

**TOWN OF BROADWAY, VIRGINIA**  
**FINANCIAL AND COMPLIANCE REPORTS**  
**JUNE 30, 2015**

## **C O N T E N T S**

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS</b>	1 and 2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3-11
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>Government-wide financial statements</b>	
Statement of net position	12
Statement of activities	13
<b>Fund financial statements</b>	
Governmental funds:	
Balance sheet	14
Reconciliation of the balance sheet to the statement of net position	15
Statement of revenues, expenditures, and changes in fund balance	16
Reconciliation of the statement of revenues, expenditures, and changes in the fund balance of the governmental fund to the statement of activities	17
Proprietary funds:	
Statements of net position	18 and 19
Statements of revenues, expenses, and changes in fund net position	20 and 21
Statements of cash flows	22 and 23
Fiduciary fund:	
Statement of fiduciary net position	24
Statement of changes in fiduciary net position	25
<b>Notes to financial statements</b>	26-55
<b>REQUIRED SUPPLEMENTARY INFORMATION-OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	
General fund statement of revenues, expenditures, and changes in fund balance-budget and actual	56
Schedule of changes in the Town's net pension liability and related ratios and schedule of employer contributions	57 and 58
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
Financial statements of individual funds:	
General Fund	
Statement of revenues, compared to budget	59 and 60
Statement of expenditures, compared to budget	61-63
Water Fund	
Statement of revenues, expenses and changes in fund net position - budget and actual	64
Sewer Fund	
Statement of revenues, expenses and changes in fund net position - budget and actual	65 and 66
Schedule of capital additions	67
<b>COMPLIANCE SECTION</b>	
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 <i>Government Auditing Standards</i>	68 and 69
Schedule of findings and responses	70 and 71



David W. Black, CPA  
Managing Partner

Christopher R. Montgomery, CPA  
Tax Partner

## 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, 2015, 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

Located at 1041 South High Street  
Mailing P.O. Box 2187  
Harrisonburg, VA 22801-9506  
(540) 433-2581 • FAX (540) 433-0147

Retired Partners  
Edward M. Young, CPA  
Jack D. Nicholas, CPA  
J. Robert Branner, CPA  
Richard E. Phillips, CPA

**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, 2015, 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 November 12, 2015, 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, 2015. Please read it in conjunction with the Town's financial statements, which begin on page 12.

### **FINANCIAL HIGHLIGHTS**

- The assets of the Town exceeded its liabilities by \$14,581,992 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 \$89,795, and the net position of the governmental activities increased by \$596,729.
- In the Town's business-type activities, operating revenues decreased by \$85,361 from the previous year while operating expenses decreased by \$34,329.
- In the Town's governmental activities, operating revenues increased by \$103,123 from the previous year while operating expenses increased by \$13,905.
- Actual revenues were \$123,769 more than budgeted for the General Fund. General Fund expenditures were \$52,662 less than budgeted.
- Operating revenues were \$13,891 more than budgeted for the Water Fund. Water Fund operating expenses, excluding depreciation, were \$16,273 more than budgeted.
- Operating revenues were \$100,305 more than budgeted for the Sewer Fund. Sewer Fund operating expenses, excluding depreciation, were \$117,151 less than budgeted. In addition, interest expense was \$14,127 less than budgeted.
- The Town added \$1,453,605 in capital additions during the current fiscal year.
- The Town's long-term debt decreased by \$529,995 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 12 and 13) 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 14. 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 14 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 24 and 25. 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 \$13,895,468 to \$14,581,992. During the year, the net position of the governmental activities increased by 21.4 percent and business-type activities increased by 0.81 percent. Below is a summary of the net position as of June 30, 2015 and 2014.

### NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 599,416	\$ 694,555	\$ 899,886	\$ 1,399,587	\$ 1,499,302	\$ 2,094,142
Capital assets	<u>3,953,226</u>	<u>3,405,070</u>	<u>19,715,182</u>	<u>19,492,403</u>	<u>23,668,408</u>	<u>22,897,473</u>
Total assets	<u>\$ 4,552,642</u>	<u>\$ 4,099,625</u>	<u>\$ 20,615,068</u>	<u>\$ 20,891,990</u>	<u>\$ 25,167,710</u>	<u>\$ 24,991,615</u>
Total deferred outflow of resources	<u>\$ 42,240</u>	<u>\$ 55,041</u>	<u>\$ 46,576</u>	<u>\$ 62,437</u>	<u>\$ 88,816</u>	<u>\$ 117,478</u>
Long-term liabilities	\$ 556,974	\$ 670,309	\$ 8,922,621	\$ 9,548,970	\$ 9,479,595	\$ 10,219,279
Other liabilities	<u>298,796</u>	<u>394,980</u>	<u>445,760</u>	<u>301,882</u>	<u>744,556</u>	<u>696,862</u>
Total liabilities	<u>\$ 855,770</u>	<u>\$ 1,065,289</u>	<u>\$ 9,368,381</u>	<u>\$ 9,850,852</u>	<u>\$ 10,224,151</u>	<u>\$ 10,916,141</u>
Total deferred inflows of resources	<u>\$ 350,490</u>	<u>\$ 297,484</u>	<u>\$ 99,893</u>	<u>\$ -</u>	<u>\$ 450,383</u>	<u>\$ 297,484</u>
Net position:						
Net investment in capital assets	\$ 3,536,829	\$ 2,959,748	\$ 10,885,382	\$ 10,158,283	\$ 14,422,211	\$ 13,118,031
Unrestricted	<u>(148,207)</u>	<u>(167,855)</u>	<u>307,988</u>	<u>945,292</u>	<u>159,781</u>	<u>777,437</u>
Total net position	<u>\$ 3,388,622</u>	<u>\$ 2,791,893</u>	<u>\$ 11,193,370</u>	<u>\$ 11,103,575</u>	<u>\$ 14,581,992</u>	<u>\$ 13,895,468</u>

\*Net position of 2014 governmental and business-type activities has been restated (see Note 15, page 55).

The largest portion of the Town's net position (98.9 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 (\$159,781) 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, 2015 and 2014.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Revenues</b>						
Charges for services	\$ 259,513	\$ 260,904	\$ 3,234,526	\$ 3,304,110	\$ 3,494,039	\$ 3,565,014
General property taxes	296,517	280,296	-	-	296,517	280,296
Other local taxes	702,264	649,184	-	-	702,264	649,184
Intergovernmental	542,230	507,900	-	-	542,230	507,900
Miscellaneous	<u>3,505</u>	<u>2,622</u>	<u>9,170</u>	<u>24,947</u>	<u>12,675</u>	<u>27,569</u>
Total revenues	<u>\$ 1,804,029</u>	<u>\$ 1,700,906</u>	<u>\$ 3,243,696</u>	<u>\$ 3,329,057</u>	<u>\$ 5,047,725</u>	<u>\$ 5,029,963</u>
<b>Program expenses</b>						
General government	\$ 413,246	\$ 404,216	\$ -	\$ -	\$ 413,246	\$ 404,216
Public safety	404,176	410,529	-	-	404,176	410,529
Public works	535,612	534,506	-	-	535,612	534,506
Cultural and recreation	165,034	157,277	-	-	165,034	157,277
Community development	13,313	10,948	-	-	13,313	10,948
RBEG	-	-	7,503	-	7,503	-
Water	-	-	615,042	623,547	615,042	623,547
Sewer	-	-	2,009,848	2,043,175	2,009,848	2,043,175
Total expenses	<u>\$ 1,531,381</u>	<u>\$ 1,517,476</u>	<u>\$ 2,632,393</u>	<u>\$ 2,666,722</u>	<u>\$ 4,163,774</u>	<u>\$ 4,184,198</u>
Operating income	<u>\$ 272,648</u>	<u>\$ 183,430</u>	<u>\$ 611,303</u>	<u>\$ 662,335</u>	<u>\$ 883,951</u>	<u>\$ 845,765</u>
<b>Nonoperating</b>						
Interest income	\$ 2,146	\$ 3,120	\$ 6,927	\$ 10,320	\$ 9,073	\$ 13,440
Rental income	14,000	10,000	35,707	35,707	49,707	45,707
Spring lease	-	-	(5,000)	(5,000)	(5,000)	(5,000)
Loss on disposal of assets	-	(150,266)	-	(174,058)	-	(324,324)
Interest expense	<u>(11,648)</u>	<u>(13,286)</u>	<u>(282,173)</u>	<u>(298,494)</u>	<u>(293,821)</u>	<u>(311,780)</u>
Total nonoperating	<u>\$ 4,498</u>	<u>\$ (150,432)</u>	<u>\$ (244,539)</u>	<u>\$ (431,525)</u>	<u>\$ (240,041)</u>	<u>\$ (581,957)</u>
Income before contributions and transfers	\$ 277,146	\$ 32,998	\$ 366,764	\$ 230,810	\$ 643,910	\$ 263,808
Contributions	42,614	71,460	-	-	42,614	71,460
Transfers	<u>276,969</u>	<u>174,958</u>	<u>(276,969)</u>	<u>(174,958)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>\$ 596,729</u>	<u>\$ 279,416</u>	<u>\$ 89,795</u>	<u>\$ 55,852</u>	<u>\$ 686,524</u>	<u>\$ 335,268</u>

The Town's total revenues increased by \$17,762 (0.35 percent), while the total cost of all programs and services decreased by \$20,424 (0.49 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 increased by \$103,123 (6.06 percent) while operating expenses increased by \$13,905 (0.92 percent). The factors driving these results include:

### Revenues

- *General property taxes* overall increased by \$16,221. The most significant increase within this category was for personal property taxes which increased by \$17,285, mainly due to delinquent property taxes being collected.
- *Other local taxes* increased by \$53,080. The Town saw a growth in the bank stock accounts by \$36,801 in the current fiscal year because of higher deposits at the local banks. Meals taxes increased by \$9,709, and cigarette taxes increased by \$4,500 in FY 2015.
- *Intergovernmental revenues* increased by \$34,330. The Town received additional Fire Program Funds of \$22,779 in the current year. The Town received the allocation for both the current and prior fiscal year in FY 2015. The Highway Maintenance Funds were increased by \$11,042 in FY 2015.

### Expenses

- *General government* increased by \$9,030. Professional services increased by \$14,606 due to changes in the allocation of legal bills.
- *Cultural and recreation* overall increased by \$7,757. The most significant change in this category was park operating expenses, which increased by \$7,489.
- *Public works* increased by \$1,106 in regards to street maintenance.

### Other

- *Loss on disposal of assets* decreased by \$150,266. There were no losses on disposals of assets in FY 2015. In the previous year, the Town had recognized a significant loss from previously capitalized streetscape improvements.
- *Contributions* decreased by \$28,846. There was no donation to the Town from the Broadway IDA in FY 2015.

## Business-Type Activities

Operating revenues for the Town's business-type activities decreased by \$85,361 (2.56 percent) and operating expenses decreased by \$34,329 (1.29 percent). The factors driving these results include:

### Revenues

- *Water and sewer revenues* decreased by \$85,361. Much of this decrease can be attributed to connection fees decreasing by \$142,680. This is a result of fewer connections than the previous fiscal year. Conversely, wastewater contracts increased by \$24,555 in the current year due to more fines to the Town's major customers. In addition, sludge revenue increased \$28,497 due to excess sludge removal.

Expenses

- *Water, sewer and RBEG expenses* decreased by \$34,329. Payroll and benefits decreased by \$22,970, and \$19,180 respectively, due to a change in personnel. Bad debt expense in the RBEG increased by \$7,503 due to write-offs.

The Town's business-type activities also included decreases in interest expense of \$16,321. Interest expense decreased as scheduled loan payments continue to reduce the principal balance of the debt. There were no disposals of assets in FY 2015. The previous year had included a loss on disposal of assets in the amount of \$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 14) 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 \$690,859 on capital outlay. This was an increase of \$163,626 over the prior year. In addition, the Town transferred \$433,438 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 18 and 19) reported net position of \$11,193,370, which is an increase of \$89,795 over last year's total of \$11,103,575. 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 to account for:

- Grant funding for police vehicles
- Park donations
- Well drilling
- Wastewater engineering
- Highway projects

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

<u>Account</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>	
Miscellaneous	\$ (71,881)
General property taxes	57,418
Other local taxes	84,764
Charges for services	11,108
Intergovernmental revenues, Commonwealth	34,883

<u>Account</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures</b>	
<i>General Government Administration</i>	
Salaries and wages	\$ 44,776
Professional services	(17,995)
<i>Public Safety</i>	
Capital outlay	99,000
Salaries and wages	(20,071)
Fire program funds	(14,779)
<i>Public Works</i>	
Street maintenance	321,609
Recycling	14,636
Capital outlay	(338,971)
<i>Cultural &amp; Recreation</i>	
Capital outlay	(11,340)
Salaries and wages	(13,429)
Park operating expenses	(13,522)
<i>Community Development</i>	
Planning and development	8,680

Actual revenues were \$123,769 more than budgeted. Other local taxes were higher than the budget due to better than expected revenue from bank stock (\$48,969). The positive variance in general property taxes of \$48,843 was due to an increase in payment of back taxes and an increase in the taxable value of machinery and equipment.

Actual expenditures were \$52,662 less than budgeted. The positive variance in general government was due to lower than expected salaries. 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. Also, capital outlay was less than budgeted in public safety because the purchase of new police cars with grant money was delayed until FY 2016.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2015, the Town had \$23.67 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 increase of \$770,935, or 3.37 percent, over last year.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Land	\$ 903,191	\$ 903,191	\$ 143,397	\$ 143,397	\$ 1,046,588	\$ 1,046,588
Buildings	754,101	779,373	-	-	754,101	779,373
Equipment	67,374	81,955	315,923	368,235	383,297	450,190
Infrastructure	1,193,950	906,146	-	-	1,193,950	906,146
Utility system	-	-	19,255,862	18,980,771	19,255,862	18,980,771
Park and improvements	1,034,610	734,405	-	-	1,034,610	734,405
Totals	<u>\$ 3,953,226</u>	<u>\$ 3,405,070</u>	<u>\$ 19,715,182</u>	<u>\$ 19,492,403</u>	<u>\$ 23,668,408</u>	<u>\$ 22,897,473</u>

This year's major additions included:

WWTF upgrades	\$ 441,605
Park improvements	130,015
Water study	120,602
Route 259 water line	114,494
Atlantic storm drainage project	85,338
Park Avenue paving	84,930
Paving - park entrance road	65,320
Louisa Street paving	59,480
Paving - track addition	42,900
Park Avenue paving revisions	42,515
	<u>\$ 1,187,199</u>

### Debt

At year-end, the Town had \$9,177,865 in outstanding loans compared to \$9,707,860 last year. This is a decrease of 5.46 percent as shown in the following tables.

#### Governmental Activities

	<b>Outstanding June 30,</b>	
	<b><u>2015</u></b>	<b><u>2014</u></b>
Branch Banking & Trust, series 2012A bond	\$ 290,924	\$ 311,133
Branch Banking & Trust, series 2012B bond	<u>124,682</u>	<u>133,343</u>
	<u>\$ 415,606</u>	<u>\$ 444,476</u>

#### Business-Type Activities

	<b>Outstanding June 30,</b>	
	<b><u>2015</u></b>	<b><u>2014</u></b>
Branch Banking & Trust, series 2014 bond	\$ 149,750	\$ 199,750
Bonds payable (Virginia Resources Authority)	<u>8,612,509</u>	<u>9,063,634</u>
	<u>\$ 8,762,259</u>	<u>\$ 9,263,384</u>

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The proposed budget for FY 2015-2016 is \$5,280,000, a decrease of 10.20 percent over the previous year.

The budget reflects no change in real estate tax revenue. The Town will retain its real estate tax rate at \$0.07 per \$100.

Tax rates remain at the same level as FY 2014-2015, except for cigarette taxes which will increase by \$0.10 per pack.

Parks revenue is projected to remain steady during FY 2015-2016. This function accounts for \$45,000 or 2.59 percent of the General Fund budget.

The Water Fund revenues are expected to decrease 20.75 percent over last year. The decrease is due to no transfers from other funds being budgeted in FY 2015-2016. Expenses are expected to decrease by 27.77 percent over the current year.

The Sewer Fund revenues are expected to decrease by 0.29 percent over the current year. The budget reflects a slight increase in wastewater contracts due to increased rates at the plant. Expenses are projected to decrease by 2.05 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, 2015

	----- Primary Government -----		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 183,646	\$ 626,172	\$ 809,818
Investments	39,453	27,159	66,612
Receivables, net of allowances for uncollectible amounts:			
Property taxes	325,246	-	325,246
Accounts and other	38,327	207,420	245,747
Inventory	12,744	38,689	51,433
Prepaid expenses	-	446	446
Capital assets:			
Non-depreciable	903,191	143,397	1,046,588
Depreciable, net of accumulated depreciation	<u>3,050,035</u>	<u>19,571,785</u>	<u>22,621,820</u>
<b>Total assets</b>	<u>\$ 4,552,642</u>	<u>\$ 20,615,068</u>	<u>\$ 25,167,710</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Employer pension contributions	<u>\$ 42,240</u>	<u>\$ 46,576</u>	<u>\$ 88,816</u>
<b>Total deferred outflows of resources</b>	<u>\$ 42,240</u>	<u>\$ 46,576</u>	<u>\$ 88,816</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 183,054	\$ 304,094	\$ 487,148
Accrued liabilities	5,595	-	5,595
Accrued benefits	-	6,115	6,115
Connection fees payable	-	4,600	4,600
Accrued compensated absences	23,906	27,513	51,419
Accrued interest payable	791	67,541	68,332
Customer deposits	-	34,310	34,310
Unearned revenue	85,450	1,587	87,037
Long-term liabilities:			
Long-term debt, due within one year	29,755	515,358	545,113
Long-term debt, due in more than one year	385,851	8,246,901	8,632,752
Net pension liability	<u>141,368</u>	<u>160,362</u>	<u>301,730</u>
<b>Total liabilities</b>	<u>\$ 855,770</u>	<u>\$ 9,368,381</u>	<u>\$ 10,224,151</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	\$ 303,677	\$ -	\$ 303,677
Net difference between projected and actual earnings on pension plan investments	<u>46,813</u>	<u>99,893</u>	<u>146,706</u>
<b>Total deferred inflows of resources</b>	<u>\$ 350,490</u>	<u>\$ 99,893</u>	<u>\$ 450,383</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 3,536,829	\$ 10,885,382	\$ 14,422,211
Unrestricted	<u>(148,207)</u>	<u>307,988</u>	<u>159,781</u>
<b>Total net position</b>	<u>\$ 3,388,622</u>	<u>\$ 11,193,370</u>	<u>\$ 14,581,992</u>

See Notes to Financial Statements.

**TOWN OF BROADWAY, VIRGINIA**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2015**

<u>Functions/ Programs</u>	<u>Expenses</u>	----- Program Revenues -----		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>
			<u>Contributions</u>	<u>Contributions</u>
<b>Primary Government:</b>				
<b>Governmental activities:</b>				
General government administration	\$ 413,246	\$ 4,669	\$ 5,000	\$ -
Public safety	404,176	8,736	87,992	-
Public works	535,612	197,697	412,808	-
Cultural and recreation	165,034	48,411	-	42,614
Community development	13,313	-	-	-
Interest on long-term debt	<u>11,648</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 1,543,029</u>	<u>\$ 259,513</u>	<u>\$ 505,800</u>	<u>\$ 42,614</u>
<b>Business-type activities:</b>				
Water	\$ 620,042	\$ 550,098	\$ -	\$ -
Sewer	2,292,021	2,729,305	-	-
RBEG	<u>7,503</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>\$ 2,919,566</u>	<u>\$ 3,279,403</u>	<u>\$ -</u>	<u>\$ -</u>
Total primary government	<u>\$ 4,462,595</u>	<u>\$ 3,538,916</u>	<u>\$ 505,800</u>	<u>\$ 42,614</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

Total general revenues

Change in net position

Net position at beginning of year

Net position at end of year

**See Notes to Financial Statements.**



Net (Expense) Revenue and Changes in Net Position		
----- Primary Government -----		
<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ (403,577)	\$ -	\$ (403,577)
(307,448)	-	(307,448)
74,893	-	74,893
(74,009)	-	(74,009)
(13,313)	-	(13,313)
<u>(11,648)</u>	<u>-</u>	<u>(11,648)</u>
<u>\$ (735,102)</u>	<u>\$ -</u>	<u>\$ (735,102)</u>
\$ -	\$ (69,944)	\$ (69,944)
-	437,284	437,284
<u>-</u>	<u>(7,503)</u>	<u>(7,503)</u>
<u>\$ -</u>	<u>\$ 359,837</u>	<u>\$ 359,837</u>
<u>\$ (735,102)</u>	<u>\$ 359,837</u>	<u>\$ (375,265)</u>
\$ 296,517	\$ -	\$ 296,517
702,264	-	702,264
16,147	6,927	23,074
36,429	-	36,429
276,969	(276,969)	-
<u>3,505</u>	<u>-</u>	<u>3,505</u>
<u>\$ 1,331,831</u>	<u>\$ (270,042)</u>	<u>\$ 1,061,789</u>
\$ 596,729	\$ 89,795	\$ 686,524
<u>2,791,893</u>	<u>11,103,575</u>	<u>13,895,468</u>
<u>\$ 3,388,622</u>	<u>\$ 11,193,370</u>	<u>\$ 14,581,992</u>

## **Fund Financial Statements**

## TOWN OF BROADWAY, VIRGINIA

## ----GOVERNMENTAL FUND----

## BALANCE SHEET

June 30, 2015

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 183,646
Investments	39,453
Receivables (net of allowance for uncollectibles):	
Property taxes	325,246
Other taxes	24,642
Other	13,685
Inventory	<u>12,744</u>
<b>Total assets</b>	<u>\$ 599,416</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accounts payable	\$ 183,054
Accrued liabilities	5,595
Unearned revenue, asset forfeiture funds	<u>85,450</u>
<b>Total liabilities</b>	<u>\$ 274,099</u>
<b>Deferred Inflows of Resources</b>	
Unavailable revenue	<u>\$ 325,317</u>
<b>Total deferred inflows of resources</b>	<u>\$ 325,317</u>
<b>Fund Balance</b>	
Nonspendable, inventory	\$ 12,744
Unassigned	<u>(12,744)</u>
<b>Total fund balance</b>	<u>\$ -</u>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<u>\$ 599,416</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, 2015**

**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	\$ 4,958,865	
Less accumulated depreciation	<u>(1,005,639)</u>	3,953,226

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

Deferred revenue, property taxes	\$ <u>21,640</u>	21,640
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Deferred outflows of resources for employer pension contributions subsequent to the measurement date.

	\$ <u>42,240</u>	42,240
--	------------------	--------

Deferred inflows of resources for the net difference between projected and actual earnings on pension plan investments.

	\$ <u>(46,813)</u>	(46,813)
--	--------------------	----------

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

Accrued interest payable	\$ (791)	
Compensated absences	<u>(23,906)</u>	(24,697)

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

Net pension liability	\$ (141,368)	
Bonds payable	<u>(415,606)</u>	<u>(556,974)</u>

**NET POSITION OF GOVERNMENTAL ACTIVITIES****\$ 3,388,622**

**See Notes to Financial Statements.**

**TOWN OF BROADWAY, VIRGINIA**  
**----GOVERNMENTAL FUND----**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**Year Ended June 30, 2015**

	<u><b>General Fund</b></u>
<b>REVENUES</b>	
General property taxes	\$ 299,496
Other local taxes	702,264
Permits, privilege fees, and regulatory licenses	4,669
Fines and forfeitures	8,736
Revenue from the use of money and property	16,147
Charges for services	246,108
Miscellaneous	46,119
Intergovernmental revenues:	
Commonwealth	530,805
Federal	11,425
Total revenues	<u>\$ 1,865,769</u>
<b>EXPENDITURES</b>	
General government administration	\$ 410,179
Public safety	404,644
Public works	815,030
Cultural and recreation	459,000
Community development	13,313
Debt service	40,572
Total expenditures	<u>\$ 2,142,738</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (276,969)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers in	\$ 456,410
Transfers out	(179,441)
Total other financing sources (uses)	<u>\$ 276,969</u>
Net change in fund balance	\$ -
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>-</u>
<b>FUND BALANCE AT END OF YEAR</b>	<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, 2015**

**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	\$ 690,859	
Less current year depreciation	<u>(142,703)</u>	548,156

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>(2,979)</u>	(2,979)
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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.

Difference between pension expenditures and pension expense	\$ 24,851	
Change in accrued interest	55	
Change in long-term compensated absences	<u>(2,224)</u>	22,682

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>28,870</u>	<u>28,870</u>
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**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 596,729**

See Notes to Financial Statements.

## TOWN OF BROADWAY, VIRGINIA

---- PROPRIETARY FUNDS ----  
**STATEMENTS OF NET POSITION**  
**June 30, 2015**

	----- Enterprise Funds -----			Total
	Water	Sewer	RBEG	Enterprise Funds
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 30,618	\$ 489,241	\$ 72,003	\$ 591,862
Restricted cash and cash equivalents, deposits	34,310	-	-	34,310
Investments	-	27,159	-	27,159
Accounts receivable	155,923	51,497	-	207,420
Due from other funds	1,879,961	-	-	1,879,961
Inventory	33,524	5,165	-	38,689
Prepaid expenses	-	446	-	446
Total current assets	<u>\$ 2,134,336</u>	<u>\$ 573,508</u>	<u>\$ 72,003</u>	<u>\$ 2,779,847</u>
Noncurrent assets:				
Capital assets:				
Land	\$ 63,842	\$ 79,555	\$ -	\$ 143,397
Utility plants, distribution and collection systems	3,624,147	19,987,046	-	23,611,193
Equipment	297,400	729,612	-	1,027,012
Less accumulated depreciation	(1,837,220)	(3,229,200)	-	(5,066,420)
Total noncurrent assets	<u>\$ 2,148,169</u>	<u>\$ 17,567,013</u>	<u>\$ -</u>	<u>\$ 19,715,182</u>
<b>Total assets</b>	<u>\$ 4,282,505</u>	<u>\$ 18,140,521</u>	<u>\$ 72,003</u>	<u>\$ 22,495,029</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Employer pension contributions	\$ 15,203	\$ 31,373	\$ -	\$ 46,576
<b>Total deferred outflows of resources</b>	<u>\$ 15,203</u>	<u>\$ 31,373</u>	<u>\$ -</u>	<u>\$ 46,576</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 10,742	\$ 293,352	\$ -	\$ 304,094
Due to other funds	-	1,879,961	-	1,879,961
Connection fees payable	-	4,600	-	4,600
Accrued interest payable	-	67,541	-	67,541
Accrued benefits	1,969	4,146	-	6,115
Compensated absences	8,593	18,920	-	27,513
Deposits	34,310	-	-	34,310
Unearned revenue	1,587	-	-	1,587
Bonds, notes and loans payable	-	515,358	-	515,358
Total current liabilities	<u>\$ 57,201</u>	<u>\$ 2,783,878</u>	<u>\$ -</u>	<u>\$ 2,841,079</u>
Noncurrent liabilities:				
Net pension liability	\$ 54,895	\$ 105,467	\$ -	\$ 160,362
Bonds, notes and loans payable	-	8,246,901	-	8,246,901
Total noncurrent liabilities	<u>\$ 54,895</u>	<u>\$ 8,352,368</u>	<u>\$ -</u>	<u>\$ 8,407,263</u>
<b>Total liabilities</b>	<u>\$ 112,096</u>	<u>\$ 11,136,246</u>	<u>\$ -</u>	<u>\$ 11,248,342</u>

(Continued)

## TOWN OF BROADWAY, VIRGINIA

--- PROPRIETARY FUNDS ---  
**STATEMENTS OF NET POSITION**  
**June 30, 2015**

	----- Enterprise Funds -----			Total
	<u>Water</u>	<u>Sewer</u>	<u>RBEG</u>	<u>Enterprise Funds</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Net difference between projected and actual earnings on pension plan investments	\$ 33,643	\$ 66,250	\$ -	\$ 99,893
<b>Total deferred inflows of resources</b>	<u>\$ 33,643</u>	<u>\$ 66,250</u>	<u>\$ -</u>	<u>\$ 99,893</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 2,148,169	\$ 8,737,213	\$ -	\$10,885,382
Unrestricted	<u>2,003,800</u>	<u>(1,767,815)</u>	<u>72,003</u>	<u>307,988</u>
<b>Total net position</b>	<u>\$ 4,151,969</u>	<u>\$ 6,969,398</u>	<u>\$ 72,003</u>	<u>\$11,193,370</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, 2015

	----- Enterprise Funds -----			Total Enterprise Funds
	<u>Water</u>	<u>Sewer</u>	<u>RBEG</u>	
<b>OPERATING REVENUES</b>				
Wastewater contracts	\$ -	\$ 2,008,779	\$ -	\$ 2,008,779
Charges for services	438,221	322,916	-	761,137
Connection fees	67,000	69,000	-	136,000
Sludge revenue	-	328,610	-	328,610
Miscellaneous	9,170	-	-	9,170
Total operating revenues	<u>\$ 514,391</u>	<u>\$ 2,729,305</u>	<u>\$ -</u>	<u>\$ 3,243,696</u>
<b>OPERATING EXPENSES</b>				
Salaries and wages	\$ 229,574	\$ 351,854	\$ -	\$ 581,428
Employee benefits	43,058	91,221	-	134,279
Payroll taxes	16,681	24,011	-	40,692
Water purchase, Co-Op	37,925	-	-	37,925
Bad debt expense	-	-	7,503	7,503
Chemicals	32,746	277,713	-	310,459
Insurance	11,164	12,136	-	23,300
Lab testing	-	52,387	-	52,387
Miscellaneous	4,920	8,158	-	13,078
Postage	1,523	1,522	-	3,045
Professional fees	6,513	110	-	6,623
Repairs and maintenance	83,318	242,034	-	325,352
Supplies	1,951	3,918	-	5,869
Sludge removal	-	57,183	-	57,183
Utilities and fuel	37,885	426,834	-	464,719
Telephone	4,596	12,768	-	17,364
Vehicle maintenance	11,220	-	-	11,220
Depreciation	91,968	447,999	-	539,967
Total operating expenses	<u>\$ 615,042</u>	<u>\$ 2,009,848</u>	<u>\$ 7,503</u>	<u>\$ 2,632,393</u>
Operating income (loss)	<u>\$ (100,651)</u>	<u>\$ 719,457</u>	<u>\$ (7,503)</u>	<u>\$ 611,303</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest earned	\$ 2,732	\$ 6,370	\$ 36	\$ 9,138
Rental income	35,707	-	-	35,707
Spring lease fees	(5,000)	-	-	(5,000)
Unrealized (gain) on investments	-	(2,211)	-	(2,211)
Interest expense	-	(282,173)	-	(282,173)
Total nonoperating revenues (expenses)	<u>\$ 33,439</u>	<u>\$ (278,014)</u>	<u>\$ 36</u>	<u>\$ (244,539)</u>
Income (loss) before transfers	<u>\$ (67,212)</u>	<u>\$ 441,443</u>	<u>\$ (7,467)</u>	<u>\$ 366,764</u>

(Continued)

## TOWN OF BROADWAY, VIRGINIA

---PROPRIETARY FUNDS---  
**STATEMENTS OF REVENUES, EXPENSES,  
 AND CHANGES IN FUND NET POSITION**  
**Year Ended June 30, 2015**

	----- Enterprise Funds -----			Total
	<u>Water</u>	<u>Sewer</u>	<u>RBEG</u>	<u>Enterprise Funds</u>
<b>TRANSFERS</b>				
Transfers in	\$ 535,613	\$ 2,732	\$ -	\$ 538,345
Transfers out	<u>(443,666)</u>	<u>(371,648)</u>	<u>-</u>	<u>(815,314)</u>
	\$ 91,947	\$ (368,916)	\$ -	\$ (276,969)
Change in net position	\$ 24,735	\$ 72,527	\$ (7,467)	\$ 89,795
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>4,127,234</u>	<u>6,896,871</u>	<u>79,470</u>	<u>11,103,575</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 4,151,969</u>	<u>\$ 6,969,398</u>	<u>\$ 72,003</u>	<u>\$ 11,193,370</u>

See Notes to Financial Statements.

## TOWN OF BROADWAY, VIRGINIA

---PROPRIETARY FUNDS---  
**STATEMENTS OF CASH FLOWS**  
 Year Ended June 30, 2015

	----- Enterprise Funds -----			Total Enterprise Funds
	<u>Water</u>	<u>Sewer</u>	<u>RBEG</u>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 511,386	\$ 2,733,137	\$ -	\$ 3,244,523
Cash payments to suppliers of goods and services	(330,344)	(1,031,837)	-	(1,362,181)
Cash payments to employees	<u>(229,103)</u>	<u>(356,458)</u>	<u>-</u>	<u>(585,561)</u>
Net cash provided by (used in) operating activities	\$ <u>(48,061)</u>	\$ <u>1,344,842</u>	\$ <u>-</u>	\$ <u>1,296,781</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating transfers from other funds	\$ 535,613	\$ 2,732	\$ -	\$ 538,345
Operating transfers to other funds	(443,666)	(371,648)	-	(815,314)
Advance from other funds	<u>117,916</u>	<u>198,012</u>	<u>-</u>	<u>315,928</u>
Net cash provided by (used in) noncapital financing activities	\$ <u>209,863</u>	\$ <u>(170,904)</u>	\$ <u>-</u>	\$ <u>38,959</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	\$ (250,813)	\$ (511,933)	\$ -	\$ (762,746)
Rental income	35,707	-	-	35,707
Principal paid on bond and loans	-	(501,125)	-	(501,125)
Interest paid	-	(285,368)	-	(285,368)
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>(220,106)</u>	\$ <u>(1,298,426)</u>	\$ <u>-</u>	\$ <u>(1,518,532)</u>

(Continued)

## TOWN OF BROADWAY, VIRGINIA

---PROPRIETARY FUNDS---  
**STATEMENTS OF CASH FLOWS**  
 Year Ended June 30, 2015

	----- Enterprise Funds -----			Total Enterprise Funds
	<u>Water</u>	<u>Sewer</u>	<u>RBEG</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest earned	\$ 2,732	\$ 6,370	\$ 36	\$ 9,138
Net cash provided by (used in) investing activities	\$ 2,732	\$ 6,370	\$ 36	\$ 9,138
Net increase (decrease) in cash and cash equivalents	\$ (55,572)	\$ (118,118)	\$ 36	\$ (173,654)
<b>Cash and cash equivalents:</b>				
Beginning	<u>120,500</u>	<u>634,518</u>	<u>71,967</u>	<u>826,985</u>
Ending	<u>\$ 64,928</u>	<u>\$ 516,400</u>	<u>\$ 72,003</u>	<u>\$ 653,331</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO PROPRIETARY FUND BALANCE SHEETS</b>				
Unrestricted cash and cash equivalents	\$ 30,618	\$ 489,241	\$ 72,003	\$ 591,862
Restricted cash and cash equivalents, deposits	34,310	-	-	34,310
Investments	<u>-</u>	<u>27,159</u>	<u>-</u>	<u>27,159</u>
	<u>\$ 64,928</u>	<u>\$ 516,400</u>	<u>\$ 72,003</u>	<u>\$ 653,331</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (100,651)	\$ 719,457	\$ (7,503)	\$ 611,303
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Net (increase) in the fair value of investments	-	(2,211)	-	(2,211)
Pension costs (earnings)	(2,706)	(6,764)	-	(9,470)
Depreciation	91,968	447,999	-	539,967
Change in assets and liabilities:				
(Increase) decrease in inventories	3,785	419	-	4,204
(Increase) decrease in prepaid expenses	-	25	-	25
(Increase) decrease in accounts receivable	(5,445)	3,832	7,503	5,890
Increase (decrease) in accounts payable and accrued expenses	(37,452)	182,085	-	144,633
Increase (decrease) in deposits	<u>2,440</u>	<u>-</u>	<u>-</u>	<u>2,440</u>
Net cash provided by (used in) operating activities	<u>\$ (48,061)</u>	<u>\$ 1,344,842</u>	<u>\$ -</u>	<u>\$ 1,296,781</u>

See Notes to Financial Statements.

**TOWN OF BROADWAY, VIRGINIA**  
**----FIDUCIARY FUND----**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2015**

	<b><u>IDA</u></b> <b><u>Fund (Agency)</u></b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>8,230</u>
<b>Total assets</b>	<b>\$ <u>8,230</u></b>
<b>LIABILITIES</b>	
Amounts held for others	\$ <u>8,230</u>
<b>Total liabilities</b>	<b>\$ <u>8,230</u></b>

**See Notes to Financial Statements.**

## TOWN OF BROADWAY, VIRGINIA

## ----FIDUCIARY FUND----

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
Year Ended June 30, 2015

	<b><u>IDA</u></b> <b><u>Fund (Agency)</u></b>
<b>ADDITIONS</b>	
Fees (revenue)	\$ -
Transfer in from other fund	-
Total additions	<u>\$ -</u>
<b>DEDUCTIONS</b>	
Meetings	\$ -
Legal fees	-
Bank charges	46
Donations	-
Total deductions	<u>\$ 46</u>
Change in net position	\$ (46)
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>8,276</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 8,230</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, 2015, includes amounts not yet billed or received from the January 1, 2015, levy (due December 5, 2015). These items are included in deferred inflows of resources since these taxes are restricted for use until fiscal year 2016.

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, 2015.

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 only one type of item (employer pension contributions) that qualifies 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 has two items (property taxes and the difference between projected and actual earnings on pension plan investments) that qualify 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 2015.

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.

**I. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's Retirement Plan and the additions to/deductions from the Town's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## NOTES TO FINANCIAL STATEMENTS

**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 2015. The final operating budget for the General Fund included carryover funds of \$453,400. The original budget included carryover funds of \$111,400.

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>
<b>WATER FUND</b>			
Prior year carryover	\$ -	\$ 165,000	\$ 165,000
Capital outlay	<u>(120,000)</u>	<u>(260,000)</u>	<u>(250,813)</u>
	<u>\$ (120,000)</u>	<u>\$ (95,000)</u>	<u>\$ (85,813)</u>
<b>SEWER FUND</b>			
Prior year carryover	\$ -	\$ 340,000	\$ 340,000
Capital outlay	(100,000)	(440,000)	(511,933)
Principal paid on bonds and loans	<u>(496,600)</u>	<u>(496,600)</u>	<u>(501,125)</u>
	<u>\$ (596,600)</u>	<u>\$ (596,600)</u>	<u>\$ (673,058)</u>

**B. Excess of Expenditures Over Appropriations**

For the year ended June 30, 2015, General Fund expenditures exceeded appropriations in Public Works by \$11,530, and Cultural and Recreation by \$39,000. These over expenditures were funded by greater than expected revenues and operating transfers into the fund.

## NOTES TO FINANCIAL STATEMENTS

**Note 3. Deposits and Investments**Deposits

Below and on the following page is a summary of the Town's accounts/deposits at June 30, 2015:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
<u>General</u>		
Checking, (BB&T – Virginia)	\$ 12,411	\$ 17,754
Checking, Park (BB&T – Virginia)	24,262	24,262
Savings (BB&T – Virginia)	1,212	1,212
Certificates of deposit (L. M. Kohn)	145,641	145,641
Petty cash	120	-
<u>Water</u>		
Checking (BB&T – Virginia)	59,612	85,272
Checking (Farmers and Merchants Bank)	5,316	5,316
<u>Sewer</u>		
Certificates of deposit (L. M. Kohn)	489,241	489,243
<u>RBEG</u>		
Checking (BB&T – Virginia)	<u>72,003</u>	<u>72,003</u>
Total reporting entity	<u>\$ 809,818</u>	<u>\$ 840,703</u>

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, 2015, the Town had the following investment:

	<u>Fair Value</u>
Virginia State Treasurer's Local Government Investment Pool (LGIP)	<u>\$ 66,612</u>



## NOTES TO FINANCIAL STATEMENTS

**Note 3. Deposits and Investments (Continued)***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.

**Note 4. Receivables**

Receivables as of June 30, 2015, 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	\$ 325,246	\$ -	\$ 325,246
Other taxes:			
Utilities tax	13,177	-	13,177
Meals tax	11,465	-	11,465
Accounts	13,685	207,420	221,105
Gross receivables	\$ 363,573	\$ 207,420	\$ 570,993
Less: allowance for uncollectibles	-	-	-
Net total receivables	<u>\$ 363,573</u>	<u>\$ 207,420</u>	<u>\$ 570,993</u>

**Note 5. Capital Assets**

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
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	\$ 995,214	\$ -	\$ -	\$ 995,214
Park and improvements	947,628	343,340	-	1,290,968
Machinery and equipment	370,350	13,638	9,651	374,337
Infrastructure	1,061,274	333,881	-	1,395,155
Total capital assets being depreciated	<u>\$ 3,374,466</u>	<u>\$ 690,859</u>	<u>\$ 9,651</u>	<u>\$ 4,055,674</u>

## NOTES TO FINANCIAL STATEMENTS

## Note 5. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for				
Buildings	\$ 215,841	\$ 25,272	\$ -	\$ 241,113
Park and improvements	213,223	43,135	-	256,358
Machinery and equipment	288,395	28,219	9,651	306,963
Infrastructure	<u>155,128</u>	<u>46,077</u>	<u>-</u>	<u>201,205</u>
Total accumulated depreciation	<u>\$ 872,587</u>	<u>\$ 142,703</u>	<u>\$ 9,651</u>	<u>\$ 1,005,639</u>
Total capital assets being depreciated, net	<u>\$ 2,501,879</u>	<u>\$ 548,156</u>	<u>\$ -</u>	<u>\$ 3,050,035</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 3,405,070</u>	<u>\$ 548,156</u>	<u>\$ -</u>	<u>\$ 3,953,226</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated				
Land	<u>\$ 143,397</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,397</u>
Total capital assets not being depreciated	<u>\$ 143,397</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,397</u>
Capital assets being depreciated				
Utility system	\$ 22,890,460	\$ 720,733	\$ -	\$ 23,611,193
Machinery and equipment	<u>984,999</u>	<u>42,013</u>	<u>-</u>	<u>1,027,012</u>
Total capital assets being depreciated	<u>\$ 23,875,459</u>	<u>\$ 762,746</u>	<u>\$ -</u>	<u>\$ 24,638,205</u>
Less accumulated depreciation for				
Utility system	\$ 3,909,689	\$ 445,642	\$ -	\$ 4,355,331
Machinery and equipment	<u>616,764</u>	<u>94,325</u>	<u>-</u>	<u>711,089</u>
Total accumulated depreciation	<u>\$ 4,526,453</u>	<u>\$ 539,967</u>	<u>\$ -</u>	<u>\$ 5,066,420</u>
Total capital assets being depreciated, net	<u>\$ 19,349,006</u>	<u>\$ 222,779</u>	<u>\$ -</u>	<u>\$ 19,571,785</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 19,492,403</u>	<u>\$ 222,779</u>	<u>\$ -</u>	<u>\$ 19,715,182</u>

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

**GOVERNMENTAL ACTIVITIES**

General government administration	\$ 18,707
Public safety	10,620
Public works	64,002
Cultural and recreation	<u>49,374</u>

        Total depreciation expense-governmental activities \$ 142,703

**BUSINESS-TYPE ACTIVITIES**

Water	\$ 91,968
Sewer	<u>447,999</u>

        Total depreciation expense-business-type activities \$ 539,967

## NOTES TO FINANCIAL STATEMENTS

**Note 6. Unavailable Revenue**

The following is a summary of unavailable revenue included in deferred inflows of resources at June 30, 2015:

**Fund Statements**

	<u>General Fund</u>
Unavailable revenue:	
Property taxes billed in fiscal year 2016	\$ 303,677
Uncollected property tax billing	<u>21,640</u>
	<u>\$ 325,317</u>

**Government-Wide Statements**

	<u>Governmental Activities</u>
Unavailable revenue:	
Property taxes billed in fiscal year 2016	<u>\$ 303,677</u>

**Note 7. Long-Term Debt**

A summary of long-term debt activity for the year ended June 30, 2015, 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>
<b><u>Government activities</u></b>					
<i>General Fund</i>					
Branch Banking & Trust (series 2012A bond)	\$ 311,133	\$ -	\$ (20,209)	\$ 290,924	\$ 20,828
Branch Banking & Trust (series 2012B bond)	<u>133,343</u>	<u>-</u>	<u>(8,661)</u>	<u>124,682</u>	<u>8,927</u>
	<u>\$ 444,476</u>	<u>\$ -</u>	<u>\$ (28,870)</u>	<u>\$ 415,606</u>	<u>\$ 29,755</u>
<b><u>Business-type activities</u></b>					
<i>Sewer Fund</i>					
Virginia Resources Authority (2007 loan)	\$ 2,005,000	\$ -	\$ (105,000)	\$ 1,900,000	\$ 110,000
Virginia Resources Authority (2009 loan)	7,058,634	-	(346,125)	6,712,509	355,358
Branch Banking & Trust (series 2014 bond)	<u>199,750</u>	<u>-</u>	<u>(50,000)</u>	<u>149,750</u>	<u>50,000</u>
	<u>\$ 9,263,384</u>	<u>\$ -</u>	<u>\$ (501,125)</u>	<u>\$ 8,762,259</u>	<u>\$ 515,358</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, 2015, \$655,000 has been applied against the principal portion of the loan. Total interest expense incurred on the loan for the year ended June 30, 2015, was \$93,659.

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, 2014, 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, 2015, \$847,777 has been applied against the principal portion of the loan. Total interest expense incurred on the loan for the year ended June 30, 2015, was \$184,776.

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, 2014, 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, 2015, was \$6,933.

## NOTES TO FINANCIAL STATEMENTS

**Note 7. Long-Term Debt (Continued)**

Annual requirements to amortize long-term debt and related interest at June 30, 2015, 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
2016	\$ 20,828	\$ 7,572	\$ 8,927	\$ 3,245	\$ 29,755	\$ 10,817
2017	21,392	7,008	9,168	3,004	30,560	10,012
2018	21,972	6,428	9,417	2,755	31,389	9,183
2019	22,567	5,833	9,672	2,500	32,239	8,333
2020	23,179	5,221	9,934	2,238	33,113	7,459
2021 - 2025	125,829	16,171	53,925	6,935	179,754	23,106
2026 - 2027	<u>55,157</u>	<u>1,643</u>	<u>23,639</u>	<u>705</u>	<u>78,796</u>	<u>2,348</u>
	<u>\$ 290,924</u>	<u>\$ 49,876</u>	<u>\$ 124,682</u>	<u>\$ 21,382</u>	<u>\$ 415,606</u>	<u>\$ 71,258</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
2016	\$ 110,000	\$ 89,251	\$ 355,358	\$ 175,542	\$ 50,000	\$ 5,241	\$ 515,358	\$ 270,034
2017	115,000	84,639	364,837	166,063	50,000	3,491	529,837	254,193
2018	120,000	79,799	374,570	156,330	49,750	1,741	544,320	237,870
2019	125,000	74,599	384,561	146,339	-	-	509,561	220,938
2020	130,000	69,028	394,820	136,080	-	-	524,820	205,108
2021 - 2025	750,000	238,820	2,137,812	516,688	-	-	2,887,812	755,508
2026 - 2030	550,000	43,038	2,438,572	215,928	-	-	2,988,572	258,966
2031	-	-	<u>261,979</u>	<u>3,471</u>	-	-	<u>261,979</u>	<u>3,471</u>
	<u>\$ 1,900,000</u>	<u>\$ 679,174</u>	<u>\$ 6,712,509</u>	<u>\$ 1,516,441</u>	<u>\$ 149,750</u>	<u>\$ 10,473</u>	<u>\$ 8,762,259</u>	<u>\$ 2,206,088</u>

**Note 8. Pension Plan****Plan Description**

All full-time, salaried permanent employees of the Political Subdivision are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table that follows:

## NOTES TO FINANCIAL STATEMENTS

## Note 8. Pension Plan (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>About Plan 1</b> 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 Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About Plan 2</b> 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 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><b>About the Hybrid Retirement Plan</b> 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 Plan 1 and 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"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• 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.</li> <li>• 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.</li> </ul>
<p><b>Eligible Members</b> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> 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 Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><b>Eligible Members</b> Employees are in 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><b>Hybrid Opt-In Election</b> Eligible 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 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 Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p><b>Eligible Members</b> 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"> <li>• Political subdivision employees*</li> <li>• Members in Plan 1 or 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</li> </ul> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees</li> </ul> <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 Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or VRS Plan 2 (as applicable) or ORP.</p>

## NOTES TO FINANCIAL STATEMENTS

## Note 8. Pension Plan (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Retirement Contributions</b> Employees contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but 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><b>Retirement Contributions</b> Employees contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p><b>Retirement Contributions</b> 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><b>Creditable Service</b> 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><b>Creditable Service</b> Same as Plan 1.</p>	<p><b>Creditable Service</b> <u><b>Defined Benefit Component:</b></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><b>Defined Contributions Component:</b></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)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Vesting</b> 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><b>Vesting</b> Same as VRS Plan 1.</p>	<p><b>Vesting</b> <u><b>Defined Benefit Component:</b></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. Plan 1 or 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><b>Defined Contributions Component:</b></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"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b> 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><b>Calculating the Benefit</b> See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b> <u><b>Defined Benefit Component:</b></u> See definition under Plan 1.</p> <p><u><b>Defined Contribution Component:</b></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><b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as 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)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Service Retirement Multiplier</b> 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.</p>	<p><b>Service Retirement Multiplier</b> 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. 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.</p>	<p><b>Service Retirement Multiplier</b> <b><u>Defined Benefit Component:</u></b> The retirement multiplier for the defined benefit component is 1.0%.</p> <p>For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Not applicable to sheriffs, regional jail superintendents and political subdivision hazardous duty employees.</p> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p>
<p><b>Normal Retirement Age</b> VRS: Age 65.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60.</p>	<p><b>Normal Retirement Age</b> VRS: Normal Social Security retirement age.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Normal Retirement Age</b> <b><u>Defined Benefit Component:</u></b> VRS: Same as Plan 2.</p> <p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b> VRS: 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.</p> <p><b>Political subdivisions hazardous duty employees:</b> 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.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> VRS: 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.</p> <p><b>Political subdivisions hazardous duty employees:</b> 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.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> <b><u>Defined Benefit Component:</u></b> VRS: 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.</p> <p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b> VRS: 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.</p> <p><b>Political subdivisions hazardous duty employees:</b> 50 with at least five years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> <b><u>Defined Benefit Component:</u></b> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

## NOTES TO FINANCIAL STATEMENTS

## Note 8. Pension Plan (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> 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><b>Eligibility:</b> 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><b>Exceptions to COLA Effective Dates:</b> 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"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• 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.</li> <li>• 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.</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> 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><b>Eligibility:</b> Same as Plan 1.</p> <p><b>Exceptions to COLA Effective Dates:</b> Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> <b>Defined Benefit Component:</b> Same as Plan 2.</p> <p><b>Defined Contribution Component:</b> Not applicable.</p> <p><b>Eligibility:</b> Same as Plan 1 and VRS Plan 2.</p> <p><b>Exceptions to COLA Effective Dates:</b> Same as Plan 1 and Plan 2.</p>
<p><b>Disability Coverage</b> 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>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b> 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>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b> Employees of political subdivision (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under 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)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<b>Purchase of Prior Service</b> 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.	<b>Purchase of Prior Service</b> Same as Plan 1.	<b>Purchase of Prior Service</b> <b>Defined Benefit Component:</b> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> <li>Hybrid Retirement Plan members are ineligible for ported service.</li> <li>The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <b>Defined Contribution Component:</b> Not applicable.

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	4
Inactive members:	
Vested inactive members	1
Non-vested inactive members	-
Inactive members active elsewhere in VRS	<u>7</u>
	8
Active members	<u>17</u>
Total covered employees	<u>29</u>

## NOTES TO FINANCIAL STATEMENTS

**Note 8. Pension Plan (Continued)**Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00 percent of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00 percent member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5 percent member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00 percent member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The political subdivision's contractually required contribution rate for the year ended June 30, 2015 was 10.13 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$88,773 and \$117,477 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The political subdivisions net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06 percent of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0 percent. However, since the difference was minimal, and a more conservative 7.0 percent investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0 percent to simplify preparation of pension liabilities.

## NOTES TO FINANCIAL STATEMENTS

**Note 8. Pension Plan (Continued)**

Mortality rates: 14 percent of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25 percent per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25 percent per year

## NOTES TO FINANCIAL STATEMENTS

**Note 8. Pension Plan (Continued)**Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 4.75 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06 percent of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0 percent. However, since the difference was minimal, and a more conservative 7.0 percent investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0 percent to simplify preparation of pension liabilities.

Mortality rates: 60 percent of deaths are assumed to be service related

## Largest 10 - LEOS:

## Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

## Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

## Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

## All Others (Non 10 Largest) - LEOS:

## Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females were set back 2 years.

## Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

## Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

## NOTES TO FINANCIAL STATEMENTS

**Note 8. Pension Plan (Continued)**

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

## Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

## All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	<u>1.00%</u>	-1.50%	<u>-0.02%</u>
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

## NOTES TO FINANCIAL STATEMENTS

**Note 8. Pension Plan (Continued)**

\* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33 percent but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44 percent including expected inflation of 2.50 percent.

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100 percent of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2013	\$ 2,556,275	\$ 2,044,856	\$ 511,419
Changes for the year:			
Service cost	\$ 102,639	\$ -	\$ 102,639
Interest	175,437	-	175,437
Differences between expected and actual experience	-	-	-
Contributions - employer	-	117,477	(117,477)
Contributions - employee	-	43,382	(43,382)
Net investment income	-	328,591	(328,591)
Benefit payments, including refunds of employee contributions	(100,060)	(100,060)	-
Administrative expenses	-	(1,703)	1,703
Other changes	-	18	(18)
Net changes	\$ 178,016	\$ 387,705	\$ (209,689)
Balances at June 30, 2014	\$ 2,734,291	\$ 2,432,561	\$ 301,730



## NOTES TO FINANCIAL STATEMENTS

**Note 8. Pension Plan (Continued)**Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the political subdivision using the discount rate of 7.00 percent, as well as what the political subdivision's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Political subdivision's Net Pension Liability	\$ 677,912	\$ 301,730	\$ (10,186)

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

For the year ended June 30, 2015, the political subdivision recognized pension expense of \$54,494. At June 30, 2015, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	146,706
Employer contributions subsequent to the measurement date	88,816	-
Total	\$ 88,816	\$ 146,706

The amount of \$88,816 reported as deferred outflows of resources related to pensions resulting from the subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30

2016	\$ (36,676)
2017	(36,676)
2018	(36,676)
2019	(36,676)
Thereafter	-

## NOTES TO FINANCIAL STATEMENTS

**Note 8. Pension Plan (Continued)**Payables to the Pension Plan

At June 30, 2015, the Town reported a payable of \$11,779 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

**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, 2015, were \$14,000.

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:

<u>Year Ending June 30</u>	
2016	\$ 35,708
2017	39,159
2018	39,159
2019	39,159
2020	<u>39,159</u>
	<u>\$ 192,344</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, 2015, 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, 2015, 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.

## NOTES TO FINANCIAL STATEMENTS

**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, 2015. 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.

**Note 12. Interfund Transfers**

Interfund transfers during the year ended June 30, 2015, are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 456,410	\$ 179,441
Water Fund	535,613	443,666
Sewer Fund	<u>2,732</u>	<u>371,648</u>
	<u>\$ 994,755</u>	<u>\$ 994,755</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, 2015, 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	-	-	1,879,961	1,879,961
Sewer Fund	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,879,961</u>	<u>\$ 1,879,961</u>

**Note 14. Major Customers**

The Town has three major wastewater customers. For the year ended June 30, 2015, the sewer revenues from these customers are as follows:

Pilgrims Pride Corporation	\$ 1,336,491
Cargill Corporation	263,022
Town of New Market	<u>294,762</u>
	<u>\$ 1,894,275</u>

Accounts receivable from these customers at June 30, 2015, are as follows:

Town of New Market	<u>\$ 20,100</u>
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## NOTES TO FINANCIAL STATEMENTS

**Note 15. Accounting Changes and Accounting Standards**

In fiscal year 2015, the Town implemented Governmental Accounting Standards (GASB) Statement 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 implementation of Statement 68 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 water and sewer funds included in the Proprietary Funds' Statements of Net Position. The beginning net pension liability, less the fiscal year 2014 employer contributions resulted in the adjustments below:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Net position at June 30, 2014	\$ 2,962,685	\$ 11,326,725	\$ 4,203,274	\$ 7,043,981
Change in reporting for pension costs	<u>(170,792)</u>	<u>(223,150)</u>	<u>(76,040)</u>	<u>(147,110)</u>
Net position at June 30, 2014, restated	<u>\$ 2,791,893</u>	<u>\$ 11,103,575</u>	<u>\$ 4,127,234</u>	<u>\$ 6,896,871</u>

**Note 16. Transactions with Related Party**

Chad L. Comer, Councilman during the period July 1, 2014 to June 30, 2015, is owner of Blue Ribbon Nursery. During the period, the Town spent \$2,397 at the business for mulch, decorations, and landscaping.

**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, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>				
General property taxes	\$ 242,078	\$ 242,078	\$ 299,496	\$ 57,418
Other local taxes	617,500	617,500	702,264	84,764
Permits, privilege fees and regulatory license	2,000	2,000	4,669	2,669
Fines and forfeitures	6,000	6,000	8,736	2,736
Revenue from the use of money and property	18,500	18,500	16,147	(2,353)
Charges for services	235,000	235,000	246,108	11,108
Miscellaneous	2,000	118,000	46,119	(71,881)
Intergovernmental revenues:				
Commonwealth	495,922	495,922	530,805	34,883
Federal	7,000	7,000	11,425	4,425
Total revenues	<u>\$ 1,626,000</u>	<u>\$ 1,742,000</u>	<u>\$ 1,865,769</u>	<u>\$ 123,769</u>
<b>EXPENDITURES</b>				
General government administration	\$ 445,500	\$ 445,500	\$ 410,179	\$ 35,321
Public safety	376,400	465,400	404,644	60,756
Public works	626,500	803,500	815,030	(11,530)
Cultural and recreation	228,000	420,000	459,000	(39,000)
Community development	20,000	20,000	13,313	6,687
Debt service	41,000	41,000	40,572	428
Total expenditures	<u>\$ 1,737,400</u>	<u>\$ 2,195,400</u>	<u>\$ 2,142,738</u>	<u>\$ 52,662</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (111,400)</u>	<u>\$ (453,400)</u>	<u>\$ (276,969)</u>	<u>\$ 176,431</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ -	\$ 456,410	\$ 456,410
Transfers out	-	-	(179,441)	(179,441)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 276,969</u>	<u>\$ 276,969</u>
Net change in fund balance	\$ (111,400)	\$ (453,400)	\$ -	\$ 453,400
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ (111,400)</u>	<u>\$ (453,400)</u>	<u>\$ -</u>	<u>\$ 453,400</u>

## TOWN OF BROADWAY, VIRGINIA

**SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY  
AND RELATED RATIOS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS**

**SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY  
AND RELATED RATIOS**

	<u>2014</u>
<b>Total pension liability</b>	
Service cost	\$ 102,639
Interest	175,437
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	<u>(100,060)</u>
<b>Net change in total pension liability</b>	178,016
<b>Total pension liability - beginning</b>	<u>2,556,275</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 2,734,291</u>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 117,477
Contributions - employee	43,382
Net investment income	328,591
Benefit payments, including refunds of employee contributions	(100,060)
Administrative expense	(1,703)
Other	<u>18</u>
<b>Net change in plan fiduciary net position</b>	387,705
<b>Plan fiduciary net position - beginning</b>	<u>2,044,856</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 2,432,561</u>
<b>Political subdivision's net pension liability - ending (a) - (b)</b>	<u>\$ 301,730</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	88.96%
<b>Covered-employee payroll</b>	\$ 861,615
<b>Political subdivision's net pension liability as a percentage of covered-employee payroll</b>	35.02%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
Year Ended June 30, 2015**

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Employee Payroll (4)</u>	<u>Contributions as a % of Covered Employee Payroll (5)</u>
2015	\$ 88,773	\$ 88,773	\$ -	\$ 837,100	\$ 10.60%

*Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.*

(Continued)

**TOWN OF BROADWAY, VIRGINIA****SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY  
AND RELATED RATIOS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS****Notes to Required Supplemental Information For the Year Ended June 30, 2015**

**Changes of benefit terms** – There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013, and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

**Changes of assumptions** – The following changes in actuarial assumptions were made effective June 30, 2013, based on the most recent experience study of the System for the four-year period ending June 30, 2012:

**Largest 10 – Non-LEOS:**

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25 percent per year

**Largest 10 –LEOS:**

- Update mortality table
- Decrease in male rates of disability

**All Others (Non 10 Largest) – Non-LEOS:**

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25 percent per year

**All Others (Non 10 Largest) – LEOS:**

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability



## **Other Supplementary Information**

## TOWN OF BROADWAY, VIRGINIA

**GENERAL FUND**  
**STATEMENT OF REVENUES, COMPARED TO BUDGET**  
**Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>GENERAL PROPERTY TAXES</b>				
Real estate	\$ 182,000	\$ 182,000	\$ 182,940	\$ 940
Personal property	54,778	54,778	103,621	48,843
Public service corporations	2,800	2,800	3,247	447
Penalties and interest	2,500	2,500	9,688	7,188
	<u>\$ 242,078</u>	<u>\$ 242,078</u>	<u>\$ 299,496</u>	<u>\$ 57,418</u>
<b>OTHER LOCAL TAXES</b>				
Local sales and use	\$ 150,000	\$ 150,000	\$ 155,048	\$ 5,048
Utility taxes	115,500	115,500	117,249	1,749
Business licenses	70,000	70,000	81,243	11,243
Motor vehicle licenses	67,000	67,000	68,439	1,439
Meals tax	120,000	120,000	136,056	16,056
Bank stock	55,000	55,000	103,969	48,969
DMV fees	-	-	1,260	1,260
Cigarette tax	40,000	40,000	39,000	(1,000)
	<u>\$ 617,500</u>	<u>\$ 617,500</u>	<u>\$ 702,264</u>	<u>\$ 84,764</u>
<b>PERMITS, PRIVILEGE FEES AND REGULATORY LICENSES</b>				
Zoning fees	\$ 2,000	\$ 2,000	\$ 4,669	\$ 2,669
	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 4,669</u>	<u>\$ 2,669</u>
<b>FINES AND FORFEITURES</b>				
Police fines	\$ 6,000	\$ 6,000	\$ 8,736	\$ 2,736
	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 8,736</u>	<u>\$ 2,736</u>
<b>REVENUE FROM THE USE OF MONEY AND PROPERTY</b>				
Interest on bank deposits	\$ 3,500	\$ 3,500	\$ 2,805	\$ (695)
Net (decrease) in the fair value of investments	-	-	(658)	(658)
Sale of equipment	1,000	1,000	-	(1,000)
Land lease	14,000	14,000	14,000	-
	<u>\$ 18,500</u>	<u>\$ 18,500</u>	<u>\$ 16,147</u>	<u>\$ (2,353)</u>
<b>CHARGES FOR SERVICES</b>				
Trash collection fees	\$ 190,000	\$ 190,000	\$ 197,697	\$ 7,697
Parks revenue	45,000	45,000	48,411	3,411
	<u>\$ 235,000</u>	<u>\$ 235,000</u>	<u>\$ 246,108</u>	<u>\$ 11,108</u>
<b>MISCELLANEOUS</b>				
Donations	\$ -	\$ -	\$ 42,614	\$ 42,614
Other	2,000	118,000	3,505	(114,495)
	<u>\$ 2,000</u>	<u>\$ 118,000</u>	<u>\$ 46,119</u>	<u>\$ (71,881)</u>

(Continued)

## TOWN OF BROADWAY, VIRGINIA

**GENERAL FUND**  
**STATEMENT OF REVENUES, COMPARED TO BUDGET**  
**Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>INTERGOVERNMENTAL REVENUES</b>				
<b>Commonwealth</b>				
ABC profits and wine taxes	\$ 2,700	\$ 2,700	\$ -	\$ (2,700)
Rolling stock taxes	3,000	3,000	3,208	208
Fire program funds	8,000	8,000	22,779	14,779
Law enforcement grants, 599 funds	59,000	59,000	58,788	(212)
Personal property tax reimbursement	33,222	33,222	33,222	-
Highway maintenance funds	390,000	390,000	412,808	22,808
	<u>\$ 495,922</u>	<u>\$ 495,922</u>	<u>\$ 530,805</u>	<u>\$ 34,883</u>
<b>Federal</b>				
DMV Highway Safety Program grants	\$ 2,000	\$ 2,000	\$ 6,425	\$ 4,425
Art grant	5,000	5,000	5,000	-
	<u>\$ 7,000</u>	<u>\$ 7,000</u>	<u>\$ 11,425</u>	<u>\$ 4,425</u>
<b>Total revenues</b>	<u>\$ 1,626,000</u>	<u>\$ 1,742,000</u>	<u>\$ 1,865,769</u>	<u>\$ 123,769</u>

## TOWN OF BROADWAY, VIRGINIA

**GENERAL FUND**  
**STATEMENT OF EXPENDITURES, COMPARED TO BUDGET**  
**Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>GENERAL GOVERNMENT ADMINISTRATION</b>				
<b>General Government</b>				
Town council salaries	\$ 25,100	\$ 25,100	\$ 24,720	\$ 380
Salaries and wages	216,000	216,000	171,224	44,776
Employee benefits	39,100	39,100	36,498	2,602
Payroll taxes	16,500	16,500	12,369	4,131
Buildings and grounds	10,000	10,000	15,547	(5,547)
DMV fees	2,000	2,000	573	1,427
Donations	14,000	14,000	10,304	3,696
Dues and memberships	4,500	4,500	3,837	663
Insurance and surety bonds	22,000	22,000	22,676	(676)
Miscellaneous	10,000	10,000	19,618	(9,618)
Office supplies and postage	9,000	9,000	10,449	(1,449)
Professional services	34,500	34,500	52,495	(17,995)
Publications	5,500	5,500	647	4,853
Service fees	7,000	7,000	8,716	(1,716)
Travel/educational	12,000	12,000	6,198	5,802
Telephone	3,300	3,300	2,471	829
Utilities and fuel	5,000	5,000	3,289	1,711
	<u>\$ 435,500</u>	<u>\$ 435,500</u>	<u>\$ 401,631</u>	<u>\$ 33,869</u>
<b>Capital Outlay</b>				
General government	\$ 10,000	\$ 10,000	\$ 8,548	\$ 1,452
	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 8,548</u>	<u>\$ 1,452</u>
<b>Total general government administration</b>	<u>\$ 445,500</u>	<u>\$ 445,500</u>	<u>\$ 410,179</u>	<u>\$ 35,321</u>
<b>PUBLIC SAFETY</b>				
<b>Police Department</b>				
Salaries and wages	\$ 200,000	\$ 200,000	\$ 220,071	\$ (20,071)
Employee benefits	56,500	56,500	52,987	3,513
Payroll taxes	15,500	15,500	15,558	(58)
Insurance	8,500	8,500	6,516	1,984
Telephone	5,500	5,500	6,476	(976)
Uniforms and supplies	25,000	25,000	22,511	2,489
Utilities, heat and electric	2,400	2,400	3,122	(722)
Vehicle maintenance	15,000	15,000	24,624	(9,624)
	<u>\$ 328,400</u>	<u>\$ 328,400</u>	<u>\$ 351,865</u>	<u>\$ (23,465)</u>

(Continued)

## TOWN OF BROADWAY, VIRGINIA

**GENERAL FUND**  
**STATEMENT OF EXPENDITURES, COMPARED TO BUDGET**  
**Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Other</b>				
Fire program funds	\$ 8,000	\$ 8,000	\$ 22,779	\$ (14,779)
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>\$ 52,779</u>	<u>\$ (14,779)</u>
<b>Capital Outlay</b>				
Public safety	\$ 10,000	\$ 99,000	\$ -	\$ 99,000
	<u>\$ 10,000</u>	<u>\$ 99,000</u>	<u>\$ -</u>	<u>\$ 99,000</u>
<b>Total public safety</b>	<u>\$ 376,400</u>	<u>\$ 465,400</u>	<u>\$ 404,644</u>	<u>\$ 60,756</u>
<b>PUBLIC WORKS</b>				
<b>Maintenance and Streets</b>				
Salaries and wages	\$ 85,000	\$ 85,000	\$ 86,266	\$ (1,266)
Employee benefits	22,000	22,000	20,131	1,869
Payroll taxes	-	-	6,167	(6,167)
Beautification	8,000	8,000	8,594	(594)
Electricity-street lights	40,000	40,000	42,646	(2,646)
Street maintenance	283,000	460,000	138,391	321,609
	<u>\$ 438,000</u>	<u>\$ 615,000</u>	<u>\$ 302,195</u>	<u>\$ 312,805</u>
<b>Sanitation</b>				
Trash removal - recycling	\$ 188,500	\$ 188,500	\$ 173,864	\$ 14,636
	<u>\$ 188,500</u>	<u>\$ 188,500</u>	<u>\$ 173,864</u>	<u>\$ 14,636</u>
<b>Capital Outlay</b>				
Public works	\$ -	\$ -	\$ 338,971	\$ (338,971)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 338,971</u>	<u>\$ (338,971)</u>
<b>Total public works</b>	<u>\$ 626,500</u>	<u>\$ 803,500</u>	<u>\$ 815,030</u>	<u>\$ (11,530)</u>

(Continued)

## TOWN OF BROADWAY, VIRGINIA

**GENERAL FUND**  
**STATEMENT OF EXPENDITURES, COMPARED TO BUDGET**  
**Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>CULTURAL AND RECREATION</b>				
<b>Parks and Recreation</b>				
Salaries and wages	\$ 38,500	\$ 38,500	\$ 51,929	\$ (13,429)
Payroll taxes	3,000	3,000	3,972	(972)
Park operating expenses	24,000	24,000	37,522	(13,522)
Utilities and fuel	9,000	9,000	10,429	(1,429)
Miscellaneous	5,500	5,500	3,209	2,291
Contractual services	8,000	8,000	8,599	(599)
	<u>\$ 88,000</u>	<u>\$ 88,000</u>	<u>\$ 115,660</u>	<u>\$ (27,660)</u>
<b>Capital Outlay</b>	<u>\$ 140,000</u>	<u>\$ 332,000</u>	<u>\$ 343,340</u>	<u>\$ (11,340)</u>
	<u>\$ 140,000</u>	<u>\$ 332,000</u>	<u>\$ 343,340</u>	<u>\$ (11,340)</u>
<b>Total cultural and recreation</b>	<u>\$ 228,000</u>	<u>\$ 420,000</u>	<u>\$ 459,000</u>	<u>\$ (39,000)</u>
<b>COMMUNITY DEVELOPMENT</b>				
Planning and development	\$ 10,000	\$ 10,000	\$ 1,320	\$ 8,680
Economic development	<u>10,000</u>	<u>10,000</u>	<u>11,993</u>	<u>(1,993)</u>
<b>Total community development</b>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 13,313</u>	<u>\$ 6,687</u>
<b>DEBT SERVICE</b>				
Principal on loans	\$ 27,600	\$ 27,600	\$ 28,870	\$ (1,270)
Interest on loans	<u>13,400</u>	<u>13,400</u>	<u>11,702</u>	<u>1,698</u>
<b>Total debt service</b>	<u>\$ 41,000</u>	<u>\$ 41,000</u>	<u>\$ 40,572</u>	<u>\$ 428</u>
<b>Total expenditures</b>	<u>\$ 1,737,400</u>	<u>\$ 2,195,400</u>	<u>\$ 2,142,738</u>	<u>\$ 52,662</u>

## TOWN OF BROADWAY, VIRGINIA

**WATER FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -**  
**BUDGET AND ACTUAL**  
**Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 429,000	\$ 429,000	\$ 438,221	\$ 9,221
Connection fees	67,500	67,500	67,000	(500)
Miscellaneous	4,000	4,000	9,170	5,170
Total operating revenues	<u>\$ 500,500</u>	<u>\$ 500,500</u>	<u>\$ 514,391</u>	<u>\$ 13,891</u>
<b>OPERATING EXPENSES</b>				
Salaries and wages	\$ 225,500	\$ 225,500	\$ 229,574	\$ (4,074)
Employee benefits	49,500	49,500	43,058	6,442
Payroll taxes	18,000	18,000	16,681	1,319
Water purchases - Co-Op	31,000	31,000	37,925	(6,925)
Chemicals	35,000	35,000	32,746	2,254
Insurance	12,500	12,500	11,164	1,336
Miscellaneous	4,000	4,000	4,920	(920)
Postage	1,500	1,500	1,523	(23)
Professional fees	10,000	10,000	6,513	3,487
Repairs and maintenance	48,000	73,000	83,318	(10,318)
Supplies	2,000	2,000	1,951	49
Utilities and fuel	33,000	33,000	37,885	(4,885)
Telephone	2,800	2,800	4,596	(1,796)
Vehicle maintenance	9,000	9,000	11,220	(2,220)
Depreciation	-	-	91,968	(91,968)
Total operating expenses	<u>\$ 481,800</u>	<u>\$ 506,800</u>	<u>\$ 615,042</u>	<u>\$ (108,242)</u>
Operating income (loss)	<u>\$ 18,700</u>	<u>\$ (6,300)</u>	<u>\$ (100,651)</u>	<u>\$ (94,351)</u>
<b>NONOPERATING REVENUES (EXPENSE)</b>				
Interest earned	\$ 3,000	\$ 3,000	\$ 2,732	\$ (268)
Lease of water tank space	35,000	35,000	35,707	707
Spring lease fees	(5,000)	(5,000)	(5,000)	-
Total nonoperating revenues (expense)	<u>\$ 33,000</u>	<u>\$ 33,000</u>	<u>\$ 33,439</u>	<u>\$ 439</u>
Income (loss) before transfers	<u>\$ 51,700</u>	<u>\$ 26,700</u>	<u>\$ (67,212)</u>	<u>\$ (93,912)</u>
<b>TRANSFERS</b>				
Transfers in	\$ -	\$ -	\$ 535,613	\$ 535,613
Transfers out	-	-	(443,666)	(443,666)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,947</u>	<u>\$ 91,947</u>
Change in net position	<u>\$ 51,700</u>	<u>\$ 26,700</u>	<u>\$ 24,735</u>	<u>\$ (1,965)</u>
NET POSITION AT BEGINNING OF YEAR	<u>4,127,234</u>	<u>4,127,234</u>	<u>4,127,234</u>	<u>-</u>
NET POSITION AT END OF YEAR	<u>\$ 4,178,934</u>	<u>\$ 4,153,934</u>	<u>\$ 4,151,969</u>	<u>\$ (1,965)</u>

**TOWN OF BROADWAY, VIRGINIA**  
**SEWER FUND**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION- BUDGET AND ACTUAL**  
**Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>OPERATING REVENUES</b>				
Wastewater contracts	\$ 1,930,000	\$ 1,930,000	\$ 2,008,779	\$ 78,779
Charges for services	325,000	325,000	322,916	(2,084)
Connection fees	69,000	69,000	69,000	-
Sludge revenue	300,000	300,000	328,610	28,610
Miscellaneous	5,000	5,000	-	(5,000)
Total operating revenues	<u>\$ 2,629,000</u>	<u>\$ 2,629,000</u>	<u>\$ 2,729,305</u>	<u>\$ 100,305</u>
<b>OPERATING EXPENSES</b>				
Salaries and wages	\$ 334,000	\$ 334,000	\$ 351,854	\$ (17,854)
Employee benefits	101,500	101,500	91,221	10,279
Payroll taxes	26,000	26,000	24,011	1,989
Chemicals	270,000	270,000	277,713	(7,713)
Insurance	14,000	14,000	12,136	1,864
Lab testing	82,000	82,000	52,387	29,613
Miscellaneous	4,000	4,000	8,158	(4,158)
Postage	1,000	1,000	1,522	(522)
Professional fees	7,500	7,500	110	7,390
Repairs and maintenance	108,000	108,000	242,034	(134,034)
Supplies	4,000	4,000	3,918	82
Sludge removal	320,000	320,000	57,183	262,817
Utilities and fuel	400,000	400,000	426,834	(26,834)
Telephone	7,000	7,000	12,768	(5,768)
Depreciation	-	-	447,999	(447,999)
Total operating expenses	<u>\$ 1,679,000</u>	<u>\$ 1,679,000</u>	<u>\$ 2,009,848</u>	<u>\$ (330,848)</u>
Operating income	<u>\$ 950,000</u>	<u>\$ 950,000</u>	<u>\$ 719,457</u>	<u>\$ (230,543)</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>				
Interest earned	\$ 11,200	\$ 11,200	\$ 6,370	\$ (4,830)
Unrealized (gain) on investments	-	-	(2,211)	(2,211)
Interest expense	(296,300)	(296,300)	(282,173)	14,127
Total nonoperating revenue (expense)	<u>\$ (285,100)</u>	<u>\$ (285,100)</u>	<u>\$ (278,014)</u>	<u>\$ 7,086</u>
Income before transfers	<u>\$ 664,900</u>	<u>\$ 664,900</u>	<u>\$ 441,443</u>	<u>\$ (223,457)</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, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>TRANSFERS</b>				
Transfers in	\$ -	\$ -	2,732	\$ 2,732
Transfers out	-	-	(371,648)	(371,648)
Total transfers	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (368,916)</u>	<u>\$ (368,916)</u>
 Change in net position	 \$ 664,900	 \$ 664,900	 \$ 72,527	 \$ (592,373)
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>6,896,871</u>	<u>6,896,871</u>	<u>6,896,871</u>	<u>-</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 7,561,771</u>	<u>\$ 7,561,771</u>	<u>\$ 6,969,398</u>	<u>\$ (592,373)</u>

## TOWN OF BROADWAY, VIRGINIA

## SCHEDULE OF CAPITAL ADDITIONS

Year Ended June 30, 2015

**GENERAL FUND**

Government administration:	
TV/audio equipment	\$ 8,548
Public works infrastructure:	
Atlantic storm drainage project	85,338
Park Avenue paving	84,930
Louisa Street paving	59,480
Park Avenue paving revisions	42,515
Cline Street paving	29,488
Holly Hill project	13,225
Louisa Street paving revisions	10,005
Central Street sidewalks	3,800
West Springbrook sidewalk project	2,900
Fire House paving	2,200
Public works equipment:	
Snow plow	5,090
Park:	
Park improvements	130,015
Paving - entrance road	65,320
Paving - track addition	42,900
Ballfield renovations	27,607
Paving - pool lot	25,070
Paving - Community Center lot	21,650
Paving - tennis court conversion	17,678
Paving - baseball fields lot	<u>13,100</u>
<b>Total general fund</b>	<b>\$ <u>690,859</u></b>

**WATER FUND**

Water study	\$ 120,602
Route 259 water line	114,494
Turbidimeter (2)	6,978
Turbidimeter (2)	6,839
Waterline pipe liner	<u>1,900</u>
<b>Total water fund</b>	<b>\$ <u>250,813</u></b>

**SEWER FUND**

WWTF upgrades	\$ 441,605
Carpeting - plant office	13,000
Sunset Drive sewer line replacement	9,635
Lawn mower	9,471
Irrigation line	9,454
Lawn mower	9,317
West Springbrook sewer project	7,743
Manhole device	5,608
Line replacement	4,200
Sewer line pipe liner	<u>1,900</u>
<b>Total sewer fund</b>	<b>\$ <u>511,933</u></b>



David W. Black, CPA  
Managing Partner

Christopher R. Montgomery, CPA  
Tax Partner

**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, 2015, 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 November 12, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Broadway's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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

Located at 1041 South High Street  
Mailing P.O. Box 2187  
Harrisonburg, VA 22801-9506  
(540) 433-2581 • FAX (540) 433-0147

**Retired Partners**  
Edward M. Young, CPA  
Jack D. Nicholas, CPA  
J. Robert Branner, CPA  
Richard E. Phillips, CPA

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 2015-1 through 2015-3, 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 2015-4.

### **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  
November 12, 2015

**TOWN OF BROADWAY, VIRGINIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2015**

**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**

**2015-1 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.

**2015-2 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, 2015**

**2015-3 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**

**2015-4 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 December 15 and June 15 of each year.

All of the seven disclosure statements reviewed for December 15, 2014, were not filed by the deadline. The disclosure statements for June 15, 2015, were not on file.

**Recommendation:**

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

**Management's Response:**

Management concurs with the recommendation.