

TOWN OF BROADWAY, VIRGINIA
FINANCIAL AND COMPLIANCE REPORTS
JUNE 30, 2014

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INDEPENDENT AUDITORS' REPORT

To the Honorable Town Council
Town of Broadway
Broadway, VA 22815

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the fiduciary fund of the Town of Broadway, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Broadway'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. 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 auditors' 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.

Young, Nicholas, Branner & Phillips, LLP
Certified Public Accountants

1041 South High Street • P.O. Box 2187
Harrisonburg, VA 22801
(540) 433-2581 • FAX (540) 433-0147

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, each major fund, and the fiduciary fund of the Town of Broadway, Virginia, as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, listed in the table of contents, 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.

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 other supplementary information, listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2014, on our consideration of the Town of Broadway's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Broadway's internal control over financial reporting and compliance.

Young, Nicholas, Branner & Phillips, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Broadway's financial performance provides an overview of the Town's financial activities for the year ended June 30, 2014. Please read it in conjunction with the Town's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities by \$14,289,409 at the close of the most recent fiscal year.
- The Town's net position increased as a result of this year's operations. The net position of the business-type activities increased by \$55,852, and the net position of the governmental activities increased by \$279,416.
- In the Town's business-type activities, operating revenues increased by \$212,014 from the previous year while operating expenses increased by \$85,854.
- In the Town's governmental activities, operating revenues decreased by \$63,990 from the previous year while operating expenses increased by \$130,110.
- Actual revenues were \$182,622 more than budgeted for the General Fund. General Fund expenditures were \$36,980 more than budgeted.
- Operating revenues were \$88,156 more than budgeted for the Water Fund. Water Fund operating expenses, excluding depreciation, were \$63,642 more than budgeted.
- Operating revenues were \$143,401 more than budgeted for the Sewer Fund. Sewer Fund operating expenses, excluding depreciation, were \$199,745 less than budgeted. In addition, interest expense was \$7,506 less than budgeted.
- The Town added \$759,603 in capital additions during the current fiscal year.
- The Town's long-term debt decreased by \$515,515 during the current fiscal year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 11 and 12) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

Reporting the Town as a Whole

One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that help answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's *net position* and changes in it. You can think of the Town's net position-the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources-as one way to measure the Town's financial health, or *financial position*. Over time, *increases* or *decreases* in the Town's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property base and condition of the Town's roads, to assess the *overall health* of the Town.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities:

- *Governmental activities*-Most of the Town's basic services are reported here, including public safety, public works, community development, cultural and recreation and general administration. Property taxes, other local taxes and state and federal grants finance most of these activities.
- *Business-type activities*-The Town charges a fee to customers/users to help it cover all or most of the cost of certain services it provides. The Town's water and sewer systems and RBEG Fund are reported here.

Reporting the Town's Most Significant Funds

The fund financial statements begin on page 13 and provide detailed information about the Town's funds-not the Town as a whole. 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 uses fund accounting to ensure and reflect compliance (or noncompliance) with finance-related legal requirements, such as the budget ordinance. The Town's two kinds of funds-*governmental* and *proprietary*-use different accounting approaches.

- *Governmental fund*-Most of the Town's basic services are reported in the governmental fund, which focuses on how money flows into and out of the fund and the balance left at year-end that is nonspendable, restricted, committed, assigned, or unassigned. These classifications of fund balance show the nature and extent of constraints placed on the Town's fund balance by law, creditors, Town Council, and the Town's annually adopted budget. Unassigned fund balance is available for spending for any purpose. This fund is reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Town's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and the governmental *fund* in reconciliations following the fund financial statements.
- *Proprietary funds*-When the Town charges customers/users for the services provided it is reported in the proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE TOWN AS TRUSTEE

The Town is the trustee, or fiduciary, for the IDA Fund. All of the Town's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position on pages 23 and 24. Since this fund is custodial in nature (i.e. assets equal liabilities) it does not involve the measurement of results of operations. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in this fund are used for their intended purposes.

THE TOWN AS A WHOLE

The Town's *combined* net position changed modestly from a year ago – *increasing* from \$13,954,141 to \$14,289,409. During the year, the net position of the governmental activities increased by 10.4 percent and business-type activities increased by 2.40 percent. Below is a summary of the net position as of June 30, 2014 and 2013.

NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 694,555	\$ 661,521	\$ 1,399,587	\$ 1,262,214	\$ 2,094,142	\$ 1,923,735
Capital assets	<u>3,405,070</u>	<u>3,161,425</u>	<u>19,492,403</u>	<u>19,970,616</u>	<u>22,897,473</u>	<u>23,132,041</u>
Total assets	<u>\$ 4,099,625</u>	<u>\$ 3,822,946</u>	<u>\$ 20,891,990</u>	<u>\$ 21,232,830</u>	<u>\$ 24,991,615</u>	<u>\$ 25,055,776</u>
Long-term liabilities	\$ 444,476	\$ 472,609	\$ 9,263,384	\$ 9,750,766	\$ 9,707,860	\$ 10,223,375
Other liabilities	<u>394,980</u>	<u>372,078</u>	<u>301,882</u>	<u>211,192</u>	<u>696,862</u>	<u>583,270</u>
Total liabilities	<u>\$ 839,456</u>	<u>\$ 844,687</u>	<u>\$ 9,565,266</u>	<u>\$ 9,961,958</u>	<u>\$ 10,404,722</u>	<u>\$ 10,806,645</u>
Total deferred inflows of resources	<u>\$ 297,484</u>	<u>\$ 294,990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 297,484</u>	<u>\$ 294,990</u>
Net position:						
Net investment in capital assets	\$ 2,959,748	\$ 2,702,865	\$ 10,158,283	\$ 10,265,718	\$ 13,118,031	\$ 12,968,583
Unrestricted	<u>2,937</u>	<u>(19,596)</u>	<u>1,168,441</u>	<u>1,005,154</u>	<u>1,171,378</u>	<u>985,558</u>
Total net position	<u>\$ 2,962,685</u>	<u>\$ 2,683,269</u>	<u>\$ 11,326,724</u>	<u>\$ 11,270,872</u>	<u>\$ 14,289,409</u>	<u>\$ 13,954,141</u>

*Net position of 2013 governmental and business-type activities has been restated (see Note 15, page 49).

The largest portion of the Town's net position (91.8 percent) reflects its investments in capital assets (e.g., land, buildings, equipment and improvements), less any debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of unrestricted net position (\$1,171,378) may be used to meet the government's ongoing obligation to citizens and creditors.

The following is a summary of the change in net position for the governmental and business-type activities for the years ended June 30, 2014 and 2013.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues						
Charges for services	\$ 260,904	\$ 318,228	\$ 3,304,110	\$ 3,092,644	\$ 3,565,014	\$ 3,410,872
General property taxes	280,296	275,671	-	-	280,296	275,671
Other local taxes	649,184	633,281	-	-	649,184	633,281
Intergovernmental	507,900	533,681	-	-	507,900	533,681
Miscellaneous	<u>2,622</u>	<u>4,035</u>	<u>24,947</u>	<u>24,399</u>	<u>27,569</u>	<u>28,434</u>
Total revenues	<u>\$ 1,700,906</u>	<u>\$ 1,764,896</u>	<u>\$ 3,329,057</u>	<u>\$ 3,117,043</u>	<u>\$ 5,029,963</u>	<u>\$ 4,881,939</u>

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Program expenses						
General government	\$ 404,216	\$ 376,276	\$ -	\$ -	\$ 404,216	\$ 376,276
Public safety	410,529	399,967	-	-	410,529	399,967
Public works	534,506	466,795	-	-	534,506	466,795
Cultural and recreation	157,277	131,022	-	-	157,277	131,022
Community development	10,948	13,306	-	-	10,948	13,306
Other	-	-	-	110	-	110
Water	-	-	623,547	573,864	623,547	573,864
Sewer	-	-	2,043,175	2,006,894	2,043,175	2,006,894
Total expenses	<u>\$ 1,517,476</u>	<u>\$ 1,387,366</u>	<u>\$ 2,666,722</u>	<u>\$ 2,580,868</u>	<u>\$ 4,184,198</u>	<u>\$ 3,968,234</u>
Operating income	<u>\$ 183,430</u>	<u>\$ 377,530</u>	<u>\$ 662,335</u>	<u>\$ 536,175</u>	<u>\$ 845,765</u>	<u>\$ 913,705</u>
Nonoperating						
Interest income	\$ 3,120	\$ 1,451	\$ 10,320	\$ 4,850	\$ 13,440	\$ 6,301
Rental income	10,000	13,875	35,707	35,707	45,707	49,582
Spring lease	-	-	(5,000)	(5,000)	(5,000)	(5,000)
Loss on disposal of assets	(150,266)	-	(174,058)	-	(324,324)	-
Interest expense	(13,286)	(14,081)	(298,494)	(332,078)	(311,780)	(346,159)
Total nonoperating	<u>\$ (150,432)</u>	<u>\$ 1,245</u>	<u>\$ (431,525)</u>	<u>\$ (296,521)</u>	<u>\$ (581,957)</u>	<u>\$ (295,276)</u>
Income before contributions and transfers	\$ 32,998	\$ 378,775	\$ 230,810	\$ 239,654	\$ 263,808	\$ 618,429
Contributions	71,460	2,877	-	-	71,460	2,877
Transfers	<u>174,958</u>	<u>(48,106)</u>	<u>(174,958)</u>	<u>48,062</u>	<u>-</u>	<u>(44)</u>
Change in net position	<u>\$ 279,416</u>	<u>\$ 333,546</u>	<u>\$ 55,852</u>	<u>\$ 287,716</u>	<u>\$ 335,268</u>	<u>\$ 621,262</u>

The Town's total revenues increased by \$148,024 (3.0 percent), while the total cost of all programs and services increased by \$215,964 (5.4 percent). Our analysis that follows separately considers the operations of governmental and business-type activities.

Governmental Activities

Operating revenues for the Town's governmental activities decreased by \$63,990 (3.6 percent) while operating expenses increased by \$130,110 (9.4 percent). The factors driving these results include:

Revenues

- *Charges for services* overall decreased by \$57,324. The most significant decrease within this category was for public works which decreased by \$62,517, mainly due to a bond forfeiture received for the Coyote Run improvements that was included in the prior fiscal year.
- *Other local taxes* increased by \$15,903. The Town saw a growth in the bank stock accounts by \$11,325 in the current fiscal year because of higher deposits at the local banks.
- *Intergovernmental revenues* decreased by \$25,781. The Town received a Rural Business Enterprise Grant for \$35,380 in the prior fiscal year but not in the current year. The Highway Maintenance Funds were increased by \$11,493 in FY 2014.

Expenses

- *Public works* overall increased by \$67,711. The most significant increase was street maintenance in the amount of \$36,463 which was due to the Town's continued responsibility of all secondary streets. The Town also allocated employee benefits (\$21,329) to this department for the first time in the current year.
- *General government* increased by \$27,940. Salaries and wages increased by \$19,273 due to the addition of a part-time clerk and regular salary increases. Also, an overall increase occurred in the buildings and grounds expenditure by \$7,094 which was a result of mulching, landscaping, and tree removal.
- *Cultural and recreation* overall increased by \$26,255. The most significant change in this category was park salaries and wages, which increased by \$12,865 due to standard salary increases. Other expenditures such as utilities and fuel and park operations were up by \$8,581 because of higher utility costs and park usage.
- *Public safety* increased by \$10,562 in regards to police salaries and wages. This change occurred due to an addition of an officer and promoting a current officer to Police Chief.

Other

- *Loss on disposal of assets* increased by \$150,266. This was due to removing a portion of the previously capitalized Streetscape improvements.
- *Contributions* increased by \$68,583. This change from the prior year was due to a donation the Town received from the Broadway IDA in the amount of \$70,000.

Business-Type Activities

Operating revenues for the Town's business-type activities increased by \$212,014 (6.8 percent) and operating expenses increased by \$85,854 (3.3 percent). The factors driving these results include:

Revenues

- *Water and sewer revenues* increased by \$212,014. Much of this increase can be attributed to sludge revenue increasing by \$154,757. This is a result of excess sludge removed to prepare for future upgrades. The other significant increase in revenue was connection fees, which increased by \$128,580. This was due to more connections than the previous fiscal year. Conversely, wastewater contracts decreased by \$92,307 in the current year due to less fines to the Town's major customers.

Expenses

- *Water and sewer expenses* increased by \$85,854. Repairs and maintenance increased by \$70,717 due to several repairs to the water tanks and various pump repairs to the wastewater treatment facility. Sludge removal costs follow the same pattern as the revenue and thus increased in the current year by \$46,721. Payroll and adjoining benefits expenses increased by \$39,795 due to standard salary raises. However, the chemical expenditure decreased by \$90,370 because of a change in the Town's treatment process which provided more efficiency and lower costs.

The Town's business-type activities also included decreases in interest expense of \$33,584. Interest expense decreased as scheduled loan payments began to reduce the principal balance of the debt. In addition, the loss on disposal of assets decreased by \$174,058, due to removing professional and engineering fees previously capitalized for spring project research.

THE TOWN'S FUNDS

As the Town completed the year, its governmental fund (as presented in the balance sheet on page 13) reported a fund balance of \$ - , which is the same as last year.

The changes in the General Fund mirror the changes noted in the previous section under "governmental" activities plus changes for capital outlay and transfers from other funds. During the year, the Town disbursed \$527,233 on capital outlay. This was an increase of \$86,845 over the prior year. In addition, the Town transferred \$327,277 from its Water Fund to resolve a negative fund balance in the General Fund.

As the Town completed the year, its proprietary funds (as presented in the statements of net position on pages 17 and 18) reported net position of \$11,326,724, which is an increase of \$55,852 over last year's total of \$11,270,872. Significant changes in the change in net position are noted in the previous section under "business-type" activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Town Council revised the Town budget once. The purpose of this amendment was for:

- Account for revenue from Broadway IDA
- Expenditures at the new baseball fields
- Purchase of the Police Department building (old library) from Rockingham County
- Groundwater study
- Heritage Hills waterline
- Highway funding (sidewalk project carried over from last year)
- Wastewater pumps and repairs

The significant variations of actual results to the final General Fund budget are summarized below:

<u>Account</u>	<u>Variance Positive (Negative)</u>
Revenues	
Miscellaneous	\$ 72,082
General property taxes	41,054
Other local taxes	45,684
Charges for services	15,117
Expenditures	
<i>General Government Administration</i>	
Salaries and wages	\$ 34,719
Insurance	(12,072)
<i>Public Safety</i>	
Capital outlay	(23,249)
Salaries and wages	(22,098)
<i>Public Works</i>	
Street maintenance	263,374
Capital outlay	(246,708)
<i>Cultural & Recreation</i>	
Capital outlay	(27,576)
Salaries and wages	(15,228)
<i>Community Development</i>	
Planning and development	7,693

Actual revenues were \$182,622 more than budgeted. Miscellaneous revenue increased more than expected due to a donation from the Broadway IDA in the amount of \$70,000. Other local taxes were higher than the budget due to better than expected revenue from sales and use tax (\$14,476) and bank stock (\$13,168). The positive variance in general property taxes was due to an increase in taxable machinery and equipment. Also, charges for services were higher than budgeted because of increased trash collections.

Actual expenditures were \$36,980 more than budgeted. The Town budgeted both street maintenance and capital outlay under one line item, street maintenance. Actual expenditures for street maintenance and capital outlay are reflected in the appropriate accounts. The negative variance in cultural and recreation was due to the additional capital outlay used for park improvements. Also, capital outlay was higher than budgeted in public safety because of completing the police department renovations at the new location.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the Town had \$22.89 million invested in capital assets including public works and police equipment, buildings, park facilities, sidewalks, and the water and sewer systems. (See table below.) This represents a net decrease of \$234,568, or 1.0 percent, over last year.

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 903,191	\$ 903,191	\$ 143,397	\$ 143,397	\$ 1,046,588	\$ 1,046,588
Buildings	779,373	731,000	-	-	779,373	731,000
Equipment	81,955	117,918	368,235	441,304	450,190	559,222
Infrastructure	906,146	846,529	-	-	906,146	846,529
Utility system	-	-	18,980,771	19,385,915	18,980,771	19,385,915
Park and improvements	734,405	562,787	-	-	734,405	562,787
Totals	<u>\$ 3,405,070</u>	<u>\$ 3,161,425</u>	<u>\$ 19,492,403</u>	<u>\$ 19,970,616</u>	<u>\$ 22,897,473</u>	<u>\$ 23,132,041</u>

This year's major additions included:

Springbrook sidewalk project	\$ 246,708
Ball field renovations	177,882
Water study	101,500
Police Department building	40,000
Heritage Hills waterline extension	24,827
Cornerstone waterline extension	23,573
Police Department renovations	23,124
WWTF upgrade, professional fees	21,000
	<u>\$ 658,614</u>

Debt

At year-end, the Town had \$9,707,860 in outstanding loans compared to \$10,223,375 last year. This is a decrease of 5.0 percent as shown in the following tables.

Governmental Activities

	Outstanding June 30,	
	2014	2013
Branch Banking & Trust, series 2012A bond	\$ 311,133	\$ 330,826
Branch Banking & Trust, series 2012B bond	<u>133,343</u>	<u>141,783</u>
	<u>\$ 444,476</u>	<u>\$ 472,609</u>

Business-Type Activities

	Outstanding June 30,	
	2014	2013
SunTrust Bond	\$ -	\$ 250,000
Branch Banking & Trust, series 2014 bond	199,750	-
Bonds payable (Virginia Resources Authority)	<u>9,063,634</u>	<u>9,500,766</u>
	<u>\$ 9,263,384</u>	<u>\$ 9,750,766</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The proposed budget for FY 2014-2015 is \$4,916,100, a decrease of 0.70 percent over the previous year.

The budget reflects an increase in real estate tax revenue of 1.10 percent based on valuation of the property. The Town will retain its real estate tax rate at \$0.07 per \$100.

Tax rates remain at the same level as FY 2013-2014.

Parks revenue is projected to increase 12.50 percent during FY 2014-2015. This function accounts for \$45,000 or 2.6 percent of the General Fund budget.

The Water Fund revenues are expected to increase 1.93 percent over last year. A 3.00 percent increase to the water rates was necessary to offset rising costs. Water and sewer connection fees will increase \$500. Connection fee revenues are expected to increase 12.50 percent. Expenses are expected to increase by 2.64 percent over the current year.

The Sewer Fund revenues are expected to increase by 0.86 percent over the current year. The budget reflects a slight increase in wastewater contracts due to increased usage at the plant. Expenses are projected to decrease by 5.00 percent over the current year.

In conclusion, the proposed budget is balanced in accordance with state statutes, and revenues are based on conservative estimates, while expenditures are based on historical data, as well as actual proposed costs.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Town Office at 116 Broadway Avenue, Broadway, VA.

Government-Wide Financial Statements

TOWN OF BROADWAY, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2014

----- Primary Government -----			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 168,677	\$ 674,964	\$ 843,641
Investments	139,315	152,021	291,336
Receivables, net of allowances for uncollectible amounts:			
Property taxes	322,670	-	322,670
Accounts and other	51,149	205,807	256,956
Internal balances	(315,928)	315,928	-
Note receivable, current portion	-	7,503	7,503
Inventory	12,744	42,893	55,637
Prepaid expenses	-	471	471
Capital assets:			
Non-depreciable	903,191	143,397	1,046,588
Depreciable, net of accumulated depreciation	<u>2,501,879</u>	<u>19,349,006</u>	<u>21,850,885</u>
Total assets	<u>\$ 3,783,697</u>	<u>\$ 20,891,990</u>	<u>\$ 24,675,687</u>
LIABILITIES			
Accounts payable	\$ 47,553	\$ 154,019	\$ 201,572
Accrued liabilities	8,971	-	8,971
Accrued benefits	-	7,424	7,424
Connection fees payable	-	4,600	4,600
Accrued compensated absences	21,682	31,646	53,328
Accrued interest payable	846	70,736	71,582
Customer deposits	-	31,870	31,870
Unearned revenue	-	1,587	1,587
Long-term liabilities:			
Due within one year	29,050	501,125	530,175
Due in more than one year	<u>415,426</u>	<u>8,762,259</u>	<u>9,177,685</u>
Total liabilities	<u>\$ 523,528</u>	<u>\$ 9,565,266</u>	<u>\$ 10,088,794</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	\$ 297,484	\$ -	\$ 297,484
Total deferred inflows of resources	<u>\$ 297,484</u>	<u>\$ -</u>	<u>\$ 297,484</u>
NET POSITION			
Net investment in capital assets	\$ 2,959,748	\$ 10,158,283	\$ 13,118,031
Unrestricted	<u>2,937</u>	<u>1,168,441</u>	<u>1,171,378</u>
Total net position	<u>\$ 2,962,685</u>	<u>\$ 11,326,724</u>	<u>\$ 14,289,409</u>

See Notes to Financial Statements.

TOWN OF BROADWAY, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Functions/ Programs	Expenses	----- Program Revenues -----		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government administration	\$ 404,216	\$ 9,551	\$ -	\$ 6,460
Public safety	410,529	6,236	64,542	-
Public works	534,506	194,236	401,766	-
Cultural and recreation	157,277	50,881	-	70,000
Community development	10,948	-	-	-
Interest on long-term debt	<u>13,286</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 1,530,762</u>	<u>\$ 260,904</u>	<u>\$ 466,308</u>	<u>\$ 76,460</u>
Business-type activities:				
Water	\$ 628,547	\$ 614,863	\$ -	\$ -
Sewer	2,341,669	2,749,901	-	-
RBEG	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>\$ 2,970,216</u>	<u>\$ 3,364,764</u>	<u>\$ -</u>	<u>\$ -</u>
Total primary government	<u>\$ 4,500,978</u>	<u>\$ 3,625,668</u>	<u>\$ 466,308</u>	<u>\$ 76,460</u>

General revenues:

General property taxes

Other local taxes

Unrestricted revenue from the use of money and property

Grants and contributions not restricted to specific programs

Transfers

Miscellaneous

Loss on disposal of property and equipment

Total general revenues

Change in net position

Net position at beginning of year

Net position at end of year

Net (Expense) Revenue and Changes in Net Position		
----- Primary Government -----		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (388,205)	\$ -	\$ (388,205)
(339,751)	-	(339,751)
61,496	-	61,496
(36,396)	-	(36,396)
(10,948)	-	(10,948)
<u>(13,286)</u>	<u>-</u>	<u>(13,286)</u>
<u>\$ (727,090)</u>	<u>\$ -</u>	<u>\$ (727,090)</u>
\$ -	\$ (13,684)	\$ (13,684)
-	408,232	408,232
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 394,548</u>	<u>\$ 394,548</u>
<u>\$ (727,090)</u>	<u>\$ 394,548</u>	<u>\$ (332,542)</u>
\$ 280,296	\$ -	\$ 280,296
649,184	-	649,184
13,120	10,320	23,440
36,592	-	36,592
174,958	(174,958)	-
2,622	-	2,622
<u>(150,266)</u>	<u>(174,058)</u>	<u>(324,324)</u>
<u>\$ 1,006,506</u>	<u>\$ (338,696)</u>	<u>\$ 667,810</u>
\$ 279,416	\$ 55,852	\$ 335,268
<u>2,683,269</u>	<u>11,270,872</u>	<u>13,954,141</u>
<u>\$ 2,962,685</u>	<u>\$ 11,326,724</u>	<u>\$ 14,289,409</u>

Fund Financial Statements

TOWN OF BROADWAY, VIRGINIA

----GOVERNMENTAL FUND----

BALANCE SHEET

June 30, 2014

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 168,677
Investments	139,315
Receivables (net of allowance for uncollectibles):	
Property taxes	322,670
Other taxes	23,167
Other	27,982
Inventory	<u>12,744</u>
Total assets	<u>\$ 694,555</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 47,553
Due to other funds	315,928
Accrued liabilities	<u>8,971</u>
Total liabilities	<u>\$ 372,452</u>
Deferred Inflows of Resources	
Unavailable revenue	<u>\$ 322,103</u>
Total deferred inflows of resources	<u>\$ 322,103</u>
Fund Balance	
Nonspendable, inventory	\$ 12,744
Unassigned	<u>(12,744)</u>
Total fund balance	<u>\$ -</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 694,555</u>

See Notes to Financial Statements.

TOWN OF BROADWAY, VIRGINIA
----GOVERNMENTAL FUND----
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2014

FUND BALANCE-TOTAL GOVERNMENTAL FUND

\$ -

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets	\$ 4,277,657	
Less accumulated depreciation	<u>(872,587)</u>	3,405,070

Certain revenues not available to pay for current period expenditures are not reported in the governmental funds.

Deferred revenue, property taxes	\$ <u>24,619</u>	24,619
----------------------------------	------------------	--------

Certain liabilities are not payable from current financial resources and therefore are not reported in the governmental fund.

Accrued interest payable	\$ (846)	
Compensated absences	<u>(21,682)</u>	(22,528)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet.

Bonds payable	\$ <u>(444,476)</u>	<u>(444,476)</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES\$ 2,962,685

See Notes to Financial Statements.

TOWN OF BROADWAY, VIRGINIA
----GOVERNMENTAL FUND----
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
Year Ended June 30, 2014

	<u>General Fund</u>
REVENUES	
General property taxes	\$ 273,332
Other local taxes	649,184
Permits, privilege fees, and regulatory licenses	9,551
Fines and forfeitures	6,236
Revenue from the use of money and property	13,120
Charges for services	245,117
Miscellaneous	74,082
Intergovernmental revenues:	
Commonwealth	497,146
Federal	10,754
Total revenues	<u>\$ 1,778,522</u>
EXPENDITURES	
General government administration	\$ 383,884
Public safety	468,472
Public works	726,949
Cultural and recreation	322,654
Community development	10,948
Debt service	40,573
Total expenditures	<u>\$ 1,953,480</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (174,958)</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	\$ 348,400
Transfers out	<u>(173,442)</u>
Total other financing sources (uses)	<u>\$ 174,958</u>
Net change in fund balance	\$ -
FUND BALANCE AT BEGINNING OF YEAR	<u>-</u>
FUND BALANCE AT END OF YEAR	<u><u>\$ -</u></u>

See Notes to Financial Statements.

TOWN OF BROADWAY, VIRGINIA

----GOVERNMENTAL FUND----

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN THE FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014**

NET CHANGE IN FUND BALANCE-TOTAL GOVERNMENTAL FUND **\$ -**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over the estimated useful lives.

Expenditures for capital assets	\$ 527,233	
Unrecovered costs of disposed assets	(150,266)	
Less current year depreciation	<u>(133,322)</u>	243,645

Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the governmental funds.

Property taxes	\$ <u>6,962</u>	6,962
----------------	-----------------	-------

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 the governmental funds.

Change in accrued interest	\$ (846)	
Change in long-term compensated absences	<u>1,522</u>	676

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, whereas the amounts are deferred and amortized on the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bonds, repayment of principal	\$ <u>28,133</u>	<u>28,133</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 279,416**

See Notes to Financial Statements.

TOWN OF BROADWAY, VIRGINIA

---- PROPRIETARY FUNDS ----
STATEMENTS OF NET POSITION
June 30, 2014

	----- Enterprise Funds -----			Total Enterprise Funds
	<u>Water</u>	<u>Sewer</u>	<u>RBEG</u>	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 88,630	\$ 482,497	\$ 71,967	\$ 643,094
Restricted cash and cash equivalents, deposits	31,870	-	-	31,870
Investments	-	152,021	-	152,021
Accounts receivable	150,478	55,329	-	205,807
Due from other funds	1,997,877	-	-	1,997,877
Note receivable, current portion	-	-	7,503	7,503
Inventory	37,309	5,584	-	42,893
Prepaid expenses	-	471	-	471
Total current assets	<u>\$ 2,306,164</u>	<u>\$ 695,902</u>	<u>\$ 79,470</u>	<u>\$ 3,081,536</u>
Noncurrent assets:				
Capital assets:				
Land	\$ 63,842	\$ 79,555	-	\$ 143,397
Utility plants, distribution and collection systems	3,389,051	19,501,409	-	22,890,460
Equipment	281,683	703,316	-	984,999
Less accumulated depreciation	(1,745,253)	(2,781,200)	-	(4,526,453)
Total noncurrent assets	<u>\$ 1,989,323</u>	<u>\$ 17,503,080</u>	<u>\$ -</u>	<u>\$ 19,492,403</u>
Total assets	<u>\$ 4,295,487</u>	<u>\$ 18,198,982</u>	<u>\$ 79,470</u>	<u>\$ 22,573,939</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 48,198	\$ 105,821	\$ -	\$ 154,019
Due to other funds	-	1,681,949	-	1,681,949
Connection fees payable	-	4,600	-	4,600
Accrued interest payable	-	70,736	-	70,736
Accrued benefits	2,436	4,988	-	7,424
Compensated absences	8,122	23,524	-	31,646
Deposits	31,870	-	-	31,870
Unearned revenue	1,587	-	-	1,587
Bonds, notes and loans payable	-	501,125	-	501,125
Total current liabilities	<u>\$ 92,213</u>	<u>\$ 2,392,743</u>	<u>\$ -</u>	<u>\$ 2,484,956</u>
Noncurrent liabilities:				
Bonds, notes and loans payable	\$ -	\$ 8,762,259	\$ -	\$ 8,762,259
Total noncurrent liabilities	<u>\$ -</u>	<u>\$ 8,762,259</u>	<u>\$ -</u>	<u>\$ 8,762,259</u>
Total liabilities	<u>\$ 92,213</u>	<u>\$ 11,155,002</u>	<u>\$ -</u>	<u>\$ 11,247,215</u>

(Continued)

TOWN OF BROADWAY, VIRGINIA

---- PROPRIETARY FUNDS ----
 STATEMENTS OF NET POSITION
 June 30, 2014

	----- Enterprise Funds -----			Total Enterprise Funds
	<u>Water</u>	<u>Sewer</u>	<u>RBEG</u>	
NET POSITION				
Net investment in capital assets	\$ 1,989,323	\$ 8,168,960	\$ -	\$ 10,158,283
Unrestricted	<u>2,213,951</u>	<u>(1,124,980)</u>	<u>79,470</u>	<u>1,168,441</u>
Total net position	<u>\$ 4,203,274</u>	<u>\$ 7,043,980</u>	<u>\$ 79,470</u>	<u>\$ 11,326,724</u>

See Notes to Financial Statements.

TOWN OF BROADWAY, VIRGINIA

---PROPRIETARY FUNDS---
**STATEMENTS OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET POSITION**
 Year Ended June 30, 2014

	----- Enterprise Funds -----			Total
	Water	Sewer	RBEG	Enterprise Funds
OPERATING REVENUES				
Wastewater contracts	\$ -	\$ 1,984,224	\$ -	\$ 1,984,224
Charges for services	420,609	320,484	-	741,093
Connection fees	133,600	145,080	-	278,680
Sludge revenue	-	300,113	-	300,113
Miscellaneous	24,947	-	-	24,947
Total operating revenues	<u>\$ 579,156</u>	<u>\$ 2,749,901</u>	<u>\$ -</u>	<u>\$ 3,329,057</u>
OPERATING EXPENSES				
Salaries and wages	\$ 243,828	\$ 360,570	\$ -	\$ 604,398
Employee benefits	51,600	102,489	-	154,089
Payroll taxes	17,952	25,276	-	43,228
Water purchase, Co-Op	36,612	-	-	36,612
Chemicals	29,307	214,302	-	243,609
Insurance	11,583	12,956	-	24,539
Lab testing	-	64,684	-	64,684
Miscellaneous	2,804	13,742	-	16,546
Postage	1,542	1,460	-	3,002
Professional fees	2,878	4,390	-	7,268
Repairs and maintenance	72,512	298,124	-	370,636
Supplies	2,488	3,449	-	5,937
Sludge removal	-	111,833	-	111,833
Utilities and fuel	37,307	378,404	-	415,711
Telephone	2,628	5,576	-	8,204
Vehicle maintenance	19,901	-	-	19,901
Depreciation	90,605	445,920	-	536,525
Total operating expenses	<u>\$ 623,547</u>	<u>\$ 2,043,175</u>	<u>\$ -</u>	<u>\$ 2,666,722</u>
Operating income (loss)	<u>\$ (44,391)</u>	<u>\$ 706,726</u>	<u>\$ -</u>	<u>\$ 662,335</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earned	\$ 2,810	\$ 6,557	\$ 36	\$ 9,403
Rental income	35,707	-	-	35,707
Spring lease fees	(5,000)	-	-	(5,000)
Loss on disposal of property and equipment	(174,058)	-	-	(174,058)
Unrealized (gain) on investments	-	917	-	917
Interest expense	-	(298,494)	-	(298,494)
Total nonoperating revenues (expenses)	<u>\$ (140,541)</u>	<u>\$ (291,020)</u>	<u>\$ 36</u>	<u>\$ (431,525)</u>
Income (loss) before transfers	<u>\$ (184,932)</u>	<u>\$ 415,706</u>	<u>\$ 36</u>	<u>\$ 230,810</u>

(Continued)

TOWN OF BROADWAY, VIRGINIA

---PROPRIETARY FUNDS---
**STATEMENTS OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET POSITION**
Year Ended June 30, 2014

	----- Enterprise Funds -----			Total Enterprise Funds
	<u>Water</u>	<u>Sewer</u>	<u>RBEG</u>	
TRANSFERS				
Transfers in	\$ 530,970	\$ 3,060	\$ -	\$ 534,030
Transfers out	<u>(337,305)</u>	<u>(371,683)</u>	<u>-</u>	<u>(708,988)</u>
	\$ 193,665	\$ (368,623)	\$ -	\$ (174,958)
Change in net position	\$ 8,733	\$ 47,083	\$ 36	\$ 55,852
NET POSITION AT BEGINNING OF YEAR	<u>4,194,541</u>	<u>6,996,897</u>	<u>79,434</u>	<u>11,270,872</u>
NET POSITION AT END OF YEAR	<u>\$ 4,203,274</u>	<u>\$ 7,043,980</u>	<u>\$ 79,470</u>	<u>\$ 11,326,724</u>

See Notes to Financial Statements.

TOWN OF BROADWAY, VIRGINIA

---PROPRIETARY FUNDS---
STATEMENTS OF CASH FLOWS
Year Ended June 30, 2014

	----- Enterprise Funds -----			Total Enterprise Funds
	<u>Water</u>	<u>Sewer</u>	<u>RBEG</u>	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 573,401	\$ 2,747,189	\$ -	\$ 3,320,590
Cash payments to suppliers of goods and services	(253,879)	(1,166,362)	-	(1,420,241)
Cash payments to employees	<u>(247,928)</u>	<u>(368,324)</u>	<u>-</u>	<u>(616,252)</u>
Net cash provided by (used in) operating activities	<u>\$ 71,594</u>	<u>\$ 1,212,503</u>	<u>\$ -</u>	<u>\$ 1,284,097</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating transfers from other funds	\$ 530,970	\$ 3,060	\$ -	\$ 534,030
Operating transfers to other funds	(337,305)	(371,683)	-	(708,988)
Advance from other funds	-	79,947	-	79,947
Advance to other funds	<u>(97,746)</u>	<u>-</u>	<u>-</u>	<u>(97,746)</u>
Net cash provided by (used in) noncapital financing activities	<u>\$ 95,919</u>	<u>\$ (288,676)</u>	<u>\$ -</u>	<u>\$ (192,757)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	\$ (205,423)	\$ (26,947)	\$ -	\$ (232,370)
Rental income	35,707	-	-	35,707
Loan proceeds from bond payable	-	200,000	-	200,000
Principal paid on bond and loans	-	(687,382)	-	(687,382)
Interest paid	-	(305,780)	-	(305,780)
Spring lease	<u>(5,000)</u>	<u>-</u>	<u>-</u>	<u>(5,000)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (174,716)</u>	<u>\$ (820,109)</u>	<u>\$ -</u>	<u>\$ (994,825)</u>

(Continued)

TOWN OF BROADWAY, VIRGINIA

---PROPRIETARY FUNDS---
STATEMENTS OF CASH FLOWS
 Year Ended June 30, 2014

	----- Enterprise Funds -----			Total Enterprise Funds
	Water	Sewer	RBEG	
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest earned	\$ 2,810	\$ 6,557	\$ 36	\$ 9,403
Net cash provided by (used in) investing activities	\$ 2,810	\$ 6,557	\$ 36	\$ 9,403
Net increase (decrease) in cash and cash equivalents	\$ (4,393)	\$ 110,275	\$ 36	\$ 105,918
Cash and cash equivalents:				
Beginning	124,893	524,243	71,931	721,067
Ending	\$ 120,500	\$ 634,518	\$ 71,967	\$ 826,985
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO PROPRIETARY FUND BALANCE SHEETS				
Unrestricted cash and cash equivalents	\$ 88,630	\$ 482,497	\$ 71,967	\$ 643,094
Restricted cash and cash equivalents, deposits	31,870	-	-	31,870
Investments	-	152,021	-	152,021
	\$ 120,500	\$ 634,518	\$ 71,967	\$ 826,985
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	\$ (44,391)	\$ 706,726	\$ -	\$ 662,335
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Net (increase) in the fair value of investments	-	917	-	917
Depreciation	90,605	445,920	-	536,525
Change in assets and liabilities:				
(Increase) decrease in inventories	(2,934)	509	-	(2,425)
(Increase) decrease in prepaid expenses	-	(83)	-	(83)
(Increase) decrease in accounts receivable	(8,435)	(2,712)	-	(11,147)
Increase (decrease) in accounts payable and accrued expenses	34,069	61,226	-	95,295
Increase (decrease) in deposits	2,680	-	-	2,680
Net cash provided by (used in) operating activities	\$ 71,594	\$ 1,212,503	\$ -	\$ 1,284,097

See Notes to Financial Statements.

TOWN OF BROADWAY, VIRGINIA
----FIDUCIARY FUND----
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2014

	<u>IDA</u> <u>Fund (Agency)</u>
ASSETS	
Cash and cash equivalents	\$ <u>8,276</u>
Total assets	\$ <u>8,276</u>
LIABILITIES	
Amounts held for others	\$ <u>8,276</u>
Total liabilities	\$ <u>8,276</u>

See Notes to Financial Statements.

TOWN OF BROADWAY, VIRGINIA

----FIDUCIARY FUND----

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2014

	IDA
	<u>Fund (Agency)</u>
ADDITIONS	
Fees (revenue)	\$ -
Transfer in from other fund	-
Total additions	<u>\$ -</u>
DEDUCTIONS	
Meetings	\$ 600
Legal fees	550
Bank charges	34
Donations	<u>70,000</u>
Total deductions	<u>\$ 71,184</u>
Change in net position	\$ (71,184)
NET POSITION AT BEGINNING OF YEAR	<u>79,460</u>
NET POSITION AT END OF YEAR	<u><u>\$ 8,276</u></u>

See Notes to Financial Statements.

TOWN OF BROADWAY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of the Town of Broadway, Virginia, conform to generally accepted accounting principles (GAAP) applicable to government units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the most significant policies:

A. Reporting Entity

The Town of Broadway, Virginia, is a municipality governed by a six-member Town Council and Mayor. Daily operations are conducted by the Town Manager with oversight from the Mayor and Town Council. In determining the reporting entity, the Town complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity." Based on the criteria provided in that Statement there are no agencies or entities that should be presented as component units of the Town.

B. Governmental Accounting Standards

The Town follows the general provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This Statement identifies the financial reporting requirements of state and local governments.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or identifiable activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Government-Wide Financial Statements

The Town government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the Town accompanied by a total column.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the Town’s assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the Town are reported in three categories: (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 45 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Town, are property taxes, sales and use taxes, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The General Fund is the Town’s only governmental fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The Town reports the following major proprietary funds:

Water and Sewer Funds-account for the activities related to the provision of water and sewer services to Town’s businesses, residents, schools, and churches. They operate the water treatment plant, water distribution systems, sewer collection systems, and pump stations.

RBEG Fund-accounts for the activities of administering the Town’s Rural Business Enterprise Grant (RBEG) Program.

Fiduciary Fund Financial Statement

The Town’s fiduciary fund is presented in the fund financial statement by type (agency). Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the governmental-wide financial statements.

Fiduciary funds are used to account for assets held by the Town in a trustee capacity or as agent for individuals, private organizations, and other governments. The fiduciary fund of the Town is the Industrial Development Authority (IDA) Fund. Since this fund is custodial in nature (i.e., assets equal liabilities), it does not involve the measurement of results of operations.

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

Cash and Cash Equivalents

Cash of the individual funds is combined to form a pool of cash. Investment of the pooled cash consists of certificates of deposit. Interest earned as a result of the pooling is distributed to the appropriate funds utilizing a formula based on the average balance of cash and investments of each fund.

For purposes of reporting cash flows, the Town considers all cash on hand, checking accounts, savings accounts, money market funds and highly liquid instruments with a maturity of three months or less to be cash and cash equivalents. All certificates of deposit, regardless of maturity, are considered to be cash and cash equivalents.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)Investments

The Town's investments are reported at fair value.

The Town is a voluntary participant in the State Treasurer's Local Government Investment Pool (LGIP). The LGIP is a special purpose state-administered investment pool offered to public entities for the investment of public funds. Statutory authority is granted by the *Code of Virginia*, and the Investment Division of the Virginia Department of the Treasury manages the Pool. The LGIP is managed similarly to a money market fund and in compliance with GASB's Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, definition of "2a-7 like pools".

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical collection data and specific account analysis. Major receivable balances for the governmental activities include sales and use taxes and utility taxes. Business-type activities report utilities and interest earnings as their major receivables. The Town grants credit to the customers of its water, sewer and trash systems. The customers are either local businesses or residents.

In the fund financial statements, major receivable balances and the allowances for uncollectible accounts are the same as those in the governmental and business-type activities.

Property Taxes

Real estate and personal property taxes are assessed annually by Rockingham County, Virginia, for all property of record as of January 1. Property taxes attach as an enforceable lien on property as of January 1. The Town collects real estate and personal property taxes on an annual basis (due December 5). The portion of the tax receivable that is not collected within 45 days after June 30 is shown as deferred inflows of resources in the fund financial statements. A penalty of 10 percent of the tax is assessed after the applicable payment date.

The taxes receivable balance at June 30, 2014, includes amounts not yet billed or received from the January 1, 2014, levy (due December 5, 2014). These items are included in deferred inflows of resources since these taxes are restricted for use until fiscal year 2015.

The Town calculates its allowance for uncollectible delinquent property tax accounts using historical collection data and specific account analysis. There was no allowance at June 30, 2014.

Inventory

Proprietary fund inventory is reported at the lower of cost (first-in, first-out method) or market.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Interfund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in the governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns. In general, the Town defines capital assets as assets with an initial, individual cost of more than \$2,000 (not rounded) and an estimated useful life in excess of one year. Capital assets are carried at historical cost except for donated capital assets that are recorded at their estimated fair value on the date received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and Improvements	20-50 years
Utility System	20-50 years
Equipment	3-10 years
Infrastructure	20-40 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-Term Debt

The accounting treatment of the long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

Compensated Absences

It is the Town's policy to permit employees to accumulate earned but not used vacation and sick pay benefits. The Town pays a benefit for accumulated sick leave upon an employee's separation from service to the extent the employee meets certain criteria. Vacation and sick pay are accrued when incurred in the government-wide and proprietary fund financial statements. A liability is reported for compensated absences in governmental funds only to the extent that it is expected to be liquidated with expendable available financial resources as a result of employee resignations and retirements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position or balance sheet 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position or balance sheet 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town currently only has one type of item (property taxes) that qualifies for reporting in this category.

Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets-consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- b. Restricted net position-consists of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. These assets are reduced by liabilities and deferred inflows of resources related to those assets.
- c. Unrestricted-all other net position is reported in this category.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Fund Statements

In the governmental fund financial statements, fund balances are classified as follows:

- **Nonspendable** - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- **Restricted** - Amounts that can be spent only for specific purposes because of the Town Charter, the Town Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- **Committed** - Amounts that can be used only for specific purposes determined by a formal action by Town Council ordinance or resolution. This includes the Budget Reserve Account.
- **Assigned** - Amounts that are designated by the Town Council for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by Town Council.
- **Unassigned** - All amounts not included in other spendable classifications.

Proprietary fund equity is classified the same as in the government-wide statements.

F. Revenues, Expenditures, and Expenses

Governmental Fund Revenues

As mentioned above, governmental fund revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, property taxes not collected within 45 days after year-end are reflected as deferred revenues-uncollected property taxes. The Town recognizes sales and utility taxes remitted to the Town as revenues and receivables in the month preceding receipt. Licenses and permits are recorded as revenues when received. Intergovernmental revenues, consisting primarily of Federal, State and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of specific expenditure.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. They also include all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified by function for the governmental fund and by operating and nonoperating for the proprietary funds.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to the use of economic resources.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers.

Advertising

The Town expenses advertising production costs as they are incurred and advertising communication costs the first time the advertising takes place. There were no advertising costs in 2014.

Fringe benefits

Fringe benefits of the Town include:

- a. Pension Plan - Employees of the Town participate in the Virginia Retirement System (VRS). VRS is administered by the Commonwealth, which bills the Town for the employer share of contributions. VRS is obligated to pay a monthly benefit to participants upon retirement with the amount of the benefit depending on length of service and earnings.
- b. Social Security System - All employees participate in the Federal Social Security Program. The employer share of FICA taxes for the employees is the responsibility of the Town.
- c. Health Insurance - The Town provides health insurance coverage for all full-time, salaried permanent employees.

G. Estimates and Assumptions

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

H. Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Town's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Town's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

Note 2. Stewardship, Compliance, and Accountability

A. Budgetary Information

The Town Council's control is exercised through budgeting. The Town budget is developed for informative and fiscal planning purposes only and presents an itemized listing of contemplated expenditures and estimated revenues for the ensuing fiscal year. The Town Council approves the budget after a public hearing.

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund. Amounts shown in the accompanying financial statements as "budget" represent the original and final operating budgets for the fiscal year 2014. The final operating budget for the General Fund included carryover funds of \$320,600.

NOTES TO FINANCIAL STATEMENTS

Note 2. Stewardship, Compliance, and Accountability (Continued)

A budget is also adopted for the Water and Sewer Funds as an operating guideline. Budget to actual information is shown as other supplementary information. Below is a summary of budgeted information that is not included in the Enterprise Fund's Statements of Revenues, Expenses and Changes in Fund Net Position- Budget and Actual:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
WATER FUND			
Prior year carryover	\$ -	\$ 141,000	\$ 141,000
Capital outlay	<u>(48,500)</u>	<u>(189,500)</u>	<u>(205,423)</u>
	<u>\$ (48,500)</u>	<u>\$ (48,500)</u>	<u>\$ (64,423)</u>
SEWER FUND			
Prior year carryover	\$ -	\$ 90,000	\$ 90,000
Capital outlay	(116,700)	(116,700)	(26,947)
Principal paid on bonds and loans	<u>(488,000)</u>	<u>(488,000)</u>	<u>(687,382)</u>
	<u>\$ (604,700)</u>	<u>\$ (514,700)</u>	<u>\$ (624,329)</u>

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2014, General Fund expenditures exceeded appropriations in Public Safety by \$48,672, and Cultural and Recreation by \$61,154. These over expenditures were funded by greater than expected revenues and operating transfers into the fund.

Note 3. Deposits and InvestmentsDeposits

Below and on the following page is a summary of the Town's accounts/deposits at June 30, 2014:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
<u>General</u>		
Checking, Park (BB&T – Virginia)	\$ 23,709	\$ 23,709
Savings (BB&T – Virginia)	1,212	1,212
Certificates of deposit (L. M. Kohn)	143,636	143,636
Petty cash	120	-
<u>Water</u>		
Checking (BB&T – Virginia)	116,447	154,316
Checking (Farmers and Merchants Bank)	4,053	4,053

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments (Continued)Sewer

Certificates of deposit (L. M. Kohn)	\$ 482,497	\$ 482,497
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RBEG

Checking (BB&T – Virginia)	<u>71,967</u>	<u>71,967</u>
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Total reporting entity	<u>\$ 843,641</u>	<u>\$ 881,390</u>
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All cash of the Town is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50 percent to 130 percent of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

As of June 30, 2014, the Town had the following investment:

	<u>Fair Value</u>
Virginia State Treasurer's Local Government Investment Pool (LGIP)	<u>\$ 291,336</u>

Credit Risk

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). The Town has no investment policy that would further limit its investment choices.

The Town's investment in the State Treasurer's Local Government Investment Pool was rated AAAM by Standard & Poors. That is the highest rating assigned to money market funds.

NOTES TO FINANCIAL STATEMENTS

Note 4. Receivables

Receivables as of June 30, 2014, for the government's individual major funds including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-Type Activities	Total
Receivables:			
Property taxes	\$ 322,670	\$ -	\$ 322,670
Other taxes:			
Utilities tax	13,094	-	13,094
Meals tax	10,073	-	10,073
Accounts	<u>27,982</u>	<u>205,807</u>	<u>233,789</u>
Gross receivables	\$ 373,819	\$ 205,807	\$ 579,626
Less: allowance for uncollectibles	-	-	-
Net total receivables	<u>\$ 373,819</u>	<u>\$ 205,807</u>	<u>\$ 579,626</u>

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 903,191	\$ -	\$ -	\$ 903,191
Total capital assets not being depreciated	<u>\$ 903,191</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 903,191</u>
Capital assets being depreciated				
Buildings	\$ 921,965	\$ 73,249	\$ -	\$ 995,214
Park and improvements	740,352	207,276	-	947,628
Machinery and equipment	373,073	-	2,723	370,350
Infrastructure	<u>1,004,375</u>	<u>246,708</u>	<u>189,809</u>	<u>1,061,274</u>
Total capital assets being depreciated	<u>\$ 3,039,765</u>	<u>\$ 527,233</u>	<u>\$ 192,532</u>	<u>\$ 3,374,466</u>
Less accumulated depreciation for				
Buildings	\$ 190,965	\$ 24,876	\$ -	\$ 215,841
Park and improvements	177,565	35,658	-	213,223
Machinery and equipment	255,155	35,963	2,723	288,395
Infrastructure	<u>157,846</u>	<u>36,825</u>	<u>39,543</u>	<u>155,128</u>
Total accumulated depreciation	<u>\$ 781,531</u>	<u>\$ 133,322</u>	<u>\$ 42,266</u>	<u>\$ 872,587</u>
Total capital assets being depreciated, net	<u>\$ 2,258,234</u>	<u>\$ 393,911</u>	<u>\$ 150,266</u>	<u>\$ 2,501,879</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 3,161,425</u>	<u>\$ 393,911</u>	<u>\$ 150,266</u>	<u>\$ 3,405,070</u>

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 143,397	\$ -	\$ -	\$ 143,397
Total capital assets not being depreciated	\$ 143,397	\$ -	\$ -	\$ 143,397
Capital assets being depreciated				
Utility system	\$ 22,851,872	\$ 212,646	\$ 174,058	\$ 22,890,460
Machinery and equipment	965,275	19,724	-	984,999
Total capital assets being depreciated	\$ 23,817,147	\$ 232,370	\$ 174,058	\$ 23,875,459
Less accumulated depreciation for				
Utility system	\$ 3,465,957	\$ 443,732	\$ -	\$ 3,909,689
Machinery and equipment	523,971	92,793	-	616,764
Total accumulated depreciation	\$ 3,989,928	\$ 536,525	\$ -	\$ 4,526,453
Total capital assets being depreciated, net	\$ 19,827,219	\$ (304,155)	\$ 174,058	\$ 19,349,006
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	\$ 19,970,616	\$ (304,155)	\$ (174,058)	\$ 19,492,403

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

GOVERNMENTAL ACTIVITIES

General government administration	\$ 18,095
Public safety	19,064
Public works	54,265
Cultural and recreation	<u>41,898</u>

Total depreciation expense-governmental activities \$ 133,322

BUSINESS-TYPE ACTIVITIES

Water	\$ 90,605
Sewer	<u>445,920</u>

Total depreciation expense-business-type activities \$ 536,525

NOTES TO FINANCIAL STATEMENTS

Note 6. Deferred Inflows of Resources

The following is a summary of deferred inflows of resources by fund/activity at June 30, 2014:

Fund Statements

	<u>General Fund</u>
Unavailable revenue:	
Property taxes billed in fiscal year 2015	\$ 297,484
Uncollected property tax billing	<u>24,619</u>
	<u>\$ 322,103</u>

Government-Wide Statements

	<u>Governmental Activities</u>
Unavailable revenue:	
Property taxes billed in fiscal year 2015	<u>\$ 297,484</u>

Note 7. Long-Term Debt

A summary of long-term debt activity for the year ended June 30, 2014, is as follows. Additional detailed information is available on the following pages.

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within One Year</u>
<u>Government activities</u>					
<i>General Fund</i>					
Branch Banking & Trust (series 2012A bond)	\$ 330,826	\$ -	\$ (19,693)	\$ 311,133	\$ 20,335
Branch Banking & Trust (series 2012B bond)	<u>141,783</u>	<u>-</u>	<u>(8,440)</u>	<u>133,343</u>	<u>8,715</u>
	<u>\$ 472,609</u>	<u>\$ -</u>	<u>\$ (28,133)</u>	<u>\$ 444,476</u>	<u>\$ 29,050</u>
<u>Business-type activities</u>					
<i>Sewer Fund</i>					
Virginia Resources Authority (2007 loan)	\$ 2,105,000	\$ -	\$ (100,000)	\$ 2,005,000	\$ 105,000
Virginia Resources Authority (2009 loan)	7,395,766	-	(337,132)	7,058,634	346,125
SunTrust Bank (2010 loan)	250,000	-	(250,000)	-	-
Branch Banking & Trust (series 2014 bond)	<u>-</u>	<u>200,000</u>	<u>(250)</u>	<u>199,750</u>	<u>50,000</u>
	<u>\$ 9,750,766</u>	<u>\$ 200,000</u>	<u>\$ (687,382)</u>	<u>\$ 9,263,384</u>	<u>\$ 501,125</u>

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

Government activities

The Town signed a financing agreement with Branch Banking and Trust Company on June 1, 2012. Proceeds from this general obligation bond (series 2012A) were used to purchase the old Ace Hardware and library buildings. The library was renovated to house the police department. Semi-annual payments on the bond commenced on December 1, 2012, in the amount of \$14,200 each, including interest at 2.64 percent. The bond matures June 1, 2027. The Town pledges its full faith and credit on the bond.

The Town signed a financing agreement with Branch Banking and Trust Company on June 1, 2012. Proceeds from this general obligation bond (series 2012B) were used to purchase a lot at the corner of Rock and Main Streets. In the future, a building to house a Farmers' Market will be erected at that location. Semi-annual payments on the bond commenced on December 1, 2012, in the amount of \$6,086 each, including interest at 2.64 percent. The bond matures June 1, 2027. The Town pledges its full faith and credit on the bond.

Business-type activities

The Town signed a financing agreement with the Virginia Resources Authority on November 14, 2007. On December 13, 2007, the Town issued a general obligation water and sewer bond (series of 2007) in the amount of \$2,555,000. As part of the financing agreement, the Town sold the local bond to the U. S. Bank (trustee for Virginia Resources Authority) for \$2,555,000. Proceeds from the bond were used to pay off the interim financing for the wastewater treatment facility. Annual principal payments on the bond commenced on October 1, 2008, and will continue through October 1, 2027. The initial principal payment begins at \$80,000 and will increase in intervals of up to \$15,000 until the final principal payment of \$195,000. In addition to the annual principal payment, the Town is making semi-annual interest payments on the outstanding balance at a rate between 3.7 percent and 5.036 percent. If necessary to make payments, the Town can levy an *ad valorem* tax without limitation as to rate or amount on all property in the Town subject to taxation. The Town also pledges on the bond, its full faith and credit and revenues of its water and sewer system. As of June 30, 2014, \$550,000 has been applied against the principal portion of the loan. Total interest expense incurred on the loan for the year ended June 30, 2014, was \$97,776.

The Town signed a financing agreement with the Virginia Resources Authority on December 4, 2007. The financing agreement committed \$3,433,536 from the Virginia Revolving Loan Fund to the Town for use towards expansion of the wastewater treatment facility. On December 9, 2008, that commitment was increased to \$8,000,000. On October 5, 2012, the Town refinanced \$7,560,286, with the Virginia Resources Authority. Semi-annual payments on the bond commenced on April 1, 2013, in the amount of \$265,450 each, including interest at 2.65 percent. The bond matures October 1, 2030. If necessary to make payments, the Town can levy an *ad valorem* tax, sufficient to pay the principal cost of funds, on all property in the Town subject to taxation. The Town also pledges its full faith and credit and revenues of its water and sewer system. As of June 30, 2014, \$501,652 has been applied against the principal portion of the loan. Total interest expense incurred on the loan for the year ended June 30, 2014, was \$193,769.

The Town signed a financing agreement with Branch Banking and Trust Company on May 10, 2014. Proceeds from this general obligation refunding bond (series 2014) were \$200,000. The proceeds were used to retire existing debt. Annual principal payments on the bond commence on April 20, 2015, at a sum of \$50,000 each and will continue through April 20, 2018. If necessary to make payments, the Town can levy an *ad valorem* tax without limitation as to rate or amount on all property in the Town subject to taxation. The Town also pledges on the bond, its full faith and credit and revenues of its water and sewer system. Total interest expense incurred on the loan for the year ended June 30, 2014, was \$564.

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

Annual requirements to amortize long-term debt and related interest at June 30, 2014, are as follows:

Governmental-Type Activities

Year Ending June 30	Branch Banking & Trust (Series 2012A bond)		Branch Banking & Trust (Series 2012B bond)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 20,335	\$ 8,074	\$ 8,715	\$ 3,460	\$ 29,050	\$ 11,534
2016	20,875	7,534	8,947	3,229	29,822	10,763
2017	21,430	6,979	9,184	2,991	30,614	9,970
2018	21,999	6,410	9,428	2,747	31,427	9,157
2019	22,584	5,825	9,679	2,496	32,263	8,321
2020 - 2024	122,248	19,798	53,392	8,785	175,640	28,583
2025- 2027	<u>81,662</u>	<u>3,803</u>	<u>33,998</u>	<u>1,630</u>	<u>115,660</u>	<u>5,433</u>
	<u>\$ 311,133</u>	<u>\$ 58,423</u>	<u>\$ 133,343</u>	<u>\$ 25,338</u>	<u>\$ 444,476</u>	<u>\$ 83,761</u>

Business-Type Activities

Year Ending June 30	Virginia Resources Authority (2007 loan)		Virginia Resources Authority (2009 loan)		Branch Banking & Trust (Series 2014 bond)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 105,000	\$ 93,659	\$ 346,125	\$ 184,776	\$ 50,000	\$ 6,991	\$ 501,125	\$ 285,426
2016	110,000	89,251	355,358	175,543	50,000	5,241	515,358	270,035
2017	115,000	84,639	364,838	166,063	50,000	3,491	529,838	254,193
2018	120,000	79,799	374,570	156,331	49,750	1,741	544,320	237,871
2019	125,000	74,599	384,561	146,339	-	-	509,561	220,938
2020 - 2024	715,000	275,715	2,082,266	572,237	-	-	2,797,266	847,952
2025 - 2029	715,000	75,170	2,375,212	279,291	-	-	3,090,212	354,461
2030	<u>-</u>	<u>-</u>	<u>775,704</u>	<u>20,646</u>	<u>-</u>	<u>-</u>	<u>775,704</u>	<u>20,646</u>
	<u>\$ 2,005,000</u>	<u>\$ 772,832</u>	<u>\$ 7,058,634</u>	<u>\$ 1,701,226</u>	<u>\$ 199,750</u>	<u>\$ 17,464</u>	<u>\$ 9,263,384</u>	<u>\$ 2,491,522</u>

Note 8. Pension Plan**Plan Description**

The Town contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer pension plan administered by the Virginia Retirement System. All full-time, salaried permanent (professional) employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and, Hybrid. Each plan has a different eligibility and benefit structure as set out in the following table:

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plan (Continued)

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>About VRS Plan 1 VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About VRS Plan 2 VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.</p>	<p>Eligible Members Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • State employees* • School division employees • Political subdivision employees* • Judges appointed or elected to an original term on or after January 1, 2014 • Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Members of the State Police Officers' Retirement System (SPORS) • Members of the Virginia Law Officers' Retirement System (VaLORS) • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.</p>

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plan (Continued)

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>Retirement Contributions Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Same as VRS Plan 1.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as VRS Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plan (Continued)

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as VRS Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under VRS Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under VRS Plan 1</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plan (Continued)

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.	Service Retirement Multiplier Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	Service Retirement Multiplier The retirement multiplier is 1.0%. For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
Normal Retirement Age Age 65.	Normal Retirement Age Normal Social Security retirement age.	Normal Retirement Age <u>Defined Benefit Component:</u> Same as VRS Plan 2. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	Earliest Unreduced Retirement Eligibility Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	Earliest Reduced Retirement Eligibility Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.	Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plan (Continued)

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p>Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p>Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p>Eligibility: Same as VRS Plan 1</p> <p>Exceptions to COLA Effective Dates: Same as VRS Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as VRS Plan 2.</p> <p>Defined Contribution Component: Not applicable.</p> <p>Eligibility: Same as VRS Plan 1 and VRS Plan 2.</p> <p>Exceptions to COLA Effective Dates: Same as VRS Plan 1 and VRS Plan 2.</p>
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>State employees (including VRS Plan 1 and VRS Plan2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plan (Continued)

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as VRS Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as VRS Plan 1. <u>Defined Contribution Component:</u> Not applicable.

The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of that report is available at the VRS website (www.varetire.org) or may be obtained by writing to the Systems Chief Financial Officer at P. O. Box 2500, Richmond, VA 23218-2500.

Special Elected Benefit

The Town has elected to fund the Law Enforcement Officers (LEOS) retirement benefit. LEOS provides a package of special retirement benefits for law enforcement officers and their survivors. Employees eligible for LEOS are covered by VRS but have enhanced benefit formulas because of the nature of their jobs. The Town's contribution rate was increased to cover enrollment in this program.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5 percent of their compensation toward their retirement. The employer has assumed this 5 percent member contribution for employees hired prior to July 1, 2010. For employees hired after that date, the member contribution is a pre-tax salary reduction. In addition, the Town of Broadway, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town of Broadway's contribution rate for the fiscal year ended June 30, 2014, was 13.54 percent (excluding 5 percent member contribution) of the annual covered payroll.

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plan (Continued)Annual Pension Cost

For 2014, the Town's annual pension cost of \$127,802 for VRS was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.00 percent investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.75 percent to 5.60 percent per year for general government employees and 3.50 percent to 4.75 percent per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs and (c) 2.50 percent per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50 percent. The actuarial value of the Plan's assets is equal to the modified market value of assets. This method use techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011, for the Unfunded Actuarial Accrued Liability (UAAL), was 20 years.

Three-Year Trend Information for the Town of Broadway

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/12	\$117,142	100%	\$ -
6/30/13	115,731	100%	-
6/30/14	127,802	100%	-

Funding Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was 76.06 percent funded. The actuarial accrued liability for benefits was \$2,556,275, and the actuarial value of assets was \$1,944,210, resulting in an unfunded actuarial accrued liability (UAAL) of \$612,065. The covered payroll (annual payroll of active employees covered by the plan) was \$855,585, and the ratio of the UAAL to the covered payroll was 71.54 percent.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

Note 9. Operating Lease Commitments

The Town receives rental income from three operating leases.

The Town leases land behind the wastewater treatment facility to a farmer on a year-to-year operating lease. This lease revenue is presented in the General Fund. The rents received from this lease during the fiscal year ended June 30, 2014, were \$10,000.

The Town leases its water tank to two communication companies under noncancelable operating leases for five years. The annual rents received from each lease are \$19,043 and \$16,664, respectively. Each lease has additional renewal terms. The companies use the tank to mount their antennas. The following is a schedule by years of future minimum rentals under the current terms of the leases:

NOTES TO FINANCIAL STATEMENTS

Note. 9. Operating Lease Commitments (Continued)Year Ending June 30

2015	\$ 35,708
2016	35,708
2017	37,582
2018	39,159
2019	<u>41,064</u>
	<u>\$ 189,221</u>

The total rental income from these leases that is included in the Water Fund's statement of revenues and expenses for the year ended June 30, 2014, was \$35,707.

The Town leases a spring under a noncancelable operating lease. The lease calls for the Town to pay annual rent of \$5,000 until the time the Town begins withdrawing water. Once that occurs, the Town will pay annually the greater of \$5,000 or 5 cents for each 1,000 gallons withdrawn. The lease originated March, 2003, and runs for a period of 99 years. For the year ended June 30, 2014, lease expense in the Water Fund's statement of revenues and expenses was \$5,000.

Note. 10. 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 has insurance coverage with the VML Insurance Programs. The Town has joined with nearly 500 local political subdivisions in Virginia to form this public entity risk pool that operates as a common risk management and insurance program for members. Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Town pays contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion that the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Town's settled claims have not exceeded insurance coverage in any of the past three fiscal years.

Note 11. Revolving Lines of Credit

The Town has two revolving lines of credit with BB&T, one reported in the General Fund and the other in the Sewer Fund. Each line of credit had \$50,000 unused at June 30, 2014. Bank advances on the credit lines are payable on demand and carry interest at the bank's prime rate. The credit lines are secured by the full faith and credit of the Town.

NOTES TO FINANCIAL STATEMENTS

Note 12. Interfund Transfers

Interfund transfers during the year ended June 30, 2014, are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 348,400	\$ 173,442
Water Fund	530,970	337,305
Sewer Fund	<u>3,060</u>	<u>371,683</u>
	<u>\$ 882,430</u>	<u>\$ 882,430</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 13. Interfund Balances

Interfund balances at June 30, 2014, consisted of the following:

<u>Fund</u>	<u>Due From</u>			
	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Due to:				
General Fund	\$ -	\$ -	\$ -	\$ -
Water Fund	315,928	-	1,681,949	1,997,877
Sewer Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 315,928</u>	<u>\$ -</u>	<u>\$ 1,681,949</u>	<u>\$ 1,997,877</u>

Note 14. Major Customers

The Town has three major wastewater customers. For the year ended June 30, 2014, the sewer revenues from these customers are as follows:

Pilgrims Pride Corporation	\$ 1,248,028
Cargill Corporation	267,150
Town of New Market	<u>356,514</u>
	<u>\$ 1,871,692</u>

Accounts receivable from these customers at June 30, 2014, are as follows:

Town of New Market	<u>\$ 25,945</u>
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NOTES TO FINANCIAL STATEMENTS

Note 15. Accounting Changes and Accounting Standards

In fiscal year 2014, the Town implemented Governmental Accounting Standards (GASB) Statement 65, *Items Previously Reported as Assets and Liabilities*. The objective of Statement 65 is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of Statement 65 resulted in restatement of the beginning net position of the governmental and business-type activities in the government-wide financial statements. The restatement is also reflected in the beginning net position of the sewer fund included in the Proprietary Funds' Statements of Net Position. The debt issuance costs were reclassified as expense of prior periods and resulted in the adjustments below:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Sewer Fund</u>
Net position at June 30, 2013	\$ 2,697,318	\$ 11,316,740	\$ 7,042,765
Change in reporting for debt issuance costs	<u>(14,049)</u>	<u>(45,868)</u>	<u>(45,868)</u>
Net position at June 30, 2013, Restated	<u>\$ 2,683,269</u>	<u>\$ 11,270,872</u>	<u>\$ 6,996,897</u>

The GASB has issued several other Statements that will become effective in future years. Of those Statements, the one that is most likely to have a material effect on the Town's financial statements is Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The Statement also establishes the methods and assumptions that should be used for the various calculations in a pension plan. Note disclosure and required supplementary information requirements about pensions are also addressed. The provisions of the Statement will become effective for the Town in fiscal year 2015.

Note 16. Transactions with Related Party

John F. Long, Jr., Mayor during the period July 1, 2013 to December 31, 2013, is a Vice-President of Lantz Construction Company. During the period he was Mayor, the Town had the following transactions with Lantz Construction Company:

Heritage Park bridge repair	\$ 10,371
Police Station renovations	<u>10,223</u>
	<u>\$ 20,594</u>

**Required Supplementary Information-
Other than Management's Discussion and Analysis**

TOWN OF BROADWAY, VIRGINIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE-BUDGET AND ACTUAL
Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
General property taxes	\$ 232,278	\$ 232,278	\$ 273,332	\$ 41,054
Other local taxes	603,500	603,500	649,184	45,684
Permits, privilege fees and regulatory license	2,000	2,000	9,551	7,551
Fines and forfeitures	4,000	4,000	6,236	2,236
Revenue from the use of money and property	18,500	18,500	13,120	(5,380)
Charges for services	230,000	230,000	245,117	15,117
Miscellaneous	2,000	2,000	74,082	72,082
Intergovernmental revenues:				
Commonwealth	496,622	496,622	497,146	524
Federal	7,000	7,000	10,754	3,754
Total revenues	<u>\$ 1,595,900</u>	<u>\$ 1,595,900</u>	<u>\$ 1,778,522</u>	<u>\$ 182,622</u>
EXPENDITURES				
General government administration	\$ 416,600	\$ 416,600	\$ 383,884	\$ 32,716
Public safety	379,800	419,800	468,472	(48,672)
Public works	622,000	752,600	726,949	25,651
Cultural and recreation	111,500	261,500	322,654	(61,154)
Community development	25,000	25,000	10,948	14,052
Debt service	41,000	41,000	40,573	427
Total expenditures	<u>\$ 1,595,900</u>	<u>\$ 1,916,500</u>	<u>\$ 1,953,480</u>	<u>\$ (36,980)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ (320,600)</u>	<u>\$ (174,958)</u>	<u>\$ 145,642</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 348,400	\$ 348,400
Transfers out	-	-	(173,442)	(173,442)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 174,958</u>	<u>\$ 174,958</u>
Net change in fund balance	\$ -	\$ (320,600)	\$ -	\$ 320,600
FUND BALANCE AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ (320,600)</u>	<u>\$ -</u>	<u>\$ 320,600</u>

TOWN OF BROADWAY, VIRGINIA
SCHEDULE OF FUNDING PROGRESS -
DEFINED BENEFIT PENSION PLAN

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) --Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/11	\$ 1,745,039	\$ 2,668,545	\$ 923,506	65.39%	\$ 779,210	118.52%
6/30/12	1,786,075	2,819,019	1,032,944	63.36%	812,541	127.13%
6/30/13	1,944,210	2,556,275	612,065	76.06%	855,585	71.54%

Other Supplementary Information

TOWN OF BROADWAY, VIRGINIA

GENERAL FUND
STATEMENT OF REVENUES, COMPARED TO BUDGET
Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
GENERAL PROPERTY TAXES				
Real estate	\$ 180,000	\$ 180,000	\$ 180,430	\$ 430
Personal property	47,778	47,778	86,336	38,558
Public service corporations	2,500	2,500	3,094	594
Penalties and interest	2,000	2,000	3,472	1,472
	<u>\$ 232,278</u>	<u>\$ 232,278</u>	<u>\$ 273,332</u>	<u>\$ 41,054</u>
OTHER LOCAL TAXES				
Local sales and use	\$ 140,000	\$ 140,000	\$ 154,476	\$ 14,476
Utility taxes	115,500	115,500	117,416	1,916
Business licenses	67,000	67,000	79,355	12,355
Motor vehicle licenses	67,000	67,000	68,272	1,272
Meals tax	120,000	120,000	126,347	6,347
Bank stock	54,000	54,000	67,168	13,168
DMV fees	-	-	1,650	1,650
Cigarette tax	40,000	40,000	34,500	(5,500)
	<u>\$ 603,500</u>	<u>\$ 603,500</u>	<u>\$ 649,184</u>	<u>\$ 45,684</u>
PERMITS, PRIVILEGE FEES AND REGULATORY LICENSES				
Zoning fees	\$ 2,000	\$ 2,000	\$ 9,551	\$ 7,551
	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 9,551</u>	<u>\$ 7,551</u>
FINES AND FORFEITURES				
Police fines	\$ 4,000	\$ 4,000	\$ 6,236	\$ 2,236
	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 6,236</u>	<u>\$ 2,236</u>
REVENUE FROM THE USE OF MONEY AND PROPERTY				
Interest on bank deposits	\$ 3,500	\$ 3,500	\$ 2,847	\$ (653)
Net (decrease) in the fair value of investments	-	-	273	273
Sale of equipment	1,000	1,000	-	(1,000)
Land lease	14,000	14,000	10,000	(4,000)
	<u>\$ 18,500</u>	<u>\$ 18,500</u>	<u>\$ 13,120</u>	<u>\$ (5,380)</u>
CHARGES FOR SERVICES				
Trash collection fees	\$ 190,000	\$ 190,000	\$ 194,236	\$ 4,236
Parks revenue	40,000	40,000	50,881	10,881
	<u>\$ 230,000</u>	<u>\$ 230,000</u>	<u>\$ 245,117</u>	<u>\$ 15,117</u>
MISCELLANEOUS				
Donation	\$ -	\$ -	\$ 71,460	\$ 71,460
Other	2,000	2,000	2,622	622
	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 74,082</u>	<u>\$ 72,082</u>

(Continued)

TOWN OF BROADWAY, VIRGINIA
GENERAL FUND
STATEMENT OF REVENUES, COMPARED TO BUDGET
Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
INTERGOVERNMENTAL REVENUES				
Commonwealth				
ABC profits and wine taxes	\$ 2,700	\$ 2,700	\$ -	\$ (2,700)
Rolling stock taxes	2,700	2,700	3,370	670
Fire program funds	8,000	8,000	-	(8,000)
Law enforcement grants, 599 funds	60,000	60,000	58,788	(1,212)
Personal property tax reimbursement	33,222	33,222	33,222	-
Highway maintenance funds	<u>390,000</u>	<u>390,000</u>	<u>401,766</u>	<u>11,766</u>
	<u>\$ 496,622</u>	<u>\$ 496,622</u>	<u>\$ 497,146</u>	<u>\$ 524</u>
Federal				
DMV Highway Safety Program grants	\$ 2,000	\$ 2,000	\$ 5,754	\$ 3,754
Art grant	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
	<u>\$ 7,000</u>	<u>\$ 7,000</u>	<u>\$ 10,754</u>	<u>\$ 3,754</u>
Total revenues	<u>\$ 1,595,900</u>	<u>\$ 1,595,900</u>	<u>\$ 1,778,522</u>	<u>\$ 182,622</u>

TOWN OF BROADWAY, VIRGINIA

GENERAL FUND
STATEMENT OF EXPENDITURES, COMPARED TO BUDGET
Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
GENERAL GOVERNMENT ADMINISTRATION				
General Government				
Town council salaries	\$ 25,100	\$ 25,100	\$ 24,090	\$ 1,010
Salaries and wages	210,000	210,000	175,281	34,719
Employee benefits	36,500	36,500	40,589	(4,089)
Payroll taxes	16,000	16,000	13,186	2,814
Buildings and grounds	10,000	10,000	16,257	(6,257)
DMV fees	2,000	2,000	1,080	920
Donations	9,000	9,000	4,500	4,500
Dues and memberships	4,500	4,500	3,775	725
Insurance and surety bonds	10,000	10,000	22,072	(12,072)
Miscellaneous	10,000	10,000	13,002	(3,002)
Office supplies and postage	9,000	9,000	8,883	117
Professional services	34,500	34,500	37,889	(3,389)
Publications	5,500	5,500	1,564	3,936
Service fees	5,500	5,500	6,093	(593)
Travel/educational	12,000	12,000	9,343	2,657
Telephone	3,000	3,000	2,613	387
Utilities and fuel	4,000	4,000	3,667	333
	<u>\$ 406,600</u>	<u>\$ 406,600</u>	<u>\$ 383,884</u>	<u>\$ 22,716</u>
Capital Outlay				
General government	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 10,000</u>
	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 10,000</u>
Total general government administration	<u>\$ 416,600</u>	<u>\$ 416,600</u>	<u>\$ 383,884</u>	<u>\$ 32,716</u>
PUBLIC SAFETY				
Police Department				
Salaries and wages	\$ 206,000	\$ 206,000	\$ 228,098	\$ (22,098)
Employee benefits	64,000	64,000	57,627	6,373
Payroll taxes	15,800	15,800	16,116	(316)
Insurance	8,500	8,500	6,699	1,801
Telephone	5,500	5,500	5,015	485
Uniforms and supplies	15,000	15,000	25,439	(10,439)
Utilities, heat and electric	2,000	2,000	2,755	(755)
Vehicle maintenance	15,000	15,000	23,474	(8,474)
	<u>\$ 331,800</u>	<u>\$ 331,800</u>	<u>\$ 365,223</u>	<u>\$ (33,423)</u>

(Continued)

TOWN OF BROADWAY, VIRGINIA
GENERAL FUND
STATEMENT OF EXPENDITURES, COMPARED TO BUDGET
Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other				
Fire program funds	\$ 8,000	\$ 8,000	\$ -	\$ 8,000
Fire department donation	15,000	15,000	15,000	-
Rescue squad donation	15,000	15,000	15,000	-
	<u>\$ 38,000</u>	<u>\$ 38,000</u>	<u>\$ 30,000</u>	<u>\$ 8,000</u>
Capital Outlay				
Public safety	<u>\$ 10,000</u>	<u>\$ 50,000</u>	<u>\$ 73,249</u>	<u>\$ (23,249)</u>
	<u>\$ 10,000</u>	<u>\$ 50,000</u>	<u>\$ 73,249</u>	<u>\$ (23,249)</u>
Total public safety	<u>\$ 379,800</u>	<u>\$ 419,800</u>	<u>\$ 468,472</u>	<u>\$ (48,672)</u>
PUBLIC WORKS				
Maintenance and Streets				
Salaries and wages	\$ 85,000	\$ 85,000	\$ 87,286	\$ (2,286)
Employee benefits	35,600	35,600	21,329	14,271
Payroll taxes	-	-	6,410	(6,410)
Beautification	8,000	8,000	6,040	1,960
Electricity-street lights	37,000	37,000	45,843	(8,843)
Street maintenance	269,400	400,000	136,626	263,374
	<u>\$ 435,000</u>	<u>\$ 565,600</u>	<u>\$ 303,534</u>	<u>\$ 262,066</u>
Sanitation				
Trash removal - recycling	<u>\$ 187,000</u>	<u>\$ 187,000</u>	<u>\$ 176,707</u>	<u>\$ 10,293</u>
	<u>\$ 187,000</u>	<u>\$ 187,000</u>	<u>\$ 176,707</u>	<u>\$ 10,293</u>
Capital Outlay				
Public works	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 246,708</u>	<u>\$ (246,708)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 246,708</u>	<u>\$ (246,708)</u>
Total public works	<u>\$ 622,000</u>	<u>\$ 752,600</u>	<u>\$ 726,949</u>	<u>\$ 25,651</u>

(Continued)

TOWN OF BROADWAY, VIRGINIA
GENERAL FUND
STATEMENT OF EXPENDITURES, COMPARED TO BUDGET
Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
CULTURAL AND RECREATION				
Parks and Recreation				
Salaries and wages	\$ 36,000	\$ 36,000	\$ 51,228	\$ (15,228)
Payroll taxes	2,800	2,800	3,919	(1,119)
Park operating expenses	22,000	22,000	30,033	(8,033)
Utilities and fuel	9,000	9,000	12,240	(3,240)
Miscellaneous	5,000	5,000	8,309	(3,309)
Contractual services	7,000	7,000	9,649	(2,649)
	<u>\$ 81,800</u>	<u>\$ 81,800</u>	<u>\$ 115,378</u>	<u>\$ (33,578)</u>
Capital Outlay	<u>\$ 29,700</u>	<u>\$ 179,700</u>	<u>\$ 207,276</u>	<u>\$ (27,576)</u>
	<u>\$ 29,700</u>	<u>\$ 179,700</u>	<u>\$ 207,276</u>	<u>\$ (27,576)</u>
Total cultural and recreation	<u>\$ 111,500</u>	<u>\$ 261,500</u>	<u>\$ 322,654</u>	<u>\$ (61,154)</u>
COMMUNITY DEVELOPMENT				
Planning and development	\$ 10,000	\$ 10,000	\$ 2,307	\$ 7,693
Economic development	<u>15,000</u>	<u>15,000</u>	<u>8,641</u>	<u>6,359</u>
Total community development	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 10,948</u>	<u>\$ 14,052</u>
DEBT SERVICE				
Principal on loans	\$ 27,500	\$ 27,500	\$ 28,133	\$ (633)
Interest on loans	<u>13,500</u>	<u>13,500</u>	<u>12,440</u>	<u>1,060</u>
Total debt service	<u>\$ 41,000</u>	<u>\$ 41,000</u>	<u>\$ 40,573</u>	<u>\$ 427</u>
Total expenditures	<u>\$ 1,595,900</u>	<u>\$ 1,916,500</u>	<u>\$ 1,953,480</u>	<u>\$ (36,980)</u>

TOWN OF BROADWAY, VIRGINIA

WATER FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL

Year Ended June 30, 2014

	<u>Budget - Original & Final</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES			
Charges for services	\$ 427,000	\$ 420,609	\$ (6,391)
Connection fees	60,000	133,600	73,600
Miscellaneous	4,000	24,947	20,947
Total operating revenues	<u>\$ 491,000</u>	<u>\$ 579,156</u>	<u>\$ 88,156</u>
OPERATING EXPENSES			
Salaries and wages	\$ 227,000	\$ 243,828	\$ (16,828)
Employee benefits	50,500	51,600	(1,100)
Payroll taxes	18,000	17,952	48
Water purchases - Co-Op	30,000	36,612	(6,612)
Chemicals	35,000	29,307	5,693
Insurance	12,000	11,583	417
Miscellaneous	4,000	2,804	1,196
Postage	1,400	1,542	(142)
Professional fees	10,000	2,878	7,122
Repairs and maintenance	40,000	72,512	(32,512)
Supplies	2,000	2,488	(488)
Utilities and fuel	32,000	37,307	(5,307)
Telephone	2,400	2,628	(228)
Vehicle maintenance	5,000	19,901	(14,901)
Depreciation	-	90,605	(90,605)
Total operating expenses	<u>\$ 469,300</u>	<u>\$ 623,547</u>	<u>\$ (154,247)</u>
Operating income (loss)	<u>\$ 21,700</u>	<u>\$ (44,391)</u>	<u>\$ (66,091)</u>
NONOPERATING REVENUES (EXPENSE)			
Interest earned	\$ 3,000	\$ 2,810	\$ (190)
Lease of water tank space	28,800	35,707	6,907
Loss on disposal of property and equipment	-	(174,058)	(174,058)
Spring lease fees	(5,000)	(5,000)	-
Total nonoperating revenues (expense)	<u>\$ 26,800</u>	<u>\$ (140,541)</u>	<u>\$ (167,341)</u>
Income (loss) before transfers	<u>\$ 48,500</u>	<u>\$ (184,932)</u>	<u>\$ (233,432)</u>
TRANSFERS			
Transfers in	\$ -	\$ 530,970	\$ 530,970
Transfers out	-	(337,305)	(337,305)
	<u>\$ -</u>	<u>\$ 193,665</u>	<u>\$ 193,665</u>
Change in net position	<u>\$ 48,500</u>	<u>\$ 8,733</u>	<u>\$ (39,767)</u>
NET POSITION AT BEGINNING OF YEAR	<u>4,194,541</u>	<u>4,194,541</u>	<u>-</u>
NET POSITION AT END OF YEAR	<u>\$ 4,243,041</u>	<u>\$ 4,203,274</u>	<u>\$ (39,767)</u>

TOWN OF BROADWAY, VIRGINIA
SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION- BUDGET AND ACTUAL
Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES				
Wastewater contracts	\$ 1,910,000	\$ 1,910,000	\$ 1,984,224	\$ 74,224
Charges for services	330,000	330,000	320,484	(9,516)
Connection fees	61,500	61,500	145,080	83,580
Sludge revenue	300,000	300,000	300,113	113
Miscellaneous	5,000	5,000	-	(5,000)
Total operating revenues	<u>\$ 2,606,500</u>	<u>\$ 2,606,500</u>	<u>\$ 2,749,901</u>	<u>\$ 143,401</u>
OPERATING EXPENSES				
Salaries and wages	\$ 325,000	\$ 325,000	\$ 360,570	\$ (35,570)
Employee benefits	117,000	117,000	102,489	14,511
Payroll taxes	25,000	25,000	25,276	(276)
Chemicals	270,000	270,000	214,302	55,698
Insurance	14,000	14,000	12,956	1,044
Lab testing	80,000	80,000	64,684	15,316
Miscellaneous	4,000	4,000	13,742	(9,742)
Postage	1,000	1,000	1,460	(460)
Professional fees	7,500	7,500	4,390	3,110
Repairs and maintenance	103,000	193,000	298,124	(105,124)
Supplies	4,000	4,000	3,449	551
Sludge removal	320,000	320,000	111,833	208,167
Utilities and fuel	430,000	430,000	378,404	51,596
Telephone	6,500	6,500	5,576	924
Depreciation	-	-	445,920	(445,920)
Total operating expenses	<u>\$ 1,707,000</u>	<u>\$ 1,797,000</u>	<u>\$ 2,043,175</u>	<u>\$ (246,175)</u>
Operating income	<u>\$ 899,500</u>	<u>\$ 809,500</u>	<u>\$ 706,726</u>	<u>\$ (102,774)</u>
NONOPERATING REVENUE (EXPENSE)				
Interest earned	\$ 11,200	\$ 11,200	\$ 6,557	\$ (4,643)
Unrealized (gain) on investments	-	-	917	917
Interest expense	(306,000)	(306,000)	(298,494)	7,506
Total nonoperating revenue (expense)	<u>\$ (294,800)</u>	<u>\$ (294,800)</u>	<u>\$ (291,020)</u>	<u>\$ 3,780</u>
Income before transfers	<u>\$ 604,700</u>	<u>\$ 514,700</u>	<u>\$ 415,706</u>	<u>\$ (98,994)</u>

(Continued)

TOWN OF BROADWAY, VIRGINIA
SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION- BUDGET AND ACTUAL
Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
TRANSFERS				
Transfers in	\$ -	\$ -	\$ 3,060	\$ 3,060
Transfers out	-	-	(371,683)	(371,683)
Total transfers	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (368,623)</u>	<u>\$ (368,623)</u>
 Change in net position	 \$ 604,700	 \$ 514,700	 \$ 47,083	 \$ (467,617)
NET POSITION AT BEGINNING OF YEAR	<u>6,996,897</u>	<u>6,996,897</u>	<u>6,996,897</u>	<u>-</u>
NET POSITION AT END OF YEAR	<u>\$ 7,601,597</u>	<u>\$ 7,511,597</u>	<u>\$ 7,043,980</u>	<u>\$ (467,617)</u>

TOWN OF BROADWAY, VIRGINIA
SCHEDULE OF CAPITAL ADDITIONS
Year Ended June 30, 2014

GENERAL FUND

Park:

Ball field renovations	\$ 177,882
Picnic shelter improvements	14,503
Bridge improvements	10,381
Community Center improvements	4,510

Police:

Police Department building	40,000
Police Department renovations	23,124
Ground improvements	10,125

Infrastructure:

Springbrook sidewalk project	<u>246,708</u>
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Total general fund

\$ 527,233

WATER FUND

Water study	\$ 101,500
Heritage Hills waterline extension	24,827
Cornerstone waterline extension	23,573
Hand-held water meter reader	13,924
EZ valve installation for N. Main Street and Lee Avenue	10,511
EZ valve installation for N. Main Street and Mason Street	9,613
Fire hydrant replacement	7,328
Springbrook bridge project	5,947
Carner for gas furnace	5,800
Waterline extension	<u>2,400</u>

Total water fund

\$ 205,423

SEWER FUND

WWTF upgrade, professional fees	\$ 21,000
Springbrook bridge project	<u>5,947</u>

Total sewer fund

\$ 26,947



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Town Council
Town of Broadway
Broadway, VA 22815

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; the financial statements of the governmental activities, the business-type activities, each major fund, and the fiduciary fund of the Town of Broadway, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Broadway's basic financial statements, and have issued our report thereon dated October 23, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

Young, Nicholas, Branner & Phillips, LLP
Certified Public Accountants

1041 South High Street • P.O. Box 2187
Harrisonburg, VA 22801
(540) 433-2581 • FAX (540) 433-0147

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses, items 2014-1 through 2014-3, to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Broadway's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2014-4.

Response to Findings

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

Purpose of this Report

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

Young, Nicholas, Branner & Phillips, LLP

Harrisonburg, VA
October 23, 2014

TOWN OF BROADWAY, VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2014

FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS.

A. Material Weaknesses in Internal Control

2014-1 Segregation of Duties

Proper internal control is not always possible due to the relatively small number of persons involved in processing transactions. Because of the small size of the Town, it may not be economically feasible to have adequate segregation of duties but the auditor is required to report this condition under professional responsibilities.

The Town has segregated certain duties of its employees to help prevent or promptly detect errors in financial reporting. The employees appear to perform their duties in a structured and conscientious manner. The problem is that with a small staff, it is hard to totally divide the functions of executing a transaction, recording the transaction, and keeping custody of the assets.

Management's Response:

In the future, the Town plans to continue to segregate employee duties as much as possible. The Town Council and Officials also plan to continue to be actively involved in overseeing the Town's financial operations.

2014-2 Accounting Assistance

The management and staff of the Town lack the expertise to reconcile certain accounts, maintain depreciation schedules, and make all adjusting entries necessary to prepare financial statements in accordance with generally accepted accounting standards. As a result of this deficiency in internal control, the Town's financial statements may be misstated without the assistance and expertise of a third party.

The management of the Town has enlisted the auditor to provide basic accounting assistance such as reconciling certain accounts, maintaining depreciation schedules, and proposing journal entries. Professional standards indicate that it is acceptable for the auditor to perform such nonaudit services providing independence is not impaired. However, the auditor cannot be considered part of the Town's internal control and this matter is required to be communicated to you.

Management's Response:

Management believes the current practice to be acceptable and cost beneficial to the Town.

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2014

2014-3 Financial Statement Presentation

The management and staff of the Town lack the expertise to prepare financial statements in accordance with generally accepted accounting standards. As a result of this deficiency in internal control, the Town's financial statements may be misstated without the assistance and expertise of a third party.

The management of the Town has enlisted the auditor to provide assistance in drafting the Town's financial statements. Professional standards indicate that it is acceptable for the auditor to perform such nonaudit service providing independence is not impaired. However, the auditor cannot be considered part of the Town's internal control and this matter is required to be communicated to you.

Management's Response:

Management believes the current practice to be acceptable and cost beneficial to the Town.

B. Compliance Finding

2014-4 Conflicts of Interest/Disclosure Forms

The State and Local government Conflict of Interest Act (the Act) is designed to ensure that the judgment of public employees is not compromised or affected by inappropriate conflicts. The Act prohibits local government officers or employees from participating in certain transactions. Statements of economic interests are required to be filed with the clerk of the governing body by January 15 of each year.

One of the seven disclosure statements reviewed for 2014 was not filed by the deadline. Six additional statements were not filed at all.

Recommendation:

Procedures should be implemented to ensure that all disclosure statements are filed timely.

Management's Response:

Management concurs with the recommendation.