

City of Brevard, North Carolina

Financial Statements

June 30, 2008

CITY OF BREVARD, NORTH CAROLINA

Mayor and City Council

Jimmy Harris

Larry Canady
Rodney Locks
Mack McKeller
Mac Morrow
Dee Dee Perkins

Officials

Joseph AlbrightCity Manager / Director of
Public Services
Terry ScruggsDirector of Finance
Dennis C. WildePolice Chief
Mike GallowayFire Chief
Michael K. Pratt, Jr.City Attorney
Glenda W. SansostiCity Clerk

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Independent Auditors' Report

To the Honorable Mayor and Members
of the City Council
City of Brevard
Brevard, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brevard, North Carolina, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Brevard's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of the City of Brevard ABC Board. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Brevard ABC Board, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of City of Brevard ABC Board were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Brevard, North Carolina as of June 30, 2008, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund and the capital reserve fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2008, on our consideration of City of Brevard's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the City of Brevard, North Carolina. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material aspects, in relation to the basic financial statements taken as a whole.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 13, 2008

Management's Discussion and Analysis

As management of the City of Brevard, we offer readers of the City of Brevard's financial statements this narrative overview and analysis of the financial activities of the City of Brevard for the fiscal year ended June 30, 2008. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City of Brevard's financial statements, which follow this narrative.

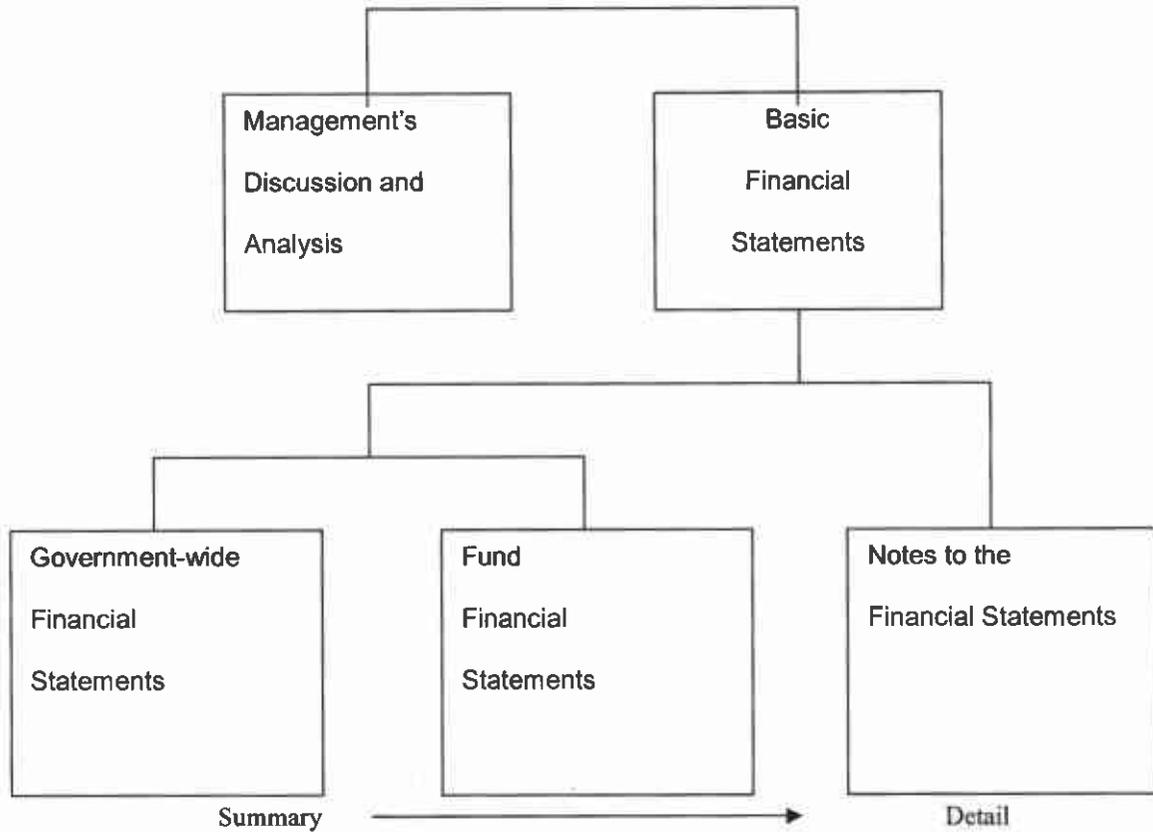
Financial Highlights

- The assets of the City of Brevard exceeded its liabilities at the close of the fiscal year by \$20,349,791 (net assets).
- The government's total net assets increased by \$1,855,630 primarily due to increases in the governmental type activities net assets.
- A significant addition to governmental type activities net assets was a result of the sale of a watershed easement for \$1,037,000.
- As of the close of the current fiscal year, the City of Brevard's governmental funds reported combined ending fund balances of \$6,036,904, an increase of \$2,028,843 in comparison with the prior year. Approximately 83 percent of this total amount, or \$5,041,923, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$2,355,391 or 32 percent of total general fund expenditures for the fiscal year.
- The City of Brevard's total debt increased by \$577,745 (28 percent) during the current fiscal year. The key factor in this increase was due to the financing of a new fire truck.
- The City of Brevard maintained its North Carolina Municipal Council bond rating of 76.

Overview of the Financial Statements

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

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City of Brevard's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide Financial Statements

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

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales taxes and grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer services offered by the City of Brevard. The final category is the component unit. Although legally separate from the City of Brevard, the ABC Store is important to the City because the City exercises control over the Board by appointing its members and because the Board is required to distribute 75% of its profits to the City.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Brevard, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Brevard can be divided into two categories: governmental funds and proprietary funds.

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

The City of Brevard adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the

Management's Discussion and Analysis
City of Brevard

budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 24 through 41 of this report.

The City of Brevard's Net Assets
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 6,209,960	\$ 4,136,944	1,097,798	\$ 947,483	\$ 7,307,758	\$ 5,084,427
Capital assets	3,801,392	3,200,037	12,174,708	12,508,019	15,976,100	15,708,056
Total assets	10,011,352	7,336,981	13,272,506	13,455,502	23,283,858	20,792,483
Long-term liabilities	1,718,298	1,046,794	926,955	1,020,711	2,645,253	2,067,505
Other liabilities	142,242	67,270	146,572	163,547	288,814	230,817
Total liabilities	1,860,540	1,114,064	1,073,527	1,184,258	2,934,067	2,298,322
Net assets:						
Invested in capital assets, net of related debt	2,532,247	2,601,794	11,326,997	11,560,308	13,859,244	14,162,102
Restricted	189,508	104,542	–	–	189,508	104,542
Unrestricted	5,429,057	3,516,581	871,982	710,936	6,301,039	4,227,517
Total net assets	\$ 8,150,812	\$ 6,222,917	\$12,198,979	\$12,271,244	\$ 20,349,791	\$ 18,494,161

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of Brevard exceeded liabilities by \$20,349,791 as of June 30, 2008. The City's net assets increased by \$1,855,630 for the fiscal year ended June 30, 2008. Net assets includes investment in capital assets, less any related debt still outstanding that was issued to acquire those items. The City of Brevard uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Brevard's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Brevard's net assets (2.33%) represents resources

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City of Brevard

that are subject to external restrictions on how they may be used. The remaining balance of \$6,301,039 (31%) is unrestricted.

Several particular aspects of the City's financial operations positively influenced the total unrestricted governmental net assets:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.56%, which is comparable to the statewide average of 96.99%. Property tax revenues increased approximately 3.17%.
- Sales tax revenues remained approximately the same as prior year.
- An increase of approximately 13% in sales & services revenues

City of Brevard Changes in Net Assets
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 1,529,013	\$ 1,309,795	\$ 3,334,060	\$ 2,979,355	\$ 4,863,073	\$ 4,289,150
Operating grants and contributions	841,997	684,887	—	—	841,997	684,887
Capital grants and contributions	—	—	41,206	244,085	41,206	244,085
General revenues:						
Property taxes	3,534,061	3,425,440	—	—	—	3,425,440
Sales tax	1,179,179	1,188,700	—	—	3,534,061	1,188,700
Special item – sale of water shed easement	1,037,000	—	—	—	1,037,000	—
Other	877,207	730,907	16,777	26,798	893,984	757,705
Total revenues	8,998,457	7,339,729	3,392,043	3,250,238	12,390,500	10,589,967
Expenses:						
General government	1,390,835	1,443,019	—	—	1,390,835	1,443,019
Public safety	2,607,933	2,702,505	—	—	2,607,933	2,702,505
Public works	2,584,519	2,716,162	—	—	2,584,519	2,716,162
Economic and physical development	497,858	456,582	—	—	497,858	456,582
Culture and recreation	346,510	258,832	—	—	346,510	258,832
Interest on long term debt	42,907	34,221	—	—	42,907	34,221
Water and sewer	—	—	3,064,308	2,963,672	3,064,308	2,963,672
Total expenses	7,470,562	7,611,321	3,064,308	2,963,672	10,534,870	10,574,993
Increase (decrease) in net assets before transfers	1,527,895	(271,592)	327,735	286,566	1,855,630	14,974
Transfers	400,000	(78,863)	(400,000)	78,863	—	—
Increase (decrease) in net assets after transfers	1,927,895	(350,455)	(72,265)	365,429	1,855,630	14,974
Net assets, beginning, as previously reported	6,222,917	6,838,212	12,271,244	11,905,815	18,494,161	18,744,027
Prior period adjustment	—	(264,840)	—	—	—	(264,840)
Net assets, beginning, as restated	6,222,917	6,573,372	12,271,244	11,905,815	18,494,161	18,479,187
Net assets, ending	\$ 8,150,812	\$ 6,222,917	\$ 12,198,979	\$ 12,271,244	\$ 20,349,791	\$ 18,494,161

Management's Discussion and Analysis
City of Brevard

Governmental activities. Governmental activities increased the City's net assets by \$1,927,895.

Business-type activities: Business-type activities decreased the City of Brevard's net assets by \$72,265.

Financial Analysis of the City's Funds

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

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

The general fund is the chief operating fund of the City of Brevard. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$2,355,391, while total fund balance reached \$3,279,426. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 32% percent of total General Fund expenditures.

At June 30, 2008, the governmental funds of City of Brevard reported a combined fund balance of \$6,036,904, a 50.6% percent increase over last year. Included in this change in fund balance are increase in fund balance of the Capital Reserve Fund and increases in General and other funds.

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

The first amendment was prepared to provide funding for purchasing equipment to outfit a new Quint Ladder Fire Truck. The second amendment was the shifting of funds between departments to account for the final estimated expenditures for fiscal year 2007-2008.

Proprietary Funds. The City of Brevard's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water and Sewer District at the end of the fiscal year amounted to \$871,982. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Brevard's business-type activities.

Capital Asset and Debt Administration

Capital assets. The City of Brevard's investment in capital assets for its governmental and business-type activities as of June 30, 2008, totals \$15,976,100 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

Management's Discussion and Analysis
 City of Brevard

Capital Asset Additions: Assets purchased included: vehicles, computer equipment and water & sewer line construction. There were no major demolitions or disposals recorded this fiscal year.

**City of Brevard's Capital Assets
 (net of depreciation)**

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 319,893	\$ 319,893	\$ 212,891	\$ 212,891	\$ 532,784	\$ 532,784
Buildings and systems	1,459,439	1,528,144	11,548,180	11,296,967	13,007,619	12,825,111
Construction in progress	—	—	—	497,948	—	497,948
Equipment	306,380	237,210	251,657	293,750	558,037	530,960
Vehicles and motorized equipment	1,715,680	1,114,790	161,980	206,463	1,877,660	1,321,253
Total	\$ 3,801,392	\$ 3,200,037	\$ 12,174,708	\$ 12,508,019	\$ 15,976,100	\$ 15,708,056

The construction in progress in 2007 consists of water and sewer lines. Additional information on the City's capital assets can be found in Note 5 of the Basic Financial Statements.

Management's Discussion and Analysis
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Long-term Debt. As of June 30, 2008, the City of Brevard had total bonded debt outstanding of \$-0-. Debt increased by \$671,504 for the Governmental Fund due to new borrowings less principal payments on existing debt and decreased by \$93,756 for the Proprietary Fund due to principal repayments.

City of Brevard's Outstanding Debt
Figure 5

	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
Governmental Activities:				
Installment Contracts	\$ 598,243	\$ 780,000	\$ 114,098	\$ 1,269,145
Compensated Absences	190,365	11,050	-	201,415
Net pension obligations	258,183	-	10,448	247,738
Total	\$ 1,046,794	\$ 796,050	\$ 124,546	\$ 1,718,298
Business Type Activities:				
Installment Contracts	\$ 947,711	\$ -	\$ 100,000	\$ 847,711
Compensated Absences	73,000	6,244	-	79,244
Total Business Type	\$ 1,020,711	\$ 6,244	\$ 100,000	\$ 926,955

The City of Brevard maintained for the 14th consecutive year, its Baa1 bond rating from Moody's Investor Service. This bond rating is a clear indication of the sound financial condition of the City of Brevard. The North Carolina Municipal Council's rating for the City's is 76, which is comparable to a rating of "Baa/BBB" by the national rating agencies and is considered an "investment grade" rating. The City of Brevard continues to strive to strengthen its financial position by maintaining a strong fund balance, reducing debt, and conservatively managing their budget.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Brevard is \$52,000,000. The City has \$-0- in bonds authorized but un-issued at June 30, 2008.

Additional information regarding the City of Brevard's long-term debt can be found in Note 9 beginning on page 39 of this report.

Management's Discussion and Analysis
City of Brevard

Economic Factors and Next Year's Budgets and Rates

The following key economic factors reflect the growth, prosperity and challenges facing the City of Brevard.

- Recent employment statistics are shown in the table below.

County	June 2008 Unemployment Claims		
	Work Force	Number	Percent of Work Force
Transylvania	14,089	708	5.0%
Buncombe	120,463	6,141	5.1%
Henderson	48,646	2,462	5.1%
North Carolina	4,579,281	318,309	7.0%

Source: NC Employment Security Commission – September 2008

- Occupancy rates for business, office and retail space within the downtown municipal service district (Heart of Brevard) remain constant from the previous year at approximately 90%.
- Tourism remains a vital and growing part of the Brevard economy. Statistics over the past several years reveal significant growth in this economic sector.

Transylvania County

Year	Tourism Revenue (\$ millions)	% Growth
2003	62.92	1%
2004	64.80	3%
2005	69.94	8%
2006	75.64	8%
2007	80.14	6%

*Source: Transylvania County Economic Development

- Property taxes for the City of Brevard are collected by Transylvania County. The collection rate has remained steady dipping slightly in 2003. The collection rate for the City remains above the statewide average for municipalities as illustrated in the numbers below.

	2003	2004	2005	2006	2007
City of Brevard	97.15%	98.05%	98.19%	99.26%	99.56%
Statewide	97.06%	97.30%	97.41%	96.63%	96.99%

*Source: State Treasurers Office, Local Government Commission

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City of Brevard

- Within the City, sales tax generated from taxable sales decreased 0.80% from \$1,188,700 in the fiscal year 2006-2007, to \$1,179,179 in the fiscal year 2007-2008. This compares with a 7.18% decrease for Asheville and a 1.05% increase for Hendersonville.

Budget Highlights for the Fiscal Year Ending June 30, 2009

Governmental Activities

- The general fund budget as adopted increased from \$6,648,170 to \$6,804,886. Property tax collections are predicted to increase from \$3.201 to \$3.26 million this year, a 2% increase. This growth is predicted based upon strong commercial growth that includes grocery, pharmaceutical, and restaurant retail space.

Proprietary Activities

- Water and Sewer customer receipts grew \$354,000 for fiscal year 2007-2008. This is due to a 6% water and sewer rate increase. The City of Brevard has in place a 20 year Capital Improvement Plan for the Utility Fund which describes in detail the rate increases necessary to fund the remodeling of aging plants and replacement of deteriorating water/sewer lines. Revenue from these rate adjustments will be transferred to capital reserve for future improvements. The City experienced a growth in customer base of 45 utility customers.

Other Information:

The following information was provided by the Transylvania County Building Permitting and Enforcement Department for the calendar year ending December 31, 2007:

The building industry was productive for the calendar year 2007 in Transylvania County. As a result, the county building department was busy with plan review, permitting, and inspecting. Below are some comparisons to last year:

Detailed Residential Construction Value 2007

New house value: City 28 houses - \$10,104,000

New house value: County 208 houses - \$66,384,661

Addition/Remodel Value: City 68 houses - \$1,196,950

Addition/Remodel Value: County 183 houses - \$10,603,964

Manufactured Homes: City 10 houses - \$156,610

Manufactured Homes: County 83 houses - \$2,300,776

Management's Discussion and Analysis
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Detailed Commercial Construction Value 2007

New: City 8 - \$7,173,327

New: County 13 - \$6,295,000

Addition/Remodel: City 59 - \$13,290,835

Addition/Remodel: County 29 - \$622,688

The number of new house permits in 2007 compared to 2006 was up 1.3%.

The number of new house permits in 2007 compared to 2005 was down 18.34%.

The total construction value in 2007 compared to 2006 was up 19.02%.

The construction value of commercial construction in 2007 compared to 2006 was up 185.84%.

The number of commercial addition/alteration projects constructed in the city and county was up 113.41%.

New home construction growth was strongest in the 276 South area, pushed by many new homes in Connestee. This growth was followed in descending strength by the Toxaway area, City of Brevard and Wilson Road area, lower 64 West, and 64 East/Hwy 280.

Construction Values for last 6 years in the City of Brevard

2007 - \$ 31,923,222

2006 - \$ 17,719,189

2005 - \$ 29,377,601

2004 - \$ 25,727,340

2003 - \$ 20,799,938

Requests for Information

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

Terry Scruggs, Finance Director
City of Brevard
95 W. Main Street
Brevard, N. C. 28712
828-885-5600
828-883-2853 - Fax
tlfindir@citcom.net
www.cityofbrevard.com

CITY OF BREVARD, NORTH CAROLINA

Exhibit 1

STATEMENT OF NET ASSETS
June 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	City of Brevard ABC Board
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,974,204	\$ 849,002	\$ 5,823,206	\$ 214,360
Taxes receivable (net)	37,163	-	37,163	-
Accrued interest receivable on taxes	13,235	-	13,235	-
Accounts receivable (net)	147,697	293,271	440,968	974
Due from other governments	682,281	65,473	747,754	-
Internal balances	225,000	(225,000)	-	-
Inventories	74,940	-	74,940	320,560
Prepaid items	-	-	-	6,852
Total current assets	6,154,520	982,746	7,137,266	542,746
Restricted assets:				
Cash and cash equivalents	55,440	115,052	170,492	-
Capital assets:				
Land, non-depreciable improvements & construction in progress	319,893	212,891	532,784	-
Other capital assets, net of depreciation	3,481,499	11,961,817	15,443,316	52,534
Total capital assets	3,801,392	12,174,708	15,976,100	52,534
Total assets	10,011,352	13,272,506	23,283,858	595,280
LIABILITIES				
Current liabilities:				
Accounts payable	120,812	31,520	152,332	275,240
Unearned revenue	1,846	-	1,846	-
Accrued interest payable	19,584	-	19,584	-
Customer deposits	-	115,052	115,052	-
Long-term liabilities:				
Due within one year	176,028	105,275	281,303	-
Due in more than one year	1,542,270	821,680	2,363,950	-
Total liabilities	1,860,540	1,073,527	2,934,067	275,240
NET ASSETS				
Invested in capital assets, net of related debt	2,532,247	11,326,997	13,859,244	52,534
Restricted for:				
Capital projects	14,195	-	14,195	-
Special revenue	115,901	-	115,901	-
Other purposes	59,412	-	59,412	130,719
Unrestricted	5,429,057	871,982	6,301,039	136,787
Total net assets	\$ 8,150,812	\$ 12,198,979	\$ 20,349,791	\$ 320,040

The notes to the financial statements are an integral part of these financial statements

CITY OF BREVARD, NORTH CAROLINA

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 1,390,835	\$ 381,976	\$ 2,750	\$ -
Public safety	2,607,933	52,089	7,798	-
Public works	2,584,519	1,008,048	275,921	-
Economic and physical development	497,858	86,900	362,920	-
Cultural and recreation	346,510	-	192,608	-
Interest on long-term debt	42,907	-	-	-
Total governmental activities	7,470,562	1,529,013	841,997	-
Business-type activities:				
Water and sewer	3,064,308	3,334,060	-	41,206
Total business-type activities	3,064,308	3,334,060	-	41,206
Total primary government	\$ 10,534,870	\$ 4,863,073	\$ 841,997	\$ 41,206
Component unit:				
ABC Board	\$ 2,649,718	\$ 2,662,572	\$ -	\$ -
Total component unit	\$ 2,649,718	\$ 2,662,572	\$ -	\$ -
General revenues:				
Taxes:				
Property taxes, levied for general purpose				
Sales taxes				
Other taxes				
Distribution from component unit-ABC Board				
Unrestricted investment earnings				
Miscellaneous				
Special item - Sale of watershed easement				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets, beginning				
Net assets, ending				

The notes to the financial statements are an integral part of these financial statements

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	Major Funds			Total Governmental Funds
	General	Capital Reserve	Total Non- Major Funds	
ASSETS				
Cash and cash equivalents	\$ 2,478,049	\$ 2,342,970	\$ 208,625	\$ 5,029,644
Receivables, net:				
Taxes	37,163	-	-	37,163
Accounts	136,163	-	11,534	147,697
Due from other governments	682,281	-	-	682,281
Due from other funds	30,651	225,000	(30,651)	225,000
Inventories	74,940	-	-	74,940
Total assets	3,439,247	2,567,970	189,508	6,196,725
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	120,812	-	-	120,812
Deferred revenue	37,163	-	-	37,163
Unearned revenue	1,846	-	-	1,846
Total liabilities	159,821	-	-	159,821
Fund balances:				
Reserved for:				
Inventories	74,940	-	-	74,940
Perpetual maintenance:				
Expendable	-	-	3,972	3,972
Nonexpendable	-	-	55,440	55,440
State statute	849,095	-	11,534	860,629
Unreserved, designated for subsequent year's expenditures	441,620	-	118,562	560,182
Unreserved, undesignated	1,913,771	2,567,970	-	4,481,741
Total fund balances	3,279,426	2,567,970	189,508	6,036,904
Total liabilities and fund balances	\$ 3,439,247	\$ 2,567,970	\$ 189,508	

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,801,392
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.	13,235
Liabilities for earned but deferred revenues in fund statements.	37,163
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	(1,737,882)
Net assets of governmental activities	\$ 8,150,812

The notes to the financial statements are an integral part of these financial statements

CITY OF BREVARD, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008**

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Total Non- Major Funds</u>	
REVENUES				
Ad valorem taxes	\$ 3,261,080	\$ -	\$ 288,015	\$ 3,549,095
Other taxes and licenses	1,234,900	-	-	1,234,900
Unrestricted intergovernmental	932,053	-	-	932,053
Restricted intergovernmental	292,664	-	539,717	832,381
Permits and fees	-	151,588	-	151,588
Sales and services	1,071,118	-	-	1,071,118
Investment earnings	101,667	40,050	8,058	149,775
Watershed easement	-	1,037,000	-	1,037,000
Miscellaneous	43,206	21,940	-	65,146
Total revenues	6,936,688	1,250,578	835,790	9,023,056
EXPENDITURES				
Current:		-		
General government	1,470,428	-	-	1,470,428
Public safety	3,288,597	-	220	3,288,817
Public works	2,461,295	-	-	2,461,295
Economic and physical development	-	-	483,174	483,174
Culture and recreation	47,453	-	284,499	331,952
Debt service:				
Principal	114,099	-	-	114,099
Interest and other charges	29,448	-	-	29,448
Total expenditures	7,411,320	-	767,893	8,179,213
Excess (deficiency) of revenues over expenditures	(474,632)	1,250,578	67,897	843,843
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	149,192	400,000	112,742	661,934
Transfers to other funds	(112,482)	(39,096)	(110,356)	(261,934)
Proceeds from installment financing	785,000	-	-	785,000
Total other financing sources (uses)	821,710	360,904	2,386	1,185,000
Net change in fund balance	347,078	1,611,482	70,283	2,028,843
Fund balances, beginning	2,932,347	956,488	119,225	4,008,060
Fund balances, ending	\$ 3,279,426	\$ 2,567,970	\$ 189,508	\$ 6,036,904

The notes to the financial statements are an integral part of these financial statements

CITY OF BREVARD, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008**

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

Net changes in fund balances - total governmental funds	\$ 2,028,843
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	601,355
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(17,341)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	(14,061)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets.	<u>(670,901)</u>
Total changes in net assets of governmental activities	<u>\$ 1,927,895</u>

The notes to the financial statements are an integral part of these financial statements

CITY OF BREVARD, NORTH CAROLINA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
For the Year Ended June 30, 2008

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 3,328,500	\$ 3,328,500	\$ 3,261,080	\$ (67,420)
Other taxes and licenses	1,228,750	1,228,750	1,234,900	6,150
Unrestricted intergovernmental	773,975	773,975	932,053	158,078
Restricted intergovernmental	233,750	273,750	292,664	18,914
Sales and services	946,170	946,170	1,071,118	124,948
Investment earnings	55,050	55,050	101,667	46,617
Miscellaneous	41,975	41,975	43,206	1,231
Total revenues	<u>6,608,170</u>	<u>6,648,170</u>	<u>6,936,688</u>	<u>288,518</u>
Expenditures:				
Current:				
General government	2,093,291	1,589,791	1,470,428	119,363
Public safety	3,093,174	3,451,174	3,288,597	162,577
Public works	2,282,161	2,505,661	2,461,295	44,366
Cultural and recreation	57,700	57,700	47,453	10,247
Debt service:				
Principal retirement	114,110	114,110	114,099	11
Interest and other charges	29,450	29,450	29,448	2
Total expenditures	<u>7,669,886</u>	<u>7,747,886</u>	<u>7,411,320</u>	<u>336,566</u>
Revenues over (under) expenditures	<u>(1,061,716)</u>	<u>(1,099,716)</u>	<u>(474,632)</u>	<u>625,084</u>
Other financing sources (uses):				
Transfers from other funds	160,119	198,119	149,192	(48,927)
Transfers to other funds	(196,573)	(196,573)	(112,482)	84,091
Proceed from installment financing	785,000	785,000	785,000	-
Fund balance appropriated	313,170	313,170	-	(313,170)
Total other financing sources (uses)	<u>1,061,716</u>	<u>1,099,716</u>	<u>821,710</u>	<u>(278,006)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>347,078</u>	<u>\$ 347,078</u>
Fund balances, beginning			<u>2,932,347</u>	
Fund balances, ending			<u>\$ 3,279,426</u>	

The notes to the financial statements are an integral part of these financial statements.

CITY OF BREVARD, NORTH CAROLINA

STATEMENT OF NET ASSETS
PROPRIETARY FUND

June 30, 2008

	<u>Major Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 849,002
Accounts receivable (net)	293,271
Due from other governments	65,473
Total current assets	<u>1,207,746</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	<u>115,052</u>
Capital assets:	
Land and other non-depreciable assets	212,891
Other capital assets, net of depreciation	11,961,817
Capital assets (net)	<u>12,174,708</u>
Total noncurrent assets	<u>12,289,760</u>
Total assets	<u>13,497,506</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	31,520
Customer deposits	115,052
Due to other funds	225,000
Installment contracts- current	105,275
Total current liabilities	<u>476,847</u>
Noncurrent liabilities:	
Other noncurrent liabilities:	
Compensated absences	79,244
Installment contracts - noncurrent (net)	742,436
Total noncurrent liabilities	<u>821,680</u>
Total liabilities	<u>1,298,527</u>
NET ASSETS	
Invested in capital assets, net of related debt	11,326,997
Unrestricted	871,982
Total net assets	<u>\$ 12,198,979</u>

The notes to the financial statements are an integral part of these financial statements

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 For the Year Ended June 30, 2008

	Major Enterprise Fund
	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 3,199,239
Water and sewer taps	35,133
Other operating revenues	99,688
Total operating revenues	3,334,060
OPERATING EXPENSES	
Water treatment and distribution	1,061,480
Waste collection and treatment	1,260,366
Payment to general fund in lieu of taxes & admin expenses	250,000
Depreciation	374,517
Other	77,061
Total operating expenses	3,023,424
Operating income	310,636
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	16,777
Interest and other fees	(40,884)
Total nonoperating revenue (expenses)	(24,107)
Income before contributions and transfers	286,529
Capital contributions	41,206
Transfers to other funds	(400,000)
Change in net assets	(72,265)
Total net assets, beginning	12,271,244
Total net assets, ending	\$ 12,198,979

The notes to the financial statements are an integral part of these financial statements

CITY OF BREVARD, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2008

	<u>Major Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 3,277,323
Cash paid for goods and services	(1,394,111)
Cash paid to or on behalf of employees for services	(1,208,495)
Customer deposits received	19,585
Net cash provided by operating activities	<u>694,302</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(400,000)
Net cash used by noncapital financing activities	<u>(400,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Borrowed from other funds	130,641
Receipt of grants	219,818
Acquisition and construction of capital assets	(41,206)
Principal paid on bond maturities and equipment contracts	(100,000)
Interest paid on bond maturities and equipment contracts	(40,884)
Net cash provided by capital and related financing activities	<u>168,369</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	16,777
Net cash provided by investing activities	<u>16,777</u>
Net increase in cash and cash equivalents	479,448
Balances, beginning	484,606
Balances, ending	<u>\$ 964,054</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 310,636
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	374,517
Changes in assets and liabilities:	
Increase in accounts receivable	(56,737)
Decrease in prepaid assets	76,617
Decrease in accounts payable and accrued liabilities	(36,560)
Increase in customer deposits	19,585
Increase in accrued compensated absences	6,244
Total adjustments	<u>383,666</u>
Net cash provided by operating activities	<u>\$ 694,302</u>

The notes to the financial statements are an integral part of these financial statements

CITY OF BREVARD, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the City of Brevard and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City of Brevard is a municipal corporation that is governed by an elected mayor and a five-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component unit, City of Brevard ABC Board, a legally separate entity for which the City is financially accountable. The discretely presented component unit presented below is reported in a separate column in the City's financial statements in order to emphasize that it is legally separate from the City.

City of Brevard ABC Board

The members of the ABC Board's governing board are appointed by the City. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the City (75%) and to Transylvania County (25%). The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at City of Brevard ABC Board, P.O. Box 1016, City of Brevard, NC 28712.

B. Basis of Presentation - Fund Accounting

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The City reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

Capital Reserve Fund. The Capital Reserve fund is used to account for the proceeds of specific revenue that is legally restricted to build up capital to purchase large capital equipment and fund replacement/renovation in future years.

The City reports the following non-major governmental funds:

Special Revenue Funds. The Special Fire District fund and the Municipal Services District Fund are used to account for the proceeds of special fire taxes and Heart of Brevard taxes that are legally restricted to expenditures for those specific activities.

Capital Reserve Fund. The Wayfinding Capital Reserve Fund is used to account for resources for a downtown signage and communication project.

Capital Projects Funds. Capital Projects Funds account for the acquisition or construction of major capital facilities (other than those financed by proprietary fund). The City has three Capital Project Funds: the Pedestrian Bikeway Project, the CDBG Rosenwald Project, and the Downtown Master Plan.

Permanent Fund. The Bjerg Non-expendable Trust Fund accounts for assets held in a trustee capacity for the maintenance of a specific neighborhood's common property.

The City reports the following major enterprise fund:

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

C. *Measurement Focus and Basis of Accounting*

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

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

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

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

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

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Transylvania County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Brevard. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Transylvania from March 2007 through February 2008 apply to the fiscal year ended June 30, 2008. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which interest begins to accrue passed prior to June 30. The

taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2008 because they are intended to finance the City's operations during the 2008 fiscal year.

Sales taxes collected and held by the State at year-end on behalf of the City are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

As permitted by accounting principles generally accepted in the United States of America, the City has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Special Fire District Fund, the Municipal Services District Fund, the Nonexpendable Bjerg Fund, the Capital Reserve Fund and the Water and Sewer Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Pedestrian Bikeway Project Fund and the CDBG Rosenwald Revitalization Fund. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The Budget Officer is authorized to reallocate departmental appropriations within a department, as said officer believes necessary. The Budget Officer is authorized to effect interdepartmental transfers, in the same fund, provided that no departmental budget shall be reduced by more than ten percent without the prior approval of the City Council. Any such transfers shall be reported to the City Council at its next regular meeting and shall be entered in the minutes. During the year, four amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

The City and the ABC Board's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

In accordance with State law, the City has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2007. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The inventories of the City and the ABC Board are valued at cost (first-in, first-out), which approximates market. The City's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventories of the City of Brevard ABC Board consist of merchandise held for resale.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, buildings, improvements, substations, lines, and other plant and distribution systems, infrastructure, furniture, equipment, and vehicles, \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50
Improvements	25
Vehicles	6
Furniture and equipment	10
Computer equipment	3

Property, plant, and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

Asset Class	Estimated Useful Lives
Buildings	20
Furniture and equipment	10
Vehicles	3 – 5
Leasehold improvements	10 – 20
Computers	3

8. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements for governmental fund types, new debt is issued is reported as other financing sources and principal and interest payments are reported as expenditures.

9. Compensated Absences

The vacation policies of the City and the ABC Board provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded

as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

Both the City and the ABC Board's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the City nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

10. Net Assets/Fund Balances

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

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved:

Reserved for inventories - portion of fund balance that is not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources.

Reserved for perpetual maintenance - The portion of fund balance not available for appropriations because it represents a gift of which the principal may not be expended.

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables, which have not been offset by deferred revenues.

Unreserved:

Designated for subsequent year's expenditures - portion of the total fund balance available for appropriation that has been designated for the adopted 2008 - 2009 budget ordinance.

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

11. Comparative Data

Comparative total data for the prior year has been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the City's financial position and operations. Comparative totals have not been included on the statements where their inclusion would not provide enhanced understanding of the City's financial position and operations or would cause the statements to be unduly complex or difficult to understand. Also, certain amounts presented in prior year's data have been reclassified to be consistent with the current year's presentation.

12. Reconciliation of Government-wide and Fund Financial Statements

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 8,561,979
Less accumulated depreciation	<u>(4,760,587)</u>
Net capital assets	3,801,392
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are not available and therefore deferred in the fund statements	13,235
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide	37,163
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Bonds, leases and installment financing	(1,269,145)
Compensated absences and pension	(449,153)
Accrued interest payable	<u>(19,584)</u>
Total adjustment	<u>\$ 2,113,908</u>

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities the governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that adjustment as follows:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of net assets	\$ 952,575
Depreciation expense, the allocation of those assets over their useful lives that is recorded on the statement of activities but not in the fund statements	(351,220)
New debt issued during the year is recorded as a source of funds on the financial statements; it has no effect on the statement of activities – it affects only the government-wide statement of net assets	(785,000)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements	114,099
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Interest payable	(13,459)
Accrued compensated absences	(602)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Reversal of deferred interest revenue recorded at July 1, 2007	(15,542)
Recording of interest revenue deferred in fund statements at June 30, 2008	13,235
Reversal of deferred tax revenue recorded at July 1, 2007	(52,197)
Recording of tax receipts deferred in the fund statements as of June 30, 2008	<u>37,163</u>
Total adjustment	<u>\$ (100,948)</u>

13. Use of Estimates

The City uses estimates and assumptions in preparing the basic financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures.

Note 2 – Stewardship, Compliance and Accountability

Excess of expenditures over appropriations – The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the non-capital project funds. Project ordinances are adopted for the Capital Projects Funds. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Expenditures for the following were in excess of the amounts appropriated in the budget ordinance and project ordinances, respectively:

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Public Works – Powell Aid	\$ 352,458	\$ 380,216	\$ (27,758)
Water and Sewer Fund:			
Sewer Maintenance	592,271	593,867	(1,596)
Bracken Creek Watershed	–	76,617	(76,617)
Pedestrian/Bikeway Capital Project Fund			
Expenditures	403,773	406,278	(2,505)

Management and the governing board will more closely review the budget reports to ensure compliance in future years.

Contract with Public Officials – North Carolina G.S. 14-234 limits local government purchases from any public official to \$25,000 within a 12 month period. The City routinely purchases supplies from a hardware store owned by a City official. During the year ended June 30, 2008, purchases amounted to \$26,578.

Note 3 – Cash and Investments

1. Deposits

All the deposits of the City and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City and the ABC Board, these deposits are considered to be held by the City's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City and the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits, but

relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2008, the City's deposits had a carrying amount of \$5,915,060 and a bank balance of \$6,316,568. Of the bank balance, \$264,774 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$214,360 and the bank balance was \$194,617. All of the bank balance of the ABC Board was covered by federal depository insurance. At June 30, 2008, the City's petty cash fund totaled \$450.

2. Investments

At June 30, 2008, the City of Brevard had \$78,188 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk.

Note 4 – Receivables – Allowance for Doubtful Accounts

The amounts reported as receivables in the combined balance sheet are net of the following allowances for doubtful accounts:

General Fund:

Allowance for uncollectible property taxes receivable	\$ 16,000
Allowance for uncollectible refuse collection fees	48,600

Water and Sewer Fund:

Allowance for uncollectible utility receivables	157,400
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Note 5 – Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2008, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 319,893	\$ –	\$ –	\$ 319,893
Total capital assets not being depreciated	<u>319,893</u>	<u>–</u>	<u>–</u>	<u>319,893</u>
Capital assets being depreciated:				
Buildings and Infrastructure	3,098,907	–	–	3,098,907
Equipment	737,675	129,291	–	866,964
Vehicles and motorized equipment	3,584,383	823,284	131,452	4,276,215
Total capital assets being depreciated	<u>7,420,965</u>	<u>952,574</u>	<u>131,452</u>	<u>8,242,086</u>
Less accumulated depreciation for:				
Buildings	1,570,763	68,704	–	1,639,467
Equipment	500,465	60,121	–	560,585
Vehicles and motorized equipment	2,469,593	222,395	131,452	2,560,535
Total accumulated depreciation	<u>4,540,821</u>	<u>\$ 351,220</u>	<u>\$ 131,452</u>	<u>4,760,587</u>
Total capital assets being depreciated, net	<u>2,880,144</u>			<u>3,481,499</u>
Governmental activities capital assets, net	<u>\$ 3,200,037</u>			<u>\$ 3,801,392</u>

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

General government	\$ 59,835
Public safety	159,720
Public works	117,107
Cultural and recreational	<u>14,558</u>
Total depreciation expense	<u>\$ 351,220</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 212,891	\$ -	\$ -	\$ 212,891
Construction in progress	497,948	-	497,948	-
Total capital assets not being depreciated	710,839	-	497,948	212,891
Capital assets being depreciated:				
Plant and distribution systems	16,861,222	539,154	-	17,400,376
Maintenance equipment and furniture	622,636	-	-	622,636
Vehicles	546,192	-	-	546,192
Total capital assets being depreciated	18,030,050	539,154	-	18,569,204
Less accumulated depreciation for:				
Plant and distribution systems	5,564,256	287,940	-	5,852,196
Maintenance equipment and furniture	328,886	42,093	-	370,979
Vehicles	339,728	44,484	-	384,212
Total accumulated depreciation	6,232,870	\$ 374,517	\$ -	6,607,387
Total capital assets being depreciated, net	11,797,180			11,961,817
Water and sewer fund capital assets, net	\$12,508,019			\$12,174,708

Discretely presented component unit:

Activity for the ABC Board for the year ended June 30, 2008 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Leasehold improvements	\$ 53,520	\$ -	\$ -	\$ 53,520
Office and store equipment	83,019	9,456	-	92,475
Law enforcement equipment	21,740	-	-	21,740
Total capital assets being depreciated	158,279	9,456	-	167,735
Less accumulated depreciation	99,918	\$ 15,283	\$ -	115,201
ABC Board capital assets, net	\$ 58,361			\$ 52,534

Note 6 – Pension Plan Obligations*Local Governmental Employees' Retirement System*

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

Funding Policy - Plan members are required to contribute six percent of their annual covered salary. The City and the ABC Board are required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.90% and 4.86%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 4.80% of annual covered payroll. The contribution requirements of members and of the City of Brevard and the ABC Board are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2008, 2007, and 2006 were \$174,311, \$174,786, and \$162,222, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2008, 2007, and 2006 were \$9,089, \$9,612, and \$8,773, respectively. The contributions made by the City and the ABC Board equaled the required contributions for each year.

Law Enforcement Officers' Special Separation Allowance

1. Plan Description

The City of Brevard administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the City are covered by the Separation Allowance. At June 30, 2008, the Separation Allowance's membership consisted of:

Retirees receiving benefits	6
Active plan members	<u>26</u>
Total	<u>32</u>

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies

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

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

3. Contributions

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

The annual required contributions for the current year were determined as part of the December 31, 2007 actuarial valuation using the projected unit credit actuarial cost method.

4. Funded Status and Funding Process

As of December 31, 2007, the most recent actuarial valuation date, the plan was not funded. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.5% to 12.3%

per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases.

Actual Pension Cost and Net Pension Obligation - The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 55,776
Interest on net pension obligation	18,718
Adjustment to annual required contribution	<u>(15,865)</u>
Annual pension cost	58,629
Contributions made	<u>(69,077)</u>
Increase (decrease) in net pension obligation	(10,448)
Net pension obligation beginning of fiscal year	<u>258,186</u>
Net pension obligation end of fiscal year	<u>\$ 247,738</u>

3 Year Trend Information			
For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2006	\$ 49,657	27.17%	\$ 264,840
2007	45,031	114.78%	258,186
2008	58,629	117.82%	247,738

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan description: The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Officer of the State Controller, 3512 Bush Street, Raleigh, North Carolina 27609, or by calling (919) 981-5454.

Funding Policy - Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2008 were \$73,395, which consisted of \$48,605 from the City and \$24,790 from the law enforcement officers.

Firemen's and Rescue Squad Worker's Pension Fund

Plan Description - The State of North Carolina contributes, on behalf of the City of Brevard, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund.

That report may be obtained by writing to the Office of the State Controller, 3512 Bush Street, Raleigh, North Carolina 27609, or by calling (919) 981-5454.

Funding Policy - Plan members are required to contribute \$10 per month to the Fund. The State, a nonemployer contributor, funds the plan through appropriations. The City does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

Other Post-Employment Benefit

According to a City resolution, the City provides post-employment health care benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five years of creditable service with the City. The City's retirees can purchase coverage for themselves or their dependents at the City's group rates. Currently 2 retirees are eligible for post-employment health benefits. For the fiscal year ended June 30, 2008, the City made payments for post-employment health benefit premiums of \$12,953. The City obtains health care coverage through private insurers.

Note 7 – Deferred/Unearned Revenues

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

	Deferred Revenue	Unearned Revenue
Prepaid taxes (General Fund)	\$ —	\$ 1,846
Taxes receivable (General Fund)	37,163	—
Total	<u>\$ 37,163</u>	<u>\$ 1,846</u>

Note 8 – Risk Management

The City 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 City has been named as a defendant in a lawsuit related to withholding approval of a subdivision plat. The outcome of such litigation is uncertain, however, management and legal council believes the ultimate resolution will not have a material adverse effect on the financial position or results of operations. The City carries insurance for risks of loss through the Interlocal Risk Financing Pool of North Carolina. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The City carries flood insurance through the National Flood Insurance Plan (NFIP). Because the City is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the City is eligible to purchase coverage of \$500,000 per structure through the NFIP.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer, clerk and City manager are each bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

Note 9 – Long-term Debt

A. Installment Contracts

In August 2000, the City entered into an installment purchase contract for \$1,500,000 to finance water and sewer utilities to recently annexed areas. The financing agreement requires semi-annual payments of \$70,442 including interest of 4.6%.

In October 2000, the City entered into an installment purchase contract for \$850,000 to finance city hall improvements. The financing agreement requires semi-annual payments of \$28,333 plus interest at 5.66%.

In January 2005, the City entered into an installment purchase contract to finance a new fire truck. The financing agreement requires 8 semi-annual payments of \$30,230 including interest at 2.96%.

In December 2007, the City entered into an installment purchase contract for \$785,000 to finance a new fire ladder truck. The financing agreement requires two semi-annual payments of \$47,393 including interest at 3.55%

The future minimum payments of the installment purchases as of June 30, 2008 are as follows:

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 176,028	\$ 59,132	\$ 235,160	\$ 105,275	\$ 35,609	\$ 140,884
2010	126,337	44,855	171,192	110,551	30,333	140,884
2011	128,832	39,453	168,285	115,826	25,058	140,884
2012	131,416	33,661	165,077	121,102	19,782	140,884
2013	134,094	29,353	163,447	126,377	14,507	140,884
Next 5 years	572,438	53,612	626,050	268,580	13,188	281,768
	<u>\$1,269,145</u>	<u>\$ 260,066</u>	<u>\$1,529,211</u>	<u>\$ 847,711</u>	<u>\$ 138,477</u>	<u>\$ 986,188</u>

B. Bonds Payable

At June 30, 2008, there were no outstanding authorizations to issue bonds and no outstanding general obligation bonds and the City had a legal debt margin of \$52,000,000.

C. Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2008:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Installment contracts	\$ 598,243	\$ 785,000	\$ 114,098	\$ 1,269,145	\$ 176,028
Compensated absences	190,365	11,050	-	201,415	-
Net pension obligations	258,186	-	10,448	247,738	-
	<u>\$ 1,046,794</u>	<u>\$ 796,050</u>	<u>\$ 124,546</u>	<u>\$ 1,718,298</u>	<u>\$ 176,028</u>
Business-type activities:					
Installment contracts	\$ 947,711	\$ -	\$ 100,000	\$ 847,711	\$ 105,275
Compensated absences	73,000	6,244	-	79,244	-
Business-type activity long-term liabilities	<u>\$ 1,020,711</u>	<u>\$ 6,244</u>	<u>\$ 100,000</u>	<u>\$ 926,955</u>	<u>\$ 105,275</u>

The following is a summary of interest expense during the year ended June 30, 2008:

	Interest Expense
General fund	\$ 29,448
Water and sewer fund	40,884

Note 10 – Interfund Balances and Activity

Balances Due to/from Other Funds:	
Due to the General Fund from the Pedestrian/Bikeway Fund	\$ 27,531
Due to the General Fund from the CDBG Fund	3,120
Due to the Capital Reserve Fund from the Water and Sewer Fund	225,000
Transfers to/from Other Funds:	
Transfers to/from other funds for the year ending June 30, 2008, consist of the following:	
From the Bjerg Fund to the General Fund for community center upkeep	1,000
From the Fire District Fund to the General Fund for Fire Department expenditures	109,356
From the Capital Reserve Fund to the General Fund for capital outlay	38,836
From the General Fund to the Pedestrian/Bikeway Fund for capital project	93,019
From the General Fund to Wayfinding Capital Reserve Fund for capital project	19,463
From the Water and Sewer Fund to the Capital Reserve Fund for reserve for future projects	400,000
From the Capital Reserve Fund to the Downtown Master Plan Fund for capital project	260

Note 11 – Bjerg Nonexpendable Trust Fund

The Bjerg Nonexpendable Trust Fund, consisting of a gift of \$55,440 from the Estate of Dorothy S. Bjerg, is restricted. The income from the fund is to be used for the maintenance and upkeep of the building known as "French Broad Community Center" located in the City.

Note 12 – Ad Valorem Taxes

The total tax scroll and records of individual assessments for ad valorem taxes are maintained by the Transylvania County Tax Collector on behalf of the City. Collections are made by the County Tax Collector and remitted to the City of Brevard at least monthly. A three percent (3%) collection fee for current tax collections and a five percent (5%) collection fee for delinquent tax collections are charged to the City by the County.

Note 13 – Related Party Transactions

The City purchased \$26,578 of goods during the year from Harris Hardware and Farm Supply, Inc., which is operated by Mayor Jimmy Harris.

Note 14 – Special Item – Sale of watershed easement

In October 2007, the City received \$1,037,000 for a conservation easement of the Bracken Mountain watershed. The easement prohibits future development of the property, provides for the preservation of its natural features and resources and limits its use to conservation, preservation and recreation.

REQUIRED SUPPLEMENTAL FINACIAL DATA

CITY OF BREVARD, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll ((b - a)/c)</u>
12/31/03	\$ -	\$ 390,570	\$ 390,570	0%	\$ 872,551	44.76%
12/31/04	-	421,770	421,770	0%	907,089	46.50%
12/31/05	-	387,589	387,589	0%	997,251	38.87%
12/31/06	-	677,482	677,482	0%	923,800	73.34%
12/31/07	-	593,019	593,019	0%	1,048,176	56.58%

CITY OF BREVARD, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2006	\$ 49,657	28.2%
2007	45,031	114.8%
2008	58,629	117.8%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as a part of the actuarial valuations at the dates indicated.

Valuation date	December 31, 2007
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	23 years
Asset valuation period	Market value

Actuarial assumptions:

Investment rate of return	7.25%
Projected salary increases	4.5% to 12.3%
Includes inflation at	3.75%
Cost of living adjustments	N/A

**INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

CITY OF BREVARD, NORTH CAROLINA

**GENERAL FUND
COMPARATIVE BALANCE SHEET
June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Assets		
Cash and cash equivalents	\$ 2,478,049	\$ 2,143,020
Receivables (net):		
Ad valorem taxes	37,163	52,197
Accounts receivable	136,163	126,095
Due from other governments	682,281	583,312
Due from other funds	30,651	82,796
Inventories	74,940	58,269
	<u>\$ 3,439,247</u>	<u>\$ 3,045,689</u>
 Liabilities and Fund Balances		
Liabilities:		
Accounts payable and accrued liabilities	\$ 120,812	\$ 42,995
Deferred revenues	37,163	52,197
Unearned revenues	1,846	18,150
Total liabilities	<u>159,821</u>	<u>113,342</u>
 Fund balances:		
Reserved for inventories	74,940	58,269
Reserved by State statute	849,095	792,203
Unreserved:		
Designated for subsequent years' expenditures	441,620	116,597
Undesignated	1,913,771	1,965,278
Total fund balances	<u>3,279,426</u>	<u>2,932,347</u>
	<u>\$ 3,439,247</u>	<u>\$ 3,045,689</u>

CITY OF BREVARD, NORTH CAROLINA

Page 1 of 5

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the year ended June 30, 2008

With comparative actual amounts for the year ended June 30, 2007

	2008		Variance Positive (Negative)	2007
	Budget	Actual		Actual
Revenues				
Ad Valorem Taxes:				
Current year	\$ 3,240,000	\$ 3,201,224	\$ (38,776)	\$ 3,118,121
Prior years	72,500	44,646	(27,854)	79,221
Penalties and interest	18,500	17,485	(1,015)	20,212
Refunds paid on ad valorem ta	(2,500)	(2,275)	225	(1,800)
	<u>3,328,500</u>	<u>3,261,080</u>	<u>(67,420)</u>	<u>3,215,754</u>
Other Taxes and Licenses:				
Local option s	1,183,750	1,179,178	(4,572)	1,188,700
Privilege licenses	20,000	22,291	2,291	22,564
Zoning administration	25,000	33,431	8,431	35,723
	<u>1,228,750</u>	<u>1,234,900</u>	<u>6,150</u>	<u>1,246,987</u>
Unrestricted Intergovernmental Revenues:				
Payments in lieu of taxes:				
Water and :	250,000	250,000	-	250,000
Other	5,000	5,000	-	5,000
Franchise tax	295,000	342,604	47,604	345,773
Beer and wine taxes	29,000	32,507	3,507	30,858
Utilities franchise tax - CATV	40,000	44,106	4,106	39,292
City narcotics investigation	39,975	42,117	2,142	9,697
City of Brevard ABC Board	115,000	215,719	100,719	167,452
	<u>773,975</u>	<u>932,053</u>	<u>158,078</u>	<u>848,072</u>
Restricted Intergovernmental Revenues:				
State street aid allocation	225,000	251,915	26,915	220,678
Court facilities fees	7,000	5,067	(1,933)	6,624
Grant from insurance carrier	1,750	2,750	1,000	1,750
P.O. GEBG Grant	-	7,798	7,798	21,079
Grant - Dept. c Bikeway grant	-	1,128	1,128	-
Grants- other Storm water gi	40,000	24,006	(15,994)	15,994
	<u>273,750</u>	<u>292,664</u>	<u>18,914</u>	<u>266,125</u>

CITY OF BREVARD, NORTH CAROLINA

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the year ended June 30, 2008
 With comparative actual amounts for the year ended June 30, 2007

	2008		Variance Positive (Negative)	2007
	Budget	Actual		Actual
Sales and Services:				
Recycling revenue	38,000	59,260	21,260	44,047
Storm water fee	-	5,697	5,697	900
Rents	30,000	26,650	(3,350)	24,553
Parking violation penalties	8,500	4,905	(3,595)	7,230
Parking fees	-	1,510	1,510	-
Refuse collection fees	517,000	535,860	18,860	515,142
Vehicle maintenance	309,000	412,929	103,929	306,198
Sale of fixed assets	-	24,307	24,307	22,891
School resource officer	43,670	-	(43,670)	43,670
	<u>946,170</u>	<u>1,071,118</u>	<u>124,948</u>	<u>964,631</u>
Investment earnings	55,050	101,667	46,617	77,094
Miscellaneous:				
Other	41,975	43,206	1,231	2,519
Total revenues	<u>6,648,170</u>	<u>6,936,688</u>	<u>288,518</u>	<u>6,621,182</u>
Expenditures				
General Government:				
Governing Body:				
Salaries and employee benefits		33,280		33,279
Other operating expenses		24,166		29,160
		<u>59,006</u>	<u>1,560</u>	<u>62,439</u>
Administration:				
Salaries and employee benefits		178,176		162,807
Other operating expenses		56,795		52,677
		<u>235,566</u>	<u>595</u>	<u>215,484</u>
City Clerk:				
Salaries and employee benefits		73,272		70,638
Other operating expenses		52,824		29,578
		<u>134,771</u>	<u>8,676</u>	<u>100,216</u>

CITY OF BREVARD, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the year ended June 30, 2008

With comparative actual amounts for the year ended June 30, 2007

	2008		Variance	2007
	<u>Budget</u>	<u>Actual</u>	Positive (Negative)	<u>Actual</u>
General Government (continued):				
Finance:				
Salaries and employee benefits		200,880		205,242
Other operating expenses		168,810		100,211
Equipment		-		64,223
	<u>370,376</u>	<u>369,690</u>	686	<u>369,676</u>
Tax Collector:				
Other operating expenses	110,000	100,930	9,070	97,201
Legal:				
Other operating expenses	61,000	59,944	1,056	97,115
Planning:				
Salaries and employee benefits		277,486		252,624
Other operating expenses		113,377		128,935
	<u>431,978</u>	<u>390,863</u>	41,115	<u>381,559</u>
Special Appropriations:				
Rescue squad		-		3,600
Arts Council		-		4,000
Chamber of Commerce		2,500		3,500
Heart of Brevard		15,000		20,000
SAFE		-		4,800
Transylvania Dispute Settlement Center		-		3,200
Boys/Girls		-		11,000
	<u>17,500</u>	<u>17,500</u>	-	<u>50,100</u>
Personnel:				
Salaries and employee benefits		58,227		56,038
Other operating expenses		40,307		33,674
	<u>155,044</u>	<u>98,534</u>	56,510	<u>89,712</u>
Elections				
Other operating expenses	14,550	14,455	95	-
Total General Government	<u>1,589,791</u>	<u>1,470,428</u>	119,363	<u>1,463,502</u>
Public Safety:				
Police:				
Salaries and employee benefits		1,833,536		1,929,984
Other operating expenses		350,538		390,964
Capital outlay		50,024		99,491
	<u>2,345,681</u>	<u>2,234,098</u>	111,583	<u>2,420,439</u>

CITY OF BREVARD, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the year ended June 30, 2008

With comparative actual amounts for the year ended June 30, 2007

	<u>2008</u>		<u>2007</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
			<u>Actual</u>
Public Safety (continued):			
Fire:			
Salaries and employee benefits		156,069	115,930
Other operating expenses		250,538	132,780
Capital outlay		647,892	-
	<u>1,105,493</u>	<u>1,054,499</u>	<u>248,710</u>
Total public safety	<u>3,451,174</u>	<u>3,288,597</u>	<u>162,577</u>
Public Works:			
Administration:			
Salaries and employee benefits		104,329	125,883
Other operating expenses		61,391	64,621
Capital outlay		-	23,297
	<u>175,465</u>	<u>165,720</u>	<u>213,801</u>
Central Maintenance:			
Salaries and employee benefits		137,125	136,615
Other operating expenses		365,629	246,840
	<u>522,138</u>	<u>502,754</u>	<u>19,384</u>
Streets:			
Salaries and employee benefits		85,184	105,431
Other operating expenses		214,175	156,164
	<u>300,885</u>	<u>299,359</u>	<u>1,526</u>
Powell Aid			
Salaries and employee benefits		228,900	211,711
Other operating expenses		151,316	230,950
	<u>352,458</u>	<u>380,216</u>	<u>(27,758)</u>
Building and Grounds:			
Salaries and employee benefits		223,309	212,290
Other operating expenses		223,797	165,005
Capital outlay		4,908	-
	<u>480,975</u>	<u>452,014</u>	<u>28,961</u>

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2008

With comparative actual amounts for the year ended June 30, 2007

	2008		Variance Positive (Negative)	2007
	Budget	Actual		Actual
Public Works (continued):				
Sanitation:				
Salaries and employee benefits		310,874		328,489
Other operating expenses		350,358		345,567
	673,740	661,232	12,508	674,056
Total public works	2,505,661	2,461,295	44,366	2,352,863
Recreation:				
Recreation Department:				
Other operating expenses		47,453		52,562
	57,700	47,453	10,247	52,562
Other Recreation - Gallimore Rd. bike path:				
Engineering and feasibility study	-	-	-	40,889
Total recreation	57,700	47,453	10,247	93,451
Debt service:				
Principal retirement		114,099		112,436
Interest		29,448		34,359
	143,560	143,547	13	146,795
Total expenditures	7,747,886	7,411,320	336,566	6,725,760
Revenue over (under) expenditures	(1,099,716)	(474,632)	625,084	(104,578)
Other Financing Sources (Uses):				
Operating transfers from other funds:				
Bjerg Fund	1,000	1,000	-	1,000
Fire District Fund	159,119	109,356	(49,763)	146,119
Capital Reserve Fund	38,000	38,836	836	314,000
Operating transfers to other funds:				
Pedestrian/Bikeway Capital Project	(196,573)	(93,019)	103,554	(289,391)
Wayfinding Capital Reserve Fund	-	(19,463)	(19,463)	-
Proceed from Installment financing	785,000	785,000	-	-
Fund balance appropriated	313,170	-	(313,170)	-
	1,099,716	821,710	(278,006)	171,728
Revenues and other sources over expenditures and other uses	\$ -	347,078	\$ 347,078	67,150
Fund Balances:				
Beginning of year		2,932,347		2,865,197
End of year		\$ 3,279,426		\$ 2,932,347

CITY OF BREVARD, NORTH CAROLINA

**CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE-BUDGET AND ACTUAL**

For the year ended June 30, 2008

With comparative actual amounts for the year ended June 30, 2007

	2008		Variance Positive (Negative)	2007
	Budget	Actual		Actual
Revenues:				
Impact fees - water and sewer	\$ 13,500	\$ 64,688	\$ 51,188	\$ 66,460
Sidewalks - fees in lieu	-	86,900	86,900	-
Investment earnings	1,500	40,050	38,550	15,719
CWMTF watershed easement	-	1,037,000	1,037,000	-
Donations	-	21,940	21,940	6,446
Total revenues	15,000	1,250,578	1,235,578	88,625
Expenditures:				
Future projects	1,715,000	-	1,715,000	2
Revenues over expenditures	(1,700,000)	1,250,578	2,950,578	88,623
Other Financing Sources (Uses):				
Operating transfers from (to)				
General Fund	-	-	-	-
Water and sewer fund	1,437,000	400,000	(1,037,000)	175,000
General Fund	-	(38,836)	(38,836)	(314,000)
Water and sewer capital projects funds	-	-	-	(253,863)
Downtown master plan fund	-	(260)	(260)	(2,550)
Fund balance appropriated	263,000	-	(263,000)	-
Total other financing sources (uses)	1,700,000	360,904	(1,339,096)	(395,413)
Revenues and other sources over (under) expenditures and other uses	\$ -	1,611,482	\$ 1,611,482	(306,790)
Fund balance, beginning of year		956,488		1,263,278
Fund balance, end of year		\$ 2,567,970		\$ 956,488
Fund balance desingated for:				
Streets and sidewalks		\$ 233,600		
Water and Sewer capital projects		1,256,252		
Clean water projects		400,000		
Other		678,118		
		\$ 2,567,970		

CITY OF BREVARD, NORTH CAROLINA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2008

	<u>Special Revenue</u>		<u>Capital Reserve</u>
	<u>Special Fire District Fund</u>	<u>Heart of Brevard Municipal Service District Fund</u>	<u>Wayfinding</u>
Assets			
Cash and cash equivalents	\$ 104,361	\$ 6	\$ -
Accounts receivable, net	11,534	-	-
Total assets	\$ 115,895	\$ 6	\$ -
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Fund balances:			
Reserved by State Statute	11,534	-	-
Restricted by Donor	-	-	-
Unreserved	104,361	6	-
	115,895	6	-
Total liabilities and fund balances	\$ 115,895	\$ 6	\$ -

Capital Projects

Pedestrian Bikeway Project Fund	CDBG Revitalization	Downtown Master Plan
\$ 27,531	\$ 10,565	\$ 6,750
-	-	-
<u>\$ 27,531</u>	<u>\$ 10,565</u>	<u>\$ 6,750</u>

**Permanent
Non-expend
Bjerg
Trust Fund**

\$ 59,412
-
<u>\$ 59,412</u>

**Total Nonmajor
Governmental
Funds**

\$ 208,625
11,534
<u>\$ 220,159</u>

\$ -	\$ -	\$ -
27,531	3,120	-
<u>27,531</u>	<u>3,120</u>	<u>-</u>
-	-	-
-	-	-
-	7,445	6,750
-	<u>7,445</u>	<u>6,750</u>
<u>\$ 27,531</u>	<u>\$ 10,565</u>	<u>\$ 6,750</u>

\$ -	\$ -
-	30,651
-	<u>30,651</u>
-	11,534
55,440	55,440
3,972	122,534
<u>59,412</u>	<u>189,508</u>
<u>\$ 59,412</u>	<u>\$ 220,159</u>

CITY OF BREVARD, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008**

	<u>Special Revenue</u>		<u>Capital Reserve</u>
	<u>Fire District Fund</u>	<u>Heart of Brevard Municipal Service District Fund</u>	<u>Wayfinding</u>
Revenues:			
Ad valorem taxes	\$ 189,958	\$ 98,057	\$ -
Restricted intergovernmental	-	-	-
Investment earnings	3,568	122	-
Total revenues	<u>193,526</u>	<u>98,179</u>	<u>-</u>
Expenditures:			
Economic and physical development	-	98,755	34,146
Public safety	220	-	-
Recreational	-	-	-
Total expenditures	<u>220</u>	<u>98,755</u>	<u>34,146</u>
Revenues over expenditures	<u>193,306</u>	<u>(576)</u>	<u>(34,146)</u>
Other Financing Sources (Uses)			
Transfers in:			
General fund	-	-	-
Capital reserve fund	-	-	19,463
Transfers out:			
General fund	(109,356)	-	-
Total other financing sources (uses)	<u>(109,356)</u>	<u>-</u>	<u>19,463</u>
Net change in fund balances	<u>83,950</u>	<u>(576)</u>	<u>(14,683)</u>
Fund balance, beginning	<u>31,945</u>	<u>582</u>	<u>14,683</u>
Fund balance, ending	<u>\$ 115,895</u>	<u>\$ 6</u>	<u>\$ -</u>

Capital Projects			Permanent	Total Nonmajor Governmental Funds
Pedestrian Bikeway Project Fund	CDBG Revitalization	Downtown Master Plan	Non-expend Bjerg Trust Fund	
\$ -	\$ -	\$ -	\$ -	\$ 288,015
191,480	348,237	-	-	539,717
-	180	44	4,144	8,058
191,480	348,417	44	4,144	835,790
-	348,236	2,037	-	483,174
-	-	-	-	220
284,499	-	-	-	284,499
284,499	348,236	2,037	-	767,893
(93,019)	181	(1,993)	4,144	67,897
93,019	-	-	-	93,019
-	-	260	-	19,723
-	-	-	(1,000)	(110,356)
93,019	-	260	(1,000)	2,386
-	181	(1,733)	3,144	70,283
-	7,264	8,483	56,268	119,225
\$ -	\$ 7,445	\$ 6,750	\$ 59,412	\$ 189,508

CITY OF BREVARD, NORTH CAROLINA

**SPECIAL FIRE DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the year ended June 30, 2008

With comparative actual amounts for the year ended June 30, 2007

	2008		Variance Positive (Negative)	2007
	Budget	Actual		Actual
Revenues:				
Ad valorem taxes	\$ 193,000	\$ 189,958	\$ (3,042)	\$ 151,586
Investment earnings	1,000	3,568	2,568	3,812
Total revenues	194,000	193,526	(474)	155,398
Expenditures:				
Miscellaneous	34,881	220	34,661	-
Revenues over expenditures	159,119	193,306	34,187	155,398
Other Financing Uses:				
Operating transfer to other funds:				
General fund (for Fire Department expenditures)	(159,119)	(109,356)	49,763	(146,119)
Total other financing uses	(159,119)	(109,356)	49,763	(146,119)
Revenues and other sources over expenditures and other uses	\$ -	83,950	\$ 83,950	9,279
Fund balance, beginning of year		31,945		22,666
Fund balance, end of year		\$ 115,895		\$ 31,945

CITY OF BREVARD, NORTH CAROLINA

**SPECIAL MUNICIPAL SERVICE DISTRICT FUND
HEART OF BREVARD**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the year ended June 30, 2008

With comparative actual amounts for the year ended June 30, 2007

	2008		Variance Positive (Negative)	2007
	Budget	Actual		Actual
Revenues:				
Ad valorem taxes	\$ 99,975	\$ 98,057	\$ (1,918)	\$ 93,135
Investment earnings	25	122	97	149
Total revenues	<u>100,000</u>	<u>98,179</u>	<u>(1,821)</u>	<u>93,284</u>
Expenditures:				
Current:				
Contracted services	<u>100,000</u>	<u>98,755</u>	<u>1,245</u>	<u>92,702</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>(576)</u>	<u>\$ (576)</u>	<u>582</u>
Fund balance, beginning of year		<u>582</u>		<u>-</u>
Fund balance, end of year		<u>\$ 6</u>		<u>\$ 582</u>

CITY OF BREVARD, NORTH CAROLINA

**WAYFINDING CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE-BUDGET AND ACTUAL**

For the year ended June 30, 2008

With comparative actual amounts for the year ended June 30, 2007

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
TDA grant	\$ 15,000	\$ 14,683	\$ -	\$ 14,683
Total revenues	15,000	14,683	-	14,683
Expenditures:				
Capital projects	36,750	-	34,146	34,146
Revenues over expenditures	(21,750)	14,683	(34,146)	(19,463)
Other Financing Sources:				
Operating transfers from General Fund	21,750	-	19,463	19,463
Total other financing sources	21,750	-	19,463	19,463
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 14,683</u>	<u>(14,683)</u>	<u>\$ -</u>
Fund balance, beginning of year			<u>14,683</u>	
Fund balance, end of year			<u>\$ -</u>	

CITY OF BREVARD, NORTH CAROLINA

**PEDESTRIAN/BIKEWAY CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
From inception and for the year ended June 30, 2008**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
N.C. recreation trails grant - Phase III	\$ 207,200	\$ 20,720	\$ 191,480	\$ 212,200
Total revenues	<u>207,200</u>	<u>20,720</u>	<u>191,480</u>	<u>212,200</u>
Expenditures:				
Engineering, design and construction - Phase III	403,773	121,779	284,499	406,278
Total expenditures	<u>403,773</u>	<u>121,779</u>	<u>284,499</u>	<u>406,278</u>
Revenues over (under) expenditures	<u>(196,573)</u>	<u>(101,059)</u>	<u>(93,019)</u>	<u>(194,078)</u>
Other Financing Sources:				
Transfers from General Fund - Phase III	196,573	101,059	93,019	194,078
Total other financing sources	<u>196,573</u>	<u>101,059</u>	<u>93,019</u>	<u>194,078</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ -</u>	

CITY OF BREVARD, NORTH CAROLINA

**CDBG REVITALIZATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
From inception and for the year ended June 30, 2008**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Grant-06-C-1590 Rosenwald Year 5	\$ 350,000	\$ -	\$ 348,237	\$ 348,237
Transfer from General Fund	-	10,000	-	10,000
Interest	-	384	180	564
Total revenues	350,000	10,384	348,417	358,801
Expenditures:				
Grant-06-C-1590 Rosenwald year 5:				
Parks, playground, recreation facilities	33,000	-	32,938	32,938
Flood & drainage improvements	193,000	3,120	193,000	196,120
Housing rehabilitation	22,000	-	21,047	21,047
Community building	49,500	-	48,751	48,751
Administration	52,500	-	52,500	52,500
	<u>350,000</u>	<u>3,120</u>	<u>348,236</u>	<u>351,356</u>
Total expenditures	350,000	3,120	348,236	351,356
Revenues over expenditures	\$ -	\$ 7,264	181	\$ 7,445
Fund balance, beginning of year			<u>7,264</u>	
Fund balance, end of year			<u>\$ 7,445</u>	

CITY OF BREVARD, NORTH CAROLINA

**DOWNTOWN MASTER PLAN CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
From inception and for the year ended June 30, 2008**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Investment earnings	\$ -	\$ 1,781	\$ 44	\$ 1,825
Total revenues	-	1,781	44	1,825
Expenditures:				
Construction	358,677	354,525	2,037	356,562
Revenues under expenditures	(358,677)	(352,744)	(1,993)	(354,737)
Other Financing Sources:				
Operating transfer from other funds:				
Capital Reserve fund	358,677	361,227	260	361,487
Total other financing sources	358,677	361,227	260	361,487
Revenues and other sources over (under) expenditures	\$ -	\$ 8,483	(1,733)	\$ 6,750
Fund balance, beginning of year			8,483	
Fund balance, end of year			\$ 6,750	

CITY OF BREVARD, NORTH CAROLINA

**BJERG NONEXPENDABLE TRUST FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

For the year ended June 30, 2008

With comparative actual amounts for the year ended June 30, 2007

	2008			2007
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Investment earnings	\$ 1,000	\$ 4,144	\$ 3,144	\$ 1,000
Other Financing Uses:				
Transfer to General Fund - (for French Broad Community Center Improvements)	1,000	1,000	-	1,000
Revenues over other uses	\$ -	3,144	\$ 3,144	-
Fund balance, beginning of year		56,268		56,268
Fund balance, end of year		\$ 59,412		\$ 56,268

CITY OF BREVARD, NORTH CAROLINA

**WATER AND SEWER FUND
STATEMENT OF NET ASSETS
June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 849,002	\$ 389,139
Accounts receivable (net)	293,271	236,534
Due from other governments	65,473	244,085
Prepaid Assets	-	76,617
Total current assets	<u>1,207,746</u>	<u>946,375</u>
Restricted assets:		
Cash and cash equivalents	<u>115,052</u>	95,467
Capital assets (net)	<u>12,174,708</u>	12,508,019
Total assets	<u>13,497,506</u>	<u>13,549,861</u>
Liabilities		
Current Liabilities:		
Accounts payable and accrued liabilities	31,520	68,080
Due to other funds	225,000	94,359
Installment contracts - current	<u>105,275</u>	94,725
Total current liabilities	<u>361,795</u>	257,164
Current liabilities payable from restricted assets:		
Customer deposits	<u>115,052</u>	95,467
Noncurrent liabilities:		
Compensated absences	79,244	73,000
Installment contracts - noncurrent (net)	<u>742,436</u>	852,986
Total noncurrent liabilities	<u>821,680</u>	925,986
Total liabilities	<u>1,298,527</u>	1,278,617
Net Assets		
Invested in capital assets, net of related debt	11,326,997	11,560,308
Unrestricted	871,982	710,936
Total net assets	<u>\$ 12,198,979</u>	<u>\$ 12,271,244</u>

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)

For the year ended June 30, 2008

With comparative actual amounts for the year ended June 30, 2007

	2008		Variance Positive (Negative)	2007
	Budget	Actual		Actual
Revenues:				
Operating Revenues:				
Charges for utilities:				
Water	\$ 1,622,000	\$ 1,681,957	\$ 59,957	\$ 1,523,564
Sewer	1,450,000	1,520,840	70,840	1,421,040
Taps and connection fees:				
Water	15,000	16,443	1,443	36,399
Sewer	10,000	18,690	8,690	18,437
Other operating revenues	50,000	78,944	28,944	51,360
Total operating revenues	3,147,000	3,316,874	169,874	3,050,800
Nonoperating Revenues:				
Interest on investments	29,000	16,777	(12,223)	26,798
Other	-	20,744	20,744	331
Total nonoperating revenues	29,000	37,521	8,521	27,129
Total revenues	3,176,000	3,354,395	178,395	3,077,929
Expenditures:				
Water Service:				
Water Treatment:				
Salaries and employee benefits		303,191		310,056
Other operating expenses		270,925		271,188
	587,404	574,116	13,288	581,244
Water Distribution:				
Salaries and employee benefits		262,579		301,189
Other operating expenses		224,785		245,080
	502,715	487,364	15,351	546,269
Total water service	1,090,119	1,061,480	28,639	1,127,513

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)

For the year ended June 30, 2008

With comparative actual amounts for the year ended June 30, 2007

	2008		Variance Positive (Negative)	2007
	Budget	Actual		Actual
Expenditures (continued):				
Sewer Service:				
Sewage Treatment:				
Salaries and employee benefits		320,402		324,313
Other operating expenses		346,097		312,096
	702,110	666,499	35,611	636,409
Sewer Maintenance:				
Salaries and employee benefits		328,567		276,071
Other operating expenses		265,300		259,829
Capital outlay		-		99,936
	592,271	593,867	(1,596)	635,836
Total sewer service	1,294,381	1,260,366	34,015	1,272,245
Debt Service				
Interest and fees		40,884		46,160
Debt principal		100,000		94,725
Total debt service	141,000	140,884	116	140,885
Nondepartmental:				
Payment to general fund in lieu of taxes and administrative expenses	250,000	250,000	-	250,000
Bracken Creek watershed	-	76,617	(76,617)	-
Miscellaneous	500	444	56	-
	250,500	327,061	(76,561)	250,000
Total expenditures	2,776,000	2,789,791	(13,791)	2,790,643
Revenues over expenditures	400,000	564,604	164,604	287,286
Other financing sources (uses):				
Transfer from Capital Reserve Fund	-	-	-	253,863
Transfer to Capital Reserve Fund	(400,000)	(400,000)	-	(175,000)
Transfer to Gallimore Rd. Sewer Rehab Capital Project Fund	-	-	-	(225,000)
Transfer to Gaia Capital Project Fund	-	-	-	(28,863)
Total other financing sources (uses)	(400,000)	(400,000)	-	(175,000)
Revenues and other sources over expenditures and other uses	\$ -	\$ 164,604	\$ 164,604	\$ 112,286

CITY OF BREVARD, NORTH CAROLINA

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**WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)**

For the year ended June 30, 2008

With comparative actual amounts for the year ended June 30, 2007

	<u>2008</u>	<u>2007</u>
Reconciliation of Modified Accrual Basis to Full Accrual Basis:		
Revenues over (under) expenditures	\$ 164,604	\$ 112,286
Budgetary appropriations not affecting net income:		
Payment of debt principal	100,000	94,725
Capital Projects - Capital contributions	41,206	244,085
Transfers to Capital Projects funds	-	253,863
Capital outlay	-	99,936
Bad debt write offs	(3,558)	(71,775)
Depreciation	(374,517)	(367,690)
	<u> </u>	<u> </u>
Net income (loss)	\$ (72,265)	\$ 365,430

CITY OF BREVARD, NORTH CAROLINA

**GALLIMORE RD SEWER REHAB CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
From inception and for the year ended June 30, 2008**

	Project Authorization	Actual Prior Years	Current Year	Total to Date
Revenues:				
Rural Center grant	\$ 200,000	\$ 157,115	\$ 41,206	\$ 198,321
Expenditures:				
Engineering, design and construction	425,000	382,115	41,206	423,321
Revenues over (under) expenditures	(225,000)	(225,000)	-	(225,000)
Other Financing Sources:				
Transfers from Utility Fund capital reserve	225,000	225,000	-	225,000
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ -</u>	

CITY OF BREVARD, NORTH CAROLINA

**LE CENTER CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
From inception and for the year ended June 30, 2008**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Transylvania County	\$ 129,675	\$ -	31,115	\$ 31,115
Expenditures:				
Engineering, design and construction	129,675	-	31,115	31,115
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ -</u>	

CITY OF BREVARD, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2008**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2007</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2008</u>
2007-2008	\$ -	\$ 3,267,291	\$ 3,252,943	\$ 14,348
2006-2007	23,353	-	18,718	4,635
2005-2006	10,986	-	5,786	5,200
2004-2005	7,266	-	3,302	3,964
2003-2004	5,933	-	1,743	4,190
2002-2003	9,726	-	1,687	8,039
2001-2002	5,829	-	1,270	4,559
2000-2001	4,013	-	609	3,404
1999-2000	3,194	-	829	2,365
1998-1999	2,859	-	400	2,459
1997-1998	2,038	-	2,038	-
	<u>\$ 75,197</u>	<u>\$ 3,267,291</u>	<u>\$ 3,289,325</u>	<u>53,163</u>
				<u>(16,000)</u>
				<u>\$ 37,163</u>
<u>Reconciliation with revenues:</u>				
				<u>\$ 3,261,080</u>
				(17,485)
				2,038
				43,692
				<u>28,245</u>
				<u>\$ 3,289,325</u>

CITY OF BREVARD, NORTH CAROLINA

**ANALYSIS OF CURRENT TAX LEVY
CITY-WIDE LEVY**

For the Year Ended June 30, 2008

	City - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy	\$ 641,876,644	0.495	\$ 3,177,289	\$ 2,961,184	\$ 216,105
Discoveries	23,324,444		115,456	115,456	-
Abatements	<u>(5,142,130)</u>		<u>(25,454)</u>	<u>(25,454)</u>	<u>-</u>
Total property valuation	<u>\$ 660,058,958</u>				
Net levy			3,267,291	3,051,186	216,105
Uncollected taxes at June 30, 2008			<u>(14,348)</u>	<u>(8,353)</u>	<u>(15,000)</u>
Current year's taxes collected			<u>\$ 3,252,943</u>	<u>\$ 3,042,833</u>	<u>\$ 201,105</u>
Current levy collection percentage			<u>99.56%</u>	<u>99.73%</u>	<u>93.06%</u>

COMPLIANCE SECTION

**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**

Members of the City Council
City of Brevard, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Brevard, North Carolina, as of and for the year ended June 30, 2008, which collectively comprises the City of Brevard's basic financial statements, and have issued our report thereon dated November 13, 2008. 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. The financial statements of the Brevard ABC Board were not audited in accordance with Governmental Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Brevard's internal control over financial reporting as a basis for designing our auditing procedures 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 City of Brevard's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 08-1, 08-2, and 08-3 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider 08-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Brevard's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 08-04.

The City of Brevard's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of the City Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 13, 2008

CITY OF BREVARD, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2008**

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses yes none reported

Noncompliance material to financial statements noted yes no

Section II – Financial Statement Findings

08 – 1 Aggregate Material Adjusting Journal Entries

Criteria: Financial data should be recorded in accordance with generally accepted accounting principles as part of the preparation of the financial statements.

Condition: Transactions for Capital Projects Funds were recorded in the General Fund and Water & Sewer Fund's ledgers. Other accounts also required adjustment. These errors, if not corrected, would have caused the financial statements to be materially misstated.

Cause: The City failed to record capital projects in the correct funds and did not post all necessary journal entries.

Recommendation: Record all transactions to their proper fund. Maintain the accounts by periodically reviewing and adjusting as necessary.

Views of responsible officials and planned corrective actions: The City agrees with this finding and will implement the recommendation.

08 – 2 Financial Statement Preparation

Criteria: Financial Statements should be prepared in accordance with generally accepted accounting principles.

Condition: The annual financial statements, footnotes, and other required disclosures are prepared by external auditors.

CITY OF BREVARD, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2008

Recommendation: The cost on an entity's internal control should not outweigh the benefit. While the City does prepare monthly financial statements for internal purposes, it is not feasible at this time for the City to dedicate the resources required to perform all of the year-end financial reporting duties. Until the time that it is feasible, we believe the added oversight provided by the external auditors in preparing the City's financial statements is beneficial to the City.

Views of responsible officials and planned corrective actions: The City agrees with this finding.

08 – 3 Excess of Expenditures Over Appropriations

Criteria: Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds.

Condition: Expenditures for the following were in excess of the amounts appropriated in the budget ordinance and project ordinances, respectively:

	Budgeted	Actual	Variance
General Fund:			
Public Works – Powell Aid	\$ 352,458	\$ 380,216	\$ (27,758)
Water and Sewer Fund:			
Sewer Maintenance	592,271	593,867	(1,596)
Bracken Creek Watershed	-	76,617	(76,617)
Pedestrian/Bikeway Capital Project Fund			
Expenditures	403,773	406,278	(2,505)

Effect: The City is in violation of the Local Government Budget and Fiscal Control Act.

Recommendation: Finance staff should monitor expenditures and budget authorizations to ensure expenditures do not exceed budget appropriations.

Views of responsible officials and planned corrective actions: The City agrees with this finding. Budget amendments will be adopted prior to making expenditures that exceed budgeted amounts.

08 – 4 Public Official Contract Exceeded

Criteria: North Carolina statutes limits local government purchases from any public official to \$25,000 within a 12 month period.

Condition: The City purchases from an official amounted to \$26,578 for the year.

Effect: The city is in violation of the Local Government Budget and Fiscal Control Act.

Recommendation: Financial staff should monitor requisitions and purchases more closely in order to avoid exceeding limits.

Views of responsible officials and planned corrective actions: The City agrees with this finding and will implement the recommendation.