

City of Brevard, North Carolina

Financial Statements

Year Ended June 30, 2014



CITY OF BREVARD, NORTH CAROLINA



City Council As of June 30, 2014

Jimmy Harris (Mayor)
Wes Dickson
Charlie Landreth
Ann Hollingsworth
Maurice Jones
Mac Morrow (Mayor Pro Tem)

City Staff

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

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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, 2014, 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 did not audit the financial statements of the City of Brevard ABC Board. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Brevard ABC Board, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2014, 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 12 and 46 through 47, 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 combining and individual fund statements, budgetary schedules, and other schedules 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 by us and other auditors. In our opinion, based on our audit the procedures performed as described above, and the report of other auditors, the combining and individual fund statements, budgetary schedules, and other schedules 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 December 1, 2014 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
December 1, 2014



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, 2014. 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.

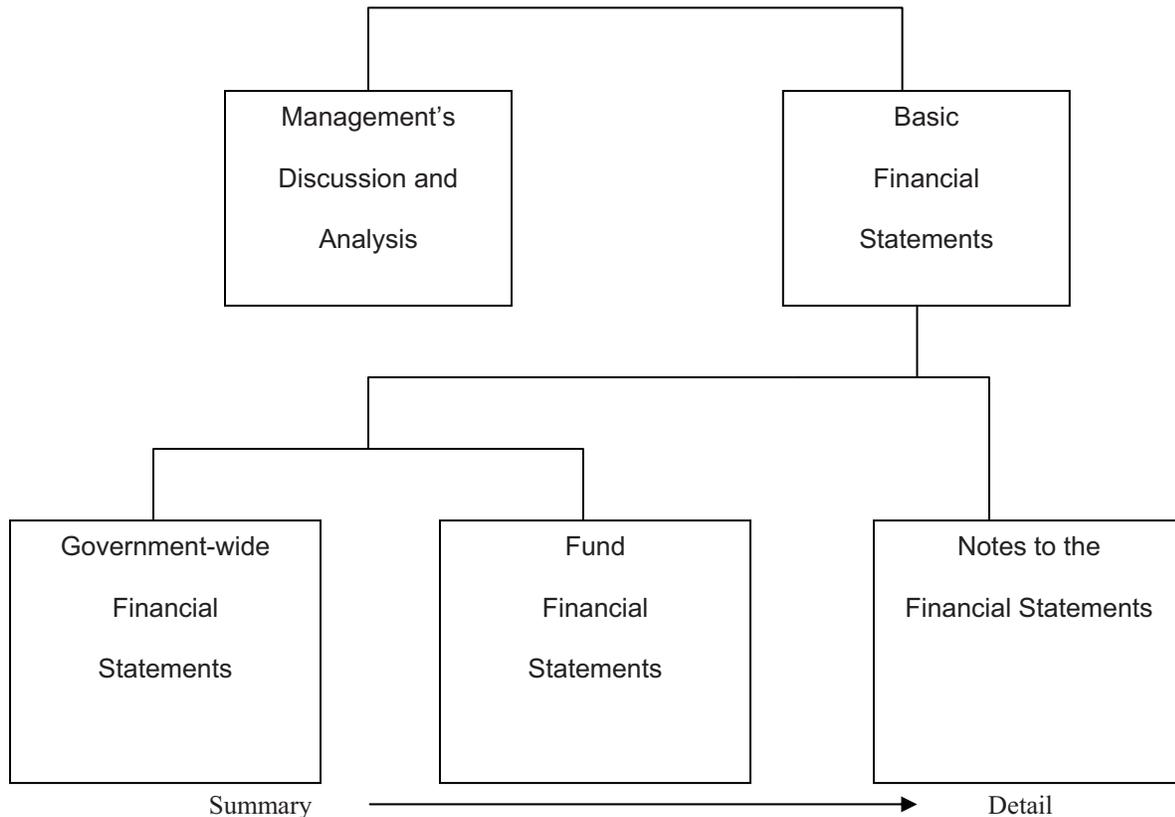
Financial Highlights

- The assets of the City of Brevard exceeded its liabilities at the close of the fiscal year by \$26,290,091 (net position).
- The City's total net position decreased by \$90,179 in the current fiscal year compared to the \$749,753 total net position increase in the previous fiscal year.
- Governmental activities net position increase of \$122,887 was less than the previous year increase of \$378,169. This is primarily due to the current year increase of salaries and benefits expenses and additional expenses associated with the planning department for various planning studies and other special projects.
- As of the close of the current fiscal year, the City of Brevard's governmental funds reported combined ending fund balances of \$6,604,874, a decrease of \$766,221 in comparison with the prior year. Approximately 44% of this total amount, or \$2,879,782, 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 \$2,879,782 (34%) of total general fund expenditures for the fiscal year, which decreased compared to the prior year of \$3,016,910 (37%).
- Debt decreased for Governmental Activities by \$180,136 due to the net effect of financing of \$127,910 obtained for a garbage truck purchased in the previous fiscal year and repayment of principal on existing loans.
- The City's Water and Sewer Fund debt decreased \$148,244 due to the repayment of principal on existing loans for the Sewer Annexation, Kings Creek Sewer, and Belt Press projects.

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 predominantly 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 25 through 45 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
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	
Current and other assets	\$ 7,559,933	\$ 7,855,812	\$ 1,537,869	\$ 2,293,523	\$ 9,097,802	\$ 10,149,335	-10%
Capital assets	<u>6,024,487</u>	<u>5,706,871</u>	<u>15,924,675</u>	<u>15,733,557</u>	<u>21,949,162</u>	<u>21,440,428</u>	2%
Total assets	13,584,420	13,562,683	17,462,544	18,027,080	31,046,964	31,589,763	-4%
Long-term liabilities	1,753,514	1,967,385	2,234,254	2,382,498	3,987,768	4,349,883	-8%
Other liabilities	<u>612,350</u>	<u>499,629</u>	<u>156,755</u>	<u>359,981</u>	<u>769,105</u>	<u>859,610</u>	-11%
Total liabilities	2,365,864	2,467,014	2,391,009	2,742,479	4,756,873	5,209,493	-9%
Net position:							
Net investment in capital assets	4,578,567	4,080,815	13,756,518	13,426,156	18,344,085	17,506,971	5%
Restricted	2,386,153	1,855,933	-	-	2,386,153	1,855,933	29%
Unrestricted	<u>4,253,836</u>	<u>5,158,921</u>	<u>1,306,017</u>	<u>1,858,445</u>	<u>5,559,853</u>	<u>7,017,366</u>	-21%
Total net position	<u>\$11,218,556</u>	<u>\$11,095,669</u>	<u>\$ 15,071,535</u>	<u>\$ 15,284,601</u>	<u>\$ 26,290,091</u>	<u>\$ 26,380,270</u>	-2%

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 \$26,290,091 as of June 30, 2014. The City's net position decreased by \$90,179 for the fiscal year ended June 30, 2014. 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 (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,559,853 (21%) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.81% for the year ending June 30, 2014, which is comparable to 99.60% for the year ending June 30, 2013. Property tax revenues increased approximately 4% as a result of a two cent tax increase for the downtown master plan.
- Local option sales tax revenues increased approximately \$36,000 or 2.8%, mainly due to growth in local retail sales.
- Sales and services revenues increased by approximately \$148,000 or 3% due to an overall water and sewer billing rate increase of 7.4% effective August 1, 2013 and the implementation of a \$2.70 per month meter fee for each customer account.
- The general fund transferred \$708,500 to various capital projects funds during the fiscal year.

Management's Discussion and Analysis
City of Brevard

- The City received a one-time \$360,000 capital contribution from a Brevard resident during the fiscal year. These funds will be used to pay for future Clemson Park and Caldwell Street improvements.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Total Percentage Change</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	
Revenues:							
Program revenues:							
Charges for services	\$ 1,930,283	\$ 1,981,954	\$ 3,918,126	\$ 3,721,755	\$ 5,848,409	\$ 5,703,709	3%
Operating grants and contributions	316,956	320,244	-	-	316,956	320,244	-1%
Capital grants and contributions	705,348	32,417	-	436,613	705,348	469,030	50%
General revenues:							
Property taxes	4,784,117	4,539,023	-	-	4,784,117	4,539,023	5%
Sales tax	1,297,311	1,261,070	-	-	1,297,311	1,261,070	3%
Other	849,765	797,802	-	133	849,765	797,935	6%
Total revenues	<u>9,883,780</u>	<u>8,932,510</u>	<u>3,918,126</u>	<u>4,158,501</u>	<u>13,801,906</u>	<u>13,091,011</u>	5%
Expenses:							
General government	2,554,230	1,991,451	-	-	2,544,230	1,991,451	28%
Public safety	3,553,640	3,231,843	-	-	3,553,640	3,231,843	10%
Public works	3,379,171	3,077,039	-	-	3,379,171	3,077,039	10%
Economic and physical development	109,067	115,117	-	-	109,067	115,117	-5%
Culture and recreation	130,544	98,489	-	-	130,544	98,489	33%
Interest on long term debt	44,241	40,402	-	-	44,241	40,402	10%
Water and sewer	-	-	4,131,192	3,786,917	4,131,192	3,786,917	9%
Total expenses	<u>9,760,893</u>	<u>8,554,341</u>	<u>4,131,192</u>	<u>3,786,917</u>	<u>13,892,085</u>	<u>12,341,258</u>	8%
Increase (decrease) in net position	122,887	378,169	(213,066)	371,584	(90,179)	749,753	-112%
Net position, beginning	<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>	
Net position, ending	<u>\$ 11,218,556</u>	<u>\$ 11,095,669</u>	<u>\$ 15,071,535</u>	<u>\$ 15,284,601</u>	<u>\$ 26,290,091</u>	<u>\$ 26,380,270</u>	

Governmental activities. Governmental activities increased the City's net position by \$122,887. This increase is less than the prior year's increase due to a number of factors. There was an overall increase within salary and benefit expenses because of a cost of living adjustment of 1% and a 2% merit based payment adjustment. In addition, the planning department had additional budgeted expenditures of approximately \$230,000 related to planning studies and various projects.

Business-type activities: Business-type activities decreased the City of Brevard's net position by \$213,066. This differs from the prior year's increase of \$371,584 mainly due a decrease in capital grant contributions of approximately \$437,000 and overall salary and related benefits expense increase of \$48,000 offset by a 7.4% increase in water and sewer rates and the implementation of a \$2.70 monthly customer meter fee.

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 \$2,879,782, while total fund balance reached \$5,424,568. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance of \$2,879,782 represents 34% of total General Fund expenditures for the year ended June 30, 2014.

At June 30, 2014, the governmental funds of City of Brevard reported a combined fund balance of \$6,604,874, a 3.0% decrease over last year's 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 \$1,306,017. 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, 2014, the City of Brevard revised the overall budget four times. There were two ordinances adopted during the fiscal year. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

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, 2014, totals \$21,949,162 (net of accumulated depreciation). These assets include land, construction in progress, buildings, infrastructure, equipment and vehicles.

Capital Asset Additions. Assets purchased included: vehicles, a fire tanker truck, computer equipment, water & sewer plant construction, and other capital projects. There were no major demolitions or disposals recorded this fiscal year except for the sale of 2005 tanker truck for proceeds of \$76,100. 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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2014	2013	2014	2013	2014	2013	
Land	\$ 319,893	\$ 319,893	\$ 212,891	\$ 212,891	\$ 532,784	\$ 532,784	0%
Construction in progress	1,020,381	619,080	575,058	1,820,875	1,595,439	2,439,955	-35%
Buildings and infrastructure	2,628,707	2,691,863	14,680,516	13,220,633	17,309,223	15,912,496	9%
Equipment	176,962	222,764	102,808	113,576	279,770	336,340	-17%
Vehicles and motorized equipment	<u>1,878,544</u>	<u>1,853,271</u>	<u>353,402</u>	<u>365,582</u>	<u>2,231,946</u>	<u>2,218,853</u>	1%
Total net position	<u>\$ 6,024,487</u>	<u>\$ 5,706,871</u>	<u>\$ 15,924,675</u>	<u>\$ 15,733,557</u>	<u>\$ 21,949,162</u>	<u>\$ 21,440,428</u>	2%

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, 2014, the City of Brevard had no outstanding bonds. Debt decreased for Governmental Activities by a net amount of \$180,136 due to additional 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 decreased by a net amount of \$148,244 mainly due to principal payments and a new borrowing for capital improvements with the Burrell Mountain Tank Project.

City of Brevard's Outstanding Debt
Figure 5

	Balance <u>June 30, 2013</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2014</u>
Governmental Activities:				
Installment Contracts	\$ 1,626,056	\$ 127,910	\$ 308,046	\$ 1,445,920
Total	<u>\$ 1,626,056</u>	<u>\$ 127,910</u>	<u>\$ 308,046</u>	<u>\$ 1,445,920</u>
Business Type Activities:				
Installment Contracts	\$ 415,420	\$ -	\$ 177,915	\$ 237,505
Revolving Loan	<u>1,891,981</u>	<u>138,553</u>	<u>108,882</u>	<u>1,921,652</u>
Total	<u>\$ 2,307,401</u>	<u>\$ 138,553</u>	<u>\$ 286,797</u>	<u>\$ 2,159,157</u>

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 \$74 million. The City has no bonds authorized or un-issued at June 30, 2014.

Additional information regarding the City of Brevard's long-term debt can be found in Note 7 beginning on page 40 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 2014 Unemployment Rates</u>	
		<u>Number Unemployed</u>	<u>Unemployment Rate</u>
Transylvania	13,000	800	6.2%
Buncombe	127,341	6,159	4.8%
Henderson	51,139	2,505	4.9%
North Carolina	4,691,295	303,122	6.5%

Source: NC Employment Security Commission – June 2014 Not Seasonally Adjusted

Management's Discussion and Analysis
City of Brevard

- Tourism remains a vital and growing part of the Brevard economy. Domestic tourism in Transylvania County generated an economic impact of \$84.26 million for the calendar year 2013. This was a \$3.3 million increase from 2012.

Transylvania County

Year	Tourism Revenue (\$ millions)	% Growth (Decline)
2009	68.41	(11%)
2010	71.75	5%
2011	77.32	7%
2012	80.92	5%
2013	84.26	4%

*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.

	2009	2010	2011	2012	2013
City of Brevard	99.72%	99.45%	99.70%	99.60%	99.81%
Statewide	97.48%	97.48%	97.58%	97.46%	97.50%

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

- Within the City, sales tax generated from taxable sales increased 2.8% from \$1,261,070 in the fiscal year 2012-2013 to \$1,297,311 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 2014-2015 decreased from \$8,906,844 to \$8,454,450.

Water and Sewer Fund

- Management expects water usage in fiscal year 2014-2015 to remain consistent with fiscal year 2013-2014 or slightly increase. The charges for services were budgeted at approximately the same level with a fee schedule adjustment.
- 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 renovation 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, 2013:

Detailed Residential Construction Value 2013

New home value: City - 5 homes - \$1,300,000

New home value: County - 54 homes - \$22,490,000

Addition/Remodel Value: City - 72 homes - \$1,880,000

Addition/Remodel Value: County - 168 homes - \$7,800,000

Manufactured Homes: City - 4 homes - \$100,000

Manufactured Homes: County - 38 homes - \$1,180,000

Detailed Commercial Construction Value 2013

New: City - 5 - \$4,320,000

New: County - 3 - \$870,000

Addition/Remodel: City - 34 - \$3,000,000

Addition/Remodel: County - 12 - \$672,000

The number of new house permits in 2013 compared to 2012 was down 19%.

The number of new house permits in 2013 compared to 2009 was down 22%.

Total construction value in 2013 compared to 2009 was up 8%.

Construction Values for last 5 years in the City of Brevard

2013 - \$ 10,608,122

2012 - \$ 9,555,894

2011 - \$ 6,420,475

2010 - \$ 9,165,474

2009 - \$ 9,856,346

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, NCCLGFO, 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, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	City of Brevard ABC Board
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,958,633	\$ 1,069,860	\$ 6,028,493	\$ 157,960
Taxes receivable (net)	21,213	-	21,213	-
Accrued interest receivable on taxes	8,100	-	8,100	-
Accounts receivable (net)	191,781	306,792	498,573	-
Due from other governments	745,249	138,553	883,802	-
Inventories	81,286	-	81,286	330,043
Prepaid items	29,376	22,664	52,040	3,661
Total current assets	<u>6,035,638</u>	<u>1,537,869</u>	<u>7,573,507</u>	<u>491,664</u>
Restricted assets:				
Cash and cash equivalents	<u>1,524,295</u>	<u>-</u>	<u>1,524,295</u>	<u>-</u>
Capital assets:				
Land, non-depreciable improvements & construction in progress	1,340,274	787,949	2,128,223	-
Other capital assets, net of depreciation	4,684,213	15,136,726	19,820,939	93,314
Total capital assets	<u>6,024,487</u>	<u>15,924,675</u>	<u>21,949,162</u>	<u>93,314</u>
Total assets	<u>13,584,420</u>	<u>17,462,544</u>	<u>31,046,964</u>	<u>584,978</u>
LIABILITIES				
Current liabilities:				
Accounts payable	450,613	26,976	477,589	261,147
Salaries and payroll taxes payable	153,237	40,632	193,869	-
Customer deposits	-	81,247	81,247	-
Accrued interest payable	8,500	7,900	16,400	-
Long-term liabilities:				
Due within one year	421,440	271,315	692,755	-
Due in more than one year	<u>1,332,074</u>	<u>1,962,939</u>	<u>3,295,013</u>	<u>-</u>
Total liabilities	<u>2,365,864</u>	<u>2,391,009</u>	<u>4,756,873</u>	<u>261,147</u>
NET POSITION				
Net investment in capital assets	4,578,567	13,765,518	18,344,085	93,314
Restricted for:				
Stabilization by State statute	940,866	-	940,866	-
Streets	8,635	-	8,635	-
Capital projects	1,279,752	-	1,279,752	-
Public safety	152,267	-	152,267	-
Other purposes	4,633	-	4,633	96,035
Unrestricted	<u>4,253,836</u>	<u>1,306,017</u>	<u>5,559,853</u>	<u>134,482</u>
Total net position	<u>\$ 11,218,556</u>	<u>\$ 15,071,535</u>	<u>\$ 26,290,091</u>	<u>\$ 323,831</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, 2014

Program Revenues

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 2,544,230	\$ 531,411	\$ -	\$ -
Public safety	3,553,640	1,730	77,038	186,200
Public works	3,379,171	1,378,973	224,918	-
Economic and physical development	109,067	-	15,000	519,148
Cultural and recreation	130,544	18,169	-	-
Interest on long-term debt	44,241	-	-	-
Total Governmental Activities	<u>9,760,893</u>	<u>1,930,283</u>	<u>316,956</u>	<u>705,348</u>
Business-Type Activities:				
Water and sewer	4,131,192	3,918,126	-	-
Total Business-Type Activities	<u>4,131,192</u>	<u>3,918,126</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u><u>\$ 13,892,085</u></u>	<u><u>\$ 5,848,409</u></u>	<u><u>\$ 316,956</u></u>	<u><u>\$ 705,348</u></u>
Component Unit:				
ABC Board	\$ 2,908,069	\$ 3,028,476	\$ -	\$ -
Total Component Unit	<u><u>\$ 2,908,069</u></u>	<u><u>\$ 3,028,476</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

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
Governmental	Business-type	Total	Unit
Activities	Activities		City of
			Brevard ABC
			Board
\$ (2,012,819)	\$ -	\$ (2,012,819)	\$ -
(3,288,672)	-	(3,288,672)	-
(1,775,280)	-	(1,775,280)	-
425,081	-	425,081	-
(112,375)	-	(112,375)	-
(44,241)	-	(44,241)	-
<u>(6,808,306)</u>	<u>-</u>	<u>(6,808,306)</u>	<u>-</u>
-	(213,066)	(213,066)	-
-	(213,066)	(213,066)	-
<u>(6,808,306)</u>	<u>(213,066)</u>	<u>(7,021,372)</u>	<u>-</u>
-	-	-	120,407
-	-	-	120,407
4,784,117	-	4,784,117	-
1,297,311	-	1,297,311	-
552,931	-	552,931	-
122,064	-	122,064	(122,064)
3,510	-	3,510	117
76,346	-	76,346	-
94,914	-	94,914	2,875
<u>6,931,193</u>	<u>-</u>	<u>6,931,193</u>	<u>(119,072)</u>
<u>122,887</u>	<u>(213,066)</u>	<u>(90,179)</u>	<u>1,335</u>
<u>11,095,669</u>	<u>15,284,601</u>	<u>26,380,270</u>	<u>322,496</u>
<u>\$ 11,218,556</u>	<u>\$ 15,071,535</u>	<u>\$ 26,290,091</u>	<u>\$ 323,831</u>

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

CITY OF BREVARD, NORTH CAROLINA

GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2014

	<u>Major Fund</u>		<u>Total</u>
	<u>General Fund</u>	<u>Total Non-Major Funds</u>	<u>Governmental Funds</u>
ASSETS			
Cash and cash equivalents, unrestricted	\$ 4,631,289	\$ -	\$ 4,631,289
Cash and cash equivalents, restricted	360,902	1,163,393	1,524,295
Taxes receivable, net	21,213	-	21,213
Accounts receivable, net	176,691	90	176,781
Due from other governments	597,231	148,018	745,249
Due from other funds	105,250	42,768	148,018
Inventories	81,286	-	81,286
Total assets	<u>\$ 5,973,862</u>	<u>\$ 1,354,269</u>	<u>\$ 7,328,131</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 374,844	\$ 25,945	\$ 400,789
Salaries and payroll taxes payable	153,237	-	153,237
Due to other funds	-	148,018	148,018
Total liabilities	<u>528,081</u>	<u>173,963</u>	<u>702,044</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes receivable, net	<u>21,213</u>	<u>-</u>	<u>21,213</u>
FUND BALANCES			
Nonspendable:			
Inventories	81,286	-	81,286
Perpetual maintenance	-	55,440	55,440
Restricted:			
Stabilization by State statute	900,385	40,481	940,866
Streets	8,635	-	8,635
Capital projects	200,000	1,079,752	1,279,752
Public safety	152,267	-	152,267
Perpetual maintenance	-	4,633	4,633
Committed:			
Capital projects	1,014,213	-	1,014,213
Assigned:			
Subsequent year's expenditures	188,000	-	188,000
Unassigned	2,879,782	-	2,879,782
Total fund balances	<u>5,424,568</u>	<u>1,180,306</u>	<u>6,604,874</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,973,862</u>	<u>\$ 1,354,269</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.			6,024,487
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.			8,100
Liabilities for earned revenues considered deferred inflows of resources in fund statements.			21,213
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.			292,520
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.			<u>(1,732,638)</u>
Net position of governmental activities			<u>\$ 11,218,556</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, 2014

	<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	\$ 4,392,756	\$ 413,223	\$ 4,805,979
Other taxes and licenses	1,369,472	-	1,369,472
Unrestricted intergovernmental	675,783	-	675,783
Restricted intergovernmental	250,277	320,181	570,458
Sales and services	1,930,283	-	1,930,283
Investment earnings	3,380	130	3,510
Miscellaneous	59,653	414,158	473,811
Total revenues	<u>8,681,604</u>	<u>1,147,692</u>	<u>9,829,296</u>
EXPENDITURES			
Current:			
General government	2,377,069	-	2,377,069
Public safety	2,665,108	818,729	3,483,837
Public works	3,225,600	-	3,225,600
Economic and physical development	-	360,171	360,171
Cultural and recreation	104,902	-	104,902
Capital outlay	-	305,330	305,330
Debt service:			
Principal retirement	126,301	181,745	308,046
Interest and other charges	15,093	29,148	44,241
Total expenditures	<u>8,514,073</u>	<u>1,695,123</u>	<u>10,209,196</u>
Excess (deficiency) of revenues over expenditures	<u>167,531</u>	<u>(547,431)</u>	<u>(379,900)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	1,042,740	1,042,740
Transfers to other funds	(1,069,540)	(11,000)	(1,080,540)
Proceeds from sale of capital assets	7,878	76,100	83,978
Issuance of installment debt	127,910	-	127,910
Total other financing sources (uses)	<u>(933,752)</u>	<u>1,107,840</u>	<u>174,088</u>
Net change in fund balances	(766,221)	560,409	(205,812)
Fund balances, beginning	<u>6,190,789</u>	<u>619,897</u>	<u>6,810,686</u>
Fund balances, ending	<u>\$ 5,424,568</u>	<u>\$ 1,180,306</u>	<u>\$ 6,604,874</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, 2014

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

Net changes in fund balances - total governmental funds		\$ (205,812)
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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	\$ 896,315	
Depreciation expense for governmental assets	<u>(571,066)</u>	325,249

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		673
--	--	-----

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.

Cost basis of capital asset disposed	7,632	
Accrued interest expense	-	
Compensated absences used	(18,139)	
Net pension and OPEB obligations	<u>51,509</u>	41,002

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	308,046	
Installment financing obligations issued	<u>(127,910)</u>	180,136

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.

Total changes in net position of governmental activities		<u>\$ 122,887</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, 2014

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 4,303,500	\$ 4,303,500	\$ 4,392,756	\$ 89,256
Other taxes and licenses	1,180,000	1,315,800	1,369,472	53,672
Unrestricted intergovernmental	631,300	631,300	675,783	44,483
Restricted intergovernmental	218,500	228,417	250,277	21,860
Sales and services	1,799,650	1,914,750	1,891,787	(22,963)
Investment earnings	5,000	5,000	2,529	(2,471)
Miscellaneous	5,000	374,567	16,828	(357,739)
Total revenues	<u>8,142,950</u>	<u>8,773,334</u>	<u>8,599,432</u>	<u>(173,902)</u>
Expenditures:				
Current:				
General government	2,253,951	2,424,251	2,365,069	59,182
Public safety	2,631,119	2,686,119	2,665,108	21,011
Public works	3,084,540	3,320,066	3,225,600	94,466
Cultural and recreation	106,883	111,883	104,902	6,981
Debt service:				
Principal retirement	124,065	124,065	126,301	(2,236)
Interest and other charges	15,100	15,100	15,093	7
OPEB expense	12,000	12,000	12,000	-
Total expenditures	<u>8,227,658</u>	<u>8,693,484</u>	<u>8,514,073</u>	<u>179,411</u>
Revenues over (under) expenditures	<u>(84,708)</u>	<u>79,850</u>	<u>85,359</u>	<u>5,509</u>
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	(818,239)	(1,449,707)	(1,069,540)	380,167
Proceeds from sale of capital assets	-	5,600	7,878	2,278
Issuance of installment debt	-	127,910	127,910	-
Total other financing sources (uses)	<u>(818,239)</u>	<u>(1,316,197)</u>	<u>(933,752)</u>	<u>382,445</u>
Fund balance appropriated	<u>902,947</u>	<u>1,236,347</u>	<u>-</u>	<u>(1,236,347)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>(848,393)</u>	<u>\$ (848,393)</u>
Fund balance, beginning			<u>5,058,748</u>	
Fund balance, ending			<u>4,210,355</u>	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Investment earnings			851	
Impact fees and donations			81,321	
Fund balance, beginning (Capital Reserve Fund)			<u>1,132,041</u>	
Fund balance, ending (Exhibit 4)			<u>\$ 5,424,568</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, 2014

	Enterprise Fund	Internal Service Fund
	Water and Sewer Fund	Insurance Fund
ASSETS		
Current assets:		
Cash and cash equivalents, unrestricted	\$ 1,069,860	\$ 327,344
Accounts receivable (net)	306,792	15,000
Due from other governments	138,553	-
Prepaid expenses	22,664	-
Total current assets	<u>1,537,869</u>	<u>342,344</u>
Noncurrent assets:		
Capital assets:		
Land and other non-depreciable assets	787,949	-
Other capital assets, net of depreciation	15,136,726	-
Capital assets (net)	<u>15,924,675</u>	<u>-</u>
Total noncurrent assets	<u>15,924,675</u>	<u>-</u>
Total assets	<u>17,462,544</u>	<u>342,344</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	26,976	49,824
Salaries and payroll taxes payable	40,632	-
Customer deposits	81,247	-
Accrued interest	7,900	-
Compensated absences - current	33,532	-
Installment contracts and revolving loan, current	237,783	-
Total current liabilities	<u>428,070</u>	<u>49,824</u>
Noncurrent liabilities:		
Compensated absences	41,565	-
Installment contracts and revolving loan, noncurrent	1,921,374	-
Total noncurrent liabilities	<u>1,962,939</u>	<u>-</u>
Total liabilities	<u>2,391,009</u>	<u>49,824</u>
NET POSITION		
Net investment in capital assets	13,765,518	-
Unrestricted	1,306,017	292,520
Total net position	<u>\$ 15,071,535</u>	<u>\$ 292,520</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, 2014

	<u>Enterprise Fund</u>	<u>Internal Service</u>
	<u>Water and Sewer</u>	<u>Fund</u>
	<u>Fund</u>	<u>Insurance Fund</u>
OPERATING REVENUES		
Charges for services	\$ 3,674,647	\$ 932,015
Water and sewer taps	27,695	-
Other operating revenues	215,784	-
Total operating revenues	<u>3,918,126</u>	<u>932,015</u>
OPERATING EXPENSES		
Water treatment and distribution	1,163,428	-
Waste collection and treatment	1,920,145	-
Payment to general fund in lieu of taxes & admin expenses	500,000	-
Depreciation	452,871	-
Claims	-	840,759
Insurance premiums	-	186,754
Other operating expenses	25,847	122,863
Total operating expenses	<u>4,062,291</u>	<u>1,150,376</u>
Operating loss	<u>(144,165)</u>	<u>(218,361)</u>
NONOPERATING REVENUES (EXPENSES)		
Transfers from other funds	-	37,800
Interest expense	(68,901)	-
Total nonoperating revenue (expenses)	<u>(68,901)</u>	<u>37,800</u>
Change in net position	(213,066)	(180,561)
Total net position, beginning	15,284,601	473,081
Total net position, ending	<u>\$ 15,071,535</u>	<u>\$ 292,520</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.	-	
Change in net position - business-type activities	<u>\$ (213,066)</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, 2014

	<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	\$ 3,927,545	\$ 917,015
Cash paid for goods and services	(2,503,015)	(1,079,687)
Cash paid to or on behalf of employees for services	(1,314,843)	-
Net cash provided (used) by operating activities	<u>109,687</u>	<u>(162,672)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(643,989)	-
Proceeds from issuance of debt	138,553	-
Principal paid on installment obligation	(286,797)	-
Interest paid on installment obligation	(68,901)	-
Capital contributions (from other governments)	445,422	-
Net cash used by capital and related financing activities	<u>(415,712)</u>	<u>-</u>
Net decrease in cash and cash equivalents	(306,025)	(162,672)
Balances, beginning of year, as restated	1,375,885	490,016
Balances, end of year	<u>\$ 1,069,860</u>	<u>\$ 327,344</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	\$ (144,165)	\$ (218,361)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	452,871	-
Bad debt expense	4,000	-
Changes in assets and liabilities:		
Accounts receivable	3,445	(15,000)
Prepaid expenses	(3,238)	-
Accounts payable and accrued liabilities	(201,252)	32,889
Customer deposits	(1,974)	-
Transfers to other funds	-	37,800
Total adjustments	<u>253,852</u>	<u>55,689</u>
Net cash provided (used) by operating activities	<u>\$ 109,687</u>	<u>\$ (162,672)</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, 2014

	<u>OPEB Trust Fund</u>	<u>T.L. Scruggs Scholarship Fund</u>
ASSETS		
Cash and cash equivalents	\$ 137,703	\$ 9,216
NET POSITION		
Assets held in trust for retiree health benefits	\$ 137,703	\$ -
Assets held in trust for administration of scholarship fund	-	9,216
	<u>\$ 137,703</u>	<u>\$ 9,216</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, 2014

	<u>OPEB Trust Fund</u>	<u>T.L. Scruggs Scholarship Trust Fund</u>
ADDITIONS		
Employer contributions	\$ 18,750	\$ -
Restricted donations	-	13,916
	<u>18,750</u>	<u>13,916</u>
Investment income:		
Interest	40	2
Total additions	<u>18,790</u>	<u>13,918</u>
DEDUCTIONS		
Expenditures	-	4,524
Scholarships awarded	-	5,500
	<u>18,790</u>	<u>3,894</u>
Change in net position	18,790	3,894
Net position, beginning	118,913	5,322
Net position, ending	<u>\$ 137,703</u>	<u>\$ 9,216</u>

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

CITY OF BREVARD, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

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 seven 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, Rosenwald Revitalization 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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, 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, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates 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, Rosenwald Revitalization 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, 2013.

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 – 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, 2014, the City's deposits had a carrying amount of \$2,765,058 and a bank balance of \$2,980,261. Of the bank balance, \$500,000 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 \$154,865 and the bank balance was \$145,414. 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, 2014 of \$650 and \$3,095, respectively.

2. Investments

At June 30, 2014, the City of Brevard had funds with a carrying amount and bank balance of \$4,787,080 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, 2014, 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	\$ 2,765,058
Petty cash	650
Fair value of investments	<u>4,787,080</u>
	<u>\$ 7,552,788</u>
Statement of Net Position	
Cash and cash equivalents	\$ 6,028,493
Cash and cash equivalents, restricted	<u>1,524,295</u>
	<u>\$ 7,552,788</u>

Note 3 – 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, 2014 is net of the following allowances for doubtful accounts:

General Fund:	
Allowance for uncollectible property taxes receivable	\$ 11,000
Allowance for uncollectible trash service receivables	18,000
Water and Sewer Fund:	
Allowance for uncollectible utility receivables	\$ 160,000

Note 4 – Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2014, was as follows:

Governmental activities:	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 319,893	\$ -	\$ -	\$ 319,893
Construction in progress	<u>619,080</u>	<u>556,433</u>	<u>155,132</u>	<u>1,020,381</u>
Total capital assets not being depreciated	<u>938,973</u>	<u>556,433</u>	<u>155,132</u>	<u>1,340,274</u>
Capital assets being depreciated:				
Buildings and infrastructure	4,621,879	29,000	-	4,650,879
Equipment	1,114,165	25,544	22,337	1,117,372
Vehicles and motorized equipment	<u>5,660,307</u>	<u>440,470</u>	<u>370,821</u>	<u>5,729,956</u>
Total capital assets being depreciated	<u>11,396,351</u>	<u>495,014</u>	<u>393,158</u>	<u>11,498,207</u>
Less accumulated depreciation for:				
Buildings and infrastructure	1,930,016	92,156	-	2,022,172
Equipment	891,401	63,714	14,705	940,410
Vehicles and motorized equipment	<u>3,807,036</u>	<u>415,197</u>	<u>370,821</u>	<u>3,851,412</u>
Total accumulated depreciation	<u>6,628,453</u>	<u>\$ 571,067</u>	<u>\$ 385,526</u>	<u>6,813,994</u>
Total capital assets being depreciated, net	<u>4,767,898</u>			<u>4,684,213</u>
Governmental activities capital assets, net	<u>\$ 5,706,871</u>			<u>\$ 6,024,487</u>

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

General government	\$ 98,489
Public safety	338,337
Public works	108,599
Cultural and recreational	<u>25,642</u>
Total depreciation expense	<u>\$ 571,067</u>

Business-type activities:	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 212,891	\$ -	\$ -	\$ 212,891
Construction in progress	<u>1,820,875</u>	<u>517,729</u>	<u>1,763,546</u>	<u>575,058</u>
Total capital assets not being depreciated	<u>2,033,766</u>	<u>517,729</u>	<u>1,763,546</u>	<u>787,949</u>
Capital assets being depreciated:				
Plant and distribution systems	20,722,228	1,818,082	-	22,540,310
Maintenance equipment and furniture	677,520	17,720	-	695,240
Vehicles	<u>996,575</u>	<u>54,004</u>	<u>24,100</u>	<u>1,026,479</u>
Total capital assets being depreciated	<u>22,396,323</u>	<u>1,889,806</u>	<u>24,100</u>	<u>24,262,029</u>

Less accumulated depreciation for:				
Plant and distribution systems	7,501,595	358,199	-	7,859,794
Maintenance equipment and furniture	563,944	28,488	-	592,432
Vehicles	<u>630,993</u>	<u>66,184</u>	<u>24,100</u>	<u>673,077</u>
Total accumulated depreciation	<u>8,696,532</u>	<u>452,871</u>	<u>24,100</u>	<u>9,125,303</u>
Total capital assets being depreciated, net	<u>13,699,791</u>			<u>15,136,726</u>
Water and sewer fund capital assets, net	<u>\$15,733,557</u>			<u>\$15,924,675</u>

Construction commitments:

The government has the following commitments with contractors for active construction projects as of June 30, 2014:

<u>Project</u>	<u>Spent-to- Date</u>	<u>Remaining Commitment</u>
Neely road pump station, force main	\$ 299,945	\$ 2,104,870
Burrell mountain water tank project	80,000	2,349,000
6 Inch sewer upgrade	135,612	21,288
Kings creek sewer project phase II	23,077	269,123
Kings creek sewer project phase III	5,000	267,000
Radio read meters	5,500	104,900
Purchase of former Duke facility	5,000	421,000
Rosenwald Park (NC State PARTIF Grant)	<u>5,000</u>	<u>390,000</u>
	<u>\$ 559,134</u>	<u>\$ 5,927,181</u>

Discretely presented component unit:

Activity for the ABC Board for the year ended June 30, 2014 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets being depreciated:				
Leasehold improvements	\$ 86,045	\$ -	\$ -	\$ 86,045
Office, store and warehouse equipment	109,774	7,674	-	117,448
Vehicle	-	<u>10,995</u>	-	<u>10,995</u>
Total capital assets being depreciated	<u>195,819</u>	<u>18,669</u>	-	<u>214,488</u>
Less accumulated depreciation	<u>102,803</u>	<u>\$ 18,371</u>	<u>\$ -</u>	<u>121,174</u>
ABC Board capital assets, net	<u>\$ 93,016</u>			<u>\$ 93,314</u>

Note 5 – 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 7.07% and 7.55%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 7.07% 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, 2014, 2013, and 2012 were \$265,914, \$254,594, and \$228,615, respectively. The ABC Board’s contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$11,746, \$13,272, and \$11,390, 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, 2014, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	6
Active plan members	<u>25</u>
Total	<u><u>31</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	\$ 50,945
Interest on net pension obligation	5,375
Adjustment to annual required contribution	<u>(8,759)</u>
Annual pension cost	47,561
Contributions made	<u>(99,435)</u>
Decrease in net pension obligation	(51,874)
Net pension obligation, beginning of fiscal year	<u>107,508</u>
Net pension obligation, end of fiscal year	<u>\$ 55,634</u>

3 Year Trend Information			
For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 47,378	174.78%	\$ 137,381
2013	46,675	164.00%	107,508
2014	47,561	209.07%	55,634

Funding Status and Funding Progress - As of December 31, 2013 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 \$492,562. The covered payroll (annual payroll of active employees covered by the plan) was \$1,113,599, and the ratio of the UAAL to the covered payroll was 44.23%.

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, 2014 were \$65,641 which consisted of \$54,739 from the City and \$10,902 from the law enforcement officers.

Firefighter'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 Firefighter'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 Firefighter'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>67</u>	<u>25</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	\$ 525
Retiree and Children	861
Retiree and Spouse	1,050
Family	1,313

Retirees contributed \$25,960 in premiums for the year ended June 30, 2014.

The current annual required contribution rate (ARC) is .38% of annual covered payroll. The City obtains healthcare coverage through private insurers. The City's contributions totaled \$18,750 in fiscal year 2014. 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	\$ 16,086
Interest on net OPEB obligation (asset)	(2,458)
Adjustment to annual required contribution	<u>2,249</u>
Annual OPEB cost	15,877
Contributions made	<u>(18,750)</u>
Increase in net OPEB asset	(2,873)
Net OPEB asset, beginning of year	<u>(49,167)</u>
Net OPEB asset, end of fiscal year	<u>\$ (52,040)</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the OPEB (asset) obligation for 2014, 2013, and 2012 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>
2014	\$ 15,877	118%	\$ (52,040)
2013	15,369	122%	(49,167)
2012	14,924	162%	(45,786)

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 6 – Risk Management and Contingent Liabilities

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 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.

The City is presently a defendant in lawsuits and is also subject to claims which may arise out of the ordinary conduct of its affairs. It is the opinion of the City's management and counsel that settlement of these matters, if any, will not have a material adverse effect of the City's financial position.

Note 7 – Long-term Debt

Installment Contracts

In August 1999, 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 January 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.

In July 2013, the City entered into an installment purchase contract for \$127,910 to finance the purchase of a new garbage truck. The financing agreement requires monthly payments of \$2,236 including interest at 1.89% per annum through July 2017.

The future minimum payments of the installment purchases as of June 30, 2014 are as follows:

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 316,440	\$ 34,940	\$ 351,379	\$ 128,901	\$ 6,164	\$ 135,065
2016	294,689	25,150	319,839	47,852	1,404	49,256
2017	273,122	17,582	290,704	48,667	586	49,253
2018	254,041	10,771	264,812	12,085	18	12,103
2019	139,900	5,222	145,122	-	-	-
2020-2024	167,728	4,200	171,928	-	-	-
	<u>\$ 1,445,920</u>	<u>\$ 97,865</u>	<u>\$ 1,543,784</u>	<u>\$ 237,505</u>	<u>\$ 8,172</u>	<u>\$ 245,677</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.

In September 2014, the City entered into a federal revolving loan for \$2,641,000 with a term of 18 years at 0% interest. The loan is for the Burrell Mountain Tank Project. The City recorded advance funding of \$138,553

related to this loan as of June 30, 2014. The payment terms will not be defined until the project is completed.

The future minimum payments of the revolving loans as of June 30, 2014 are as follows:

Year Ending June 30	Business-type Activities		
	Principal	Interest	Total
2015	\$ 108,882	\$ 40,536	\$ 149,418
2016	108,882	38,034	146,916
2017	108,882	35,530	144,412
2018	108,882	33,028	141,910
2019	108,882	30,526	139,408
2020-2024	544,409	115,090	659,499
2025-2029	682,962	55,524	738,486
2030-2033	149,871	4,496	154,367
	<u>\$1,921,652</u>	<u>\$ 352,764</u>	<u>\$ 2,274,416</u>

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Installment contracts	\$ 1,626,056	\$ 127,910	\$ 308,046	\$ 1,445,920	\$ 316,440
Compensated absences	233,821	123,139	105,000	251,960	105,000
Net pension obligations	<u>107,508</u>	<u>-</u>	<u>51,874</u>	<u>55,634</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 1,967,385</u>	<u>\$ 251,049</u>	<u>\$ 464,921</u>	<u>\$ 1,753,514</u>	<u>\$ 421,440</u>
Business-type activities:					
Installment contracts	\$ 415,420	\$ -	\$ 177,915	\$ 237,505	\$ 128,901
Revolving loans	1,891,981	138,553	108,882	1,921,652	108,882
Compensated absences	<u>75,097</u>	<u>33,532</u>	<u>33,532</u>	<u>75,097</u>	<u>33,532</u>
Business-type activity long-term liabilities	<u>\$ 2,382,498</u>	<u>\$ 172,085</u>	<u>\$ 320,329</u>	<u>\$ 2,234,254</u>	<u>\$ 271,315</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, 2014, the City's legal debt margin was approximately \$74,000,000.

Note 8 – Interfund Balances and Activity

A. Balances Due to/from Other Funds

The composition of interfund balances as of June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Cottages CDBG Project Fund	\$ 148,018
Special Fire District Fund	General Fund	<u>(42,768)</u>
		<u>\$ 105,250</u>

B. Transfers to/from Other Funds

Transfers to/from other funds for the year ending June 30, 2014, consist of the following:

From the General Fund to the Special Fire District Fund for use in operations of the fire department	323,240
From the General Fund to the Health Insurance Fund for use in funding the anticipated shortfall from insurance claims per the financial plan	37,800
From the General Fund to the Pedestrian Bikeway Project Fund for use in railroad avenue project	100,000
From the General Fund to the Wayfinding Fund for use in the design, fabrication and install signage in the city	115,000
From the General Fund to the Downtown Master Plan for use in downtown capital project	180,000
From the General Fund to the Rosenwald Fund for part of the match for grant to be used in acquiring 25 acres for park development	223,500
From the General Fund to the Bracken Mountain Fund for use in trail project	90,000
From the Heart of Brevard to the Downtown Master Plan for use in downtown capital project	11,000

Note 9 – On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2014, the City of Brevard has recognized on-behalf payments for pension contributions made by the State of \$13,236 for 37 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 with less than 20 years of service, investment income, and a State appropriation.

Note 10 – Net Investment in Capital Assets

The net investment in capital assets as of June 30, 2014 is calculated as follows:

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 6,024,487	\$ 15,924,675
less: long-term debt	1,445,920	2,159,157
Net investment in capital assets	<u>\$ 4,578,567</u>	<u>\$ 13,765,518</u>

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	\$ 5,424,568
Less:	
Inventories	81,286
Restricted for:	
Stabilization by State statute	900,385
Public safety	152,267
Streets	8,635
Capital projects – clean water projects	200,000
Committed:	
Capital projects – streets and sidewalks	149,583
Capital projects – water and sewer projects	864,630
Assigned:	
Appropriated fund balance in FY 2015 budget	188,000
Minimum fund balance policy	<u>2,596,792</u>
Remaining Fund Balance	<u>\$ 282,990</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 \$55,540 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 \$25,000 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 – Subsequent Events

In August 2014, the City entered into an installment loan agreement with a banking institution for the purchase of the former Duke Energy maintenance facility for approximately \$426,000 at an interest rate of 2.25% per annum to be paid over a 10 year period.

In September 2014, the City entered into a federal revolving loan for \$2,641,000 with a term of 18 years at 0% interest. The loan is for the Burrell Mountain Tank Project. The City recorded advanced loan funding of \$138,553 as of June 30, 2014.



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)
12/31/04	\$ -	\$ 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%
12/31/13	-	492,562	492,562	0%	1,113,599	44.23%

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%
2014	47,651	209.1%

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%
2014	16,086	118%

**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, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad Valorem Taxes:			
Current year	\$ 4,285,000	\$ 4,308,601	\$ 23,601
Prior years	10,000	76,833	66,833
Penalties and interest	11,000	8,942	(2,058)
Refunds paid on ad valorem tax	(2,500)	(1,620)	880
	<u>4,303,500</u>	<u>4,392,756</u>	<u>89,256</u>
Other Taxes and Licenses:			
Local option sales tax	1,247,800	1,297,311	49,511
Privilege licenses	40,000	40,501	501
Zoning administration	28,000	31,660	3,660
	<u>1,315,800</u>	<u>1,369,472</u>	<u>53,672</u>
Unrestricted Intergovernmental Revenues:			
Franchise tax	350,000	399,190	49,190
Beer and wine taxes	30,000	33,756	3,756
Utilities franchise tax - CATV	45,000	47,824	2,824
City narcotics investigation	50,100	66,679	16,579
City of Brevard ABC Board	150,000	122,064	(27,936)
Payments in lieu of taxes	6,200	6,270	70
	<u>631,300</u>	<u>675,783</u>	<u>44,483</u>
Restricted Intergovernmental Revenues:			
State street aid allocation	224,917	224,918	1
Court facilities fees	2,500	3,708	1,208
Watershed grant	-	15,000	15,000
Public safety - police grants	1,000	6,651	5,651
	<u>228,417</u>	<u>250,277</u>	<u>21,860</u>
Sales and Services:			
Water and sewer fund	500,000	500,000	-
Recycling revenue	120,000	131,098	11,098
Rents	25,000	27,060	2,060
Parking violation penalties	2,000	1,730	(270)
Recreation revenues	15,000	18,169	3,169
Refuse collection fees	743,000	728,695	(14,305)
Vehicle maintenance	506,750	480,684	(26,066)
Other	3,000	4,351	1,351
	<u>1,914,750</u>	<u>1,891,787</u>	<u>(22,963)</u>
Investment earnings	5,000	2,529	(2,471)
Miscellaneous - other	374,567	16,828	(357,739)
Total revenues	<u>8,773,334</u>	<u>8,599,432</u>	<u>(173,902)</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, 2014

	Final Budget	Actual	Variance Positive (Negative)
Expenditures			
General Government:			
Governing Body:			
Salaries and employee benefits		35,663	
Other operating expenses		48,016	
	<u>102,469</u>	<u>83,679</u>	<u>18,790</u>
Administration:			
Salaries and employee benefits		253,915	
Other operating expenses		49,308	
	<u>306,496</u>	<u>303,223</u>	<u>3,273</u>
Elections			
Contracted Services		11,832	
	<u>15,300</u>	<u>11,832</u>	<u>3,468</u>
City Clerk:			
Salaries and employee benefits		86,000	
Other operating expenses		31,112	
	<u>121,784</u>	<u>117,112</u>	<u>4,672</u>
Finance:			
Salaries and employee benefits		302,596	
Other operating expenses		267,238	
	<u>570,202</u>	<u>569,834</u>	<u>368</u>
Tax Collector:			
Other operating expenses	145,500	144,132	1,368
Legal:			
Other operating expenses	66,000	65,150	850
Planning:			
Salaries and employee benefits		415,984	
Other operating expenses		399,880	
	<u>841,802</u>	<u>815,864</u>	<u>25,938</u>
Special Appropriations:			
Arts Council		10,000	
Chamber of Commerce		10,000	
Heart of Brevard		30,000	
Fireworks Participation		1,500	
	<u>51,500</u>	<u>51,500</u>	<u>-</u>
Personnel:			

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, 2014

	Final Budget	Actual	Variance Positive (Negative)
Salaries and employee benefits		144,042	
Other operating expenses		58,701	
	<u>203,198</u>	<u>202,743</u>	<u>455</u>
Total General Government	<u>2,424,251</u>	<u>2,365,069</u>	<u>54,510</u>
Public Safety:			
Police:			
Salaries and employee benefits		2,128,046	
Other operating expenses		436,931	
Capital outlay		100,131	
Total Public Safety	<u>2,686,119</u>	<u>2,665,108</u>	<u>21,011</u>
Public Works:			
Administration:			
Salaries and employee benefits		226,563	
Other operating expenses		77,430	
Capital outlay		35,209	
	<u>323,167</u>	<u>339,202</u>	<u>(16,035)</u>
Central Maintenance:			
Salaries and employee benefits		172,808	
Other operating expenses		437,054	
Capital outlay		7,000	
	<u>657,309</u>	<u>616,862</u>	<u>40,447</u>
Streets:			
Salaries and employee benefits		400,885	
Other operating expenses		245,061	
Capital outlay		27,211	
	<u>682,821</u>	<u>673,157</u>	<u>9,664</u>
Powell Aid:			
Other operating expenses		271,726	
	<u>274,917</u>	<u>271,726</u>	<u>3,191</u>
Building and Grounds:			
Salaries and employee benefits		311,979	
Other operating expenses		205,840	
	<u>538,431</u>	<u>524,776</u>	<u>13,655</u>
Sanitation:			
Salaries and employee benefits		379,811	
Other operating expenses		340,699	
Capital outlay		79,367	

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, 2014

	Final Budget	Actual	Variance Positive (Negative)
	843,421	799,877	43,544
Total Public Works	<u>3,320,066</u>	<u>3,225,600</u>	<u>94,466</u>
Cultural and Recreation:			
Recreation Department:			
Salaries and employee benefits		38,150	
Other operating expenses		66,752	
Total Culture and Recreation	<u>111,883</u>	<u>104,902</u>	<u>6,981</u>
Debt Service:			
Principal retirement		126,301	
Interest		15,093	
Total Debt Service	<u>139,165</u>	<u>141,394</u>	<u>(2,229)</u>
OPEB Expense	<u>12,000</u>	<u>12,000</u>	<u>-</u>
Total expenditures	<u>8,693,484</u>	<u>8,514,073</u>	<u>174,739</u>
Revenue over (under) expenditures	<u>79,850</u>	<u>85,359</u>	<u>837</u>
Other Financing Sources (Uses):			
Operating transfers to other funds:			
Fire District Fund	(323,240)	(323,240)	-
Internal Service Fund	(37,800)	(37,800)	-
Pedestrian Bikeway Fund	(100,000)	(100,000)	-
Wayfinding Fund	(135,000)	(115,000)	20,000
Downtown Master Plan Fund	(540,167)	(180,000)	360,167
Rosenwald Fund	(223,500)	(223,500)	-
Bracken Mountian	(90,000)	(90,000)	-
Proceeds from sale of capital assets	5,600	7,878	2,278
Issuance of installment debt	127,910	127,910	-
Total other financing sources (uses)	<u>(1,316,197)</u>	<u>(933,752)</u>	<u>382,445</u>
Fund balance appropriated	<u>1,236,347</u>	<u>-</u>	<u>(1,236,347)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>(848,393)</u>	<u>\$ (853,065)</u>
Fund balance, beginning of year		<u>5,058,748</u>	
Fund balance, end of year		<u>\$ 4,210,355</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, 2014

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Impact fees - water and sewer	\$ 40,000	\$ 38,496	\$ (1,504)
Sidewalks - fees in lieu	-	37,500	37,500
Fees in lieu of infrastructure	-	5,325	5,325
Investment earnings	1,600	851	(749)
Total revenues	<u>41,600</u>	<u>82,172</u>	<u>40,572</u>
Other Financing Sources (Uses):			
Operating transfers from (to):			
General Fund	-	-	-
Utility Fund	(150,000)	-	150,000
Downtown Master Plan Fund	-	-	-
Wayfinding Fund	-	-	-
Total other financing sources (uses)	<u>(150,000)</u>	<u>-</u>	<u>150,000</u>
Fund balance appropriated	<u>108,400</u>	<u>-</u>	<u>(108,400)</u>
Revenues and other sources under expenditures and other uses	<u>\$ -</u>	<u>82,172</u>	<u>\$ 82,172</u>
Fund balance, beginning of year		<u>1,132,041</u>	
Fund balance, end of year		<u>\$ 1,214,213</u>	
Fund balance committed for:			
Streets and sidewalks		\$ 149,583	
Water and sewer projects		864,630	
Fund balance restricted for:			
Clean water projects		<u>200,000</u>	
		<u>\$ 1,214,213</u>	



CITY OF BREVARD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS

Combining Balance Sheet

June 30, 2014

	Special Revenue		Capital Projects	
	Special Fire District Fund	Heart of Brevard Municipal Service District Fund	Pedestrian Bikeway Project Fund	Wayfinding Project Fund
Assets				
Cash and cash equivalents, restricted	\$ -	\$ 11,589	\$ 207,594	\$ 31,360
Other receivables	-	-	-	-
Due from other funds	42,768	-	-	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 42,768</u>	<u>\$ 11,589</u>	<u>\$ 207,594</u>	<u>\$ 31,360</u>
Liabilities:				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	2,287	-	-	23,658
Total liabilities	<u>2,287</u>	<u>-</u>	<u>-</u>	<u>23,658</u>
Fund Balances:				
Nonspendable	-	-	-	-
Restricted for:				
Stabilization by State statute	40,481	-	-	-
Capital projects	-	11,589	207,594	7,702
Assigned	-	-	-	-
Total fund balances	<u>40,481</u>	<u>11,589</u>	<u>207,594</u>	<u>7,702</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 42,768</u>	<u>\$ 11,589</u>	<u>\$ 207,594</u>	<u>\$ 31,360</u>

Capital Projects					Permanent	Total Non-major Governmental Funds
Downtown Master Plan	Bracken Mountain Trail	Cottages CDBG Project Fund	Rosenwald Revitalization Project Fund	Housing Trust Fund	Non-expendable Bjerg Trust Fund	
\$ 553,976	\$ 40,242	\$ -	\$ 218,500	\$ 40,149	\$ 59,983	\$ 1,163,393
-	-	-	-	-	90	90
-	-	-	-	-	-	42,768
-	-	148,018	-	-	-	148,018
<u>\$ 553,976</u>	<u>\$ 40,242</u>	<u>\$ 148,018</u>	<u>\$ 218,500</u>	<u>\$ 40,149</u>	<u>\$ 60,073</u>	<u>\$ 1,354,269</u>
\$ -	\$ -	\$ 148,018	\$ -	\$ -	\$ -	\$ 148,018
-	-	-	-	-	-	25,945
-	-	148,018	-	-	-	173,963
-	-	-	-	-	55,440	55,440
-	-	-	-	-	-	40,481
553,976	40,242	-	218,500	40,149	-	1,079,752
-	-	-	-	-	4,633	4,633
<u>553,976</u>	<u>40,242</u>	<u>-</u>	<u>218,500</u>	<u>40,149</u>	<u>60,073</u>	<u>1,180,306</u>
<u>\$ 553,976</u>	<u>\$ 40,242</u>	<u>\$ 148,018</u>	<u>\$ 218,500</u>	<u>\$ 40,149</u>	<u>\$ 60,073</u>	<u>\$ 1,354,269</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, 2014

	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	\$ 291,283	\$ 121,940	\$ -	\$ -
Investment earnings		-	-	-
Federal and State grant	186,200	-	-	-
Restricted contribution	-	-	-	-
Miscellaneous	1,622	-	-	25,000
Total revenues	479,105	121,940	-	25,000
Expenditures:				
Public safety	818,729	-	-	-
Economic and physical development	-	109,067	-	251,104
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	181,745	-	-	-
Interest	29,148	-	-	-
Total expenditures	1,029,622	109,067	-	251,104
Revenues over (under) expenditures	(550,517)	12,873	-	(226,104)
Other Financing Sources (Uses)				
Proceeds from sale of fire equipment	76,100	-	-	-
Transfers in (out):				
General Fund	323,240	-	100,000	115,000
Heart of Brevard Municipal Service	-	-	-	-
Downtown Master Plan	-	(11,000)	-	-
Total other financing sources (uses)	399,340	(11,000)	100,000	115,000
Net change in fund balances	(151,177)	1,873	100,000	(111,104)
Fund balances, beginning	191,658	9,716	107,594	118,806
Fund balances, ending	\$ 40,481	\$ 11,589	\$ 207,594	\$ 7,702

Downtown Master Plan	Capital Projects				Permanent	Total Nonmajor Governmental Funds
	Bracken Mountain Trail	Cottages CDBG Project Fund	Rosenwald Revitalization Project Fund	Housing Trust Fund	Non-expendable Bjerg Trust Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 413,223
-	-	-	-	40	90	130
-	-	133,981	-	-	-	320,181
360,167	-	-	-	-	-	360,167
-	-	14,037	-	13,332	-	53,991
<u>360,167</u>	<u>-</u>	<u>148,018</u>	<u>-</u>	<u>13,372</u>	<u>90</u>	<u>1,147,692</u>
-	-	-	-	-	-	818,729
-	-	-	-	-	-	360,171
56,288	96,024	148,018	5,000	-	-	305,330
-	-	-	-	-	-	181,745
-	-	-	-	-	-	29,148
<u>56,288</u>	<u>96,024</u>	<u>148,018</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>1,695,123</u>
<u>303,879</u>	<u>(96,024)</u>	<u>-</u>	<u>(5,000)</u>	<u>13,372</u>	<u>90</u>	<u>(547,431)</u>
-	-	-	-	-	-	76,100
180,000	90,000	-	223,500	-	-	1,031,740
11,000	-	-	-	-	-	11,000
-	-	-	-	-	-	(11,000)
<u>191,000</u>	<u>90,000</u>	<u>-</u>	<u>223,500</u>	<u>-</u>	<u>-</u>	<u>1,107,840</u>
494,879	(6,024)	-	218,500	13,372	90	560,409
<u>59,097</u>	<u>46,266</u>	<u>-</u>	<u>-</u>	<u>26,777</u>	<u>59,983</u>	<u>619,897</u>
<u>\$ 553,976</u>	<u>\$ 40,242</u>	<u>-</u>	<u>\$ 218,500</u>	<u>\$ 40,149</u>	<u>\$ 60,073</u>	<u>\$ 1,180,306</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, 2014

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes	\$ 291,283	\$ 291,283	\$ -
Miscellaneous	-	1,622	1,622
Grants	204,173	186,200	(17,973)
	<hr/>	<hr/>	<hr/>
Total revenues	495,456	479,105	(16,351)
	<hr/>	<hr/>	<hr/>
Expenditures:			
Public Safety:			
Salaries and employee benefits	212,370	235,975	(23,605)
Other operating expenses	410,185	382,499	27,686
Capital outlay	372,100	200,255	171,845
Total public safety	994,655	818,729	175,926
	<hr/>	<hr/>	<hr/>
Debt Service:			
Principal retirement	181,745	181,745	-
Interest	29,148	29,148	-
Total debt service	210,893	210,893	-
	<hr/>	<hr/>	<hr/>
Total Expenditures	1,205,548	1,029,622	175,926
	<hr/>	<hr/>	<hr/>
Revenues over (under) expenditures	(710,092)	(550,517)	159,575
	<hr/>	<hr/>	<hr/>
Other Financing Sources:			
Transfer from General Fund	323,240	323,240	-
Proceeds from sale of fire truck	71,100	76,100	5,000
Fund balance appropriated	315,752	-	(315,752)
	<hr/>	<hr/>	<hr/>
Total other financing uses	710,092	399,340	(310,752)
	<hr/>	<hr/>	<hr/>
Revenues and other sources over expenditures and other uses	\$ -	(151,177)	\$ (151,177)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Fund balance, beginning of year		191,658	
		<hr/>	
Fund balance, end of year		\$ 40,481	
		<hr/> <hr/>	

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, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Ad valorem taxes	\$ 120,950	\$ 121,940	\$ 990
Total revenues	<u>120,950</u>	<u>121,940</u>	<u>990</u>
Expenditures:			
Contracted services	<u>109,950</u>	<u>109,067</u>	<u>883</u>
Revenues over expenditures	<u>11,000</u>	<u>12,873</u>	<u>107</u>
Other Financing Sources:			
Transfer to Downtown Master Plan	<u>11,000</u>	<u>11,000</u>	<u>-</u>
Total other financing sources	<u>11,000</u>	<u>11,000</u>	<u>-</u>
Revenues over expenditures and other uses	<u>\$ -</u>	<u>1,873</u>	<u>\$ 1,873</u>
Fund balance, beginning of year		<u>9,716</u>	
Fund balance, end of year		<u>\$ 11,589</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, 2014

	Project Authorization	Actual through June 30, 2014		
		Prior Years	Current Year	Total to Date
Revenues				
Grant	750,000	-	-	-
Expenditures:				
West loop phase I	900,000	-	-	-
Railroad avenue project	100,000	-	-	-
Total expenditures	1,000,000	-	-	-
Revenues under expenditures	(250,000)	-	-	-
Other Financing Sources:				
Transfers from General Fund	250,000	107,594	100,000	207,594
Total other financing sources	250,000	107,594	100,000	207,594
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 107,594</u>	100,000	<u>\$ 207,594</u>
Fund balance, beginning of year			107,594	
Fund balance, end of year			<u>\$ 207,594</u>	

CITY OF BREVARD, NORTH CAROLINA

WAYFINDING PROJECT FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From inception and for the year ended June 30, 2014

	Actual through June 30, 2014			
	Project Authorization	Prior Years	Current Year	Total to Date
Revenues:				
TDA grant	\$ 8,500	\$ 8,500	\$ -	\$ 8,500
TDA grant (no. 2)	-	-	25,000	25,000
Interest	-	1,250	-	1,250
Miscellaneous	15,562	15,500	-	15,500
Total revenues	<u>24,062</u>	<u>25,250</u>	<u>25,000</u>	<u>50,250</u>
Expenditures:				
Design, fabrication, and install	519,062	56,444	251,104	307,548
Revenues over (under) expenditures	<u>(495,000)</u>	<u>(31,194)</u>	<u>(226,104)</u>	<u>(257,298)</u>
Other Financing Sources:				
Transfer from General Fund	495,000	150,000	115,000	265,000
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 118,806</u>	<u>\$ (111,104)</u>	<u>\$ 7,702</u>
Fund balance, beginning of year			<u>118,806</u>	
Fund balance, end of year			<u><u>\$ 7,702</u></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, 2014

		<u>Actual through June 30, 2014</u>		
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted contribution from Brevard resident	\$ 360,167	\$ -	\$ 360,167	\$ 360,167
Investment earnings	-	120	-	120
Total revenues	<u>360,167</u>	<u>120</u>	<u>360,167</u>	<u>360,287</u>
Expenditures:				
Clemson park and other downtown improvements	360,167	-	-	-
Construction	<u>237,153</u>	<u>115,197</u>	<u>56,288</u>	<u>171,485</u>
Total expenses	<u>597,320</u>	<u>115,197</u>	<u>56,288</u>	<u>171,485</u>
Revenues under expenditures	<u>(237,153)</u>	<u>(115,077)</u>	<u>303,879</u>	<u>188,802</u>
Other Financing Sources:				
Operating transfer from other funds:				
Heart of Brevard Municipal Service	11,000	23,353	11,000	34,353
General Fund (Capital Reserve Fund)	<u>226,153</u>	<u>150,821</u>	<u>180,000</u>	<u>330,821</u>
Total other financing sources	<u>237,153</u>	<u>174,174</u>	<u>191,000</u>	<u>365,174</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ 59,097</u>	<u>494,879</u>	<u>\$ 553,976</u>
Fund balance, beginning of year			<u>59,097</u>	
Fund balance, end of year			<u>\$ 553,976</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, 2014

	Actual through June 30, 2014			
	Project Authorization	Prior Years	Current Year	Total to Date
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:				
Start-up costs	90,000	-	44,126	44,126
Construction	428,000	369,118	51,898	421,016
Total expenditures	<u>518,000</u>	<u>369,118</u>	<u>96,024</u>	<u>465,142</u>
Revenues under expenditures	<u>(513,000)</u>	<u>(366,022)</u>	<u>(96,024)</u>	<u>(462,046)</u>
Other Financing Sources:				
Operating transfer from other funds:				
General Fund	136,099	35,387	90,000	125,387
General Fund (Capital Reserve Fund)	376,901	376,901	-	376,901
Total other financing sources	<u>513,000</u>	<u>412,288</u>	<u>90,000</u>	<u>502,288</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 46,266</u>	<u>(6,024)</u>	<u>\$ 40,242</u>
Fund balance, beginning of year			<u>46,266</u>	
Fund balance, end of year			<u>\$ 40,242</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, 2014

	<u>Actual through June 30, 2014</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
CDBG grant	\$ 250,000	\$ 23,056	\$ 133,981	\$ 157,037
Developer	14,000	-	14,037	14,037
Total revenues	<u>264,000</u>	<u>23,056</u>	<u>148,018</u>	<u>171,074</u>
Expenditures:				
Developer costs	14,000	-	14,037	14,037
Construction	250,000	23,056	133,981	157,037
	<u>264,000</u>	<u>23,056</u>	<u>148,018</u>	<u>171,074</u>
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

ROSENWALD REVITALIZATION CAPITAL PROJECT FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From inception and for the year ended June 30, 2014

	<u>Actual through June 30, 2014</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Grant	\$ 223,500	\$ -	\$ -	\$ -
Expenses:				
Revitalization project	<u>447,000</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>
Revenues over expenditures	<u>\$ (223,500)</u>	<u>\$ -</u>	<u>\$ (5,000)</u>	<u>\$ (5,000)</u>
Other Financing Sources:				
Operating transfer from other funds:				
General Fund	<u>223,500</u>	<u>-</u>	<u>223,500</u>	<u>223,500</u>
Revenues over other financing sources and expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>218,500</u>	<u>\$ 218,500</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ 218,500</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, 2014

		<u>Actual through June 30, 2014</u>		
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Developer loan repayment	\$ 26,664	\$ 26,664	\$ 13,332	\$ 39,996
Investment earnings	-	244	40	284
Total revenues	<u>26,664</u>	<u>26,908</u>	<u>13,372</u>	<u>40,280</u>
Expenditures:				
Construction	<u>26,664</u>	<u>131</u>	<u>-</u>	<u>131</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ 26,777</u>	<u>13,372</u>	<u>\$ 40,149</u>
Fund balance, beginning of year			<u>26,777</u>	
Fund balance, end of year			<u>\$ 40,149</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, 2014

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for utilities:			
Water	\$ 1,995,000	\$ 1,951,975	\$ (43,025)
Sewer	1,840,000	1,722,672	(117,328)
Taps and connection fees:			
Water	10,000	19,695	9,695
Sewer	2,500	8,000	5,500
Other operating revenues	190,000	215,784	25,784
Total revenues	<u>4,037,500</u>	<u>3,918,126</u>	<u>(119,374)</u>
Expenditures:			
Water Service:			
Water Treatment:			
Salaries and employee benefits		324,472	
Other operating expenses		306,335	
Capital outlay		49,869	
	<u>906,229</u>	<u>680,676</u>	<u>225,553</u>
Water Distribution:			
Salaries and employee benefits		182,926	
Other operating expenses		249,583	
	<u>1,416,970</u>	<u>432,509</u>	<u>984,461</u>
Total water service	<u>2,323,199</u>	<u>1,113,185</u>	<u>1,210,014</u>
Sewer Service:			
Sewage Treatment:			
Salaries and employee benefits		452,134	
Other operating expenses		522,860	
Capital outlay		76,391	
	<u>1,076,969</u>	<u>1,051,385</u>	<u>25,584</u>
Sewer Maintenance:			
Salaries and employee benefits		348,991	
Other operating expenses		558,576	
	<u>1,151,098</u>	<u>907,567</u>	<u>243,531</u>
Total sewer service	<u>2,228,067</u>	<u>1,958,952</u>	<u>269,115</u>
Debt Service:			

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, 2014

	Budget	Actual	Variance Positive (Negative)
Interest and fees		68,901	
Debt principal		286,797	
Total debt service	<u>385,380</u>	<u>355,698</u>	<u>29,682</u>
Nondepartmental:			
Payment to general fund in lieu of taxes and administrative expenses	500,000	500,000	-
Adminstration	229,704	137,696	92,008
OPEB expense	6,750	6,750	-
Miscellaneous	14,000	22,335	(8,335)
	<u>750,454</u>	<u>666,781</u>	<u>83,673</u>
Total expenditures	<u>5,687,100</u>	<u>4,094,616</u>	<u>1,592,484</u>
Revenues under expenditures	<u>(1,649,600)</u>	<u>(176,490)</u>	<u>(1,711,858)</u>
Other financing sources (uses):			
Loan proceeds	1,215,000	138,553	(1,076,447)
Fund balance appropriated	659,600	-	(659,600)
Transfer to Capital Project Funds	(225,000)	(231,687)	(6,687)
Total other financing sources (uses)	<u>1,649,600</u>	<u>(93,134)</u>	<u>(1,742,734)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ (269,624)</u>	<u>\$ (3,454,592)</u>
Reconciliation of Budgetary Basis to Full Accrual Basis:			
Reconciling items:			
Loan proceeds		(138,553)	
Payment of debt principal		286,797	
Transfers to Capital Reserve for use			
Kings Creek Sewer Capital Project Fund		225,000	
Water Treatment Plant Capital Project Fund		6,687	
Capital outlay - general		126,260	
Change in OPEB asset		3,238	
Depreciation		(452,871)	
Change in Net Position		<u>\$ (213,066)</u>	

CITY OF BREVARD, NORTH CAROLINA

WATER TREATMENT PLANT CAPITAL PROJECT FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From inception and for the year ended June 30, 2014

		<u>Actual through June 30, 2014</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	\$ 496,650	\$ -	\$ 496,650
Expenditures:				
Engineering, design and construction	993,300	986,613	6,687	993,300
Revenues under expenditures	(496,650)	(489,963)	(6,687)	(496,650)
Other Financing Sources:				
Transfer from Water and Sewer Fund	-	200,388	6,687	207,075
Transfer from Capital Reserve Fund	496,650	289,575	-	289,575
	496,650	489,963	6,687	496,650
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning of year			-	
Fund balance, end of year			<u>\$ -</u>	

CITY OF BREVARD, NORTH CAROLINA

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, 2014

	Project Authorization	Actual through June 30, 2014		
		Prior Years	Current Year	Total to Date
Revenues:	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Engineering, design and construction	2,421,900	64,015	307,801	371,816
Revenues under expenditures	(2,421,900)	(64,015)	(307,801)	(371,816)
Other Financing Sources:				
Loan proceeds -				
NC DENR Loan	2,301,000	-	138,553	138,553
Transfer from Water and Sewer Fund	120,900	64,015	-	64,015
	2,421,900	64,015	138,553	202,568
Revenues and other financing sources over expenditures	\$ -	\$ -	(169,248)	\$ (169,248)
Fund balance, beginning of year			-	
Fund (deficit) balance, end of year			\$ (169,248)	

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, 2014

	Project Authorization	Actual through June 30, 2014		Total to Date
		Prior Years	Current Year	
Revenues:	-	-	-	-
Expenditures:				
Administrative costs				
Phase II	45,000	-	37,784	37,784
Phase III	5,000	-	5,000	5,000
Sewer Upgrade	175,000	-	160,457	160,457
Total expenses	225,000	-	203,241	203,241
Engineering, design and construction	837,375	770,246	-	770,246
Revenues under expenditures	(1,062,375)	(770,246)	(203,241)	(973,487)
Other Financing Sources:				
Transfer from Utility Fund				
Loan proceeds -				
Federal Revolving Loan	749,375	749,375	-	749,375
Transfer from (to) Water and Sewer Fund	313,000	20,871	225,000	245,871
Total other financing source	1,062,375	770,246	225,000	995,246
Revenues and other financing sources over expenditures	\$ -	\$ -	21,759	\$ 21,759
Fund balance, beginning of year			-	
Fund balance, end of year			\$ 21,759	

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, 2014

	Financial Plan	Actual	Variance Positive (Negative)
Revenues:			
Operating Revenues:			
Charges for services	\$ 1,117,800	932,015	\$ (185,785)
Expenditures:			
Claims	828,794	840,759	11,965
Insurance premiums	188,971	186,754	(2,217)
Other operating expenses	137,835	122,863	(14,972)
Total expenditures	1,155,600	1,150,376	5,224
Revenues over (under) expenditures	<u>(37,800)</u>	<u>(218,361)</u>	<u>(180,561)</u>
Other Financing Sources:			
Transfer from other funds	37,800	37,800	-
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>(180,561)</u>	<u>\$ (180,561)</u>

SUPPLEMENTAL FINANCIAL DATA



CITY OF BREVARD, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
CITY-WIDE LEVY
For the Year Ended June 30, 2014

	City - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current	\$ 966,435,409	0.4525	\$ 4,284,947	\$ 4,176,541	\$ 108,406
Penalties	-		1,605	1,605	-
Total	<u>966,435,409</u>		<u>4,286,552</u>	<u>4,178,146</u>	<u>108,406</u>
Discoveries	17,098,707		77,397	78,031	122
Abatements	<u>(8,058,614)</u>		<u>(72,502)</u>	<u>(69,639)</u>	<u>(2,863)</u>
Total property valuation	<u>\$ 975,475,502</u>				
Net levy			4,291,447	4,186,538	105,665
Uncollected taxes at June 30, 2014			<u>(8,233)</u>	<u>(6,277)</u>	<u>(1,956)</u>
Current year's taxes collected and credits			<u>\$ 4,283,214</u>	<u>\$ 4,180,261</u>	<u>\$ 103,708</u>
Current levy collection percentage			<u>99.81%</u>	<u>99.85%</u>	<u>98.15%</u>

CITY OF BREVARD, NORTH CAROLINA

GENERAL FUND
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE
 June 30, 2014

Fiscal Year	Uncollected Balance June 30, 2013	Additions	Collections And Credits	Uncollected Balance June 30, 2014
2013-2014	\$ -	\$ 4,291,447	\$ 4,283,214	\$ 8,233
2012-2013	16,713	-	8,818	7,895
2011-2012	2,733	-	592	2,141
2010-2011	4,338	-	1,068	3,270
2009-2010	1,383	-	93	1,290
2008-2009	1,804	-	213	1,591
2007-2008	2,242	-	19	2,223
2006-2007	2,180	-	49	2,131
2005-2006	1,801	-	29	1,772
2004-Prior	4,276	-	2,609	1,667
	\$ 37,470	\$ 4,291,447	\$ 4,296,704	32,213
				(11,000)
				\$ 21,213
 <u>Reconciliation with revenues:</u>				
				\$ 4,392,756
	Reconciling items:			
				8,942
				(2,192)
				(94,542)
				(8,260)
				(96,052)
				\$ 4,296,704

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, 2014, which collectively comprise the City of Brevard's basic financial statements, and have issued our report thereon dated December 1, 2014. 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.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Brevard's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City of Brevard in a separate letter dated December 1, 2014.

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
December 1, 2014