

City of Brevard, North Carolina

Financial Statements

Year Ended June 30, 2013



CITY OF BREVARD, NORTH CAROLINA



City Council As of June 30, 2013

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the City of Brevard ABC Board (a component unit) were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position and cash flows, where appropriate, thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance and the Other Postemployment Benefits Schedules of Funding Progress and Schedules of Employer Contributions on pages 4 through 13 and 47 through 48, 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Brevard. 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. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by the 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 statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the combining and individual fund statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2013 on our consideration of the City of Brevard's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Brevard's internal control over financial reporting and compliance.

Donald Killian CPA Group, P.A.

Asheville, North Carolina

November 13, 2013

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, 2013. 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.

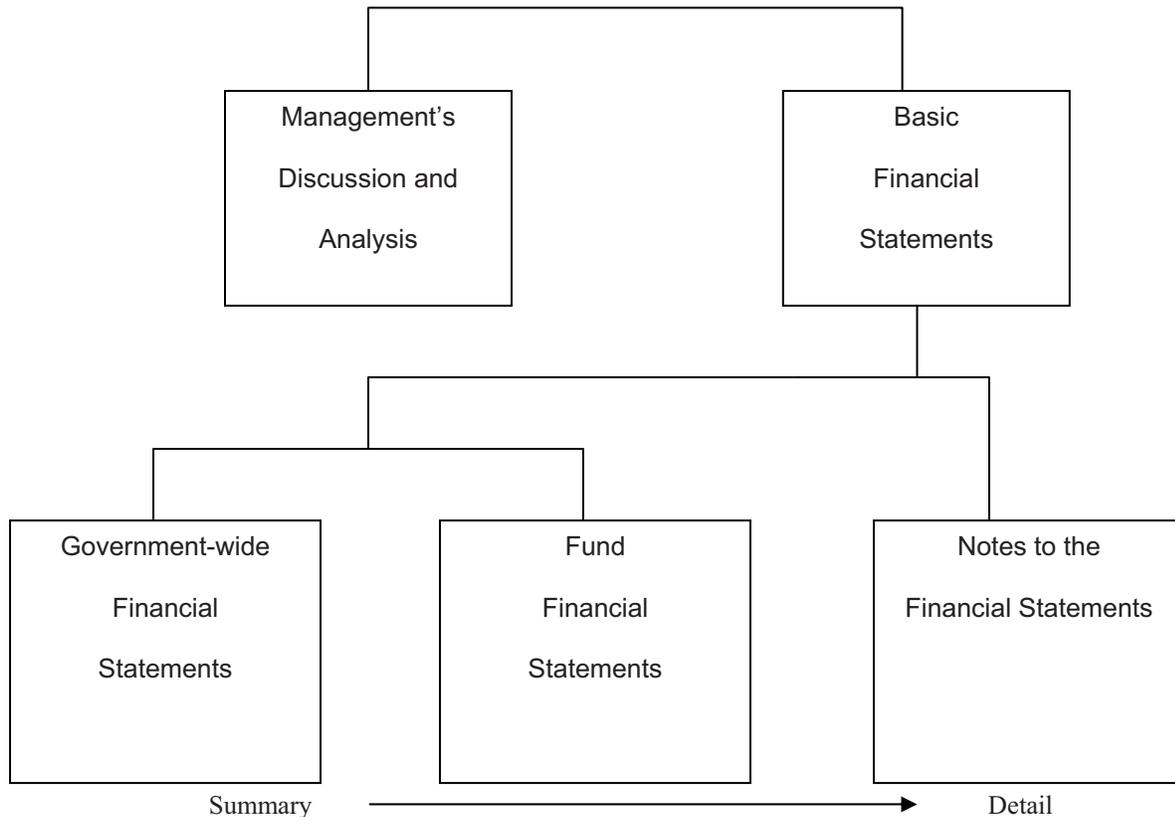
Financial Highlights

- The assets of the City of Brevard exceeded its liabilities at the close of the fiscal year by \$26,380,270 (net position).
- The City's total net position increased by \$749,753 in the current fiscal year compared to the \$2,227,774 total net position increase in the previous fiscal year. The reduced increase of net position (\$1,478,021) between comparing the two fiscal years is primarily due to capital grant revenue decreasing approximately \$250,000 and overall increase in salaries and related benefits.
- Governmental activities net position increase of \$378,169 was less than the previous year increase of \$1,028,905. This is primarily because revenues remained consistent while expenditures for salaries and benefits increased.
- As of the close of the current fiscal year, the City of Brevard's governmental funds reported combined ending fund balances of \$6,810,686, a decrease of \$225,361 in comparison with the prior year. Approximately 44% of this total amount, or \$3,016,910, 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 \$3,016,910 (37%) of total general fund expenditures for the fiscal year compared to the prior year \$3,558,940 (47%)
- Debt increased for Governmental Activities by \$187,886 due to the net effect of financing obtained for a significant vehicle purchase and for the acquisition of a new fire tanker truck in early fiscal year 2014, and repayment of principal of existing loans.
- The City's Water and Sewer Fund debt increased \$1,171,013 due to the Belt Press and Grit Removal and Kings Creek Sewer Projects for Wastewater Treatment Plant 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 position and how they have changed. Net position is the difference between the City's total assets and total liabilities. Measuring net position 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 position 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 two kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer operation. This fund is the same as that function shown in the business-type activities in the Statement of Net Position and the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate

Management's Discussion and Analysis
City of Brevard

costs internally among the functions of the City. The City uses an internal service fund to account for its employee health insurance program. Because this operation benefits predominately governmental rather than business-type activities, the internal service fund has been included with the governmental activities in the government-wide financial statements.

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 26 through 46 of this report.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		Total Percentage Change
	(As Restated)		(As Restated)		(As Restated)		
	2013	2012	2013	2012	2013	2012	
Current and other assets	\$ 7,855,812	\$ 8,055,763	\$ 2,293,523	\$ 2,457,267	\$ 10,149,335	\$ 10,513,030	-3%
Capital assets	<u>5,706,871</u>	<u>4,953,280</u>	<u>15,733,557</u>	<u>14,135,632</u>	<u>21,440,428</u>	<u>19,088,912</u>	12%
Total assets	13,562,683	13,009,043	18,027,080	16,592,899	31,589,763	29,601,942	7%
Long-term liabilities	1,967,385	1,823,799	2,382,498	1,268,728	4,349,883	3,092,527	41%
Other liabilities	<u>499,629</u>	<u>467,744</u>	<u>359,981</u>	<u>411,154</u>	<u>859,610</u>	<u>878,898</u>	-2%
Total liabilities	2,467,014	2,291,543	2,742,479	1,679,882	5,209,493	3,971,425	31%
Net position:							
Net investment in capital assets	4,080,815	3,515,006	13,426,156	12,944,080	17,506,971	16,459,086	6%
Restricted	1,855,933	2,237,349	-	-	1,855,933	2,237,349	-17%
Unrestricted	<u>5,158,921</u>	<u>4,965,145</u>	<u>1,858,445</u>	<u>1,968,937</u>	<u>7,017,366</u>	<u>6,934,082</u>	1%
Total net position	<u>\$11,095,669</u>	<u>\$10,717,500</u>	<u>\$ 15,284,601</u>	<u>\$ 14,913,017</u>	<u>\$ 26,380,270</u>	<u>\$ 25,630,517</u>	3%

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the City of Brevard exceeded liabilities by \$26,380,270 as of June 30, 2013. The City's net position increased by \$749,753 for the fiscal year ended June 30, 2013. Net position 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 position (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,017,366 (27%) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.60% for the year ending June 30, 2013, which is comparable to 99.7% for the year ending June 30, 2012. Property tax revenues increased approximately 1%.
- Local option sales tax revenues increased approximately \$42,600, or 4%, mainly due to growth in local retail sales.
- Sales and services revenues decreased by approximately \$42,000 or 1% due to a slight decline in water and sewer revenue.

City of Brevard Changes in Net position
Figure 3

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2013	(As restated) 2012	2013	(As Restated) 2012	2013	(As Restated) 2012	
Revenues:							
Program revenues:							
Charges for services	\$ 1,981,954	\$ 1,941,611	\$ 3,721,755	\$ 3,803,820	\$ 5,703,709	\$ 5,745,431	-1%
Operating grants and contributions	320,244	327,824	-	14,793	320,244	342,617	-7%
Capital grants and contributions	32,417	31,475	436,613	687,045	469,030	718,520	-35%
General revenues:							
Property taxes	4,539,023	4,517,115	-	-	4,539,023	4,517,115	1%
Sales tax	1,261,070	1,218,412	-	-	1,261,070	1,218,412	4%
Other	797,802	808,254	133	134	797,935	808,388	-1%
Total revenues	<u>8,932,510</u>	<u>8,844,691</u>	<u>4,158,501</u>	<u>4,505,792</u>	<u>13,091,011</u>	<u>13,350,483</u>	-2%
Expenses:							
General government	1,991,451	1,718,512	-	-	1,991,451	1,718,512	16%
Public safety	3,231,843	2,950,427	-	-	3,231,843	2,950,427	10%
Public works	3,077,039	2,664,837	-	-	3,077,039	2,664,837	15%
Economic and physical development	115,117	121,643	-	-	115,117	121,643	-5%
Culture and recreation	98,489	93,654	-	-	98,489	93,654	5%
Interest on long term debt	40,402	66,713	-	-	40,402	66,713	-39%
Water and sewer	-	-	3,786,917	3,506,923	3,786,917	3,506,923	8%
Total expenses	<u>8,554,341</u>	<u>7,615,786</u>	<u>3,786,917</u>	<u>3,506,923</u>	<u>12,330,258</u>	<u>11,122,709</u>	1%
Increase in net position before transfers	378,169	1,228,905	371,584	998,869	749,753	2,227,774	-66%
Transfers	-	(200,000)	-	200,000	-	-	
Increase in net position after transfers	<u>378,169</u>	<u>1,028,905</u>	<u>371,584</u>	<u>1,198,869</u>	<u>749,753</u>	<u>2,227,774</u>	-66%
Net position, as restated	<u>10,717,500</u>	<u>9,688,595</u>	<u>14,913,017</u>	<u>13,714,148</u>	<u>25,630,517</u>	<u>23,402,743</u>	
Net position, ending	<u>\$11,095,669</u>	<u>\$10,717,500</u>	<u>\$ 15,284,601</u>	<u>\$ 14,913,017</u>	<u>\$ 26,380,270</u>	<u>\$ 25,630,517</u>	

Governmental activities. Governmental activities increased the City's net position by \$378,169. This increase is less than the prior year's increase mainly due increased salary and employee benefit costs.

Business-type activities: Business-type activities increased the City of Brevard's net position by \$371,584. This increase is less than the prior year's increase mainly due to decreases in capital grants and charges for services of approximately \$250,000 and \$82,000, respectively, and increases in overall salary and related benefits.

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 \$3,016,910, while total fund balance reached \$6,190,789. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund

Management's Discussion and Analysis
City of Brevard

balance to total fund expenditures. Unassigned fund balance of \$3,016,910 represents 37% of total General Fund expenditures for the year ended June 30, 2013.

At June 30, 2013, the governmental funds of City of Brevard reported a combined fund balance of \$6,810,686, an 3.2% decrease over last year's restated combined fund balance.

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 position of the Water and Sewer District at the end of the fiscal year amounted to \$1,858,445. 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 30, 2013, the City of Brevard revised the overall budget two times. There were two project ordinances adopted during the fiscal year. 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, 2013, totals \$21,440,428 (net of accumulated depreciation). These assets include land, construction in progress, buildings, infrastructure, equipment and vehicles.

Capital Asset Additions. Assets purchased included: vehicles, a garbage truck, computer equipment, renovations to Town Hall and the Police Department, 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>2013</u>	<u>(Restated) 2012</u>	<u>2013</u>	<u>(Restated) 2012</u>	<u>2013</u>	<u>(Restated) 2012</u>	
Land	\$ 319,893	\$ 319,893	\$ 212,891	\$ 212,891	\$ 532,784	\$ 532,784	0%
Construction in progress	619,080	1,244,619	1,820,875	2,936,815	2,439,955	4,181,434	-42%
Buildings and infrastructure	2,691,863	1,378,540	13,220,633	10,645,162	15,912,496	12,023,702	32%
Equipment	222,764	145,402	113,576	154,017	336,340	299,419	12%
Vehicles and motorized equipment	<u>1,853,271</u>	<u>1,862,298</u>	<u>365,582</u>	<u>186,746</u>	<u>2,218,853</u>	<u>2,049,044</u>	8%
Total net position	<u>\$ 5,706,871</u>	<u>\$ 4,950,752</u>	<u>\$ 15,733,557</u>	<u>\$ 14,135,631</u>	<u>\$ 21,440,428</u>	<u>\$ 19,086,383</u>	12%

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, 2013, the City of Brevard had no outstanding bonds. Debt increased for Governmental Activities by a net amount of \$187,886 due to a financing obtained for a significant vehicle purchase, financing obtained for acquisition of a new fire tanker truck in early fiscal year 2014, and repayment of principal of existing loans. For Business-Type Activities, debt increased by a net amount of \$1,171,013 mainly due to new borrowing for capital improvements at the WWTP.

City of Brevard's Outstanding Debt
Figure 5

	Balance <u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2013</u>
Governmental Activities:				
Installment Contracts	\$ 1,438,170	\$ 446,771	\$ 258,885	\$ 1,626,056
Total	<u>\$ 1,438,170</u>	<u>\$ 446,771</u>	<u>\$ 258,885</u>	<u>\$ 1,626,056</u>
Business Type Activities:				
Installment Contracts	\$ 339,793	\$ 236,318	\$ 160,691	\$ 415,420
Revolving Loan	<u>796,595</u>	<u>1,095,386</u>	<u>-</u>	<u>1,891,981</u>
Total	<u>\$ 1,136,388</u>	<u>\$ 1,331,704</u>	<u>\$ 160,691</u>	<u>\$ 2,307,401</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 \$72.4 million. The City has no bonds authorized or un-issued at June 30, 2013.

Additional information regarding the City of Brevard's long-term debt can be found in Note 7 beginning on page 41 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- Recent employment statistics are shown in the table below.

<u>County and State</u>	<u>Labor Force</u>	<u>June 2013 Unemployment Rates</u>	
		<u>Number Unemployed</u>	<u>Unemployment Rate</u>
Transylvania	13,364	1,176	8.8%
Buncombe	129,900	9,181	7.1%
Henderson	52,395	3,484	6.6%
North Carolina	4,709,264	414,415	8.8%

Source: NC Employment Security Commission – June 2013 Seasonally Adjusted

- Tourism remains a vital and growing part of the Brevard economy. Domestic tourism in Transylvania County generated an economic impact of \$80.92 million for the calendar year 2012. This was a \$3.6 million increase from 2011.

Transylvania County

Year	Tourism Revenue (\$ millions)	% Growth (Decline)
2008	77.07	(4%)
2009	68.41	(11%)
2010	71.75	5%
2011	77.32	7%
2012	80.92	5%

*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.

	2008	2009	2010	2011	2012
City of Brevard	99.51%	99.72%	99.45%	99.70%	99.60%
Statewide	96.92%	97.00%	97.17%	97.19%	97.48%

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

- Within the City, sales tax generated from taxable sales increased 3.5% from \$1,218,412 in the fiscal year 2011-2012 to \$1,261,070 in the fiscal year 2012-2013.

Budget Highlights for the Fiscal Year Ending June 30, 2014

General Fund

- The general fund budget as adopted for fiscal year 2013-2014 increased from \$8,264,750 to \$8,995,797. The increase represents a fund balance appropriation for capital improvements.

Water and Sewer Fund

- Management expects water usage in fiscal year 2013-2014 to remain consistent with fiscal year 2012-2013 or slightly increase. The charges for services were budgeted at approximately the same level.
- The City experienced a growth in customer base of 70 new utility customers during the fiscal year 2012-2013.
- 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 sewer rates by 7.4% effective August 1, 2013 to be used mainly for future capital improvements and servicing of new debt.

Other Information:

The following statistics were provided by the Transylvania County Building Permitting and Enforcement Department for the calendar year ending December 31, 2012:

Detailed Residential Construction Value 2012

New home value: City - 2 homes - \$806,000
New home value: County - 71 homes - \$23,010,000

Addition/Remodel Value: City - 64 homes - \$1,493,500
Addition/Remodel Value: County - 184 homes - \$6,450,000

Manufactured Homes: City - 4 homes - \$90,000
Manufactured Homes: County - 28 homes - \$807,000

Detailed Commercial Construction Value 2012

New: City - 2 - \$2,370,000
New: County - 5 - \$1,849,000

Addition/Remodel: City - 33 - \$4,796,000
Addition/Remodel: County - 7 - \$97,000

The number of new house permits in 2012 compared to 2011 was up 17%.
The number of new house permits in 2012 compared to 2008 was down 51%.
Total construction value in 2012 compared to 2008 was down 58%.

Construction Values for last 5 years in the City of Brevard

2012 - \$ 9,555,894
2011 - \$ 6,420,475
2010 - \$ 9,165,474
2009 - \$ 9,856,346
2008 - \$ 39,879,929

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

Statement of Net Position
June 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	City of Brevard ABC Board
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 5,784,321	\$ 1,375,885	\$ 7,160,206	\$ 109,747
Taxes receivable (net)	42,475	-	42,475	-
Accrued interest receivable on taxes	8,700	-	8,700	-
Accounts receivable (net)	142,655	314,237	456,892	-
Due from other governments	679,039	583,975	1,263,014	-
Inventories	47,515	-	47,515	294,114
Prepaid items	29,741	19,426	49,167	2,670
Total current assets	<u>6,734,446</u>	<u>2,293,523</u>	<u>9,027,969</u>	<u>406,531</u>
Restricted assets:				
Cash and cash equivalents	<u>1,121,366</u>	<u>-</u>	<u>1,121,366</u>	<u>-</u>
Capital assets:				
Land, non-depreciable improvements & construction in progress	938,973	2,033,766	2,972,739	-
Other capital assets, net of depreciation	4,767,898	13,699,791	18,467,689	93,016
Total capital assets	<u>5,706,871</u>	<u>15,733,557</u>	<u>21,440,428</u>	<u>93,016</u>
Total assets	<u>13,562,683</u>	<u>18,027,080</u>	<u>31,589,763</u>	<u>499,547</u>
LIABILITIES				
Current liabilities:				
Accounts payable	310,203	231,896	542,099	177,051
Salaries and payroll taxes payable	180,926	36,964	217,890	-
Customer deposits	-	83,221	83,221	-
Accrued interest payable	8,500	7,900	16,400	-
Long-term liabilities:				
Due within one year	390,452	310,754	701,206	-
Due in more than one year	<u>1,576,933</u>	<u>2,071,744</u>	<u>3,648,677</u>	<u>-</u>
Total liabilities	<u>2,467,014</u>	<u>2,742,479</u>	<u>5,209,493</u>	<u>177,051</u>
NET POSITION				
Net investment in capital assets	4,080,815	13,426,156	17,506,971	93,016
Restricted for:				
Stabilization by State statute	898,797	-	898,797	-
Streets	55,038	-	55,038	-
Capital projects	568,256	-	568,256	-
Public safety	329,299	-	329,299	-
Other purposes	4,543	-	4,543	79,446
Unrestricted	<u>5,158,921</u>	<u>1,858,445</u>	<u>7,017,366</u>	<u>150,034</u>
Total net position	<u>\$ 11,095,669</u>	<u>\$ 15,284,601</u>	<u>\$ 26,380,270</u>	<u>\$ 322,496</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BREVARD, NORTH CAROLINA

Statement of Activities
For the Year Ended June 30, 2013

Program Revenues

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 1,991,451	\$ 520,987	\$ -	\$ -
Public safety	3,231,843	2,060	99,234	-
Public works	3,077,039	1,439,548	221,010	-
Economic and physical development	115,117	-	-	32,417
Cultural and recreation	98,489	19,359	-	-
Interest on long-term debt	40,402	-	-	-
Total Governmental Activities	<u>8,554,341</u>	<u>1,981,954</u>	<u>320,244</u>	<u>32,417</u>
Business-Type Activities:				
Water and sewer	<u>3,786,917</u>	<u>3,721,755</u>	-	<u>436,613</u>
Total Business-Type Activities	<u>3,786,917</u>	<u>3,721,755</u>	-	<u>436,613</u>
Total Primary Government	<u><u>\$ 12,341,258</u></u>	<u><u>\$ 5,703,709</u></u>	<u><u>\$ 320,244</u></u>	<u><u>\$ 469,030</u></u>
Component Unit:				
ABC Board	<u>\$ 2,552,689</u>	<u>\$ 2,713,146</u>	<u>\$ -</u>	<u>\$ -</u>
Total Component Unit	<u><u>\$ 2,552,689</u></u>	<u><u>\$ 2,713,146</u></u>	<u><u>\$ -</u></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 on sale of capital assets

Miscellaneous

Total general revenues

Change in net position

Net position, beginning, as originally reported

Prior period adjustments (Note 17)

Net position, beginning, as restated

Net position, ending

The accompanying notes are an integral part of these financial statements.

Exhibit 2

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	City of Brevard ABC Board
\$ (1,470,464)	\$ -	\$ (1,470,464)	\$ -
(3,130,549)	-	(3,130,549)	-
(1,416,481)	-	(1,416,481)	-
(82,700)	-	(82,700)	-
(79,130)	-	(79,130)	-
(40,402)	-	(40,402)	-
<u>(6,219,726)</u>	<u>-</u>	<u>(6,219,726)</u>	<u>-</u>
-	371,451	371,451	-
-	371,451	371,451	-
<u>(6,219,726)</u>	<u>371,451</u>	<u>(5,848,275)</u>	<u>-</u>
-	-	-	160,457
-	-	-	<u>160,457</u>
4,539,023	-	4,539,023	-
1,261,070	-	1,261,070	-
569,429	-	569,429	-
154,733	-	154,733	(154,733)
6,658	133	6,791	188
17,961	-	17,961	-
49,021	-	49,021	76
<u>6,597,895</u>	<u>133</u>	<u>6,598,028</u>	<u>(154,469)</u>
<u>378,169</u>	<u>371,584</u>	<u>749,753</u>	<u>5,988</u>
10,893,036	14,698,465	25,591,501	316,508
<u>(175,536)</u>	<u>214,552</u>	<u>39,016</u>	<u>-</u>
<u>10,717,500</u>	<u>14,913,017</u>	<u>25,630,517</u>	<u>316,508</u>
<u>\$ 11,095,669</u>	<u>\$ 15,284,601</u>	<u>\$ 26,380,270</u>	<u>\$ 322,496</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BREVARD, NORTH CAROLINA

GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2013

	<u>Major Fund</u>		<u>Total Non-</u>		<u>Total</u>
	<u>General Fund</u>		<u>Major Funds</u>		<u>Governmental</u>
					<u>Funds</u>
ASSETS					
Cash and cash equivalents, unrestricted	\$ 5,294,305	\$ -	\$ 5,294,305		
Cash and cash equivalents, restricted	393,283	728,083	1,121,366		
Taxes receivable, net	26,470	16,005	42,475		
Accounts receivable, net	142,051	604	142,655		
Due from other governments	670,189	8,850	679,039		
Due from other funds	85,953	-	85,953		
Inventories	47,515	-	47,515		
Total assets	<u>\$ 6,659,766</u>	<u>\$ 753,542</u>	<u>\$ 7,413,308</u>		
LIABILITIES					
Accounts payable and accrued liabilities	\$ 261,581	\$ 31,687	\$ 293,268		
Salaries and payroll taxes payable	180,926	-	180,926		
Due to other funds	-	85,953	85,953		
Total liabilities	<u>442,507</u>	<u>117,640</u>	<u>560,147</u>		
DEFERRED INFLOWS OF RESOURCES					
Taxes receivable, net	<u>26,470</u>	<u>16,005</u>	<u>42,475</u>		
FUND BALANCES					
Nonspendable:					
Inventories	47,515	-	47,515		
Perpetual maintenance	-	55,440	55,440		
Restricted:					
Stabilization by State statute	898,193	604	898,797		
Streets	55,038	-	55,038		
Capital projects	200,000	368,256	568,256		
Public safety	138,245	191,054	329,299		
Perpetual maintenance	-	4,543	4,543		
Committed:					
Capital projects	932,041	-	932,041		
Assigned:					
Subsequent year's expenditures	902,847	-	902,847		
Unassigned	3,016,910	-	3,016,910		
Total fund balances	<u>6,190,789</u>	<u>619,897</u>	<u>6,810,686</u>		
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,659,766</u>	<u>\$ 753,542</u>			

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	5,706,871
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.	8,700
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	42,475
The assets and liabilities of the internal service fund, which is used by management to charge the cost of insurance to individual funds, are included in governmental activities in the statement of net position.	473,081
Some liabilities, including notes payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	(1,946,144)
Net position of governmental activities	<u>\$ 11,095,669</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BREVARD, NORTH CAROLINA

GOVERNMENTAL FUNDS

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2013

	<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	\$ 4,145,424	\$ 380,424	\$ 4,525,848
Other taxes and licenses	1,360,855	-	1,360,855
Unrestricted intergovernmental	686,252	-	686,252
Restricted intergovernmental	264,639	32,417	297,056
Sales and services	1,981,954	-	1,981,954
Investment earnings	6,473	185	6,658
Miscellaneous	26,992	15,759	42,751
Total revenues	<u>8,472,589</u>	<u>428,785</u>	<u>8,901,374</u>
EXPENDITURES			
Current:			
General government	2,090,319	-	2,090,319
Public safety	2,727,727	585,632	3,313,359
Public works	3,172,762	-	3,172,762
Economic and physical development	-	115,117	115,117
Cultural and recreation	89,675	-	89,675
Capital outlay	-	503,448	503,448
Debt service:			
Principal retirement	94,445	164,440	258,885
Interest and other charges	16,876	31,026	47,902
Total expenditures	<u>8,191,804</u>	<u>1,399,663</u>	<u>9,591,467</u>
Excess (deficiency) of revenues over expenditures	<u>280,785</u>	<u>(970,878)</u>	<u>(690,093)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	395,390	395,390
Transfers to other funds	(384,390)	(11,000)	(395,390)
Proceeds from sale of capital assets	17,961	-	17,961
Issuance of installment debt	166,771	280,000	446,771
Total other financing sources (uses)	<u>(199,658)</u>	<u>664,390</u>	<u>464,732</u>
Net change in fund balances	81,127	(306,488)	(225,361)
Fund balances, beginning	6,729,343	930,704	7,660,047
Prior period adjustments (Note 17)	(619,681)	(4,319)	(624,000)
Fund balances, ending	<u>\$ 6,190,789</u>	<u>\$ 619,897</u>	<u>\$ 6,810,686</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BREVARD, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013

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

Net changes in fund balances - total governmental funds	\$ (225,361)
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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.

Capital outlay expenditures which were capitalized	\$ 1,306,487	
Depreciation expense for governmental assets	<u>(552,886)</u>	753,601

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	13,176
--	--------

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.

Accrued interest expense	7,500	
Compensated absences used	14,417	
Net pension and opeb obligations	<u>29,853</u>	51,770

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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long-term debt	258,885	
Installment financing obligations issued	<u>(446,771)</u>	(187,886)

The internal service fund is used by management to charge the cost of health insurance to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.	<u>(27,131)</u>
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Total changes in net position of governmental activities	<u><u>\$ 378,169</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF BREVARD, NORTH CAROLINA

GENERAL FUND

Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 4,103,500	\$ 4,103,500	\$ 4,145,424	\$ 41,924
Other taxes and licenses	1,168,000	1,297,500	1,360,855	63,355
Unrestricted intergovernmental	620,100	639,000	686,252	47,252
Restricted intergovernmental	218,500	259,702	264,639	4,937
Sales and services	1,755,650	1,842,650	1,879,819	37,169
Investment earnings	6,000	6,100	5,035	(1,065)
Miscellaneous	5,000	17,100	26,992	9,892
Total revenues	<u>7,876,750</u>	<u>8,165,552</u>	<u>8,369,016</u>	<u>203,464</u>
Expenditures:				
Current:				
General government	2,064,819	2,203,819	2,078,319	125,500
Public safety	2,606,296	2,790,498	2,727,727	62,771
Public works	3,264,534	3,365,534	3,172,762	192,772
Cultural and recreation	100,483	100,483	89,675	10,808
Debt service:				
Principal retirement	94,067	98,067	94,445	3,622
Interest and other charges	16,000	18,000	16,876	1,124
OPEB expense	12,000	12,000	12,000	-
Total expenditures	<u>8,158,199</u>	<u>8,588,401</u>	<u>8,191,804</u>	<u>396,597</u>
Revenues over (under) expenditures	<u>(281,449)</u>	<u>(422,849)</u>	<u>177,212</u>	<u>600,061</u>
Other financing sources (uses):				
Transfers from other funds	238,100	238,100	100,000	(138,100)
Transfers to other funds	(300,390)	(300,390)	(300,390)	-
Proceeds from sale of capital assets	-	7,700	17,961	10,261
Issuance of installment debt	425,000	425,000	166,771	(258,229)
Total other financing sources (uses)	<u>362,710</u>	<u>370,410</u>	<u>(15,658)</u>	<u>(386,068)</u>
Fund balance appropriated	<u>(81,261)</u>	<u>52,439</u>	<u>-</u>	<u>(52,439)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>161,554</u>	<u>\$ 161,554</u>
Fund balance, beginning			5,516,875	
Prior period adjustments (Note 17)			<u>(619,681)</u>	
Fund balance, ending			5,058,748	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Investment earnings			1,438	
Impact fees and donations			102,135	
Transfer-out			(184,000)	
Fund balance, beginning (Capital Reserve Fund)			<u>1,212,468</u>	
Fund balance, ending (Exhibit 4)			<u>\$ 6,190,789</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF BREVARD, NORTH CAROLINA

 PROPRIETARY FUNDS
 Statement of Fund Net Position
 June 30, 2013

	<u>Enterprise Fund</u>	<u>Internal Service</u>
	<u>Water and Sewer</u>	<u>Fund</u>
	<u>Fund</u>	<u>Insurance Fund</u>
ASSETS		
Current assets:		
Cash and cash equivalents, unrestricted	\$ 1,375,885	\$ 490,016
Accounts receivable (net)	314,237	-
Due from other governments	583,975	-
Prepaid expenses	19,426	-
Total current assets	<u>2,293,523</u>	<u>490,016</u>
Noncurrent assets:		
Capital assets:		
Land and other non-depreciable assets	2,033,766	-
Other capital assets, net of depreciation	13,699,791	-
Capital assets (net)	<u>15,733,557</u>	<u>-</u>
Total noncurrent assets	<u>15,733,557</u>	<u>-</u>
Total assets	<u>18,027,080</u>	<u>490,016</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	231,896	16,935
Salaries and payroll taxes payable	36,964	-
Customer deposits	83,221	-
Accrued interest	7,900	-
Compensated absences - current	23,205	-
Installment contracts and revolving loan, current	287,549	-
Total current liabilities	<u>670,735</u>	<u>16,935</u>
Noncurrent liabilities:		
Compensated absences	51,892	-
Installment contracts and revolving loan, noncurrent	2,019,852	-
Total noncurrent liabilities	<u>2,071,744</u>	<u>-</u>
Total liabilities	<u>2,742,479</u>	<u>16,935</u>
NET POSITION		
Net investment in capital assets	13,426,156	-
Unrestricted	1,858,445	473,081
Total net position	<u>\$ 15,284,601</u>	<u>\$ 473,081</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BREVARD, NORTH CAROLINA

PROPRIETARY FUNDS

Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2013

	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
	<u>Water and Sewer Fund</u>	<u>Insurance Fund</u>
OPERATING REVENUES		
Charges for services	\$ 3,637,263	\$ 873,141
Water and sewer taps	22,490	-
Other operating revenues	62,002	-
Total operating revenues	<u>3,721,755</u>	<u>873,141</u>
OPERATING EXPENSES		
Water treatment and distribution	1,016,360	-
Waste collection and treatment	1,712,066	-
Payment to general fund in lieu of taxes & admin expenses	490,000	-
Depreciation	418,045	-
Claims	-	654,219
Insurance premiums	-	161,985
Other operating expenses	133,314	84,068
Total operating expenses	<u>3,769,785</u>	<u>900,272</u>
Operating loss	<u>(48,030)</u>	<u>(27,131)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	133	-
Interest expense	(17,132)	-
Total nonoperating revenue (expenses)	<u>(16,999)</u>	<u>-</u>
Loss before contributions	(65,029)	(27,131)
Capital contributions	<u>436,613</u>	<u>-</u>
Change in net position	371,584	(27,131)
Total net position, beginning	14,698,465	-
Prior period adjustments (Note 17)	214,552	500,212
Total net position, ending	<u>\$ 15,284,601</u>	<u>\$ 473,081</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.	<u>-</u>	
Change in net position - business-type activities	<u>\$ 371,584</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF BREVARD, NORTH CAROLINA

PROPRIETARY FUNDS

Statement of Cash Flows

For the Year Ended June 30, 2013

	<u>Enterprise Fund</u>	<u>Internal Service</u>
	<u>Water and Sewer</u>	<u>Fund</u>
	<u>Fund</u>	<u>Insurance Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 3,669,479	\$ 873,141
Cash paid for goods and services	(2,320,070)	(883,337)
Cash paid to or on behalf of employees for services	(1,089,792)	-
Net cash provided (used) by operating activities	<u>259,617</u>	<u>(10,196)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Due to (from) other funds	<u>(73,307)</u>	-
Net cash used by noncapital financing activities	<u>(73,307)</u>	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(2,015,970)	-
Proceeds from issuance of debt	1,331,704	-
Principal paid on installment obligation	(160,691)	-
Interest paid on installment obligation	(17,145)	-
Capital contributions	436,613	-
Grant funding receivable	134,669	-
Net cash used by capital and related financing activities	<u>(290,820)</u>	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	<u>133</u>	-
Net cash provided by investing activities	<u>133</u>	-
Net decrease in cash and cash equivalents	(104,377)	(10,196)
Balances, beginning of year, as restated	1,480,262	500,212
Balances, end of year	<u>\$ 1,375,885</u>	<u>\$ 490,016</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	<u>\$ (48,030)</u>	<u>\$ (27,131)</u>
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	418,045	-
Changes in assets and liabilities:		
Accounts receivable	(53,672)	-
Prepaid expenses	(3,401)	-
Accounts payable and accrued liabilities	(52,642)	16,935
Customer deposits	1,396	-
Accrued compensated absences	(2,079)	-
Total adjustments	<u>307,647</u>	<u>16,935</u>
Net cash provided (used) by operating activities	<u>\$ 259,617</u>	<u>\$ (10,196)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BREVARD, NORTH CAROLINA

FIDUCIARY FUNDS
 Statement of Fiduciary Net Position
 June 30, 2013

	<u>OPEB Trust Fund</u>	<u>T.L. Scruggs Scholarship Fund</u>
ASSETS		
Cash and cash equivalents	\$ 118,913	\$ 5,322
NET POSITION		
Assets held in trust for retiree health benefits	\$ 118,913	\$ -
Assets held in trust for administration of scholarship fund	-	5,322
	<u>\$ 118,913</u>	<u>\$ 5,322</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BREVARD, NORTH CAROLINA

FIDUCIARY FUNDS

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2013

	<u>OPEB Trust Fund</u>	<u>T.L. Scruggs Scholarship Trust Fund</u>
ADDITIONS		
Employer contributions	\$ 18,750	\$ -
Restricted donations	-	8,321
	<u>18,750</u>	<u>8,321</u>
Investment income:		
Interest	58	1
Total additions	<u>18,808</u>	<u>8,322</u>
DEDUCTIONS		
Scholarships awarded	-	3,000
Change in net position	18,808	5,322
Net position, beginning	100,105	-
Net position, ending	<u>\$ 118,913</u>	<u>\$ 5,322</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BREVARD, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

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 which 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 position 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 direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of 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, including its fiduciary 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 nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each

party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The City reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, state grants, state sales taxes, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services. Additionally, the City has legally adopted a Capital Reserve Fund. Under GASB 54 guidance the Capital Reserve Fund is consolidated in the General Fund. The budgetary comparison for the Capital Reserve Fund has been included in the supplemental information.

The City reports the following nonmajor governmental funds:

Special Revenue Funds. The City has two special revenue funds. The Special Fire District Fund is used to account for the City's fire department operations. The Heart of Brevard Municipal Services District Fund accounts for the receipt of tax revenue which is legally restricted to expenditures for specific activities related to the Heart of Brevard.

Capital Projects Funds. Capital projects funds account for the acquisition and/or construction of major capital facilities (other than those financed by proprietary fund). The City has six capital project funds: the Pedestrian Bikeway Project Fund, the Wayfinding Project Fund, the Downtown Master Plan, the Bracken Mountain Trail, the CDBG Cottages Project Fund, 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. This fund also covers acquisition and/or construction of major water and sewer capital facilities and infrastructure, which are accounted for in several capital project funds that are combined with the Water and Sewer Fund (the operating fund) for financial statement purposes.

The City reports the following fund types:

Internal Service Fund. The internal service fund is used to account for the accumulation and allocation of costs associated with the City's self-insured group health insurance program.

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.

T.L. Scruggs Scholarship Fund. This fund (an irrevocable trust) is used to account for the collection of donations and the payment of scholarships in memory of former City employee T.L. Scruggs.

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 an 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 the enterprise fund 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 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes, and certain intergovernmental revenues, such as utilities franchise tax, 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. 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 is both restricted and

unrestricted net position 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 general revenues.

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, the CDBG Cottages Capital Project Fund, the Housing Trust Capital Project Fund, and the Enterprise capital project funds. The enterprise fund projects are consolidated with the operating fund for reporting purposes. The City's Insurance Fund, an internal service fund, operates under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved, as is required by the General Statutes. 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.

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

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 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.

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. In addition, Powell Bill funds are also classified as restricted cash because they can be expended only for the purpose of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

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, 2012.

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. The cost of these inventories is expensed upon resale rather than when purchased.

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. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has one significant item that meets the criterion for this category –property taxes receivable.

9. Long-term Obligations

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

In the fund financial statements, the face amount of debt issued is reported as other financing sources.

10. Compensated Absences

The vacation policy of the City provide for the accumulation of up to thirty (30) 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 provides 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.

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents 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 – portion of fund balance that is not an available resource because it represents funds which are held 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 drug forfeiture funds restricted for public safety.

Restricted for streets – portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for capital projects – portion of the fund balance that is restricted by revenue source for City improvements.

Restricted for perpetual maintenance – portion of fund balance that represents investment earnings from the nonspendable Bjerg Trust Fund that is restricted for maintenance of a specific neighborhood's common property.

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.

Capital projects – portion of capital reserve fund committed to City improvements.

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.

The City of Brevard has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the City in such a manner that available fund balance is at least equal to or greater than 30% of budgeted expenditures. Any portion of the general fund balance in excess of 30% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the City in a future budget.

12. Use of Estimates

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

Note 2 – Stewardship, Compliance, and Accountability

Excess of Expenditures over Appropriations

The City's expenditures in the Belt Press Grit Removal Capital Project Fund materially exceeded the adopted project ordinance for this fund by \$96,649. Management plans to ensure compliance in future years by amending the ordinances as needed before commitments are made to spend funds in excess of what has been approved.

Note 3 – Cash and Investments

1. Deposits

All the deposits of the City and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City and the ABC Board, these deposits are considered to be held by the City's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City and the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2013, the City's deposits had a carrying amount of \$3,263,061 and a bank balance of

\$3,469,942. Of the bank balance, \$1,000,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$107,047 and the bank balance was \$226,956. All of the bank balance of the ABC Board was covered by federal depository insurance.

The City and the ABC Store also had cash on hand at June 30, 2013 of \$650 and \$2,700, respectively.

2. Investments

At June 30, 2013, the City of Brevard had funds with a carrying amount and bank balance of \$5,017,861 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's.

Interest Rate Risk – The City has no formal investment policy regarding interest rate risk.

Credit Risk – The City has no formal policy regarding credit risk, but has internal management procedures that limits the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible rating whenever particular types of securities are rated.

At June 30, 2013, the ABC Board held no investments.

3. Reconciliation of Cash and Cash Equivalents

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

Reported value of deposits	\$ 3,263,061
Petty cash	650
Fair value of investments	<u>5,017,861</u>
	<u>\$ 8,281,572</u>
Statement of Net Position	
Cash and cash equivalents	\$ 7,160,206
Cash and cash equivalents, restricted	<u>1,121,366</u>
	<u>\$ 8,281,572</u>

Note 4 – Receivables – Allowance for Doubtful Accounts

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position does not include any penalties levied or outstanding. The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2013 are net of the following allowances for doubtful accounts:

General Fund:	
Allowance for uncollectible property taxes receivable	\$ 11,000
Allowance for uncollectible trash service receivables	9,000
Water and Sewer Fund:	
Allowance for uncollectible utility receivables	\$ 156,000

Note 5 – Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2013, was as follows:

	(As restated)			
	Beginning			Ending
	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 319,893	\$ -	\$ -	\$ 319,893
Construction in progress	<u>1,244,619</u>	<u>658,580</u>	<u>1,284,119</u>	<u>619,080</u>
Total capital assets not being depreciated	<u>1,564,512</u>	<u>658,580</u>	<u>1,284,119</u>	<u>938,973</u>
Capital assets being depreciated:				
Buildings and infrastructure	3,244,649	1,377,230	-	4,621,879
Equipment	983,384	137,884	7,103	1,114,165
Vehicles and motorized equipment	<u>5,240,877</u>	<u>419,430</u>	<u>-</u>	<u>5,660,307</u>
Total capital assets being depreciated	<u>9,468,910</u>	<u>1,934,544</u>	<u>7,103</u>	<u>11,396,351</u>
Less accumulated depreciation for:				
Buildings and infrastructure	1,866,109	63,907	-	1,930,016
Equipment	837,982	60,522	7,103	891,401
Vehicles and motorized equipment	<u>3,378,579</u>	<u>428,457</u>	<u>-</u>	<u>3,807,036</u>
Total accumulated depreciation	<u>6,082,670</u>	<u>\$ 552,886</u>	<u>\$ 7,103</u>	<u>6,628,453</u>
Total capital assets being depreciated, net	<u>3,386,240</u>			<u>4,767,898</u>
Governmental activities capital assets, net	<u>\$ 4,950,752</u>			<u>\$ 5,706,871</u>

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

General government	\$ 97,288
Public safety	344,736
Public works	102,048
Cultural and recreational	<u>8,814</u>
Total depreciation expense	<u>\$ 552,886</u>

	(As restated)			
	Beginning			Ending
	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>
Business-type activities:				
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 212,891	\$ -	\$ -	\$ 212,891
Construction in progress	<u>2,936,815</u>	<u>1,793,469</u>	<u>2,909,409</u>	<u>1,820,875</u>
Total capital assets not being depreciated	<u>3,149,706</u>	<u>1,793,469</u>	<u>2,909,409</u>	<u>2,033,766</u>
Capital assets being depreciated:				
Plant and distribution systems	17,839,784	2,882,444	-	20,722,228
Maintenance equipment and furniture	677,520	-	-	677,520
Vehicles	<u>756,891</u>	<u>249,467</u>	<u>9,783</u>	<u>996,575</u>
Total capital assets being depreciated	<u>19,274,195</u>	<u>3,131,911</u>	<u>9,783</u>	<u>22,396,323</u>

Less accumulated depreciation for:				
Plant and distribution systems	7,194,622	306,973	-	7,501,595
Maintenance equipment and furniture	523,503	40,441	-	563,944
Vehicles	570,145	70,631	9,783	630,993
Total accumulated depreciation	<u>8,288,270</u>	<u>\$ 418,045</u>	<u>\$ 9,783</u>	<u>8,696,532</u>
Total capital assets being depreciated, net	<u>10,985,925</u>			<u>13,699,791</u>
Water and sewer fund capital assets, net	<u>\$14,135,631</u>			<u>\$15,733,557</u>

Construction commitments:

The government has the following commitments with contractors for active construction projects as of June 30, 2013:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Water Treatment Plant Capital Improvements	\$ 792,185	\$ 201,115
CDBG – Cottages	23,056	226,944
	<u>\$ 815,241</u>	<u>\$ 428,059</u>

Discretely presented component unit:

Activity for the ABC Board for the year ended June 30, 2013 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets being depreciated:				
Leasehold improvements	\$ 53,520	\$ 32,525	\$ -	\$ 86,045
Office, store and warehouse equipment	74,142	33,902	-	108,044
Law enforcement equipment	1,730	-	-	1,730
Total capital assets being depreciated	<u>129,392</u>	<u>66,427</u>	<u>-</u>	<u>195,819</u>
Less accumulated depreciation	<u>93,181</u>	<u>\$ 9,622</u>	<u>\$ -</u>	<u>102,803</u>
ABC Board capital assets, net	<u>\$ 36,211</u>			<u>\$ 93,016</u>

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

Plan Description - The City of Brevard and the ABC Board contribute 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 7.22%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 6.74% 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, 2013, 2012, and 2011 were \$254,594, \$228,615, and \$223,389, respectively. The ABC Board’s contributions to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$13,272, \$11,390, and \$12,417, 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 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, 2013, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	7
Active plan members	<u>25</u>
Total	<u><u>32</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, 2012 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	\$ 48,355
Interest on net pension obligation	6,869
Adjustment to annual required contribution	<u>(8,549)</u>
Annual pension cost	46,675
Contributions made	<u>(76,548)</u>
Decrease in net pension obligation	(29,873)
Net pension obligation, beginning of fiscal year	<u>137,381</u>
Net pension obligation, end of fiscal year	<u>\$ 107,508</u>

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 51,689	156.76%	\$ 172,809
2012	47,378	174.78%	137,381
2013	46,675	164.00%	107,508

Funding Status and Funding Progress - As of December 31, 2012, 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, 2012 was 18 years. The actuarial accrued liability (UAAL) was \$483,294. The covered payroll (annual payroll of active employees covered by the plan) was \$1,188,871, and the ratio of the UAAL to the covered payroll was 40.65%.

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 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, 2013 were \$72,547, which consisted of \$54,633 from the City and \$17,914 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 non-employer contributor, funds the plan through appropriations. 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 most recent actuarial valuation:

	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	\$ 521
Retiree and Children	854
Retiree and Spouse	1,042
Family	1,302

Retirees contributed \$16,979 in premiums for the year ended June 30, 2013.

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	\$ 15,618
Interest on net OPEB obligation (asset)	(2,289)
Adjustment to annual required contribution	<u>2,040</u>
Annual OPEB cost	15,369
Contributions made	<u>(18,750)</u>
Increase in net OPEB asset	(3,381)
Net OPEB asset, beginning of year	<u>(45,786)</u>
Net OPEB asset, end of fiscal year	<u>\$ (49,167)</u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the OPEB (asset) obligation for 2013, 2012, and 2011 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>
2013	\$ 15,369	122%	\$ (49,167)
2012	14,924	162%	(45,786)
2011	16,023	522%	(36,483)

Funded Status and Funding Progress – As of December 31, 2011, the most recent actuarial valuation date, the plan was 40.3% funded. The actuarial accrued liability for benefits was \$201,941 and the actuarial value of assets was \$81,330, 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% 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% annually. Both rates included a 3% 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 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.

The City of Brevard ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The ABC Board has property, general liability, auto liability, workers' compensation and employee health coverage. The ABC Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage from the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

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. Additionally, each ABC Board Member and employees designated as the general manager and finance officer are bonded in the amount of \$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 through July 2015.

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 through October 2015.

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 through March 2018.

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 through August 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 through March 2020. 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.

In September 2012, the City entered into an installment purchase contract for \$403,089 to finance the purchase of numerous vehicles and pieces of heavy equipment. The financing agreement requires monthly payments of \$7,011 including interest at 1.69% per annum through September 2017.

In December 2012, the City entered into an installment purchase contract for \$280,000 to finance the purchase of a Seagraves Tanker fire truck. The financing agreement requires monthly payments of \$2,751 including interest at 1.96% per annum through December 2022.

The future minimum payments of the installment purchases as of June 30, 2013 are as follows:

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 285,452	\$ 42,305	\$ 327,757	\$ 178,667	\$ 11,455	\$ 190,122
2015	291,385	33,165	324,550	128,149	4,154	132,303
2016	269,155	23,854	293,009	47,852	1,469	49,321
2017	247,103	16,771	263,874	48,667	654	49,321
2018	227,525	10,456	237,981	12,085	35	12,120
2019-2024	305,436	9,419	314,855	-	-	-
	<u>\$1,626,056</u>	<u>\$ 135,970</u>	<u>\$ 1,762,026</u>	<u>\$ 415,420</u>	<u>\$ 17,767</u>	<u>\$ 433,187</u>

Revolving Loans

In May 2011, the City entered into a federal revolving loan through a grant for \$1,142,606 with a loan term of 16 years at 2.455% per annum for the Belt Press Grit Removal Capital Project. Interest is due semiannually starting in November 2013 through May 2029. Starting in May 2014, the City will be required to make annual principal payments of \$71,875 through May 2029.

In May 2012, the City entered into a federal revolving loan through a grant for \$749,375 with a loan term of 20 years at 2.00% per annum for the Kings Creek Sewer Capital Project. Interest is due semiannually starting in November 2013 through May 2033. Starting in May 2014, the City will be required to make annual principal payments of \$37,469 through May 2033.

The future minimum payments of the revolving loans as of June 30, 2013 are as follows:

Year Ending June 30	Business-type Activities		
	Principal	Interest	Total
2014	\$ 108,882	\$ 56,550	\$ 165,432
2015	108,882	40,536	149,418
2016	108,882	38,033	146,915
2017	108,882	35,531	144,413
2018	108,882	33,028	141,910
2019-2023	544,410	127,604	672,014
2024-2028	544,410	65,040	609,450
2029-2033	258,751	12,992	271,743
	<u>\$1,891,981</u>	<u>\$ 409,314</u>	<u>\$ 2,301,295</u>

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Governmental activities:					
Installment contracts	\$ 1,438,170	\$ 446,771	\$ 258,885	\$ 1,626,056	\$ 285,452
Compensated absences	248,238	90,583	105,000	233,821	105,000
Net pension obligations	<u>137,381</u>	<u>-</u>	<u>29,873</u>	<u>107,508</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 1,823,789</u>	<u>\$ 537,354</u>	<u>\$ 393,758</u>	<u>\$ 1,967,385</u>	<u>\$ 390,452</u>
Business-type activities (As restated):					
Installment contracts	\$ 339,793	\$ 236,318	\$ 160,691	\$ 415,420	\$ 178,667
Revolving loans	796,595	1,095,386	-	1,891,981	108,882
Compensated absences	<u>77,175</u>	<u>20,885</u>	<u>23,205</u>	<u>74,855</u>	<u>23,205</u>
Business-type activity long-term liabilities	<u>\$ 1,213,563</u>	<u>\$ 1,352,589</u>	<u>\$ 183,896</u>	<u>\$ 2,382,256</u>	<u>\$ 310,754</u>

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.

As of June 30, 2013, the City's legal debt margin was approximately \$72,400,000.

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

The composition of interfund balances as of June 30, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Fire District Fund	\$ 77,103
General Fund	Cottages CDBG Project Fund	<u>8,850</u>
		<u>\$ 85,953</u>

B. Transfers to/from Other Funds

Transfers to/from other funds for the year ending June 30, 2013, consist of the following:

From the Heart of Brevard to the Downtown Master Plan for use in a capital project	\$ 11,000
From the General Fund to the Special Fire District Fund for use in operations of the fire department	300,390
From the Capital Reserve Fund to the General Fund for use in a capital project	100,000
From the Capital Reserve Fund to the Downtown Master Plan for use in a capital project	84,000

From the Water and Sewer Fund to the Water Treatment Plant Capital Project Fund for use in a capital project	200,388
From the Water and Sewer Fund to the Water Storage Tanks Capital Project Fund for use in a capital project	55,280
From the Water and Sewer Fund to the Belt Press Capital Project Fund for use in a capital project	115,829
From Kings Creek Sewer Capital Project Fund to the Water and Sewer Fund to transfer fund balance	102,161
From the Brushy Creek Basin Capital Project Fund to the Water and Sewer Fund to transfer fund balance	103,797

Note 10 – On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2013, the City of Brevard has recognized on-behalf payments for pension contributions made by the State of \$11,070 for 30 part-time employed firemen who perform firefighting duties for the City's fire department. The part-time employees elected to be members of the Firemen and Rescue Worker's pension Fund, a cost sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

Note 11 – 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	\$ 6,190,789
Less:	
Inventories	47,515
Restricted for:	
Stabilization by State statute	898,193
Public safety	138,245
Streets	55,038
Capital projects – clean water projects	200,000
Committed:	
Capital projects – streets and sidewalks	112,041
Capital projects – water and sewer projects	820,000
Assigned:	
Appropriated fund balance in FY 2014 budget	902,847
Minimum fund balance policy	<u>2,576,520</u>
Remaining Fund Balance	<u>\$ 440,390</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.

The City had no outstanding encumbrances related to purchase orders and contracts that remained unperformed at year-end.

Note 12 – 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 13 – 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 14 – Related Party Transactions

The City purchased approximately \$27,000 of goods during the year from Harris Hardware and Farm Supply, Inc., which are operated by Mayor Jimmy Harris.

Note 15 – Summary Disclosure of Significant ContingenciesFederal and State Assisted Programs

The City has received federal and state 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 16 – Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources.

Note 17 – Prior Period Adjustment

The beginning net assets of governmental and business-type activities on the statement of activities (Exhibit 2) have been restated to reflect various corrections of prior period errors of \$(175,536) and \$214,552, respectively. Some of these adjustments also affect the fund balances of governmental funds (Exhibit 4) in the amount of (\$624,000). The details of these adjustments are as follows:

Governmental activities:	
<u>General Fund:</u>	
To record franchise taxes receivable and adjust prior year receivable, net	\$ 686
To reclass prior year transfer of fund balance for the creation of the internal service fund	(500,212)
To accrue salary expense liability	<u>(120,155)</u>
Total General Fund adjustment, net	(619,681)
<u>Special Fire District Fund:</u>	
To accrue salary expense liability	<u>(4,319)</u>
Total Governmental Funds adjustment, net	<u>(624,000)</u>
<u>Government-wide statement of activities:</u>	
To addback prior year transfer of fund balance to create internal service fund	500,212
To addback excess depreciation taken in prior years	51,144
To record construction in process ("CIP") that was expensed in prior years	163,133
To reclass the cost of water fund project from CIP	(250,000)
To reclass the water and sewer fund portion of the OPEB prepaid asset	<u>(16,025)</u>
Total governmental activities adjustment, net	<u>\$ (175,536)</u>
Business-type activities:	
<u>Water and Sewer Fund:</u>	
To reclass CIP that was previously shown under governmental activities	\$ 250,000
To reclass the water and sewer fund portion of the OPEB prepaid asset from governmental activities	16,025
To remove undocumented prepaid item originating in a prior year	(15,364)
To accrue salary expense liability	<u>(36,109)</u>
Total business-type activities adjustment, net	<u>\$ 214,552</u>

Note 18 – Subsequent Events

In July 2013, the City entered into an installment loan agreement with a banking institution for the purchase of a garbage truck for approximately \$128,000 at an interest rate of 1.89% per annum to be paid over a five year period.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

CITY OF BREVARD, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress and Employer Contributions**

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%
12/31/12	-	483,294	483,294	0%	1,188,871	40.65%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2009	\$ 54,726	126.2%
2010	47,097	166.3%
2011	51,689	156.8%
2012	49,047	174.8%
2013	46,675	164.0%

CITY OF BREVARD, NORTH CAROLINA

**OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Funding Progress and Schedule of Employer Contributions

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)
12/31/09	\$ -	\$ 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%

* The last actuarial valuation performed was dated 12/31/11.

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2010	\$ 32,910	5%
2011	16,023	522%
2012	15,163	162%
2013	15,618	120%

**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, 2013

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad Valorem Taxes:			
Current year	\$ 4,085,000	\$ 4,123,222	\$ 38,222
Prior years	10,000	11,027	1,027
Penalties and interest	11,000	12,757	1,757
Refunds paid on ad valorem tax	(2,500)	(1,582)	918
	<u>4,103,500</u>	<u>4,145,424</u>	<u>41,924</u>
Other Taxes and Licenses:			
Local option sales tax	1,210,500	1,261,070	50,570
Privilege licenses	57,000	60,293	3,293
Zoning administration	30,000	39,492	9,492
	<u>1,297,500</u>	<u>1,360,855</u>	<u>63,355</u>
Unrestricted Intergovernmental Revenues:			
Franchise tax	350,000	391,336	41,336
Beer and wine taxes	30,000	30,911	911
Utilities franchise tax - CATV	45,000	47,397	2,397
City narcotics investigation	59,000	55,605	(3,395)
City of Brevard ABC Board	150,000	154,733	4,733
Payments in lieu of taxes	5,000	6,270	1,270
	<u>639,000</u>	<u>686,252</u>	<u>47,252</u>
Restricted Intergovernmental Revenues:			
State street aid allocation	215,000	221,010	6,010
Court facilities fees	2,500	2,683	183
Public safety - police grants	42,202	40,946	(1,256)
	<u>259,702</u>	<u>264,639</u>	<u>4,937</u>
Sales and Services:			
Water and sewer fund	490,000	490,000	-
Recycling revenue	120,000	128,456	8,456
Rents	25,000	27,060	2,060
Parking violation penalties	2,000	2,060	60
Recreation revenues	15,000	19,359	4,359
Refuse collection fees	703,000	729,998	26,998
Vehicle maintenance	484,650	478,959	(5,691)
Other	3,000	3,927	927
	<u>1,842,650</u>	<u>1,879,819</u>	<u>37,169</u>
Investment earnings	<u>6,100</u>	<u>5,035</u>	<u>(1,065)</u>
Miscellaneous:			
Other	17,100	26,992	9,892
	<u>17,100</u>	<u>26,992</u>	<u>9,892</u>
Total revenues	<u>8,165,552</u>	<u>8,369,016</u>	<u>203,464</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, 2013

	Final Budget	Actual	Variance Positive (Negative)
Expenditures			
General Government:			
Governing Body:			
Salaries and employee benefits		35,564	
Other operating expenses		27,434	
	<u>83,469</u>	<u>62,998</u>	<u>20,471</u>
Administration:			
Salaries and employee benefits		221,348	
Other operating expenses		28,662	
Capital outlay		73,516	
	<u>331,999</u>	<u>323,526</u>	<u>8,473</u>
City Clerk:			
Salaries and employee benefits		82,701	
Other operating expenses		28,701	
Capital outlay		1,787	
	<u>121,369</u>	<u>113,189</u>	<u>8,180</u>
Finance:			
Salaries and employee benefits		279,710	
Other operating expenses		198,107	
Capital outlay		105,660	
	<u>593,950</u>	<u>583,477</u>	<u>10,473</u>
Tax Collector:			
Other operating expenses	127,500	126,728	772
Legal:			
Other operating expenses	76,500	55,764	20,736
Planning:			
Salaries and employee benefits		375,293	
Other operating expenses		185,870	
	<u>606,542</u>	<u>561,163</u>	<u>45,379</u>
Special Appropriations:			
Arts Council		5,000	
Chamber of Commerce		2,850	
Heart of Brevard		15,000	
Fireworks Participation		1,500	
Transylvania Partnership		5,000	
	<u>29,350</u>	<u>29,350</u>	<u>-</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, 2013

	Final Budget	Actual	Variance Positive (Negative)
Personnel:			
Salaries and employee benefits		143,348	
Other operating expenses		78,776	
	<u>233,140</u>	<u>222,124</u>	<u>11,016</u>
Total General Government	<u>2,203,819</u>	<u>2,078,319</u>	<u>125,500</u>
Public Safety:			
Police:			
Salaries and employee benefits		2,115,880	
Other operating expenses		489,824	
Capital outlay		122,023	
Total Public Safety	<u>2,790,498</u>	<u>2,727,727</u>	<u>62,771</u>
Public Works:			
Administration:			
Salaries and employee benefits		213,429	
Other operating expenses		78,114	
Capital outlay		22,249	
	<u>317,615</u>	<u>313,792</u>	<u>3,823</u>
Central Maintenance:			
Salaries and employee benefits		163,031	
Other operating expenses		440,131	
Capital outlay		11,193	
	<u>624,462</u>	<u>614,355</u>	<u>10,107</u>
Streets:			
Salaries and employee benefits		369,029	
Other operating expenses		265,148	
Capital outlay		164,786	
	<u>881,696</u>	<u>798,963</u>	<u>82,733</u>
Powell Aid:			
Other operating expenses		165,971	
	<u>176,700</u>	<u>165,971</u>	<u>10,729</u>
Building and Grounds:			
Salaries and employee benefits		297,052	
Other operating expenses		166,986	
	<u>501,479</u>	<u>464,038</u>	<u>37,441</u>
Sanitation:			
Salaries and employee benefits		349,569	
Other operating expenses		338,164	

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, 2013

	Final Budget	Actual	Variance Positive (Negative)
Capital outlay		127,910	
	<u>863,582</u>	<u>815,643</u>	47,939
Total Public Works	<u>3,365,534</u>	<u>3,172,762</u>	192,772
Cultural and Recreation:			
Recreation Department:			
Salaries and employee benefits		34,660	
Other operating expenses		55,015	
Total Culture and Recreation	<u>100,483</u>	<u>89,675</u>	10,808
Debt Service:			
Principal retirement		94,445	
Interest		16,876	
Total Debt Service	<u>116,067</u>	<u>111,321</u>	4,746
OPEB Expense	<u>12,000</u>	<u>12,000</u>	-
Total expenditures	<u>8,588,401</u>	<u>8,191,804</u>	396,597
Revenue over (under) expenditures	<u>(422,849)</u>	<u>177,212</u>	600,061
Other Financing Sources (Uses):			
Operating transfers from other funds:			
Capital reserve fund	238,000	100,000	(138,000)
Bjerg fund	100	-	(100)
Operating transfers to other funds:			
Fire District Fund	(300,390)	(300,390)	-
Proceeds from sale of capital assets	7,700	17,961	10,261
Issuance of installment debt	425,000	166,771	(258,229)
Total other financing sources (uses)	<u>370,410</u>	<u>(15,658)</u>	(386,068)
Fund balance appropriated	<u>52,439</u>	-	(52,439)
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>161,554</u>	<u>\$ 161,554</u>
Fund balance, beginning of year		5,516,875	
Prior period adjustments (Note 17)		<u>(619,681)</u>	
Fund balance, end of year		<u>\$ 5,058,748</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, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Impact fees - water and sewer	\$ -	\$ 102,135	\$ 102,135
Investment earnings	2,000	1,438	(562)
Total revenues	<u>2,000</u>	<u>103,573</u>	<u>101,573</u>
Other Financing Sources (Uses):			
Operating transfers from (to):			
General Fund	(238,000)	(100,000)	138,000
Downtown Master Plan Fund	(84,000)	(84,000)	-
Wayfinding Fund	<u>(225,000)</u>	<u>-</u>	<u>225,000</u>
Total other financing sources (uses)	<u>(547,000)</u>	<u>(184,000)</u>	<u>363,000</u>
Fund balance appropriated	<u>545,000</u>	<u>-</u>	<u>(545,000)</u>
Revenues and other sources under expenditures and other uses	<u>\$ -</u>	<u>(80,427)</u>	<u>\$ (80,427)</u>
Fund balance, beginning of year		<u>1,212,468</u>	
Fund balance, end of year		<u>\$ 1,132,041</u>	
Fund balance committed for:			
Streets and sidewalks		\$ 112,041	
Water and sewer projects		820,000	
Fund balance restricted for:			
Clean water projects		<u>200,000</u>	
		<u>\$ 1,132,041</u>	

CITY OF BREVARD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS

Combining Balance Sheet

June 30, 2013

	<u>Special Revenue</u>		<u>Capital Projects</u>	
	<u>Special Fire District Fund</u>	<u>Heart of Brevard Municipal Service District Fund</u>	<u>Pedestrian Bikeway Project Fund</u>	<u>Wayfinding Project Fund</u>
Assets				
Cash and cash equivalents, restricted	\$ 280,000	\$ 15,429	\$ 121,469	\$ 119,062
Taxes Receivable, Net	16,005	-	-	-
Other receivables	604	-	-	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 296,609</u>	<u>\$ 15,429</u>	<u>\$ 121,469</u>	<u>\$ 119,062</u>
Liabilities:				
Due to other funds	\$ 77,103	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	11,843	5,713	13,875	256
Total liabilities	<u>88,946</u>	<u>5,713</u>	<u>13,875</u>	<u>256</u>
Deferred Inflows of Resources:				
Taxes receivable, net	<u>16,005</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Nonspendable	-	-	-	-
Restricted for:				
Stabilization by State statute	604	-	-	-
Public safety	191,054	-	-	-
Capital projects	-	9,716	107,594	118,806
Assigned	-	-	-	-
Total fund balances	<u>191,658</u>	<u>9,716</u>	<u>107,594</u>	<u>118,806</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 296,609</u>	<u>\$ 15,429</u>	<u>\$ 121,469</u>	<u>\$ 119,062</u>

Capital Projects				Permanent	Total Non-major Governmental Funds
Downtown Master Plan	Bracken Mountain Trail	Cottages CDBG Project Fund	Housing Trust Fund	Non-expendable Bjerg Trust Fund	
\$ 59,097	\$ 46,266	\$ -	\$ 26,777	\$ 59,983	\$ 728,083
-	-	-	-	-	16,005
-	-	-	-	-	604
-	-	8,850	-	-	8,850
<u>\$ 59,097</u>	<u>\$ 46,266</u>	<u>\$ 8,850</u>	<u>\$ 26,777</u>	<u>\$ 59,983</u>	<u>\$ 753,542</u>
\$ -	\$ -	\$ 8,850	\$ -	\$ -	\$ 85,953
-	-	-	-	-	31,687
-	-	8,850	-	-	117,640
-	-	-	-	-	16,005
-	-	-	-	55,440	55,440
-	-	-	-	-	604
-	-	-	-	-	191,054
59,097	46,266	-	26,777	-	368,256
-	-	-	-	4,543	4,543
<u>59,097</u>	<u>46,266</u>	<u>-</u>	<u>26,777</u>	<u>59,983</u>	<u>619,897</u>
<u>\$ 59,097</u>	<u>\$ 46,266</u>	<u>\$ 8,850</u>	<u>\$ 26,777</u>	<u>\$ 59,983</u>	<u>\$ 753,542</u>

CITY OF BREVARD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2013

	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	\$ 260,313	\$ 120,111	\$ -	\$ -
Investment earnings	-	-	-	-
Federal and State grant	-	-	9,361	-
Miscellaneous	2,427	-	-	-
Total revenues	262,740	120,111	9,361	-
Expenditures:				
Public safety	585,632	-	-	-
Economic and physical development	-	109,111	-	6,006
Capital outlay	-	-	297,714	-
Debt service:				
Principal retirement	164,440	-	-	-
Interest	31,026	-	-	-
Total expenditures	781,098	109,111	297,714	6,006
Revenues over (under) expenditures	(518,358)	11,000	(288,353)	(6,006)
Other Financing Sources (Uses)				
Issuance of installment debt	280,000	-	-	-
Transfers in (out):				
General Fund	300,390	-	-	-
Heart of Brevard Municipal Service	-	-	-	-
Downtown Master Plan	-	(11,000)	-	-
Total other financing sources (uses)	580,390	(11,000)	-	-
Net change in fund balances	62,032	-	(288,353)	(6,006)
Fund balances, beginning	133,945	9,716	395,947	124,812
Prior period adjustment (Note 17)	(4,319)	-	-	-
Fund balances, ending	\$ 191,658	\$ 9,716	\$ 107,594	\$ 118,806

Downtown Master Plan	Capital Projects			Permanent		Total Nonmajor Governmental Funds
	Bracken Mountain Trail	Cottages CDBG Project Fund	Housing Trust Fund	Non-expendable Bjerg Trust Fund		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 380,424
-	-	-	13	172	-	185
-	-	23,056	-	-	-	32,417
-	-	-	13,332	-	-	15,759
-	-	23,056	13,345	172	-	428,785
-	-	-	-	-	-	585,632
-	-	-	-	-	-	115,117
53,028	129,650	23,056	-	-	-	503,448
-	-	-	-	-	-	164,440
-	-	-	-	-	-	31,026
53,028	129,650	23,056	-	-	-	1,399,663
(53,028)	(129,650)	-	13,345	172	-	(970,878)
-	-	-	-	-	-	280,000
84,000	-	-	-	-	-	384,390
11,000	-	-	-	-	-	11,000
-	-	-	-	-	-	(11,000)
95,000	-	-	-	-	-	664,390
41,972	(129,650)	-	13,345	172	-	(306,488)
17,125	175,916	-	13,432	59,811	-	930,704
-	-	-	-	-	-	(4,319)
<u>\$ 59,097</u>	<u>\$ 46,266</u>	<u>\$ -</u>	<u>\$ 26,777</u>	<u>\$ 59,983</u>	<u>\$ -</u>	<u>\$ 619,897</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, 2013

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Ad valorem taxes	\$ 271,780	\$ 260,313	\$ (11,467)
Miscellaneous	<u>-</u>	<u>2,427</u>	<u>2,427</u>
Total revenues	<u>271,780</u>	<u>262,740</u>	<u>(9,040)</u>
Expenditures:			
Public Safety:			
Salaries and employee benefits		206,510	
Other operating expenses		185,432	
Capital outlay		193,690	
Total public safety	<u>672,130</u>	<u>585,632</u>	<u>86,498</u>
Debt Service:			
Principal retirement		164,440	
Interest		31,026	
Total debt service	<u>212,040</u>	<u>195,466</u>	<u>16,573</u>
Total Expenditures	<u>884,170</u>	<u>781,098</u>	<u>103,071</u>
Revenues over (under) expenditures	<u>(612,390)</u>	<u>(518,358)</u>	<u>94,031</u>
Other Financing Sources:			
Transfer from General Fund	300,390	300,390	-
Issuance of installment debt	280,000	280,000	-
Fund balance appropriated	<u>32,000</u>	<u>-</u>	<u>(32,000)</u>
Total other financing uses	<u>612,390</u>	<u>580,390</u>	<u>(32,000)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>62,032</u>	<u>\$ 62,031</u>
Fund balance, beginning of year		133,945	
Prior period adjustment (Note 17)		<u>(4,319)</u>	
Fund balance, end of year		<u>\$ 191,658</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, 2013

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Ad valorem taxes	\$ 120,950	\$ 120,111	\$ (839)
Investment earnings	25	-	(25)
	<u>120,975</u>	<u>120,111</u>	<u>(864)</u>
Total revenues			
Expenditures:			
Contracted services	<u>109,975</u>	<u>109,111</u>	864
Other Financing Uses:			
Transfer to Downtown Master Plan	<u>(11,000)</u>	<u>(11,000)</u>	-
Revenues over expenditures and other uses	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning of year		<u>9,716</u>	
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, 2013

	Project Authorization	Actual through June 30, 2013		
		Prior Years	Current Year	Total to Date
Revenues:				
S.R.T.S. grant	\$ 250,000	\$ 239,794	\$ 9,361	\$ 249,155
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	-	3,657	-	3,657
Total revenues	351,967	331,268	9,361	340,629
Expenditures:				
Engineering, design and construction -				
Elm Bend sidewalk	375,000	6,550	297,714	304,264
Davidson River trail	103,467	86,344	-	86,344
Gallimore Road multi-use	823,100	792,027	-	792,027
Total expenditures	1,301,567	884,921	297,714	1,182,635
Revenues under expenditures	(949,600)	(553,653)	(288,353)	(842,006)
Other Financing Sources:				
Transfers from Capital Reserve Fund	532,600	532,600	-	532,600
Transfers from General Fund	20,000	20,000	-	20,000
Transfers from General Fund - Phase III	397,000	397,000	-	397,000
Total other financing sources	949,600	949,600	-	949,600
Revenues and other financing sources over (under) expenditures	\$ -	\$ 395,947	(288,353)	\$ 107,594
Fund balance, beginning of year			395,947	
Fund balance, end of year			\$ 107,594	

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, 2013

	<u>Actual through June 30, 2013</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
TDA grant	\$ 8,500	\$ 8,500	\$ -	\$ 8,500
Interest	-	1,250	-	1,250
Miscellaneous	15,500	15,500	-	15,500
	<u>24,000</u>	<u>25,250</u>	<u>-</u>	<u>25,250</u>
Expenditures:				
Design, fabrication, and install	174,000	50,438	6,006	56,444
Revenues over (under) expenditures	<u>(150,000)</u>	<u>(25,188)</u>	<u>(6,006)</u>	<u>(31,194)</u>
Other Financing Sources:				
Proceeds from debt	150,000	150,000	-	150,000
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 124,812</u>	<u>(6,006)</u>	<u>\$ 118,806</u>
Fund balance, beginning of year			<u>124,812</u>	
Fund balance, end of year			<u>\$ 118,806</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, 2013

		<u>Actual through June 30, 2013</u>		
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Investment earnings	\$ -	\$ 120	\$ -	\$ 120
Expenditures:				
Construction	196,000	62,169	53,028	115,197
Revenues under expenditures	(196,000)	(62,049)	(53,028)	(115,077)
Other Financing Sources:				
Operating transfer from other funds:				
Heart of Brevard Municipal Service	11,000	12,353	11,000	23,353
Capital reserve fund	185,000	66,821	84,000	150,821
Total other financing sources	196,000	79,174	95,000	174,174
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ 17,125</u>	41,972	<u>\$ 59,097</u>
Fund balance, beginning of year			<u>17,125</u>	
Fund balance, end of year			<u>\$ 59,097</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, 2013

	<u>Actual through June 30, 2013</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Investment earnings	\$ -	\$ 177	\$ -	\$ 177
North Carolina DENR grant	5,000	2,919	-	2,919
Total revenues	<u>5,000</u>	<u>3,096</u>	<u>-</u>	<u>3,096</u>
Expenditures:				
Construction	428,000	239,468	129,650	369,118
Revenues under expenditures	<u>(423,000)</u>	<u>(236,372)</u>	<u>(129,650)</u>	<u>(366,022)</u>
Other Financing Sources:				
Operating transfer from other funds:				
General fund	46,099	35,387	-	35,387
Capital reserve fund	376,901	376,901	-	376,901
Total other financing sources	<u>423,000</u>	<u>412,288</u>	<u>-</u>	<u>412,288</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 175,916</u>	<u>(129,650)</u>	<u>\$ 46,266</u>
Fund balance, beginning of year			<u>175,916</u>	
Fund balance, end of year			<u>\$ 46,266</u>	

CITY OF BREVARD, NORTH CAROLINA

CDBG COTTAGES CAPITAL PROJECT FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From inception and for the year ended June 30, 2013

	<u>Actual through June 30, 2013</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
CDBG grant	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 23,056</u>	<u>\$ 23,056</u>
Expenditures:				
Construction	<u>250,000</u>	<u>-</u>	<u>23,056</u>	<u>23,056</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ -</u>	

CITY OF BREVARD, NORTH CAROLINA

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, 2013

		<u>Actual through June 30, 2013</u>		
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Developer loan repayment	\$ 26,664	\$ 13,332	\$ 13,332	\$ 26,664
Investment earnings	-	231	13	244
Total revenues	<u>26,664</u>	<u>13,563</u>	<u>13,345</u>	<u>26,908</u>
Expenditures:				
Construction	<u>26,664</u>	<u>131</u>	<u>-</u>	<u>131</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ 13,432</u>	<u>13,345</u>	<u>\$ 26,777</u>
Fund balance, beginning of year			<u>13,432</u>	
Fund balance, end of year			<u>\$ 26,777</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, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating Revenues:			
Charges for utilities:			
Water	\$ 2,040,000	\$ 1,983,225	\$ (56,775)
Sewer	1,734,000	1,654,038	(79,962)
Taps and connection fees:			
Water	5,000	16,490	11,490
Sewer	2,500	6,000	3,500
Other operating revenues	75,000	62,002	(12,998)
Total operating revenues	<u>3,856,500</u>	<u>3,721,755</u>	<u>(134,745)</u>
Nonoperating Revenues:			
Interest on investments	500	133	(367)
Total nonoperating revenues	<u>500</u>	<u>133</u>	<u>(367)</u>
Total revenues	<u>3,857,000</u>	<u>3,721,888</u>	<u>(135,112)</u>
Expenditures:			
Water Service:			
Water Treatment:			
Salaries and employee benefits		323,927	
Other operating expenses		267,483	
	<u>675,893</u>	<u>591,410</u>	<u>84,483</u>
Water Distribution:			
Salaries and employee benefits		179,832	
Other operating expenses		245,811	
Capital outlay		21,139	
	<u>508,973</u>	<u>446,782</u>	<u>62,191</u>
Total water service	<u>1,184,866</u>	<u>1,038,192</u>	<u>146,674</u>
Sewer Service:			
Sewage Treatment:			
Salaries and employee benefits		417,998	
Other operating expenses		459,035	
Capital outlay		17,793	
	<u>928,317</u>	<u>894,826</u>	<u>33,491</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, 2013

	Budget	Actual	Variance Positive (Negative)
Sewer Maintenance:			
Salaries and employee benefits		345,235	
Other operating expenses		491,184	
Capital outlay		210,535	
	<u>1,107,584</u>	<u>1,046,954</u>	<u>60,630</u>
Total sewer service	<u>2,035,901</u>	<u>1,941,780</u>	<u>94,121</u>
Debt Service:			
Interest and fees		14,507	
Debt principal		160,691	
Total debt service	<u>286,886</u>	<u>175,198</u>	<u>111,688</u>
Nondepartmental:			
Payment to general fund in lieu of taxes and administrative expenses	490,000	490,000	-
Adminstration	115,351	113,167	2,184
OPEB expense	6,750	6,750	-
Miscellaneous	11,000	16,798	(5,798)
	<u>623,101</u>	<u>626,715</u>	<u>(3,614)</u>
Total expenditures	<u>4,130,754</u>	<u>3,781,885</u>	<u>348,869</u>
Revenues under expenditures	<u>(273,754)</u>	<u>(59,997)</u>	<u>213,757</u>
Other financing sources (uses):			
Loan proceeds	350,000	1,331,704	981,704
Fund balance appropriated	560,000	-	(560,000)
Transfer to Capital Project Funds	(560,000)	(173,884)	386,116
Contingency	(76,246)	-	76,246
Total other financing sources (uses)	<u>273,754</u>	<u>1,157,820</u>	<u>884,066</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 1,097,823</u>	<u>\$ 1,097,823</u>
Reconciliation of Budgetary Basis to Full Accrual Basis:			
Reconciling items:			
Loan proceeds		(1,331,704)	
Payment of debt principal		160,691	
Capital contributions in Brushy Creek Basin Capital Project Fund - State Grant (Rural Center)		125,375	

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, 2013

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Capital contributions in Water Treatment Plant			
Capital Project Fund - State Grant (Rural Center)		303,006	
Capital contributions to Septage Facility			
Capital Project Fund - Local Grant (Transylvania County)		8,232	
Transfers to Capital Project Funds, net		173,884	
Capital outlay - general		249,467	
Change in accrued interest		(2,625)	
Change in accrued vacation pay		2,079	
Change in OPEB asset		3,401	
Depreciation		(418,045)	
Change in Net Position		\$ 371,584	

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, 2013

		<u>Actual through June 30, 2013</u>		
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
NC Rural Center Grant	\$ 496,650	\$ 193,644	\$ 303,006	\$ 496,650
Expenditures:				
Engineering, design and construction	993,300	387,288	599,325	986,613
Revenues under expenditures	<u>(496,650)</u>	<u>(193,644)</u>	<u>(296,319)</u>	<u>(489,963)</u>
Other Financing Sources:				
Transfer from Water and Sewer Fund	-	-	200,388	200,388
Transfer from Capital Reserve Fund	496,650	289,575	-	289,575
	496,650	289,575	200,388	489,963
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 95,931</u>	<u>(95,931)</u>	<u>\$ -</u>
Fund balance, beginning of year			<u>95,931</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, 2013

	Project Authorization	Actual through June 30, 2013		
		Prior Years	Current Year	Total to Date
Revenues:	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Engineering, design and construction	120,900	8,735	55,280	64,015
Revenues under expenditures	(120,900)	(8,735)	(55,280)	(64,015)
Other Financing Sources:				
Transfer from Water and Sewer Fund	120,900	8,735	55,280	64,015
Revenues and other financing sources over expenditures	\$ -	\$ -	-	\$ -
Fund balance, beginning of year			-	
Fund balance, end of year			\$ -	

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, 2013

	Project Authorization	Actual through June 30, 2013		
		Prior Years	Current Year	Total to Date
Revenues:	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Engineering, design and construction	837,375	123,032	647,214	770,246
Revenues under expenditures	(837,375)	(123,032)	(647,214)	(770,246)
Other Financing Sources:				
Loan proceeds -				
Federal Revolving Loan	749,375	-	749,375	749,375
Transfer from (to) Water and Sewer Fund	88,000	123,032	(102,161)	20,871
Total other financing source	837,375	123,032	647,214	770,246
Revenues and other financing sources over expenditures	\$ -	\$ -	-	\$ -
Fund balance, beginning of year			-	
Fund balance, end of year			\$ -	

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, 2013

		<u>Actual through June 30, 2013</u>		
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
NC Rural Center Grant	<u>\$ 394,072</u>	<u>\$ 268,697</u>	<u>\$ 125,375</u>	<u>\$ 394,072</u>
Expenditures:				
Engineering, design and construction	<u>591,110</u>	<u>572,439</u>	<u>13,233</u>	<u>585,672</u>
Revenues over (under) expenditures	<u>(197,038)</u>	<u>(303,742)</u>	<u>112,142</u>	<u>(191,600)</u>
Other Financing Sources:				
Transfer from (to) Water and Sewer Fund	-	71,659	(112,142)	(40,483)
Transfer from Capital Reserve Fund	<u>197,038</u>	<u>232,083</u>	<u>-</u>	<u>232,083</u>
	<u>197,038</u>	<u>303,742</u>	<u>(112,142)</u>	<u>191,600</u>
Revenues and other financing sources over expenditures	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<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

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, 2013

	Project Authorization	Actual through June 30, 2013		
		Prior Years	Current Year	Total to Date
Revenues:	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Engineering, design and construction	1,178,750	813,559	461,840	1,275,399
Revenues under expenditures	(1,178,750)	(813,559)	(461,840)	(1,275,399)
Other Financing Sources:				
Loan proceeds -				
Federal Revolving Loan	1,150,000	796,595	346,011	1,142,606
Transfer from Water and Sewer Fund	28,750	16,964	115,829	132,793
	<u>1,178,750</u>	<u>813,559</u>	<u>461,840</u>	<u>1,275,399</u>
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

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, 2013

	Project Authorization	Actual through June 30, 2013		
		Prior Years	Current Year	Total to Date
Revenues:				
Transylvania County Grant	\$ 160,000	\$ 140,493	\$ 8,232	\$ 148,725
Expenditures:				
Engineering, design and construction	160,000	140,493	8,232	148,725
Revenues 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

INSURANCE INTERNAL SERVICE FUND

Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)

For the year ended June 30, 2013

	Financial Plan	Actual	Variance Positive (Negative)
Revenues:			
Operating Revenues:			
Charges for services	\$ 850,850	873,141	\$ 22,291
Expenditures:			
Claims		654,219	
Insurance premiums		161,985	
Other operating expenses		84,068	
Total expenditures	950,850	900,272	50,578
Revenues over (under) expenditures	(100,000)	(27,131)	72,869
Other Financing Sources:			
Appropriated fund balance	100,000	-	(100,000)
Revenues and other sources over (under) expenditures	\$ -	(27,131)	\$ (27,131)

SUPPLEMENTAL FINANCIAL DATA

CITY OF BREVARD, NORTH CAROLINA

GENERAL FUND

Schedule of Ad Valorem Taxes Receivable

June 30, 2013

Fiscal Year	Uncollected Balance June 30, 2012	Additions	Collections And Credits	Uncollected Balance June 30, 2013
2012-2013	\$ -	\$ 4,153,156	\$ 4,136,443	\$ 16,713
2011-2012	12,295	-	9,562	2,733
2010-2011	4,841	-	503	4,338
2009-2010	1,547	-	164	1,383
2008-2009	1,924	-	120	1,804
2007-2008	2,244	-	2	2,242
2006-2007	2,252	-	72	2,180
2005-2006	2,274	-	473	1,801
2004-2005	2,041	-	259	1,782
Prior-2003	2,535	-	41	2,494
	\$ 31,953	\$ 4,153,156	\$ 4,147,639	37,470
				(11,000)
				\$ 26,470
 <u>Reconcilement with revenues:</u>				
				\$ 4,145,424
Ad valorem taxes - General Fund				
Reconciling items:				
Interest collected				(12,757)
Taxes written off per statute of limitations				118
Adjustments				14,854
Subtotal				2,215
Total collections and credits				\$ 4,147,639

CITY OF BREVARD, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY

CITY-WIDE LEVY

For the Year Ended June 30, 2013

	City - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current	\$ 949,264,760	0.4325	\$ 4,145,014	\$ 3,962,777	\$ 182,237
Penalties	-		943	943	-
Total	<u>949,264,760</u>		<u>4,145,957</u>	<u>3,963,720</u>	<u>182,237</u>
Discoveries	18,041,785		78,111	78,031	80
Abatements	<u>(8,361,449)</u>		<u>(70,912)</u>	<u>(66,687)</u>	<u>(4,225)</u>
Total property valuation	<u>\$ 958,945,096</u>				
Net levy			4,153,156	3,975,064	178,092
Uncollected taxes at June 30, 2013			<u>(16,713)</u>	<u>(9,223)</u>	<u>(7,490)</u>
Current year's taxes collected and credits			<u>\$ 4,136,443</u>	<u>\$ 3,965,841</u>	<u>\$ 170,602</u>
Current levy collection percentage			<u>99.60%</u>	<u>99.77%</u>	<u>95.79%</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***

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

We have audited, in accordance with the 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 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, 2013, which collectively comprise the City of Brevard's basic financial statements, and have issued our report thereon dated November 13, 2013. The financial statements of the City of Brevard ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency noted as item 2013-1 in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Brevard's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 one instance of non-compliance that is required to be reported under *Government Auditing Standards* and is described

in the accompanying schedule of findings and questioned costs as item 2013-2.

We noted certain other matters that we reported to management of the City of Brevard in a separate letter dated November 13, 2013.

City of Brevard's Response to Findings

The City of Brevard's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of the Report

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

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 13, 2013



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

**Report On Compliance With Requirements Applicable For Each Major
Federal Program and Internal Control over Compliance In Accordance With
OMB Circular A-133 and the State Single Audit Implementation Act**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Brevard, North Carolina'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 the City of Brevard's major federal program for the year ended June 30, 2013. The City of Brevard's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Brevard's major federal program based on our audit of the types of compliance requirements referred to above. 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 the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Brevard's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Brevard complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the City of Brevard is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Brevard's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program 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 the City'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 a 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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

David Killian CPA Group, P.A.

Asheville, North Carolina
November 13, 2013



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

**Report On Compliance For Each Major State Program; Report On Internal
Control over Compliance In Accordance With OMB Circular A-133 and the
State Single Audit Implementation Act**

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

Report on Compliance for Each Major State Program

We have audited the City of Brevard, North Carolina's compliance with the types of compliance requirements described in 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 the City of Brevard's major state programs for the year ended June 30, 2013. The City of Brevard's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Brevard's major state programs based on our audit of the types of compliance requirements referred to above. 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; applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of 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 State program occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each major State program. However, our audit does not provide a legal determination of the City of Brevard's compliance.

Opinion on Each Major State Program

In our opinion, the City of Brevard complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the City of Brevard is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Brevard's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program 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 the City'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 state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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 state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 13, 2013

City of Brevard, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted X yes 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: Unmodified.

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 of Brevard does not qualify as a low risk auditee under Section .530 of Circular No. A-133.

City of Brevard, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

Section II – Financial Statement Findings

MATERIAL WEAKNESS

2013 – 1 Material Prior Period Adjustments

- Criteria: A proper system of internal control over financial reporting should allow the City to prevent, detect and correct misstatements in the financial statements in a timely manner.
- Condition: Material adjustments to beginning balances were necessary to correct prior period errors.
- Recommendation: The City should implement controls that allow them to prevent, detect, and correct misstatements in the financial statements in a timely manner.
- Views of Responsible Officials: The City agrees with this finding.

MATERIAL NONCOMPLIANCE

Finding 2013 – 2 Expenditures in Excess of Approved Project Ordinance

- Criteria: G.S. 159-13.2 requires local governments that authorized a capital project via a project ordinance to include all appropriate information when the project ordinance is later amended.
- Condition: Expenditures in the Belt Press Grit Removal Capital Project Fund exceeded the approved project ordinance as described in Note 2 of the financial statements. This was caused by the project's amended ordinance did not include adequate detail for the governing body to understand and approve the budget change. The governing body approved an amendment that encompassed all capital projects.
- Recommendation: The City shall include the budget information in such detail for the City Council to understand and authorize the project's undertaking when an amendment is requested by management.
- Views of Responsible Officials: The City agrees with this finding.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

City of Brevard, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2013

Section II – Financial Statement Findings

MATERIAL WEAKNESS

2013 – 1

Name of contact: Jim Fatland, Finance Officer

Corrective Action: The City will implement additional controls to allow them to prevent or detect and correct misstatements in a timely manner such as periodic review and reconciliation of balance sheet accounts.

Proposed Completion: Will be implemented immediately.

MATERIAL NONCOMPLIANCE

2013 – 2

Name of contact: Jim Fatland, Finance Officer

Corrective Action: When City officials propose amendments to the budget resolution for a project ordinance, they will include all necessary information to clearly identify the project and authorize its undertaking.

Proposed Completion: Will be implemented immediately.

CITY OF BREAVRD

Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2013

	Federal CFDA Number	State/Pass-Through Grantor's Number	Federal Expenditures	State Expenditures
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			\$ 23,056	\$ -
Total U.S. Department of Housing & Urban Development	14.238		<u>23,056</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		11,366	-
Patrol Equipment Box Grant	16.803		6,859	-
Police Recovery Grant	16.803		15,203	-
Total U.S. Department of Justice			<u>33,428</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	1,513,585	378,396
Total Environmental Protection Agency			<u>1,513,585</u>	<u>378,396</u>
<u>U.S. Department of Transportation:</u>				
<u>Federal Highway Administration:</u>				
Passed-through the N.C Dept of Transportation:				
Safe Routes to School Grant	20.200		9,361	-
Total U.S. Department of Transportation			<u>9,361</u>	<u>-</u>
Total Federal Awards and State Matches			<u>1,579,430</u>	<u>378,396</u>
State Awards				
N. C. Department of Transportation:				
Powell Bill		DOT-4	-	221,010
Governor Highway Safety Program		GHSP-10	-	7,519
Total N.C. Department of Transportation			<u>-</u>	<u>228,529</u>
N. C. Department of Commerce:				
Passed-through N.C. Rural Economic Development Center, Inc.:				
Water Infrastructure Project Grant		2009-206-40101-112	-	134,644
Water Treatment Plant Project Grant		2009-384-40101-112	-	496,650
Brushy Creek Sewer Project Grant		2010-265-40101-112	-	394,072
Total N.C. Department of Commerce			<u>-</u>	<u>1,025,366</u>
Total State awards			<u>-</u>	<u>1,253,895</u>
Total Federal and State awards			<u>\$ 1,579,430</u>	<u>\$ 1,632,291</u>

CITY OF BREAVRD

Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2013

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.

2. This assistance includes the total of new loans made during the year plus the balance of loans made in previous years for which the federal (or state) government is at risk, i.e. the project was open all or part of the year. Once the project is closed, and all that is required is the repayment of the debt, the funds are no longer subject to single audit.