

Town of Broadway, North Carolina

Financial Statements

For the Fiscal Year Ended June 30, 2011

TOWN OF BROADWAY, NORTH CAROLINA

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditors' Report.....	1
Management's Discussion and Analysis (Unaudited)	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	13
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets.....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual - General Fund	17
Statement of Net Assets - Proprietary Fund Type.....	18
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Fund Type.....	19
Statement of Cash Flows - Proprietary Fund Type	20
Notes to the Financial Statements	21
Combining and Individual Fund Statements and Schedules:	
Comparative Balance Sheets – General Fund	36
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	37
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Water and Sewer Fund.....	40
Supplementary Information:	
Schedule of Ad Valorem Taxes Receivable	41
Analysis of Current Tax Levy.....	42

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

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

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Town Alderpersons
Broadway, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Broadway, North Carolina, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Broadway's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

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, and each major fund of the Town of Broadway, North Carolina, as of June 30, 2011, 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 conformity with accounting principles generally accepted in the United States of America.

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

Our audit was performed for the purpose of forming an opinion on the basic financial statements that collectively comprise the basic financial statements of the Town of Broadway, North Carolina, as a whole. The individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 25, 2011

**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, 2011. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements which follow this narrative.

Financial Highlights

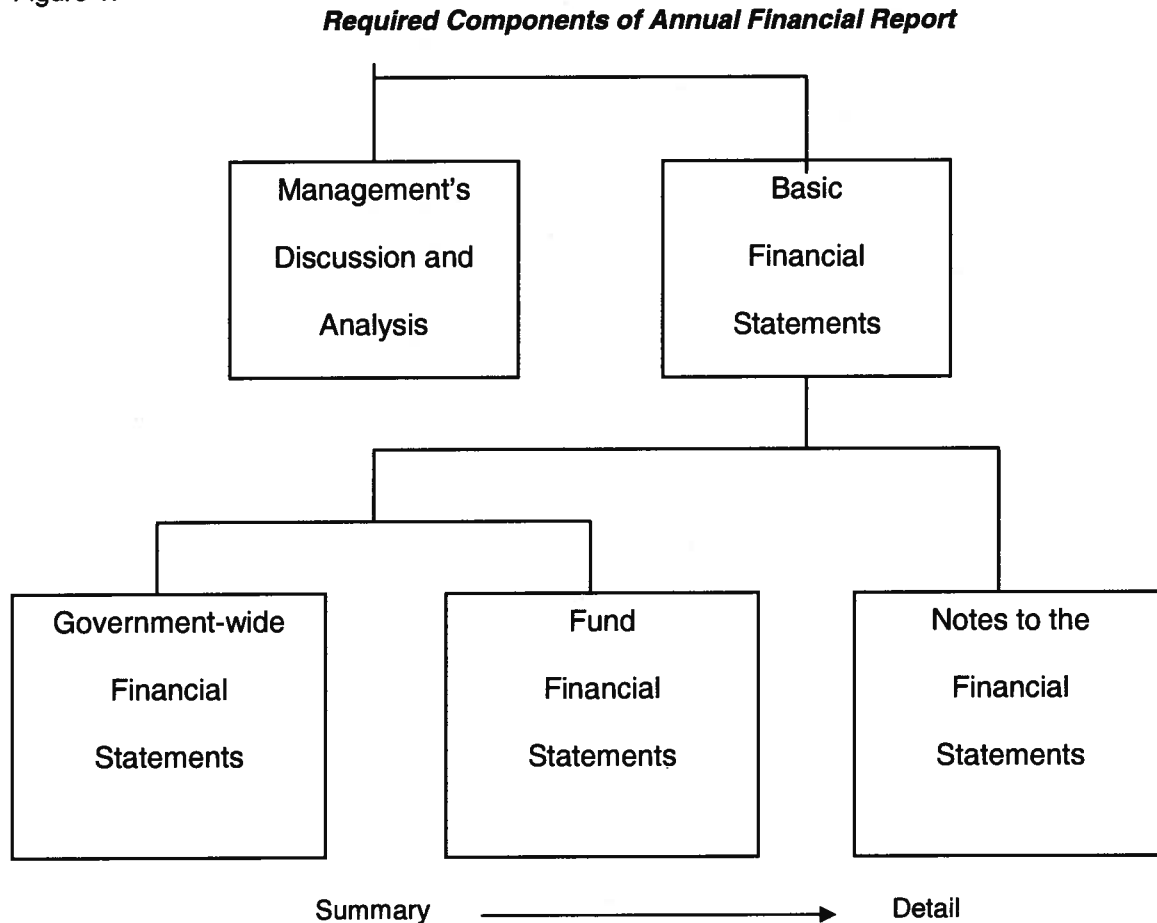
- The assets of the Town exceeded its liabilities at the close of the fiscal year by \$2,896,008. The assets of the governmental activities exceeded liabilities by \$1,402,870 and the assets of the business-type activities exceeded liabilities by \$1,493,138.
- The government's total net assets increased by \$73,728.
- As of the close of the current fiscal year, the Town's general fund reported ending fund balance of \$765,394, a decrease of \$119,782 in comparison with the prior year. Approximately 34 percent of this total amount, or \$268,172, is non spendable or restricted.
- At the end of the current fiscal year unassigned fund balance for the general fund was \$482,171, or 53.76 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 assets of \$1,493,138, an increase of \$24,072.
- The Town refunded the sanitary sewer bond debt to significantly lower the interest rate with a range of 5.00% - 7.125% to 3.49% for an overall savings of \$155,000 in the next ten years. The debt service will increase approximately \$3,000 per year due to a five year reduction in the payout period on the refinanced bonds.

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.

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

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 assets and how they have changed. Net assets are the difference between the Town's total assets and total liabilities. Measuring net assets is one way to gauge the Town's financial condition. Over time, increases or decreases in net assets 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 assets 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 11 and 12 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) 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 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 assets 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 Council 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 Council; 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 enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses 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 Assets 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 21 of this report.

Net Assets

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

**Town of Broadway
Statement of Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 809,655	\$ 975,859	\$ 364,242	\$ 292,984	\$ 1,173,897	\$ 1,268,843
Capital assets	689,950	569,723	1,779,616	1,850,283	2,469,566	2,420,006
Total assets	<u>1,499,605</u>	<u>1,545,582</u>	<u>2,143,858</u>	<u>2,143,267</u>	<u>3,643,463</u>	<u>3,688,849</u>
Long-term liabilities	7,579	14,655	555,000	599,000	562,579	613,655
Other liabilities	89,156	177,713	95,720	75,201	184,876	252,914
Total liabilities	<u>96,735</u>	<u>192,368</u>	<u>650,720</u>	<u>674,201</u>	<u>747,455</u>	<u>866,569</u>
Net assets:						
Invested in capital assets, net of related debt	682,371	555,068	1,169,616	1,215,283	1,851,987	1,770,351
Restricted	268,172	410,955	-	-	268,172	410,955
Unrestricted	<u>452,327</u>	<u>387,191</u>	<u>323,522</u>	<u>253,783</u>	<u>775,849</u>	<u>640,974</u>
Total net assets	<u>\$ 1,402,870</u>	<u>\$ 1,353,214</u>	<u>\$ 1,493,138</u>	<u>\$ 1,469,066</u>	<u>\$ 2,896,008</u>	<u>\$ 2,822,280</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town exceeded liabilities by \$2,896,008 as of June 30, 2011. The Town's net assets increased by \$73,728 for the fiscal year ended June 30, 2011. The largest portion of net assets, 64%, reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. 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 assets, \$268,172 (9%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$775,849 (27%) is unrestricted.

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

Changes in Net Assets

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

**Town of Broadway
Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 77,938	\$ 90,714	\$ 361,415	\$ 364,134	\$ 439,353	\$ 454,848
Operating grants and contributions	56,696	56,123	3,758	-	60,454	56,123
Capital grants	-	-	-	-	-	-
General revenues:						
Property taxes	356,748	360,911	-	-	356,748	360,911
Other taxes	265,634	242,987	-	-	265,634	242,987
Other	32,078	54,945	677	892	32,755	55,837
Total revenues	<u>789,094</u>	<u>805,680</u>	<u>365,850</u>	<u>365,026</u>	<u>1,154,944</u>	<u>1,170,706</u>
Expenses:						
General government	235,782	364,822	-	-	235,782	364,822
Public safety	202,761	228,681	-	-	202,761	228,681
Transportation	201,089	26,065	-	-	201,089	26,065
Environmental protection	77,246	72,015	-	-	77,246	72,015
Cultural and recreational	22,560	21,759	-	-	22,560	21,759
Water and sewer	-	-	341,778	332,723	341,778	332,723
Total expenses	<u>739,438</u>	<u>713,342</u>	<u>341,778</u>	<u>332,723</u>	<u>1,081,216</u>	<u>1,046,065</u>
Increase in net assets	49,656	92,338	24,072	32,303	73,728	124,641
Net assets, July 1	<u>1,353,214</u>	<u>1,260,876</u>	<u>1,469,066</u>	<u>1,436,763</u>	<u>2,822,280</u>	<u>2,697,639</u>
Net assets, June 30	<u>\$ 1,402,870</u>	<u>\$ 1,353,214</u>	<u>\$ 1,493,138</u>	<u>\$ 1,469,066</u>	<u>\$ 2,896,008</u>	<u>\$ 2,822,280</u>

Governmental activities – Governmental activities increased the Town's net assets by \$49,656.

- Increase of 9% in general revenues of other taxes and intergovernmental revenues.
- Net increase in capital outlay attributable to transportation expenses for street resurfacing.

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

Business-type activities: Business-type activities increased the Town's net assets by \$24,072. Key factors to this change in net assets are as follows:

- Increase in operating expenditures including meter expenses, pump supplies, and electricity.
- The Town refunding of the sanitary sewer bond debt resulted in a decrease of \$15,499 in interest costs and an increase in debt issuance costs of \$9,762 in the current year.

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, available fund balance 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 \$644,610, while total fund balance reached \$765,394. 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 72 percent of total General Fund expenditures, while total fund balance represents 85 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 less than budgeted amounts primarily due to a decrease in sanitation fees. Expenditures were less than budgeted amounts primarily due to less operating expenditures in the Public Building, Police and Cultural and Recreational departments and less capital expenditures in the Public Buildings department.

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 assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$323,522. The total increase in net assets was \$24,072. 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, 2011, totals \$2,469,566 (net of accumulated depreciation). These assets include buildings, streets, storm drainage, sidewalks, land, machinery and equipment, and vehicles.

- Major capital asset purchases in the governmental fund included street resurfacing and storm drain basin.
- Major capital purchases in the proprietary fund included pumps for the Water System, a portable generator at the Waste Water Treatment Plant and electrical upgrades to the Sewer Pumps.

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

**Town of Broadway
Capital Assets**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 256,754	\$ 256,754	\$ 60,934	\$ 60,934	\$ 317,688	\$ 317,688
Construction in progress	-	-	-	-	-	-
Total non-depreciable assets	<u>256,754</u>	<u>256,754</u>	<u>60,934</u>	<u>60,934</u>	<u>317,688</u>	<u>317,688</u>
Buildings and improvements	569,761	401,931	3,860,899	3,834,272	4,430,660	4,236,203
Furniture and equipment	39,086	39,086	-	-	39,086	39,086
Vehicles	160,297	160,297	16,710	16,710	177,007	177,007
Total depreciable assets	<u>769,144</u>	<u>601,314</u>	<u>3,877,609</u>	<u>3,850,982</u>	<u>4,646,753</u>	<u>4,452,296</u>
Accumulated depreciation	<u>335,948</u>	<u>288,345</u>	<u>2,158,927</u>	<u>2,061,633</u>	<u>2,494,875</u>	<u>2,349,978</u>
Depreciable assets, net	<u>433,196</u>	<u>312,969</u>	<u>1,718,682</u>	<u>1,789,349</u>	<u>2,151,878</u>	<u>2,102,318</u>
Total	<u>\$ 689,950</u>	<u>\$ 569,723</u>	<u>\$ 1,779,616</u>	<u>\$ 1,850,283</u>	<u>\$ 2,469,566</u>	<u>\$ 2,420,006</u>

Additional information on the Town's capital assets can be found in Note 4 of the basic financial statements.

Long-term Debt. As of June 30, 2011, the Town had total bonded debt outstanding of \$610,000. This debt is backed by the full faith and credit of the Town. The remainder of the Town's debt represents a capital lease purchase agreement.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ -	\$ -	\$ 610,000	\$ 635,000	\$ 610,000	\$ 635,000
Capital leases	7,579	14,655	-	-	7,579	14,655
Total	<u>\$ 7,579</u>	<u>\$ 14,655</u>	<u>\$ 610,000</u>	<u>\$ 635,000</u>	<u>\$ 617,579</u>	<u>\$ 649,655</u>

The Town's total debt was decreased by \$32,076 during the past fiscal year. This represents a decrease in bonded debt due to refunding of \$25,000, and the decrease of a capital lease due to principal payment of \$7,076.

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 \$6.4 million.

Additional information regarding the Town's long-term debt can be found in Note 10 beginning on page 32 of this report.

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

Economic Factors

The following is the key economic indicator for the Town.

- The county unemployment rate increased 0.4% from prior year to 12.90%.

Budget Highlights for the Fiscal Year Ending June 30, 2012

Governmental Activities: The governmental fund's primary revenue resources are property taxes and intergovernmental revenues. For the fiscal year ending June 30, 2012, the budget increased 1.03% over the prior year. The increase was due to amounts budgeted for local option taxes, utility franchise tax and drug forfeiture compared to prior year.

Business-type Activities: The business-type funds budgeted revenue increased 1.03% for the fiscal year ending June 30, 2012. The largest increases in budgeted expenses are for debt service on the refinanced bonds and electricity.

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 ASSETS
June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 512,215	\$ 378,654	\$ 890,869
Receivables:			
Ad valorem taxes, net of allowance of \$4,125	17,376	-	17,376
Other	7,988	14	8,002
Customers, net of allowance of \$17,392	-	45,172	45,172
Other governmental agencies	54,241	-	54,241
Restricted cash	147,388	1,200	148,588
Internal balances	70,447	(70,447)	-
Deferred bond issuance costs	-	9,649	9,649
Capital assets:			
Land	256,754	60,934	317,688
Other capital assets, net of accumulated depreciation	433,196	1,718,682	2,151,878
Total capital assets - net	<u>689,950</u>	<u>1,779,616</u>	<u>2,469,566</u>
Total assets	<u>1,499,605</u>	<u>2,143,858</u>	<u>3,643,463</u>
Liabilities			
Accounts payable and accrued expenses	55,777	12,182	67,959
Deposits	-	21,584	21,584
Unearned revenues	1,358	-	1,358
Accrued compensated absences	32,021	5,754	37,775
Grant payable	-	1,200	1,200
Long-term liabilities:			
Due in one year	7,579	55,000	62,579
Due in more than one year	-	555,000	555,000
Total liabilities	<u>96,735</u>	<u>650,720</u>	<u>747,455</u>
Net assets			
Invested in capital assets, net of related debt	682,371	1,169,616	1,851,987
Restricted for:			
Stabilization by State Statute	120,784	-	120,784
Streets	140,494	-	140,494
Cultural and Recreational	2,502	-	2,502
Public safety	4,392	-	4,392
Unrestricted	<u>452,327</u>	<u>323,522</u>	<u>775,849</u>
Total net assets	<u>\$ 1,402,870</u>	<u>\$ 1,493,138</u>	<u>\$ 2,896,008</u>

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

TOWN OF BROADWAY, NORTH CAROLINA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Primary government:						
Governmental activities:						
General government	\$ 235,782	\$ 16,860	\$ 21,375	\$ (197,547)	\$ -	\$ (197,547)
Public safety	202,761	419	689	(201,653)	-	(201,653)
Transportation	201,089	-	34,632	(166,457)	-	(166,457)
Environmental protection	77,246	60,659	-	(16,587)	-	(16,587)
Cultural and recreational	22,560	-	-	(22,560)	-	(22,560)
Total governmental activities	739,438	77,938	56,696	(604,804)	-	(604,804)
Business-type activities:						
Water and sewer	341,778	361,415	3,758	-	23,395	23,395
Total primary government	\$ 1,081,216	\$ 439,353	\$ 56,696	\$ (604,804)	23,395	\$ (581,409)
General revenues:						
Ad valorem taxes				356,748	-	356,748
Other taxes and licenses				191,657	-	191,657
Unrestricted intergovernmental revenues				72,971	-	72,971
Restricted intergovernmental revenues				1,006	-	1,006
Unrestricted investment earnings				4,088	677	4,765
Restricted investment earnings				4,406	-	4,406
Miscellaneous				23,584	-	23,584
Total general revenues				654,460	677	655,137
Change in net assets				49,656	24,072	73,728
Net assets, beginning of year				1,353,214	1,469,066	2,822,280
Net assets, end of year				\$ 1,402,870	\$ 1,493,138	\$ 2,896,008

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

TOWN OF BROADWAY, NORTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2011

ASSETS	<u>Major Fund General</u>
Cash and cash equivalents	\$ 512,215
Restricted cash	147,388
Taxes receivable, net of allowance of \$4,125	17,376
Other receivables	7,988
Due from other government	54,241
Due from water and sewer fund	<u>70,447</u>
 Total assets	 <u>\$ 809,655</u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable and accrued liabilities	\$ 13,635
Deferred/unearned revenues	<u>30,626</u>
Total liabilities	<u>44,261</u>
 Fund balances:	
Restricted	
Stabilization by State Statute	120,784
Streets	140,494
Cultural and Recreational	2,502
Public safety	4,392
Assigned	
Cultural and Recreational	14,661
Subsequent year's expenditures	390
Unassigned	
Total fund balances	<u>482,171</u> <u>765,394</u>
 Total liabilities and fund balances	 <u>\$ 809,655</u>

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

TOWN OF BROADWAY, NORTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2011

Reconciliation of fund balance in the balance sheet - governmental funds with net assets - governmental activities:

Fund balance as reported in the balance sheet - governmental funds	\$ 765,394
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds	689,950
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	29,268
Some liabilities, including capital lease purchase, law enforcement officers special separation allowance and compensated absences, are not due and payable in current period and therefore are not reported in the funds	<u>(81,742)</u>
Net assets of governmental activities	<u>\$ 1,402,870</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, 2011

	<u>Major Fund - General</u>
Revenues:	
Ad valorem taxes	\$ 353,099
Other taxes and licenses	191,657
Unrestricted intergovernmental revenues	72,971
Restricted intergovernmental revenues	35,638
Contributions & donations	21,375
Sales and services	77,938
Investment earnings	8,494
Miscellaneous	<u>16,084</u>
Total revenues	<u>777,256</u>
Expenditures:	
General government	365,015
Public safety	231,128
Transportation	201,089
Environmental protection	77,246
Cultural and recreational	<u>22,560</u>
Total expenditures	<u>897,038</u>
Net change in fund balance	(119,782)
Fund balance, beginning of year	<u>885,176</u>
Fund balance, end of year	<u>\$ 765,394</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, 2011

Reconciliation of net change in fund balance in the statement of revenues, expenditures and changes in fund balance - governmental funds to change in net assets - governmental activities:

Revenues less than expenditures \$ (119,782)

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.

Capital assets 167,830
 Depreciation (47,603)

Revenues in the statement of activities that do not provide current financial resources are not available as revenues in the funds. 11,838

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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Long- term debt retired 7,076

Compensated absences and law enforcement officers' special separation allowance in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 30,297

Change in net assets of governmental activities \$ 49,656

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 -
ANNUAL BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 367,574	\$ 352,574	\$ 353,099	\$ 525
Other taxes and licenses	190,000	190,000	191,657	1,657
Unrestricted intergovernmental revenues	61,000	61,000	72,971	11,971
Restricted intergovernmental revenues	35,000	35,000	35,638	638
Contributions & donations	-	25,200	21,375	(3,825)
Sales and services	82,050	82,050	77,938	(4,112)
Investment earnings	7,500	7,500	8,494	994
Miscellaneous	<u>17,152</u>	<u>32,152</u>	<u>16,084</u>	<u>(16,068)</u>
Total revenues	<u>760,276</u>	<u>785,476</u>	<u>777,256</u>	<u>(8,220)</u>
Expenditures:				
General government	391,570	391,644	365,015	26,629
Public safety	250,556	250,556	231,128	19,428
Transportation	36,500	211,500	201,089	10,411
Environmental protection	77,950	77,876	77,246	630
Cultural and recreational	<u>9,092</u>	<u>34,292</u>	<u>22,560</u>	<u>11,732</u>
Total expenditures	<u>765,668</u>	<u>965,868</u>	<u>897,038</u>	<u>68,830</u>
Revenues in excess of (less than) expenditures	<u>(5,392)</u>	<u>(180,392)</u>	<u>(119,782)</u>	<u>60,610</u>
Other financing sources				
Appropriated fund balance	<u>5,392</u>	<u>180,392</u>	<u>-</u>	<u>(180,392)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(119,782)</u>	<u>\$ (119,782)</u>
Fund balance, beginning of year			<u>885,176</u>	
Fund balance, end of year			<u>\$ 765,394</u>	

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

TOWN OF BROADWAY, NORTH CAROLINA
STATEMENT OF NET ASSETS - PROPRIETARY FUND
June 30, 2011

	Business-type Activities - Enterprise
	Major Fund - Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 378,654
Restricted cash	1,200
Accounts receivable, net of allowance of \$17,392	45,172
Other receivables	<u>14</u>
Total current assets	<u>425,040</u>
Non-current assets:	
Deferred bond issue costs, net	9,649
Capital assets:	
Land, improvements and construction in progress	60,934
Other capital assets, net of accumulated depreciation	<u>1,718,682</u>
Total capital assets	<u>1,779,616</u>
Total non-current assets	<u>1,789,265</u>
Total assets	<u>\$ 2,214,305</u>
LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts payable and accrued liabilities	\$ 17,936
Current portion of general obligation bonds	55,000
Deposits	21,584
Grant payable	1,200
Due to general fund	<u>70,447</u>
Total current liabilities	166,167
General obligation bonds payable	<u>555,000</u>
Total liabilities	<u>721,167</u>
Net assets:	
Invested in capital assets, net of related debt	1,169,616
Unrestricted	<u>323,522</u>
Total net assets	<u>\$ 1,493,138</u>
Total liabilities and assets	<u>\$ 2,214,305</u>

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

TOWN OF BROADWAY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - PROPRIETARY FUND
For the Year Ended June 30, 2011

	Business-type Activities - Enterprise
	Major Fund - Water and Sewer Fund
	<hr/>
Operating revenues:	
Charges for services	\$ 361,415
Intergovernmental grant revenue	<u>3,758</u>
Total operating revenues	<u>365,173</u>
Operating expenses:	
Water and sewer operations	204,040
Depreciation and amortization	<u>101,951</u>
Total operating expenses	<u>305,991</u>
Operating income	<u>59,182</u>
Nonoperating revenues (expenses):	
Interest earned on investments	677
Interest expense	<u>(35,787)</u>
Nonoperating expenses - net	<u>(35,110)</u>
Change in net assets	24,072
Net assets, beginning of year	<u>1,469,066</u>
Net assets, end of year	<u>\$ 1,493,138</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, 2011

	Business-type Activities - Enterprise Major Fund - Water and Sewer Fund
Cash flows from (to) operating activities:	
Cash received from customers	\$ 364,536
Cash received from grant	3,758
Cash paid for goods and services	(161,447)
Cash paid to employees for services	(42,829)
Customer deposits received, net	<u>555</u>
Net cash provided by operating activities	<u>164,573</u>
Cash flows used in noncapital and related financing activities:	
General fund loan payment	<u>(15,000)</u>
Cash flows from (to) capital and related financing activities:	
Proceeds from refunding bonds	610,000
Principal paid on bonds	(635,000)
Debt issuance cost	(9,762)
Interest paid on bonds	(35,787)
Acquisition and construction of capital assets	<u>(26,627)</u>
Net cash used in capital and related financing activities	<u>(97,176)</u>
Cash flows provided by investing activities:	
Interest on investments	<u>677</u>
Net increase in cash and cash equivalents	53,074
Cash and cash equivalents, beginning of year	<u>326,780</u>
Cash and cash equivalents, end of year	<u>\$ 379,854</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 59,182
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	101,951
Bad debt expense	3,383
Change in assets and liabilities:	
Increase in accounts receivable	(262)
Decrease in accounts payable	(236)
Increase in customer deposits	<u>555</u>
Net cash provided by operating activities	<u>\$ 164,573</u>

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

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 - 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 and Fund Financial Statements

Government-wide Statements - The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the Town. 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 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 including multipurpose grants that do not provide for specific identification of a program.

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. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and 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 Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (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. Property tax revenue 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 recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized on the modified accrual basis of accounting when they are measurable and available. Non-exchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return.

Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers all general revenues available if they are collected within 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 are materially past due and are not considered to be an available resource to finance the operations of the current year.

The Town reports unavailable revenue on its balance sheet - governmental funds when potential revenue does not meet the "available" criteria for recognition in the current period. Unearned revenues are reported on both the Town's statement of net assets and its balance sheet - governmental funds when the Town receives resources before it has a legal claim to them. In addition, deferred revenues are reported on the Town's statement of net assets when receivables are collectible over an extended period

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

of time and their collectability cannot be reasonably estimated or the Town anticipates forgiving the debt at some future date.

As of January 1, 1993, 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, Lee County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town.

For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Lee County from March 2010 through February 2011 apply to the fiscal year ended June 30, 2011. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues.

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable Financial Accounting Standards Board ("FASB") Statements and Interpretations issued on or before November 30, 1989 that do not contradict Governmental Accounting Standards Board ("GASB") pronouncements in its accounting and reporting practices for its proprietary operations.

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. 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.

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

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

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

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

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

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, 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 (2a7) 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.

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, 2010. 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, 2011, the Water and Sewer Fund owed the General Fund \$70,447. The Water and Sewer Fund borrowed money from the General Fund to pay off water & sewer bonds.

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Fund Equity (Continued)

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 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. Long-term Debt

For governmental fund types, bond issuance costs are recognized during the current period. Bond proceeds are reported as other financing sources. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

In the governmental activities, business-type activities and proprietary fund statements long-term debt and other long-term obligations are reported as liabilities. Material bond issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Material issuance costs are reported as deferred charges.

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.

9. 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. The liability for accumulated vacation leave and the salary-related payments are reported in the Town's government wide and business-type activities

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Fund Equity (Continued)

9. Compensated Absences (Continued)

financial statements as an expense and liability of those activities as the benefits accrue to employees. 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, 2011 amounted to \$145,910 in total, of which \$113,557 relates to governmental funds. 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.

10. Net Assets/Fund Balance

Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets 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;

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

The Town does not have any nonspendable fund balance.

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.

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

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Fund Equity (Continued)

10. Net Assets/Fund Balance (Continued)

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

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing board.

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

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

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations within departments.

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 provided 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.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - CASH AND CASH EQUIVALENTS

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.

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

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, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. 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, 2011, the Town's deposits had a carrying amount of \$1,039,457 and a bank balance of \$1,213,704. Of the bank balance \$500,000 was covered by federal depository insurance and \$539,457 was covered by collateral held by authorized escrow agents in the name of the Town.

NOTE 3 – INTERFUND BALANCES

At June 30, 2011, \$70,447 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.

NOTE 4 - CAPITAL ASSETS

Capital assets at June 30, 2011 are summarized below:

Governmental activities by function:

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>
General government	\$ 678,827	\$ 167,830	\$ -	\$ 846,657
Public safety	87,441	-	-	87,441
Transportation	14,400	-	-	14,400
Environmental protection	12,000	-	-	12,000
Cultural and recreational	<u>65,400</u>	<u>-</u>	<u>-</u>	<u>65,400</u>
	<u>858,068</u>	<u>167,830</u>	<u>-</u>	<u>1,025,898</u>
Less accumulated depreciation for:				
General government	219,053	37,231	-	256,284
Public safety	42,892	10,372	-	53,264
Transportation	14,400	-	-	14,400
Environ. protection	<u>12,000</u>	<u>-</u>	<u>-</u>	<u>12,000</u>
	<u>288,345</u>	<u>47,603</u>	<u>-</u>	<u>335,948</u>
Governmental activities capital assets, net	<u>\$ 569,723</u>			<u>\$ 689,950</u>

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 4 - CAPITAL ASSETS (Continued)

Governmental activities by type:

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>
Non-depreciable assets:				
Land	\$ 256,754	\$ -	\$ -	\$ 256,754
Depreciable assets:				
Buildings & infrastructure	401,931	167,830	-	569,761
Furniture & equipment	39,086	-	-	39,086
Vehicles	160,297	-	-	160,297
Total depreciable assets	<u>601,314</u>	<u>167,830</u>	<u>-</u>	<u>769,144</u>
Less accumulated depreciation for:				
Buildings & infrastructure	\$ 154,224	\$ 27,282	-	\$ 181,506
Furniture & equipment	31,585	1,904	-	33,489
Vehicles	102,536	18,417	-	120,953
Total accumulated depreciation	<u>288,345</u>	<u>47,603</u>	<u>-</u>	<u>335,948</u>
Depreciable assets, net	<u>312,969</u>			<u>433,196</u>
Governmental activities capital assets, net	<u>\$ 569,723</u>			<u>\$ 689,950</u>

Business-type activities by type:

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	757,437	10,534	-	767,971
Vehicles	16,710	-	-	16,710
Sewer system	1,973,817	-	-	1,973,817
Sewer pumps	190,387	8,720	-	199,107
Waste water treatment	808,739	7,373	-	816,112
Total depreciable assets	<u>3,850,982</u>	<u>26,627</u>	<u>-</u>	<u>3,877,609</u>
Less accumulated depreciation for:				
Water tank	46,926	1,623	-	48,549
Water system	369,087	13,570	-	382,657
Equipment & vehicles	16,712	-	-	16,712
Sewer system	1,124,409	48,537	-	1,172,946
Sewer pumps	108,787	5,837	-	114,624
Waste water treatment	395,712	27,727	-	423,439
Total accumulated depreciation	<u>2,061,633</u>	<u>97,294</u>	<u>-</u>	<u>2,158,927</u>
Depreciable assets, net	<u>1,789,349</u>			<u>1,718,682</u>
Business-type activities capital assets, net	<u>\$ 1,850,283</u>			<u>\$ 1,779,616</u>

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 5 - PENSION PLAN OBLIGATIONS

A. Local Governmental Employees' Retirement System

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

Funding Policy - Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.77% and 6.41%, respectively, of annual covered payroll. The contribution requirements of members and of the Town are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for years ended June 30, 2011, 2010 and 2009 were \$22,581, \$16,856 and \$16,258, respectively. The contributions made by the Town equaled the required contributions for each year.

B. Law Enforcement Officers Special Separation Allowance

Plan Description - The Town of Broadway administers a public employee retirement system (the "Separation Allowance"), a single-employer retirement defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Plan does not maintain separate financial statements since the Plan will be funded when expenditures become due.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2010, 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.

Summary of Significant Accounting Policies:

Basis of Accounting - The Town has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

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

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 5 - PENSION PLAN OBLIGATIONS (Continued)

B. Law Enforcement Officers Special Separation Allowance (Continued)

Contributions

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

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, 2011 to be \$42,142 and has included the amount in accrued expenses.

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, 2011 were \$17,420, which consisted of \$8,998 from the Town and \$8,422 from the law enforcement officers.

NOTE 6 – 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. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. For the fiscal year ended June 30, 2011, the Town made contributions to the State for death benefits of \$1,039. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.42% and 0.14% of covered payroll, respectively. The contribution to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount.

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 7 – DEFERRED AND UNEARNED REVENUES

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

Fund financial statements:

	General Fund
Prepaid taxes (unearned)	\$ 1,358
Property taxes receivable, net	17,376
Sanitation fees receivable, net	7,500
Unspent grant funds	4,392
	<u>\$ 30,626</u>

There are unearned revenues in the amount of \$1,358 recorded in the government-wide financial statements.

NOTE 8 - 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.

NOTE 9 – COMMITMENTS

The Town has a five year contract expiring June 30, 2013 with an annual budgeted expenditure of \$72,000 for the collection and disposal of garbage.

NOTE 10 - 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, 2011 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	\$ 610,000
Less amounts currently due	<u>55,000</u>
Long-term liabilities	<u>\$ 555,000</u>

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 10 - LONG-TERM OBLIGATIONS (Continued)

A. General Obligation Bonds (Continued)

At June 30, 2011, the Town had no bonds authorized but unissued and a legal debt margin of approximately \$6.4 million.

Annual debt service requirements to maturity for general obligation bonds, including interest, of \$122,340 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>
2012	\$ 55,000	\$ 22,945
2013	57,000	19,370
2014	58,000	17,380
2015	59,000	15,356
2016	60,000	13,297
2017-2021	<u>321,000</u>	<u>33,992</u>
Total	<u>\$ 610,000</u>	<u>\$ 122,340</u>

B. Capital Leases

The Town of Broadway has entered into a lease agreement with Ford Motor Credit Company for financing the acquisition of a police car. The lease agreement is for three years with annual payments. The lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the inception date.

The asset acquired through capital lease is as follows:

<u>Asset</u>	<u>Cost</u>	<u>Governmental Activities</u>	
		<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Vehicle	\$22,772	\$4,934	\$17,838

The future minimum lease obligation and the net present value of the minimum lease payment as of June 30, 2011 is as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>
2012	<u>\$ 8,117</u>
Total minimum lease payments	8,117
Less: Amount representing interest	<u>(538)</u>
Present value of the minimum lease payments	<u>\$ 7,579</u>

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 10 - LONG-TERM OBLIGATIONS (Continued)

C. Changes in Long-term Liabilities

The following is a summary of changes in the Town's long-term debt for the year ended June 30, 2011.

	July 1, 2010	Additions	Retirements	June 30, 2011	Due Within One Year
Governmental activities:					
Capital lease	\$ 14,655	\$ -	\$ 7,076	\$ 7,579	\$ 7,579
Compensated absences	30,740	19,213	17,932	32,021	32,021
Total	<u>\$ 45,395</u>	<u>\$ 19,213</u>	<u>\$ 25,008</u>	<u>\$ 39,600</u>	<u>\$ 39,600</u>
Business-type activities:					
Compensated absences	\$ 5,939	\$ 3,452	\$ 3,637	\$ 5,754	\$ 5,754
Bonded debt	635,000	610,000	635,000	610,000	55,000
Total	<u>\$ 640,939</u>	<u>\$ 613,452</u>	<u>\$ 638,637</u>	<u>\$ 615,754</u>	<u>\$ 60,754</u>

NOTE 11 – BOND REFUNDING

The Town issued General Obligation Refunding Bonds with a closing date of May 3, 2011. As a result the refunded bonds are considered to be defeased and the liability has been removed from the business type activities column of the statement of net assets. The par amount of the bonds equaled \$610,000 for the total bond proceeds of \$610,000. The par amount exceeded the net carrying amount of the old debt by \$11,000. The true interest cost of the refunding bonds is approximately 3.49%. The net present value of the savings realized by the Town is approximately \$95,000. Installments are due annually through June 1, 2021, with interest payments due on June 1. The Series 2011 General Obligation Refunding Bonds extinguished the following debt:

\$303,000 Series A Sanitary Sewer Bonds dated June 16, 1986

\$243,000 Series B Sanitary Sewer Bonds dated June 16, 1986

\$ 53,000 Series C Sanitary Sewer Bonds dated June 16, 1986

NOTE 12 - REVENUE, EXPENDITURES AND EXPENSES

Developer Contract

The Town entered into a contract with a private land developer during the year ended June 30, 1997. Significant provisions of the contract are that the land developer will construct the water and sewer facilities within the proposed development. Upon completion, the developer will convey the water and sewer facilities to the Town. The Town will charge a usage fee in addition to the regular tap-on fee to property owners within the sub-division, with the usage fee to be calculated based on per front footage of the lot. The Town will collect the usage fee and remit the fee to the developer at least quarterly during the development period. As of June 30, 2011, the development is not complete.

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 13 - 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>	\$765,394
Less:	
Stabilization by State Statute	120,784
Streets-Powell Bill	140,494
Cultural & recreational-Beautification	910
Cultural & recreational-Facade	1,592
Cultural & recreational-Festival	14,661
Public Safety-Controlled substance tax	4,392
Appropriated Fund Balance in 2012 budget	390
Remaining Fund Balance	482,171

TOWN OF BROADWAY, NORTH CAROLINA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
June 30, 2011
With Comparative Totals at June 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and investments	\$ 512,215	\$ 551,177
Restricted cash	147,388	279,787
Taxes receivable, net	17,376	13,727
Other receivables	7,988	7,816
Due from other governmental agencies	54,241	37,905
Due from water and sewer fund	<u>70,447</u>	<u>85,447</u>
Total assets	<u>\$ 809,655</u>	<u>\$ 975,859</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued liabilities	\$ 13,635	\$ 71,800
Unavailable/unearned revenues	<u>30,626</u>	<u>18,883</u>
Total liabilities	<u>44,261</u>	<u>90,683</u>
Fund balances:		
Restricted		
Stabilization by State Statute	120,784	127,465
Streets	140,494	276,599
Cultural and Recreational	2,502	3,188
Public safety	4,392	3,703
Assigned		
Cultural and Recreational	14,661	11,829
Subsequent year's expenditures	390	-
Unassigned	<u>482,171</u>	<u>462,392</u>
Total fund balances	<u>765,394</u>	<u>885,176</u>
Total liabilities and fund balances	<u>\$ 809,655</u>	<u>\$ 975,859</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, 2011
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010

	2011		Variance with Final Budget	2010
	Final Budget	Actual		Actual
Revenues:				
Ad valorem taxes:				
Taxes	\$ 352,574	\$ 353,099	\$ 525	\$ 360,908
Other taxes and licenses:				
Local option sales tax	190,000	191,657	1,657	185,761
Unrestricted intergovernmental revenues:				
Utility franchise tax	55,000	67,532		55,659
State sales tax	1,000	540		-
Beer and wine tax	5,000	4,899		1,567
	<u>61,000</u>	<u>72,971</u>	<u>11,971</u>	<u>57,226</u>
Restricted intergovernmental revenues:				
Solid waste disposal tax	-	1,006		765
"State Street-Aid" allocation	35,000	34,632		34,189
	<u>35,000</u>	<u>35,638</u>	<u>638</u>	<u>34,954</u>
Contributions & Donations	25,200	21,375	(3,825)	21,087
Drug Forfeiture revenues	-	-	-	1,640
Sales and services:				
Cemetery	5,000	11,300		19,275
Sale of property	-	-		7,585
Community building rent	5,500	5,560		5,700
Sanitation fees	71,250	60,659		65,668
Police fee	300	419		71
	<u>82,050</u>	<u>77,938</u>	<u>(4,112)</u>	<u>98,299</u>
Investment earnings	7,500	8,494	994	12,648
Miscellaneous:				
Cell tower rent	15,152	15,133		14,551
Other	17,000	951		19,396
	<u>32,152</u>	<u>16,084</u>	<u>(16,068)</u>	<u>33,947</u>
Total revenues	<u>785,476</u>	<u>777,256</u>	<u>(8,220)</u>	<u>806,470</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, 2011
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010

	2011		Variance with Final Budget	2010
	Final Budget	Actual		Actual
Expenditures:				
General government:				
Governing body:				
Salaries and benefits		\$ 9,301		\$ 9,301
Operating expenditures		55		2,757
	<u>9,840</u>	<u>9,356</u>	<u>484</u>	<u>12,058</u>
Administration:				
Salaries and benefits		70,693		66,382
Operating expenditures		47,879		39,405
Capital outlay		-		63,497
	<u>123,879</u>	<u>118,572</u>	<u>5,307</u>	<u>169,284</u>
Finance:				
Salaries and benefits		78,094		74,264
Operating expenditures		27,777		26,475
	<u>109,115</u>	<u>105,871</u>	<u>3,244</u>	<u>100,739</u>
Public buildings:				
Salaries and benefits		91,711		86,977
Operating expenditures		38,817		35,882
Capital outlay		-		31,618
	<u>148,085</u>	<u>130,528</u>	<u>17,557</u>	<u>154,477</u>
Cemetery:				
Operating expenditures	<u>725</u>	<u>688</u>	<u>37</u>	<u>333</u>
Total general government	<u>391,644</u>	<u>365,015</u>	<u>26,629</u>	<u>436,891</u>
Public safety:				
Police:				
Salaries and benefits		197,394		184,725
Operating expenditures		25,617		29,698
Capital lease		8,117		8,117
Capital outlay		-		22,772
Total public safety	<u>250,556</u>	<u>231,128</u>	<u>19,428</u>	<u>245,312</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, 2011
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010

	2011		Variance with Final Budget	2010
	Final Budget	Actual		Actual
Expenditures (Continued):				
Transportation:				
Streets:				
Operating expenditures		\$ 33,259		\$ 26,065
Capital outlay		167,830		-
Total transportation	<u>211,500</u>	<u>201,089</u>	<u>10,411</u>	<u>26,065</u>
Environmental protection:				
Operating expenditures	<u>77,876</u>	<u>77,246</u>	<u>630</u>	<u>72,015</u>
Cultural and recreational:				
Operating expenditures	<u>34,292</u>	<u>22,560</u>	<u>11,732</u>	<u>21,759</u>
Total expenditures	<u>965,868</u>	<u>897,038</u>	<u>68,830</u>	<u>802,042</u>
Revenues in excess of (less than) expenditures	<u>(180,392)</u>	<u>(119,782)</u>	<u>60,610</u>	<u>4,428</u>
Other financing sources:				
Capital lease proceeds	-	-	-	22,772
Appropriated fund balance	<u>180,392</u>	<u>-</u>	<u>(180,392)</u>	<u>-</u>
Total other financing sources	<u>180,392</u>	<u>-</u>	<u>(180,392)</u>	<u>22,772</u>
Net change in fund balance	<u>\$ -</u>	<u>(119,782)</u>	<u>\$ (119,782)</u>	<u>\$ 27,200</u>
Fund balance, beginning of year		<u>885,176</u>		
Fund balance, end of year		<u>\$ 765,394</u>		

TOWN OF BROADWAY, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2011
With Comparative Amounts for the Fiscal Year Ended June 30, 2010

	2011		Variance with Final Budget	2010
	Final Budget	Actual		Actual
Revenues:				
Operating revenues:				
Charges for services	\$ 344,652	\$ 364,798	\$ 20,146	\$ 364,211
Intergovernmental grant revenue	-	3,758	3,758	-
	<u>344,652</u>	<u>368,556</u>	<u>23,904</u>	<u>364,211</u>
Nonoperating revenues:				
Interest on investments	1,000	677	(323)	892
Total revenues	<u>345,652</u>	<u>369,233</u>	<u>23,581</u>	<u>365,103</u>
Expenditures:				
Water and sewer department:				
Salaries and benefits	59,627	56,238	3,389	52,573
Operating expenditures	77,725	55,514	22,211	54,244
Repairs and maintenance	18,800	17,291	1,509	10,990
Water purchased	80,000	74,997	5,003	76,433
Total water and sewer department	<u>236,152</u>	<u>204,040</u>	<u>32,112</u>	<u>194,240</u>
Debt service:				
Debt principal	635,000	635,000	-	33,000
Interest	38,500	35,787	2,713	40,304
Debt issuance cost	11,000	9,762	1,238	-
Capital outlay	35,000	26,627	8,373	23,125
Total debt service	<u>719,500</u>	<u>707,176</u>	<u>12,324</u>	<u>96,429</u>
Total expenditures	<u>955,652</u>	<u>911,216</u>	<u>44,436</u>	<u>290,669</u>
Revenues in excess of (less than) expenditures	(610,000)	(541,983)	68,017	74,434
Other financing sources:				
Refunding bond proceeds	610,000	610,000	-	-
Revenues and other financing sources in excess of expenditures	\$ -	\$ 68,017	\$ 68,017	\$ 74,434
Reconciliation of modified accrual basis to full accrual basis:				
Revenues in excess of expenditures		\$ 68,017		
Proceeds from refunding bonds		(610,000)		
Capital outlay		26,627		
Depreciation and amortization		(92,189)		
Bad debt allowance		(3,383)		
Payment of debt principal		635,000		
Increase in Net Assets		<u>\$ 24,072</u>		

TOWN OF BROADWAY, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2011

<u>Fiscal year</u>	<u>Uncollected balance June 30, 2010</u>	<u>Additions</u>	<u>Collections and credits</u>	<u>Uncollected balance June 30, 2011</u>
2010-2011	\$ -	\$ 355,895	\$ (346,313)	\$ 9,582
2009-2010	7,838	33	(3,938)	3,933
2008-2009	2,239	33	(500)	1,772
2007-2008	1,189	33	(306)	916
2006-2007	1,421	-	(246)	1,175
2005-2006	1,121	-	(111)	1,010
2004-2005	947	-	(246)	701
2003-2004	579	-	(55)	524
2002-2003	879	-	(36)	843
2001-2002	1,105	-	(60)	1,045
2000-2001	<u>535</u>	<u>-</u>	<u>(535)</u>	<u>-</u>
Net taxes receivable	<u>\$ 17,853</u>	<u>\$ 355,994</u>	<u>\$ (352,346)</u>	21,501
Less: allowance for uncollectable accounts				<u>4,125</u>
Ad valorem taxes receivable - net				<u>\$ 17,376</u>
Reconcilement with revenues:				
Taxes - ad valorem - General Fund				\$ 353,099
Reconciling items:				
Interest				(2,226)
Prior year prepaid motor vehicle taxes				1,453
Taxes written off				515
Other				<u>(495)</u>
Total collections and credits				<u>\$ 352,346</u>

**TOWN OF BROADWAY, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
For the Fiscal Year Ended June 30, 2011**

	Town-wide		Total levy		
	Property valuation	Rate	Total levy	Property excluding registered motor vehicles	Registered motor vehicles
Original levy:					
Property taxed at current year's rate	\$ 75,661,047	\$ 0.44	\$ 330,043	\$ 310,372	\$ 19,670
Corporate utility	2,476,148	0.44	10,895	10,895	-
Motor vehicles at prior year's rate	2,991,733	0.44	16,029	-	16,029
Penalties	-		213	213	-
	<u>81,128,928</u>		<u>357,180</u>	<u>321,480</u>	<u>35,699</u>
Discoveries:					
Current year taxes	77,927	0.44	556	556	-
Penalties	-		134	134	-
	<u>81,206,855</u>		<u>357,870</u>	<u>322,170</u>	<u>35,699</u>
Abatements	<u>(444,453)</u>		<u>(1,975)</u>	<u>(1,100)</u>	<u>(874)</u>
Total property valuation	<u>\$ 80,762,402</u>				
Net levy			355,895	321,070	34,825
Uncollected taxes at June 30, 2011			<u>9,582</u>	<u>5,974</u>	<u>3,608</u>
Current year's taxes collected			<u>\$ 346,313</u>	<u>\$ 315,096</u>	<u>\$ 31,217</u>
Current levy collection percentage			<u>97.31%</u>	<u>98.14%</u>	<u>89.64%</u>