

Town of Broadway, North Carolina

Financial Statements

For the Fiscal Year Ended June 30, 2015

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

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104 Brady Court, Cary, North Carolina 27511
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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, 2015, 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 General 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, 2015, 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's and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions, respectively, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension 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.

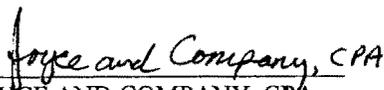
Supplementary and Other Information

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 November 4, 2015 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

November 4, 2015



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

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

To the Honorable Mayor and
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, 2015, 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 November 4, 2015.

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

JOYCE AND COMPANY, CPA
Cary, North Carolina

November 4, 2015

Town of Broadway, North Carolina
Schedule of Findings and Responses

For the year ended June 30, 2015

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, 2015. 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

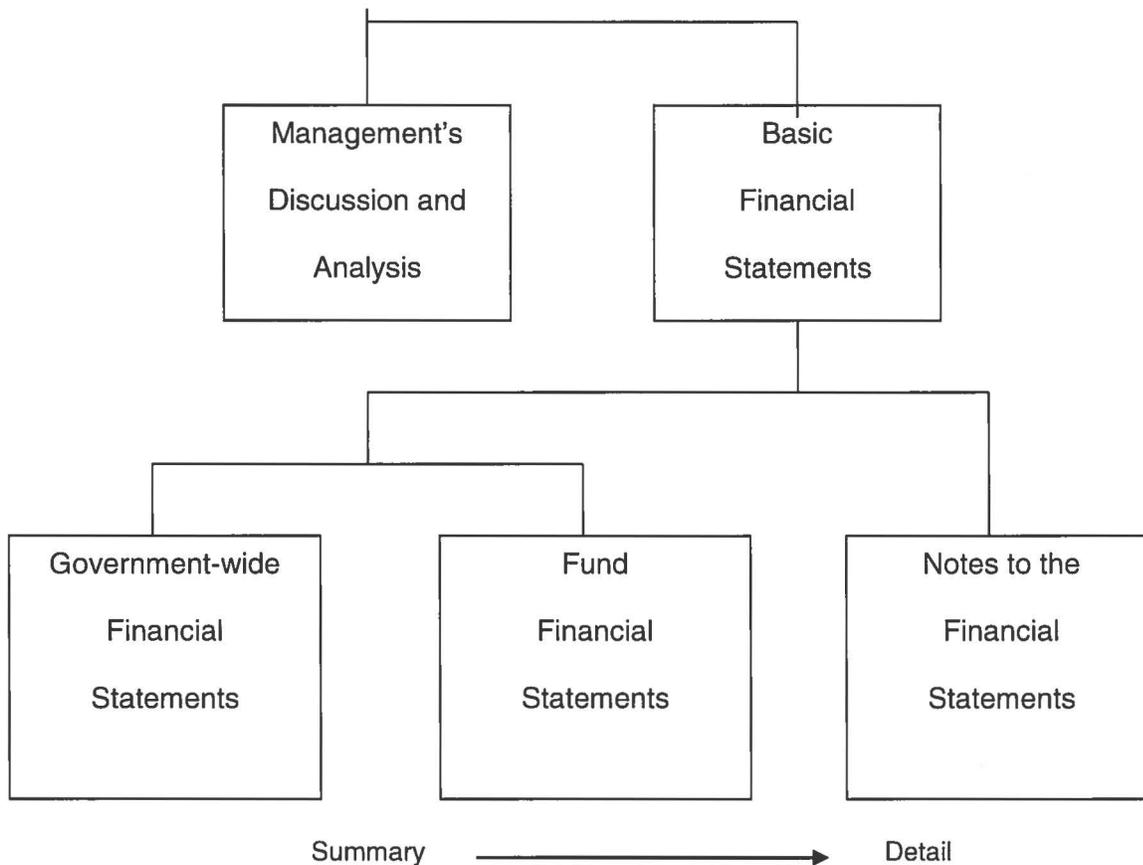
- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,129,748 (*net position*). The assets and deferred outflows of resources of the governmental activities exceeded liabilities and deferred inflows of resources by \$1,505,892 and the assets and deferred outflows of resources of the business-type activities exceeded liabilities and deferred inflows of resources by \$1,623,856.
- The government's total net position increased by \$67,106, primarily due to increases in the business-type activities due to rate increase and cost-savings in operating costs.
- As of the close of the current fiscal year, the Town's governmental funds reported ending fund balance of \$890,799, an increase of \$53,452 in comparison with the prior year. Approximately 28 percent of this total amount, or \$249,424, is non spendable or restricted.
- At the end of the current fiscal year unassigned fund balance for the general fund was \$622,944, or 74.81 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 \$1,623,856, an increase of \$47,783.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

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

The government-wide financial statements are on pages 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.

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	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 952,579	\$ 879,147	\$ 598,464	\$ 522,804	\$ 1,551,043	\$ 1,401,951
Capital assets	740,401	731,280	1,468,154	1,568,872	2,208,555	2,300,152
Deferred outflows of resources	21,306	-	3,638	-	24,944	-
Total assets and deferred outflows of resources	<u>1,714,286</u>	<u>1,610,427</u>	<u>2,070,256</u>	<u>2,091,676</u>	<u>3,784,542</u>	<u>3,702,103</u>
Long-term liabilities	92,280	73,952	391,151	459,688	483,431	533,640
Other liabilities	50,549	52,473	45,846	50,667	96,395	103,140
Deferred inflows of resources	65,565	2,681	9,403	-	74,968	2,681
Total liabilities and deferred inflows of resources	<u>208,394</u>	<u>129,106</u>	<u>446,400</u>	<u>510,355</u>	<u>654,794</u>	<u>639,461</u>
Net position:						
Net investment in capital assets	724,634	725,035	1,077,003	1,109,185	1,801,637	1,834,220
Restricted	249,424	224,863	-	-	249,424	224,863
Unrestricted	531,834	531,423	546,853	472,136	1,078,687	1,003,559
Total net position	<u>\$ 1,505,892</u>	<u>\$ 1,481,321</u>	<u>\$ 1,623,856</u>	<u>\$ 1,581,321</u>	<u>\$ 3,129,748</u>	<u>\$ 3,062,642</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 \$3,129,748 as of June 30, 2015. The Town's net position increased by \$67,106 for the fiscal year ended June 30, 2015. However, the largest portion of net position (57.56%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$249,424 (7.97%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,078,687 (34.47%) 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	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 100,182	\$ 132,460	\$ 379,177	\$ 363,122	\$ 479,359	\$ 495,582
Operating grants and contributions	140,244	131,683	-	-	140,244	131,683
General revenues:						
Property taxes	380,385	387,996	-	-	380,385	387,996
Other taxes	138,318	117,289	-	-	138,318	117,289
Other	97,816	81,711	73	50	97,889	81,761
Total revenues	<u>856,945</u>	<u>851,139</u>	<u>379,250</u>	<u>363,172</u>	<u>1,236,195</u>	<u>1,214,311</u>
Expenses:						
General government	392,770	423,000	-	-	392,770	423,000
Public safety	256,000	243,519	-	-	256,000	243,519
Transportation	28,983	27,001	-	-	28,983	27,001
Environmental protection	88,054	87,857	-	-	88,054	87,857
Cultural and recreational	29,510	26,390	-	-	29,510	26,390
Interest on long-term debt	1,016	448	-	-	1,016	448
Water and sewer	-	-	331,467	344,620	331,467	344,620
Total expenses	<u>796,333</u>	<u>808,215</u>	<u>331,467</u>	<u>344,620</u>	<u>1,127,800</u>	<u>1,152,835</u>
Increase in net position	60,612	42,924	47,783	18,552	108,395	61,476
Net position, beginning, previously reported	1,481,321	1,438,397	1,581,321	1,562,769	3,062,642	3,001,166
Restatement	<u>(36,041)</u>	<u>-</u>	<u>(5,248)</u>	<u>-</u>	<u>(41,289)</u>	<u>-</u>
Net position, beginning, restated	1,445,280	1,438,397	1,576,073	1,562,769	3,021,353	3,001,166
Net position, ending	<u>\$ 1,505,892</u>	<u>\$ 1,481,321</u>	<u>\$ 1,623,856</u>	<u>\$ 1,581,321</u>	<u>\$ 3,129,748</u>	<u>\$ 3,062,642</u>

Governmental activities – Governmental activities increased the Town's net position by \$60,612.

- Increase of 17.9% in general revenues other taxes due to change in accounting method for local option sales tax.
- Increase of 19.7% in general revenues of other due to increase in utility sales tax due to change in the distribution formula.

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

Business-type activities: Business-type activities increased the Town's net position by \$47,783. Key factors to this change in net position are as follows:

- Increase in user charges for water and sewer of 3%.
- Decrease in operating expenses of 3.8% for contract services, electricity and engineering services.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, fund balance available in the General Fund was \$814,238, while total fund balance reached \$890,799. 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 97.8 percent of total General Fund expenditures, while total fund balance represents 109 percent of the same amount.

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

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

Proprietary Funds. The Town's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$546,853. The total increase in net position was \$47,783. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town's business-type activities.

Capital Assets and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2015, totals \$2,208,555 (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 public building improvements, public safety equipment and public safety vehicle.
- Major capital purchase in the proprietary fund included equipment for the wastewater treatment plant.

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

**Town of Broadway
Capital Assets
Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 256,754	\$ 256,754	\$ 60,934	\$ 60,934	\$ 317,688	\$ 317,688
Construction in progress	-	-	-	-	-	-
Total non-depreciable assets	256,754	256,754	60,934	60,934	317,688	317,688
Buildings and improvements	757,301	715,001	3,867,639	3,861,219	4,624,940	4,576,220
Furniture and equipment	44,955	44,038	-	-	44,955	44,038
Vehicles	149,354	145,304	56,234	58,858	205,588	204,162
Total depreciable assets	951,610	904,343	3,923,873	3,920,077	4,875,483	4,824,420
Accumulated depreciation	467,963	429,817	2,516,653	2,412,139	2,984,616	2,841,956
Depreciable assets, net	483,647	474,526	1,407,220	1,507,938	1,890,867	1,982,464
Total	\$ 740,401	\$ 731,280	\$ 1,468,154	\$ 1,568,872	\$ 2,208,555	\$ 2,300,152

Additional information on the Town's capital assets can be found in Note II of the basic financial statements beginning on page 32 of this report.

Long-term Debt. As of June 30, 2015, the Town had total bonded debt outstanding of \$381,000. This debt is backed by the full faith and credit of the Town. The remainder of the Town's debt represents capital lease purchase agreement.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ -	\$ -	\$ 381,000	\$ 440,000	\$ 381,000	\$ 440,000
Capital leases	15,767	6,245	10,151	19,688	25,918	25,933
Total	\$ 15,767	\$ 6,245	\$ 391,151	\$ 459,688	\$ 406,918	\$ 465,933

The Town's total debt was decreased by \$59,015 during the past fiscal year. This represents a decrease in bonded debt due to principal payment of \$59,000, a net decrease in capital leases due to principal payment of \$24,442 and a lease purchase of \$24,427.

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

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 \$6.5 million.

Additional information regarding the Town's long-term debt can be found in Note II beginning on page 41 of this report.

Economic Factors

The following is the key economic indicator for the Town.

- The county unemployment rate decreased 0.8% from prior year to 7.9%.

Budget Highlights for the Fiscal Year Ending June 30, 2016

Governmental Activities: The governmental fund's primary revenue resources are property taxes and intergovernmental revenues. The Town will not increase taxes in the 2015-2016 fiscal year. Property tax revenues are budgeted to increase .9% due to a slight increase in the tax base. Sales tax revenues are budgeted to increase 5% due to the improvement in the economy. Further, the Town will continue its high level of service to its citizens and will not reduce services in the upcoming year. Expenditures for these services will be decreased by 0.9% from the prior year.

Business-type Activities: The business-type funds budgeted revenue increased 2.1% for the fiscal year ending June 30, 2015. The Town will not increase the water and sewer rates; however, an increase in water and sewer revenue is budgeted based on the rate increases and 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, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 661,416	\$ 535,876	\$ 1,197,292
Taxes receivable, net	4,832	-	4,832
Accrued interest receivable on taxes	1,450		1,450
Accounts receivable, net	8,774	43,161	51,935
Due from other governmental agencies	66,079	-	66,079
Internal balances	10,447	(10,447)	-
Restricted cash	172,863	25,984	198,847
Total current assets	<u>925,861</u>	<u>594,574</u>	<u>1,520,435</u>
Non-current assets:			
Net pension asset	26,718	3,890	30,608
Capital assets:			
Land	256,754	60,934	317,688
Other capital assets, net of accumulated depreciation	483,647	1,407,220	1,890,867
Total capital assets	<u>740,401</u>	<u>1,468,154</u>	<u>2,208,555</u>
Total assets	<u>1,692,980</u>	<u>2,066,618</u>	<u>3,759,598</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in current fiscal year	<u>21,306</u>	<u>3,638</u>	<u>24,944</u>
LIABILITIES			
Current liabilities:			
Accounts payable	12,895	11,201	24,096
Accrued interest payable	997	-	997
Accrued liabilities	6,151	2,103	8,254
Compensated absences	30,506	6,558	37,064
Current portion of long-term debt	7,635	70,151	77,786
Liabilities payable from restricted assets:			
Customer deposits	-	25,984	25,984
Total current liabilities	<u>58,184</u>	<u>115,997</u>	<u>174,181</u>
Non-current liabilities:			
Long-term debt	8,132	321,000	329,132
Net pension obligation	76,513	-	76,513
Total non-current liabilities	<u>84,645</u>	<u>321,000</u>	<u>405,645</u>
Total liabilities	<u>142,829</u>	<u>436,997</u>	<u>579,826</u>
DEFERRED INFLOWS OF RESOURCES			
Drug forfeiture revenues	995	-	995
Pension deferrals	64,570	9,403	73,973
Total deferred inflows of resources	<u>65,565</u>	<u>9,403</u>	<u>74,968</u>
NET POSITION			
Net investment in capital assets	724,634	1,077,003	1,801,637
Restricted for:			
Stabilization by State Statute	76,561	-	76,561
Streets	170,276	-	170,276
Cultural and Recreational	1,592	-	1,592
Public safety	995	-	995
Unrestricted	<u>531,834</u>	<u>546,853</u>	<u>1,078,687</u>
Total net position	<u>\$ 1,505,892</u>	<u>\$ 1,623,856</u>	<u>\$ 3,129,748</u>

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

TOWN OF BROADWAY, NORTH CAROLINA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Function/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 392,770	\$ 19,640	\$ -	\$ -	\$ (373,130)	\$ -	\$ (373,130)
Public safety	256,000	116	77,061	-	(178,823)	-	(178,823)
Transportation	28,983	-	39,991	-	11,008	-	11,008
Environmental protection	88,054	80,426	924	-	(6,704)	-	(6,704)
Cultural and recreational	29,510	-	22,268	-	(7,242)	-	(7,242)
Interest on long-term debt	1,016	-	-	-	(1,016)	-	(1,016)
Total governmental activities	796,333	100,182	140,244	-	(555,907)	-	(555,907)
Business-type activities:							
Water and sewer	331,467	379,177	-	-	-	47,710	47,710
Total primary government	\$ 1,127,800	\$ 479,359	\$ 140,244	\$ -	(555,907)	47,710	(508,197)
General revenues:							
Ad valorem taxes					380,385	-	380,385
Other taxes and licenses					138,318	-	138,318
Unrestricted intergovernmental revenues					75,985	-	75,985
Unrestricted investment earnings					1,507	73	1,580
Miscellaneous					20,324	-	20,324
Total general revenues					616,519	73	616,592
Change in net position					60,612	47,783	108,395
Net position, beginning, previously reported					1,481,321	1,581,321	3,062,642
Restatement					(36,041)	(5,248)	(41,289)
Net position, beginning, restated					1,445,280	1,576,073	3,021,353
Net position, end of year					\$ 1,505,892	\$ 1,623,856	\$ 3,129,748

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

TOWN OF BROADWAY, NORTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2015

	<u>Major Fund General</u>
ASSETS	
Cash and cash equivalents	\$ 661,416
Restricted cash	172,863
Taxes receivable, net of allowance of \$6,670	4,832
Accounts receivable, net	8,774
Due from other governmental agencies	66,079
Due from water and sewer fund	<u>10,447</u>
Total assets	<u>924,411</u>
LIABILITIES	
Accounts payable	12,895
Accrued liabilities	<u>6,151</u>
Total liabilities	<u>19,046</u>
DEFERRED INFLOWS OF RESOURCES	
Property taxes receivable	4,832
Sanitation receivable, net	8,739
Drug forfeiture revenues	<u>995</u>
Total deferred inflows of resources	<u>14,566</u>
FUND BALANCES	
Restricted	
Stabilization by State Statute	76,561
Streets	170,276
Cultural and Recreational	1,592
Public safety	995
Assigned	
Cultural and Recreational	18,431
Unassigned	<u>622,944</u>
Total fund balances	<u>890,799</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 924,411</u>

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

TOWN OF BROADWAY, NORTH CAROLINA
RECONCILIATION of the BALANCE SHEET - GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
June 30, 2015

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

Total Fund Balance, Governmental Funds	\$ 890,799
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	740,401
Net pension asset	26,718
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Financial Position	21,306
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and, therefore, are inflows of resources in the funds.	1,450
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	13,571
Some liabilities, including capital lease purchase, accrued interest, pension and compensated absences, are not due and payable in current period and therefore are not reported in the funds	(123,783)
Pension related deferrals	<u>(64,570)</u>
Net position of governmental activities	<u>\$ 1,505,892</u>

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

TOWN OF BROADWAY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	Major Fund - General
REVENUES	
Ad valorem taxes	\$ 385,338
Other taxes and licenses	138,318
Unrestricted intergovernmental	75,985
Restricted intergovernmental	117,911
Contributions & donations	22,268
Sales and services	100,040
Investment earnings	1,572
Miscellaneous	<u>19,274</u>
Total revenues	<u>860,706</u>
EXPENDITURES	
Current operating	
General government	357,418
Public safety	245,468
Transportation	28,983
Environmental protection	88,054
Cultural and recreational	29,133
Debt service	
Principal	14,905
Interest	406
Capital outlay	<u>68,364</u>
Total expenditures	<u>832,731</u>
Excess of revenues over expenditures	<u>27,975</u>
OTHER FINANCING SOURCES	
Capital lease obligations issued	24,427
Sale of capital assets	<u>1,050</u>
Total other financing sources	<u>25,477</u>
Net change in fund balance	53,452
Fund balances, beginning of year	<u>837,347</u>
Fund balances, end of year	<u>\$ 890,799</u>

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

TOWN OF BROADWAY, NORTH CAROLINA
RECONCILIATION of the STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES
For the Year Ended June 30, 2015

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

Net changes in fund balances - total governmental funds	\$ 53,452
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, the gain/loss on disposal of those assets would also differ between the two statements in an amount equal to the basis of the asset reported on the date of disposal.

Addition to capital assets	68,364
Depreciation expense including dispositions	(59,243)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	21,306
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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	(4,953)
Change in unavailable revenue for sanitation revenues	142

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 issued	(24,427)
Long-term debt retired	14,905
Increase in accrued interest expense	(610)

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

Compensated absences	2,293
Pension expense	(1,811)
Net pension obligation	<u>(8,806)</u>

Total changes in net position of governmental activities	<u>\$ 60,612</u>
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The accompanying notes are an integral part of the financial statements.

TOWN OF BROADWAY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Ad valorem taxes	\$ 378,466	\$ 378,466	\$ 385,338	\$ 6,872
Other taxes and licenses	118,706	118,706	138,318	19,612
Unrestricted intergovernmental	64,195	64,195	75,985	11,790
Restricted intergovernmental	119,000	119,000	117,911	(1,089)
Contributions & donations	-	20,450	22,268	1,818
Sales and services	104,200	104,200	100,040	(4,160)
Investment earnings	1,500	1,500	1,572	72
Miscellaneous	<u>35,703</u>	<u>35,703</u>	<u>19,274</u>	<u>(16,429)</u>
Total revenues	<u>821,770</u>	<u>842,220</u>	<u>860,706</u>	<u>18,486</u>
Expenditures:				
Current operating:				
General government	434,175	430,075	396,475	33,600
Public safety	258,395	285,398	280,192	5,206
Transportation	35,000	43,000	38,877	4,123
Environmental protection	92,500	89,000	88,054	946
Cultural and recreational	<u>10,592</u>	<u>36,488</u>	<u>29,133</u>	<u>7,355</u>
Total expenditures	<u>830,662</u>	<u>883,961</u>	<u>832,731</u>	<u>51,230</u>
Revenues over (under) expenditures	<u>(8,892)</u>	<u>(41,741)</u>	<u>27,975</u>	<u>69,716</u>
Other financing sources:				
Capital lease obligations issued	-	24,003	24,427	424
Sale of capital assets	<u>1,000</u>	<u>1,000</u>	<u>1,050</u>	<u>50</u>
Total other financing sources	<u>1,000</u>	<u>25,003</u>	<u>25,477</u>	<u>474</u>
Fund balance appropriated	7,892	16,738	-	(16,738)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	53,452	<u>\$ 53,452</u>
Fund balances, beginning of year			<u>837,347</u>	
Fund balances, end of year			<u>\$ 890,799</u>	

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

TOWN OF BROADWAY, NORTH CAROLINA
SCHEDULE OF NET POSITION - PROPRIETARY FUND
June 30, 2015

	Business-type Activities - Enterprise
	Major Fund - Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 535,876
Accounts receivable, net of allowance of \$26,472	43,161
Restricted cash	<u>25,984</u>
Total current assets	<u>605,021</u>
Non-current assets:	
Net pension asset	3,890
Capital assets:	
Land, improvements and construction in progress	60,934
Other capital assets, net of accumulated depreciation	<u>1,407,220</u>
Total capital assets	<u>1,468,154</u>
Total non-current assets	<u>1,472,044</u>
Total assets	<u>2,077,065</u>
DEFERRED OUTFLOWS OF RESOURCES	
Contributions to pension plan	<u>3,638</u>
Total deferred outflows of resources	<u>3,638</u>
LIABILITIES	
Current liabilities:	
Accounts payable	11,201
Accrued liabilities	2,103
Due to general fund	10,447
Compensated absences	6,558
Capital lease payable - current	10,151
General obligation bonds - current	60,000
Liabilities payable from restricted assets:	
Customer deposits	<u>25,984</u>
Total current liabilities	126,444
Non-current liabilities:	
General obligation bonds payable	<u>321,000</u>
Total non-current liabilities	321,000
Total liabilities	<u>447,444</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	<u>9,403</u>
Total deferred inflows of resources	<u>9,403</u>
NET POSITION	
Net investment in capital assets	1,077,003
Unrestricted	<u>546,853</u>
Total net position	<u>\$ 1,623,856</u>

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

TOWN OF BROADWAY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUND
For the Year Ended June 30, 2015

	Business-type Activities - Enterprise
	<u>Major Fund - Water and Sewer Fund</u>
OPERATING REVENUES	
Charges for services	\$ 360,501
Connection and tap fees	17,759
Other operating revenues	<u>917</u>
Total operating revenues	<u>379,177</u>
OPERATING EXPENSES	
Water and sewer operations	207,950
Depreciation	<u>107,138</u>
Total operating expenses	<u>315,088</u>
Operating income (loss)	<u>64,089</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	73
Interest	<u>(16,379)</u>
Total nonoperating revenue (expenses)	<u>(16,306)</u>
Change in net position	<u>47,783</u>
Total net position, beginning, previously reported	1,581,321
Restatement	<u>(5,248)</u>
Total net position, beginning, restated	<u>1,576,073</u>
Total net position, ending	<u>\$ 1,623,856</u>

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

TOWN OF BROADWAY, NORTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended June 30, 2015

	Business-type Activities - Enterprise Major Fund - Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 375,362
Cash paid for goods and services	(163,950)
Cash paid to employees for services	(50,763)
Customer deposits received, net	<u>750</u>
Net cash provided by operating activities	<u>161,399</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
General fund loan payment	<u>(15,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on bonds and capital lease debt	(68,537)
Interest paid on bonds and capital lease debt	(16,379)
Acquisition and construction of capital assets	<u>(6,420)</u>
Net cash used in capital and related financing activities	<u>(91,336)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>73</u>
Net increase in cash and cash equivalents	55,136
Balances, beginning	<u>506,724</u>
Balances, ending	<u>\$ 561,860</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 64,089
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	107,138
Pension expense	264
Bad debt expense	2,180
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(3,814)
Increase in accounts payable	(5,761)
Increase in accrued vacation pay	191
(Increase) decrease in deferred outflows of resources for pensions	(3,638)
Increase in customer deposits	<u>750</u>
Net cash provided by operating activities	<u>\$ 161,399</u>

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

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town is a municipal corporation which is governed by an elected mayor and a five-member council.

B. Basis of Presentation

Government-wide Statements - The statement of net position and the statement of activities display information on all of the financial activities of the overall government, except for fiduciary activities. For the most part, the effect of interfund activity has been removed from these statements, which distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

The Town reports the following major governmental fund:

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

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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

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

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

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

The Town considers all revenues available if they are collected within the 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the 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, categorical block grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then general revenues.

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

D. Budgetary Data

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

Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. All amendments must be approved by the governing board. The Town Manager and Finance Officer are authorized by budget ordinance to transfer appropriations between functional areas within a department; however, any revisions that alter the total expenditures of any fund or department must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Money that has been contributed for cultural and recreation projects are restricted as specified by the revenue source and are also classified as restricted cash. Money that is the unspent portion of grant funds that is restricted for public safety expenditures is also classified as restricted cash. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Town of Broadway Restricted Cash

Governmental Activities		
General Fund		
	Streets	\$ 170,276
	Cultural and Recreational	1,592
	Public Safety	<u>995</u>
Total governmental activities		<u>\$ 172,863</u>
Business-type Activities		
Water and Sewer Fund		
	Customer deposits	<u>25,984</u>
Total Business-type activities		<u>\$ 25,984</u>
Total Restricted Cash		<u>\$198,847</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, 2014. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Due to/from Other Funds

At June 30, 2015, the Water and Sewer Fund owed the General Fund \$10,447. The Water and Sewer Fund borrowed money from the General Fund to pay off water & sewer bonds.

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 are recorded at their estimated fair value at the date of donation. Certain items acquired before July 1, 1970, are recorded at an estimated original cost. The total of such estimates is not considered large enough that the errors would be material when fixed assets are considered as a whole. The Town has elected not to retroactively report major general infrastructure. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Capital assets are depreciated using the straight-line method over the assets' estimated useful lives. Assets acquired under capital leases are amortized over the assets' estimated useful lives. Capital assets are reported in the Town's basic financial statements net of accumulated depreciation and amortization. Water and sewer lines are depreciated on a composite straight-line basis for the entire plant, regardless of the year of acquisition, at a 1.67% rate. In the composite rate, gain or loss on

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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 2015 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 four 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.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Accumulated sick leave at June 30, 2015 amounted to \$218,254 in total, of which \$160,232 relates to governmental

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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 Balance

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows;

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.

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.

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

13. Pensions

For Purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of 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.

At June 30, 2015, the Town's deposits had a carrying amount of \$1,396,139 and a bank balance of \$1,411,093. 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, 2015 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	\$ 11,502
Less allowance for collectibles	<u>6,670</u>
Net property taxes receivable	<u>\$ 4,832</u>

Accounts receivables as of June 30, 2015, including the applicable allowances for uncollectible accounts, are as follows:

**TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

II. DETAIL NOTES ON ALL FUNDS (Continued):

	<u>General Fund</u>	<u>Enterprise Fund</u>
Waste management fees	\$ 12,842	\$ -
Utility user charges	-	61,063
Other	<u>35</u>	<u>8,570</u>
Total receivables	12,877	69,633
Less allowance for collectibles	<u>4,103</u>	<u>26,472</u>
Net total receivables	<u>\$ 8,774</u>	<u>\$ 43,161</u>

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

	<u>General Fund</u>
Local option sales tax	\$ 33,596
Property tax	13,914
Sales and use tax	2,746
Solid waste disposal tax	189
Utility sales tax	<u>15,634</u>
Total	<u>\$ 66,079</u>

3. Interfund Balances

At June 30, 2015, \$10,447 was due to the general fund from the proprietary fund. The Town's bonded debt service was re-financed during fiscal year end 2001. At that time, the Town's general fund loaned the utility fund \$207,925 to be paid back over time.

4. Capital Assets

Capital assets at June 30, 2015 are summarized below:

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

II. DETAIL NOTES ON ALL FUNDS (Continued):

Governmental Activities by function:

	July 1, 2014	Additions	Deletions	June 30, 2015
General Government	\$ 976,861	\$ 42,300	\$ 1,144	\$ 1,018,017
Public Safety	98,786	26,064	19,953	104,897
Transportation	14,400	-	-	14,400
Environmental protection	-	-	-	-
Cultural and recreational	71,050	-	-	71,050
	<u>1,161,097</u>	<u>68,364</u>	<u>21,097</u>	<u>1,208,364</u>
Less accumulated depreciation for:				
General Government	351,627	42,332	1,144	392,815
Public Safety	63,193	16,534	19,953	59,774
Transportation	14,400	-	-	14,400
Environ. Protection	-	-	-	-
Cultural/recreational	597	377	-	974
	<u>429,817</u>	<u>59,243</u>	<u>21,097</u>	<u>467,963</u>
Governmental activities capital assets, net	<u>\$ 731,280</u>			<u>\$ 740,401</u>

Governmental Activities by type:

Non-depreciable assets:				
Land	\$ 256,754	\$ -	\$ -	\$ 256,754
Depreciable assets:				
Buildings & infrastructure	715,001	42,300	-	757,301
Furniture & equipment	44,038	2,061	1,144	44,955
Vehicles	145,304	24,003	19,953	149,354
	<u>904,343</u>	<u>68,364</u>	<u>21,097</u>	<u>951,610</u>
Less accumulated depreciation for:				
Buildings & infrastructure	276,588	39,008	-	315,596
Furniture & equipment	33,387	2,312	1,144	34,555
Vehicles	119,842	17,923	19,953	117,812
Total accumulated depreciation	<u>429,817</u>	<u>59,243</u>	<u>21,097</u>	<u>467,963</u>
Depreciable assets, net	<u>474,526</u>			<u>483,647</u>
Governmental activities capital assets, net	<u>\$ 731,280</u>			<u>\$ 740,401</u>

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

II. DETAIL NOTES ON ALL FUNDS (Continued):

Business-type activities by type:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2015</u>
Non-depreciable assets:				
Land	\$ 60,934	\$ -	\$ -	\$ 60,934
Total non-depreciable assets	<u>60,934</u>	<u>-</u>	<u>-</u>	<u>60,934</u>
Depreciable assets:				
Water tank	103,892	-	-	103,892
Water system	730,011	-	-	730,011
Vehicles	58,858	-	2,624	56,234
Sewer system	1,973,817	-	-	1,973,817
Sewer pumps	240,750	-	-	240,750
Waste water treatment	812,749	6,420	-	819,169
	<u>3,920,077</u>	<u>6,420</u>	<u>2,624</u>	<u>3,923,873</u>
Less accumulated:				
Water tank	53,417	1,623	-	55,040
Water system	383,509	13,624	-	397,133
Vehicles	21,629	4,215	2,624	23,220
Sewer system	1,318,559	48,537	-	1,367,096
Sewer pumps	130,075	10,521	-	140,596
Waste water treatment	504,950	28,618	-	533,568
Total accumulated depreciation	<u>2,412,139</u>	<u>107,138</u>	<u>2,624</u>	<u>2,516,653</u>
Depreciable assets, net	<u>1,507,938</u>			<u>1,407,220</u>
Business-type activities capital assets, net	<u>\$ 1,568,872</u>			<u>\$ 1,468,154</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 ww.osc.nc.gov.

**TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

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, 2015, was 7.41% of compensation for law enforcement officers and 7.07% 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 \$24,944 for the year ended June 30, 2015.

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, 2015, the Town reported an asset of \$30,608 for its proportionate share of the net pension asset. The net pension asset was measured as of June, 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset 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, 2014, the Town's proportion was 0.0052% which was a decrease of 0.0002% from its proportion measured as of June 30, 2013.

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

II. DETAIL NOTES ON ALL FUNDS (Continued):

For the year ended June 30, 2015, the Town recognized pension expense of \$2,076. At June 30, 2015 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	\$ -	\$ 3,345
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	71,254
Changes in proportion and differences between Town contributions and proportionate share of contributions	626	-
Town contributions subsequent to the measurement date	24,944	-
Total	<u>\$ 25,570</u>	<u>\$ 74,599</u>

\$24,944 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ (18,495)
2017	(18,495)
2018	(18,495)
2019	(18,488)
2020	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2013 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, 2013 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, 2015

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, 2014 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	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 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 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

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:

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

II. DETAIL NOTES ON ALL FUNDS (Continued):

	<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)	\$ 103,896	\$ (30,608)	\$ (143,856)

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.

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, 2014, 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.

**TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

II. DETAIL NOTES ON ALL FUNDS (Continued):

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, 2015 to be \$76,513 and has included the amount in non-current liabilities.

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, 2015 were \$21,367, which consisted of \$11,807 from the Town and \$9,560 from the law enforcement officers.

2. Other Employment Benefits

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

For the fiscal year ended June 30, 2015, 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.

**TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based

II. DETAIL NOTES ON ALL FUNDS (Continued):

on the number of years the employer has contributed as of December 31, 2010 was established as follows:

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

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

3. Deferred 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	\$ 24,944
Total	\$ 24,944

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

	Unavailable Revenue	Unearned Revenue
Property taxes receivable, net (General Fund)	\$ 4,832	\$ -
Sanitation fees receivable, net (General Fund)	8,739	-
Drug forfeiture revenues (General Fund)	-	995
Pension deferrals	73,973	-
	\$ 87,544	\$ 995

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.

**TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

II. DETAIL NOTES ON ALL FUNDS (Continued):

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, 2015 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	\$ 381,000
Less amounts currently due	<u>60,000</u>
Long-term liabilities	<u>\$ 321,000</u>

At June 30, 2015, the Town had no bonds authorized but unissued and a legal debt margin of approximately \$6.5 million.

Annual debt service requirements to maturity for general obligation bonds, including interest, of \$47,290 on the water and sewer bonds, are as follows:

Fiscal Year ending <u>June 30</u>	<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 60,000	\$ 13,297
2017	62,000	11,203
2018	63,000	9,039
2019	64,000	6,840
2020-2021	<u>132,000</u>	<u>6,911</u>
Total	<u>\$ 381,000</u>	<u>\$ 47,290</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.

**TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

II. DETAIL NOTES ON ALL FUNDS (Continued):

The following is an analysis of the assets recorded under capital leases at June 30, 2015:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Vehicles-Governmental activities	\$ 67,364	\$ 35,823	\$ 31,541
Vehicles-Business-type activities	42,147	9,132	33,015
Total	\$ 109,511	\$ 44,955	\$ 64,556

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2015 were as follows:

Fiscal Year Ending June 30	Governmental Activities	Business-type Activities
2016	\$ 8,660	\$ 10,806
2017	8,660	-
Total minimum lease payments	17,320	10,806
Less: Amount representing interest	(1,553)	(655)
Present value of the minimum lease payments	\$ 15,767	\$ 10,151

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, 2015.

	July 1, 2014	Additions	Retirements	June 30, 2015	Due Within One Year
Governmental activities:					
Capital lease	\$ 6,245	\$ 24,427	\$ 14,905	\$ 15,767	\$ 7,635
Net pension liability (LGERS)	\$ 56,818	\$ -	\$ 56,818	\$ -	\$ -
Compensated absences	32,799	30,020	32,313	30,506	30,506
Net pension obligation	67,707	8,806	-	76,513	-
Total	\$ 163,569	\$ 63,253	\$ 104,036	\$ 122,786	\$ 38,141
Business-type activities:					
Bonded debt	\$ 440,000	\$ -	\$ 59,000	\$ 381,000	\$ 60,000
Capital lease	19,688	-	9,537	10,151	10,151
Net pension liability (LGERS)	8,273	-	8,273	-	-
Compensated absences	6,367	5,684	5,493	6,558	6,558
Total	\$ 474,328	\$ 5,684	\$ 82,303	\$ 397,709	\$ 76,709

Compensated absences for governmental activities have typically been liquidated in the General Fund. The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

**TOWN OF BROADWAY, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2015**

II. DETAIL NOTES ON ALL FUNDS (Continued):

C. 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>	\$890,799
Less:	
Stabilization by State Statute	76,561
Streets-Powell Bill	170,276
Cultural & recreational-Facade	1,592
Cultural & recreational-Festival	18,431
Public Safety-Controlled substance tax	995
Remaining Fund Balance	622,944

D. 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, 2015, the Town paid \$23,985 to this insurance agency.

E. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement no. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$36,041 and \$5,248 respectively.

Required
Supplementary Financial Data

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

- * Schedule of Proportionate Share of Net Pension Asset 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 Two Fiscal Years *

Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Broadway's proportion of the net pension liability (asset) (%)	0.00519%	0.00540%
Broadway's proportion of the net pension liability (asset) (\$)	\$ (30,608)	\$ 65,091
Broadway's covered-employee payroll	\$ 345,123	\$ 300,675
Broadway's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(8.87%)	21.65%
Plan fiduciary net position as a percentage of the total pension liability**	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 Two Fiscal Years**

Local Government Employees' Retirement System

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

**TOWN OF BROADWAY, NORTH CAROLINA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
June 30, 2015
With Comparative Totals at June 30, 2014**

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and investments	\$ 661,416	\$ 628,577
Restricted cash	172,863	152,671
Taxes receivable, net	4,832	9,428
Accounts receivable, net	8,774	9,132
Due from other governmental agencies	66,079	46,210
Due from water and sewer fund	10,447	25,447
Prepaid items	<u>-</u>	<u>5,875</u>
Total assets	<u>924,411</u>	<u>877,340</u>
LIABILITIES		
Accounts payable	12,895	16,322
Accrued liabilities	<u>6,151</u>	<u>2,965</u>
Total liabilities	<u>19,046</u>	<u>19,287</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	4,832	9,428
Sanitation receivable, net	8,739	8,597
Drug forfeiture revenues	<u>995</u>	<u>2,681</u>
Total deferred inflows of resources	<u>14,566</u>	<u>20,706</u>
FUND BALANCES		
Non-spendable		
Prepaid expenses	-	5,875
Restricted		
Stabilization by State Statute	76,561	72,192
Streets	170,276	146,252
Cultural and Recreational	1,592	3,738
Public safety	995	2,681
Assigned		
Cultural and Recreational	18,431	16,755
Unassigned	<u>622,944</u>	<u>589,854</u>
Total fund balances	<u>890,799</u>	<u>837,347</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 924,411</u>	<u>\$ 877,340</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, 2015

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014

	2015		Variance with Final Budget	2014
	Final Budget	Actual		Actual
Revenues:				
Ad valorem taxes:				
Taxes	\$ 378,466	\$ 381,862	\$ 3,396	\$ 391,781
Interest	-	3,476	3,476	4,232
Total	<u>378,466</u>	<u>385,338</u>	<u>6,872</u>	<u>396,013</u>
Other taxes and licenses:				
Local option sales tax	<u>118,706</u>	<u>138,318</u>	<u>19,612</u>	<u>117,289</u>
Unrestricted intergovernmental:				
Utilities sales tax	58,710	69,885		54,560
State sales tax	500	-		-
Beer and wine tax	4,985	6,100		5,531
Total	<u>64,195</u>	<u>75,985</u>	<u>11,790</u>	<u>60,091</u>
Restricted intergovernmental:				
Drug forfeiture revenues	4,000	2,061		3,151
Powell Bill allocation	39,500	39,926		39,703
Other local government	75,000	75,000		75,000
Solid waste disposal tax	500	924		858
Total	<u>119,000</u>	<u>117,911</u>	<u>(1,089)</u>	<u>118,712</u>
Contributions & Donations	<u>20,450</u>	<u>22,268</u>	<u>1,818</u>	<u>18,306</u>
Sales and services:				
Cemetery	11,000	9,750		30,225
Community building rent	6,500	9,890		8,724
Sanitation fees	86,500	80,284		79,329
Police fee	200	116		116
Total	<u>104,200</u>	<u>100,040</u>	<u>(4,160)</u>	<u>118,394</u>
Investment earnings	<u>1,500</u>	<u>1,572</u>	<u>72</u>	<u>1,626</u>
Miscellaneous:				
Cell tower rent	17,703	17,704		17,023
Other	18,000	1,570		3,042
Total	<u>35,703</u>	<u>19,274</u>	<u>(16,429)</u>	<u>20,065</u>
Total revenues	<u>842,220</u>	<u>860,706</u>	<u>18,486</u>	<u>850,496</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, 2015
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014

	2015		Variance	2014
	Final Budget	Actual	with Final Budget	Actual
Expenditures:				
General government:				
Governing body:				
Salaries and benefits		\$ 9,301		\$ 8,655
Operating expenditures		1,239		3,380
	<u>10,765</u>	<u>10,540</u>	<u>225</u>	<u>12,035</u>
Administration:				
Salaries and benefits		76,947		81,354
Operating expenditures		43,609		41,260
	<u>129,671</u>	<u>120,556</u>	<u>9,115</u>	<u>122,614</u>
Finance:				
Salaries and benefits		84,537		76,792
Operating expenditures		38,646		38,882
	<u>125,299</u>	<u>123,183</u>	<u>2,116</u>	<u>115,674</u>
Public buildings:				
Salaries and benefits		70,219		67,523
Operating expenditures		32,354		53,401
Capital lease		6,651		6,651
Capital outlay		25,798		4,380
	<u>152,040</u>	<u>135,022</u>	<u>17,018</u>	<u>131,955</u>
Cemetery:				
Operating expenditures		566		1,678
Capital outlay		6,608		9,974
	<u>12,300</u>	<u>7,174</u>	<u>5,126</u>	<u>11,652</u>
Total general government	<u>430,075</u>	<u>396,475</u>	<u>33,600</u>	<u>393,930</u>
Public safety:				
Police:				
Salaries and benefits		214,392		196,781
Operating expenditures		31,076		32,371
Capital lease		8,660		8,110
Capital outlay		26,064		2,493
Total public safety	<u>285,398</u>	<u>280,192</u>	<u>5,206</u>	<u>239,755</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, 2015
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014

	2015		Variance with Final Budget	2014
	Final Budget	Actual		Actual
Expenditures (Continued):				
Transportation:				
Streets:				
Operating expenditures		\$ 28,983		\$ 27,001
Capital outlay		9,894		53,231
Total transportation	43,000	38,877	4,123	80,232
Environmental protection:				
Operating expenditures	89,000	88,054	946	87,857
Cultural and recreational:				
Operating expenditures	36,488	29,133	7,355	26,013
Total expenditures	883,961	832,731	51,230	827,787
Revenues over (under) expenditures	(41,741)	27,975	69,716	22,709
Other financing sources:				
Capital lease obligations issued	24,003	24,427		-
Sale of capital asset	1,000	1,050		14,304
Total other financing sources	25,003	25,477	474	14,304
Fund balance appropriated	16,738	-	(16,738)	-
Net change in fund balance	\$ -	53,452	\$ 53,452	\$ 37,013
Fund balances, beginning of year		837,347		
Fund balances, end of year		\$ 890,799		

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, 2015
With Comparative Amounts for the Fiscal Year Ended June 30, 2014

	2015		Variance with Final Budget	2014
	Final Budget	Actual		Actual
Revenues:				
Operating revenues:				
User charges water and sewer	\$ 343,694	\$ 360,501	\$ 16,807	\$ 347,929
Connection and tap fees	18,800	17,759	(1,041)	15,033
Other	200	917	717	160
	<u>362,694</u>	<u>379,177</u>	<u>16,483</u>	<u>363,122</u>
Nonoperating revenues:				
Interest on investments	700	73	(627)	50
Total revenues	<u>363,394</u>	<u>379,250</u>	<u>15,856</u>	<u>363,172</u>
Expenditures:				
Water and sewer department:				
Salaries and benefits	68,309	67,317	992	61,850
Operating expenditures	85,422	55,545	29,877	68,635
Repairs and maintenance	17,500	11,010	6,490	9,661
Water purchased	<u>82,000</u>	<u>75,272</u>	<u>6,728</u>	<u>73,875</u>
Total water and sewer department	<u>253,231</u>	<u>209,144</u>	<u>44,087</u>	<u>214,021</u>
Debt service:				
Debt principal	59,000	68,537	(9,537)	66,959
Interest	<u>26,163</u>	<u>16,379</u>	<u>9,784</u>	<u>18,988</u>
Total debt service	<u>85,163</u>	<u>84,916</u>	<u>247</u>	<u>85,947</u>
Capital outlay:	<u>25,000</u>	<u>6,420</u>	<u>18,580</u>	<u>10,225</u>
Total expenditures	<u>363,394</u>	<u>300,480</u>	<u>62,914</u>	<u>310,193</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 78,770</u>	<u>\$ 78,770</u>	<u>\$ 52,979</u>
Reconciliation of modified accrual basis to full accrual basis:				
Capital outlay		6,420		
Depreciation		(107,138)		
Increase in bad debt allowance		(2,180)		
Payment of debt principal		68,537		
Deferred outflows of resources for contributions made to pension plan in current fiscal year		3,638		
Pension expense		<u>(264)</u>		
Change in net position		<u>\$ 47,783</u>		

TOWN OF BROADWAY, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2015

<u>Fiscal year</u>	<u>Uncollected balance June 30, 2014</u>	<u>Additions</u>	<u>Collections and credits</u>	<u>Uncollected balance June 30, 2015</u>
2014-2015	\$ -	\$ 377,943	\$ (373,885)	\$ 4,058
2013-2014	5,051	-	(3,793)	1,258
2012-2013	2,856	-	(1,688)	1,168
2011-2012	1,309	-	(351)	958
2010-2011	1,062	-	(307)	755
2009-2010	1,266	-	(332)	934
2008-2009	1,056	-	(304)	752
2007-2008	707	-	(299)	408
2006-2007	996	-	(333)	663
2005-2006	877	-	(329)	548
2004-2005	<u>674</u>	<u>-</u>	<u>(674)</u>	<u>-</u>
Net taxes receivable	<u>\$ 15,854</u>	<u>\$ 377,943</u>	<u>\$ (382,295)</u>	11,502
Less: allowance for uncollectable accounts				<u>6,670</u>
Ad valorem taxes receivable - net				<u>\$ 4,832</u>
Reconcilement with revenues:				
Ad valorem taxes - General Fund				\$ 381,862
Reconciling items:				
Taxes released and written off				<u>433</u>
Subtotal				<u>433</u>
Total collections and credits				<u>\$ 382,295</u>

TOWN OF BROADWAY, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
For the Fiscal Year Ended June 30, 2015

	Town-wide		Total levy	Total levy	
	Property valuation	Rate		Property excluding registered motor vehicles	Registered motor vehicles
Original levy:					
Property taxed at current year's rate	\$ 74,547,391	\$ 0.44	\$ 328,009	\$ 327,792	\$ 217
Corporate utility	1,797,747	0.44	7,910	7,910	-
Motor vehicles tag and tax levy	9,470,314	0.44	41,948	-	41,948
Penalties	-		267	267	-
	<u>85,815,452</u>		<u>378,134</u>	<u>335,969</u>	<u>42,165</u>
Discoveries:					
Current year taxes	48,101	0.44	212	212	-
Penalties	-		8	8	-
	<u>85,863,553</u>		<u>378,354</u>	<u>336,189</u>	<u>42,165</u>
Abatements	<u>(90,711)</u>		<u>(411)</u>	<u>(355)</u>	<u>(56)</u>
Total property valuation	<u>\$ 85,772,842</u>				
Net levy			377,943	335,834	42,109
Uncollected taxes at June 30, 2015			<u>4,058</u>	<u>3,802</u>	<u>256</u>
Current year's taxes collected			<u>\$ 373,885</u>	<u>\$ 332,032</u>	<u>\$ 41,853</u>
Current levy collection percentage			<u>98.93%</u>	<u>98.87%</u>	<u>99.39%</u>