

**City of Brevard, North Carolina**

**Financial Statements**

**June 30, 2010**

**CITY OF BREVARD, NORTH CAROLINA**



**Mayor and City Council**

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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, 2010, 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 (a component unit) 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, 2010, 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 9, 2010, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, and the Law Enforcement Officers' Special Separation Allowance schedule of funding progress, schedule of employer contributions, and other post-employment benefits schedule of funding progress and schedule of employer contributions are 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, budgeting schedules and other 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.

Asheville, North Carolina  
November 9, 2010

## **Management's Discussion and Analysis**

As management of the City of Brevard, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2010. 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.

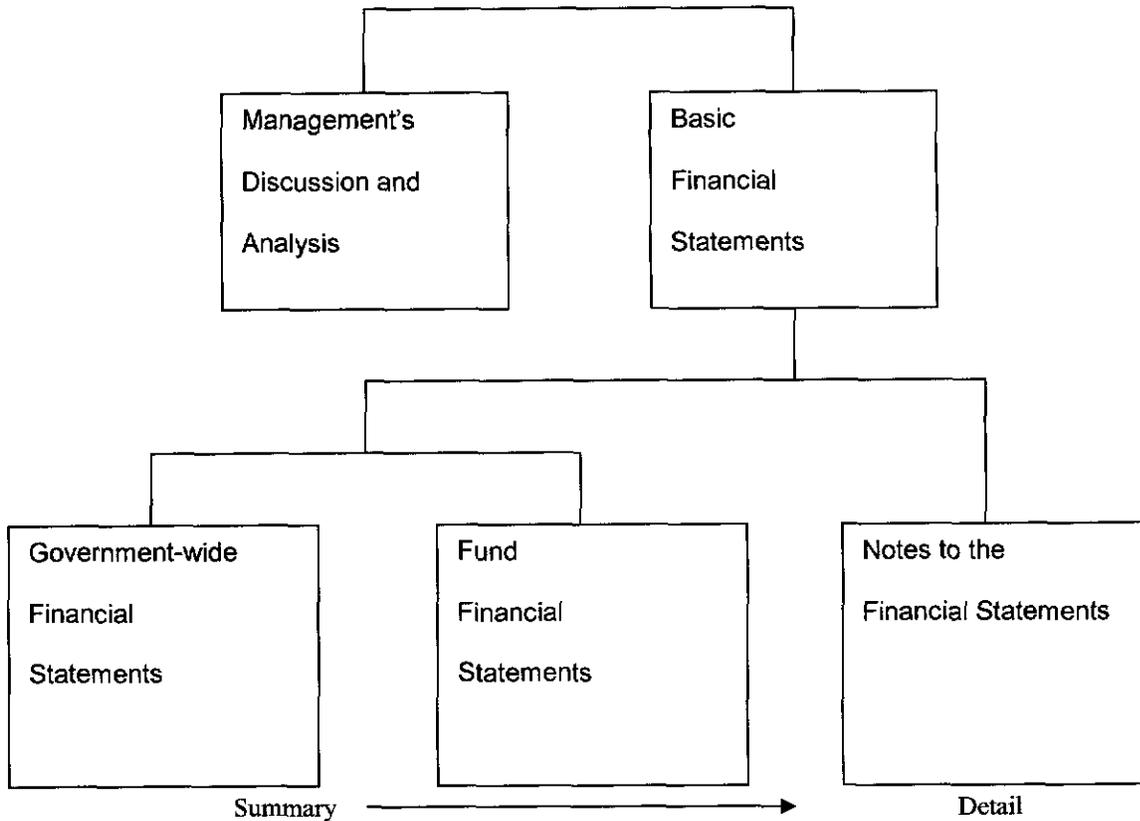
### **Financial Highlights**

- The assets of the City of Brevard exceeded its liabilities at the close of the fiscal year by \$21,515,904 (net assets).
- The government's total net assets increased by \$850,735 primarily due to higher than anticipated property tax due to reassessment and higher water and sewer fund revenue.
- Governmental activities net assets increase of \$532,705 was due to no major change in expenditures and higher property tax revenue of approximately \$512,000.
- As of the close of the current fiscal year, the City of Brevard's governmental funds reported combined ending fund balances of \$6,686,806, an increase of \$598,855 in comparison with the prior year. Approximately 40 percent of this total amount, or \$2,693,259, is available for spending at the government's discretion (unreserved undesignated fund balance).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$2,752,103 (36 percent) of total general fund expenditures for the fiscal year.
- The City of Brevard's total debt increased by approximately \$660,000 (28 percent) during the current fiscal year. The key factor in this increase was due to financing two new fire trucks.
- 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 9) 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.

## Management's Discussion and Analysis City of Brevard

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 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 43 of this report.

**The City of Brevard's Net Assets**  
**Figure 2**

	Governmental Activities		Business-type Activities		Total	
	2010	Restated 2009	2010	Restated 2009	2010	Restated 2009
Current and other assets	\$ 6,946,406	\$ 6,472,633	\$ 1,654,946	\$ 1,370,195	\$ 8,601,352	\$ 7,842,828
Capital assets	4,335,603	3,610,663	12,141,446	12,183,828	16,477,049	15,794,491
Total assets	11,282,009	10,083,296	13,796,392	13,554,023	25,078,401	23,637,319
Long-term liabilities	2,312,884	1,540,098	713,040	822,288	3,025,924	2,362,386
Other liabilities	238,620	345,398	297,953	264,366	536,573	609,764
Total liabilities	2,551,504	1,885,496	1,010,993	1,086,654	3,562,497	2,972,150
Net assets:						
Invested in capital						
assets, net of related debt	2,443,464	2,517,623	11,509,561	11,441,392	13,953,025	13,959,015
Restricted	457,023	659,703	-	-	457,023	659,703
Unrestricted	5,830,018	5,020,474	1,275,838	1,025,977	7,105,856	6,046,451
Total net assets	\$ 8,730,505	\$ 8,197,800	\$ 12,785,399	\$ 12,467,369	\$ 21,515,904	\$ 20,665,169

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 \$21,515,904 as of June 30, 2010. The City's net assets increased by \$850,735 for the fiscal year ended June 30, 2010. Net assets include 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 (2.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,105,856 (33%) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.72% for the year ending June 30, 2010, which is comparable to the statewide average of 97.05% for the year ending June 30, 2009. Property tax revenues increased approximately 14%.
- Sales tax revenues decreased \$65,938 due to continued decline in economic conditions.
- An increase of approximately 11% in sales and services revenues.
- An increase of General Fund expenditures of approximately \$665,000 due to purchase of two new fire trucks.

**City of Brevard Changes in Net Assets**  
**Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2010	Restated 2009	2010	Restated 2009	2010	Restated 2009
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 1,643,130	\$ 1,714,606	\$ 3,706,141	\$ 3,111,138	\$ 5,349,271	\$ 4,825,744
Operating grants and contributions	238,984	231,438	-	-	238,984	231,438
Capital grants and contributions	-	-	54,464	265,402	54,464	265,402
<b>General revenues:</b>						
Property taxes	4,117,184	3,605,941	-	-	4,117,184	3,605,941
Sales tax	970,218	1,036,156	-	-	970,218	1,036,156
Other	729,794	785,007	5,396	22,046	735,190	807,053
<b>Total revenues</b>	<b>7,699,310</b>	<b>7,373,148</b>	<b>3,766,001</b>	<b>3,398,586</b>	<b>11,465,311</b>	<b>10,771,734</b>
<b>Expenses:</b>						
General government	1,665,878	1,644,319	-	-	1,665,878	1,644,319
Public safety	2,741,091	2,646,556	-	-	2,741,091	2,646,556
Public works	2,518,145	2,574,879	-	-	2,518,145	2,574,879
Economic and physical development	118,996	96,558	-	-	118,996	96,558
Culture and recreation	71,294	64,322	-	-	71,294	64,322
Interest on long term debt	70,685	51,508	-	-	70,685	51,508
Water and sewer	-	-	3,428,487	3,378,214	3,428,487	3,378,214
<b>Total expenses</b>	<b>7,186,089</b>	<b>7,078,142</b>	<b>3,428,487</b>	<b>3,378,214</b>	<b>10,614,576</b>	<b>10,456,356</b>
Increase in net assets before transfers	513,221	295,006	337,514	20,372	850,735	315,378
Transfers	19,484	(248,018)	(19,484)	248,018	-	-
Increase (decrease) in net assets after transfers	532,705	46,988	318,030	268,390	850,735	315,378
Net assets, beginning	8,197,800	8,150,812	12,467,369	12,198,979	20,665,169	20,349,791
Net assets, ending	<u>\$ 8,730,505</u>	<u>\$ 8,197,800</u>	<u>\$ 12,785,399</u>	<u>\$ 12,467,369</u>	<u>\$ 21,515,904</u>	<u>\$ 20,665,169</u>

**Governmental activities.** Governmental activities increased the City's net assets by \$532,705.

**Business-type activities:** Business-type activities increased the City of Brevard's net assets by \$318,030.

### 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, undesignated fund balance of the General Fund was \$2,752,103, while total fund balance reached \$3,457,142. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 36 % percent of total General Fund expenditures.

Management's Discussion and Analysis  
City of Brevard

At June 30, 2010, the governmental funds of City of Brevard reported a combined fund balance of \$6,686,806, a 9.8% percent increase over last year.

**General Fund Budgetary Highlights:** During the fiscal year, the City of Brevard revised the budget on four 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 special separation allowances for eligible employees. The second amendment was to amend budget in connection with replacement of a portion of a sewer line. The third amendment was to amend budget in payment of expenses associated with hiring a Chief of Police. The fourth amendment was the shifting of funds between departments to account for the final estimated expenditures for fiscal year 2009-2010.

**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 \$1,275,838. 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, 2010, totals \$16,477,049 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

**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	
	2010	Restated 2009	2010	2009	2010	Restated 2009
Land	\$ 319,893	\$ 319,893	\$ 212,891	\$ 212,891	\$ 532,784	\$ 532,784
Construction in Progress	341,590	-	412,764	-	754,354	-
Buildings and systems	1,347,303	1,401,585	11,097,017	11,528,561	12,444,320	12,930,146
Equipment	240,541	296,398	183,820	225,432	424,361	521,830
Vehicles and motorized equipment	2,086,276	1,592,788	234,954	216,944	2,321,230	1,809,732
Total	<u>\$ 4,335,603</u>	<u>\$ 3,610,664</u>	<u>\$ 12,141,446</u>	<u>\$ 12,183,828</u>	<u>\$ 16,477,049</u>	<u>\$ 15,794,492</u>

Additional information on the City's capital assets can be found in Note 5 of the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2010, the City of Brevard had no outstanding bonds. Debt increased for Governmental Activities by net of \$768,706 mainly due to financing the purchase of two fire trucks and installation of directional signs. For Business-Type Activities, debt decreased net of \$109,247 mainly due to debt principal payments.

**City of Brevard's Outstanding Debt**  
**Figure 5**

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010
<b>Governmental Activities:</b>				
Installment Contracts	\$ 1,093,039	\$ 940,000	\$ 172,129	\$ 1,860,911
Compensated Absences	213,670	144,930	140,000	218,600
Net pension obligations	233,389	47,097	78,340	202,146
Other employment benefits	-	31,228	-	31,228
<b>Total</b>	<b>\$ 1,540,098</b>	<b>\$ 1,163,255</b>	<b>\$ 390,469</b>	<b>\$ 2,312,884</b>
<b>Business Type Activities:</b>				
Installment Contracts	\$ 742,436	\$ -	\$ 110,550	\$ 631,886
Compensated Absences	79,851	11,303	10,000	81,154
<b>Total</b>	<b>\$ 822,287</b>	<b>\$ 11,303</b>	<b>\$ 120,550</b>	<b>\$ 713,040</b>

The City of Brevard maintained for the 15<sup>th</sup> 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 \$76.2 million. The City has no bonds authorized or un-issued at June 30, 2010.

Additional information regarding the City of Brevard's long-term debt can be found in Note 9 beginning on page 41 of this report.

**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.

<u>County and State</u>	<u>June 2010 Unemployment Rates</u>		
	<u>Work Force</u>	<u>Number</u>	<u>Percent of Work Force</u>
<b>Transylvania</b>	13,866	1,196	8.6%
Buncombe	120,496	10,032	8.3%
Henderson	48,763	4,020	8.2%
North Carolina	4,545,756	456,557	10.0%

Source: NC Employment Security Commission - September 2010

- Occupancy rates for business, office and retail space within the downtown municipal service district (Heart of Brevard) fell to 76% from the previous year rate of 90%.

Management's Discussion and Analysis  
City of Brevard

- Tourism remains a vital and growing part of the Brevard economy. Statistics over the past several years reveal significant growth in this economic sector. However, statistics since last year show a decline due to depressed economic conditions.

**Transylvania County**

<b>Year</b>	<b>Tourism Revenue (\$ millions)</b>	<b>% Growth (Decline)</b>
2005	69.94	8%
2006	75.64	8%
2007	80.14	6%
2008	77.07	(4%)
2009	68.41	(11%)

\*Source: Transylvania County Economic Development

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

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>City of Brevard</b>	98.19%	99.26%	99.56%	99.51%	99.72%
<b>Statewide</b>	97.41%	96.63%	96.69%	96.92%	97.00%

\*Source: State Treasurer's Office, Local Government Commission

- Within the City, sales tax generated from taxable sales decreased 7.24% from \$1,036,156 in the fiscal year 2008-2009, to \$975,236 in the fiscal year 2009-2010. This compares with a 9.18% decrease for Asheville and a 11.57% decrease for Hendersonville.

**Budget Highlights for the Fiscal Year Ending June 30, 2011**

**Governmental Activities**

- The general fund budget as adopted decreased from \$7,721,196 to \$7,361,600 due to special projects funding expiration and sales tax erosion. Property tax collections are predicted to increase from \$3.30 to \$3.49 million this year, a 5.76 % increase. This growth is predicted based upon strong scheduled property revaluation in Transylvania County.

**Proprietary Activities**

- Water and Sewer customer receipts grew approximately \$330,000 for fiscal year 2010. This is due to a modest increase in water usage. 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 7 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, 2009:

The building industry declined for the calendar year 2009 in Transylvania County. Below are statistics for calendar year 2009:

**Detailed Residential Construction Value 2009**

New home value: City - 7 homes - \$1,895,000

New home value: County - 69 homes - \$17,642,032

Addition/Remodel Value: City - 62 homes - \$2,349,606

Addition/Remodel Value: County - 154 homes - \$5,823,047

Manufactured Homes: City - 3 homes - \$76,500

Manufactured Homes: County - 45 homes - \$1,196,416

**Detailed Commercial Construction Value 2009**

New: City - 7 - \$1,185,946

New: County - 1 - \$316,390

Addition/Remodel: City - 40 - \$4,345,088

Addition/Remodel: County - 17 - \$684,055

The number of new house permits in 2009 compared to 2008 was down 50%.

The number of new house permits in 2009 compared to 2007 was down 68%.

The total construction value in 2009 compared to 2008 was down 25%.

The construction value of commercial construction in 2009 compared to 2007 was down 70%.

The number of commercial addition/alteration projects constructed in the city and county was down 31%.

New home construction growth was strongest in the lower 64 West area, pushed by many new homes between Brevard, Cathey's Creek and Rosman. This trend was followed in descending strength by the Toxaway area, 276 South, 64 East/Hwy 280 and City of Brevard.

**Construction Values for last 5 years in the City of Brevard**

2009 - \$ 9,856,346

2008 - \$ 39,879,929

2007 - \$ 31,923,222

2006 - \$ 17,719,189

2005 - \$ 29,377,601

Management's Discussion and Analysis  
City of Brevard

**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  
[tscruggs@cityofbrevard.com](mailto:tscruggs@cityofbrevard.com)  
[www.cityofbrevard.com](http://www.cityofbrevard.com)

**CITY OF BREVARD, NORTH CAROLINA**

Exhibit 1

STATEMENT OF NET ASSETS  
June 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	City of Brevard ABC Board
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 5,355,757	\$ 1,248,100	\$ 6,603,857	\$ 171,767
Taxes receivable (net)	52,192	-	52,192	-
Accrued interest receivable on taxes	12,000	-	12,000	-
Accounts receivable (net)	115,333	301,248	416,581	120
Due from other governments	431,529	54,464	485,993	-
Due (to) from other funds	(36,005)	36,005	-	-
Inventories	38,785	-	38,785	280,809
Prepaid items	-	15,129	15,129	20,700
Total current assets	<u>5,969,591</u>	<u>1,654,946</u>	<u>7,624,537</u>	<u>473,396</u>
Restricted assets:				
Cash and cash equivalents	<u>976,815</u>	<u>-</u>	<u>976,815</u>	<u>-</u>
Capital assets:				
Land, non-depreciable improvements & construction in progress	661,483	625,655	1,287,138	-
Other capital assets, net of depreciation	3,674,120	11,515,791	15,189,911	55,824
Total capital assets	<u>4,335,603</u>	<u>12,141,446</u>	<u>16,477,049</u>	<u>55,824</u>
Total assets	<u>11,282,009</u>	<u>13,796,392</u>	<u>25,078,401</u>	<u>529,220</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	199,399	136,467	335,866	198,238
Accrued interest payable	18,000	13,000	31,000	-
Unearned income	21,221	-	21,221	-
Customer deposits	-	148,486	148,486	-
Long-term liabilities:				
Due within one year	360,650	125,826	486,476	6,590
Due in more than one year	1,952,234	587,214	2,539,448	5,225
Total liabilities	<u>2,551,504</u>	<u>1,010,993</u>	<u>3,562,497</u>	<u>210,053</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	2,443,464	11,509,561	13,953,025	44,009
Restricted for:				
Capital projects	253,468	-	253,468	-
Special revenue	143,639	-	143,639	-
Other purposes	59,916	-	59,916	75,821
Unrestricted	5,830,018	1,275,838	7,105,856	199,337
Total net assets	<u>\$ 8,730,505</u>	<u>\$ 12,785,399</u>	<u>\$ 21,515,904</u>	<u>\$ 319,167</u>

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, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental Activities:				
General government	\$ 1,665,878	\$ 611,454	\$ 18,750	\$ -
Public safety	2,741,091	78,032	1,150	-
Public works	2,518,145	933,371	200,919	-
Economic and physical development	118,996	-	8,500	-
Cultural and recreation	71,294	20,273	9,665	-
Interest on long-term debt	70,685	-	-	-
Total governmental activities	<u>7,186,089</u>	<u>1,643,130</u>	<u>238,984</u>	<u>-</u>
Business-type activities:				
Water and sewer	3,428,487	3,706,141	-	54,464
Total business-type activities	<u>3,428,487</u>	<u>3,706,141</u>	<u>-</u>	<u>54,464</u>
Total primary government	<u>\$ 10,614,576</u>	<u>\$ 5,349,271</u>	<u>\$ 238,984</u>	<u>\$ 54,464</u>
Component unit:				
ABC Board	\$ 2,593,610	\$ 2,581,680	\$ -	\$ -
Total component unit	<u>\$ 2,593,610</u>	<u>\$ 2,581,680</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Taxes:				
Property taxes, levied for general purpose				
Sales taxes				
Other taxes				
Distribution from component unit-ABC Board				
Unrestricted investment earnings				
Gain (loss) on sale of capital assets				
Miscellaneous				
Total general revenues not including transfers				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets, beginning (restated)				
Net assets, ending				

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

**Exhibit 2**

<b>Net (Expense) Revenue and Changes in Net Assets</b>			
<b>Primary Government</b>			<b>Component</b>
<b>Governmental</b>	<b>Business-type</b>		<b>Unit</b>
<b>Activities</b>	<b>Activities</b>	<b>Total</b>	<b>City of</b>
			<b>Brevard ABC</b>
			<b>Board</b>
\$ (1,035,674)	\$ -	\$ (1,035,674)	\$ -
(2,661,909)	-	(2,661,909)	-
(1,383,855)	-	(1,383,855)	-
(110,496)	-	(110,496)	-
(41,356)	-	(41,356)	-
(70,685)	-	(70,685)	-
<u>(5,303,975)</u>	<u>-</u>	<u>(5,303,975)</u>	<u>-</u>
-	332,118	332,118	-
-	332,118	332,118	-
<u>(5,303,975)</u>	<u>332,118</u>	<u>(4,971,857)</u>	<u>-</u>
-	-	-	(11,930)
-	-	-	(11,930)
4,117,184	-	4,117,184	-
970,218	-	970,218	-
472,467	-	472,467	-
169,437	-	169,437	-
19,219	5,396	24,615	578
57,728	-	57,728	(1,463)
10,943	-	10,943	787
<u>5,817,196</u>	<u>5,396</u>	<u>5,822,592</u>	<u>(98)</u>
19,484	(19,484)	-	-
<u>5,836,680</u>	<u>(14,088)</u>	<u>5,822,592</u>	<u>(98)</u>
532,705	318,030	850,735	(12,028)
8,197,800	12,467,369	20,665,169	331,195
<u>\$ 8,730,505</u>	<u>\$ 12,785,399</u>	<u>\$ 21,515,904</u>	<u>\$ 319,167</u>

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

## CITY OF BREVARD, NORTH CAROLINA

Exhibit 3

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2010

	Major Funds			Total
	General	Capital Reserve	Total Non-Major Funds	Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents, unrestricted	\$ 2,947,111	\$ 2,408,646	\$ -	\$ 5,355,757
Cash and cash equivalents, restricted	85,400	400,000	491,415	976,815
Receivables, net:				
Taxes	52,192	-	-	52,192
Accounts	103,799	-	11,534	115,333
Due from other governments	431,529	-	-	431,529
Due from other funds	45,926	-	-	45,926
Inventories	38,785	-	-	38,785
Total assets	<u>3,704,742</u>	<u>2,808,646</u>	<u>502,949</u>	<u>7,016,337</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	199,399	-	-	199,399
Due to other funds	-	36,005	45,926	81,931
Deferred revenue	26,980	-	-	26,980
Unearned revenue	21,221	-	-	21,221
Total liabilities	<u>247,600</u>	<u>36,005</u>	<u>45,926</u>	<u>329,531</u>
<b>Fund balances:</b>				
<b>Reserved for:</b>				
Inventories	38,785	-	-	38,785
Capital projects	-	400,000	-	400,000
<b>Perpetual maintenance:</b>				
Expendable	-	-	4,476	4,476
Nonexpendable	-	-	55,440	55,440
State statute	581,254	-	11,534	592,788
<b>Unreserved fund balances</b>				
Designated for subsequent year's expenditures	85,000	-	385,573	470,573
Designated - capital projects	-	1,975,042	-	1,975,042
Designated - other	-	397,599	-	397,599
Unreserved, undesignated	2,752,103	-	-	2,752,103
Total fund balances	<u>3,457,142</u>	<u>2,772,641</u>	<u>457,023</u>	<u>6,686,806</u>
Total liabilities and fund balances	<u>\$ 3,704,742</u>	<u>\$ 2,808,646</u>	<u>\$ 502,949</u>	
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.				4,335,603
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.				12,000
Liabilities for earned but deferred revenues in fund statements.				26,980
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.				(2,330,884)
Net assets of governmental activities				<u>\$ 8,730,505</u>

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, 2010

	<u>Major Funds</u>			<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Capital Reserve Fund</b>	<b>Total Non- Major Funds</b>	
<b>REVENUES</b>				
Ad valorem taxes	\$ 3,791,186	\$ -	\$ 333,345	\$ 4,124,531
Other taxes and licenses	1,020,080	-	-	1,020,080
Unrestricted intergovernmental	1,194,252	-	18,165	1,212,417
Restricted intergovernmental	209,809	-	-	209,809
Sales and services	986,126	68,029	-	1,054,155
Investment earnings	13,138	6,387	4,701	24,226
Miscellaneous	4,919	2,300	16,500	23,719
<b>Total revenues</b>	<u>7,219,510</u>	<u>76,716</u>	<u>372,711</u>	<u>7,668,937</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,554,509	-	-	1,554,509
Public safety	3,338,257	-	1,311	3,339,568
Public works	2,369,331	-	-	2,369,331
Economic and physical development	-	-	519,430	519,430
Culture and recreation	67,586	-	-	67,586
Debt service:				
Principal	172,129	-	-	172,129
Interest and other charges	64,741	-	-	64,741
<b>Total expenditures</b>	<u>7,566,553</u>	<u>-</u>	<u>520,741</u>	<u>8,087,294</u>
Excess (deficiency) of revenues over expenditures	<u>(347,043)</u>	<u>76,716</u>	<u>(148,030)</u>	<u>(418,357)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	232,400	379,490	-	611,890
Transfers to other funds	(195,250)	(164,756)	(232,400)	(592,406)
Proceeds from sale of capital assets	29,978	-	27,750	57,728
Proceeds from debt issuance	790,000	-	150,000	940,000
<b>Total other financing sources (uses)</b>	<u>857,128</u>	<u>214,734</u>	<u>(54,650)</u>	<u>1,017,212</u>
Net change in fund balance	510,085	291,450	(202,680)	598,855
Fund balances, beginning	2,947,057	2,481,191	659,703	6,087,951
<b>Fund balances, ending</b>	<u>\$ 3,457,142</u>	<u>\$ 2,772,641</u>	<u>\$ 457,023</u>	<u>\$ 6,686,806</u>

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, 2010

Amounts reported for governmental activities in the statement of activities  
(Exhibit 2) are different because:

Net changes in fund balances - total governmental funds	\$ 598,855
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	724,940
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(12,354)
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	(10,865)
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>(767,871)</u>
Total changes in net assets of governmental activities	<u>\$ 532,705</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 BALANCES-  
 BUDGET AND ACTUAL  
 For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes	\$ 3,543,910	\$ 3,543,910	\$ 3,791,186	\$ 247,276
Other taxes and licenses	1,110,000	1,110,000	1,020,080	(89,920)
Unrestricted intergovernmental	1,174,900	1,174,900	1,194,252	19,352
Restricted intergovernmental	216,000	216,000	209,809	(6,191)
Sales and services	972,382	1,011,250	986,126	(25,124)
Investment earnings	40,100	40,100	13,138	(26,962)
Miscellaneous	44,450	44,450	4,919	(39,531)
Total revenues	<u>7,101,742</u>	<u>7,140,610</u>	<u>7,219,510</u>	<u>78,900</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	1,734,506	1,625,283	1,554,509	70,774
Public safety	3,535,054	3,620,201	3,338,257	281,944
Public works	2,440,839	2,502,453	2,369,331	133,122
Cultural and recreation	87,820	89,150	67,586	21,564
<b>Debt service:</b>				
Principal retirement	187,653	187,653	172,129	15,524
Interest and other charges	59,060	59,060	64,741	(5,681)
Total expenditures	<u>8,044,932</u>	<u>8,083,800</u>	<u>7,566,553</u>	<u>517,247</u>
Revenues over (under) expenditures	<u>(943,190)</u>	<u>(943,190)</u>	<u>(347,043)</u>	<u>596,147</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	232,400	232,400	232,400	-
Transfers to other funds	(195,250)	(195,250)	(195,250)	-
Proceeds from sale of capital assets	20,000	20,000	29,978	9,978
Proceeds from installment financing	790,000	790,000	790,000	-
Fund balance appropriated	96,040	96,040	-	(96,040)
Total other financing sources (uses)	<u>943,190</u>	<u>943,190</u>	<u>857,128</u>	<u>(86,062)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	510,085	<u>\$ 510,085</u>
Fund balances, beginning			<u>2,947,057</u>	
Fund balances, ending			<u>\$ 3,457,142</u>	

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

## CITY OF BREVARD, NORTH CAROLINA

MAJOR SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
 BUDGET AND ACTUAL

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	-	-	-	-
Unrestricted intergovernmental	-	-	-	-
Restricted intergovernmental	-	-	-	-
Sales and services	15,000	15,000	68,028	53,028
Investment earnings	12,500	12,500	6,387	(6,113)
Miscellaneous	-	-	2,300	2,300
Total revenues	<u>27,500</u>	<u>27,500</u>	<u>76,715</u>	<u>49,215</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Cultural and recreation	-	-	-	-
<b>Debt service:</b>				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>27,500</u>	<u>27,500</u>	<u>76,715</u>	<u>49,215</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	342,890	342,890	379,490	36,600
Transfers to other funds	(527,990)	(527,990)	(164,756)	363,234
Proceeds from sale of capital assets				
Proceeds from installment financing				
Fund balance appropriated	157,600	157,600	-	(157,600)
Total other financing sources (uses)	<u>(27,500)</u>	<u>(27,500)</u>	<u>214,734</u>	<u>242,234</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	291,449	<u>\$ 291,449</u>
Fund balances, beginning			<u>2,481,191</u>	
Fund balances, ending			<u>\$ 2,772,640</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, 2010

Major Enterprise Fund  
Water and  
Sewer Fund**ASSETS**

## Current assets:

Cash and cash equivalents	\$	1,248,100
Accounts receivable (net)		301,248
Due from other governments		54,464
Due from other funds		36,005
Prepaid		15,129
Total current assets		<u>1,654,946</u>

## Noncurrent assets:

## Capital assets:

Land and other non-depreciable assets		625,655
Other capital assets, net of depreciation		11,515,791
Capital assets (net)		<u>12,141,446</u>
Total noncurrent assets		<u>12,141,446</u>
Total assets		<u>13,796,392</u>

**LIABILITIES**

## Current liabilities:

Accounts payable and accrued liabilities		136,467
Customer deposits		148,486
Accrued interest		13,000
Compensated absences - current		10,000
Installment contracts- current		115,826
Total current liabilities		<u>423,779</u>

## Noncurrent liabilities:

Compensated absences		71,155
Installment contracts - noncurrent (net)		516,059
Total noncurrent liabilities		<u>587,214</u>
Total liabilities		<u>1,010,993</u>

**NET ASSETS**

Invested in capital assets, net of related debt		11,509,561
Unrestricted		1,275,838
Total net assets	\$	<u>12,785,399</u>

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

**CITY OF BREVARD, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUND**  
For the Year Ended June 30, 2010

	<b>Major Enterprise Fund</b>
	<b>Water and Sewer Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 3,617,971
Water and sewer taps	13,140
Other operating revenues	75,030
Total operating revenues	3,706,141
<b>OPERATING EXPENSES</b>	
Water treatment and distribution	1,019,853
Waste collection and treatment	1,337,998
Payment to general fund in lieu of taxes & admin expenses	490,000
Depreciation	544,554
Other	5,748
Total operating expenses	3,398,153
Operating income	307,988
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	5,396
Interest and other fees	(30,334)
Total nonoperating revenue (expenses)	(24,938)
Income before contributions and transfers	283,050
Capital contributions	54,464
Transfers from other funds	164,756
Transfers to other funds	(184,240)
Change in net assets	318,030
Total net assets, beginning	12,467,369
Total net assets, ending	\$ 12,785,399

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, 2010

	<b>Major Enterprise Fund</b>
	<b>Water and Sewer Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 3,587,187
Cash paid for goods and services	(1,653,110)
Cash paid to or on behalf of employees for services	(1,179,408)
Net cash provided by operating activities	754,669
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers to other funds, net	(55,489)
Net cash used by noncapital financing activities	(55,489)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Receipt of grants	(53,216)
Acquisition and construction of capital assets	(502,173)
Principal paid on bond maturities and equipment contracts	(110,550)
Interest paid on bond maturities and equipment contracts	(30,334)
Capital contributions - state grant	54,464
Net cash used by capital and related financing activities	(641,809)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	5,396
Net cash provided by investing activities	5,396
Net increase in cash and cash equivalents	62,767
Balances, beginning of year	1,185,333
Balances, end of year	\$ 1,248,100
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 307,988
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	544,554
Changes in assets and liabilities:	
Increase in accounts receivable	(136,991)
Decrease in prepaid assets	4,228
Increase in accounts payable and accrued liabilities	15,552
Increase in customer deposits	18,035
Increase in accrued compensated absences	1,303
Total adjustments	446,681
Net cash provided by operating activities	\$ 754,669

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, 2010

#### 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 or designated to build up capital to purchase large capital equipment and fund replacement/renovation in future years or for specific purposes such as other postemployment benefit liability and future health insurance costs.

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. Heart of Brevard taxes are legally restricted to expenditures for those specific activities.

**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 Wayfinding Capital Reserve Fund, 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 2009 through February 2010 apply to the fiscal year ended June 30, 2010. 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, 2010 because they are intended to finance the City's operations during the 2010 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, two 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 Super NOW 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

Restricted assets include monies or other resources, the use of which is restricted by legal or contractual requirements.

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, 2009. 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	10-75 years
Buildings	15-50 years
Building improvements	20-50 years
Depreciable land improvements	20 years
Vehicles	4-10 years
Furniture and equipment	5-15 years
Computer equipment	5-10 years

8. Construction cost – Capitalization

In the proprietary fund, construction costs include costs incurred in the construction of assets, engineering fees and capitalized net interest costs as defined in FASB 34 and FASB 62.

No capitalized interest was recorded for the year ended June 30, 2010.

9. 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.

10. 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.

## 11. 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 2010 - 2011 budget ordinance.

Designated – portion of the total fund balance that indicates tentative future plans for current resources.

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

## 12. 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.

13. 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)	\$ 9,543,859
Less accumulated depreciation	<u>(5,208,256)</u>
Net capital assets	4,335,603
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	12,000
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide	26,980
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	(1,860,911)
Compensated absences and pension	(420,745)
Accrued interest payable	(18,000)
Net other post employment benefit obligation	<u>(31,228)</u>
Total adjustment	<u>\$ 2,043,699</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	\$ 1,164,530
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	(439,590)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no affect on the statement of activities – it effects only the government-wide statement of net assets	(940,000)
Principal payments on debt owed are recorded as a use only the statement of net assets in the government-wide statements	172,129
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	(5,944)
Pension expense	31,243
Accrued compensated absences	(4,936)
Net other post employment benefit obligation	(31,228)
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, 2009	(17,007)
Recording of interest revenue deferred in fund statements at June 30, 2010	12,000
Reversal of deferred tax revenue recorded at July 1, 2009	(34,327)
Recording of tax receipts deferred in the fund statements as of June 30, 2010	<u>26,980</u>
Total adjustment	<u>\$ (66,150)</u>

#### 14. 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 was 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:			
General Government			
Personnel	\$ 126,763	\$ 128,750	\$ (1,987)

The variance of \$1,987 exceeded the budgeted expenditure due to identified expenditure incurred but not paid as of June 30, 2010. Management and the governing board will more closely review the budget reports to ensure compliance in future years.

**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, 2010, the City's deposits had a carrying amount of \$5,531,669 and a bank balance of \$5,618,966. Of the bank balance, \$809,891 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 \$165,947 and the bank balance was \$166,074. All of the bank balance of the ABC Board was covered by federal depository insurance. At June 30, 2010, the City's petty cash fund totaled \$450.

## 2. Investments

At June 30, 2010, the City of Brevard had \$2,048,553 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	\$ 12,000
Water and Sewer Fund:	
Allowance for uncollectible utility receivables	\$ 105,000

### Note 5 – Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2010, was as follows:

	(Restated) Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 319,893	\$ -	\$ -	\$ 319,893
Construction in progress	-	341,590	-	341,590
Total capital assets not being depreciated	<u>319,893</u>	<u>341,590</u>	<u>-</u>	<u>\$ 661,483</u>
<b>Capital assets being depreciated:</b>				
Buildings and Infrastructure	3,098,906	-	-	3,098,906
Equipment	934,313	11,758	-	946,071
Vehicles and motorized equipment	4,343,234	811,182	317,018	4,837,398
Total capital assets being depreciated	<u>8,376,453</u>	<u>822,940</u>	<u>317,018</u>	<u>8,882,375</u>
<b>Less accumulated depreciation for:</b>				
Buildings	1,697,322	54,281	-	1,751,603
Equipment	637,915	67,615	-	705,530
Vehicles and motorized equipment	2,750,446	317,694	317,018	2,751,122
Total accumulated depreciation	<u>5,085,683</u>	<u>\$ 439,590</u>	<u>\$ 317,018</u>	<u>5,208,255</u>
Total capital assets being depreciated, net	<u>3,290,770</u>			<u>3,674,120</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 3,610,663</u>			<u>\$ 4,335,603</u>

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

General government	\$ 93,167			
Public safety	251,104			
Public works	91,609			
Cultural and recreational	<u>3,710</u>			
Total depreciation expense	<u>\$ 439,590</u>			
	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
	<u>Balances</u>			<u>Balances</u>
<b>Business-type activities:</b>				
<b>Water and Sewer Fund</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 212,891	\$ -	\$ -	\$ 212,891
Construction in progress	<u>-</u>	<u>412,764</u>	<u>-</u>	<u>412,764</u>
Total capital assets not being depreciated	<u>212,891</u>	<u>412,764</u>	<u>-</u>	<u>625,655</u>
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	17,665,375	26,234	-	17,691,609
Maintenance equipment and furniture	637,167	-	-	637,167
Vehicles	<u>644,417</u>	<u>63,174</u>	<u>-</u>	<u>707,591</u>
Total capital assets being depreciated	<u>18,946,959</u>	<u>89,408</u>	<u>-</u>	<u>19,036,367</u>
<b>Less accumulated depreciation for:</b>				
Plant and distribution systems	6,136,814	457,778	-	6,594,592
Maintenance equipment and furniture	411,735	41,612	-	453,347
Vehicles	<u>427,473</u>	<u>45,164</u>	<u>-</u>	<u>472,637</u>
Total accumulated depreciation	<u>6,976,022</u>	<u>\$ 544,554</u>	<u>\$ -</u>	<u>7,520,576</u>
Total capital assets being depreciated, net	<u>11,970,937</u>			<u>11,515,791</u>
<b>Water and sewer fund capital assets, net</b>	<u>\$12,183,828</u>			<u>\$12,141,446</u>

**Footnote Disclosure:**

**Construction commitments**

The government has the following commitments with contractors for active construction projects as of June 30, 2010:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Gallimore Road Force Main	\$ 413,819	\$ 2,697
Water Infrastructure Improvements	247,798	332,202
Water Treatment Plant Capital Improvements	16,791	976,509
Gallimore Road Multi Use Path	341,590	441,510
Davidson River Trail Multi Use Path	58,943	34,524
Wayfinding Project	<u>9,214</u>	<u>164,786</u>
	<u>\$ 1,088,155</u>	<u>\$ 1,952,228</u>

In addition, the government entered into a contract prior to June 30, 2010 for \$165,690 to a contractor for rehabilitation project for water and storage tanks.

**Discretely presented component unit:**

Activity for the ABC Board for the year ended June 30, 2010 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets being depreciated:</b>				
Leasehold improvements	\$ 53,520	\$ -	\$ -	\$ 53,520
Office, store and warehouse equipment	92,377	6,761	12,444	86,694
Law enforcement equipment	26,490	-	469	26,021
Total capital assets being depreciated	<u>172,387</u>	<u>6,761</u>	<u>12,913</u>	<u>166,235</u>
<b>Less accumulated depreciation</b>	<u>108,423</u>	<u>\$ 13,440</u>	<u>\$ 11,452</u>	<u>110,411</u>
<b>ABC Board capital assets, net</b>	<u>\$ 63,964</u>			<u>\$ 55,824</u>

**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, 2010, 2009, and 2008 were \$177,392, \$179,752, and \$174,311, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2010, 2009, and 2008 were \$10,059, \$10,341, and \$9,089, 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, 2010, the Separation Allowance's membership consisted of:

Retirees receiving benefits	7
Active plan members	<u>23</u>
Total	<u>30</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, 2009 actuarial valuation using the projected unit credit actuarial cost method.

## 4. Funded Status and Funding Process

As of December 31, 2009, the most recent actuarial valuation date, the plan was not funded. The actuarial assumptions included (a) 5.0% 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	\$ 44,878
Interest on net pension obligation	16,921
Adjustment to annual required contribution	<u>(14,702)</u>
Annual pension cost	47,097
Contributions made	<u>(78,340)</u>
Decrease in net pension obligation	(31,243)
Net pension obligation beginning of fiscal year	<u>233,389</u>
Net pension obligation end of fiscal year	<u>\$ 202,146</u>

### 3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	\$ 58,629	117.82%	\$ 247,738
2009	54,726	126.22%	233,389
2010	47,097	166.34%	202,146

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, 2010 were \$70,105, which consisted of \$57,421 from the City and \$12,684 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 Benefits (OPEB)

Plan Description – Under the terms of a City resolution, the City administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). As of July 1, 2008, this plan provides postemployment healthcare 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. These employees may elect to stay on the group health policy until they are Medicare eligible. Retirees pay full premium costs to cover themselves and their dependent(s). Coverage can continue until they become Medicare-eligible. The City will contribute \$750 per year into a Health Savings Account (HSA) for eligible retirees. The retiree may continue dependent coverage (and pay the full cost of this coverage) if enrolled in dependent coverage at the time of retirement. Dependent coverage terminates upon the retiree becoming eligible for Medicare or attaining age 65. The City has elected to partially pay the future overall cost of coverage for these benefits. The City has placed \$51,000 into a separate bank account designated for the use of this HCB Plan. These funds as of June 30, 2010

have not been placed into an irrevocable trust. Thereby, the \$51,000 is not included as being funded. The City Council may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2009, the date of the latest actuarial version:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	68	23
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	<u>1</u>	<u>2</u>
Total	<u>69</u>	<u>25</u>

Funding Policy – The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a City resolution that can be amended by City Council. The City's members pay the following monthly premiums:

Tier	Cost
Retiree Only	\$ 393.50
Retiree and Children	\$ 645.35
Retiree and Spouse	\$ 787.01
Family	\$ 983.75

Retirees contributed \$14,166 in monthly premiums for the year ended June 30, 2010.

The current ARC rate is .89% of annual covered payroll. The City obtains healthcare coverage through private insurers. The City's obligation to contribute to HCB Plan is established, and may be amended, by the City Council.

Summary of Significant Accounting Policies – Postemployment expenditures are made from the General Fund which is maintained on the modified accrual basis of accounting. \$51,000 has been set aside to pay benefits and administration costs in a separate bank account (non-irrevocable trust).

Annual OPEB Cost and Net OPEB Obligation – The City's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 32,910
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>32,910</u>
Contributions made	<u>(1,682)</u>
Increase in net OPEB obligation	31,228
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of fiscal year	<u>\$ 31,228</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the OPEB obligation for 2010 were as follows:

For Year Ended <u>June 30</u>	Annual <u>OPEB Cost</u>	Percentage of Annual <u>OPEB Cost Contributed</u>	Net OPEB <u>Obligation</u>
2010	\$ 32,910	5.1%	\$ 31,228

Funded Status and Funding Progress – As of December 31, 2009, the most recent actuarial valuation date, the plan was not funded. (\$51,000 was placed in a designated bank account for the HCB plan.) The actuarial accrued liability for benefits was \$201,789, resulting in an unfunded actuarial accrued liability (UAAL) of \$150,789. The covered payroll (annual payroll of active employees covered by the plan) was \$3,720,810, and the ratio of the UAAL to the covered payroll was 5.4 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and including types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.75 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 10.50 to 5.00 percent annually. Both rates included a 3.75 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2009, was 30 years.

#### Note 7 – Deferred/Unearned Revenues

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

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes (General Fund)	\$ -	\$ 21,221
Taxes receivable (General Fund), less penalties	26,980	-
Total	<u>\$ 26,980</u>	<u>\$ 21,221</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 counsel 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 4.60% per annum.

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% per annum.

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 semi-annual payments of \$47,393 including interest at 3.55% per annum.

In August 2009, the City entered into an installment purchase contract for \$150,000 to finance the installation of directional signs in the City. The financing agreement requires semi-annual payments of \$9,088 plus interest at 3.75% per annum beginning February 24, 2010 through August 24, 2019.

In November 2009 the City entered into an installment purchase contract for \$790,000 to finance a 2009 Seagrave Optimum Tanker and a 2009 Seagrave Marauder II Pumper. The financing agreement requires semi-annual payments of \$39,500 plus interest at 4.25% per annum beginning May 1, 2010 through November 1, 2019. (This note is collateralized by the above assets with a net book value of \$764,261 as of June 30, 2010.)

The future minimum payments of the installment purchases as of June 30, 2010 are as follows:

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 220,650	\$ 76,313	\$ 296,963	\$ 115,826	\$ 25,058	\$ 140,884
2012	223,728	66,698	290,426	121,102	19,782	140,884
2013	226,906	56,834	283,740	126,377	14,507	140,884
2014	230,223	46,905	277,128	131,652	9,232	140,884
2015	233,648	36,869	270,517	136,929	3,957	140,886
Next 5 years	725,756	63,305	789,061	-	-	-
	<u>\$1,860,911</u>	<u>\$ 346,924</u>	<u>\$ 2,207,835</u>	<u>\$ 631,886</u>	<u>\$ 72,536</u>	<u>\$ 704,422</u>

B. Bonds Payable

At June 30, 2010, there were no outstanding authorizations to issue bonds and no outstanding general obligation bonds. As of June 30, 2010, the City's legal debt margin was approximately \$76,000,000.

C. Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2010:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Installment contracts	\$ 1,093,039	\$ 940,000	\$ 172,129	\$ 1,860,910	\$ 220,650
Compensated absences	213,670	144,930	140,000	218,600	140,000
Net pension obligations	233,389	47,097	78,340	202,146	-
Other postemployment benefits	-	31,228	-	31,228	-
Governmental activities long-term liabilities	<u>\$ 1,540,098</u>	<u>\$ 1,163,255</u>	<u>\$ 390,469</u>	<u>\$ 2,312,884</u>	<u>\$ 360,650</u>
Business-type activities:					
Installment contracts	\$ 742,436	\$ -	\$ 110,550	\$ 631,886	\$ 115,826
Compensated absences	79,851	11,303	10,000	81,154	10,000
Business-type activity long-term liabilities	<u>\$ 822,287</u>	<u>\$ 11,303</u>	<u>\$ 120,550</u>	<u>\$ 713,040</u>	<u>\$ 125,826</u>

The following is a summary of interest expense during the year ended June 30, 2010:

	Interest Expense
General fund	\$ 82,741
Water and sewer fund	30,334

**Note 10 – Interfund Balances and Activity**

A. Balances Due to/from Other Funds

The composition of interfund balances as of June 30, 2010 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Pedestrian/Bikeway Fund	\$ 45,926
Water and Sewer Fund	Capital Reserve Fund	36,005
Total due to/from other funds		<u>\$ 81,931</u>

**B. Transfers to/from Other Funds**

Transfers to/from other funds for the year ending June 30, 2010, consist of the following:

From the Bjerg Fund to the General Fund for community upkeep center	500
From the Fire District Fund to the General Fund for use in portion of installment loan payment for fire trucks	231,900
From the General Fund to the Capital Reserve Fund for health insurance reserves and OPEB contribution	195,250
From the Water and Sewer Fund to the Capital Reserve Fund for health insurance reserves and OPEB contribution	83,750
From the Water and Sewer Fund to the Capital Reserve Fund for future reserve capital outlay	100,490
From the Capital Reserve Fund to the Water and Sewer Fund for reserve capital outlay	164,756

**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 \$23,119 of goods during the year from Harris Hardware and Farm Supply, Inc., which is operated by Mayor Jimmy Harris.

**Note 14 – Prior Period Adjustments**

During the current year, an error was discovered in the capital asset records resulting in a prior period adjustment. A capital asset of \$749,536 purchased in a prior year was reported twice in the government-wide Statement of Net Assets. Beginning Capital Assets and Total Net Assets have been restated to correct the error. In addition, a prior period adjustment of \$13,000 was made to record accrued interest payable in the proprietary fund. The prior period balances have been restated for comparative purposes.

**INDIVIDUAL FUND STATEMENTS  
AND SCHEDULES**

**REQUIRED SUPPLEMENTAL FINANCIAL DATA**

**CITY OF BREVARD, NORTH CAROLINA**

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
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%
12/31/08	-	505,058	505,058	0%	950,926	53.11%
12/31/09	-	591,256	591,256	0%	970,393	60.93%

**CITY OF BREVARD, NORTH CAROLINA**

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

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<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2008	\$ 58,629	117.8%
2009	54,726	126.2%
2010	47,097	166.3%

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**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. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	21 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

**CITY OF BREVARD, NORTH CAROLINA**

**OTHER POSTEMPLOYMENT BENEFITS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS**

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<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>
12/31/09	\$ -	\$ 201,789	\$ 201,789	0%	\$ 3,720,810	5.42%

**CITY OF BREVARD, NORTH CAROLINA**

**OTHER POSTEMPLOYMENT BENEFITS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

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<u>Year Ended</u> <u>June 30</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2010	\$ 32,910	5.1%

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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. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation period	Market Value of Assets

Actuarial assumptions:

Investment rate of return*	3.75%
Medical cost trend rate	10.50% - 5.00%
*Includes inflation rate at	3.75%
Cost of living adjustments	None

**CITY OF BREVARD, NORTH CAROLINA**

GENERAL FUND  
COMPARATIVE BALANCE SHEET  
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
Cash and cash equivalents, unrestricted	\$ 2,947,111	\$ 2,569,645
Cash and cash equivalents, restricted	85,400	64,985
Receivables (net):		
Ad valorem taxes	52,192	34,327
Accounts receivable	103,799	191,721
Due from other governments	431,529	411,818
Due from (to) other funds	45,926	(4,597)
Inventories	38,785	46,827
	<u>\$ 3,704,742</u>	<u>\$ 3,314,726</u>
 <b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 199,399	\$ 333,342
Deferred revenues	26,980	34,327
Unearned revenues	21,221	-
Total liabilities	<u>247,600</u>	<u>367,669</u>
Fund balances:		
Reserved for inventories	38,785	46,827
Reserved by State statute	581,254	598,942
Unreserved:		
Designated for subsequent years' expenditures	85,000	96,000
Undesignated	2,752,103	2,205,288
Total fund balances	<u>3,457,142</u>	<u>2,947,057</u>
	<u>\$ 3,704,742</u>	<u>\$ 3,314,726</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, 2010

With comparative actual amounts for the year ended June 30, 2009

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
<b>Revenues</b>				
<b>Ad Valorem Taxes:</b>				
Current year	\$ 3,490,410	\$ 3,759,978	\$ 269,568	\$ 3,255,715
Prior years	43,000	15,694	(27,306)	28,462
Penalties and interest	14,000	16,342	2,342	18,317
Refunds paid on ad valorem tax	(3,500)	(828)	2,672	(3,077)
	<u>3,543,910</u>	<u>3,791,186</u>	<u>247,276</u>	<u>3,299,417</u>
<b>Other Taxes and Licenses:</b>				
Local option sales tax	1,065,000	975,236	(89,764)	1,036,156
Privilege licenses	20,000	22,442	2,442	22,204
Zoning administration	25,000	22,402	(2,598)	24,130
	<u>1,110,000</u>	<u>1,020,080</u>	<u>(89,920)</u>	<u>1,082,490</u>
<b>Unrestricted Intergovernmental Revenues:</b>				
<b>Payments in lieu of taxes:</b>				
Water and sewer fund	490,000	490,000	-	490,000
Other	5,000	5,000	-	5,000
Franchise tax	340,000	378,821	38,821	367,687
Beer and wine taxes	30,000	10,226	(19,774)	32,012
Utilities franchise tax - CATV	45,000	50,960	5,960	52,197
City narcotics investigation	84,900	89,808	4,908	64,104
City of Brevard ABC Board	180,000	169,437	(10,563)	171,793
	<u>1,174,900</u>	<u>1,194,252</u>	<u>19,352</u>	<u>1,182,793</u>
<b>Restricted Intergovernmental Revenues:</b>				
State street aid allocation	210,000	200,919	(9,081)	226,138
Court facilities fees	5,000	4,490	(510)	3,464
Grant from insurance carrier	1,000	3,250	2,250	3,000
P.O. GEBG Grant	-	1,150	1,150	2,300
	<u>216,000</u>	<u>209,809</u>	<u>(6,191)</u>	<u>234,902</u>

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

For the year ended June 30, 2010

With comparative actual amounts for the year ended June 30, 2009

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
<b>Sales and Services:</b>				
Recycling revenue	40,000	48,157	8,157	46,622
Rents	24,600	26,650	2,050	22,550
Parking violation penalties	6,000	3,762	(2,238)	4,370
Parking fees	-	1,500	1,500	-
Recreation revenues	10,000	20,272	10,272	9,028
Refuse collection fees	553,000	532,306	(20,694)	548,694
Vehicle maintenance	377,650	352,907	(24,743)	361,863
Other	-	572	572	18,037
	<u>1,011,250</u>	<u>986,126</u>	<u>(25,124)</u>	<u>1,011,164</u>
Investment earnings	40,100	13,138	(26,962)	37,983
<b>Miscellaneous:</b>				
Other	44,450	4,919	(39,531)	2,605
Total revenues	<u>7,140,610</u>	<u>7,219,510</u>	<u>78,900</u>	<u>6,851,354</u>
<b>Expenditures</b>				
<b>General Government:</b>				
<b>Governing Body:</b>				
Salaries and employee benefits		34,943		34,944
Other operating expenses		22,336		17,635
	<u>61,869</u>	<u>57,279</u>	<u>4,590</u>	<u>52,579</u>
<b>Administration:</b>				
Salaries and employee benefits		165,781		197,640
Other operating expenses		57,540		49,615
Capital outlay		3,108		2,505
	<u>251,935</u>	<u>226,429</u>	<u>25,506</u>	<u>249,760</u>
<b>City Clerk:</b>				
Salaries and employee benefits		66,249		64,820
Other operating expenses		46,834		30,362
	<u>123,080</u>	<u>113,083</u>	<u>9,997</u>	<u>95,182</u>
<b>Finance:</b>				
Salaries and employee benefits		216,589		223,115
Other operating expenses		185,959		174,515
	<u>407,906</u>	<u>402,548</u>	<u>5,358</u>	<u>397,630</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, 2010

With comparative actual amounts for the year ended June 30, 2009

	<u>2010</u>		Variance	<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	Positive	<u>Actual</u>
			(Negative)	
General Government (continued):				
Tax Collector:				
Other operating expenses	120,000	113,696	6,304	99,098
Legal:				
Other operating expenses	104,000	102,944	1,056	128,476
Planning:				
Salaries and employee benefits		283,868		284,588
Other operating expenses		92,666		126,790
	396,480	376,534	19,946	411,378
Special Appropriations:				
Chamber of Commerce		2,500		2,500
Heart of Brevard		15,000		15,000
	17,500	17,500	-	17,500
Personnel:				
Salaries and employee benefits		77,324		82,409
Other operating expenses		51,426		56,195
	126,763	128,750	(1,987)	138,604
Elections:				
Other operating expenses	15,750	15,746	4	-
Total General Government	1,625,283	1,554,509	70,774	1,590,207
Public Safety:				
Police:				
Salaries and employee benefits		1,757,362		1,841,503
Other operating expenses		422,917		414,825
Capital outlay		21,182		85,445
	2,447,234	2,201,461	245,773	2,341,773
Fire:				
Salaries and employee benefits		174,120		166,988
Other operating expenses		172,676		129,825
Capital outlay		790,000		-
	1,172,967	1,136,796	36,171	296,813
Total public safety	3,620,201	3,338,257	281,944	2,638,586

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, 2010

With comparative actual amounts for the year ended June 30, 2009

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
<b>Public Works:</b>				
<b>Administration:</b>				
Salaries and employee benefits		156,266		152,952
Other operating expenses		63,641		69,413
	<u>220,867</u>	<u>219,907</u>	960	<u>222,365</u>
<b>Central Maintenance:</b>				
Salaries and employee benefits		137,492		135,145
Other operating expenses		318,396		328,447
Capital outlay		-		5,239
	<u>477,040</u>	<u>455,888</u>	21,152	<u>468,831</u>
<b>Streets:</b>				
Salaries and employee benefits		114,734		92,636
Other operating expenses		171,657		184,367
	<u>334,365</u>	<u>286,391</u>	47,974	<u>277,003</u>
<b>Powell Aid:</b>				
Salaries and employee benefits		218,988		239,487
Other operating expenses		149,108		109,177
	<u>371,030</u>	<u>368,096</u>	2,934	<u>348,664</u>
<b>Building and Grounds:</b>				
Salaries and employee benefits		243,726		244,847
Other operating expenses		138,408		156,340
	<u>436,255</u>	<u>382,134</u>	54,121	<u>401,187</u>
<b>Sanitation:</b>				
Salaries and employee benefits		275,657		306,829
Other operating expenses		381,258		350,929
	<u>662,896</u>	<u>656,915</u>	5,981	<u>657,758</u>
<b>Total public works</b>	<u>2,502,453</u>	<u>2,369,331</u>	133,122	<u>2,375,808</u>

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

For the year ended June 30, 2010

With comparative actual amounts for the year ended June 30, 2009

	<b>2010</b>		Variance Positive (Negative)	2009
	Budget	Actual		Actual
<b>Recreation:</b>				
<b>Recreation Department:</b>				
Salaries and employee benefits		25,826		9,021
Other operating expenses		41,760		51,592
	89,150	67,586	21,564	60,613
<b>Total recreation</b>	<b>89,150</b>	<b>67,586</b>	<b>21,564</b>	<b>60,613</b>
<b>Debt service:</b>				
Principal retirement		172,129		176,105
Interest		64,741		59,036
	246,713	236,870	9,843	235,141
<b>Total expenditures</b>	<b>8,083,800</b>	<b>7,566,553</b>	<b>517,247</b>	<b>6,900,355</b>
<b>Revenue over (under) expenditures</b>	<b>(943,190)</b>	<b>(347,043)</b>	<b>596,147</b>	<b>(49,001)</b>
<b>Other Financing Sources (Uses):</b>				
<b>Operating transfers from other funds:</b>				
Bjerg Fund	500	500	-	1,000
Fire District Fund	231,900	231,900	-	199,647
CDBG Rosenwald Revitalization	-	-	-	7,600
<b>Operating transfers to other funds:</b>				
Pedestrian/Bikeway Capital Project	-	-	-	(397,000)
Capital Reserve Fund	(195,250)	(195,250)	-	(118,000)
Proceeds from sale of capital assets	20,000	29,978	9,978	23,385
Proceeds from Installment financing	790,000	790,000	-	-
Fund balance appropriated	96,040	-	(96,040)	-
	943,190	857,128	(86,062)	(283,368)
<b>Revenues and other sources over expenditures and other uses</b>	<b>\$ -</b>	<b>510,085</b>	<b>\$ 510,085</b>	<b>(332,369)</b>
<b>Fund Balances:</b>				
Beginning of year		2,947,057		3,279,426
End of year		<b>\$ 3,457,142</b>		<b>\$ 2,947,057</b>

**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, 2010

With comparative actual amounts for the year ended June 30, 2009

	<u>2010</u>		Variance	<u>2009</u>
	Budget	Actual	Positive (Negative)	Actual
Revenues:				
Impact fees - water and sewer	\$ 15,000	\$ 36,000	\$ 21,000	\$ 74,125
Sidewalks - fees in lieu	-	-	-	14,987
Fees in lieu of infrastructure	-	32,029	32,029	35,327
Investment earnings	12,500	6,387	(6,113)	61,353
Donations	-	2,300	2,300	20,194
Total revenues	<u>27,500</u>	<u>76,716</u>	<u>49,216</u>	<u>205,986</u>
Expenditures:				
Miscellaneous	-	-	-	5,147
Revenues over expenditures	<u>27,500</u>	<u>76,716</u>	<u>49,216</u>	<u>200,839</u>
Other Financing Sources (Uses):				
Operating transfers from (to)				
General Fund	118,000	195,250	77,250	118,000
Water and sewer fund	224,890	184,240	(40,650)	17,582
Water and sewer capital projects funds	(527,990)	(164,756)	363,234	(265,600)
Pedestrian/bikeway capital project fund	-	-	-	(157,600)
Fund balance appropriated	<u>157,600</u>	<u>-</u>	<u>(157,600)</u>	<u>-</u>
Total other financing sources (uses)	<u>(27,500)</u>	<u>214,734</u>	<u>242,234</u>	<u>(287,618)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>291,450</u>	<u>\$ 291,450</u>	<u>(86,779)</u>
Fund balance, beginning of year		<u>2,481,191</u>		<u>2,567,970</u>
Fund balance, end of year		<u>\$ 2,772,641</u>		<u>\$ 2,481,191</u>
Fund balance designated for:				
Streets and sidewalks		\$ 193,931		
Water and Sewer capital projects		1,089,237		
Clean water projects and recreation		691,874		
Future health insurance costs		346,599		
Future OPEB liability		51,000		
Fund balance restricted for:				
Clean water projects		<u>400,000</u>		
		<u>\$ 2,772,641</u>		

**CITY OF BREVARD, NORTH CAROLINA**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2010

	<u>Special Revenue</u>	
	Special Fire District Fund	Heart of Brevard Municipal Service District Fund
<b>Assets</b>		
Cash and cash equivalents, restricted	\$ 132,105	\$ -
Accounts receivable, net	11,534	-
	<hr/>	<hr/>
Total assets	<u>\$ 143,639</u>	<u>\$ -</u>
 <b>Liabilities and Fund Balances</b>		
Liabilities:		
Due to other funds	\$ -	\$ -
	<hr/>	<hr/>
Fund balances:		
Reserved by State Statute	11,534	-
Restricted by Donor	-	-
Unreserved	132,105	-
	<hr/>	<hr/>
	143,639	-
	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 143,639</u>	<u>\$ -</u>

<b>Capital Projects</b>			<b>Permanent</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Pedestrian Bikeway Project Fund</b>	<b>Wayfinding Project Fund</b>	<b>Downtown Master Plan</b>	<b>Non-expend Bjerg Trust Fund</b>	
\$ 127,112	\$ 165,461	\$ 6,821	\$ 59,916	\$ 491,415
-	-	-	-	11,534
<u>\$ 127,112</u>	<u>\$ 165,461</u>	<u>\$ 6,821</u>	<u>\$ 59,916</u>	<u>\$ 502,949</u>
\$ 45,926	\$ -	\$ -	\$ -	\$ 45,926
<u>45,926</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,926</u>
-	-	-	-	11,534
-	-	-	55,440	55,440
81,186	165,461	6,821	4,476	390,049
<u>81,186</u>	<u>165,461</u>	<u>6,821</u>	<u>59,916</u>	<u>457,023</u>
<u>\$ 127,112</u>	<u>\$ 165,461</u>	<u>\$ 6,821</u>	<u>\$ 59,916</u>	<u>\$ 502,949</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, 2010

	<u>Special Revenue</u>	
	Fire District	Heart of Brevard Municipal Service District Fund
	Fund	District Fund
Revenues:		
Ad valorem taxes	\$ 223,650	\$ 109,695
Investment earnings	467	65
State grant	-	-
Miscellaneous	1,000	-
Total revenues	<u>225,117</u>	<u>109,760</u>
Expenditures:		
Economic and physical development	-	109,782
Public safety	1,311	-
Total expenditures	<u>1,311</u>	<u>109,782</u>
Revenues over (under) expenditures	<u>223,806</u>	<u>(22)</u>
Other Financing Sources (Uses)		
Transfers in:		
General fund	-	-
Transfers out:		
General fund	(231,900)	-
Proceeds from sale of capital asset	27,750	-
Proceeds from debt	-	-
Total other financing sources (uses)	<u>(204,150)</u>	<u>-</u>
Net change in fund balances	19,656	(22)
Fund balance, beginning	<u>123,983</u>	<u>22</u>
Fund balance, ending	<u>\$ 143,639</u>	<u>\$ -</u>

<b>Capital Projects</b>			<b>Permanent</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Pedestrian Bikeway Project Fund</b>	<b>Wayfinding Project Fund</b>	<b>Downtown Master Plan</b>	<b>Non-expend Bjerg Trust Fund</b>	
\$ -	\$ -	\$ -	\$ -	\$ 333,345
2,689	675	32	773	4,701
9,665	8,500	-	-	18,165
-	15,500	-	-	16,500
<u>12,354</u>	<u>24,675</u>	<u>32</u>	<u>773</u>	<u>372,711</u>
400,434	9,214	-	-	519,430
-	-	-	-	1,311
<u>400,434</u>	<u>9,214</u>	<u>-</u>	<u>-</u>	<u>520,741</u>
<u>(388,080)</u>	<u>15,461</u>	<u>32</u>	<u>773</u>	<u>(148,030)</u>
-	-	-	-	-
-	-	-	(500)	(232,400)
-	-	-	-	27,750
-	150,000	-	-	150,000
<u>-</u>	<u>150,000</u>	<u>-</u>	<u>(500)</u>	<u>(54,650)</u>
<u>(388,080)</u>	<u>165,461</u>	<u>32</u>	<u>273</u>	<u>(202,680)</u>
<u>469,266</u>	<u>-</u>	<u>6,789</u>	<u>59,643</u>	<u>659,703</u>
<u>\$ 81,186</u>	<u>\$ 165,461</u>	<u>\$ 6,821</u>	<u>\$ 59,916</u>	<u>\$ 457,023</u>

**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, 2010

With comparative actual amounts for the year ended June 30, 2009

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
<b>Revenues:</b>				
Ad valorem taxes	\$ 231,400	\$ 223,650	\$ (7,750)	\$ 213,000
Investment earnings	500	467	(33)	837
Miscellaneous	-	1,000	1,000	-
Total revenues	<u>231,900</u>	<u>225,117</u>	<u>(6,783)</u>	<u>213,837</u>
<b>Expenditures:</b>				
Miscellaneous	<u>30,000</u>	<u>1,311</u>	<u>28,689</u>	<u>6,102</u>
Revenues over expenditures	<u>201,900</u>	<u>223,806</u>	<u>21,906</u>	<u>207,735</u>
<b>Other Financing Uses:</b>				
Operating transfer to other funds:				
General fund (for Fire Department expenditures)	(231,900)	(231,900)	-	(199,647)
Proceeds from sale of capital asset	<u>30,000</u>	<u>27,750</u>	<u>(2,250)</u>	<u>-</u>
Total other financing uses	<u>(201,900)</u>	<u>(204,150)</u>	<u>(2,250)</u>	<u>(199,647)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>19,656</u>	<u>\$ 19,656</u>	<u>8,088</u>
Fund balance, beginning of year		<u>123,983</u>		<u>115,895</u>
Fund balance, end of year		<u>\$ 143,639</u>		<u>\$ 123,983</u>

**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, 2010

With comparative actual amounts for the year ended June 30, 2009

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
<b>Revenues:</b>				
Ad valorem taxes	\$ 114,900	\$ 109,695	\$ (5,205)	\$ 96,360
Investment earnings	100	65	(35)	214
<b>Total revenues</b>	<u>115,000</u>	<u>109,760</u>	<u>(5,240)</u>	<u>96,574</u>
<b>Expenditures:</b>				
Current:				
Contracted services	115,000	109,782	5,218	96,558
<b>Revenues over (under) expenditures</b>	<u>\$ -</u>	<u>(22)</u>	<u>\$ (22)</u>	16
Fund balance, beginning of year		<u>22</u>		<u>6</u>
Fund balance, end of year		<u>\$ -</u>		<u>\$ 22</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, 2010**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
<b>Revenues:</b>				
N.C. recreation trails grants	\$ 321,967	\$ -	\$ 9,665	\$ 9,665
Investment earnings	-	538	2,689	3,227
<b>Total revenues</b>	<b>321,967</b>	<b>538</b>	<b>12,354</b>	<b>12,892</b>
<b>Expenditures:</b>				
Engineering, design and construction -				
Davidson River trail	93,467	10,121	58,844	68,965
Gallimore Road multi-use	783,100	75,751	341,590	417,341
<b>Total expenditures</b>	<b>876,567</b>	<b>85,872</b>	<b>400,434</b>	<b>486,306</b>
<b>Revenues over (under) expenditures</b>	<b>(554,600)</b>	<b>(85,334)</b>	<b>(388,080)</b>	<b>(473,414)</b>
<b>Other Financing Sources:</b>				
Transfers from Capital Reserve Fund	157,600	157,600	-	157,600
Transfers from General Fund - Phase III	397,000	397,000	-	397,000
<b>Total other financing sources</b>	<b>554,600</b>	<b>554,600</b>	<b>-</b>	<b>554,600</b>
<b>Revenues and other financing sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 469,266</b>	<b>(388,080)</b>	<b>\$ 81,186</b>
<b>Fund balance, beginning of year</b>			<b>469,266</b>	
<b>Fund balance, end of year</b>			<b>\$ 81,186</b>	

**CITY OF BREVARD, NORTH CAROLINA**

**WAYFINDING PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
From inception and for the year ended June 30, 2010**

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
TDA grant	\$ 8,500	\$ -	\$ 8,500	\$ 8,500
Interest	-	-	675	675
Miscellaneous	15,500	-	15,500	15,500
Total revenues	24,000	-	24,675	24,675
Expenditures:				
Design, fabrication, and install	174,000	-	9,214	9,214
Total expenditures	174,000	-	9,214	9,214
Revenues over (under) expenditures	(150,000)	-	15,461	15,461
Other Financing Sources:				
Proceeds from debt	150,000	-	150,000	150,000
Revenues and other sources over (under) expenditures	\$ -	\$ -	165,461	\$ 165,461
Fund balance, beginning of year			-	
Fund balance, end of year			\$ 165,461	

**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, 2010

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Investment earnings	\$ -	\$ 1,864	\$ 32	\$ 1,896
Total revenues	<u>-</u>	<u>1,864</u>	<u>32</u>	<u>1,896</u>
Expenditures:				
Construction	358,677	356,562	-	356,562
Revenues over (under) expenditures	<u>(358,677)</u>	<u>(354,698)</u>	<u>32</u>	<u>(354,666)</u>
Other Financing Sources:				
Operating transfer from other funds:				
Capital Reserve fund	358,677	361,487	-	361,487
Total other financing sources	<u>358,677</u>	<u>361,487</u>	<u>-</u>	<u>361,487</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 6,789</u>	32	<u>\$ 6,821</u>
Fund balance, beginning of year			<u>6,789</u>	
Fund balance, end of year			<u>\$ 6,821</u>	

**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, 2010

With comparative actual amounts for the year ended June 30, 2009

	<u>2010</u>			<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Actual</u>
<b>Revenues:</b>				
Investment earnings	\$ 500	\$ 773	\$ 273	\$ 1,231
<b>Other Financing Uses:</b>				
Transfer to General Fund - (for French Broad Community Center Improvements)	<u>500</u>	<u>500</u>	<u>-</u>	<u>1,000</u>
Revenues over other uses	<u>\$ -</u>	<u>273</u>	<u>\$ 273</u>	231
Fund balance, beginning of year		<u>59,643</u>		<u>59,412</u>
Fund balance, end of year		<u>\$ 59,916</u>		<u>\$ 59,643</u>

**CITY OF BREVARD, NORTH CAROLINA**

**WATER AND SEWER FUND  
STATEMENT OF NET ASSETS  
June 30, 2010 and 2009**

	<u>2010</u>	<u>2009 Restated</u>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,248,100	\$ 1,185,333
Accounts receivable (net)	301,248	164,257
Due from other governments	54,464	1,248
Due from other funds	36,005	-
Prepaid Assets	15,129	19,357
Total current assets	<u>1,654,946</u>	<u>1,370,195</u>
Capital assets (net)	<u>12,141,446</u>	<u>12,183,828</u>
Total assets	<u>13,796,392</u>	<u>13,554,023</u>
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	136,467	120,915
Customer deposits	148,486	130,451
Accrued interest	13,000	13,000
Compensated absences - current	10,000	-
Installment contracts - current	115,826	110,550
Total current liabilities	<u>423,779</u>	<u>374,916</u>
Noncurrent liabilities:		
Compensated absences	71,155	79,852
Installment contracts - noncurrent (net)	516,059	631,886
Total noncurrent liabilities	<u>587,214</u>	<u>711,738</u>
Total liabilities	<u>1,010,993</u>	<u>1,086,654</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	11,509,561	11,441,392
Unrestricted	1,275,838	1,012,977
Total net assets	<u>\$ 12,785,399</u>	<u>\$ 12,467,369</u>

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

For the year ended June 30, 2010

With comparative actual amounts for the year ended June 30, 2009

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Revenues:				
Operating Revenues:				
Charges for utilities:				
Water	\$ 1,990,000	\$ 1,975,259	\$ (14,741)	\$ 1,720,518
Sewer	1,644,000	1,642,712	(1,288)	1,566,306
Taps and connection fees:				
Water	15,000	11,140	(3,860)	6,249
Sewer	10,000	2,000	(8,000)	14,088
Other operating revenues	72,000	75,030	3,030	66,451
Total operating revenues	3,731,000	3,706,141	(24,859)	3,373,612
Nonoperating Revenues:				
Interest on investments	29,000	5,396	(23,604)	22,046
Other	-	-	-	2,929
Total nonoperating revenues	29,000	5,396	(23,604)	24,975
Total revenues	3,760,000	3,711,537	(48,463)	3,398,587
Expenditures:				
Water Service:				
Water Treatment:				
Salaries and employee benefits		330,516		335,068
Other operating expenses		267,749		307,121
Capital outlay		18,730		19,755
	710,499	616,995	93,504	661,944
Water Distribution:				
Salaries and employee benefits		201,678		196,199
Other operating expenses		217,211		225,116
Capital outlay		238,024		32,882
	711,037	656,913	54,124	454,197
Total water service	1,421,536	1,273,908	147,628	1,116,141

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

For the year ended June 30, 2010

With comparative actual amounts for the year ended June 30, 2009

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Expenditures (continued):				
Sewer Service:				
Sewage Treatment:				
Salaries and employee benefits		345,099		296,856
Other operating expenses		403,575		427,964
Capital outlay		21,184		79,875
	850,519	769,858	80,661	804,695
Sewer Maintenance:				
Salaries and employee benefits		311,452		360,949
Other operating expenses		275,172		285,079
Capital outlay		2,700		-
	666,705	589,324	77,381	646,028
Total sewer service	1,517,224	1,359,182	158,042	1,450,723
Debt Service				
Interest and fees		30,334		48,609
Debt principal		110,550		105,275
Total debt service	141,000	140,884	116	153,884
Nondepartmental:				
Payment to general fund in lieu of taxes and administrative expenses	490,000	490,000	-	490,000
Bracken Creek watershed	-	-	-	12,354
Miscellaneous	6,000	5,748	252	4,509
	496,000	495,748	252	506,863
Total expenditures	3,575,760	3,269,722	306,038	3,227,611
Revenues over expenditures	184,240	441,815	257,575	170,976
Other financing sources (uses):				
Transfer to Capital Reserve Fund	(184,240)	(184,240)	-	(17,582)
Total other financing sources (uses)	(184,240)	(184,240)	-	(17,582)
Revenues and other sources over expenditures and other uses	\$ -	\$ 257,575	\$ 257,575	\$ 153,394

**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, 2010

With comparative actual amounts for the year ended June 30, 2009

	<u>2010</u>	<u>2009</u>
Reconciliation of Budgetary Basis to Full Accrual Basis:		
Revenues over expenditures	\$ 257,575	\$ 153,394
Reconciling items:		
Payment of debt principal	110,550	105,275
Transfers from Capital Reserve Fund for use in Gallimore Rd Force Main Capital Project Fund	147,965	265,600
Transfers from Capital Reserve Fund for use Water Treatment Plan Capital Project Fund	16,791	-
Capital contributions in Water Infrastructure Capital Project Fund - Federal Grant	54,464	-
Capital contributions to Water Infrastructure Capital Project Fund - Water and Sewer Fund	193,334	-
Capital outlay	81,905	112,757
Depreciation	<u>(544,554)</u>	<u>(368,636)</u>
Net income	<u>\$ 318,030</u>	<u>\$ 268,390</u>

**CITY OF BREVARD, NORTH CAROLINA**

**GALLIMORE RD FORCE MAIN CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
From inception and for the year ended June 30, 2010**

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Engineering, design and construction	390,000	265,390	148,175	413,565
Revenues over (under) expenditures	(390,000)	(265,390)	(148,175)	(413,565)
Other Financing Sources:				
Transfers from Capital Reserve Fund	390,000	265,600	147,965	413,565
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>210</u>	<u>(210)</u>	<u>\$ -</u>
Fund balance, beginning of year			<u>210</u>	
Fund balance, end of year			<u>\$ -</u>	

**CITY OF BREVARD, NORTH CAROLINA**

**WATER TREATMENT PLANT CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
From inception and for the year ended June 30, 2010**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues	\$ 496,650	\$ -	\$ -	\$ -
Expenditures:				
Engineering, design and construction	<u>993,300</u>	<u>-</u>	<u>16,791</u>	<u>16,791</u>
Revenues over (under) expenditures	(496,650)	-	(16,791)	(16,791)
Other Financing Sources:				
Transfers from Capital Reserve Fund	<u>496,650</u>	<u>-</u>	<u>16,791</u>	<u>16,791</u>
Revenues and other financing sources over 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**

**WATER INFRASTRUCTURE CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

From inception and for the year ended June 30, 2010

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
<b>Revenues</b>				
NC Rural Center Grant	\$ 386,666	\$ -	\$ 54,464	\$ -
<b>Expenditures:</b>				
Engineering, design and construction	580,000	-	247,798	247,798
Revenues over (under) expenditures	(193,334)	-	(193,334)	(193,334)
<b>Other Financing Sources:</b>				
Transfers from Water and Sewer Fund	193,334	-	193,334	193,334
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**

GENERAL FUND  
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
 June 30, 2010

Fiscal Year	Uncollected Balance June 30, 2009	Additions	Collections And Credits	Uncollected Balance June 30, 2010
2009-2010	\$ -	\$ 3,726,371	\$ 3,715,966	\$ 10,405
2008-2009	16,339	-	13,031	3,308
2007-2008	3,630	-	971	2,659
2006-2007	3,128	-	705	2,423
2005-2006	3,633	-	718	2,915
2004-2005	2,668	-	258	2,410
2003-2004	3,491	-	502	2,989
2002-2003	6,200	-	318	5,882
2001-2002	4,102	-	611	3,491
2000-2001	2,959	-	461	2,498
1999-2000	2,177	-	2,177	-
	<u>\$ 48,327</u>	<u>\$ 3,726,371</u>	<u>\$ 3,735,718</u>	<u>38,980</u>
				Less: allowance for uncollectible accounts (12,000)
				Add: revenue reporting timing difference between County of Transylvania and City of Brevard for June 2010 revenue received in July 2010 25,212
				<u>\$ 52,192</u>
				<u>\$ 52,192</u>
				<u>Reconcilement with revenues:</u>
				Ad valorem taxes - General Fund \$ 3,791,186
				Reconciling items:
				Interest collected (16,342)
				Taxes written off per statute of limitations 2,177
				Abatements and adjustments (41,303)
				Subtotal (55,468)
				Total collections and credits \$ 3,735,718
				<u>\$ 3,735,718</u>

**CITY OF BREVARD, NORTH CAROLINA**

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

For the Year Ended June 30, 2010

	City - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current	\$ 927,298,715	0.3875	\$ 3,586,837	\$ 3,494,538	\$ 92,299
Registered motor vehicles taxed at prior year's rate	16,050,707	0.4950	79,451	-	79,451
Penalties	-		1,629	1,629	-
Total	<u>943,349,422</u>		<u>3,667,917</u>	<u>3,496,167</u>	<u>171,750</u>
Discoveries	18,796,578		74,942	74,897	45
Abatements	<u>(9,422,938)</u>		<u>(16,488)</u>	<u>(10,609)</u>	<u>(5,879)</u>
Total property valuation	<u>\$ 952,723,062</u>				
Net levy			3,726,371	3,560,455	165,916
Uncollected taxes at June 30, 2010			<u>(10,405)</u>	<u>(2,854)</u>	<u>(7,551)</u>
Current year's taxes collected and credits			<u>\$ 3,715,966</u>	<u>\$ 3,557,601</u>	<u>\$ 158,365</u>
Current levy collection percentage			<u>99.72%</u>	<u>99.92%</u>	<u>95.45%</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, 2010, which collectively comprises the City of Brevard's basic financial statements, and have issued our report thereon dated November 9, 2010. 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 10 – 1 and 10 – 2 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 10 – 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 are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 10 – 3.

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

Asheville, North Carolina  
November 9, 2010

**CITY OF BREVARD, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2010**

**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**

**10 – 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: There were significant material adjustments made as part of the audit procedures. These adjustments, if not recorded, would have caused the financial statements to be materially misstated. The primary adjustments were related to recording receivables, payables, transfers and financed purchases. In addition, a prior period restatement to the Statement of Net Assets was required due an acquired capital asset recorded twice in a prior period.

Cause: The City did not post all necessary year end journal entries.

Recommendation: The closing process should include adjustment of general ledger balances to period ending amounts per supporting data so financial reporting is in accordance with general accepted accounting principles.

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

**10 – 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, 2010**

**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.

**10 – 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 was 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:			
General Government			
Personnel	\$ 126,763	\$ 128,750	\$ (1,987)

**Cause:** A year-end expenditure paid in July was not recorded in accounts payable, hence was not considered in the final budget.

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

**Recommendation:** Finance staff should monitor expenditures more closely at fiscal year-end in relation to expenditures incurred but not paid as of fiscal year end 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.

**CITY OF BREVARD, NORTH CAROLINA**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

For the Year Ended June 30, 2010

**Finding 09 – 1**

Status: The City has taken steps to post necessary journal entries. It still did not post all necessary material adjustments. Refer to finding 10 – 1.

**Finding 09 – 2**

Status: The City still engages external auditors to prepare the annual financial statements, footnotes, and other required disclosures. It is still the position of the auditor that it is not feasible for the City to dedicate the resources required to perform all of the year-end financial reporting duties. Refer to finding 10 – 2.

**Finding 09 – 3**

Status: The City has taken steps to monitor expenditures and budget authorization. The City has exceeded a budget authorization in current fiscal year due to a fiscal year-end adjustment. Refer to finding 10 – 3.