

Town of Broadway, North Carolina

Financial Statements

For the Fiscal Year Ended June 30, 2016

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

Dustin Kornegay, Town Manager

Barbara Cox, Finance Officer

TOWN OF BROADWAY, NORTH CAROLINA

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	7
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual - General Fund	21
Statement of Net Position - Proprietary Fund Type	22
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund Type	23
Statement of Cash Flows - Proprietary Fund Type	24
Notes to the Financial Statements	25
Required Supplemental Financial Data	44
Schedule of Proportionate Share of Net Pension Asset – Local Government Employees' Retirement System	45
Schedule of Contributions – Local Government Employees' Retirement System	46
Combining and Individual Fund Statements and Schedules:	
Comparative Balance Sheets – General Fund	47
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	48
Schedule of Revenues and Expenditures and Changes in Fund Balance - Budget and Actual - Town Hall Capital Project Fund	51
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Water and Sewer Fund	52
Supplementary Information:	
Schedule of Ad Valorem Taxes Receivable	53
Analysis of Current Tax Levy	54



104 Brady Court, Cary, North Carolina 27511
Phone 919-466-0946 Fax 919-466-0947

Independent Auditor's Report

To the Honorable Mayor and
Members of the 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, each major fund and the aggregate remaining fund information of the Town of Broadway, North Carolina, as of and for the year ended June 30, 2016, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 financial statement 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.

Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Broadway, North Carolina as of June 30, 2016, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in 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, the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2016 on our consideration of Town of Broadway's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Broadway's internal control over financial reporting and compliance.


JOYCE AND COMPANY, CPA
Cary, North Carolina

October 31, 2016

**Report on Internal Control over Financial Reporting and On Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Broadway, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statement, which collectively comprises the Town of Broadway's basic financial statements, and have issued our report thereon dated October 31, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency. (Item 1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Broadway's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an

objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Broadway's Response to Findings

The Town of Broadway's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

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


JOYCE AND COMPANY, CPA
Cary, North Carolina

October 31, 2016

Town of Broadway, North Carolina
Schedule of Findings and Responses

For the year ended June 30, 2016

Section I. Summary of Auditor's Results

Financial Statements

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

Federal Awards

The Town of Broadway has no major federal programs.

State Awards

The Town of Broadway has no major state programs.

Section II. Financial Statement Findings

Item 1 Segregation of Duties

Significant Deficiency

<u>Criteria</u>	Duties should be segregated to provide reasonable assurance that transactions are handled appropriately, especially during periods when one employee is absent.
<u>Condition</u>	There is a lack of proper segregation of duties involving custody of assets; authorization or approval of related transactions affecting those assets; recording or reporting of related transactions, and execution of the transaction or transaction activity.
<u>Effect</u>	Transactions could be mishandled.
<u>Cause</u>	The Town lacks adequate staff to properly segregate duties noted above.
<u>Recommendation</u>	The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of segregation. The governing board should provide some of these controls since they are generally very familiar with operations and likely to spot unfamiliar vendors and transactions. Also, due to knowledge of the unit and community, they will be able to determine if explanations for unusual transactions are valid.

Views of responsible officials and planned corrective actions

The Town agrees with this finding. At this time, management will not make changes to procedures that are affected by a lack of segregation of duties, as the costs to implement such changes outweigh the assurances that would be provided. Management will continue to evaluate alternative procedures and controls regarding this condition.

Section III. Federal Award Findings and Questioned Costs

None reported

Section IV. State Award Findings and Questioned Costs

None reported

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

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, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements which follow this narrative.

Financial Highlights

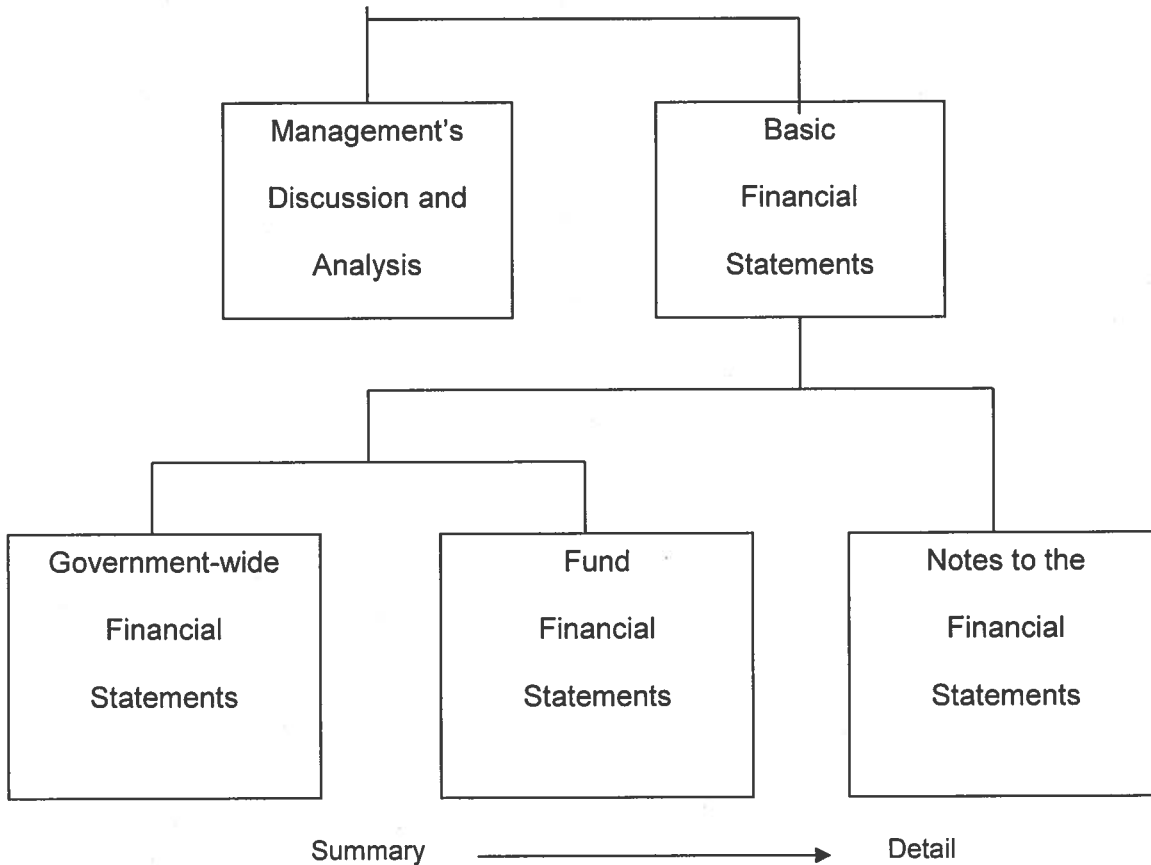
- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,195,315 (*net position*). The assets and deferred outflows of resources of the governmental activities exceeded liabilities and deferred inflows of resources by \$1,531,216 and the assets and deferred outflows of resources of the business-type activities exceeded liabilities and deferred inflows of resources by \$1,664,099.
- The government's total net position increased by \$65,567, primarily due to cost-savings in operating costs.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balance of \$963,949, an increase of \$73,150 in comparison with the prior year. Approximately 27.97 percent of this total amount, or \$269,642, is non-spendable or restricted.
- At the end of the current fiscal year unassigned fund balance for the general fund was \$625,023, or 81.12 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 \$1,664,099, an increase of \$40,243.

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 North Carolina General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

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

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 deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, 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 15 and 16 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 25 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Broadway's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 44 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	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 987,771	\$ 952,579	\$ 662,190	\$ 598,464	\$ 1,649,961	\$ 1,551,043
Capital assets	692,999	740,401	1,368,648	1,468,154	2,061,647	2,208,555
Deferred outflows of resources	23,616	21,306	6,419	3,638	30,035	24,944
Total assets and deferred outflows of resources	<u>1,704,386</u>	<u>1,714,286</u>	<u>2,037,257</u>	<u>2,070,256</u>	<u>3,741,643</u>	<u>3,784,542</u>
Long-term liabilities	113,263	92,280	325,734	391,151	438,997	483,431
Other liabilities	47,397	50,549	45,393	45,846	92,790	96,395
Deferred inflows of resources	12,510	65,565	2,031	9,403	14,541	74,968
Total liabilities and deferred inflows of resources	<u>173,170</u>	<u>208,394</u>	<u>373,158</u>	<u>446,400</u>	<u>546,328</u>	<u>654,794</u>
Net position:						
Net investment in capital assets	684,867	724,634	1,047,648	1,077,003	1,732,515	1,801,637
Restricted	264,045	249,424	-	-	264,045	249,424
Unrestricted	582,304	531,834	616,451	546,853	1,198,755	1,078,687
Total net position	<u>\$ 1,531,216</u>	<u>\$ 1,505,892</u>	<u>\$ 1,664,099</u>	<u>\$ 1,623,856</u>	<u>\$ 3,195,315</u>	<u>\$ 3,129,748</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town exceeded liabilities and deferred inflows by \$3,195,315 as of June 30, 2016. The Town's net position increased by \$65,567 for the fiscal year ended June 30, 2016. However, the largest portion of net position (54.22%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in 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, \$264,045 (8.26%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,198,755 (37.52%) 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	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 94,456	\$ 100,182	\$ 395,176	\$ 379,177	\$ 489,632	\$ 479,359
Operating grants and contributions	140,617	140,244	-	-	140,617	140,244
General revenues:						
Property taxes	383,844	380,385	-	-	383,844	380,385
Other taxes	132,017	138,318	-	-	132,017	138,318
Other	89,089	97,816	74	73	89,163	97,889
Total revenues	<u>840,023</u>	<u>856,945</u>	<u>395,250</u>	<u>379,250</u>	<u>1,235,273</u>	<u>1,236,195</u>
Expenses:						
General government	386,029	392,770	-	-	386,029	392,770
Public safety	273,656	256,000	-	-	273,656	256,000
Transportation	26,332	28,983	-	-	26,332	28,983
Environmental protection	89,092	88,054	-	-	89,092	88,054
Cultural and recreational	39,048	29,510	-	-	39,048	29,510
Interest on long-term debt	542	1,016	-	-	542	1,016
Water and sewer	-	-	353,030	331,467	353,030	331,467
Total expenses	<u>814,699</u>	<u>796,333</u>	<u>353,030</u>	<u>331,467</u>	<u>1,167,729</u>	<u>1,127,800</u>
Increase in net position before disposals	25,324	60,612	42,220	47,783	67,544	108,395
Gain (loss on disposal)			(1,977)		(1,977)	
Increase in net position	25,324	60,612	40,243	47,783	65,567	108,395
Net position, beginning, previously reported	1,505,892	1,481,321	1,623,856	1,581,321	3,129,748	3,062,642
Restatement	-	(36,041)	-	(5,248)	-	(41,289)
Net position, beginning, restated	1,505,892	1,445,280	1,623,856	1,576,073	3,129,748	3,021,353
Net position, ending	<u>\$ 1,531,216</u>	<u>\$ 1,505,892</u>	<u>\$ 1,664,099</u>	<u>\$ 1,623,856</u>	<u>\$ 3,195,315</u>	<u>\$ 3,129,748</u>

Governmental activities – Governmental activities increased the Town's net position by \$25,324.

- Slight increase in property tax revenues due to a higher tax collection percentage from prior year. The tax collection percentage in the current year is 99.14%.
- Decrease in other revenues of 8.9% due to loss of cell tower rental contract.

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

Business-type activities: Business-type activities increased the Town's net position by \$40,243. Key factors to this change in net position are as follows:

- Increase in other revenue for one-time reimbursement for damages incurred by contractor.
- Increase in operating expenses of 6.5% due primarily to an increase in contract 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 \$847,184, while total fund balance reached \$913,949. 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 110 percent of total General Fund expenditures, while total fund balance represents 118.6 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.

There were several reasons the Town revised its budget throughout the year. Following are the main components of the increase:

- \$22,300 increase for festival activities.
- \$104,430 increase for street paving project.
- \$997 increase for acquisition of park benches.
- \$50,000 increase to transfer funds to the Town Hall Capital Project fund for architect and engineering.

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 \$616,451. The total increase in net position was \$40,243. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town's business-type activities.

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

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, 2016, totals \$2,061,647 (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 construction in progress for the Town Hall engineering costs and street improvements.
- Major capital purchase in the proprietary fund included equipment for the water and sewer systems.

**Town of Broadway
Capital Assets
Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 256,754	\$ 256,754	\$ 60,934	\$ 60,934	\$ 317,688	\$ 317,688
Construction in progress	8,150	-	-	-	8,150	-
Total non-depreciable assets	<u>264,904</u>	<u>256,754</u>	<u>60,934</u>	<u>60,934</u>	<u>325,838</u>	<u>317,688</u>
Buildings and improvements	757,301	757,301	3,868,825	3,867,639	4,626,126	4,624,940
Furniture and equipment	44,955	44,955	-	-	44,955	44,955
Vehicles	149,354	149,354	56,234	56,234	205,588	205,588
Total depreciable assets	<u>951,610</u>	<u>951,610</u>	<u>3,925,059</u>	<u>3,923,873</u>	<u>4,876,669</u>	<u>4,875,483</u>
Accumulated depreciation	<u>523,515</u>	<u>467,963</u>	<u>2,617,345</u>	<u>2,516,653</u>	<u>3,140,860</u>	<u>2,984,616</u>
Depreciable assets, net	<u>428,095</u>	<u>483,647</u>	<u>1,307,714</u>	<u>1,407,220</u>	<u>1,735,809</u>	<u>1,890,867</u>
Total	<u>\$ 692,999</u>	<u>\$ 740,401</u>	<u>\$ 1,368,648</u>	<u>\$ 1,468,154</u>	<u>\$ 2,061,647</u>	<u>\$ 2,208,555</u>

Additional information on the Town's capital assets can be found in Note II of the basic financial statements beginning on page 33 of this report.

Long-term Debt. As of June 30, 2016, the Town had total bonded debt outstanding of \$321,000. 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, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ -	\$ -	\$ 321,000	\$ 381,000	\$ 321,000	\$ 381,000
Capital leases	8,132	15,767	-	10,151	8,132	25,918
Total	<u>\$ 8,132</u>	<u>\$ 15,767</u>	<u>\$ 321,000</u>	<u>\$ 391,151</u>	<u>\$ 329,132</u>	<u>\$ 406,918</u>

The Town's total debt was decreased by \$77,786 during the past fiscal year. This represents a decrease in bonded debt due to principal payment of \$60,000, a net decrease in capital leases due to principal payment of \$17,786.

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.

Additional information regarding the Town's long-term debt can be found in Note II beginning on page 40 of this report.

Economic Factors

The following is the key economic indicator for the Town.

- The county unemployment rate decreased 1.9% from prior year to 6.0%.

Budget Highlights for the Fiscal Year Ending June 30, 2017

Governmental Activities: The governmental fund's primary revenue resources are property taxes and intergovernmental revenues. The Town will increase taxes in the 2016-2017 fiscal year to forty nine cents (.49) per \$100 of valuation from forty four cents (.44) per \$100 valuation. This is an increase of five cents (.05). Of the five cents tax increase, four cents is earmarked for the Town Hall Project while the remaining one cent is needed to maintain our current level of service. Property tax revenues are budgeted to increase 9.6%. 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 increase by 4.2% from the prior year.

Business-type Activities: The business-type funds budgeted revenue decreased .6% for the fiscal year ending June 30, 2016. The Town will not increase the water and sewer rates; however, no increase in water and sewer revenue is budgeted based on growth in the prior year.

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, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 706,709	\$ 589,121	\$ 1,295,830
Taxes receivable, net	2,306	-	2,306
Accrued interest receivable on taxes	767	-	767
Accounts receivable, net	8,382	44,406	52,788
Due from other governmental agencies	61,133	-	61,133
Prepaid items	5,597	478	6,075
Restricted cash	202,877	28,185	231,062
Total current assets	<u>987,771</u>	<u>662,190</u>	<u>1,649,961</u>
Non-current assets:			
Capital assets:			
Land and construction in progress	264,904	60,934	325,838
Other capital assets, net of accumulated depreciation	428,095	1,307,714	1,735,809
Total capital assets	<u>692,999</u>	<u>1,368,648</u>	<u>2,061,647</u>
Total assets	<u>1,680,770</u>	<u>2,030,838</u>	<u>3,711,608</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	<u>23,616</u>	<u>6,419</u>	<u>30,035</u>
LIABILITIES			
Current liabilities:			
Accounts payable	9,478	9,105	18,583
Accrued interest payable	514	-	514
Accrued liabilities	1,562	1,157	2,719
Compensated absences	35,843	6,946	42,789
Current portion of long-term debt	8,132	62,000	70,132
Liabilities payable from restricted assets:			
Customer deposits	-	28,185	28,185
Total current liabilities	<u>55,529</u>	<u>107,393</u>	<u>162,922</u>
Non-current liabilities:			
Net pension liability	20,623	4,734	25,357
Long-term debt	-	259,000	259,000
Net pension obligation	84,508	-	84,508
Total non-current liabilities	<u>105,131</u>	<u>263,734</u>	<u>368,865</u>
Total liabilities	<u>160,660</u>	<u>371,127</u>	<u>531,787</u>
DEFERRED INFLOWS OF RESOURCES			
Drug forfeiture revenues	1,362	-	1,362
Pension deferrals	11,148	2,031	13,179
Total deferred inflows of resources	<u>12,510</u>	<u>2,031</u>	<u>14,541</u>
NET POSITION			
Net investment in capital assets	684,867	1,047,648	1,732,515
Restricted for:			
Stabilization by State Statute	61,168	-	61,168
Streets	199,923	-	199,923
Cultural and Recreational	1,592	-	1,592
Public safety	1,362	-	1,362
Unrestricted	<u>582,304</u>	<u>616,451</u>	<u>1,198,755</u>
Total net position	<u>\$ 1,531,216</u>	<u>\$ 1,664,099</u>	<u>\$ 3,195,315</u>

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

TOWN OF BROADWAY, NORTH CAROLINA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Primary government:						
Governmental activities:						
General government	\$ 386,029	\$ 14,671	\$ -	\$ (371,358)	\$ -	\$ (371,358)
Public safety	273,656	104	75,000	(198,552)	-	(198,552)
Transportation	26,332	-	39,189	12,857	-	12,857
Environmental protection	89,092	79,681	826	(8,585)	-	(8,585)
Cultural and recreational	39,048	-	25,602	(13,446)	-	(13,446)
Interest on long-term debt	542	-	-	(542)	-	(542)
Total governmental activities	814,699	94,456	140,617	(579,626)	-	(579,626)
Business-type activities:						
Water and sewer	353,030	395,176	-	-	42,146	42,146
Total primary government	\$ 1,167,729	\$ 489,632	\$ 140,617	\$ (579,626)	42,146	\$ (537,480)
General revenues:						
Ad valorem taxes				383,844	-	383,844
Other taxes and licenses				132,017	-	132,017
Unrestricted intergovernmental revenues				74,586	-	74,586
Unrestricted investment earnings				3,109	74	3,183
Miscellaneous				11,394	-	11,394
Total general revenues				604,950	74	605,024
Loss on asset disposal				-	(1,977)	(1,977)
Change in net position				25,324	40,243	65,567
Net position, beginning, previously reported				1,505,892	1,623,856	3,129,748
Net position, end of year				\$ 1,531,216	\$ 1,664,099	\$ 3,195,315

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

TOWN OF BROADWAY, NORTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016

	Major General Fund	Nonmajor Town Hall Capital Project Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 656,709	\$ 50,000	\$ 706,709
Restricted cash	202,877	-	202,877
Taxes receivable, net of allowance of \$6,985	2,306	-	2,306
Accounts receivable, net	8,382	-	8,382
Due from other governmental agencies	61,133	-	61,133
Prepaid items	5,597	-	5,597
Total assets	<u>937,004</u>	<u>50,000</u>	<u>987,004</u>
LIABILITIES			
Accounts payable	9,478	-	9,478
Accrued liabilities	1,562	-	1,562
Total liabilities	<u>11,040</u>	<u>-</u>	<u>11,040</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	2,306	-	2,306
Sanitation receivable, net	8,347	-	8,347
Drug forfeiture revenues	1,362	-	1,362
Total deferred inflows of resources	<u>12,015</u>	<u>-</u>	<u>12,015</u>
FUND BALANCES			
Non-spendable			
Prepaid items	5,597	-	5,597
Restricted			
Stabilization by State Statute	61,168	-	61,168
Streets	199,923	-	199,923
Cultural and Recreational	1,592	-	1,592
Public safety	1,362	-	1,362
Committed			
Town Hall Project	-	50,000	50,000
Assigned			
Cultural and Recreational	19,284	-	19,284
Unassigned	625,023	-	625,023
Total fund balances	<u>913,949</u>	<u>50,000</u>	<u>963,949</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 937,004</u>	<u>\$ 50,000</u>	<u>\$ 987,004</u>

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

TOWN OF BROADWAY, NORTH CAROLINA
RECONCILIATION of the BALANCE SHEET - GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
June 30, 2016

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

Total Fund Balance, Governmental Funds	\$ 963,949
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	692,999
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Financial Position	21,251
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.	767
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	10,653
Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds	
Capital lease payable	(8,132)
Compensated absences	(35,843)
Net pension liability	(20,623)
Some liabilities, including accrued interest and LEO pension are not due and payable in current period and therefore are not reported in the funds	(85,022)
Deferred inflows of resources related to pensions are not reported in the funds	<u>(8,783)</u>
 Net position of governmental activities	 <u>\$ 1,531,216</u>

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

TOWN OF BROADWAY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	Major General Fund	Nonmajor Town Hall Capital Project Fund	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 387,053	\$ -	\$ 387,053
Other taxes and licenses	132,017	-	132,017
Unrestricted intergovernmental	74,586	-	74,586
Restricted intergovernmental	114,950	-	114,950
Contributions & donations	25,602	-	25,602
Sales and services	94,848	-	94,848
Investment earnings	3,174	-	3,174
Miscellaneous	11,394	-	11,394
Total revenues	<u>843,624</u>	<u>-</u>	<u>843,624</u>
EXPENDITURES			
Current operating			
General government	344,418	-	344,418
Public safety	255,151	-	255,151
Transportation	26,332	-	26,332
Environmental protection	89,092	-	89,092
Cultural and recreational	38,671	-	38,671
Debt service			
Principal	7,635	-	7,635
Interest	1,025	-	1,025
Capital outlay	8,150	-	8,150
Total expenditures	<u>770,474</u>	<u>-</u>	<u>770,474</u>
Excess of revenues over expenditures	<u>73,150</u>	<u>-</u>	<u>73,150</u>
OTHER FINANCING SOURCES (USES)			
Transfer in		50,000	50,000
Transfer (out)	(50,000)	-	(50,000)
Total other financing sources	<u>(50,000)</u>	<u>50,000</u>	<u>-</u>
Net change in fund balance	23,150	50,000	73,150
Fund balances, beginning of year	<u>890,799</u>	<u>-</u>	<u>890,799</u>
Fund balances, end of year	<u>\$ 913,949</u>	<u>\$ 50,000</u>	<u>\$ 963,949</u>

The accompanying notes are an integral part of these 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, 2016

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

Net changes in fund balances - total governmental funds	\$ 73,150
---	-----------

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	8,150
Depreciation expense including dispositions	(55,552)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	21,251
--	--------

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	(3,209)
Change in unavailable revenue for sanitation revenues	(392)

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	7,635
Decrease in accrued interest expense	483

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	(5,337)
Pension expense	(12,860)
Net pension obligation (LEO)	<u>(7,995)</u>

Total changes in net position of governmental activities	<u>\$ 25,324</u>
--	------------------

The accompanying notes are an integral part of these 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, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 381,709	\$ 381,709	\$ 387,053	\$ 5,344
Other taxes and licenses	125,222	125,222	132,017	6,795
Unrestricted intergovernmental	64,899	64,899	74,586	9,687
Restricted intergovernmental	117,126	117,126	114,950	(2,176)
Contributions & donations	-	22,300	25,602	3,302
Sales and services	104,700	104,700	94,848	(9,852)
Investment earnings	1,300	1,300	3,174	1,874
Miscellaneous	<u>21,000</u>	<u>21,997</u>	<u>11,394</u>	<u>(10,603)</u>
Total revenues	<u>815,956</u>	<u>839,253</u>	<u>843,624</u>	<u>4,371</u>
Expenditures:				
Current operating:				
General government	408,246	402,246	347,168	55,078
Public safety	275,710	275,710	263,811	11,899
Transportation	36,000	140,430	31,732	108,698
Environmental protection	90,000	90,000	89,092	908
Cultural and recreational	<u>13,592</u>	<u>42,889</u>	<u>38,671</u>	<u>4,218</u>
Total expenditures	<u>823,548</u>	<u>951,275</u>	<u>770,474</u>	<u>180,801</u>
Revenues over (under) expenditures	<u>(7,592)</u>	<u>(112,022)</u>	<u>73,150</u>	<u>185,172</u>
Other financing sources:				
Sale of capital assets	1,000	1,000	-	(1,000)
Transfer to capital projects fund	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Total other financing sources	<u>1,000</u>	<u>(49,000)</u>	<u>(50,000)</u>	<u>(1,000)</u>
Fund balance appropriated	6,592	161,022	-	(161,022)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	23,150	<u>\$ 23,150</u>
Fund balances, beginning of year			<u>890,799</u>	
Fund balances, end of year			<u>\$ 913,949</u>	

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

TOWN OF BROADWAY, NORTH CAROLINA
SCHEDULE OF NET POSITION - PROPRIETARY FUND
June 30, 2016

	Business-type Activities - Enterprise
	<u>Major Fund - Water and Sewer Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 589,121
Accounts receivable, net of allowance of \$26,889	44,406
Prepaid items	478
Restricted cash	<u>28,185</u>
Total current assets	<u>662,190</u>
Non-current assets:	
Capital assets:	
Land, improvements and construction in progress	60,934
Other capital assets, net of accumulated depreciation	<u>1,307,714</u>
Total capital assets	<u>1,368,648</u>
Total non-current assets	<u>1,368,648</u>
Total assets	<u>2,030,838</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	<u>6,419</u>
Total deferred outflows of resources	<u>6,419</u>
LIABILITIES	
Current liabilities:	
Accounts payable	9,105
Accrued liabilities	1,157
Compensated absences	6,946
General obligation bonds - current	62,000
Liabilities payable from restricted assets:	
Customer deposits	<u>28,185</u>
Total current liabilities	107,393
Non-current liabilities:	
Net Pension Liability	4,734
General obligation bonds payable	<u>259,000</u>
Total non-current liabilities	263,734
Total liabilities	<u>371,127</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	<u>2,031</u>
Total deferred inflows of resources	<u>2,031</u>
NET POSITION	
Net investment in capital assets	1,047,648
Unrestricted	<u>616,451</u>
Total net position	<u>\$ 1,664,099</u>

The accompanying notes are an integral part of these 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, 2016

	Business-type Activities - Enterprise
	Major Fund - Water and Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 365,788
Connection and tap fees	17,559
Other operating revenues	<u>11,829</u>
Total operating revenues	<u>395,176</u>
OPERATING EXPENSES	
Water and sewer operations	232,110
Depreciation	<u>107,223</u>
Total operating expenses	<u>339,333</u>
Operating income (loss)	<u>55,843</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	74
Interest	(13,697)
Loss on disposal of capital asset	<u>(1,977)</u>
Total nonoperating revenue (expenses)	<u>(15,600)</u>
Change in net position	40,243
Total net position, beginning, previously reported	<u>1,623,856</u>
Total net position, ending	<u>\$ 1,664,099</u>

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

TOWN OF BROADWAY, NORTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Major Fund - Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 393,512
Cash paid for goods and services	(172,947)
Cash paid to employees for services	(63,406)
Customer deposits received, net	<u>2,201</u>
Net cash provided by operating activities	<u>159,360</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
General fund loan payment	<u>(10,447)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on bonds and capital lease debt	(70,151)
Interest paid on bonds and capital lease debt	(13,697)
Acquisition and construction of capital assets	<u>(9,693)</u>
Net cash used in capital and related financing activities	<u>(93,541)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>74</u>
Net increase in cash and cash equivalents	55,446
Balances, beginning	<u>561,860</u>
Balances, ending	<u>\$ 617,306</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 55,843
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	107,223
Bad debt expense	416
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(1,662)
(Increase) decrease in prepaid items	(478)
(Increase) decrease in net pension asset	3,890
(Increase) decrease in deferred outflows of resources for pensions	10
Increase (decrease) in accounts payable and accrued liabilities	(3,042)
Increase (decrease) in compensated absences	388
Increase (decrease) in customer deposits	2,201
Increase (decrease) in net pension liability	4,734
Increase (decrease) in deferred inflows of resources for pensions	<u>(10,163)</u>
Net cash provided by operating activities	<u>\$ 159,360</u>

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

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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 non-major governmental fund:

Capital Projects Fund – This fund is used to account for the financial resources used in the acquisition or construction of major capital facilities and improvements to the Town's infrastructure not included in the previous fund.

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.

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus 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 enterprise fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are 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 beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Broadway because the tax is levied by Lee County and then remitted to and distributed by the State. 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,

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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.

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. Project ordinances are adopted for the Town Hall Capital Project 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 are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT – Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT – Term Portfolio's securities are valued at fair value.

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, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Town of Broadway Restricted Cash

Governmental Activities			
General Fund			
	Streets	\$	199,923
	Cultural and Recreational		1,592
	Public Safety		<u>1,362</u>
Total governmental activities		\$	<u>202,877</u>
Business-type Activities			
Water and Sewer Fund			
	Customer deposits		<u>28,185</u>
Total Business-type activities		\$	<u>28,185</u>
Total Restricted Cash		\$	<u>231,062</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, 2015. 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. 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.

7. 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 received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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.

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

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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

8. 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 has one item that meets this criterion, contributions to the pension plan in the 2016 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - property taxes receivable, sanitation receivable, unearned drug forfeiture revenues and deferrals of pension expense that result from the implementation of GASB Statement 68.

9. 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.

10. 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.

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Accumulated sick leave at June 30, 2016 amounted to \$263,946 in total, of which \$196,651 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.

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position 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 Expenses – 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)].

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 – The committed fund balance classification includes amounts that can be used for specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for Town Hall Project – portion of fund balance that is committed by the Board of Commissioners for the Town Hall project.

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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.

13. Pensions

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

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, 2016

II. DETAIL NOTES ON ALL FUNDS (Continued):

At June 30, 2016, the Town's deposits had a carrying amount of \$1,526,892 and a bank balance of \$1,538,361. 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, 2016 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	\$ 9,291
Less allowance for collectibles	<u>6,985</u>
Net property taxes receivable	<u>\$ 2,306</u>

Accounts receivables as of June 30, 2016, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Enterprise Fund</u>
Waste management fees	\$ 12,703	\$ -
Utility user charges	-	62,729
Other	<u>35</u>	<u>8,566</u>
Total receivables	12,738	71,295
Less allowance for collectibles	<u>4,356</u>	<u>26,889</u>
Net total receivables	<u>\$ 8,382</u>	<u>\$ 44,406</u>

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

	<u>General Fund</u>
Local option sales tax	\$ 34,449
Property tax	9,011
Sales and use tax	2,936
Solid waste disposal tax	204
Utility sales tax	<u>14,533</u>
Total	<u>\$ 61,133</u>

**TOWN OF BROADWAY, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2016**

II. DETAIL NOTES ON ALL FUNDS (Continued):

3. Capital Assets

Capital assets at June 30, 2016 are summarized below:

Governmental Activities by type:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</u>
Non-depreciable assets:				
Land	\$ 256,754	\$ -	\$ -	\$ 256,754
Construction in progress:	-	8,150	-	8,150
	<u>256,754</u>	<u>8,150</u>	<u>-</u>	<u>264,904</u>
Depreciable assets:				
Buildings & infrastructure	757,301	-	-	757,301
Furniture & equipment	44,955	-	-	44,955
Vehicles	149,354	-	-	149,354
	<u>951,610</u>	<u>-</u>	<u>-</u>	<u>951,610</u>
Less accumulated depreciation for:				
Buildings & infrastructure	315,596	39,784	-	355,380
Furniture & equipment	34,555	2,295	-	36,850
Vehicles	117,812	13,473	-	131,285
Total accumulated depreciation	<u>467,963</u>	<u>55,552</u>	<u>-</u>	<u>523,515</u>
Depreciable assets, net	<u>483,647</u>			<u>428,095</u>
Governmental activities capital assets, net	<u>\$ 740,401</u>			<u>\$ 692,999</u>

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

General government	\$ 42,738
Public safety	12,437
Cultural and recreational	<u>377</u>
Total depreciation expense	<u>\$ 55,552</u>

**TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

II. DETAIL NOTES ON ALL FUNDS (Continued):

Business-type activities by type:

	July 1, 2015	Additions	Deletions	June 30, 2016
Non-depreciable assets:				
Land	\$ 60,934	\$ -	\$ -	\$ 60,934
Total non-depreciable assets	60,934	-	-	60,934
Depreciable assets:				
Water tank	103,892	-	-	103,892
Water system	730,011	5,780	4,091	731,700
Vehicles	56,234	-	-	56,234
Sewer system	1,973,817	-	-	1,973,817
Sewer pumps	240,750	3,913	4,416	240,247
Waste water treatment	819,169	-	-	819,169
	<u>3,923,873</u>	<u>9,693</u>	<u>8,507</u>	<u>3,925,059</u>
Less accumulated:				
Water tank	55,040	1,623	-	56,663
Water system	397,133	13,614	2,114	408,633
Vehicles	23,220	4,215	-	27,435
Sewer system	1,367,096	48,537	-	1,415,633
Sewer pumps	140,596	10,696	4,416	146,876
Waste water treatment	533,568	28,537	-	562,105
Total accumulated depreciation	<u>2,516,653</u>	<u>107,222</u>	<u>6,530</u>	<u>2,617,345</u>
Depreciable assets, net	<u>1,407,220</u>			<u>1,307,714</u>
Business-type activities capital assets, net	<u>\$ 1,468,154</u>			<u>\$ 1,368,648</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

**TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

II. DETAIL NOTES ON ALL FUNDS (Continued):

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Broadway employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by LGERS Board of Trustees. The Town of Broadway's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.84% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Broadway were \$24,878 for the year ended June 30, 2016.

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

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

At June 30, 2016, the Town reported a liability of \$25,357 for its proportionate share of the net pension liability. The net pension liability was measured as of June, 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Town's proportion was 0.0057% which was an increase of 0.0005% from its proportion measured as of June 30, 2014.

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

II. DETAIL NOTES ON ALL FUNDS (Continued):

For the year ended June 30, 2016, the Town recognized pension expense of \$12,961. At June 30, 2016 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 5,960
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	7,219
Changes in proportion and differences between Town contributions and proportionate share of contributions	5,157	-
Town contributions subsequent to the measurement date	24,878	-
Total	<u>\$ 30,035</u>	<u>\$ 13,179</u>

\$24,878 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ (7,027)
2018	(7,027)
2019	(7,020)
2020	13,052
2021	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through a review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

II. DETAIL NOTES ON ALL FUNDS (Continued):

historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 176,818	\$ 25,357	\$ (102,245)

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

**TOWN OF BROADWAY, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2016**

II. DETAIL NOTES ON ALL FUNDS (Continued):

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, 2015, 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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68.

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

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, 2016 to be \$84,508 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, 2016

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, 2016 were \$8,313, which consisted of \$8,313 from the Town and \$0 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 post-employment 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, 2016, 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.

3. Deferred Outflows and Inflows of Resources

The Town has one deferred outflow of resources. Deferred outflows of resources are comprised of the following:

Source	Amount
Contributions to pension plan in the current fiscal year	\$ 24,878
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,157
Total	\$ 30,035

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

II. DETAIL NOTES ON ALL FUNDS (Continued):

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

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Property taxes receivable, net (General Fund)	\$ 2,306	\$ -
Sanitation fees receivable, net (General Fund)	8,347	-
Drug forfeiture revenues (General Fund)	-	1,362
Differences between expected and actual experience	5,960	
Net difference between projected and actual earnings earnings on pension plan investments	7,219	
	<u>\$ 23,832</u>	<u>\$ 1,362</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.

Bonds payable at June 30, 2016 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	\$ 321,000
Less amounts currently due	<u>62,000</u>
Long-term liabilities	<u>\$ 259,000</u>

At June 30, 2016, the Town had no bonds authorized but unissued and a legal debt margin of approximately \$6.9 million.

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

II. DETAIL NOTES ON ALL FUNDS (Continued):

Annual debt service requirements to maturity for general obligation bonds, including interest, of \$33,993 on the water and sewer bonds, are as follows:

Fiscal Year ending June 30	Business-type activities	
	Principal	Interest
2017	\$ 62,000	\$ 11,203
2018	63,000	9,039
2019	64,000	6,840
2020	66,000	4,607
2021	<u>66,000</u>	<u>2,304</u>
Total	<u>\$ 321,000</u>	<u>\$ 33,933</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 fourth agreement was executed on July 10, 2014 to lease a police car and requires three annual payments of \$8,660.

The following is an analysis of the assets recorded under capital leases at June 30, 2016:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Vehicles-Governmental activities	\$ 90,136	\$ 72,067	\$ 18,069
Vehicles-Business-type activities	42,147	13,347	28,800
Total	<u>\$ 132,283</u>	<u>\$ 85,414</u>	<u>\$ 46,869</u>

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2016 were as follows:

Fiscal Year Ending June 30	Governmental Activities	Business-type Activities
2017	8,660	-
Total minimum lease payments	8,660	-
Less: Amount representing interest	(528)	-
Present value of the minimum lease payments	<u>\$ 8,132</u>	<u>\$ -</u>

**TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

II. DETAIL NOTES ON ALL FUNDS (Continued):

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, 2016.

	July 1, 2015	Additions	Retirements	June 30, 2016	Due Within One Year
Governmental activities:					
Capital lease	\$ 15,767	\$ -	\$ 7,635	\$ 8,132	\$ 8,132
Net pension liability (LGERS)	-	20,623		20,623	-
Compensated absences	30,506	28,097	22,760	35,843	35,843
Net pension obligation	76,513	7,995	-	84,508	-
Total	<u>\$ 122,786</u>	<u>\$ 56,715</u>	<u>\$ 30,395</u>	<u>\$ 149,106</u>	<u>\$ 43,975</u>
Business-type activities:					
Bonded debt	\$ 381,000	\$ -	\$ 60,000	\$ 321,000	\$ 62,000
Capital lease	10,151	-	10,151	-	-
Net pension liability (LGERS)	-	4,734	-	4,734	-
Compensated absences	6,558	6,019	5,631	6,946	6,946
Total	<u>\$ 397,709</u>	<u>\$ 10,753</u>	<u>\$ 75,782</u>	<u>\$ 332,680</u>	<u>\$ 68,946</u>

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

C. Interfund Activity

Transfers from a fund receiving revenues to the fund through which the resources are to be expended are recorded as "intergovernmental transfers out" in the transferring fund and "transfers in" to the receiving fund.

A summary of these transactions for the year ended June 30, 2016 follows:

From the General Fund to the Town Hall Capital Project Fund - program support	\$	50,000
--	----	--------

During the 2016 fiscal year, the Town made a transfer from the General Fund of \$50,000 to the Town Hall Capital Project Fund for construction of a new Town Hall/Police Department governmental facility.

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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>	\$ 913,949
Less:	
Prepaid expenses	5,597
Stabilization by State Statute	61,168
Streets-Powell Bill	199,923
Cultural & recreational-Facade	1,592
Cultural & recreational-Festival	19,284
Public Safety-Controlled substance tax	1,362
Remaining Fund Balance	625,023

E. Related Party Transactions

The Mayor of the Town is partial owner of Lee Moore Insurance, the insurance agency responsible for insuring the Town's property liability. During fiscal year ended June 30, 2016, the Town paid \$23,088 to this insurance agency.

Required
Supplementary Financial Data

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

- * Schedule of Proportionate Share of Net Pension Liability for Local Government Employee's Retirement System
- * Schedule of Contributions to Local Government Employees' Retirement System

Town of Broadway, North Carolina
Town of Broadway's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Three Fiscal Years *

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Broadway's proportion of the net pension liability (asset) (%)	0.00565%	0.00519%	0.00540%
Broadway's proportion of the net pension liability (asset) (\$)	\$ 25,357	\$ (30,608)	\$ 65,901
Broadway's covered-employee payroll	\$ 356,179	\$ 345,123	\$ 300,675
Broadway's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.12%	(8.87%)	21.65%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	94.35%

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

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

**Town of Broadway, North Carolina
Town of Broadway's Contributions
Required Supplementary Information
Last Three Fiscal Years**

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 24,878	\$ 24,944	\$ 23,802
Contributions in relation to the contractually required contribution	24,878	24,944	23,802
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Broadway's covered-employee payroll	\$ 356,179	\$ 345,153	\$ 332,110
Contributions as a percentage of covered-employee payroll	6.98%	7.23%	7.14%

TOWN OF BROADWAY, NORTH CAROLINA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
June 30, 2016
With Comparative Totals at June 30, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and investments	\$ 656,709	\$ 661,416
Restricted cash	202,877	172,863
Taxes receivable, net	2,306	4,832
Accounts receivable, net	8,382	8,774
Due from other governmental agencies	61,133	66,079
Due from water and sewer fund	-	10,447
Prepaid items	<u>5,597</u>	<u>-</u>
Total assets	<u>937,004</u>	<u>924,411</u>
LIABILITIES		
Accounts payable	9,478	12,895
Accrued liabilities	<u>1,562</u>	<u>6,151</u>
Total liabilities	<u>11,040</u>	<u>19,046</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	2,306	4,832
Sanitation receivable, net	8,347	8,739
Drug forfeiture revenues	<u>1,362</u>	<u>995</u>
Total deferred inflows of resources	<u>12,015</u>	<u>14,566</u>
FUND BALANCES		
Non-spendable		
Prepaid expenses	5,597	-
Restricted		
Stabilization by State Statute	61,168	76,561
Streets	199,923	170,276
Cultural and Recreational	1,592	1,592
Public safety	1,362	995
Assigned		
Cultural and Recreational	19,284	18,431
Unassigned	<u>625,023</u>	<u>622,944</u>
Total fund balances	<u>913,949</u>	<u>890,799</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 937,004</u>	<u>\$ 924,411</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, 2016
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015

	2016		Variance with Final Budget	2015
	Final Budget	Actual		Actual
Revenues:				
Ad valorem taxes:				
Taxes	\$ 381,709	\$ 385,150	\$ 3,441	\$ 381,862
Interest	-	1,903	1,903	3,476
Total	<u>381,709</u>	<u>387,053</u>	<u>5,344</u>	<u>385,338</u>
Other taxes and licenses:				
Local option sales tax	<u>125,222</u>	<u>132,017</u>	<u>6,795</u>	<u>138,318</u>
Unrestricted intergovernmental:				
Utilities sales tax	59,765	68,982		69,885
Beer and wine tax	5,134	5,604		6,100
Total	<u>64,899</u>	<u>74,586</u>	<u>9,687</u>	<u>75,985</u>
Restricted intergovernmental:				
Drug forfeiture revenues	2,000	-		2,061
Powell Bill allocation	39,526	39,124		39,926
Other local government	75,000	75,000		75,000
Solid waste disposal tax	600	826		924
Total	<u>117,126</u>	<u>114,950</u>	<u>(2,176)</u>	<u>117,911</u>
Contributions & Donations	<u>22,300</u>	<u>25,602</u>	<u>3,302</u>	<u>22,268</u>
Sales and services:				
Cemetery	8,000	3,900		9,750
Community building rent	10,000	10,771		9,890
Sanitation fees	86,500	80,073		80,284
Police fee	200	104		116
Total	<u>104,700</u>	<u>94,848</u>	<u>(9,852)</u>	<u>100,040</u>
Investment earnings	<u>1,300</u>	<u>3,174</u>	<u>1,874</u>	<u>1,572</u>
Miscellaneous:				
Cell tower rent	3,000	5,978		17,704
Other	18,997	5,416		1,570
Total	<u>21,997</u>	<u>11,394</u>	<u>(10,603)</u>	<u>19,274</u>
Total revenues	<u>839,253</u>	<u>843,624</u>	<u>4,371</u>	<u>860,706</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, 2016
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015

	2016		Variance with Final Budget	2015
	Final Budget	Actual		Actual
Expenditures:				
General government:				
Governing body:				
Salaries and benefits		\$ 9,300		\$ 9,301
Operating expenditures		2,582		1,239
	<u>13,333</u>	<u>11,882</u>	<u>1,451</u>	<u>10,540</u>
Administration:				
Salaries and benefits		74,260		76,947
Operating expenditures		43,512		43,609
Capital outlay		2,750		-
	<u>123,696</u>	<u>120,522</u>	<u>3,174</u>	<u>120,556</u>
Finance:				
Salaries and benefits		72,805		84,537
Operating expenditures		36,425		38,646
	<u>117,091</u>	<u>109,230</u>	<u>7,861</u>	<u>123,183</u>
Public buildings:				
Salaries and benefits		70,164		70,219
Operating expenditures		34,817		32,354
Capital lease		-		6,651
Capital outlay		-		25,798
	<u>143,676</u>	<u>104,981</u>	<u>38,695</u>	<u>135,022</u>
Cemetery:				
Operating expenditures		553		566
Capital outlay		-		6,608
	<u>4,450</u>	<u>553</u>	<u>3,897</u>	<u>7,174</u>
Total general government	<u>402,246</u>	<u>347,168</u>	<u>55,078</u>	<u>396,475</u>
Public safety:				
Police:				
Salaries and benefits		227,040		214,392
Operating expenditures		28,111		31,076
Capital lease		8,660		8,660
Capital outlay		-		26,064
Total public safety	<u>275,710</u>	<u>263,811</u>	<u>11,899</u>	<u>280,192</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, 2016
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015

	2016		Variance with Final Budget	2015
	Final Budget	Actual		Actual
Expenditures (Continued):				
Transportation:				
Streets:				
Operating expenditures		\$ 26,332		\$ 28,983
Capital outlay		5,400		9,894
Total transportation	<u>140,430</u>	<u>31,732</u>	<u>108,698</u>	<u>38,877</u>
Environmental protection:				
Operating expenditures	<u>90,000</u>	<u>89,092</u>	<u>908</u>	<u>88,054</u>
Cultural and recreational:				
Operating expenditures	<u>42,889</u>	<u>38,671</u>	<u>4,218</u>	<u>29,133</u>
Total expenditures	<u>951,275</u>	<u>770,474</u>	<u>180,801</u>	<u>832,731</u>
Revenues over (under) expenditures	<u>(112,022)</u>	<u>73,150</u>	<u>185,172</u>	<u>27,975</u>
Other financing sources (uses):				
Capital lease obligations issued	-	-		24,427
Sale of capital asset	1,000	-		1,050
Transfer to capital projects fund	<u>(50,000)</u>	<u>(50,000)</u>		-
Total other financing sources (uses)	<u>(49,000)</u>	<u>(50,000)</u>	<u>(1,000)</u>	<u>25,477</u>
Fund balance appropriated	<u>161,022</u>	-	<u>(161,022)</u>	-
Net change in fund balance	<u>\$ -</u>	<u>23,150</u>	<u>\$ 23,150</u>	<u>\$ 53,452</u>
Fund balances, beginning of year		<u>890,799</u>		
Fund balances, end of year		<u>\$ 913,949</u>		

**TOWN OF BROADWAY, NORTH CAROLINA
NONMAJOR GOVERNMENTAL FUND - TOWN HALL CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the year ended June 30, 2016**

	<u>Project Budget</u>	<u>Current Year</u>	<u>Prior Years</u>	<u>Total to June 30, 2016</u>
Expenditures:				
Architectural Fees	\$ 50,000	\$ -		\$ -
Total expenditures	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):				
Transfers in - General Fund	50,000	50,000	-	50,000
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Net change in fund balance	<u>\$ -</u>	50,000	<u>\$ -</u>	\$ 50,000
Fund balance, beginning of year		<u>-</u>		<u>-</u>
Fund balance, end of year		<u>\$ 50,000</u>		<u>\$ 50,000</u>

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, 2016
With Comparative Amounts for the Fiscal Year Ended June 30, 2015

	2016		Variance with Final Budget	2015	
	Final Budget	Actual		Actual	Actual
Revenues:					
Operating revenues:					
User charges water and sewer	\$ 352,365	\$ 365,788	\$ 13,423	\$ 360,501	
Connection and tap fees	18,000	17,559	(441)	17,759	
Other	13,606	11,829	(1,777)	917	
	<u>383,971</u>	<u>395,176</u>	<u>11,205</u>	<u>379,177</u>	
Nonoperating revenues:					
Interest on investments	<u>300</u>	<u>74</u>	<u>(226)</u>	<u>73</u>	
Total revenues	<u>384,271</u>	<u>395,250</u>	<u>10,979</u>	<u>379,250</u>	
Expenditures:					
Water and sewer department:					
Salaries and benefits	86,862	79,866	6,996	67,317	
Operating expenditures	103,152	71,712	31,440	55,545	
Repairs and maintenance	13,000	8,210	4,790	11,010	
Water purchased	<u>82,000</u>	<u>73,047</u>	<u>8,953</u>	<u>75,272</u>	
Total water and sewer department	<u>285,014</u>	<u>232,835</u>	<u>52,179</u>	<u>209,144</u>	
Debt service:					
Debt principal	60,000	70,151	(10,151)	68,537	
Interest	<u>24,104</u>	<u>13,952</u>	<u>10,152</u>	<u>16,379</u>	
Total debt service	<u>84,104</u>	<u>84,103</u>	<u>1</u>	<u>84,916</u>	
Capital outlay:	<u>15,153</u>	<u>9,693</u>	<u>5,460</u>	<u>6,420</u>	
Total expenditures	<u>384,271</u>	<u>326,631</u>	<u>57,640</u>	<u>300,480</u>	
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 68,619</u>	<u>\$ 68,619</u>	<u>\$ 78,770</u>	
Reconciliation of modified accrual basis to full accrual basis:					
Capital outlay		9,693			
Depreciation		(107,223)			
Increase in bad debt allowance		(416)			
Payment of debt principal		70,151			
Decrease in net pension asset		(3,890)			
Decrease in deferred outflows of resources - pensions		(10)			
Increase in net pension liability		(4,734)			
Decrease in deferred inflows of resources - pensions		10,163			
Increase in compensated absences		(388)			
Loss on disposal of capital asset		(1,977)			
Decrease in accrued interest expense		<u>255</u>			
Change in net position		<u>\$ 40,243</u>			

TOWN OF BROADWAY, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2016

<u>Fiscal year</u>	<u>Uncollected balance June 30, 2015</u>	<u>Additions</u>	<u>Collections and credits</u>	<u>Uncollected balance June 30, 2016</u>
2015-2016	\$ -	\$ 383,732	\$ (380,416)	\$ 3,316
2014-2015	4,058	-	(3,407)	651
2013-2014	1,258	-	(666)	592
2012-2013	1,168	-	(350)	818
2011-2012	958	-	(145)	813
2010-2011	755	-	(129)	626
2009-2010	934	-	(163)	771
2008-2009	752	-	(113)	639
2007-2008	408	-	-	408
2006-2007	663	-	(6)	657
2005-2006	<u>548</u>	<u>-</u>	<u>(548)</u>	<u>-</u>
Net taxes receivable	<u>\$ 11,502</u>	<u>\$ 383,732</u>	<u>\$ (385,943)</u>	9,291
Less: allowance for uncollectable accounts				<u>6,985</u>
Ad valorem taxes receivable - net				<u>\$ 2,306</u>
Reconciliation with revenues:				
Ad valorem taxes - General Fund				\$ 385,150
Reconciling items:				
Taxes released and written off				<u>793</u>
Subtotal				<u>793</u>
Total collections and credits				<u>\$ 385,943</u>

TOWN OF BROADWAY, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
For the Fiscal Year Ended June 30, 2016

	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	\$ 74,488,364	\$ 0.44	\$ 327,749	\$ 327,749	\$ -
Corporate utility	1,928,600	0.44	8,486	8,486	-
Motor vehicles tag and tax levy	9,977,120	0.44	44,427	-	44,427
Penalties	-		145	145	-
	<u>86,394,084</u>		<u>380,807</u>	<u>336,380</u>	<u>44,427</u>
Discoveries:					
Current year taxes	628,471	0.44	2,765	2,765	-
Penalties	-		182	182	-
	<u>87,022,555</u>		<u>383,754</u>	<u>339,327</u>	<u>44,427</u>
Abatements	<u>(5,085)</u>		<u>(22)</u>	<u>(22)</u>	<u>-</u>
Total property valuation	<u><u>\$ 87,017,470</u></u>				
Net levy			383,732	339,305	44,427
Uncollected taxes at June 30, 2016			<u>3,316</u>	<u>2,895</u>	<u>421</u>
Current year's taxes collected			<u><u>\$ 380,416</u></u>	<u><u>\$ 336,410</u></u>	<u><u>\$ 44,006</u></u>
Current levy collection percentage			<u><u>99.14%</u></u>	<u><u>99.15%</u></u>	<u><u>99.05%</u></u>