

City of Brevard, North Carolina

Financial Statements

Year Ended June 30, 2012



CITY OF BREVARD, NORTH CAROLINA



City Council As of June 30, 2012

Jimmy Harris (Mayor)
Wes Dickson
Charlie Landreth
Rodney Locks
Maurice Jones
Mac Morrow (Mayor Pro Tem)

City Staff

| | |
|---------------------------|-----------------------|
| Joseph M. Moore, II, P.E. | City Manager |
| Desiree D. Perry, NCCMC | City Clerk |
| Michael K. Pratt | City Attorney |
| James R. Fatland, CPFO | City Finance Director |

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**GOULD KILLIAN
CPA GROUP, P.A.**
CERTIFIED PUBLIC ACCOUNTANTS

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, the discretely presented component unit, 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, 2012, 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 opinions.

In our opinion, based on our audit and the report of 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 unit, each major fund, and the aggregate remaining fund information of the City of Brevard, North Carolina as of June 30, 2012, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General 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 2, 2012, 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. 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.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions on pages 3 through 12 and 47 through 50, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards general accepted in the United State of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Brevard's basic financial statements. The combining and individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying schedule of federal and State awards is presented as for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act, and is also not a required part of the basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal awards are stated in all material respects in relation to the basic financial statements as a whole.

Donald Killian CPA Group, P.A.

Asheville, North Carolina

November 2, 2012

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, 2012. 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.

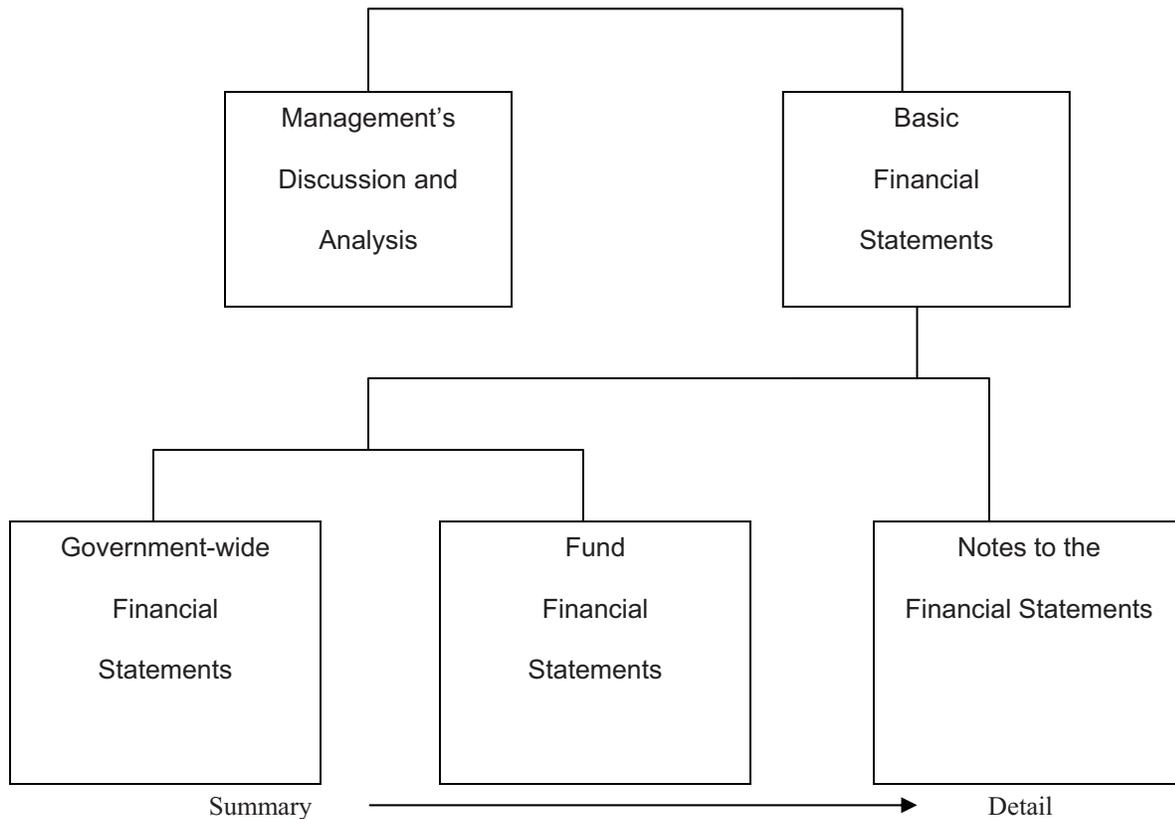
Financial Highlights

- The assets of the City of Brevard exceeded its liabilities at the close of the fiscal year by \$25,591,502 (net assets).
- The City's total net assets increased by \$2,227,774 in the current fiscal year compared to the \$1,408,205 total net assets increase in the previous fiscal year. The additional increase of net assets (\$819,569) between comparing the two fiscal years is primarily due to local option sales tax revenue increase, utilities revenue increase, grant funding increases and expenditures remaining consistent between the two fiscal years.
- Governmental activities net assets increase of \$1,028,905 was comparable to the previous year increase of \$898,232. Local option tax revenues increased approximately \$152,000, or 14% due to an increase in local retail sales.
- As of the close of the current fiscal year, the City of Brevard's governmental funds reported combined ending fund balances of \$7,660,048, an increase of \$584,635 in comparison with the prior year. Approximately 50% of this total amount, or \$3,680,728, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,680,728 (49%) of total general fund expenditures for the fiscal year compared to the prior year \$3,154,486 (42%)
- Debt associated with two of the City's recently purchased fire trucks was refinanced during the year lowering the interest rate from 3.55% to 1.89% per annum.
- The City's Water and Sewer Fund debt increased \$675,493 due to the Belt Press and Grit Removal Project for WWTP Improvements.

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 11) 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 four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements, 3) the proprietary fund statements and 4) the fiduciary fund statements.

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

Government-wide Financial Statements

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

The two government-wide statements report the City's net assets and how they have changed. Net assets is 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 Council 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 council; 2) the final budget as amended by the council; 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 25 through 46 of this report.

The City of Brevard's Net Assets
Figure 2

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | | <u>Total Percentage Change</u> |
|--|--------------------------------|---------------------|---------------------------------|---------------------------|----------------------|---------------------------|--------------------------------|
| | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>(As Restated) 2011</u> | <u>2012</u> | <u>(As Restated) 2011</u> | |
| Current and other assets | \$ 8,071,104 | \$ 7,387,660 | \$ 2,456,606 | \$ 1,949,631 | \$ 10,527,710 | \$ 9,337,291 | 13% |
| Capital assets | <u>4,989,003</u> | <u>4,775,541</u> | <u>13,885,632</u> | <u>12,501,257</u> | <u>18,874,635</u> | <u>17,276,798</u> | 10% |
| Total assets | 13,060,107 | 12,163,201 | 16,342,238 | 14,450,888 | 29,402,345 | 26,614,089 | 11% |
| Long-term liabilities | 1,823,799 | 2,052,305 | 1,268,728 | 593,235 | 3,092,527 | 2,645,540 | 17% |
| Other liabilities | <u>343,270</u> | <u>246,764</u> | <u>375,045</u> | <u>358,057</u> | <u>718,315</u> | <u>604,821</u> | 19% |
| Total liabilities | 2,167,069 | 2,299,069 | 1,643,773 | 951,292 | 3,810,842 | 3,250,361 | 16% |
| Net assets: | | | | | | | |
| Invested in capital assets, net of related debt | 3,550,729 | 3,171,764 | 12,694,080 | 11,985,197 | 16,244,809 | 15,156,961 | 7% |
| Restricted | 2,237,349 | 1,624,357 | - | - | 2,237,349 | 1,624,357 | 38% |
| Unrestricted | <u>5,104,959</u> | <u>5,068,011</u> | <u>2,004,385</u> | <u>1,514,399</u> | <u>7,109,344</u> | <u>6,582,410</u> | 8% |
| Total net assets | <u>\$10,893,037</u> | <u>\$ 9,864,132</u> | <u>\$ 14,698,465</u> | <u>\$ 13,499,596</u> | <u>\$ 25,591,502</u> | <u>\$ 23,363,728</u> | 10% |

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 \$25,591,502 as of June 30, 2012. The City's net assets increased by \$2,227,774 for the fiscal year ended June 30, 2012. 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 (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,109,344 (28%) 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 99.70% for the year ending June 30, 2012, which is comparable to 99.45% for the year ending June 30, 2011. Property tax revenues increased approximately 8%.
- Local option sales tax revenues increased approximately \$152,000, or 14%, mainly due to growth in local retail sales.
- Sales and services revenues increased approximately \$417,000 mainly due to increases in refuse collection fees, vehicle maintenance revenue and water and sewer revenues.

City of Brevard Changes in Net Assets
Figure 3

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | | <u>Total Percentage Change</u> |
|---|--------------------------------|---------------------|---------------------------------|---------------------------|----------------------|---------------------------|--------------------------------|
| | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>(as restated) 2011</u> | <u>2012</u> | <u>(as restated) 2011</u> | |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for services | \$ 1,941,611 | \$ 1,672,568 | \$ 3,803,820 | \$ 3,655,555 | \$ 5,745,431 | \$ 5,328,123 | 8% |
| Operating grants and contributions | 327,824 | 209,397 | 14,793 | - | 342,662 | 209,397 | 64% |
| Capital grants and contributions | 31,475 | 325,495 | 687,045 | 264,955 | 718,475 | 590,450 | 29% |
| General revenues: | | | | | | | |
| Property taxes | 4,517,115 | 4,475,692 | - | - | 4,517,115 | 4,475,692 | 1% |
| Sales tax | 1,218,412 | 1,066,053 | - | - | 1,218,412 | 1,066,053 | 14% |
| Other | <u>808,254</u> | <u>725,616</u> | <u>134</u> | <u>964</u> | <u>808,388</u> | <u>726,580</u> | 11% |
| Total revenues | <u>8,844,691</u> | <u>8,474,821</u> | <u>4,505,792</u> | <u>3,921,474</u> | <u>13,350,483</u> | <u>12,396,295</u> | 8% |
| Expenses: | | | | | | | |
| General government | 1,718,512 | 1,644,434 | - | - | 1,718,512 | 1,644,434 | 5% |
| Public safety | 2,950,427 | 2,931,245 | - | - | 2,950,427 | 2,931,245 | 1% |
| Public works | 2,664,837 | 2,548,248 | - | - | 2,664,837 | 2,548,248 | 5% |
| Economic and physical development | 121,643 | 184,430 | - | - | 121,643 | 184,430 | -34% |
| Culture and recreation | 93,654 | 87,196 | - | - | 93,654 | 87,196 | 7% |
| Interest on long term debt | 66,713 | 76,207 | - | - | 66,713 | 76,207 | -12% |
| Water and sewer | - | - | <u>3,506,923</u> | <u>3,472,971</u> | <u>3,506,923</u> | <u>3,472,971</u> | -2% |
| Total expenses | <u>7,615,786</u> | <u>7,471,760</u> | <u>3,506,923</u> | <u>3,472,971</u> | <u>11,122,709</u> | <u>10,988,090</u> | 1% |
| Increase in net assets before transfers | 1,228,905 | 1,003,061 | 998,869 | 448,503 | 2,227,774 | 1,451,564 | 56% |
| Transfers | <u>(200,000)</u> | <u>(104,829)</u> | <u>200,000</u> | <u>104,829</u> | <u>-</u> | <u>-</u> | |
| Increase in net assets after transfers | <u>1,028,905</u> | <u>898,232</u> | <u>1,198,869</u> | <u>553,332</u> | <u>2,227,774</u> | <u>1,408,205</u> | 61% |
| Net assets, as restated | <u>9,864,132</u> | <u>8,965,900</u> | <u>13,499,596</u> | <u>12,946,264</u> | <u>23,363,728</u> | <u>21,912,164</u> | |
| Net assets, ending | <u>\$10,893,037</u> | <u>\$ 9,864,132</u> | <u>\$ 14,698,465</u> | <u>\$ 13,499,596</u> | <u>\$ 25,591,502</u> | <u>\$ 23,363,728</u> | |

Governmental activities. Governmental activities increased the City's net assets by \$1,028,905. This increase is higher than the prior year's increase.

Business-type activities: Business-type activities increased the City of Brevard's net assets by \$1,198,869. This increase is higher than the prior year's increase mainly due to increases in capital grants. No major changes in water and sewer operations occurred during the year.

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, unassigned 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, unassigned fund balance of the General Fund was \$3,680,728, while total fund balance reached \$6,729,344. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance of \$3,680,728 represents 49% of total General Fund expenditures for the year ended June 30, 2012.

At June 30, 2012, the governmental funds of City of Brevard reported a combined fund balance of \$7,660,048, an 8.2% increase over last year.

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 \$2,004,385. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Brevard's business-type activities.

Budgetary Highlights. For the year ended June 20, 2012, the City of Brevard revised the overall budget four times. Generally, these budget amendments fell 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.

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, 2012, totals \$18,874,635 (net of accumulated depreciation). These assets include land, construction in progress, buildings, infrastructure, equipment and vehicles.

Capital Asset Additions. Assets purchased included: vehicles, computer equipment, water & sewer plant construction, and other capital projects. There were no major demolitions or disposals recorded this fiscal year. The major additions were associated with the construction in progress related to the city's various capital projects.

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

Figure 4

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | | <u>Total Percentage Change</u> |
|-------------------------------------|--------------------------------|---------------------|---------------------------------|----------------------------|----------------------|----------------------------|--|
| | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>(restated) 2011</u> | <u>2012</u> | <u>(restated) 2011</u> | |
| Land | \$ 319,893 | \$ 319,893 | \$ 212,891 | \$ 212,891 | \$ 532,784 | \$ 532,784 | 0% |
| Construction in progress | 1,331,485 | 940,208 | 2,686,816 | 930,035 | 4,018,301 | 1,870,243 | 115% |
| Buildings and infrastructure | 1,378,540 | 1,290,197 | 10,645,162 | 10,946,556 | 12,023,702 | 12,236,753 | -2% |
| Equipment | 143,312 | 208,654 | 154,017 | 173,249 | 297,329 | 381,903 | -22% |
| Vehicles and motorized equipment | <u>1,815,773</u> | <u>2,016,589</u> | <u>186,746</u> | <u>238,526</u> | <u>2,002,519</u> | <u>2,255,115</u> | -11% |
| Total net assets | <u>\$ 4,989,003</u> | <u>\$ 4,775,541</u> | <u>\$ 13,885,632</u> | <u>\$ 12,501,257</u> | <u>\$ 18,874,635</u> | <u>\$ 17,276,798</u> | 9% |

Additional information on the City's capital assets can be found in Note 4 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2012, the City of Brevard had no outstanding bonds. Debt decreased for Governmental Activities by a net amount of \$202,080 due to refinancing two fire trucks with lower interest rates and repayment of principal in existing loans. For Business-Type Activities, debt increased net of \$675,493 mainly due to new borrowing for capital improvements at the WWTP.

City of Brevard's Outstanding Debt

Figure 5

| | <u>Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance</u> |
|---|----------------------|-------------------|--------------------|----------------------|
| | <u>June 30, 2011</u> | | | <u>June 30, 2012</u> |
| <u>Governmental Activities:</u> | | | | |
| Installment Contracts | \$ 1,640,260 | \$ 632,500 | \$ 834,580 | \$ 1,438,180 |
| Total | <u>\$ 1,640,260</u> | <u>\$ 632,500</u> | <u>\$ 834,580</u> | <u>\$ 1,438,180</u> |
| <u>Business Type Activities:</u> | | | | |
| Installment Contracts | \$ 516,060 | \$ - | \$ 121,102 | \$ 394,958 |
| Revolving Loan | <u>-</u> | <u>796,595</u> | <u>-</u> | <u>796,595</u> |
| Total | <u>\$ 593,235</u> | <u>\$ 796,595</u> | <u>\$ 121,102</u> | <u>\$ 1,191,553</u> |

The North Carolina Municipal Council's rating for the City's is 78, 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% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Brevard is \$76.6 million. The City has no bonds authorized or unissued at June 30, 2012.

Additional information regarding the City of Brevard's long-term debt can be found in Note 8 beginning on page 42 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 2012 Unemployment Rates</u> | | |
|-------------------------|-------------------------------------|---------------|------------------------------|
| | <u>Work Force</u> | <u>Number</u> | <u>Percent of Work Force</u> |
| Transylvania | 13,076 | 1,257 | 9.6% |
| Buncombe | 127,501 | 10,047 | 7.9% |
| Henderson | 51,435 | 3,758 | 7.3% |
| North Carolina | 4,655,387 | 439,373 | 9.4% |

Source: NC Employment Security Commission – June 2012 Seasonally Adjusted

- Tourism remains a vital and growing part of the Brevard economy. Domestic tourism in Transylvania County generated an economic impact of \$77.32 million for the calendar year 2011. This was a \$5.57 million increase from 2010.

Transylvania County

| Year | Tourism Revenue (\$ millions) | % Growth (Decline) |
|-------------|--------------------------------------|---------------------------|
| 2007 | 80.14 | 6% |
| 2008 | 77.07 | (4%) |
| 2009 | 68.41 | (11%) |
| 2010 | 71.75 | 5% |
| 2011 | 77.32 | 7% |

*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.

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|------------------------|-------------|-------------|-------------|-------------|-------------|
| City of Brevard | 99.56% | 99.51% | 99.72% | 99.45% | 99.70% |
| Statewide | 99.69% | 96.92% | 97.00% | 97.17% | 97.19% |

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

- Within the City, sales tax generated from taxable sales increased 14.7% from \$1,047,421 in the fiscal year 2010-2011 to \$1,201,030 in the fiscal year 2011-2012.

Budget Highlights for the Fiscal Year Ending June 30, 2013

General Fund

- The general fund budget as adopted for fiscal year 2012-2013 increased from \$8,263,390 to \$8,624,750 representing a 4% increase in the cost of services.

Water and Sewer Fund

- Management expects water usage in fiscal year 2012-2013 to remain consistent with fiscal year 2011-2012 or slightly increase; therefore charges for services are budgeted at approximately the same.
- The City experienced a growth in customer base of 79 new utility customers during the fiscal year 2011-2012.
- 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. The city raised rates by 2% effective August 1, 2012 to be used mainly for future capital improvements and new debt.

Other Information:

The following information was provided by the Transylvania County Building Permitting and Enforcement Department for the calendar year ending December 31, 2011:

The building industry declined for the calendar year 2011 in Transylvania County. Below are statistics for calendar year 2011:

Detailed Residential Construction Value 2011

New home value: City - 6 homes - \$1,538,000
New home value: County - 56 homes - \$27,080,000

Addition/Remodel Value: City - 74 homes - \$2,080,000
Addition/Remodel Value: County - 179 homes - \$6,500,000

Manufactured Homes: City - 2 homes - \$14,000
Manufactured Homes: County - 33 homes - \$800,000

Detailed Commercial Construction Value 2011

New: City - 5 - \$1,820,000
New: County - 4 - \$680,000

Addition/Remodel: City - 22 - \$970,000
Addition/Remodel: County - 20 - \$2,160,000

The number of new house permits in 2011 compared to 2010 was down 36%.
The number of new house permits in 2011 compared to 2007 was down 74%.
Total construction value in 2011 compared to 2007 was down 63%.

Management's Discussion and Analysis
City of Brevard

New home construction growth was strongest in the lower and upper 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, and City of Brevard.

Construction Values for last 5 years in the City of Brevard

2011 - \$ 6,420,475
2010 - \$ 9,165,474
2009 - \$ 9,856,346
2008 - \$ 39,879,929
2007 - \$ 31,923,222

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 City Finance Director as follows:

James Fatland, CPFO, City Finance Director
City of Brevard
95 W. Main Street
Brevard, N. C. 28712
828-885-5600
828-883-2853 - Fax
jim.fatland@cityofbrevard.com
www.cityofbrevard.com

CITY OF BREVARD, NORTH CAROLINA

Exhibit 1

STATEMENT OF NET ASSETS
June 30, 2012

| | Primary Government | | | Component Unit |
|---|-------------------------|--------------------------|----------------------|---------------------------|
| | Governmental Activities | Business-type Activities | Total | City of Brevard ABC Board |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 5,768,155 | \$ 1,480,262 | \$ 7,248,417 | \$ 305,940 |
| Taxes receivable (net) | 26,000 | - | 26,000 | - |
| Accrued interest receivable on taxes | 12,000 | - | 12,000 | - |
| Accounts receivable (net) | 196,142 | 260,565 | 456,707 | - |
| Due from other governments | 757,883 | 718,644 | 1,476,527 | - |
| Internal balances | 73,307 | (73,307) | - | - |
| Inventories | 62,846 | - | 62,846 | 219,420 |
| Prepaid items | - | 70,442 | 70,442 | 5,689 |
| Net OPEB asset | 45,786 | - | 45,786 | - |
| Total current assets | <u>6,942,119</u> | <u>2,456,606</u> | <u>9,398,725</u> | <u>531,049</u> |
| Restricted assets: | | | | |
| Cash and cash equivalents | 1,128,985 | - | 1,128,985 | - |
| Capital assets: | | | | |
| Land, non-depreciable improvements & construction in progress | 1,651,378 | 2,899,707 | 4,551,085 | - |
| Other capital assets, net of depreciation | 3,337,625 | 10,985,925 | 14,323,550 | 36,211 |
| Total capital assets | <u>4,989,003</u> | <u>13,885,632</u> | <u>18,874,635</u> | <u>36,211</u> |
| Total assets | <u>13,060,107</u> | <u>16,342,238</u> | <u>29,402,345</u> | <u>567,260</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | 324,234 | 285,307 | 609,541 | 250,752 |
| Accrued interest payable | 16,001 | 7,913 | 23,914 | - |
| Unearned income | 3,036 | - | 3,036 | - |
| Customer deposits | - | 81,825 | 81,825 | - |
| Long-term liabilities: | | | | |
| Due within one year | 337,192 | 174,377 | 511,569 | - |
| Due in more than one year | 1,486,607 | 1,094,351 | 2,580,958 | - |
| Total liabilities | <u>2,167,070</u> | <u>1,643,773</u> | <u>3,810,843</u> | <u>250,752</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 3,550,729 | 12,694,080 | 16,244,809 | 36,211 |
| Restricted for: | | | | |
| Stabilization by State statute | 1,027,332 | - | 1,027,332 | - |
| Capital projects | 934,198 | - | 934,198 | - |
| Public safety | 257,454 | - | 257,454 | - |
| Other purposes | 5,371 | - | 5,371 | 77,583 |
| Unrestricted | 5,117,953 | 2,004,385 | 7,122,338 | 202,714 |
| Total net assets | <u>\$ 10,893,037</u> | <u>\$ 14,698,465</u> | <u>\$ 25,591,502</u> | <u>\$ 316,508</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, 2012

| Functions/Programs | Expenses | Program Revenues | | |
|-----------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | |
| Governmental Activities: | | | | |
| General government | \$ 1,718,512 | \$ 522,480 | \$ 3,013 | \$ - |
| Public safety | 2,950,427 | 2,315 | 109,465 | - |
| Public works | 2,664,837 | 1,396,251 | 215,346 | - |
| Economic and physical development | 121,643 | - | - | 31,475 |
| Cultural and recreation | 93,654 | 20,565 | - | - |
| Interest on long-term debt | 66,713 | - | - | - |
| Total governmental activities | <u>7,615,786</u> | <u>1,941,611</u> | <u>327,824</u> | <u>31,475</u> |
| Business-type activities: | | | | |
| Water and sewer | <u>3,506,923</u> | <u>3,803,820</u> | <u>14,793</u> | <u>687,045</u> |
| Total business-type activities | <u>3,506,923</u> | <u>3,803,820</u> | <u>14,793</u> | <u>687,045</u> |
| Total primary government | <u>\$ 11,122,709</u> | <u>\$ 5,745,431</u> | <u>\$ 342,617</u> | <u>\$ 718,520</u> |
| Component unit: | | | | |
| ABC Board | <u>\$ 2,479,836</u> | <u>\$ 2,651,573</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total component unit | <u>\$ 2,479,836</u> | <u>\$ 2,651,573</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, as originally reported

Prior period adjustment

Net assets, beginning, as restated

Net assets, ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets

| Primary Government | | | Component Unit |
|------------------------------------|-------------------------------------|----------------------|--|
| Governmental Activities | Business-type Activities | Total | City of Brevard ABC Board |
| \$ (1,193,019) | \$ - | \$ (1,193,019) | \$ - |
| (2,838,647) | - | (2,838,647) | - |
| (1,053,240) | - | (1,053,240) | - |
| (90,168) | - | (90,168) | - |
| (73,089) | - | (73,089) | - |
| (66,713) | - | (66,713) | - |
| (5,314,876) | - | (5,314,876) | - |
| - | 998,735 | 998,735 | - |
| - | 998,735 | 998,735 | - |
| (5,314,876) | 998,735 | (4,316,141) | - |
| - | - | - | 171,737 |
| - | - | - | 171,737 |
| 4,517,115 | - | 4,517,115 | - |
| 1,218,412 | - | 1,218,412 | - |
| 531,218 | - | 531,218 | - |
| 171,738 | - | 171,738 | (171,738) |
| 10,664 | 134 | 10,798 | 335 |
| 12,715 | - | 12,715 | (1,532) |
| 81,919 | - | 81,919 | 378 |
| 6,543,781 | 134 | 6,543,915 | (172,557) |
| (200,000) | 200,000 | - | - |
| 6,343,781 | 200,134 | 6,543,915 | (172,557) |
| 1,028,905 | 1,198,869 | 2,227,774 | (820) |
| 9,864,132 | 13,456,237 | 23,320,369 | 317,328 |
| - | 43,359 | 43,359 | - |
| 9,864,132 | 13,499,596 | 23,363,728 | 317,328 |
| <u>\$ 10,893,037</u> | <u>\$ 14,698,465</u> | <u>\$ 25,591,502</u> | <u>\$ 316,508</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, 2012

| | <u>Major Fund</u> | | <u>Total</u> |
|--|---------------------|--------------------|---------------------|
| | <u>General Fund</u> | <u>Total Non-</u> | <u>Governmental</u> |
| | | <u>Major Funds</u> | <u>Funds</u> |
| ASSETS | | | |
| Cash and cash equivalents, unrestricted | \$ 5,645,677 | \$ 122,478 | \$ 5,768,155 |
| Cash and cash equivalents, restricted | 334,976 | 794,009 | 1,128,985 |
| Receivables, net: | | | |
| Taxes | 26,000 | - | 26,000 |
| Accounts | 181,925 | 14,217 | 196,142 |
| Due from other governments | 757,883 | - | 757,883 |
| Due from other funds | 73,307 | - | 73,307 |
| Inventories | 62,846 | - | 62,846 |
| Total assets | <u>\$ 7,082,614</u> | <u>\$ 930,704</u> | <u>\$ 8,013,318</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable and accrued liabilities | 324,234 | - | 324,234 |
| Due to other funds | - | - | - |
| Deferred revenue | 26,000 | - | 26,000 |
| Unearned revenue | 3,036 | - | 3,036 |
| Total liabilities | <u>353,270</u> | <u>-</u> | <u>353,270</u> |
| Fund balances: | | | |
| Nonspendable: | | | |
| Inventories | 62,846 | - | 62,846 |
| Perpetual maintenance | - | 54,440 | 54,440 |
| Restricted: | | | |
| Stabilization by State statute | 1,013,115 | 14,217 | 1,027,332 |
| Public safety | 134,976 | 122,478 | 257,454 |
| Capital projects | 200,000 | 734,198 | 934,198 |
| Committed | 1,012,468 | - | 1,012,468 |
| Assigned: | | | |
| Health insurance fund | 500,211 | 5,371 | 505,582 |
| Subsequent year's expenditures | 125,000 | - | 125,000 |
| Unassigned | 3,680,728 | - | 3,680,728 |
| Total fund balances | <u>6,729,344</u> | <u>930,704</u> | <u>7,660,048</u> |
| Total liabilities and fund balances | <u>\$ 7,082,614</u> | <u>\$ 930,704</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. | 4,989,003 |
| 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. | 26,000 |
| Some liabilities and assets, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds. | (1,794,014) |
| Net assets of governmental activities | <u>\$ 10,893,037</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, 2012

| | <u>Major Fund</u> | | <u>Total</u> |
|---|---------------------|------------------------|---------------------|
| | <u>General Fund</u> | <u>Total Non-Major</u> | <u>Governmental</u> |
| | | <u>Funds</u> | <u>Funds</u> |
| REVENUES | | | |
| Ad valorem taxes | \$ 4,167,340 | \$ 356,775 | \$ 4,524,115 |
| Other taxes and licenses | 1,299,483 | - | 1,299,483 |
| Unrestricted intergovernmental | 689,735 | - | 689,735 |
| Restricted intergovernmental | 259,974 | 31,475 | 291,449 |
| Sales and services | 1,941,611 | - | 1,941,611 |
| Investment earnings | 9,674 | 990 | 10,664 |
| Miscellaneous | 67,943 | 13,976 | 81,919 |
| Total revenues | <u>8,435,760</u> | <u>403,216</u> | <u>8,838,976</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 1,750,525 | - | 1,750,525 |
| Public safety | 2,862,676 | - | 2,862,676 |
| Public works | 2,553,712 | - | 2,553,712 |
| Cultural and recreation | 118,429 | - | 118,429 |
| Economic development | - | 121,643 | 121,643 |
| Capital Outlay | - | 391,277 | 391,277 |
| Debt service: | | | |
| Principal | 202,081 | - | 202,081 |
| Interest and other charges | 66,713 | - | 66,713 |
| Total expenditures | <u>7,554,136</u> | <u>512,920</u> | <u>8,067,056</u> |
| Excess (deficiency) of revenues over expenditures | <u>881,624</u> | <u>(109,704)</u> | <u>771,920</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers from other funds | 29,000 | 787,014 | 816,014 |
| Transfers to other funds | (785,661) | (230,353) | (1,016,014) |
| Proceeds from sale of capital assets | 12,715 | - | 12,715 |
| Total other financing sources (uses) | <u>(743,946)</u> | <u>556,661</u> | <u>(187,285)</u> |
| Net change in fund balances | 137,678 | 446,957 | 584,635 |
| Fund balances, beginning | 6,591,666 | 483,747 | 7,075,413 |
| Fund balances, ending | <u>\$ 6,729,344</u> | <u>\$ 930,704</u> | <u>\$ 7,660,048</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, 2012

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

| | |
|--|----------------------------|
| Net changes in fund balances - total governmental funds | \$ 584,635 |
| 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 | 213,461 |
| 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 | (7,000) |
| 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>237,809</u> |
| Total changes in net assets of governmental activities | <u><u>\$ 1,028,905</u></u> |

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, 2012

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|------------------|------------------|---------------------|---|
| Revenues: | | | | |
| Ad valorem taxes | \$ 4,114,250 | \$ 4,114,250 | \$ 4,167,340 | \$ 53,090 |
| Other taxes and licenses | 1,044,000 | 1,148,000 | 1,299,483 | 151,483 |
| Unrestricted intergovernmental | 607,000 | 610,000 | 689,735 | 79,735 |
| Restricted intergovernmental | 217,000 | 262,000 | 259,974 | (2,026) |
| Sales and services | 1,578,250 | 1,713,907 | 1,888,614 | 174,707 |
| Investment earnings | 10,000 | 10,000 | 6,904 | (3,096) |
| Miscellaneous | 2,000 | 25,000 | 57,293 | 32,293 |
| Total revenues | <u>7,572,500</u> | <u>7,883,157</u> | <u>8,369,343</u> | <u>486,186</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 2,335,440 | 1,999,097 | 1,738,525 | 260,572 |
| Public safety | 3,077,250 | 3,147,950 | 2,862,676 | 285,274 |
| Public works | 2,528,033 | 2,694,033 | 2,553,712 | 140,321 |
| Cultural and recreation | 116,883 | 119,883 | 118,429 | 1,454 |
| Debt service: | | | | |
| Principal retirement | 231,367 | 231,367 | 202,081 | 29,286 |
| Interest and other charges | 59,060 | 59,060 | 66,713 | (7,653) |
| OPEB expense | 12,000 | 12,000 | 12,000 | - |
| Total expenditures | <u>8,360,033</u> | <u>8,263,390</u> | <u>7,554,136</u> | <u>709,254</u> |
| Revenues over (under) expenditures | <u>(787,533)</u> | <u>(380,233)</u> | <u>815,207</u> | <u>1,195,440</u> |
| Other financing sources (uses): | | | | |
| Transfers from other funds | 229,500 | 229,500 | 229,000 | (500) |
| Transfers to other funds | - | (45,000) | (33,760) | 11,240 |
| Proceeds from sale of capital assets | - | 12,700 | 12,715 | 15 |
| Fund balance appropriated | 558,033 | 183,033 | - | (183,033) |
| Total other financing sources (uses) | <u>787,533</u> | <u>380,233</u> | <u>207,955</u> | <u>(172,278)</u> |
| Revenues and other sources over expenditures and other uses | <u>\$ -</u> | <u>\$ -</u> | <u>1,023,162</u> | <u>\$ 1,023,162</u> |
| Fund balance, beginning | | | <u>4,493,714</u> | |
| Fund balance, ending | | | 5,516,876 | |
| A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes: | | | | |
| Investment earnings | | | 2,770 | |
| Impact fees and donations | | | 63,647 | |
| Transfer-out | | | (951,901) | |
| Fund Balance, Beginning (Capital Reserve Fund) | | | <u>2,097,952</u> | |
| Fund Balance, Ending (Exhibit 4) | | | <u>\$ 6,729,344</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, 2012

| | <u>Major Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u> |
|---|---|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 1,480,262 |
| Accounts receivable (net) | 260,565 |
| Due from other governments | 718,644 |
| Prepaid expenses | 70,442 |
| Total current assets | <u>2,529,913</u> |
| Noncurrent assets: | |
| Capital assets: | |
| Land and other non-depreciable assets | 2,899,707 |
| Other capital assets, net of depreciation | 10,985,925 |
| Capital assets (net) | <u>13,885,632</u> |
| Total noncurrent assets | <u>13,885,632</u> |
| Total assets | <u>16,415,545</u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable and accrued liabilities | 285,307 |
| Customer deposits | 81,825 |
| Accrued interest | 7,913 |
| Due to other funds | 73,307 |
| Compensated absences - current | 48,000 |
| Installment contracts- current | 126,377 |
| Total current liabilities | <u>622,729</u> |
| Noncurrent liabilities: | |
| Compensated absences | 29,176 |
| Installment contracts and revolving loan - noncurrent (net) | 1,065,175 |
| Total noncurrent liabilities | <u>1,094,351</u> |
| Total liabilities | <u>1,717,080</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 12,694,080 |
| Unrestricted | 2,004,385 |
| Total net assets | <u>\$ 14,698,465</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, 2012

| | Major Enterprise Fund |
|---|---------------------------------|
| | Water and Sewer Fund |
| OPERATING REVENUES | |
| Charges for services | \$ 3,715,071 |
| Water and sewer taps | 15,563 |
| Other operating revenues | 73,186 |
| Total operating revenues | 3,803,820 |
| OPERATING EXPENSES | |
| Water treatment and distribution | 1,024,985 |
| Waste collection and treatment | 1,496,555 |
| Payment to general fund in lieu of taxes & admin expenses | 490,000 |
| Depreciation | 386,810 |
| Other | 91,428 |
| Total operating expenses | 3,489,778 |
| Operating income | 314,042 |
| NONOPERATING REVENUES (EXPENSES) | |
| Investment earnings | 134 |
| Miscellaneous grant | 14,793 |
| Interest and other fees | (17,145) |
| Total nonoperating revenue (expenses) | (2,218) |
| Income before contributions and transfers | 311,824 |
| Capital contributions | 687,045 |
| Transfers from other funds | 200,000 |
| Change in net assets | 1,198,869 |
| Total net assets, beginning | 13,456,237 |
| Prior period adjustment | 43,359 |
| Total net assets, ending | \$ 14,698,465 |

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, 2012

| | Major Enterprise Fund |
|---|------------------------------|
| | Water and Sewer Fund |
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from customers | \$ 3,789,616 |
| Cash paid for goods and services | (1,664,007) |
| Cash paid to or on behalf of employees for services | (1,350,212) |
| Net cash provided by operating activities | 775,397 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Due to (from) other funds | 128,682 |
| Miscellaneous grant | 14,793 |
| Transfers to other funds, net | 200,000 |
| Net cash provided by noncapital financing activities | 343,475 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Acquisition and construction of capital assets | (1,771,185) |
| Proceeds from revolving loan | 796,595 |
| Principal paid on installment obligation | (121,102) |
| Interest paid on installment obligation | (19,783) |
| Capital contributions | 35,798 |
| Net cash used by capital and related financing activities | (1,079,677) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest and dividends | 134 |
| Net cash provided by investing activities | 134 |
| Net increase in cash and cash equivalents | 39,329 |
| Balances, beginning of year | 1,440,933 |
| Balances, end of year | \$ 1,480,262 |
| Reconciliation of operating income to net cash provided by operating activities | |
| Operating income | \$ 314,042 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 386,810 |
| Changes in assets and liabilities: | |
| Accounts receivable | 54,919 |
| Accounts payable and accrued liabilities | 88,749 |
| Customer deposits | (69,123) |
| Total adjustments | 461,355 |
| Net cash provided by operating activities | \$ 775,397 |

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

CITY OF BREVARD, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET ASSETS
 OPEB Trust Fund
 June 30, 2012

| | <u>OPEB Trust Fund</u> |
|--|------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 100,105 |
| Total assets | <u>\$ 100,105</u> |
| | |
| NET ASSETS | |
| Assets held in trust for retiree health benefits | <u>\$ 100,105</u> |

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

CITY OF BREVARD, NORTH CAROLINA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 OPEB Trust Fund
 June 30, 2012

| | <u>OPEB Trust Fund</u> |
|---|--------------------------|
| ADDITIONS | |
| Employer contributions | \$ 18,750 |
| Investment income: | |
| Interest | 51 |
| Total additions | <u>18,801</u> |
| NET ASSETS | |
| Total assets held in trust for retiree health benefits, beginning | <u>81,304</u> |
| Total assets held in trust for retiree health benefits, ending | <u><u>\$ 100,105</u></u> |

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

CITY OF BREVARD, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

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, 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, proprietary and fiduciary* – 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 non-major 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 sales taxes, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

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 seven capital project funds: the Pedestrian Bikeway Project, the Wayfinding Capital Reserve Fund, the Downtown Master Plan, the Bracken Mountain Trail, the Hap Simpson Stream Bank Restoration, the Broad River CDBG, and the Housing Trust Fund.

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.

The City reports the following fund type:

OPEB Trust Fund. This fund (an irrevocable trust) is used to account for the City's contributions and trust earnings for other post employment benefits.

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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the 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 County from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. 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.

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 Special 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, Wayfinding Project Fund, Downtown Master Plan Capital Project Fund, Bracken Mountain Trail Capital Project Fund, Hap Simpson Stream Bank Restoration Capital Project Fund, Broad River CDBG Capital Project Fund and the Housing Trust Capital Project 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. 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. During the year, amendments to the original budget were necessary. During the year, the City amended its original budget with various amendments for most funds. In addition, the following projects and budgets were separately approved in the current or a past year: Water Treatment Plant Capital Project, Water Infrastructure Capital Project, South Broad Storm Water Capital Project, Water Storage Tanks Capital Project, Kings Creek Sewer Capital Project, Brushy Creek Basin Sewer Infrastructure Capital Project, Belt Press Grit Removal Capital Project, and the Septage Facility Capital Project.

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. The unexpended balance of grant funds is classified as restricted assets for the general fund because their use is completely restricted to the purpose for which the grants are intended. The unexpended balance of forfeiture funds for Public Safety are classified as restricted assets for the general fund because their use is completely restricted for which the funds were intended.

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, 2011.

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 |
| Vehicles | 4-10 years |
| Furniture and equipment | 5-15 years |
| Computer equipment | 3-5 years |

8. Long-term Obligations

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

In the fund financial statements for governmental fund types, new debt when issued is reported as other financing sources and principal and interest payments are reported as expenditures. A portion of the debt with government activities was refinanced during the year ended June 30, 2012. This defeasance from this refinance occurred through a current refunding with no unamortized differences.

9. Compensated Absences

The vacation policy of the City provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. The vacation policy for the ABC Board provide up to twenty days earned vacation with no accumulation allowed. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The 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.

The City's sick leave policy 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. The ABC Board's sick leave policy provides no accumulation of sick leave. Since neither the City nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

10. Net Assets/Fund Balances

Net Assets

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.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Inventories – portion of fund balance that is not an available resource because it represents the year-end balance of inventories, which are not spendable resources.

Perpetual maintenance – This classification includes amounts that are restricted for specific purposes imposed by a trust for maintenance of the City.

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

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

Restricted for public safety – portion of the fund balance that is available for appropriation but legally segregated to enhance the ability of the police department to deter and investigate crimes, especially drug offenses. This amount represents the \$7,608 unexpended balance of the unauthorized substance tax received from the State, \$17,515 remaining balance of federal equitable sharing and \$109,853 unexpended balance of the drug task force.

Restricted for capital projects – portion of the fund balance that is restricted to a capital project.

Committed fund balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the City of Brevard's governing body (highest level of decision-making authority.) Any changes or removal of specific purposes requires majority action by the governing body.

Assigned fund balance – portion of fund balance that the City of Brevard intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

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

The City of Brevard has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-City funds,

City funds. For purposes of fund balance classification, expenditures are typically spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Director has the authority to deviate from this if it is in the best interest of the City. During the year ended June 30, 2012, the City of Brevard City Council has adopted a 30% minimum fund balance policy.

11. 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 | \$ 11,120,288 |
| Less accumulated depreciation | <u>(6,131,285)</u> |
| Net capital assets | 4,989,003 |
| Accrued interest receivable in the government-wide statements as these funds are not available and therefore deferred in the fund statements | 12,000 |
| Net OPEB asset relating to a negative net pension obligation is not a financial resource and, therefore, is not reported in the funds | 45,786 |
| Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide | 26,000 |
| 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: | |
| Net pension obligation | (137,381) |
| Installment contracts | (1,438,180) |
| Compensated absences | (248,238) |
| Accrued interest payable | <u>(16,001)</u> |
| Total adjustment | <u>\$ 3,232,989</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 | \$ 713,630 |
| 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 | (500,168) |
| Principal payments on debt owed are recorded as a use only in the statement of net assets of the government-wide statements | 202,081 |
| 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: | |
| Pension expense | 35,428 |
| Accrued compensated absences | (9,004) |
| Net other post employment benefit asset (obligation) | 9,303 |
| 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, 2011 | (12,000) |
| Recording of interest revenue deferred in fund statements at June 30, 2012 | 12,000 |
| Reversal of deferred tax revenue recorded at July 1, 2011 | (33,000) |
| Recording of tax receipts deferred in the fund statements as of June 30, 2012 | <u>26,000</u> |
| Total adjustment | <u>\$ 444,270</u> |

12. 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 – Cash and Investments1. 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, 2012, the City's deposits had a carrying amount of \$5,077,983 and a bank balance of \$5,809,355. Of the bank balance, \$525,122 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2012, the City's petty cash fund totaled \$650.

The carrying amount of deposits for the ABC Board was \$305,940 and the bank balance was \$265,397. All of the bank balance of the ABC Board was covered by federal depository insurance.

2. Investments

At June 30, 2012, the City of Brevard had \$3,298,769 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.

3. Reconciliation of Cash and Cash Equivalents

A reconciliation of cash and cash equivalents as shown on the government-wide statement of net assets and the statement of fiduciary net assets is as follows:

| | |
|----------------------------|---------------------|
| Reported value of deposits | \$ 5,077,983 |
| Petty cash | 650 |
| Fair value of investments | <u>3,298,769</u> |
| | <u>\$ 8,377,402</u> |

| | |
|---------------------------------------|---------------------|
| Statement of Net Assets | |
| Cash and cash equivalents | \$ 7,206,648 |
| Cash and cash equivalents, restricted | <u>1,128,985</u> |
| | <u>\$ 8,377,402</u> |

Note 3 – 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 | \$ 11,181 |
| Allowance for uncollectible trash service receivables | 14,000 |
| Water and Sewer Fund: | |
| Allowance for uncollectible utility receivables | \$ 120,000 |

Note 4 – Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2012, was as follows:

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|--|-------------------------------|-------------------|------------------|----------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 319,893 | \$ - | \$ - | \$ 319,893 |
| Construction in progress | <u>940,208</u> | <u>391,277</u> | <u>-</u> | <u>1,331,485</u> |
| Total capital assets not being depreciated | <u>1,260,101</u> | <u>391,277</u> | <u>-</u> | <u>1,651,378</u> |
| Capital assets being depreciated: | | | | |
| Buildings and infrastructure | 3,098,906 | 145,743 | - | 3,244,649 |
| Equipment | 982,435 | - | - | 982,435 |
| Vehicles and motorized equipment | <u>5,114,272</u> | <u>176,610</u> | <u>49,056</u> | <u>5,241,826</u> |
| Total capital assets being depreciated | <u>9,195,613</u> | <u>322,353</u> | <u>49,056</u> | <u>9,468,910</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and infrastructure | 1,808,709 | 57,400 | - | 1,866,109 |
| Equipment | 773,781 | 65,342 | - | 839,123 |
| Vehicles and motorized equipment | <u>3,097,683</u> | <u>377,426</u> | <u>49,056</u> | <u>3,426,053</u> |
| Total accumulated depreciation | <u>5,680,173</u> | <u>\$ 500,168</u> | <u>\$ 49,056</u> | <u>6,131,285</u> |
| Total capital assets being depreciated, net | <u>3,515,440</u> | | | <u>3,337,625</u> |
| Governmental activities capital assets, net | <u>\$ 4,775,541</u> | | | <u>\$ 4,989,003</u> |

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

| | |
|----------------------------|-------------------|
| General government | \$ 82,904 |
| Public safety | 305,117 |
| Public works | 108,144 |
| Cultural and recreational | <u>4,003</u> |
| Total depreciation expense | <u>\$ 500,168</u> |

| Business-type activities: | Beginning Balances (as restated) | Increases | Decreases | Ending Balances |
|---|--|-------------------|-------------|---------------------|
| Water and Sewer Fund | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 212,891 | \$ - | \$ - | \$ 212,891 |
| Construction in progress | 930,035 | 1,756,781 | - | 2,686,816 |
| Total capital assets not being depreciated | <u>1,142,926</u> | <u>1,756,781</u> | <u>-</u> | <u>2,899,707</u> |
| Capital assets being depreciated: | | | | |
| Plant and distribution systems | 17,839,784 | - | - | 17,839,784 |
| Maintenance equipment and furniture | 663,116 | 14,404 | - | 677,520 |
| Vehicles | 756,891 | - | - | 756,891 |
| Total capital assets being depreciated | <u>19,259,791</u> | <u>14,404</u> | <u>-</u> | <u>19,274,195</u> |
| Less accumulated depreciation for: | | | | |
| Plant and distribution systems | 6,893,229 | 301,393 | - | 7,194,622 |
| Maintenance equipment and furniture | 489,867 | 33,636 | - | 523,503 |
| Vehicles | 518,364 | 51,781 | - | 570,145 |
| Total accumulated depreciation | <u>7,901,460</u> | <u>\$ 386,810</u> | <u>\$ -</u> | <u>8,288,270</u> |
| Total capital assets being depreciated, net | <u>11,358,331</u> | | | <u>10,985,925</u> |
| Water and sewer fund capital assets, net | <u>\$12,501,257</u> | | | <u>\$13,885,632</u> |

Construction commitments

The government has the following commitments with contractors for active construction projects as of June 30, 2012:

| Project | Spent-to- Date | Remaining Commitment |
|---|---------------------|-------------------------|
| Brushy Creek Basin Sewer Project | \$ 410,892 | \$ 41,500 |
| Water Treatment Plant Capital Improvements | 387,288 | 606,012 |
| Kings Creek Sewer Project | - | 470,395 |
| Belt Press and Grit Removal and Barscreen Rehab | 623,488 | 510,038 |
| New Septage Facility | 146,854 | 8,231 |
| | <u>\$ 1,568,522</u> | <u>\$ 1,636,176</u> |

Discretely presented component unit:

Activity for the ABC Board for the year ended June 30, 2012 was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|-----------------|-----------------|--------------------|
| Capital assets being depreciated: | | | | |
| Leasehold improvements | \$ 53,520 | \$ - | \$ - | \$ 53,520 |
| Office, store and warehouse equipment | 81,894 | - | 7,752 | 74,142 |
| Law enforcement equipment | 1,730 | - | - | 1,730 |
| Total capital assets being depreciated | <u>137,144</u> | <u>-</u> | <u>7,752</u> | <u>129,392</u> |
| Less accumulated depreciation | <u>89,726</u> | <u>\$ 9,675</u> | <u>\$ 6,220</u> | <u>93,181</u> |
| ABC Board capital assets, net | <u>\$ 47,418</u> | | | <u>\$ 36,211</u> |

Note 5 – Pension Plan ObligationsLocal 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 6.74% and 6.77%, 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, 2012, 2011, and 2010 were \$265,459, \$240,081, and \$177,392, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$11,390, \$12,417, and \$10,059, 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, 2012, the Separation Allowance's membership consisted of:

| | |
|-----------------------------|------------------|
| Retirees receiving benefits | 8 |
| Active plan members | <u>21</u> |
| Total | <u><u>29</u></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, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.0% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.0%. 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 | \$ 49,047 |
| Interest on net pension obligation | 8,640 |
| Adjustment to annual required contribution | <u>(10,309)</u> |
| Annual pension cost | 47,378 |
| Contributions made | <u>(82,806)</u> |
| Decrease in net pension obligation | (35,428) |
| Net pension obligation, beginning of fiscal year | <u>172,809</u> |
| Net pension obligation, end of fiscal year | <u>\$ 137,381</u> |

3 Year Trend Information

| For Year Ended | Annual Pension | Percentage of APC | Net Pension |
|----------------|----------------|-------------------|-------------|
| June 30 | Cost (APC) | Contributed | Obligation |
| 2010 | \$ 47,097 | 166.34% | \$ 202,146 |
| 2011 | 51,689 | 156.76% | 172,809 |
| 2012 | 47,378 | 174.78% | 137,381 |

Funding Status and Funding Progress - As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2011 was 20 years. The actuarial accrued liability (UAAL) was \$520,473. The covered payroll (annual payroll of active employees covered by the plan) was \$958,533, and the ratio of the UAAL to the covered payroll was 54.30%.

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 are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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, 1410 Mail Service Center, 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, 2012 were \$77,058, which consisted of \$62,717 from the City and \$14,341 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, 1410 Mail Service Center, 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) – Healthcare Benefits

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, 2010, 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 Council may amend the benefit provisions. A separate report was not issued for the HCB Plan.

Membership of the HCB Plan consisted of the following at December 31, 2011, the date of the latest actuarial version:

| | General Employees: | Law Enforcement Officers: |
|--|-----------------------|---------------------------------|
| Retirees and dependents receiving benefits | - | 4 |
| Terminated plan members entitled to but not yet receiving benefits | - | - |
| Active plan members | <u>67</u> | <u>21</u> |
| Total | <u><u>67</u></u> | <u><u>25</u></u> |

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

| Tier | Cost |
|----------------------|--------|
| Retiree Only | \$ 466 |
| Retiree and Children | 764 |
| Retiree and Spouse | 932 |
| Family | 1,165 |

Retirees contributed \$14,076 in premiums for the year ended June 30, 2012.

The current annual required contribution rate (ARC) is .38% 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. Although, funds have been placed into an irrevocable trust, the City pays for retiree health costs from the general fund as they come due.

Annual OPEB Cost and Net OPEB (Asset) 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 (asset) obligation for the healthcare benefits:

| | |
|--|---------------------------|
| Annual required contribution | \$ 15,163 |
| Interest on net OPEB obligation (asset) | (1,824) |
| Adjustment to annual required contribution | <u>1,585</u> |
| Annual OPEB cost | 14,924 |
| Contributions made | <u>(24,227)</u> |
| Increase in net OPEB asset | (9,303) |
| Net OPEB asset, beginning of year | <u>(36,483)</u> |
| Net OPEB asset, end of fiscal year | <u><u>\$ (45,786)</u></u> |

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the OPEB (asset) obligation for 2012, 2011, and 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>(Asset) Obligation</u> |
|----------------------------------|----------------------------|--|---------------------------------------|
| 2012 | \$ 14,924 | 162% | \$ (45,786) |
| 2011 | 16,023 | 522% | (36,483) |
| 2010 | 32,910 | 5% | 31,228 |

Funded Status and Funding Progress – As of December 31, 2011, the most recent actuarial valuation date, the plan was funded. (\$81,330 was placed in an investment account for the OPEB Trust Fund.) The actuarial accrued liability for benefits was \$201,941, resulting in an unfunded actuarial accrued liability (UAAL) of \$120,611. The covered payroll (annual payroll of active employees covered by the plan) was \$3,658,400, and the ratio of the UAAL to the covered payroll was 3.3 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, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5 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 9.5 to 5 percent annually. Both rates included a 3 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 6 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, 2011, was 30 years.

Note 6 – 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> |
|---|-----------------------------|-----------------------------|
| Grant – Public Safety (General Fund) | \$ - | \$ 3,036 |
| Taxes receivable (General Fund), less penalties | <u>26,000</u> | <u>-</u> |
| Total | <u>\$ 26,000</u> | <u>\$ 3,036</u> |

Note 7 – 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 City Finance Officer, the City Clerk and the 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 8 – Long-term Debt

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. (This note is collateralized by a fire ladder truck with a net book value of \$513,109 as of June 30, 2012.)

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 March 2012, the City entered into an installment purchase contract for \$632,500 to refinance another installment note related to two fire trucks. The financing agreement requires a monthly payment of \$7,104 including interest at 1.89% per annum. The original amount of the previous note was \$790,000 with interest of 4.25% per annum. Defeasance of debt from this refinance occurred through a current refunding with no unamortized differences. (This note is collateralized by the 2009 Seagrave Optimum tanker truck and the 2009 Seagrave pumper truck with a combined net book value of \$591,992 as of June 30, 2012.)

The future minimum payments of the installment purchases as of June 30, 2012 are as follows:

| Year Ending June 30 | Governmental Activities | | | Business-type Activities | | |
|------------------------|-------------------------|-------------------|---------------------|--------------------------|------------------|-------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2013 | \$ 222,192 | \$ 43,113 | \$ 265,305 | \$ 126,377 | \$ 14,507 | \$ 140,884 |
| 2014 | 226,926 | 35,173 | 262,099 | 131,652 | 9,232 | 140,884 |
| 2015 | 231,794 | 27,097 | 258,891 | 136,929 | 3,957 | 140,886 |
| 2016 | 208,481 | 18,869 | 227,350 | - | - | - |
| 2017 | 185,317 | 12,896 | 198,213 | - | - | - |
| Next 5 years | 363,470 | 10,940 | 374,410 | - | - | - |
| | <u>\$1,438,180</u> | <u>\$ 148,088</u> | <u>\$ 1,586,268</u> | <u>\$ 394,958</u> | <u>\$ 27,696</u> | <u>\$ 422,654</u> |

Revolving Loan

In May 2011, the City entered into a federal revolving loan through a grant for \$1,150,000 with a loan term of 16 years at 2.455% per annum. The funds are to be used for the Belt Press Grit Removal Capital Project. Interest is due semiannually starting in November 2013. Starting in May 2014, the City will be required to make annual principal payments of \$71,875. During the year ended June 30, 2012, the City received proceeds of \$796,595 with \$353,405 remaining to be drawn down during next fiscal year. At June 30, 2012, the outstanding balance of this revolving loan was \$796,595.

The future minimum payments of the 100% drawn revolving loan is as follows:

| Year Ending June 30 | Business-type Activities | | |
|------------------------|--------------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2013 | \$ - | \$ 23,437 | \$ 23,437 |
| 2014 | 71,875 | 27,350 | 99,225 |
| 2015 | 71,875 | 25,586 | 97,461 |
| 2016 | 71,875 | 23,821 | 95,696 |
| 2017 | 71,875 | 22,056 | 93,931 |
| 2018-2023 | 359,375 | 83,810 | 443,185 |
| 2024-2028 | 359,375 | 39,702 | 399,077 |
| 2029-2030 | 143,750 | 3,529 | 147,279 |
| | <u>\$1,150,000</u> | <u>\$ 249,291</u> | <u>\$ 1,399,291</u> |

A. Bonds Payable

At June 30, 2012, there were no outstanding authorizations to issue bonds and no outstanding general obligation bonds. As of June 30, 2012, the City's legal debt margin was approximately \$76,600,000.

B. *Changes in Long-term Debt*

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> | <u>Current Portion</u> |
|--|------------------------------|-------------------|-------------------|---------------------------|----------------------------|
| Governmental activities: | | | | | |
| Installment contracts | \$ 1,640,260 | \$ 632,500 | \$ 834,580 | \$ 1,438,180 | \$ 222,192 |
| Compensated absences | 239,236 | 124,002 | 115,000 | 248,238 | 115,000 |
| Net pension obligations | <u>172,809</u> | <u>-</u> | <u>35,428</u> | <u>137,381</u> | <u>-</u> |
| Governmental activities long-term liabilities | <u>\$ 2,052,305</u> | <u>\$ 756,502</u> | <u>\$ 985,008</u> | <u>\$ 1,823,799</u> | <u>\$ 337,192</u> |
| Business-type activities: | | | | | |
| Installment contracts | \$ 516,060 | \$ - | \$ 121,102 | \$ 394,958 | \$ 126,377 |
| Revolving loan | - | 796,595 | - | 796,595 | - |
| Compensated absences | <u>77,175</u> | <u>48,000</u> | <u>48,000</u> | <u>77,175</u> | <u>48,000</u> |
| Business-type activity long-term liabilities | <u>\$ 593,235</u> | <u>\$ 844,595</u> | <u>\$ 169,102</u> | <u>\$ 1,268,728</u> | <u>\$ 174,377</u> |

The following is a summary of interest expense during the year ended June 30, 2012:

| | <u>Interest Expense</u> |
|----------------------|-------------------------|
| General fund | \$ 66,713 |
| Water and sewer fund | 17,145 |

Compensated absences for governmental activities typically have been liquidated in the general fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

Note 9 – Interfund Balances and ActivityA. *Balances Due to/from Other Funds*

The composition of interfund balances as of June 30, 2012 is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|----------------------|------------------|
| General Fund | Water and Sewer Fund | <u>\$ 73,307</u> |

B. *Transfers to/from Other Funds*

Transfers to/from other funds for the year ending June 30, 2012, consist of the following:

| | |
|--|----------|
| From the Heart of Brevard to the Downtown Master Plan for use in capital project | \$ 1,353 |
| From the Fire District Fund to the General Fund for use in installment loan payment for fire trucks | 229,000 |
| From the General Fund to Pedestrian Bikeway for use in a capital project | 20,000 |

| | |
|--|---------|
| From the General Fund to the Downtown Master Plan for use in a capital project | 10,000 |
| From the General Fund to the Hap Simpson Stream Bank Restoration for use in a capital project | 3,761 |
| From the General Fund (capital reserve fund) to Bracken Mountain Fund for use in capital projects | 376,901 |
| From the General Fund (capital reserve fund) to Pedestrian Bikeway Project Fund for use in capital projects | 375,000 |
| From the General Fund (capital reserve fund) to the Water and Sewer Fund for capital outlay within the South Broad Storm Water Capital Project Fund | 2,962 |
| From the General Fund (capital reserve fund) to the Water and Sewer Fund for capital outlay within the Brushy Creek Basis Capital Project Fund | 197,038 |

Note 10 – Fund Balance

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

| | |
|--|---------------------|
| Total fund balance – General Fund | \$ 6,729,344 |
| Less: | |
| Inventories | 62,846 |
| Reserved for: | |
| Stabilization by State statute | 1,013,115 |
| Public safety | 134,976 |
| Capital projects – clean water projects | 200,000 |
| Committed: | |
| Capital projects – streets and sidewalks | 98,391 |
| Capital projects – general | 914,077 |
| Assigned: | |
| Health insurance fund | 500,211 |
| Appropriated fund balance in 2013 budget | 125,000 |
| Minimum fund balance policy | <u>2,534,059</u> |
| Remaining Fund Balance | <u>\$ 1,146,669</u> |

The City has adopted a minimum fund balance policy for the General Fund which instructs management to conduct business of the City in such a manner that available fund balance is at least equal to or greater than 30.0% of budgeted expenditures.

| |
|--------------------------------------|
| Total Unassigned Fund Balance |
| 2,534,059 + |
| 1,146,669 + |
| ----- |
| total per page 16 \$ 3,680,728 |

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 within 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. A one and a half percent (1.5%) collection fee for current vehicle tax collections are charged to the City by the County.

Note 13 – Related Party Transactions

The City purchased approximately \$20,000 of goods during the year from Harris Hardware and Farm Supply, Inc., which is operated by Mayor Jimmy Harris.

Note 14 – Summary Disclosure of Significant ContingenciesFederal and State Assisted Programs

The City, at times, receives federal, State and other grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

Note 15 – Prior Period Adjustment

During the current year, an error was discovered in not recording and capitalizing expenditures in a water and sewer capital project fund in the prior fiscal year.

Expenditures of \$60,324 were expended in the prior fiscal year for the design phase of the Belt Press Grit Removal Capital Project. These costs were included as part of sewer operating costs. In addition, \$16,965 was improperly capitalized in error in the prior year for capital improvements. Management has corrected this error through a net prior period adjustment of \$43,359.

Note 16 – Subsequent Events

In July 2012, the City received approval from NCDENR to award a construction contract for approximately \$470,000 for the Kings Creek Sewer Project. The City previously received approval for CG&L for this project.

In July 2012, City Council established a scholarship trust fund in memory of the City's former finance director (Terrell L. Scruggs) to benefit Transylvania County High School students.

In August 2012, the City entered into an installment loan agreement with a banking institution for capital equipment purchases for approximately \$400,000 at an interest rate of 1.69% per annum to be paid over a five year period.

In August 2012, the City entered into a contract with a contractor for approximately \$558,000 for construction related to the Water Treatment Plan Capital Improvement project.

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% |
| 12/31/10 | - | 507,692 | 507,692 | 0% | 1,055,661 | 48.09% |
| 12/31/11 | - | 520,473 | 520,473 | 0% | 958,533 | 54.30% |

CITY OF BREVARD, NORTH CAROLINA

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

| <u>Year Ended</u> <u>June 30</u> | <u>Annual Required</u> <u>Contribution</u> | <u>Percentage</u> <u>Contributed</u> |
|-------------------------------------|---|---|
| 2010 | \$ 47,097 | 166.3% |
| 2011 | 51,689 | 156.8% |
| 2012 | 49,047 | 174.8% |

CITY OF BREVARD, NORTH CAROLINA

OTHER POSTEMPLOYMENT BENEFITS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued | | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a % of Covered Payroll ((b - a)/c) |
|--------------------------------|--|---|--------------------------------------|--------------------------|---------------------------|---|
| | | Liability (AAL) -Projected Unit Credit (b) | Unfunded AAL (UAAL) (b - a) | | | |
| 12/31/09 | \$ - | \$ 201,789 | \$ 201,789 | 0% | \$ 3,720,810 | 5.4% |
| 12/31/10 | 51,027 | 178,002 | 126,975 | 28.7% | 3,732,626 | 3.4% |
| 12/31/11 | 81,330 | 201,941 | 120,611 | 40.3% | 3,658,400 | 3.3% |

CITY OF BREVARD, NORTH CAROLINA

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

| <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% |
| 2011 | 16,023 | 522% |
| 2012 | 15,163 | 162% |

**COMBINING AND INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

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, 2012

| | Final Budget | Actual | Variance Positive (Negative) |
|--|------------------|------------------|------------------------------------|
| Revenues | | | |
| Ad Valorem Taxes: | | | |
| Current year | \$ 4,085,000 | \$ 4,112,546 | \$ 27,546 |
| Prior years | 12,750 | 39,208 | 26,458 |
| Penalties and interest | 19,000 | 16,681 | (2,319) |
| Refunds paid on ad valorem tax | (2,500) | (1,095) | 1,405 |
| | <u>4,114,250</u> | <u>4,167,340</u> | <u>53,090</u> |
| Other Taxes and Licenses: | | | |
| Local option sales tax | 1,105,000 | 1,218,412 | 113,412 |
| Privilege licenses | 25,000 | 53,662 | 28,662 |
| Zoning administration | 18,000 | 27,409 | 9,409 |
| | <u>1,148,000</u> | <u>1,299,483</u> | <u>151,483</u> |
| Unrestricted Intergovernmental Revenues: | | | |
| Franchise tax | 350,000 | 364,978 | 14,978 |
| Beer and wine taxes | 30,000 | 33,059 | 3,059 |
| Utilities franchise tax - CATV | 45,000 | 52,110 | 7,110 |
| City narcotics investigation | 35,000 | 67,850 | 32,850 |
| City of Brevard ABC Board | 150,000 | 171,738 | 21,738 |
| | <u>610,000</u> | <u>689,735</u> | <u>79,735</u> |
| Restricted Intergovernmental Revenues: | | | |
| State street aid allocation | 211,000 | 215,346 | 4,346 |
| Court facilities fees | 5,000 | 2,313 | (2,687) |
| Grant from insurance carrier | 1,000 | 3,013 | 2,013 |
| Public safety - police grants | 45,000 | 39,302 | (5,698) |
| | <u>262,000</u> | <u>259,974</u> | <u>(2,026)</u> |

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the year ended June 30, 2012

| | Final Budget | Actual | Variance Positive (Negative) |
|--------------------------------|------------------|-------------------------|------------------------------------|
| Sales and Services: | | | |
| Water and sewer fund | 490,000 | 490,000 | - |
| Recycling revenue | 90,657 | 128,205 | 37,548 |
| Rents | 24,600 | 27,060 | 2,460 |
| Parking violation penalties | 4,000 | 2,315 | (1,685) |
| Recreation revenues | 15,000 | 20,565 | 5,565 |
| Refuse collection fees | 649,000 | 737,183 | 88,183 |
| Vehicle maintenance | 436,650 | 477,866 | 41,216 |
| Other | 4,000 | 5,420 | 1,420 |
| | <u>1,713,907</u> | <u>1,888,614</u> | <u>174,707</u> |
| Investment earnings | <u>10,000</u> | <u>6,904</u> | <u>(3,096)</u> |
| Miscellaneous: | | | |
| Other | <u>25,000</u> | <u>57,293</u> | <u>32,293</u> |
| Total revenues | <u>7,883,157</u> | <u>8,369,343</u> | <u>486,186</u> |
| Expenditures | | | |
| General Government: | | | |
| Governing Body: | | | |
| Salaries and employee benefits | | 35,292 | |
| Other operating expenses | | 23,007 | |
| | <u>61,569</u> | <u>58,299</u> | <u>3,270</u> |
| Administration: | | | |
| Salaries and employee benefits | | 199,775 | |
| Other operating expenses | | 54,500 | |
| Capital outlay | | 68,282 | |
| | <u>374,151</u> | <u>322,557</u> | <u>51,594</u> |
| City Clerk: | | | |
| Salaries and employee benefits | | 75,428 | |
| Other operating expenses | | 28,485 | |
| Capital outlay | | 2,859 | |
| | <u>126,479</u> | <u>106,772</u> | <u>19,707</u> |
| Finance: | | | |
| Salaries and employee benefits | | 223,969 | |
| Other operating expenses | | 206,185 | |
| Capital outlay | | 26,755 | |
| | <u>469,817</u> | <u>456,909</u> | <u>12,908</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, 2012

| | Final Budget | Actual | Variance Positive (Negative) |
|---------------------------------|-----------------|-----------|------------------------------------|
| General Government (continued): | | | |
| Tax Collector: | | | |
| Other operating expenses | 127,500 | 125,239 | 2,261 |
| Legal: | | | |
| Other operating expenses | 201,000 | 67,319 | 133,681 |
| Planning: | | | |
| Salaries and employee benefits | | 291,717 | |
| Other operating expenses | | 104,466 | |
| | 411,211 | 396,183 | 15,028 |
| Special Appropriations: | | | |
| Arts Council | | 5,000 | |
| Chamber of Commerce | | 2,850 | |
| Heart of Brevard | | 15,000 | |
| Fireworks Participation | | 875 | |
| 150th Celebration | | 7,500 | |
| | 31,850 | 31,225 | 625 |
| Personnel: | | | |
| Salaries and employee benefits | | 84,922 | |
| Other operating expenses | | 72,443 | |
| | 178,863 | 157,365 | 21,498 |
| Elections: | | | |
| Other operating expenses | 16,657 | 16,657 | - |
| Total General Government | 1,999,097 | 1,738,525 | 260,572 |
| Public Safety: | | | |
| Police: | | | |
| Salaries and employee benefits | | 1,932,408 | |
| Other operating expenses | | 394,644 | |
| Capital outlay | | 105,065 | |
| | 2,698,129 | 2,432,117 | 266,012 |
| Fire: | | | |
| Salaries and employee benefits | | 214,383 | |
| Other operating expenses | | 139,350 | |
| Capital outlay | | 76,826 | |
| | 449,821 | 430,559 | 19,262 |
| Total public safety | 3,147,950 | 2,862,676 | 285,274 |

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, 2012

| | Final Budget | Actual | Variance Positive (Negative) |
|--------------------------------|------------------|------------------|------------------------------------|
| Public Works: | | | |
| Administration: | | | |
| Salaries and employee benefits | | 185,505 | |
| Other operating expenses | | 63,786 | |
| | <u>256,195</u> | <u>249,291</u> | <u>6,904</u> |
| Central Maintenance: | | | |
| Salaries and employee benefits | | 169,292 | |
| Other operating expenses | | 436,748 | |
| | <u>624,304</u> | <u>606,040</u> | <u>18,264</u> |
| Streets: | | | |
| Salaries and employee benefits | | 96,193 | |
| Other operating expenses | | 169,364 | |
| | <u>303,603</u> | <u>265,557</u> | <u>38,046</u> |
| Powell Aid: | | | |
| Salaries and employee benefits | | 201,960 | |
| Other operating expenses | | 162,205 | |
| | <u>396,465</u> | <u>364,165</u> | <u>32,300</u> |
| Building and Grounds: | | | |
| Salaries and employee benefits | | 277,678 | |
| Other operating expenses | | 108,982 | |
| Capital outlay | | 26,722 | |
| | <u>449,327</u> | <u>413,382</u> | <u>35,945</u> |
| Sanitation: | | | |
| Salaries and employee benefits | | 322,520 | |
| Other operating expenses | | 332,757 | |
| | <u>664,139</u> | <u>655,277</u> | <u>8,862</u> |
| Total public works | <u>2,694,033</u> | <u>2,553,712</u> | <u>140,321</u> |

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the year ended June 30, 2012

| | Final Budget | Actual | Variance Positive (Negative) |
|--|------------------|---------------------|------------------------------------|
| Cultural and Recreation: | | | |
| Recreation Department: | | | |
| Salaries and employee benefits | | 40,189 | |
| Other operating expenses | | 49,461 | |
| Capital outlay | | 28,779 | |
| | <u>119,883</u> | <u>118,429</u> | 1,454 |
| Total recreation | <u>119,883</u> | <u>118,429</u> | 1,454 |
| Debt service: | | | |
| Principal retirement | | 202,081 | |
| Interest | | 66,713 | |
| Total debt service | <u>290,427</u> | <u>268,794</u> | 21,633 |
| OPEB expense | <u>12,000</u> | <u>12,000</u> | - |
| Total expenditures | <u>8,263,390</u> | <u>7,554,136</u> | 709,254 |
| Revenue over (under) expenditures | <u>(380,233)</u> | <u>815,207</u> | 1,195,440 |
| Other Financing Sources (Uses): | | | |
| Operating transfers from other funds: | | | |
| Bjerg Fund | 500 | - | (500) |
| Fire District Fund | 229,000 | 229,000 | - |
| Operating transfers to other funds: | | | |
| Pedestrian/Bikeway Capital Project | (20,000) | (20,000) | - |
| Hap Simpson Capital Project | (15,000) | (3,761) | 11,239 |
| Downtown Master Plan Fund | (10,000) | (10,000) | - |
| Proceeds from sale of capital assets | 12,700 | 12,715 | 15 |
| Fund balance appropriated | <u>183,033</u> | <u>-</u> | <u>(183,033)</u> |
| | <u>380,233</u> | <u>207,954</u> | <u>(172,279)</u> |
| Revenues and other sources over expenditures and other uses | <u>\$ -</u> | <u>1,023,161</u> | <u>\$ 1,023,161</u> |
| Fund balance, beginning of year | | <u>4,493,714</u> | |
| Fund balance, end of year | | <u>\$ 5,516,875</u> | |

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, 2012

| | 2012 | | Variance |
|---|-----------------|---------------------|------------------------|
| | Final Budget | Actual | Positive (Negative) |
| Revenues: | | | |
| Impact fees - water and sewer | \$ 7,500 | \$ 52,997 | \$ 45,497 |
| Investment earnings | 4,000 | 2,770 | (1,230) |
| Donations | - | 10,650 | 10,650 |
| Total revenues | <u>11,500</u> | <u>66,417</u> | <u>54,917</u> |
| Expenditures: | | | |
| Miscellaneous expense | 11,500 | - | (11,500) |
| Revenues over expenditures | <u>-</u> | <u>66,417</u> | <u>66,417</u> |
| Other Financing Sources (Uses): | | | |
| Operating transfers from (to): | | | |
| Water and Sewer Fund | (200,000) | (200,000) | - |
| Bracken Mountain Trail | (380,474) | (376,901) | 3,573 |
| Pedestrian Bikeway Project Fund | (375,000) | (375,000) | - |
| Fund balance appropriated | <u>955,474</u> | <u>-</u> | <u>(955,474)</u> |
| Total other financing sources (uses) | <u>-</u> | <u>(951,901)</u> | <u>(951,901)</u> |
| Revenues and other sources under expenditures and other uses | <u>\$ -</u> | <u>(885,484)</u> | <u>\$ (885,484)</u> |
| Fund balance, beginning of year | | <u>2,097,952</u> | |
| Fund balance, end of year | | <u>\$ 1,212,468</u> | |
| Fund balance committed for: | | | |
| Streets and sidewalks | | \$ 98,391 | |
| General capital projects | | 914,077 | |
| Fund balance restricted for: | | | |
| Clean water projects | | <u>200,000</u> | |
| | | <u>\$ 1,212,468</u> | |

CITY OF BREVARD, NORTH CAROLINA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

| | Special Revenue | | Capital Projects | |
|---------------------------------------|----------------------------------|--|---------------------------------------|----------------------------|
| | Special Fire District Fund | Heart of Brevard Municipal Service District Fund | Pedestrian Bikeway Project Fund | Wayfinding Project Fund |
| Assets | | | | |
| Cash and cash equivalents | \$ 122,478 | \$ - | \$ - | \$ - |
| Cash and cash equivalents, restricted | - | 9,716 | 395,947 | 124,812 |
| Accounts receivable, net | 11,467 | - | - | - |
| | | | | |
| Total assets | \$ 133,945 | \$ 9,716 | \$ 395,947 | \$ 124,812 |
| Fund Balances | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - |
| Restricted for: | | | | |
| Stabilization by State statute | 11,467 | - | - | - |
| Public safety | 122,478 | - | - | - |
| Capital projects | - | 9,716 | 395,947 | 124,812 |
| Assigned | - | - | - | - |
| | | | | |
| Total liabilities and fund balances | \$ 133,945 | \$ 9,716 | \$ 395,947 | \$ 124,812 |

| Downtown Master Plan | Capital Projects | | | | Permanent | Total Non-major Governmental Funds |
|-------------------------|------------------------------|---|------------------------|--------------------------|-----------------------------------|--|
| | Bracken Mountain Trail | Hap Simpson Stream Bank Restoration | Broad River CDBG | Housing Trust Fund | Non-expend Bjerg Trust Fund | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 122,478 |
| 14,375 | 175,916 | - | - | 13,432 | 59,811 | 794,009 |
| 2,750 | - | - | - | - | - | 14,217 |
| <u>\$ 17,125</u> | <u>\$ 175,916</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 13,432</u> | <u>\$ 59,811</u> | <u>\$ 930,704</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 54,440 | \$ 54,440 |
| 2,750 | - | - | - | - | - | 14,217 |
| - | - | - | - | - | - | 122,478 |
| 14,375 | 175,916 | - | - | 13,432 | - | 734,198 |
| - | - | - | - | - | 5,371 | 5,371 |
| <u>17,125</u> | <u>175,916</u> | <u>-</u> | <u>-</u> | <u>13,432</u> | <u>59,811</u> | <u>930,704</u> |
| <u>\$ 17,125</u> | <u>\$ 175,916</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 13,432</u> | <u>\$ 59,811</u> | <u>\$ 930,704</u> |

CITY OF BREVARD, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

| | Special Revenue | | Capital Projects | |
|--------------------------------------|----------------------------------|--|---------------------------------------|----------------------------|
| | Special Fire District Fund | Heart of Brevard Municipal Service District Fund | Pedestrian Bikeway Project Fund | Wayfinding Project Fund |
| Revenues: | | | | |
| Ad valorem taxes | \$ 234,500 | \$ 122,275 | \$ - | \$ - |
| Investment earnings | 229 | 16 | 147 | 182 |
| Federal and State grant | - | - | - | - |
| Miscellaneous | 644 | - | - | - |
| Total revenues | <u>235,373</u> | <u>122,291</u> | <u>147</u> | <u>182</u> |
| Expenditures: | | | | |
| Economic and physical development | - | 118,890 | - | 2,622 |
| Capital Outlay | - | - | 29,782 | - |
| Total expenditures | <u>-</u> | <u>118,890</u> | <u>29,782</u> | <u>2,622</u> |
| Revenues over (under) expenditures | <u>235,373</u> | <u>3,401</u> | <u>(29,635)</u> | <u>(2,440)</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in: | | | | |
| General Fund | - | - | 395,000 | - |
| Heart of Brevard Municipal Service | - | - | - | - |
| Transfers out: | | | | |
| General Fund | (229,000) | - | - | - |
| Downtown Master Plan | - | (1,353) | - | - |
| Total other financing sources (uses) | <u>(229,000)</u> | <u>(1,353)</u> | <u>395,000</u> | <u>-</u> |
| Net change in fund balances | 6,373 | 2,048 | 365,365 | (2,440) |
| Fund balances, beginning | <u>127,572</u> | <u>7,668</u> | <u>30,582</u> | <u>127,252</u> |
| Fund balances, ending | <u>\$ 133,945</u> | <u>\$ 9,716</u> | <u>\$ 395,947</u> | <u>\$ 124,812</u> |

| Downtown Master Plan | Capital Projects | | | | Permanent | Total Non-major Governmental Funds |
|-------------------------|------------------------------|---|------------------------|--------------------------|-----------------------------------|--|
| | Bracken Mountain Trail | Hap Simpson Stream Bank Restoration | Broad River CDBG | Housing Trust Fund | Non-expend Bjerg Trust Fund | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 356,775 |
| 86 | 29 | 70 | - | 231 | - | 990 |
| - | 2,919 | 21,500 | 7,056 | - | - | 31,475 |
| - | - | - | - | 13,332 | - | 13,976 |
| <u>86</u> | <u>2,948</u> | <u>21,570</u> | <u>7,056</u> | <u>13,563</u> | <u>-</u> | <u>403,216</u> |
| - | - | - | - | 131 | - | 121,643 |
| <u>62,169</u> | <u>222,032</u> | <u>70,238</u> | <u>7,056</u> | <u>-</u> | <u>-</u> | <u>391,277</u> |
| <u>62,169</u> | <u>222,032</u> | <u>70,238</u> | <u>7,056</u> | <u>131</u> | <u>-</u> | <u>512,920</u> |
| <u>(62,083)</u> | <u>(219,084)</u> | <u>(48,668)</u> | <u>-</u> | <u>13,432</u> | <u>-</u> | <u>(109,704)</u> |
| 10,000 | 376,901 | 3,760 | - | - | - | 785,661 |
| 1,353 | - | - | - | - | - | 1,353 |
| - | - | - | - | - | - | (229,000) |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,353)</u> |
| <u>11,353</u> | <u>376,901</u> | <u>3,760</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>556,661</u> |
| (50,730) | 157,817 | (44,908) | - | 13,432 | - | 446,957 |
| 67,855 | 18,099 | 44,908 | - | - | 59,811 | 483,747 |
| <u>\$ 17,125</u> | <u>\$ 175,916</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 13,432</u> | <u>\$ 59,811</u> | <u>\$ 930,704</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, 2012

| | 2012 | | |
|--|-----------------|-------------------|------------------------------------|
| | Final Budget | Actual | Variance Positive (Negative) |
| Revenues: | | | |
| Ad valorem taxes | \$ 229,000 | \$ 234,500 | \$ 5,500 |
| Investment earnings | 500 | 229 | (271) |
| Miscellaneous | - | 644 | 644 |
| | <hr/> | <hr/> | <hr/> |
| Total revenues | 229,500 | 235,373 | 5,873 |
| | <hr/> | <hr/> | <hr/> |
| Expenditures: | | | |
| Miscellaneous | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| Revenues over expenditures | 229,500 | 235,373 | 5,873 |
| | <hr/> | <hr/> | <hr/> |
| Other Financing Uses: | | | |
| Operating transfer to other funds: | | | |
| General fund (for Fire Department expenditures) | (229,500) | (229,000) | 500 |
| | <hr/> | <hr/> | <hr/> |
| Total other financing uses | (229,500) | (229,000) | 500 |
| | <hr/> | <hr/> | <hr/> |
| Revenues and other sources over expenditures and other uses | <u>\$ -</u> | <u>6,373</u> | <u>\$ 6,373</u> |
| | | <hr/> | |
| Fund balance, beginning of year | | 127,572 | |
| | | <hr/> | |
| Fund balance, end of year | | <u>\$ 133,945</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, 2012

| | 2012 | | |
|--|-----------------|------------------------|------------------------------------|
| | Final Budget | Actual | Variance Positive (Negative) |
| Revenues: | | | |
| Ad valorem taxes | \$ 120,950 | \$ 122,275 | \$ 1,325 |
| Investment earnings | 50 | 16 | (34) |
| | <hr/> | <hr/> | <hr/> |
| Total revenues | 121,000 | 122,291 | 1,291 |
| | <hr/> | <hr/> | <hr/> |
| Expenditures: | | | |
| Current: | | | |
| Contracted services | 121,000 | 118,890 | 2,110 |
| | <hr/> | <hr/> | <hr/> |
| Revenues over expenditures | - | 3,401 | 3,401 |
| | <hr/> | <hr/> | <hr/> |
| Other Financing Uses: | | | |
| Operating transfer to other funds: | | | |
| Downtown Master Plan Fund | - | (1,353) | (1,353) |
| | <hr/> | <hr/> | <hr/> |
| Revenues and other sources over (under) expenditures and other uses | <u>\$ -</u> | <u>2,048</u> | <u>\$ 2,048</u> |
| | | <hr/> | |
| Fund balance, beginning of year | | 7,668 | |
| | | <hr/> | |
| Fund balance, end of year | | <u>\$ 9,716</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, 2012

| | Project Authorization | Actual | | Total to Date |
|---|--------------------------|------------------|-------------------|-------------------|
| | | Prior Years | Current Year | |
| Revenues: | | | | |
| S.R.T.S. grant | \$ 250,000 | \$ 239,794 | \$ - | \$ 239,794 |
| S.R.T.S. grant #2 | 30,000 | 30,000 | - | 30,000 |
| N.C. recreation trails grants | 71,967 | 57,817 | - | 57,817 |
| Investment earnings | - | 3,510 | 147 | 3,657 |
| | <u>351,967</u> | <u>331,121</u> | <u>147</u> | <u>331,268</u> |
| Total revenues | | | | |
| Expenditures: | | | | |
| Engineering, design and construction - | | | | |
| Elm Bend sidewalk | 375,000 | - | 6,550 | 6,550 |
| Davidson River trail | 103,467 | 82,123 | 4,221 | 86,344 |
| Gallimore Road multi-use | 823,100 | 773,016 | 19,011 | 792,027 |
| | <u>1,301,567</u> | <u>855,139</u> | <u>29,782</u> | <u>884,921</u> |
| Total expenditures | | | | |
| Revenues under expenditures | <u>(949,600)</u> | <u>(524,018)</u> | <u>(29,635)</u> | <u>(553,653)</u> |
| Other Financing Sources: | | | | |
| Transfers from General Fund - (Capital Reserve Fund) | 532,600 | 157,600 | 375,000 | 532,600 |
| Transfers from General Fund | 20,000 | - | 20,000 | 20,000 |
| Transfers from General Fund - Phase III | 397,000 | 397,000 | - | 397,000 |
| | <u>949,600</u> | <u>554,600</u> | <u>395,000</u> | <u>949,600</u> |
| Total other financing sources | | | | |
| Revenues and other financing sources over expenditures | <u>\$ -</u> | <u>\$ 30,582</u> | <u>365,365</u> | <u>\$ 395,947</u> |
| Fund balance, beginning of year | | | <u>30,582</u> | |
| Fund balance, end of year | | | <u>\$ 395,947</u> | |

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, 2012

| | Project Authorization | Actual | | |
|---|--------------------------|-------------------|-------------------|-------------------|
| | | Prior Years | Current Year | Total to Date |
| Revenues: | | | | |
| TDA grant | \$ 8,500 | \$ 8,500 | \$ - | \$ 8,500 |
| Interest | - | 1,068 | 182 | 1,250 |
| Miscellaneous | 15,500 | 15,500 | - | 15,500 |
| Total revenues | <u>24,000</u> | <u>25,068</u> | <u>182</u> | <u>25,250</u> |
| Expenditures: | | | | |
| Design, fabrication, and install | 174,000 | 47,816 | 2,622 | 50,438 |
| Revenues over (under) expenditures | <u>(150,000)</u> | <u>(22,748)</u> | <u>(2,440)</u> | <u>(25,188)</u> |
| Other Financing Sources: | | | | |
| Proceeds from debt | 150,000 | 150,000 | - | 150,000 |
| Revenues and other sources over (under) expenditures | <u>\$ -</u> | <u>\$ 127,252</u> | <u>(2,440)</u> | <u>\$ 124,812</u> |
| Fund balance, beginning of year | | | <u>127,252</u> | |
| Fund balance, end of year | | | <u>\$ 124,812</u> | |

CITY OF BREVARD, NORTH CAROLINA

DOWNTOWN MASTER PLAN CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL

From inception and for the year ended June 30, 2012

| | Project Authorization | Prior Years | Actual Current Year | Total to Date |
|---|--------------------------|-------------------------|--------------------------------|-------------------------|
| Revenues: | | | | |
| Investment earnings | <u>\$ -</u> | <u>\$ 34</u> | <u>\$ 86</u> | <u>\$ 120</u> |
| Expenditures: | | | | |
| Construction | <u>71,000</u> | <u>-</u> | <u>62,169</u> | <u>62,169</u> |
| Revenues over (under) expenditures | <u>(71,000)</u> | <u>34</u> | <u>(62,083)</u> | <u>(62,049)</u> |
| Other Financing Sources: | | | | |
| Operating transfer from other funds: | | | | |
| Heart of Brevard Municipal Service | 11,000 | 11,000 | 1,353 | 12,353 |
| General Fund | <u>60,000</u> | <u>56,821</u> | <u>10,000</u> | <u>66,821</u> |
| Total other financing sources | <u>71,000</u> | <u>67,821</u> | <u>11,353</u> | <u>79,174</u> |
| Revenues and other sources over (under) expenditures | <u><u>\$ -</u></u> | <u><u>\$ 67,855</u></u> | <u>(50,730)</u> | <u><u>\$ 17,125</u></u> |
| Fund balance, beginning of year | | | <u>67,855</u> | |
| Fund balance, end of year | | | <u><u>\$ 17,125</u></u> | |

CITY OF BREVARD, NORTH CAROLINA

BRACKEN MOUNTAIN TRAIL CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 From inception and for the year ended June 30, 2012

| | Project Authorization | Actual | | |
|---|--------------------------|------------------|-------------------|-------------------|
| | | Prior Years | Current Year | Total to Date |
| Revenues: | | | | |
| Investment earnings | \$ - | \$ 148 | \$ 29 | \$ 177 |
| North Carolina DNER grant | 5,000 | - | 2,919 | 2,919 |
| Total revenues | <u>5,000</u> | <u>148</u> | <u>2,948</u> | <u>3,096</u> |
| Expenditures: | | | | |
| Construction | <u>428,000</u> | <u>17,436</u> | <u>222,032</u> | <u>239,468</u> |
| Revenues under expenditures | <u>(423,000)</u> | <u>(17,288)</u> | <u>(219,084)</u> | <u>(236,372)</u> |
| Other Financing Sources: | | | | |
| Operating transfer from other funds: | | | | |
| General fund | 46,099 | 35,387 | - | 35,387 |
| General fund - (Capital Reserve Fund) | <u>376,901</u> | <u>-</u> | <u>376,901</u> | <u>376,901</u> |
| Total other financing sources | <u>423,000</u> | <u>35,387</u> | <u>376,901</u> | <u>412,288</u> |
| Revenues and other sources over expenditures | <u>\$ -</u> | <u>\$ 18,099</u> | <u>157,817</u> | <u>\$ 175,916</u> |
| Fund balance, beginning of year | | | <u>18,099</u> | |
| Fund balance, end of year | | | <u>\$ 175,916</u> | |

CITY OF BREVARD, NORTH CAROLINA

HAP SIMPSON STREAM BANK RESTORATION CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 From inception and for the year ended June 30, 2012

| | | Actual | | |
|---|--------------------------|----------------|-----------------|------------------|
| | Project Authorization | Prior Years | Current Year | Total to Date |
| Revenues: | | | | |
| Investment earnings | \$ - | \$ 166 | \$ 70 | \$ 236 |
| North Carolina DNER grant | 22,333 | - | 21,500 | 21,500 |
| Total revenues | 22,333 | 166 | 21,570 | 21,736 |
| Expenditures: | | | | |
| Construction | 82,241 | 5,258 | 70,238 | 75,496 |
| Revenues under expenditures | (59,908) | (5,092) | (48,668) | (53,760) |
| Other Financing Sources: | | | | |
| Operating transfer from other funds: | | | | |
| General fund | 59,908 | 50,000 | 3,760 | 53,760 |
| Total other financing sources | 59,908 | 50,000 | 3,760 | 53,760 |
| Revenues and other sources over (under) expenditures | \$ - | \$ 44,908 | (44,908) | \$ - |
| Fund balance, beginning of year | | | 44,908 | |
| Fund balance, end of year | | | \$ - | |

CITY OF BREVARD, NORTH CAROLINA

BROAD RIVER CDBG CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 From inception and for the year ended June 30, 2012

| | | Actual | | |
|---------------------------------|--------------------------|----------------|-----------------|------------------|
| | Project Authorization | Prior Years | Current Year | Total to Date |
| Revenues: | | | | |
| CDBG grant | \$ 250,000 | \$ 242,944 | \$ 7,056 | \$ 250,000 |
| Total revenues | 250,000 | 242,944 | 7,056 | 250,000 |
| Expenditures: | | | | |
| Construction | 250,000 | 242,944 | 7,056 | 250,000 |
| Revenues over expenditures | \$ - | \$ - | - | \$ - |
| Fund balance, beginning of year | | | - | |
| Fund balance, end of year | | | \$ - | |

CITY OF BREVARD, NORTH CAROLINA

HOUSING TRUST CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 From inception and for the year ended June 30, 2012

| | Project Authorization | Actual | | |
|---------------------------------|--------------------------|----------------|------------------|------------------|
| | | Prior Years | Current Year | Total to Date |
| Revenues: | | | | |
| Developer loan repayment | \$ 13,332 | \$ - | \$ 13,332 | \$ 13,332 |
| Investment earnings | - | - | 231 | 231 |
| Total revenues | <u>13,332</u> | <u>-</u> | <u>13,563</u> | <u>13,563</u> |
| Expenditures: | | | | |
| Construction | <u>13,332</u> | <u>-</u> | <u>131</u> | <u>131</u> |
| Revenues over expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>13,432</u> | <u>\$ 13,432</u> |
| Fund balance, beginning of year | | | <u>-</u> | |
| Fund balance, end of year | | | <u>\$ 13,432</u> | |

WATER AND SEWER FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 For the year ended June 30, 2012

| | 2012 | | Variance Positive (Negative) |
|--------------------------------|------------------|------------------|------------------------------------|
| | Final Budget | Actual | |
| Revenues: | | | |
| Operating Revenues: | | | |
| Charges for utilities: | | | |
| Water | \$ 2,015,000 | \$ 2,034,892 | \$ 19,892 |
| Sewer | 1,730,000 | 1,680,179 | (49,821) |
| Taps and connection fees: | | | |
| Water | 10,000 | 9,563 | (437) |
| Sewer | 5,000 | 6,000 | 1,000 |
| Other operating revenues | 75,000 | 73,186 | (1,814) |
| Total operating revenues | <u>3,835,000</u> | <u>3,803,820</u> | <u>(31,180)</u> |
| Nonoperating Revenues: | | | |
| Miscellaneous grant | - | 14,793 | 14,793 |
| Interest on investments | 2,500 | 134 | (2,366) |
| Total nonoperating revenues | <u>2,500</u> | <u>14,927</u> | <u>12,427</u> |
| Total revenues | <u>3,837,500</u> | <u>3,818,747</u> | <u>(18,753)</u> |
| Expenditures: | | | |
| Water Service: | | | |
| Water Treatment: | | | |
| Salaries and employee benefits | | 311,162 | |
| Other operating expenses | | 307,047 | |
| | <u>836,344</u> | <u>618,209</u> | <u>218,135</u> |
| Water Distribution: | | | |
| Salaries and employee benefits | | 218,793 | |
| Other operating expenses | | 187,983 | |
| Capital outlay | | 7,202 | |
| | <u>509,545</u> | <u>413,978</u> | <u>95,567</u> |
| Total water service | <u>1,345,889</u> | <u>1,032,187</u> | <u>313,702</u> |

WATER AND SEWER FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 For the year ended June 30, 2012

| | 2012 | | Variance Positive (Negative) |
|---|------------------|-------------------|------------------------------------|
| | Final Budget | Actual | |
| Expenditures (continued): | | | |
| Sewer Service: | | | |
| Sewage Treatment: | | | |
| Salaries and employee benefits | | 421,069 | |
| Other operating expenses | | 377,602 | |
| | <u>897,618</u> | <u>798,671</u> | <u>98,947</u> |
| Sewer Maintenance: | | | |
| Salaries and employee benefits | | 355,829 | |
| Other operating expenses | | 342,055 | |
| Capital outlay | | 7,202 | |
| | <u>910,928</u> | <u>705,086</u> | <u>205,842</u> |
| Total sewer service | <u>1,808,546</u> | <u>1,503,757</u> | <u>304,789</u> |
| Debt Service: | | | |
| Interest and fees | | 17,145 | |
| Debt principal | 212,386 | 121,102 | |
| Total debt service | <u>212,386</u> | <u>138,247</u> | <u>74,139</u> |
| Nondepartmental: | | | |
| Payment to general fund in lieu of taxes and administrative expenses | 490,000 | 490,000 | - |
| Adminstration | 133,315 | 47,981 | 85,334 |
| Other | 32,414 | 24,394 | 8,020 |
| OPEB expense | 6,750 | 6,750 | - |
| Miscellaneous | 8,200 | 12,303 | (4,103) |
| | <u>670,679</u> | <u>581,428</u> | <u>89,251</u> |
| Total expenditures | <u>4,037,500</u> | <u>3,255,619</u> | <u>781,881</u> |
| Revenues over expenditures | <u>(200,000)</u> | <u>563,128</u> | <u>763,128</u> |
| Other financing sources: | | | |
| Transfer from Capital Reserve Fund | 200,000 | 200,000 | - |
| Total other financing sources (uses) | <u>200,000</u> | <u>200,000</u> | <u>-</u> |
| Revenues and other sources over expenditures and other uses | <u>\$ -</u> | <u>\$ 763,128</u> | <u>\$ 763,128</u> |

CITY OF BREVARD, NORTH CAROLINA

**WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
For the year ended June 30, 2012**

| | <u>2012</u> |
|--|---------------------|
| Reconciliation of Budgetary Basis to Full Accrual Basis: | |
| Revenues over expenditures | \$ 763,128 |
| Reconciling items: | |
| Payment of debt principal | 121,102 |
| Capital contributions in Brushy Creek Basin | |
| Capital Project Fund - State Grant (Rural Center) | 268,697 |
| Capital contributions in Water Treatment Plan | |
| Capital Project Fund - State Grant (Rural Center) | 193,644 |
| Capital contributions in Water Infrastructure | |
| Capital Project Fund - State Grant (Rural Center) | 67,247 |
| Capital contributions to Septage Facility | |
| Capital Project Fund - Local Grant (Transylvania County) | 140,493 |
| Capital outlay - general | 14,404 |
| Depreciation | (386,810) |
| | <hr/> |
| Change in Net Assets | \$ 1,181,905 |
| | <hr/> <hr/> |

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, 2012

| | Project Authorization | Actual | | Total to Date |
|---|--------------------------|----------------|-----------------|------------------|
| | | Prior Years | Current Year | |
| Revenues: | | | | |
| NC Rural Center Grant | \$ 496,650 | \$ - | \$ 193,644 | \$ 193,644 |
| Expenditures: | | | | |
| Engineering, design and construction | 993,300 | 285,995 | 101,293 | 387,288 |
| Revenues over (under) expenditures | (496,650) | (285,995) | 92,351 | (193,644) |
| Other Financing Sources: | | | | |
| Capital Reserve Fund | 496,650 | 289,575 | - | 289,575 |
| Revenues and other financing sources over expenditures | \$ - | \$ 3,580 | 92,351 | \$ 95,931 |
| Fund balance, beginning of year | | | 3,580 | |
| Fund balance, end of year | | | \$ 95,931 | |

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, 2012

| | Project Authorization | Actual | | Total to Date |
|---|--------------------------|----------------|--------------------|------------------|
| | | Prior Years | Current Year | |
| Revenues: | | | | |
| NC Rural Center Grant | \$ 386,666 | \$ 319,419 | \$ 67,247 | \$ 386,666 |
| Expenditures: | | | | |
| Engineering, design and construction | 580,000 | 512,753 | 77,403 | 590,156 |
| Revenues under expenditures | (193,334) | (193,334) | (10,156) | (203,490) |
| Other Financing Sources: | | | | |
| Water and Sewer Fund | 193,334 | 193,334 | 10,156 | 203,490 |
| Revenues and other financing sources over expenditures | <u>\$ -</u> | <u>\$ -</u> | - | <u>\$ -</u> |
| Fund balance, beginning of year | | | - | |
| Fund balance, end of year | | | <u>\$ -</u> | |

CITY OF BREVARD, NORTH CAROLINA

SOUTH BROAD STORM WATER CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 From inception and for the year ended June 30, 2012

| | <u>Project Authorization</u> | <u>Prior Years</u> | <u>Actual Current Year</u> | <u>Total to Date</u> |
|--|----------------------------------|------------------------|------------------------------------|--------------------------|
| Revenues: | | | | |
| Local contribution | \$ 11,682 | \$ 11,682 | - | \$ 11,682 |
| Expenditures: | | | | |
| Easement acquisition | 4,000 | 2,290 | - | 2,290 |
| Engineering, design and construction | 69,468 | 25,301 | 23,522 | 48,823 |
| Total expenditures | <u>73,468</u> | <u>27,591</u> | <u>23,522</u> | <u>51,113</u> |
| Revenues under expenditures | <u>(61,786)</u> | <u>(15,909)</u> | <u>(23,522)</u> | <u>(39,431)</u> |
| Other Financing Sources: | | | | |
| Capital Reserve Fund | 61,786 | - | 2,962 | 2,962 |
| Water and Sewer Fund | - | 15,909 | 20,560 | 36,469 |
| | <u>61,786</u> | <u>15,909</u> | <u>23,522</u> | <u>39,431</u> |
| Revenues and other financing sources under expenditures | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance, beginning of year | | | <u>-</u> | |
| Fund balance, end of year | | | <u>\$ -</u> | |

CITY OF BREVARD, NORTH CAROLINA

WATER STORAGE TANKS CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 From inception and for the year ended June 30, 2012

| | Project Authorization | Prior Years | Actual Current Year | Total to Date |
|---|--------------------------|----------------|---------------------------|------------------|
| Revenues: | \$ - | \$ - | \$ - | \$ - |
| Expenditures: | | | | |
| Engineering, design and construction | 120,900 | 7,292 | 1,443 | 8,735 |
| Revenues over under expenditures | (120,900) | (7,292) | (1,443) | (8,735) |
| Other Financing Sources: | | | | |
| Water and Sewer Fund | 120,900 | 7,292 | 1,443 | 8,735 |
| 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>\$ -</u></u> | |

CITY OF BREVARD, NORTH CAROLINA

KINGS CREEK SEWER CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 From inception and for the year ended June 30, 2012

| | Project Authorization | Actual | | Total to Date |
|---|--------------------------|----------------|--------------------|------------------|
| | | Prior Years | Current Year | |
| Revenues: | \$ - | \$ - | \$ - | \$ - |
| Expenditures: | | | | |
| Engineering, design and construction | 837,375 | 18,000 | 105,032 | 123,032 |
| Revenues under expenditures | (837,375) | (18,000) | (105,032) | (123,032) |
| Other Financing Sources: | | | | |
| Water and Sewer Fund | 837,375 | 18,000 | 105,032 | 123,032 |
| 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

BRUSHY CREEK BASIN SEWER 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, 2012

| | Project Authorization | Actual | | Total to Date |
|---|--------------------------|----------------|-------------------|------------------|
| | | Prior Years | Current Year | |
| Revenues: | | | | |
| NC Rural Center Grant | \$ 394,072 | \$ - | \$ 268,697 | \$ 268,697 |
| Expenditures: | | | | |
| Engineering, design and construction | 591,110 | 35,045 | 537,394 | 572,439 |
| Revenues under expenditures | (197,038) | (35,045) | (268,697) | (303,742) |
| Other Financing Sources: | | | | |
| Water and Sewer Fund | - | - | 71,659 | 71,659 |
| Capital Reserve Fund | 197,038 | 35,045 | 197,038 | 232,083 |
| | 197,038 | 35,045 | 268,697 | 303,742 |
| Revenues and other financing sources over expenditures | \$ - | \$ - | - | \$ - |
| Fund balance, beginning of year | | | - | |
| Fund balance, end of year | | | \$ - | |

CITY OF BREVARD, NORTH CAROLINA

BELT PRESS GRIT REMOVAL CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

From inception and for the year ended June 30, 2012

| | <u>Actual</u> | | | |
|---|----------------------|--------------------|------------------|------------------|
| | <u>(As Restated)</u> | | | |
| | <u>Project</u> | <u>Prior</u> | <u>Current</u> | <u>Total to</u> |
| | <u>Authorization</u> | <u>Years</u> | <u>Year</u> | <u>Date</u> |
| Revenues: | \$ - | \$ - | \$ - | \$ - |
| Expenditures: | | | | |
| Engineering, design and construction | 1,178,750 | 60,324 | 753,235 | 813,559 |
| Revenues under expenditures | <u>(1,178,750)</u> | <u>(60,324)</u> | <u>(753,235)</u> | <u>(813,559)</u> |
| Other Financing Sources: | | | | |
| Loan proceeds - | | | | |
| Federal Revolving Loan | 1,150,000 | - | 796,595 | 796,595 |
| Water and Sewer Fund | 28,750 | - | 16,964 | 16,964 |
| | <u>1,178,750</u> | <u>-</u> | <u>813,559</u> | <u>813,559</u> |
| Revenues and other financing sources over expenditures | <u>\$ -</u> | <u>\$ (60,324)</u> | <u>60,324</u> | <u>\$ -</u> |
| Fund balance (deficit), beginning of year | | | <u>(60,324)</u> | |
| Fund balance, end of year | | | <u>\$ -</u> | |

CITY OF BREVARD, NORTH CAROLINA

SEPTAGE FACILITY CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 From inception and for the year ended June 30, 2012

| | Project Authorization | Prior Years | Actual Current Year | Total to Date |
|---|--------------------------|----------------|---------------------------|------------------|
| Revenues: | | | | |
| Transylvania County Grant | \$ 160,000 | \$ - | \$ 140,493 | \$ 140,493 |
| Expenditures: | | | | |
| Engineering, design and construction | 160,000 | - | 140,493 | 140,493 |
| 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> | |

SUPPLEMENTAL FINANCIAL DATA

CITY OF BREVARD, NORTH CAROLINA

GENERAL FUND
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE
 June 30, 2012

| Fiscal Year | Uncollected Balance June 30, 2011 | Additions | Collections And Credits | Uncollected Balance June 30, 2012 |
|---|---|---------------------|----------------------------|--|
| 2011-2012 | \$ - | \$ 4,149,842 | \$ 4,137,547 | \$ 12,295 |
| 2010-2011 | 22,779 | - | 17,938 | 4,841 |
| 2009-2010 | 2,294 | - | 747 | 1,547 |
| 2008-2009 | 2,255 | - | 331 | 1,924 |
| 2007-2008 | 2,396 | - | 152 | 2,244 |
| 2006-2007 | 2,299 | - | 47 | 2,252 |
| 2005-2006 | 2,421 | - | 147 | 2,274 |
| 2004-2005 | 2,276 | - | 235 | 2,041 |
| 2003-2004 | 2,931 | - | 396 | 2,535 |
| 2002-2003 | 5,560 | - | 332 | 5,228 |
| 2001-Prior | 1,792 | - | - | - |
| | <u>\$ 47,003</u> | <u>\$ 4,149,842</u> | <u>\$ 4,157,872</u> | <u>37,181</u> |
| | | | | <u>(11,181)</u> |
| | | | | <u>\$ 26,000</u> |
| <u>Reconcilement with revenues:</u> | | | | |
| | | | | <u>\$ 4,167,340</u> |
| | | | | Reconciling items: |
| | | | | Interest collected (20,257) |
| | | | | Taxes written off per statute of limitations 1,792 |
| | | | | Adjustments 8,997 |
| | | | | <u>(9,468)</u> |
| | | | | <u>\$ 4,157,872</u> |

CITY OF BREVARD, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
CITY-WIDE LEVY
For the Year Ended June 30, 2012

| | City - Wide | | | Total Levy | |
|--|-----------------------|--------|---------------------|--|---------------------------------|
| | Property Valuation | Rate | Total Levy | Property excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original levy: | | | | | |
| Property taxed at current | \$ 946,796,557 | 0.4325 | \$ 4,101,869 | \$ 3,928,549 | \$ 173,320 |
| Penalties | - | | 2,057 | 2,057 | - |
| Total | <u>946,796,557</u> | | <u>4,103,926</u> | <u>3,930,606</u> | <u>173,320</u> |
| Discoveries | 19,592,126 | | 84,755 | 84,749 | 6 |
| Abatements | <u>(8,980,343)</u> | | <u>(38,839)</u> | <u>(34,372)</u> | <u>(4,467)</u> |
| Total property valuation | <u>\$ 957,408,340</u> | | | | |
| Net levy | | | 4,149,842 | 3,980,983 | 168,859 |
| Uncollected taxes at June 30, 2012 | | | <u>(12,295)</u> | <u>(4,035)</u> | <u>(8,260)</u> |
| Current year's taxes collected and credits | | | <u>\$ 4,137,547</u> | <u>\$ 3,976,948</u> | <u>\$ 160,599</u> |
| Current levy collection percentage | | | <u>99.70%</u> | <u>99.90%</u> | <u>95.11%</u> |

COMPLIANCE SECTION



**GOULD KILLIAN
CPA GROUP, P.A.**
CERTIFIED PUBLIC ACCOUNTANTS

**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 unit, 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, 2012, which collectively comprise the City of Brevard's basic financial statements, and have issued our report thereon dated November 2, 2012. 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 City of Brevard ABC Board were not audited in accordance with *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

Management of the City of Brevard is responsible for establishing and maintaining effective 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Governmental Auditing Standards*.

This report is intended solely for the information and use of management, others within the entity, 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. However, this report is a matter of public record and its distribution is not limited.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 2, 2012



**Report On Compliance with Requirements That Could Have a Direct and Material
Effect on Each Major Program and Internal Control over Compliance In Accordance
With OMB Circular A-133 and the State Single Audit Implementation Act**

Members of the City Council
City of Brevard
Brevard, North Carolina

Compliance

We have audited City of Brevard's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of City of Brevard's major federal programs for the year ended June 30, 2012. City of Brevard's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Brevard's management. Our responsibility is to express an opinion on City of Brevard's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Implementation Act*. Those standards, OMB Circular A-133 and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Brevard's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Brevard's compliance with those requirements.

In our opinion, City of Brevard complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of City of Brevard is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Brevard's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Brevard's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, federal awarding agencies, and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 2, 2012

City of Brevard, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____yes X no
- Significant deficiency(s) identified that are not considered to be material weaknesses? _____yes X none reported

Noncompliance material to financial statements noted _____yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____yes X no
- Significant deficiency(s) identified that are not considered to be material weaknesses? _____yes X none reported

Type of auditor's report issued on compliance for major federal programs: Unqualified.

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act _____yes X no

Identification of major federal programs:

| CFDA Number | Program Name |
|-------------|---|
| 66.458 | Capitalization Grants for Clean Water State Revolving Funds |

The threshold for determining Type A programs was \$300,000.

The City did not qualify as a low-risk auditee under Section .530 of OMB Circular A-133 because a federal single audit was not required in the prior year.

City of Brevard, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

City of Brevard, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2012

Finding: 11 – 1 Aggregate Material Adjusting Journal Entries

Status: The City’s finance director performed closing procedures such that no material adjusting journal entries were necessary during the course of the audit for the fiscal year ending June 30, 2012.

Finding: 11 – 2 Financial Statement Preparation

Status: The finance director provided oversight of the financial statement preparation for the fiscal year ending June 30, 2012. He reviewed and approved the document prior to issuance.

Finding: 11 – 3 Excess of Expenditures Over Appropriations

Status: Budgets were adopted and amended as required by state statute during the fiscal year which resulted in no material expenditures over appropriations for the fiscal year ending June 30, 2012.

CITY OF BREVARD

Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2012

| | <u>Federal CFDA Number</u> | <u>State/Pass-Through Grantor's Number</u> | <u>Federal Expenditures</u> | <u>State Expenditures</u> |
|--|------------------------------------|--|---------------------------------|-------------------------------|
| Federal Awards | | | | |
| <u>U.S. Department of Housing & Urban Development</u> | | | | |
| Passed-through the N.C Dept of Commerce: | | | | |
| Community Development Block Grants/Entitlement Grants | | | \$ 7,055 | \$ - |
| Total U.S. Department of Housing & Urban Development | 14.238 | | <u>7,055</u> | <u>-</u> |
| <u>U.S. Department of Justice</u> | | | | |
| Passed-through the N.C. Dept. of Health and Human Services: | | | | |
| CAD Implementation Project | 16.803 | | <u>33,635</u> | <u>-</u> |
| Total U.S. Department of Justice | | | <u>33,635</u> | <u>-</u> |
| <u>Environmental Protection Agency</u> | | | | |
| Passed-through the N.C Dept of Environment and Natural Resources: | | | | |
| Capitalization Grants for Clean Water State Revolving Funds | 66.458 | DENR-10 | <u>637,276</u> | <u>159,319</u> |
| Total U.S. Department of Housing & Urban Development | | | <u>637,276</u> | <u>159,319</u> |
| Total Federal Awards and State Matches | | | <u>677,966</u> | <u>159,319</u> |
| State Awards | | | | |
| N. C. Department of Transportation: | | | | |
| Powell Bill | | DOT-4 | - | 215,346 |
| Governor Highway Safety Program | | GHSP-10 | - | 5,667 |
| Total N.C. Department of Transportation | | | <u>-</u> | <u>221,013</u> |
| N. C. Department of Environment and Natural Resources: | | | | |
| Recreational Trails Program Grant | | 3515 | - | 2,919 |
| Water Resources Development Grant | | DENR-19 | - | 21,500 |
| Total N.C. Department of Environment and Natural Resources | | | <u>-</u> | <u>24,419</u> |
| Total State awards | | | <u>-</u> | <u>245,432</u> |
| Total federal and State awards | | | <u>\$ 677,966</u> | <u>\$ 404,751</u> |

CITY OF BREAVRD

Schedule of Expenditures of Federal and State Awards For the Year Ended June 30, 2012

Note to the Schedule of Expenditures of Federal and State Awards:

- 1 The Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of the City of Brevard and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of the basic financial statements.