased 2.8% from prior year to 8.7%.

**Budget Highlights for the Fiscal Year Ending June 30, 2015**

**Governmental Activities:** The governmental fund's primary revenue resources are property taxes and intergovernmental revenues. The Town will not increase taxes in the 2014-2015 fiscal year. The Town will, however, increase waste management fees by 1.75%. Property tax revenues are budgeted to increase 4% due to a slight increase in the tax base. Further, the Town will continue its high level of service to its citizens and will not reduce services in the upcoming year. Expenditures for these services will be increased by 0.4% from the prior year.

**Business-type Activities:** The business-type funds budgeted revenue decreased 1.9% for the fiscal year ending June 30, 2015. The Town increased the water rates by 5% and the sewer rates by 4.25%. The rate increase is for anticipated future infrastructure repairs to ensure the health of our system.

**Requests for Information**

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

Town Manager  
Town of Broadway  
P. O. Box 130  
Broadway, North Carolina 27505



**TOWN OF BROADWAY, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**June 30, 2014**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 628,577	\$ 481,490	\$ 1,110,067
Taxes receivable, net	9,428	-	9,428
Accrued interest receivable on taxes	1,807	-	1,807
Accounts receivable, net	9,132	41,520	50,652
Other receivables	-	6	6
Due from other governmental agencies	46,210	-	46,210
Internal balances	25,447	(25,447)	-
Prepaid items	5,875	-	5,875
Restricted cash	152,671	25,234	177,905
Total current assets	<u>879,147</u>	<u>522,803</u>	<u>1,401,950</u>
Non-current assets:			
Capital assets:			
Land	256,754	60,934	317,688
Other capital assets, net of accumulated depreciation	474,526	1,507,939	1,982,465
Total capital assets	<u>731,280</u>	<u>1,568,873</u>	<u>2,300,153</u>
Total assets	<u>1,610,427</u>	<u>2,091,676</u>	<u>3,702,103</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	16,322	17,207	33,529
Accrued interest payable	387	-	387
Accrued liabilities	2,965	1,859	4,824
Compensated absences	32,799	6,367	39,166
Current portion of long-term debt	6,245	68,536	74,781
Liabilities payable from restricted assets:			
Customer deposits	-	25,234	25,234
Total current liabilities	<u>58,718</u>	<u>119,203</u>	<u>177,921</u>
Non-current liabilities:			
Long-term debt	-	391,152	391,152
Net pension obligation	67,707	-	67,707
Total non-current liabilities	<u>67,707</u>	<u>391,152</u>	<u>458,859</u>
Total liabilities	<u>126,425</u>	<u>510,355</u>	<u>636,780</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Drug forfeiture revenues	2,681	-	2,681
Total deferred inflows of resources	<u>2,681</u>	<u>-</u>	<u>2,681</u>
<b>NET POSITION</b>			
Net investment in capital assets	725,035	1,109,185	1,834,220
Restricted for:			
Stabilization by State Statute	72,192	-	72,192
Streets	146,252	-	146,252
Cultural and Recreational	3,738	-	3,738
Public safety	2,681	-	2,681
Unrestricted	<u>531,423</u>	<u>472,136</u>	<u>1,003,559</u>
Total net position	<u>\$ 1,481,321</u>	<u>\$ 1,581,321</u>	<u>\$ 3,062,642</u>

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

TOWN OF BROADWAY, NORTH CAROLINA  
 STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2014

Function/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions		Primary Government			
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 423,000	\$ 52,450	\$ -	\$ -	\$ (370,550)	\$ -	\$ -	\$ (370,550)
Public safety	243,519	116	72,745	-	(170,658)	-	-	(170,658)
Transportation	27,001	-	39,774	-	12,773	-	-	12,773
Environmental protection	87,857	79,894	858	-	(7,105)	-	-	(7,105)
Cultural and recreational	26,390	-	18,306	-	(8,084)	-	-	(8,084)
Interest on long-term debt	448	-	-	-	(448)	-	-	(448)
Total governmental activities	808,215	132,460	131,683	-	(544,072)	-	-	(544,072)
Business-type activities:								
Water and sewer	344,620	363,122	-	-	-	-	18,502	18,502
Total primary government	\$ 1,152,835	\$ 495,582	\$ 131,683	\$ -	\$ (544,072)	\$ 18,502	\$ -	\$ (525,570)
General revenues:								
Ad valorem taxes					387,996			387,996
Other taxes and licenses					117,289			117,289
Unrestricted intergovernmental revenues					60,091			60,091
Unrestricted investment earnings					1,555	50		1,605
Miscellaneous					20,065			20,065
Total general revenues					586,996	50		587,046
Change in net position					42,924	18,552		61,476
Net position, beginning of year					1,438,397	1,562,769		3,001,166
Net position, end of year					\$ 1,481,321	\$ 1,581,321		\$ 3,062,642

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

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

	Major Fund <u>General</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 628,577
Restricted cash	152,671
Taxes receivable, net of allowance of \$6,426	9,428
Accounts receivable, net	9,132
Due from other governmental agencies	46,210
Due from water and sewer fund	25,447
Prepaid items	<u>5,875</u>
 Total assets	 <u>877,340</u>
<b>LIABILITIES</b>	
Accounts payable	16,322
Accrued liabilities	<u>2,965</u>
 Total liabilities	 <u>19,287</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property taxes receivable	9,428
Sanitation receivable, net	8,597
Drug forfeiture revenues	<u>2,681</u>
 Total deferred inflows of resources	 <u>20,706</u>
<b>FUND BALANCES</b>	
Non-spendable	
Prepaid items	5,875
Restricted	
Stabilization by State Statute	72,192
Streets	146,252
Cultural and Recreational	3,738
Public safety	2,681
Assigned	
Cultural and Recreational	16,755
Unassigned	<u>589,854</u>
Total fund balances	<u>837,347</u>
 Total liabilities, deferred inflows of resources and fund balances	  <u>\$ 877,340</u>

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

**TOWN OF BROADWAY, NORTH CAROLINA**  
**RECONCILIATION of the BALANCE SHEET - GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF NET POSITION**  
**June 30, 2014**

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

Total Fund Balance, Governmental Funds	\$ 837,347
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	731,280
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and, therefore, are inflows of resources in the funds.	1,807
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	18,025
Some liabilities, including capital lease purchase, accrued interest, pension and compensated absences, are not due and payable in current period and therefore are not reported in the funds	<u>(107,138)</u>
Net position of governmental activities	<u>\$ 1,481,321</u>

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

**TOWN OF BROADWAY, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2014**

	<u>Major Fund - General</u>
<b>REVENUES</b>	
Ad valorem taxes	\$ 396,013
Other taxes and licenses	117,289
Unrestricted intergovernmental	60,091
Restricted intergovernmental	115,561
Contributions & donations	18,306
Drug forfeiture revenues	3,151
Sales and services	118,394
Investment earnings	1,626
Miscellaneous	<u>20,065</u>
Total revenues	<u>850,496</u>
<b>EXPENDITURES</b>	
Current operating	
General government	387,279
Public safety	231,645
Transportation	80,232
Environmental protection	87,857
Cultural and recreational	26,013
Debt service	
Principal	13,479
Interest	<u>1,282</u>
Total expenditures	<u>827,787</u>
Excess (deficiency) of revenues over expenditures	<u>22,709</u>
<b>OTHER FINANCING SOURCES</b>	
Sale of capital assets	<u>14,304</u>
Total other financing sources	<u>14,304</u>
Net change in fund balance	37,013
Fund balances, beginning of year	<u>800,334</u>
Fund balances, end of year	<u>\$ 837,347</u>

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

**TOWN OF BROADWAY, NORTH CAROLINA**  
**RECONCILIATION of the STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT**  
**OF ACTIVITIES**  
**For the Year Ended June 30, 2014**

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

Net changes in fund balances - total governmental funds	\$ 37,013
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, the gain/loss on disposal of those assets would also differ between the two statements in an amount equal to the basis of the asset reported on the date of disposal.

Addition to capital assets	70,078
Depreciation expense including dispositions	(56,033)

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

Change in unavailable revenue for tax revenues	(8,017)
Change in unavailable revenue for sanitation revenues	(238)
Change in unavailable revenue for drug forfeiture revenues	(5,406)

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 any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Long-term debt retired	13,479
Increase in accrued interest expense	834

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

Compensated absences	618
Net pension obligation	<u>(9,404)</u>

Total changes in net position of governmental activities	<u>\$ 42,924</u>
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*The accompanying notes are an integral part of the financial statements.*

**TOWN OF BROADWAY, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes	\$ 363,298	\$ 363,298	\$ 396,013	\$ 32,715
Other taxes and licenses	113,466	113,466	117,289	3,823
Unrestricted intergovernmental	62,400	62,400	60,091	(2,309)
Restricted intergovernmental	114,500	114,500	115,561	1,061
Contributions & donations	-	22,600	18,306	(4,294)
Drug forfeiture revenues	5,194	5,194	3,151	(2,043)
Sales and services	99,200	99,200	118,394	19,194
Investment earnings	2,500	2,500	1,626	(874)
Miscellaneous	<u>35,023</u>	<u>35,023</u>	<u>20,065</u>	<u>(14,958)</u>
<b>Total revenues</b>	<u>795,581</u>	<u>818,181</u>	<u>850,496</u>	<u>32,315</u>
<b>Expenditures:</b>				
<b>Current operating:</b>				
General government	414,161	417,161	393,930	23,231
Public safety	260,220	257,220	239,755	17,465
Transportation	40,000	99,850	80,232	19,618
Environmental protection	91,000	91,000	87,857	3,143
Cultural and recreational	<u>5,592</u>	<u>30,842</u>	<u>26,013</u>	<u>4,829</u>
<b>Total expenditures</b>	<u>810,973</u>	<u>896,073</u>	<u>827,787</u>	<u>68,286</u>
<b>Revenues over (under) expenditures</b>	<u>(15,392)</u>	<u>(77,892)</u>	<u>22,709</u>	<u>100,601</u>
<b>Other financing sources:</b>				
Sale of capital assets	<u>10,000</u>	<u>10,000</u>	<u>14,304</u>	<u>4,304</u>
<b>Total other financing sources</b>	<u>10,000</u>	<u>10,000</u>	<u>14,304</u>	<u>4,304</u>
Fund balance appropriated	5,392	67,892	-	(67,892)
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>37,013</u>	<u>\$ 37,013</u>
Fund balances, beginning of year			<u>800,334</u>	
Fund balances, end of year			<u>\$ 837,347</u>	

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

**TOWN OF BROADWAY, NORTH CAROLINA**  
**SCHEDULE OF NET POSITION - PROPRIETARY FUND**  
**June 30, 2014**

	Business-type Activities - Enterprise
	Major Fund - Water and Sewer Fund
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 481,490
Accounts receivable, net of allowance of \$24,292	41,520
Other receivables	6
Restricted cash	<u>25,234</u>
Total current assets	<u>548,250</u>
Non-current assets:	
Capital assets:	
Land, improvements and construction in progress	60,934
Other capital assets, net of accumulated depreciation	<u>1,507,939</u>
Total capital assets	<u>1,568,873</u>
Total non-current assets	<u>1,568,873</u>
Total assets	<u>\$ 2,117,123</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 17,207
Accrued liabilities	1,859
Due to general fund	25,447
Compensated absences	6,367
Capital lease payable - current	9,536
General obligation bonds - current	59,000
Liabilities payable from restricted assets:	
Customer deposits	<u>25,234</u>
Total current liabilities	144,650
Non-current liabilities:	
Capital lease payable	10,152
General obligation bonds payable	<u>381,000</u>
Total non-current liabilities	391,152
Total liabilities	<u>535,802</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,109,185
Unrestricted	<u>472,136</u>
Total net position	<u>\$ 1,581,321</u>

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



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

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	Business-type Activities - Enterprise
	<u>Major Fund - Water and Sewer Fund</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 347,929
Connection and tap fees	15,033
Other operating revenues	<u>160</u>
Total operating revenues	<u>363,122</u>
<b>OPERATING EXPENSES</b>	
Water and sewer operations	214,021
Uncollectible accounts	4,993
Depreciation	<u>106,618</u>
Total operating expenses	<u>325,632</u>
Operating income (loss)	<u>37,490</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	50
Interest	<u>(18,988)</u>
Total nonoperating revenue (expenses)	<u>(18,938)</u>
Change in net position	18,552
Total net position, beginning	<u>1,562,769</u>
Total net position, ending	<u>\$ 1,581,321</u>

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

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

	Business-type Activities - Enterprise Major Fund - Water and Sewer Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 362,374
Cash paid for goods and services	(162,156)
Cash paid to employees for services	(48,083)
Customer deposits received, net	<u>2,784</u>
Net cash provided by operating activities	<u>154,919</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
General fund loan payment	<u>(15,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal paid on bonds and capital lease debt	(66,959)
Interest paid on bonds and capital lease debt	(18,988)
Acquisition and construction of capital assets	<u>(10,225)</u>
Net cash used in capital and related financing activities	<u>(96,172)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>50</u>
Net increase in cash and cash equivalents	43,797
Balances, beginning	<u>462,927</u>
Balances, ending	<u>\$ 506,724</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 37,490
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	106,618
Bad debt expense	4,993
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(748)
Increase in accounts payable	3,578
Increase in accrued vacation pay	204
Increase in customer deposits	<u>2,784</u>
Net cash provided by operating activities	<u>\$ 154,919</u>

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

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

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Broadway (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 is a municipal corporation which is governed by an elected mayor and a five-member council.

**B. Basis of Presentation**

*Government-wide Statements* - The statement of net position and the statement of activities display information on all of the financial activities of the overall government, except for fiduciary activities. For the most part, the effect of interfund activity has been removed from these statements, which 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 each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational requirements of a particular program and (c) capital grants and contributions which are program specific. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements* - The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* are presented. The emphasis of fund financial statements is on major governmental and enterprise funds.

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

The Town reports the following major governmental fund:

*General Fund* - The General Fund is the general operating fund of the Town. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants and various other taxes and licenses. The primary expenditures are for public safety, streets and highways, sanitation, parks and recreation, and general government services.

The Town reports the following major enterprise fund:

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

**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.

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

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. 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 are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*Governmental Fund Financial Statements -* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are generally 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 the 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the 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. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then general revenues.

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

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

**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 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.

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. All amendments must be approved by the governing board. The Town Manager and Finance Officer are authorized by budget ordinance to transfer appropriations between functional areas within a department; however, any revisions that alter the total expenditures of any fund or department must be approved by the governing board. 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.

As required by State law [G.S. 159-26(d)], the Town maintains encumbrance accounts that are considered to be "budgetary accounts".

**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.

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 bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost.

**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**

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. Money that has been contributed for cultural and recreation projects are restricted as specified by the revenue source and are also classified as restricted cash. Money that is the unspent portion of grant funds that is restricted for public safety expenditures is also classified as restricted cash. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

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

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

Town of Broadway Restricted Cash

Governmental Activities		
General Fund		
	Streets	\$ 146,252
	Cultural and Recreational	3,738
	Public Safety	<u>2,681</u>
Total governmental activities		<u>\$ 152,671</u>
Business-type Activities		
Water and Sewer Fund		
	Customer deposits	<u>25,234</u>
Total Business-type activities		<u>\$ 25,234</u>
Total Restricted Cash		<u>\$177,905</u>

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 on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes levied are based on the assessed values as of January 1, 2013. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Due to/from Other Funds

At June 30, 2014, the Water and Sewer Fund owed the General Fund \$25,447. The Water and Sewer Fund borrowed money from the General Fund to pay off water & sewer bonds.

7. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

8. Capital Assets

Capital assets which include property, plant, equipment and infrastructure are reported in the Town's government-wide and proprietary fund financial statements. Capital assets of the Town generally have an initial, individual cost of more than \$2,000 and an estimated useful life of more than one year. Assets are stated at cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation. 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 the errors would be material when fixed assets are considered as a whole. The Town has elected not to retroactively report major general infrastructure. 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.

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

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

The Town has elected not to capitalize those interest costs incurred during the construction period of capital assets used in governmental funds.

Capital assets are depreciated using the straight-line method over the assets' estimated useful lives. Assets acquired under capital leases are amortized over the assets' estimated useful lives. Capital assets are reported in the Town's basic financial statements net of accumulated depreciation and amortization. Water and sewer lines are depreciated on a composite straight-line basis for the entire plant, regardless of the year of acquisition, at a 1.67% rate. In the composite rate, gain or loss on dispositions is not calculated except in extraordinary circumstances. Other assets are depreciated at the following rates:

Buildings	40 years
Furniture and office equipment	10 years
Maintenance and construction equipment	5 years
Motor vehicles	5 years
Water and sewer equipment	15 years

**9. Deferred outflows/inflows of resources**

In addition to assets, the statement of net 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 does not have any items that match this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to future period and so will not be recognized as revenue until then. The Town has four items that meet the criterion for this category - prepaid taxes, property taxes receivable, sanitation receivable and unearned drug forfeiture revenues.

**10. Long-Term Obligations**

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

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

The Town's long-term debt for water and sewer purposes is carried in the Water and Sewer Fund. The debt service requirements for the water and sewer debt are being met by water and sewer revenues, but the taxing power of the Town is pledged to make these payments if water and sewer revenues should ever be insufficient.

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

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

11. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Accumulated sick leave at June 30, 2014 amounted to \$222,315 in total, of which \$170,885 relates to governmental funds. 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.

12. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

13. Net Position/Fund Balance

Net Position

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

Fund 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;

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

Prepaid items – portion of fund balance that is not an available resource because it represents certain payments to vendors applicable to future accounting periods and is therefore not a spendable resource.

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

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



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

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

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

Restricted for Cultural & Recreation – portion of fund balance that is restricted by revenue source for beautification projects and façade improvement projects.

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for public safety expenditures.

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 board.

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

Assigned for Cultural & Recreation – portion of fund balance assigned by the Board for festival events.

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

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

The Town does not have a formal fund balance policy.

**II. DETAIL NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits**

All of the Town's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage 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 amount 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.

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

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**II. DETAIL NOTES ON ALL FUNDS (Continued):**

At June 30, 2014, the Town's deposits had a carrying amount of \$1,287,972 and a bank balance of \$1,291,624. Of the bank balance \$500,000 was covered by federal depository insurance and the remaining was covered by collateral held by authorized escrow agents in the name of the Town.

**2. Receivables – Allowance for Doubtful Accounts**

The amount of property taxes receivable as of June 30, 2014 reflect the uncollected portion of property tax levies reduced for a portion not expected to be collected and are summarized below:

	<u>General Fund</u>
Property taxes receivable	\$ 15,854
Less allowance for collectibles	<u>6,426</u>
Net property taxes receivable	<u>\$ 9,428</u>

Accounts receivables as of June 30, 2014, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Enterprise Fund</u>
Waste management fees	\$ 12,429	\$ -
Utility user charges	-	58,144
Other	<u>535</u>	<u>7,668</u>
Total receivables	12,964	65,812
Less allowance for collectibles	<u>3,832</u>	<u>24,292</u>
Net total receivables	<u>\$ 9,132</u>	<u>\$ 41,520</u>

Due from other governments that is owed to the Town consist of the following:

	<u>General Fund</u>
Local option sales tax	\$ 20,691
Property tax	10,240
Sales and use tax	2,401
Solid waste disposal tax	178
Utility franchise tax	<u>12,700</u>
Total	<u>\$ 46,210</u>

**3. Interfund Balances**

At June 30, 2014, \$25,447 was due to the general fund from the proprietary fund. The Town's bonded debt service was re-financed during fiscal year end 2001. At that time, the Town's general fund loaned the utility fund \$207,925 to be paid back over time.

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

**II. DETAIL NOTES ON ALL FUNDS (Continued):**

**4. Capital Assets**

Capital assets at June 30, 2014 are summarized below:

Governmental activities by function:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
General government	\$ 921,721	\$ 67,585	\$ 12,445	\$ 976,861
Public safety	96,293	2,493	-	98,786
Transportation	14,400	-	-	14,400
Environmental protection	12,000	-	12,000	0
Cultural and recreational	71,050	-	-	71,050
	<u>1,115,464</u>	<u>70,078</u>	<u>24,445</u>	<u>1,161,097</u>
Less accumulated depreciation for:				
General government	320,422	43,650	12,445	351,627
Public safety	51,187	12,006	-	63,193
Transportation	14,400	-	-	14,400
Environ. protection	12,000	-	12,000	0
Cultural/recreational	220	377	-	597
	<u>398,229</u>	<u>56,033</u>	<u>24,445</u>	<u>429,817</u>
Governmental activities capital assets, net	<u>\$ 717,235</u>			<u>\$ 731,280</u>

Governmental activities by type:

Non-depreciable assets:				
Land	\$ 256,754	\$ -	\$ -	\$ 256,754
Depreciable assets:				
Buildings & infrastructure	647,416	67,585	-	715,001
Furniture & equipment	41,545	2,493	-	44,038
Vehicles	169,749	-	24,445	145,304
Total depreciable assets	<u>858,710</u>	<u>70,078</u>	<u>24,445</u>	<u>904,343</u>
Less accumulated depreciation for:				
Buildings & infrastructure	243,227	33,361	-	276,588
Furniture & equipment	30,265	3,122	-	33,387
Vehicles	124,737	19,550	24,445	119,842
Total accumulated depreciation	<u>398,229</u>	<u>56,033</u>	<u>24,445</u>	<u>429,817</u>
Depreciable assets, net	<u>460,481</u>			<u>474,526</u>
Governmental activities capital assets, net	<u>\$ 717,235</u>			<u>\$ 731,280</u>

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

**II. DETAIL NOTES ON ALL FUNDS (Continued):**

Business-type activities by type:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
Non-depreciable assets:				
Land	\$ 60,934	\$ -	\$ -	\$ 60,934
Total non-depreciable assets	<u>60,934</u>	<u>-</u>	<u>-</u>	<u>60,934</u>
Depreciable assets:				
Water tank	103,892	-	-	103,892
Water system	730,011	-	-	730,011
Vehicles	58,858	-	-	58,858
Sewer system	1,973,817	-	-	1,973,817
Sewer pumps	230,525	10,225	-	240,750
Waste water treatment	<u>812,749</u>	<u>-</u>	<u>-</u>	<u>812,749</u>
Total depreciable assets	<u>3,909,852</u>	<u>10,225</u>	<u>-</u>	<u>3,920,077</u>
Less accumulated				
Water tank	51,795	1,622	-	53,417
Water system	369,885	13,624	-	383,509
Equipment & vehicles	17,415	4,214	-	21,629
Sewer system	1,270,020	48,539	-	1,318,559
Sewer pumps	119,485	10,589	-	130,074
Waste water treatment	<u>476,920</u>	<u>28,030</u>	<u>-</u>	<u>504,950</u>
Total accumulated depreciation	<u>2,305,520</u>	<u>106,618</u>	<u>-</u>	<u>2,412,138</u>
Depreciable assets, net	<u>1,604,332</u>			<u>1,507,939</u>
Business-type activities capital assets, net	<u>\$ 1,665,266</u>			<u>\$ 1,568,873</u>

**B. Liabilities**

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

*Funding Policy* - Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.28%, respectively, of annual covered payroll. The contribution requirements of members and of the Town are established and may be amended by the North Carolina General Assembly. The Town's contributions to

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

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**II. DETAIL NOTES ON ALL FUNDS (Continued):**

LGERS for years ended June 30, 2014, 2013 and 2012 were \$23,802, \$24,519 and \$24,364, respectively. The contributions made by the Town equaled the required contributions for each year.

**b. Law Enforcement Officers Special Separation Allowance**

*1. Plan Description:*

The Town of Broadway administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to 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.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>4</u>
 Total	 <u><u>4</u></u>

A separate report was not issued for the plan.

*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.

*Method Used to Value Investments* - No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

*3. Contributions:*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The Town's obligation to make these payments was established and may be amended by the North Carolina General Assembly. There were no contributions made to the plan by employees.

The Town has chosen not to have an actuarial study performed because the liability is considered to be immaterial. However, the Town has estimated its funding liability as of June 30, 2014 to be \$67,707 and has included the amount in non-current liabilities.

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

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**II. DETAIL NOTES ON ALL FUNDS (Continued):**

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

*Funding Policy* - Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2014 were \$20,335, which consisted of \$11,148 from the Town and \$9,187 from the law enforcement officers.

2. Other Employment Benefits

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

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

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

No. Years Contributing	Years Relief	FY Contributions Resume
less than 10	1	2014
10-20	2	2015
20 or more	3	2016

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

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**II. DETAIL NOTES ON ALL FUNDS (Continued):**

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

**3. Deferred Inflows of Resources**

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

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Property taxes receivable, net (General Fund)	\$ 9,428	\$ -
Sanitation fees receivable, net (General Fund)	8,597	-
Drug forfeiture revenues (General Fund)	-	2,681
	<u>\$ 18,025</u>	<u>\$ 2,681</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 carries commercial insurance in the amount of \$1,000,000 for these types of losses under a policy with a major national insurer. The finance officer and the town clerk are individually bonded for \$50,000 each. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town of Broadway does not carry flood insurance due to the fact that none of the Town is located in a flood zone.

**5. Commitments**

The Town has a five year contract expiring June 30, 2018 with an annual budgeted expenditure of \$86,500 for the collection and disposal of garbage.

**6. Long-Term Obligations**

**a. General Obligation Bonds**

The general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

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

**II. DETAIL NOTES ON ALL FUNDS (Continued):**

Bonds payable at June 30, 2014 are comprised of the following individual issues:

Series 2011 General Obligation Refunding Bond - \$610,000 issued May 3, 2011; 3.49%, due serially from 2012 to 2021	\$ 440,000
Less amounts currently due	<u>59,000</u>
Long-term liabilities	<u>\$ 381,000</u>

At June 30, 2014, the Town had no bonds authorized but unissued and a legal debt margin of approximately \$6.9 million.

Annual debt service requirements to maturity for general obligation bonds, including interest, of \$62,646 on the water and sewer bonds, are as follows:

Fiscal Year ending June 30	Business-type activities	
	Principal	Interest
2015	\$ 59,000	\$ 15,356
2016	60,000	13,297
2017	62,000	11,203
2018	63,000	9,039
2019-2021	<u>196,000</u>	<u>13,751</u>
Total	<u>\$ 440,000</u>	<u>\$ 62,646</u>

b. Capital Leases

The Town of Broadway has entered into lease agreements with Ford Motor Credit Company for financing the acquisition of certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the minimum lease payments as of the inception date.

The first agreement was executed on July 18, 2011 to lease a police car and requires three annual payments of \$8,110. The second agreement was executed on July 17, 2012 to lease a maintenance truck and requires three annual payments of \$6,651. The third agreement was executed on May 15, 2013 to lease a utility tractor and requires four annual payments of \$10,806.

The following is an analysis of the assets recorded under capital leases at June 30, 2014:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Vehicles-Governmental activities	\$ 43,361	\$ 22,350	\$ 21,011
Vehicles-Business-type activities	42,147	4,917	37,230
Total	<u>\$ 85,508</u>	<u>\$ 27,267</u>	<u>\$ 58,241</u>



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

**II. DETAIL NOTES ON ALL FUNDS (Continued):**

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2014 were as follows:

Fiscal Year Ending June 30	Governmental Activities	Business-type Activities
2015	\$ 6,651	\$ 10,806
2016	-	10,806
Total minimum lease payments	6,651	21,612
Less: Amount representing interest	(406)	(1,924)
Present value of the minimum lease payments	<u>\$ 6,245</u>	<u>\$ 19,688</u>

**c. Changes in Long-term Liabilities**

The following is a summary of changes in the Town's long-term debt for the year ended June 30, 2014.

	July 1, 2013	Additions	Retirements	June 30, 2014	Due Within One Year
<b>Governmental activities:</b>					
Capital lease	\$ 19,724	\$ -	\$ 13,479	\$ 6,245	\$ 6,245
Compensated absences	33,417	1,839	2,457	32,799	32,799
Net pension obligation	58,303	9,404	-	67,707	-
Total	<u>\$ 111,444</u>	<u>\$ 11,243</u>	<u>\$ 15,936</u>	<u>\$ 106,751</u>	<u>\$ 39,044</u>
<b>Business-type activities:</b>					
Bonded debt	\$ 498,000	\$ -	\$ 58,000	\$ 440,000	\$ 59,000
Capital lease	28,647	-	8,959	19,688	9,536
Compensated absences	6,163	204	-	6,367	6,367
Total	<u>\$ 532,810</u>	<u>\$ 204</u>	<u>\$ 66,959</u>	<u>\$ 466,055</u>	<u>\$ 74,903</u>

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

**C. Revenue, Expenditures and Expenses**

**Developer Contract**

The Town entered into a contract with a private land developer during the year ended June 30, 1997. Significant provisions of the contract are that the land developer will construct the water and sewer facilities within the proposed development. Upon completion, the developer will convey the water and sewer facilities to the Town. The Town will charge a usage fee in addition to the regular tap-on fee to property owners within the sub-division, with the usage fee to be calculated based on per front footage of the lot. The Town will collect the usage fee and remit the fee to the developer at least quarterly during the development period. As of June 30, 2014, the development is not complete.

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

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**II. 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 remaining for appropriation:

<i>Total fund balance-General Fund</i>	\$837,347
Less:	
Prepaid items	5,875
Stabilization by State Statute	72,192
Streets-Powell Bill	146,252
Cultural & recreational-Beautification	2,146
Cultural & recreational-Facade	1,592
Cultural & recreational-Festival	16,755
Public Safety-Controlled substance tax	2,681
Remaining Fund Balance	589,854

**TOWN OF BROADWAY, NORTH CAROLINA**  
**GENERAL FUND**  
**COMPARATIVE BALANCE SHEETS**  
**June 30, 2014**  
**With Comparative Totals at June 30, 2013**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash and investments	\$ 628,577	\$ 576,504
Restricted cash	152,671	173,993
Taxes receivable, net	9,428	16,712
Accounts receivable, net	9,132	8,947
Due from other governmental agencies	46,210	42,332
Due from water and sewer fund	25,447	40,447
Prepaid items	<u>5,875</u>	<u>5,750</u>
Total assets	<u>877,340</u>	<u>864,685</u>
<b>LIABILITIES</b>		
Accounts payable	16,322	27,667
Accrued liabilities	<u>2,965</u>	<u>4,116</u>
Total liabilities	<u>19,287</u>	<u>31,783</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes receivable	9,428	16,712
Prepaid taxes	-	1,615
Sanitation receivable, net	8,597	8,835
Drug forfeiture revenues	<u>2,681</u>	<u>5,406</u>
Total deferred inflows of resources	<u>20,706</u>	<u>32,568</u>
<b>FUND BALANCES</b>		
Non-spendable		
Prepaid expenses	5,875	5,750
Restricted		
Stabilization by State Statute	72,192	77,485
Streets	146,252	164,849
Cultural and Recreational	3,738	3,738
Public safety	2,681	5,406
Assigned		
Cultural and Recreational	16,755	18,813
Unassigned	<u>589,854</u>	<u>524,293</u>
Total fund balances	<u>837,347</u>	<u>800,334</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 877,340</u>	<u>\$ 864,685</u>

**TOWN OF BROADWAY, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2014**  
**With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013**

	2014		Variance with Final Budget	2013
	Final Budget	Actual		Actual
Revenues:				
Ad valorem taxes:				
Taxes	\$ 363,298	\$ 391,781	\$ 28,483	\$ 362,809
Interest	-	4,232	4,232	1,791
Total	<u>363,298</u>	<u>396,013</u>	<u>32,715</u>	<u>364,600</u>
Other taxes and licenses:				
Local option sales tax	<u>113,466</u>	<u>117,289</u>	<u>3,823</u>	<u>204,603</u>
Unrestricted intergovernmental:				
Utility franchise tax	57,000	54,560		50,448
State sales tax	500	-		-
Beer and wine tax	4,900	5,531		5,053
Total	<u>62,400</u>	<u>60,091</u>	<u>(2,309)</u>	<u>55,501</u>
Restricted intergovernmental:				
Powell Bill allocation	39,000	39,703		38,975
Other local government	75,000	75,000		-
State grant proceeds	-	-		7,559
Solid waste disposal tax	500	858		778
Total	<u>114,500</u>	<u>115,561</u>	<u>1,061</u>	<u>47,312</u>
Contributions & Donations	<u>22,600</u>	<u>18,306</u>	<u>(4,294)</u>	<u>21,217</u>
Drug forfeiture revenues	<u>5,194</u>	<u>3,151</u>	<u>(2,043)</u>	<u>-</u>
Sales and services:				
Cemetery	7,500	30,225		6,825
Community building rent	6,500	8,724		8,200
Sanitation fees	85,000	79,329		70,148
Police fee	200	116		82
Total	<u>99,200</u>	<u>118,394</u>	<u>19,194</u>	<u>85,255</u>
Investment earnings	<u>2,500</u>	<u>1,626</u>	<u>(874)</u>	<u>3,001</u>
Miscellaneous:				
Cell tower rent	17,023	17,023		16,368
Other	18,000	3,042		2,156
Total	<u>35,023</u>	<u>20,065</u>	<u>(14,958)</u>	<u>18,524</u>
Total revenues	<u>818,181</u>	<u>850,496</u>	<u>32,315</u>	<u>800,013</u>

(Continued)

**TOWN OF BROADWAY, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (CONTINUED)**  
**For the Fiscal Year Ended June 30, 2014**  
**With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013**

	2014		Variance	2013
	Final Budget	Actual	with Final Budget	Actual
<b>Expenditures:</b>				
General government:				
Governing body:				
Salaries and benefits		\$ 8,655		\$ 9,194
Operating expenditures		3,380		494
	<u>13,985</u>	<u>12,035</u>	<u>1,950</u>	<u>9,688</u>
Administration:				
Salaries and benefits		81,354		74,701
Operating expenditures		41,260		46,427
	<u>126,495</u>	<u>122,614</u>	<u>3,881</u>	<u>121,128</u>
Finance:				
Salaries and benefits		76,792		75,329
Operating expenditures		38,882		36,539
	<u>117,034</u>	<u>115,674</u>	<u>1,360</u>	<u>111,868</u>
Public buildings:				
Salaries and benefits		67,523		100,907
Operating expenditures		53,401		40,534
Capital lease		6,651		6,651
Capital outlay		4,380		18,335
	<u>146,247</u>	<u>131,955</u>	<u>14,292</u>	<u>166,427</u>
Cemetery:				
Operating expenditures		1,678		2,103
Capital outlay		9,974		6,365
	<u>13,400</u>	<u>11,652</u>	<u>1,748</u>	<u>8,468</u>
Total general government	<u>417,161</u>	<u>393,930</u>	<u>23,231</u>	<u>417,579</u>
Public safety:				
Police:				
Salaries and benefits		196,781		204,204
Operating expenditures		32,371		27,850
Capital lease		8,110		8,110
Capital outlay		2,493		10,079
Total public safety	<u>257,220</u>	<u>239,755</u>	<u>17,465</u>	<u>250,243</u>

(Continued)

**TOWN OF BROADWAY, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (CONTINUED)**  
**For the Fiscal Year Ended June 30, 2014**  
**With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013**

	2014		Variance with Final Budget	2013
	Final Budget	Actual		Actual
Expenditures (Continued):				
Transportation:				
Streets:				
Operating expenditures		\$ 27,001		\$ 27,751
Capital outlay		53,231		-
Total transportation	99,850	80,232	19,618	27,751
Environmental protection:				
Operating expenditures	91,000	87,857	3,143	84,746
Cultural and recreational:				
Operating expenditures	30,842	26,013	4,829	27,508
Total expenditures	896,073	827,787	68,286	807,827
Revenues over (under) expenditures	(77,892)	22,709	100,601	(7,814)
Other financing sources:				
Capital lease obligations issued	-	-		18,760
Sale of capital asset	10,000	14,304		4,111
Total other financing sources	10,000	14,304	(4,304)	22,871
Fund balance appropriated	67,892	-	(67,892)	-
Net change in fund balance	\$ -	37,013	\$ 37,013	\$ 15,057
Fund balances, beginning of year		800,334		
Fund balances, end of year		\$ 837,347		

**TOWN OF BROADWAY, NORTH CAROLINA**  
**WATER AND SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**For the Fiscal Year Ended June 30, 2014**  
**With Comparative Amounts for the Fiscal Year Ended June 30, 2013**

	2014		Variance with	2013
	Final Budget	Actual	Final Budget	Actual
<b>Revenues:</b>				
Operating revenues:				
User charges water and sewer	\$ 352,000	\$ 347,929	\$ (4,071)	\$ 352,805
Connection and tap fees	17,600	15,033	(2,567)	15,799
Other	200	160	(40)	332
	<u>369,800</u>	<u>363,122</u>	<u>(6,678)</u>	<u>368,936</u>
Nonoperating revenues:				
Interest on investments	700	50	(650)	183
Total revenues	<u>370,500</u>	<u>363,172</u>	<u>(7,328)</u>	<u>369,119</u>
<b>Expenditures:</b>				
Water and sewer department:				
Salaries and benefits	64,841	61,850	2,991	60,531
Operating expenditures	86,578	68,635	17,943	58,446
Repairs and maintenance	16,700	9,661	7,039	10,565
Water purchased	82,000	73,875	8,125	74,913
Total water and sewer department	<u>250,119</u>	<u>214,021</u>	<u>36,098</u>	<u>204,455</u>
Debt service:				
Debt principal	66,959	66,959	-	67,806
Interest	19,229	18,988	241	19,417
Total debt service	<u>86,188</u>	<u>85,947</u>	<u>241</u>	<u>87,223</u>
Capital outlay:				
Total expenditures	<u>34,193</u>	<u>10,225</u>	<u>23,968</u>	<u>67,456</u>
Total expenditures	<u>370,500</u>	<u>310,193</u>	<u>60,307</u>	<u>359,134</u>
Revenues in excess of (less than) expenditures	-	52,979	52,979	9,985
Other financing sources:				
Capital lease obligations issued	-	-	-	39,453
Revenues and other financing sources in excess of expenditures	<u>\$ -</u>	<u>\$ 52,979</u>	<u>\$ 52,979</u>	<u>\$ 49,438</u>
Reconciliation of modified accrual basis to full accrual basis:				
Revenues in excess of expenditures		\$ 52,979		
Capital outlay		10,225		
Depreciation		(106,618)		
Decrease in bad debt allowance		(4,993)		
Payment of debt principal		66,959		
Change in net position		<u>\$ 18,552</u>		

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

<u>Fiscal year</u>	<u>Uncollected balance June 30, 2013</u>	<u>Additions</u>	<u>Collections and credits</u>	<u>Uncollected balance June 30, 2014</u>
2013-2014	\$ -	\$ 385,708	\$ (380,657)	\$ 5,051
2012-2013	9,975	-	(7,119)	2,856
2011-2012	3,011	-	(1,702)	1,309
2010-2011	2,364	-	(1,302)	1,062
2009-2010	2,061	-	(795)	1,266
2008-2009	1,683	-	(627)	1,056
2007-2008	832	-	(125)	707
2006-2007	1,055	-	(59)	996
2005-2006	877	-	-	877
2004-2005	674	-	-	674
2003-2004	<u>515</u>	<u>-</u>	<u>(515)</u>	<u>-</u>
Net taxes receivable	<u>\$ 23,047</u>	<u>\$ 385,708</u>	<u>\$ (392,901)</u>	15,854
Less: allowance for uncollectable accounts				<u>6,426</u>
Ad valorem taxes receivable - net				<u>\$ 9,428</u>
Reconcilement with revenues:				
Ad valorem taxes - General Fund				\$ 396,013
Reconciling items:				
Interest collected				(4,232)
Prior year prepaid motor vehicle taxes				(1,615)
Taxes released and written off				<u>2,735</u>
Subtotal				<u>(3,112)</u>
Total collections and credits				<u>\$ 392,901</u>



**TOWN OF BROADWAY, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY**  
**For the Fiscal Year Ended June 30, 2014**

	Town-wide		Total levy		
	Property valuation	Rate	Total levy	Property excluding registered motor vehicles	Registered motor vehicles
Original levy:					
Property taxed at current year's rate	\$ 81,905,512	\$ 0.44	\$ 360,506	\$ 321,158	\$ 39,348
Corporate utility	2,009,081	0.44	8,840	8,840	-
Motor vehicles at prior year's rate	3,660,630	0.44	16,084	-	16,084
Penalties	-		110	110	-
	<u>87,575,223</u>		<u>385,540</u>	<u>330,108</u>	<u>55,432</u>
Discoveries:					
Current year taxes	190,162	0.44	837	837	-
Penalties	-		26	26	-
	<u>87,765,385</u>		<u>386,403</u>	<u>330,971</u>	<u>55,432</u>
Abatements	<u>(157,134)</u>		<u>(695)</u>	<u>(364)</u>	<u>(331)</u>
Total property valuation	<u>\$ 87,608,251</u>				
Net levy			385,708	330,607	55,101
Uncollected taxes at June 30, 2014			<u>5,051</u>	<u>3,547</u>	<u>1,504</u>
Current year's taxes collected			<u>\$ 380,657</u>	<u>\$ 327,060</u>	<u>\$ 53,597</u>
Current levy collection percentage			<u>98.69%</u>	<u>98.93%</u>	<u>97.27%</u>

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