

Town of Broadway, North Carolina

Financial Statements

For the Fiscal Year Ended June 30, 2013

Town Board Members

Donald F. Andrews, Mayor

Thomas H. Beal, Mayor Pro Tem

Garland W. Beale

James F. Davis

Lynne West Green

Administrative and Financial Staff

Bob Stevens, Town Manager

Barbara Cox, Finance Officer

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Broadway, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Broadway, North Carolina, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 3 to the financial statements, in 2013 the Town adopted new accounting guidance, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.

Supplementary and Other Information

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 23, 2013

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**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, 2013. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements which follow this narrative.

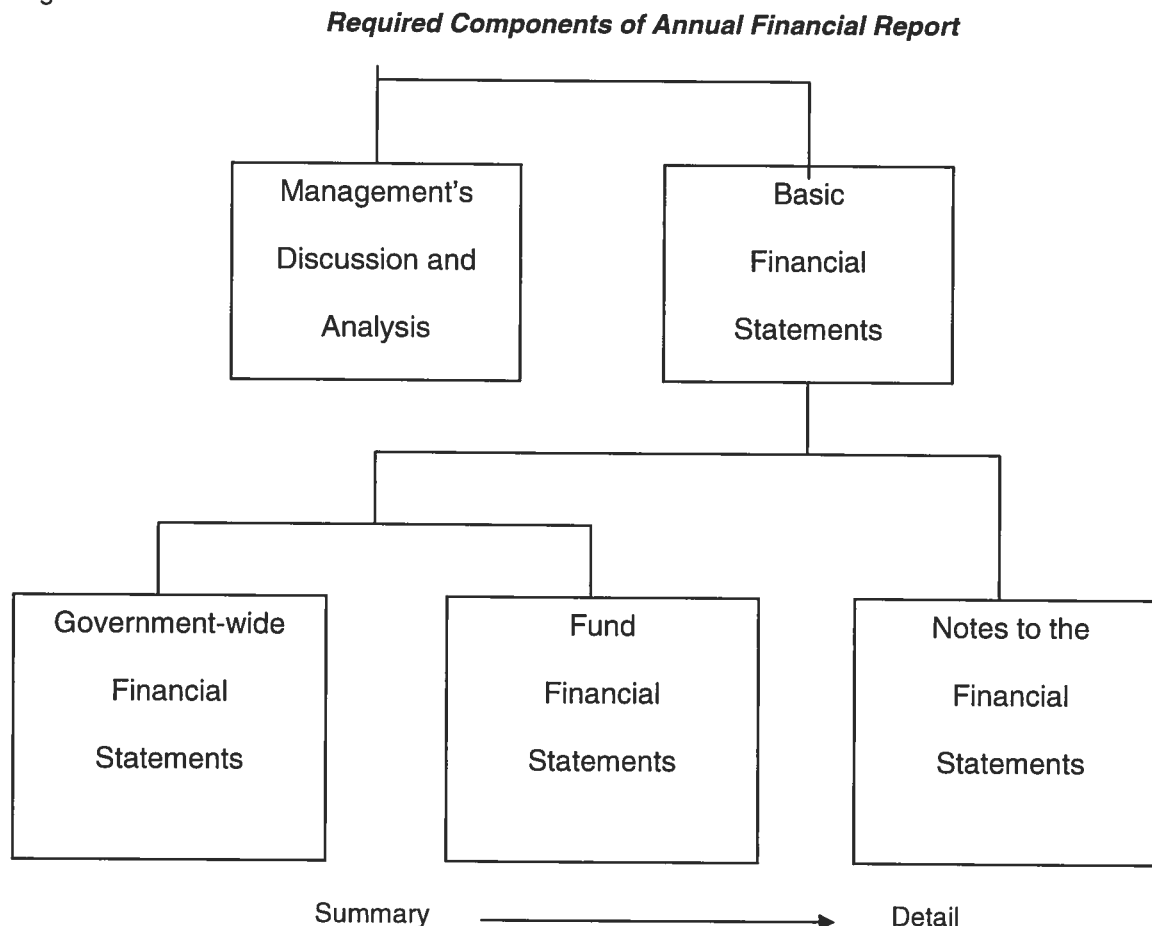
Financial Highlights

- The assets of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,001,166 (*net position*). The assets of the governmental activities exceeded liabilities and deferred inflows of resources by \$1,438,397 and the assets of the business-type activities exceeded liabilities and deferred inflows of resources by \$1,562,769.
- The government's total net position increased by \$46,804, primarily due to increases in the business-type activities net position.
- As of the close of the current fiscal year, the Town's governmental funds reported ending fund balance of \$800,334, an increase of \$15,057 in comparison with the prior year. Approximately 32 percent of this total amount, or \$257,228, is non spendable or restricted.
- At the end of the current fiscal year unassigned fund balance for the general fund was \$524,293, or 64.90 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 \$1,562,769, an increase of \$43,084.

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.

Figure 1:



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

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

The government-wide financial statements are on pages 12 and 13 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 (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

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

The Town adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Town Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Council; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The Town has one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its water and sewer activity. This fund is the same as the function shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

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

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

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

Government-Wide Financial Analysis

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

**Town of Broadway
Statement of Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 867,225	\$ 833,326	\$ 468,251	\$ 422,256	\$ 1,335,476	\$ 1,255,582
Capital assets	717,235	730,949	1,665,266	1,700,438	2,382,501	2,431,387
Total assets	<u>1,584,460</u>	<u>1,564,275</u>	<u>2,133,517</u>	<u>2,122,694</u>	<u>3,717,977</u>	<u>3,686,969</u>
Long-term liabilities	78,027	74,897	526,647	555,000	604,674	629,897
Other liabilities	66,421	53,317	44,101	39,333	110,522	92,650
Deferred inflows of resources	1,615	1,384	-	39,333	1,615	40,717
Total liabilities and deferred inflows of resources	<u>146,063</u>	<u>129,598</u>	<u>570,748</u>	<u>633,666</u>	<u>716,811</u>	<u>763,264</u>
Net position:						
Net investment in capital assets	697,511	716,184	1,138,619	1,145,438	1,836,130	1,861,622
Restricted	251,478	251,601	-	-	251,478	251,601
Unrestricted	<u>489,408</u>	<u>466,892</u>	<u>424,150</u>	<u>382,923</u>	<u>913,558</u>	<u>849,815</u>
Total net position	<u>\$ 1,438,397</u>	<u>\$ 1,434,677</u>	<u>\$ 1,562,769</u>	<u>\$ 1,528,361</u>	<u>\$ 3,001,166</u>	<u>\$ 2,963,038</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town exceeded liabilities and deferred inflows by \$3,001,166 as of June 30, 2013. The Town's net position increased by \$46,804 for the fiscal year ended June 30, 2013. However, the largest portion of net position (61.18%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment) The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$251,478 (8.38%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$913,558 (30.44%) is unrestricted.

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

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 90,357	\$ 84,735	\$ 369,401	\$ 371,627	\$ 459,758	\$ 456,362
Operating grants and contributions	61,753	63,061	-	-	61,753	63,061
Capital grants and contributions	7,559	16,070	-	-	7,559	16,070
General revenues:						
Property taxes	368,001	361,341	-	-	368,001	361,341
Other taxes	204,603	218,786	-	-	204,603	218,786
Other	76,719	80,306	183	263	76,902	80,569
Total revenues	<u>808,992</u>	<u>824,299</u>	<u>369,584</u>	<u>371,890</u>	<u>1,178,576</u>	<u>1,196,189</u>
Expenses:						
General government	431,907	355,438	-	-	431,907	355,438
Public safety	238,481	270,238	-	-	238,481	270,238
Transportation	27,751	70,208	-	-	27,751	70,208
Environmental protection	84,746	81,367	-	-	84,746	81,367
Cultural and recreational	22,078	25,467	-	-	22,078	25,467
Interest on long-term debt	309	912	-	-	309	912
Water and sewer	-	-	326,500	336,667	326,500	336,667
Total expenses	<u>805,272</u>	<u>803,630</u>	<u>326,500</u>	<u>336,667</u>	<u>1,131,772</u>	<u>1,140,297</u>
Extraordinary gain on insurance recovery	-	11,138	-	-	-	11,138
Increase in net position	3,720	31,807	43,084	35,223	46,804	67,030
Net position, beginning, previously reported	1,434,677	1,402,870	1,528,361	1,493,138	2,963,038	2,896,008
Restatement	-	-	(8,676)	-	(8,676)	-
Net position, beginning, restated	1,434,677	1,402,870	1,519,685	1,493,138	2,954,362	2,896,008
Net position, ending	<u>\$ 1,438,397</u>	<u>\$ 1,434,677</u>	<u>\$ 1,562,769</u>	<u>\$ 1,528,361</u>	<u>\$ 3,001,166</u>	<u>\$ 2,963,038</u>

Governmental activities – Governmental activities increased the Town's net position by \$3,720.

- Decrease of 6.5% in general revenues of other taxes due to the County's change in sales tax distribution method from per capita to ad valorem adopted in April 2013.
- Net increase in capital outlay attributable to public safety equipment funded by state grant proceeds of \$7,559.

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

Business-type activities: Business-type activities increased the Town's net position by \$43,084. Key factors to this change in net position are as follows:

- Decrease in meter expenses and pump supplies and in water purchased.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, fund balance available in the General Fund was \$717,099, while total fund balance reached \$800,334. 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 88.7 percent of total General Fund expenditures, while total fund balance represents 99 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 the budgeted amounts primarily due to the change in the method for sales tax distribution. Expenditures were less than budgeted amounts primarily due to less operating expenditures in the General Government, Public Safety, Transportation and Cultural and Recreational departments.

Proprietary Funds. The Town's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$424,150. The total increase in net position was \$43,084. 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, 2013, totals \$2,382,501 (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, sidewalk improvements, public building improvements and public safety vehicle.
- Major capital purchases in the proprietary fund included sewer pumps.

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

**Town of Broadway
Capital Assets**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 256,754	\$ 256,754	\$ 60,934	\$ 60,934	\$ 317,688	\$ 317,688
Construction in progress	-	-	-	-	-	-
Total non-depreciable assets	256,754	256,754	60,934	60,934	317,688	317,688
Buildings and improvements	647,416	635,401	3,850,994	3,841,414	4,498,410	4,476,815
Furniture and equipment	41,545	31,466	-	-	41,545	31,466
Vehicles	169,749	162,726	58,858	16,710	228,607	179,436
Total depreciable assets	858,710	829,593	3,909,852	3,858,124	4,768,562	4,687,717
Accumulated depreciation	398,229	355,398	2,305,520	2,218,620	2,703,749	2,574,018
Depreciable assets, net	460,481	474,195	1,604,332	1,639,504	2,064,813	2,113,699
Total	\$ 717,235	\$ 730,949	\$ 1,665,266	\$ 1,700,438	\$ 2,382,501	\$ 2,431,387

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

Long-term Debt. As of June 30, 2013, the Town had total bonded debt outstanding of \$498,000. This debt is backed by the full faith and credit of the Town. The remainder of the Town's debt represents capital lease purchase agreement.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ -	\$ -	\$ 498,000	\$ 555,000	\$ 498,000	\$ 555,000
Capital leases	19,724	14,765	28,647	-	48,371	14,765
Total	\$ 19,724	\$ 14,765	\$ 526,647	\$ 555,000	\$ 546,371	\$ 569,765

The Town's total debt was decreased by \$23,394 during the past fiscal year. This represents a decrease in bonded debt due to refunding of \$57,000, and a net increase in capital leases due to principal payment of \$33,606.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to eight percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town is approximately \$6.5 million.

Additional information regarding the Town's long-term debt can be found in Note II beginning on page 34 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 decreased 0.7% from prior year to 11.5%.

Budget Highlights for the Fiscal Year Ending June 30, 2014

Governmental Activities: The governmental fund's primary revenue resources are property taxes and intergovernmental revenues. The Town will not increase taxes in the 2013-2014 fiscal year. The Town will, however, increase waste management fees by 1.7%. There is a reduction in sales tax revenue due to the change in the method of distribution of approximately \$110,000. This will be absorbed by a decrease in expenditures and an increase in revenue from interlocal agreements for services. Further, the Town will continue its high level of service to its citizens and will not reduce services in the upcoming year. Expenditures for these services will be increased by 0.4% from the prior year.

Business-type Activities: The business-type funds budgeted revenue increased 3.9% for the fiscal year ending June 30, 2014.

Requests for Information

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

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

TOWN OF BROADWAY, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 576,504	\$ 440,477	\$ 1,016,981
Tax receivable, net	16,712	-	16,712
Accrued interest receivable on taxes	2,540	-	2,540
Accounts receivable, net	8,947	45,768	54,715
Other receivables	-	3	3
Due from other governmental agencies	42,332	-	42,332
Internal balances	40,447	(40,447)	-
Prepaid items	5,750	-	5,750
Restricted cash	173,993	22,450	196,443
Total current assets	<u>867,225</u>	<u>468,251</u>	<u>1,335,476</u>
Non-current assets:			
Capital assets:			
Land	256,754	60,934	317,688
Other capital assets, net of accumulated depreciation	460,481	1,604,332	2,064,813
Total capital assets - net	<u>717,235</u>	<u>1,665,266</u>	<u>2,382,501</u>
Total non-current assets	<u>717,235</u>	<u>1,665,266</u>	<u>2,382,501</u>
Total assets	<u>1,584,460</u>	<u>2,133,517</u>	<u>3,717,977</u>
LIABILITIES			
Current liabilities:			
Accounts payable	27,667	13,192	40,859
Accrued interest payable	1,221	-	1,221
Accrued liabilities	4,116	2,296	6,412
Compensated absences	33,417	6,163	39,580
Current portion of long-term debt	13,479	66,959	80,438
Liabilities payable from restricted assets:			
Customer deposits	-	22,450	22,450
Total current liabilities	<u>79,900</u>	<u>111,060</u>	<u>190,960</u>
Non-current liabilities:			
Long-term debt	6,245	459,688	465,933
Net pension obligation	58,303	-	58,303
Total non-current liabilities	<u>64,548</u>	<u>459,688</u>	<u>524,236</u>
Total liabilities	<u>144,448</u>	<u>570,748</u>	<u>715,196</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	1,615	-	1,615
Total deferred inflows of resources	<u>1,615</u>	<u>-</u>	<u>1,615</u>
NET POSITION			
Net investment in capital assets	697,511	1,138,619	1,836,130
Restricted for:			
Stabilization by State Statute	77,485	-	77,485
Streets	164,849	-	164,849
Cultural and Recreational	3,738	-	3,738
Public safety	5,406	-	5,406
Unrestricted	<u>489,408</u>	<u>424,150</u>	<u>913,558</u>
Total net position	<u>\$ 1,438,397</u>	<u>\$ 1,562,769</u>	<u>\$ 3,001,166</u>

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

TOWN OF BROADWAY, NORTH CAROLINA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Function/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 431,907	\$ 19,136	\$ -	\$ -	\$ (412,771)	\$ -	\$ (412,771)
Public safety	238,481	82	476	7,559	(230,364)	-	(230,364)
Transportation	27,751	-	39,282	-	11,531	-	11,531
Environmental protection	84,746	71,139	778	-	(12,829)	-	(12,829)
Cultural and recreational	22,078	-	21,217	-	(861)	-	(861)
Interest on long-term debt	309	-	-	-	(309)	-	(309)
Total governmental activities	805,272	90,357	61,753	7,559	(645,603)	-	(645,603)
Business-type activities:							
Water and sewer	326,500	369,401	-	-	-	42,901	42,901
Total primary government	\$ 1,131,772	\$ 459,758	\$ 61,753	\$ 7,559	(645,603)	42,901	(602,702)
General revenues:							
Ad valorem taxes					368,001	-	368,001
Other taxes and licenses					204,603	-	204,603
Unrestricted intergovernmental revenues					55,501	-	55,501
Unrestricted investment earnings					2,694	183	2,877
Miscellaneous					18,524	-	18,524
Total general revenues					649,323	183	649,506
Change in net position					3,720	43,084	46,804
Net position, beginning of year, previously reported					1,434,677	1,528,361	2,963,038
Restatement						(8,676)	(8,676)
Net position, beginning of year, restated					1,434,677	1,519,685	2,954,362
Net position, end of year					\$ 1,438,397	\$ 1,562,769	\$ 3,001,166

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

TOWN OF BROADWAY, NORTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2013

	<u>Major Fund General</u>
ASSETS	
Cash and cash equivalents	\$ 576,504
Restricted cash	173,993
Taxes receivable, net of allowance of \$6,335	16,712
Accounts receivable, net	8,947
Due from other governmental agencies	42,332
Due from water and sewer fund	40,447
Prepaid items	<u>5,750</u>
 Total assets	 <u>864,685</u>
LIABILITIES	
Accounts payable	27,667
Accrued liabilities	<u>4,116</u>
 Total liabilities	 <u>31,783</u>
DEFERRED INFLOWS OF RESOURCES	
Property taxes receivable	16,712
Prepaid taxes	1,615
Sanitation receivable, net	8,835
Restricted intergovernmental receivable	<u>5,406</u>
 Total deferred inflows of resources	 <u>32,568</u>
FUND BALANCES	
Non-spendable	
Prepaid items	5,750
Restricted	
Stabilization by State Statute	77,485
Streets	164,849
Cultural and Recreational	3,738
Public safety	5,406
Assigned	
Cultural and Recreational	18,813
Unassigned	<u>524,293</u>
Total fund balances	<u>800,334</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 864,685</u>

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

TOWN OF BROADWAY, NORTH CAROLINA
RECONCILIATION of the BALANCE SHEET - GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
June 30, 2013

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

Total Fund Balance, Governmental Funds	\$ 800,334
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	717,235
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and, therefore, are inflows of resources in the funds.	2,540
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	30,953
Some liabilities, including capital lease purchase, accrued interest, pension and compensated absences, are not due and payable in current period and therefore are not reported in the funds	<u>(112,665)</u>
Net position of governmental activities	<u>\$ 1,438,397</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, 2013

	Major Fund - General
REVENUES	
Ad valorem taxes	\$ 364,600
Other taxes and licenses	204,603
Unrestricted intergovernmental revenues	55,501
Restricted intergovernmental revenues	47,312
Contributions & donations	21,217
Sales and services	85,255
Investment earnings	3,001
Miscellaneous	<u>18,524</u>
Total revenues	<u>800,013</u>
EXPENDITURES	
Current operating	
General government	410,928
Public safety	242,133
Transportation	27,751
Environmental protection	84,746
Cultural and recreational	27,508
Debt service	
Principal	13,801
Interest	<u>960</u>
Total expenditures	<u>807,827</u>
Excess (deficiency) of revenues over expenditures	<u>(7,814)</u>
OTHER FINANCING SOURCES	
Capital lease obligations issued	18,760
Sale of capital asset	<u>4,111</u>
Total other financing sources	<u>22,871</u>
Net change in fund balance	15,057
Fund balance, beginning of year	<u>785,277</u>
Fund balance, end of year	<u>\$ 800,334</u>

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

TOWN OF BROADWAY, NORTH CAROLINA
RECONCILIATION of the STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES
For the Year Ended June 30, 2013

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

Net changes in fund balance - total governmental funds	\$ 15,057
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, the gain/loss on disposal of those assets would also differ between the two statements in an amount equal to the basis of the asset reported on the date of disposal.

Addition to capital assets	40,429
Depreciation expense including dispositions	(54,143)

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

Change in unavailable revenue for tax revenues	3,401
Change in unavailable revenue for sanitation revenues	991
Change in unavailable revenue for drug forfeiture revenues	476

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long-term debt issued	(18,760)
Long-term debt retired	13,801
Increase in accrued interest expense	(309)

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

Compensated absences	948
Net pension obligation	<u>1,829</u>

Total changes in net position of governmental activities	<u>\$ 3,720</u>
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The accompanying notes are an integral part of the financial statements.

TOWN OF BROADWAY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 359,000	\$ 359,000	\$ 364,600	\$ 5,600
Other taxes and licenses	220,700	220,700	204,603	(16,097)
Unrestricted intergovernmental revenues	62,650	62,650	55,501	(7,149)
Restricted intergovernmental revenues	39,000	47,260	47,312	52
Contributions & donations	-	23,500	21,217	(2,283)
Drug forfeiture revenues	2,750	2,750	-	(2,750)
Sales and services	89,300	87,300	85,255	(2,045)
Investment earnings	6,000	6,000	3,001	(2,999)
Miscellaneous	<u>33,367</u>	<u>33,367</u>	<u>18,524</u>	<u>(14,843)</u>
Total revenues	<u>812,767</u>	<u>842,527</u>	<u>800,013</u>	<u>(42,514)</u>
Expenditures:				
Current operating:				
General government	418,756	433,016	417,579	15,437
Public safety	269,311	277,571	250,243	27,328
Transportation	39,500	35,550	27,751	7,799
Environmental protection	82,500	85,185	84,746	439
Cultural and recreational	<u>8,092</u>	<u>37,357</u>	<u>27,508</u>	<u>9,849</u>
Total expenditures	<u>818,159</u>	<u>868,679</u>	<u>807,827</u>	<u>60,852</u>
Revenues over (under) expenditures	<u>(5,392)</u>	<u>(26,152)</u>	<u>(7,814)</u>	<u>18,338</u>
Other financing sources:				
Capital lease obligations issued	-	18,760	18,760	-
Sale of capital asset	<u>-</u>	<u>2,000</u>	<u>4,111</u>	<u>2,111</u>
Total other financing sources	<u>-</u>	<u>20,760</u>	<u>22,871</u>	<u>2,111</u>
Fund balance appropriated	5,392	5,392	-	(5,392)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	15,057	<u>\$ 15,057</u>
Fund balance, beginning of year			<u>785,277</u>	
Fund balance, end of year			<u>\$ 800,334</u>	

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

TOWN OF BROADWAY, NORTH CAROLINA
SCHEDULE OF NET POSITION - PROPRIETARY FUND
June 30, 2013

	Business-type Activities - Enterprise
	Major Fund - Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 440,477
Accounts receivable, net of allowance of \$19,299	45,768
Other receivables	3
Restricted cash	<u>22,450</u>
Total current assets	<u>508,698</u>
Non-current assets:	
Capital assets:	
Land, improvements and construction in progress	60,934
Other capital assets, net of accumulated depreciation	<u>1,604,332</u>
Total capital assets	<u>1,665,266</u>
Total non-current assets	<u>1,665,266</u>
Total assets	<u>\$ 2,173,964</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 13,192
Accrued liabilities	2,296
Due to general fund	40,447
Compensated absences	6,163
Capital lease payable - current	8,959
General obligation bonds - current	58,000
Liabilities payable from restricted assets:	
Customer deposits	<u>22,450</u>
Total current liabilities	151,507
Non-current liabilities:	
Capital lease payable	19,688
General obligation bonds payable	<u>440,000</u>
Total non-current liabilities	459,688
Total liabilities	<u>611,195</u>
NET POSITION	
Net investment in capital assets	1,138,619
Unrestricted	<u>424,150</u>
Total net position	<u>\$ 1,562,769</u>

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

TOWN OF BROADWAY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUND
For the Year Ended June 30, 2013

	Business-type Activities - Enterprise
	Major Fund - Water and Sewer Fund
	<u> </u>
OPERATING REVENUES	
Charges for services	\$ 352,805
Connection and tap fees	15,799
Other operating revenues	<u>797</u>
Total operating revenues	<u>369,401</u>
OPERATING EXPENSES	
Water and sewer operations	204,455
Depreciation	<u>102,068</u>
Total operating expenses	<u>306,523</u>
Operating income (loss)	<u>62,878</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	183
Interest	(19,417)
Loss on disposal of capital asset	<u>(560)</u>
Total nonoperating revenue (expenses)	<u>(19,794)</u>
Change in net position	43,084
Total net position, beginning, previously reported	1,528,361
Restatement	(8,676)
Total net position, beginning, restated	<u>1,519,685</u>
Total net position, ending	<u>\$ 1,562,769</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, 2013

	Business-type Activities - Enterprise Major Fund - Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 367,166
Cash paid for goods and services	(152,947)
Cash paid to employees for services	(47,044)
Customer deposits received, net	<u>391</u>
Net cash provided by operating activities	<u>167,566</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
General fund loan payment	<u>(15,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital lease obligation issued	39,453
Principal paid on bonds and capital lease debt	(67,806)
Interest paid on bonds and capital lease debt	(19,417)
Acquisition and construction of capital assets	<u>(67,456)</u>
Net cash used in capital and related financing activities	<u>(115,226)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>183</u>
Net increase in cash and cash equivalents	37,523
Balances, beginning	<u>425,404</u>
Balances, ending	<u>\$ 462,927</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 62,878
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	102,068
Bad debt expense	(465)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(1,770)
Decrease in prepaid items	87
Increase in accounts payable	4,209
Increase in accrued vacation pay	168
Increase in customer deposits	<u>391</u>
Net cash provided by operating activities	<u>\$ 167,566</u>

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

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental fund:

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

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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

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

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

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

The Town considers all revenues available if they are collected within the 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year.

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 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus,

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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

D. Budgetary Data

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

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

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

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

1. Deposits and Investments

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

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

2. Cash and Cash Equivalents

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

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

3. Restricted Assets

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

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, 2012. 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, 2013, the Water and Sewer Fund owed the General Fund \$40,447. The Water and Sewer Fund borrowed money from the General Fund to pay off water & sewer bonds.

7. Prepaid Items

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

8. Capital Assets

Capital assets which include property, plant, equipment and infrastructure are reported in the Town's government-wide and proprietary fund financial statements. Capital assets of the Town generally have an initial, individual cost of more than \$2,000 and an estimated useful life of more than one year. Assets are stated at cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation. Certain items acquired before July 1, 1970, are recorded at an estimated original cost. The total of such estimates is not considered large enough that the errors would be material when fixed assets are considered as a whole. The Town has elected not to retroactively report major general infrastructure. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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

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

9. Deferred outflows/inflows of resources

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

10. Long-Term Obligations

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

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

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

**TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

11. Compensated Absences

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

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Accumulated sick leave at June 30, 2013 amounted to \$192,401 in total, of which \$147,686 relates to governmental funds. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

12. Net Position/Fund Balance

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows;

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

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

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

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

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

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

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

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

The Town has a revenue spending policy that provides guidance for programs with multiple revenue sources. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

The Town does not have a formal fund balance policy.

II. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All of the Town's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage are collateralized with securities held by the Town's agent in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, 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, 2013, the Town's deposits had a carrying amount of \$1,213,424 and a bank balance of \$1,221,318. Of the bank balance \$500,000 was covered by federal depository insurance and the remaining was covered by collateral held by authorized escrow agents in the name of the Town.

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

II. DETAIL NOTES ON ALL FUNDS (Continued):

2. Receivables – Allowance for Doubtful Accounts

The amount of property taxes receivable as of June 30, 2013 reflect the uncollected portion of property tax levies reduced for a portion not expected to be collected and are summarized below:

	<u>General Fund</u>
Property taxes receivable	\$ 23,047
Less allowance for collectibles	<u>6,335</u>
Net property taxes receivable	<u>\$ 16,712</u>

Accounts receivables as of June 30, 2013, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Enterprise Fund</u>
Waste management fees	\$ 11,527	\$ -
Utility user charges	-	57,326
Other	<u>112</u>	<u>7,741</u>
Total receivables	11,639	65,067
Less allowance for collectibles	<u>2,692</u>	<u>19,299</u>
Net total receivables	<u>\$ 8,947</u>	<u>\$ 45,768</u>

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

	<u>General Fund</u>
Local option sales tax	\$ 18,251
Property tax	4,724
Sales and use tax	6,664
Solid waste disposal tax	186
Utility franchise tax	<u>12,507</u>
Total	<u>\$ 42,332</u>

3. Interfund Balances

At June 30, 2013, \$40,447 was due to the general fund from the proprietary fund. The Town's bonded debt service was re-financed during fiscal year end 2001. At that time, the Town's general fund loaned the utility fund \$207,925 to be paid back over time.

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

II. DETAIL NOTES ON ALL FUNDS (Continued):

4. Capital Assets

Capital assets at June 30, 2013 are summarized below:

Governmental activities by function:

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
General government	\$ 908,333	\$ 24,700	\$ 11,312	\$ 921,721
Public safety	86,214	10,079	-	96,293
Transportation	14,400	-	-	14,400
Environmental protection	12,000	-	-	12,000
Cultural and recreational	<u>65,400</u>	<u>5,650</u>	-	<u>71,050</u>
	<u>1,086,347</u>	<u>40,429</u>	<u>11,312</u>	<u>1,115,464</u>
Less accumulated depreciation for:				
General government	289,250	42,484	11,312	320,422
Public safety	39,748	11,439	-	51,187
Transportation	14,400	-	-	14,400
Environ. protection	12,000	-	-	12,000
Cultural/recreational	-	<u>220</u>	-	<u>220</u>
	<u>355,398</u>	<u>54,143</u>	<u>11,312</u>	<u>398,229</u>
Governmental activities capital assets, net	<u>\$ 730,949</u>			<u>\$ 717,235</u>

Governmental activities by type:

Non-depreciable assets:				
Land	\$ 256,754	\$ -	\$ -	\$ 256,754
Depreciable assets:				
Buildings & infrastructure	635,401	12,015	-	647,416
Furniture & equipment	31,466	10,079	-	41,545
Vehicles	<u>162,726</u>	<u>18,335</u>	<u>11,312</u>	<u>169,749</u>
Total depreciable assets	<u>829,593</u>	<u>40,429</u>	<u>11,312</u>	<u>858,710</u>
Less accumulated depreciation for:				
Buildings & infrastructure	211,312	31,915	-	243,227
Furniture & equipment	27,587	2,678	-	30,265
Vehicles	<u>116,499</u>	<u>19,550</u>	<u>11,312</u>	<u>124,737</u>
Total accumulated depreciation	<u>355,398</u>	<u>54,143</u>	<u>11,312</u>	<u>398,229</u>
Depreciable assets, net	<u>474,195</u>			<u>460,481</u>
Governmental activities capital assets, net	<u>\$ 730,949</u>			<u>\$ 717,235</u>

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

II. DETAIL NOTES ON ALL FUNDS (Continued):

Business-type activities by type:

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
Non-depreciable assets:				
Land	\$ 60,934	\$ -	\$ -	\$ 60,934
Total non-depreciable assets	<u>60,934</u>	<u>-</u>	<u>-</u>	<u>60,934</u>
Depreciable assets:				
Water tank	103,892	-	-	103,892
Water system	727,991	2,020	-	730,011
Vehicles	16,710	42,148	-	58,858
Sewer system	1,973,817	-	-	1,973,817
Sewer pumps	219,602	23,288	12,365	230,525
Waste water treatment	816,112	-	3,363	812,749
Total depreciable assets	<u>3,858,124</u>	<u>67,456</u>	<u>15,728</u>	<u>3,909,852</u>
Less accumulated depreciation for:				
Water tank	50,172	1,623	-	51,795
Water system	356,239	13,646	-	369,885
Equipment & vehicles	16,712	703	-	17,415
Sewer system	1,221,483	48,537	-	1,270,020
Sewer pumps	122,321	9,529	12,365	119,485
Waste water treatment	451,693	28,030	2,803	476,920
Total accumulated depreciation	<u>2,218,620</u>	<u>102,068</u>	<u>15,168</u>	<u>2,305,520</u>
Depreciable assets, net	<u>1,639,504</u>			<u>1,604,332</u>
Business-type activities capital assets, net	<u>\$ 1,700,438</u>			<u>\$ 1,665,266</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

Funding Policy - Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.74% and 6.77%, respectively, of annual covered payroll. The contribution requirements of members and of the Town are established and may be amended by the North Carolina General Assembly. The Town's contributions to

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

II. DETAIL NOTES ON ALL FUNDS (Continued):

LGERS for years ended June 30, 2013, 2012 and 2011 were \$24,519, \$24,364 and \$22,581, respectively. The contributions made by the Town equaled the required contributions for each year.

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description:*

The Town of Broadway administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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, 2012, the Separation Allowance's membership consisted of:

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

A separate report was not issued for the plan.

2. *Summary of Significant Accounting Policies:*

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

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

3. *Contributions:*

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

The Town has chosen not to have an actuarial study performed because the liability is considered to be immaterial. However, the Town has estimated its funding liability as of June 30, 2013 to be \$58,303 and has included the amount in non-current liabilities.

**TOWN OF BROADWAY, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2013**

II. DETAIL NOTES ON ALL FUNDS (Continued):

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description - The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy - Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2013 were \$18,572, which consisted of \$9,846 from the Town and \$8,726 from the law enforcement officers.

2. Other Employment Benefits

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

3. Deferred Inflows of Resources

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

	Unavailable Revenue	Unearned Revenue
Prepaid taxes (General Fund)	\$ -	\$ 1,615
Property taxes receivable, net (General Fund)	16,712	-
Sanitation fees receivable, net (General Fund)	8,835	-
Restricted intergovernmental receivable (General Fund)	5,406	-
	\$ 30,953	\$ 1,615

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

II. DETAIL NOTES ON ALL FUNDS (Continued):

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance in the amount of \$1,000,000 for these types of losses under a policy with a major national insurer. The finance officer and the town clerk are individually bonded for \$50,000 each. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

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

5. Commitments

The Town has a five year contract expiring June 30, 2018 with an annual budgeted expenditure of \$85,000 for the collection and disposal of garbage.

6. Long-Term Obligations

a. General Obligation Bonds

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

Bonds payable at June 30, 2013 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	\$ 498,000
Less amounts currently due	<u>58,000</u>
Long-term liabilities	<u>\$ 440,000</u>

At June 30, 2013, the Town had no bonds authorized but unissued and a legal debt margin of approximately \$6.5 million.

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

II. DETAIL NOTES ON ALL FUNDS (Continued):

Annual debt service requirements to maturity for general obligation bonds, including interest, of \$80,026 on the water and sewer bonds, are as follows:

Fiscal Year ending June 30	<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 58,000	\$ 17,380
2015	59,000	15,356
2016	60,000	13,297
2017	62,000	11,203
2018	63,000	9,039
2019-2021	<u>196,000</u>	<u>13,751</u>
Total	<u>\$ 498,000</u>	<u>\$ 80,026</u>

b. Capital Leases

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

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

The following is an analysis of the assets recorded under capital leases at June 30, 2013:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Vehicles-Governmental activities	\$ 43,361	\$ 13,677	\$ 29,684
Vehicles-Business-type activities	42,147	702	41,445
Total	<u>\$ 85,508</u>	<u>\$ 14,379</u>	<u>\$ 71,129</u>

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

II. DETAIL NOTES ON ALL FUNDS (Continued):

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2013 were as follows:

Fiscal Year Ending June 30	Governmental Activities	Business-type Activities
2014	\$ 14,761	\$ 10,806
2015	6,651	10,806
2016	-	10,806
Total minimum lease payments	21,412	32,418
Less: Amount representing interest	(1,688)	(3,771)
Present value of the minimum lease payments	<u>\$ 19,724</u>	<u>\$ 28,647</u>

c. Changes in Long-term Liabilities

The following is a summary of changes in the Town's long-term debt for the year ended June 30, 2013.

	July 1, 2012	Additions	Retirements	June 30, 2013	Due Within One Year
Governmental activities:					
Capital lease	\$ 14,765	\$ 18,760	\$ 13,801	\$ 19,724	\$ 13,479
Compensated absences	34,365	-	948	33,417	33,417
Net pension obligation	60,132	-	1,829	58,303	-
Total	<u>\$ 109,262</u>	<u>\$ 18,760</u>	<u>\$ 16,578</u>	<u>\$ 111,444</u>	<u>\$ 46,896</u>
Business-type activities:					
Bonded debt	\$ 555,000	\$ -	\$ 57,000	\$ 498,000	\$ 58,000
Capital lease	-	39,453	10,806	28,647	8,959
Compensated absences	5,995	168	-	6,163	6,163
Total	<u>\$ 560,995</u>	<u>\$ 39,621</u>	<u>\$ 67,806</u>	<u>\$ 532,810</u>	<u>\$ 73,122</u>

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

C. Revenue, Expenditures and Expenses

Developer Contract

The Town entered into a contract with a private land developer during the year ended June 30, 1997. Significant provisions of the contract are that the land developer will construct the water and sewer facilities within the proposed development. Upon completion, the developer will convey the water and sewer facilities to the Town. The Town will charge a usage fee in addition to the regular tap-on fee to property owners within the sub-division, with the usage fee to be calculated based on per front footage of the lot. The Town will collect the usage fee and remit the fee to the developer at least quarterly during the development period. As of June 30, 2013, the development is not complete.

TOWN OF BROADWAY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

II. DETAIL NOTES ON ALL FUNDS (Continued):

D. Fund Balance

The following schedule provides management and citizens with information on the portion of General fund balance that is remaining for appropriation:

<i>Total fund balance-General Fund</i>	\$800,334
Less:	
Prepaid items	5,750
Stabilization by State Statute	77,485
Streets-Powell Bill	164,849
Cultural & recreational-Beautification	2,146
Cultural & recreational-Facade	1,592
Cultural & recreational-Festival	18,813
Public Safety-Controlled substance tax	5,406
Remaining Fund Balance	<u>524,293</u>

III. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Town implemented Governmental Accounting Standards board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that bond issuance costs, which were previously deferred and amortized must be included in current expenditures. Previously deferred bond issuance costs totaling \$8,676 were recognized as an expenditure in the current year. As a result, beginning net position decreased from \$1,528,361 to \$1,519,685.

TOWN OF BROADWAY, NORTH CAROLINA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
June 30, 2013
With Comparative Totals at June 30, 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and investments	\$ 576,504	\$ 550,350
Restricted cash	173,993	138,661
Taxes receivable, net	16,712	15,851
Accounts receivable, net	8,947	8,193
Due from other governmental agencies	42,332	62,074
Due from water and sewer fund	40,447	55,447
Prepaid items	<u>5,750</u>	<u>2,750</u>
Total assets	<u>864,685</u>	<u>833,326</u>
LIABILITIES		
Accounts payable	27,667	15,024
Accrued liabilities	<u>4,116</u>	<u>3,016</u>
Total liabilities	<u>31,783</u>	<u>18,040</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	16,712	15,851
Prepaid taxes	1,615	1,384
Sanitation receivable, net	8,835	7,844
Unspent grant funds	<u>5,406</u>	<u>4,930</u>
Total deferred inflows of resources	<u>32,568</u>	<u>30,009</u>
FUND BALANCES		
Non-spendable		
Prepaid expenses	5,750	2,750
Restricted		
Stabilization by State Statute	77,485	112,940
Streets	164,849	131,229
Cultural and Recreational	3,738	2,502
Public safety	5,406	4,930
Assigned		
Cultural and Recreational	18,813	16,576
Subsequent year's expenditures	-	390
Unassigned	<u>524,293</u>	<u>513,960</u>
Total fund balances	<u>800,334</u>	<u>785,277</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 864,685</u>	<u>\$ 833,326</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, 2013
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2012

	2013		Variance with Final Budget	2012
	Final Budget	Actual		Actual
Revenues:				
Ad valorem taxes:				
Taxes	\$ 359,000	\$ 362,809	\$ 3,809	\$ 360,854
Interest	-	1,791	1,791	2,012
Total	<u>359,000</u>	<u>364,600</u>	<u>5,600</u>	<u>362,866</u>
Other taxes and licenses:				
Local option sales tax	<u>220,700</u>	<u>204,603</u>	<u>(16,097)</u>	<u>218,786</u>
Unrestricted intergovernmental revenues:				
Utility franchise tax	57,000	50,448		53,312
State sales tax	750	-		-
Beer and wine tax	4,900	5,053		5,324
Total	<u>62,650</u>	<u>55,501</u>	<u>(7,149)</u>	<u>58,636</u>
Restricted intergovernmental revenues:				
Powell Bill allocation	38,000	38,975		37,724
Other local government	-	-		16,070
State grant proceeds	8,260	7,559		-
Solid waste disposal tax	1,000	778		937
Total	<u>47,260</u>	<u>47,312</u>	<u>52</u>	<u>54,731</u>
Contributions & Donations	<u>23,500</u>	<u>21,217</u>	<u>(2,283)</u>	<u>22,321</u>
Drug Forfeiture revenues	<u>2,750</u>	<u>-</u>	<u>(2,750)</u>	<u>-</u>
Sales and services:				
Cemetery	7,500	6,825		6,875
Community building rent	6,000	8,200		7,515
Sanitation fees	73,500	70,148		69,761
Police fee	300	82		240
Total	<u>87,300</u>	<u>85,255</u>	<u>(2,045)</u>	<u>84,391</u>
Investment earnings	<u>6,000</u>	<u>3,001</u>	<u>(2,999)</u>	<u>4,445</u>
Miscellaneous:				
Cell tower rent	16,367	16,368		15,739
Other	17,000	2,156		16,048
Total	<u>33,367</u>	<u>18,524</u>	<u>(14,843)</u>	<u>31,787</u>
Total revenues	<u>842,527</u>	<u>800,013</u>	<u>(42,514)</u>	<u>837,963</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, 2013
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2012

	2013		Variance with	2012
	Final Budget	Actual	Final Budget	Actual
Expenditures:				
General government:				
Governing body:				
Salaries and benefits		\$ 9,194		\$ 9,301
Operating expenditures		494		3,241
	<u>10,060</u>	<u>9,688</u>	<u>372</u>	<u>12,542</u>
Administration:				
Salaries and benefits		74,701		72,688
Operating expenditures		46,427		35,632
Capital outlay		-		-
	<u>125,079</u>	<u>121,128</u>	<u>3,951</u>	<u>108,320</u>
Finance:				
Salaries and benefits		75,329		73,028
Operating expenditures		36,539		34,821
	<u>113,631</u>	<u>111,868</u>	<u>1,763</u>	<u>107,849</u>
Public buildings:				
Salaries and benefits		100,907		93,943
Operating expenditures		40,534		38,672
Capital outlay		24,986		21,450
	<u>175,346</u>	<u>166,427</u>	<u>8,919</u>	<u>154,065</u>
Cemetery:				
Operating expenditures		2,103		394
Capital outlay		6,365		-
	<u>8,900</u>	<u>8,468</u>	<u>432</u>	<u>394</u>
Total general government	<u>433,016</u>	<u>417,579</u>	<u>15,437</u>	<u>383,170</u>
Public safety:				
Police:				
Salaries and benefits		204,204		198,853
Operating expenditures		27,850		40,636
Capital lease		8,110		16,227
Capital outlay		10,079		25,027
Total public safety	<u>277,571</u>	<u>250,243</u>	<u>27,328</u>	<u>280,743</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, 2013
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2012

	2013		Variance with Final Budget	2012
	Final Budget	Actual		Actual
Expenditures (Continued):				
Transportation:				
Streets:				
Operating expenditures		\$ 27,751		\$ 26,018
Capital outlay		-		44,190
Total transportation	<u>35,550</u>	<u>27,751</u>	<u>7,799</u>	<u>70,208</u>
Environmental protection:				
Operating expenditures	<u>85,185</u>	<u>84,746</u>	<u>439</u>	<u>81,367</u>
Cultural and recreational:				
Operating expenditures	<u>37,357</u>	<u>27,508</u>	<u>9,849</u>	<u>25,467</u>
Total expenditures	<u>868,679</u>	<u>807,827</u>	<u>60,852</u>	<u>840,955</u>
Revenues over (under) expenditures	<u>(26,152)</u>	<u>(7,814)</u>	<u>18,338</u>	<u>(2,992)</u>
Other financing sources:				
Capital lease obligations issued	18,760	18,760		22,875
Sale of capital asset	<u>2,000</u>	<u>4,111</u>		-
Total other financing sources	<u>20,760</u>	<u>22,871</u>	<u>(2,111)</u>	<u>22,875</u>
Fund balance appropriated	5,392	-	(5,392)	-
Net change in fund balance	<u>\$ -</u>	15,057	<u>\$ 15,057</u>	<u>\$ 19,883</u>
Fund balance, beginning of year		<u>785,277</u>		
Fund balance, end of year		<u>\$ 800,334</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, 2013
With Comparative Amounts for the Fiscal Year Ended June 30, 2012

	2013		Variance with Final Budget	2012
	Final Budget	Actual		Actual
Revenues:				
Operating revenues:				
User charges water and sewer	\$ 338,663	\$ 352,805	\$ 14,142	\$ 354,238
Connection and tap fees	16,600	15,799	(801)	19,286
Other	200	332	132	475
	<u>355,463</u>	<u>368,936</u>	<u>13,473</u>	<u>373,999</u>
Nonoperating revenues:				
Interest on investments	1,000	183	(817)	263
Total revenues	<u>356,463</u>	<u>369,119</u>	<u>12,656</u>	<u>374,262</u>
Expenditures:				
Water and sewer department:				
Salaries and benefits	61,007	60,531	476	59,060
Operating expenditures	76,779	58,446	18,333	59,244
Repairs and maintenance	16,500	10,565	5,935	13,071
Water purchased	80,000	74,913	5,087	83,517
Total water and sewer department	<u>234,286</u>	<u>204,455</u>	<u>29,831</u>	<u>214,892</u>
Debt service:				
Debt principal	67,807	67,806	1	55,000
Interest	19,370	19,417	(47)	21,129
Total debt service	<u>87,177</u>	<u>87,223</u>	<u>(46)</u>	<u>76,129</u>
Capital outlay:	<u>74,453</u>	<u>67,456</u>	<u>6,997</u>	<u>20,495</u>
Total expenditures	<u>395,916</u>	<u>359,134</u>	<u>36,782</u>	<u>311,516</u>
Revenues in excess of (less than) expenditures	(39,453)	9,985	49,438	62,746
Other financing sources:				
Capital lease obligations issued	<u>39,453</u>	<u>39,453</u>	-	-
Revenues and other financing sources in excess of expenditures	<u>\$ -</u>	<u>\$ 49,438</u>	<u>\$ 49,438</u>	<u>\$ 62,746</u>
Reconciliation of modified accrual basis to full accrual basis:				
Revenues in excess of expenditures		\$ 49,438		
Capital lease obligations issued		(39,453)		
Capital outlay		67,456		
Depreciation		(102,068)		
Loss on disposal of capital asset		(560)		
Decrease in bad debt allowance		465		
Payment of debt principal		67,806		
Change in net position		<u>\$ 43,084</u>		

TOWN OF BROADWAY, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2013

<u>Fiscal year</u>	<u>Uncollected balance June 30, 2012</u>	<u>Additions</u>	<u>Collections and credits</u>	<u>Uncollected balance June 30, 2013</u>
2012-2013	\$ -	\$ 365,202	\$ (355,227)	\$ 9,975
2011-2012	9,387	-	(6,376)	3,011
2010-2011	2,995	-	(631)	2,364
2009-2010	2,566	-	(505)	2,061
2008-2009	1,724	-	(41)	1,683
2007-2008	860	-	(28)	832
2006-2007	1,166	-	(111)	1,055
2005-2006	921	-	(44)	877
2004-2005	701	-	(27)	674
2003-2004	524	-	(9)	515
2002-2003	<u>836</u>	<u>-</u>	<u>(836)</u>	<u>-</u>
Net taxes receivable	<u>\$ 21,680</u>	<u>\$ 365,202</u>	<u>\$ (363,835)</u>	23,047
Less: allowance for uncollectable accounts				<u>6,335</u>
Ad valorem taxes receivable - net				<u>\$ 16,712</u>
Reconcilement with revenues:				
Ad valorem taxes - General Fund				\$ 364,600
Reconciling items:				
Interest collected				(1,791)
Prior year prepaid motor vehicle taxes				(1,384)
Taxes released and written off				2,410
Subtotal				<u>(765)</u>
Total collections and credits				<u>\$ 363,835</u>

**TOWN OF BROADWAY, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
For the Fiscal Year Ended June 30, 2013**

	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	\$ 77,293,394	\$ 0.44	\$ 339,567	\$ 314,587	\$ 24,980
Corporate utility	2,251,638	0.44	9,907	9,907	-
Motor vehicles at prior year's rate	3,637,880	0.44	15,942	-	15,942
Penalties	-		167	167	-
	<u>83,182,912</u>		<u>365,583</u>	<u>324,661</u>	<u>40,922</u>
Discoveries:					
Current year taxes	161,531	0.44	711	711	-
Penalties	-		44	44	-
	<u>83,344,443</u>		<u>366,338</u>	<u>325,416</u>	<u>40,922</u>
Abatements	<u>(257,257)</u>		<u>(1,136)</u>	<u>(216)</u>	<u>(920)</u>
Total property valuation	<u>\$ 83,087,186</u>				
Net levy			365,202	325,200	40,002
Uncollected taxes at June 30, 2013			<u>9,975</u>	<u>6,481</u>	<u>3,495</u>
Current year's taxes collected			<u>\$ 355,227</u>	<u>\$ 318,719</u>	<u>\$ 36,507</u>
Current levy collection percentage			<u>97.27%</u>	<u>98.01%</u>	<u>91.26%</u>

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