

City of Brevard, North Carolina

Financial Statements

Year Ended June 30, 2020



CITY OF BREVARD, NORTH CAROLINA



City Council

Jimmy Harris (Mayor)
Mac Morrow (Mayor Pro Tem)
Gary Daniel
Maureen Copelof
Maurice Jones
Geraldine Dinkins

City Staff

James R. Fatland, CPFO, NCCLGFO
Jill Murray, CMC
Michael K. Pratt
Tom Whitlock

City Manager and Finance Director
City Clerk
City Attorney
Deputy Finance Director

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

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Brevard, North Carolina, as of and for the year ended June 30, 2020, 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, which represents 100 percent of the assets, net position, and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report 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 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 respective 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, 2020, 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 on pages 4 through 13, the Law Enforcement Officers' Special Separation Allowance Schedule of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on page 60, the Schedule of Changes in Net OPEB Asset (Liability) and Related Ratios and Contributions on pages 61 and 62, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 63 and 64, respectively, and the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability on page 65 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, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act, 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, other schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our

audit the procedures performed as described above, the combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2021 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
January 15, 2021

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, 2020. 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.

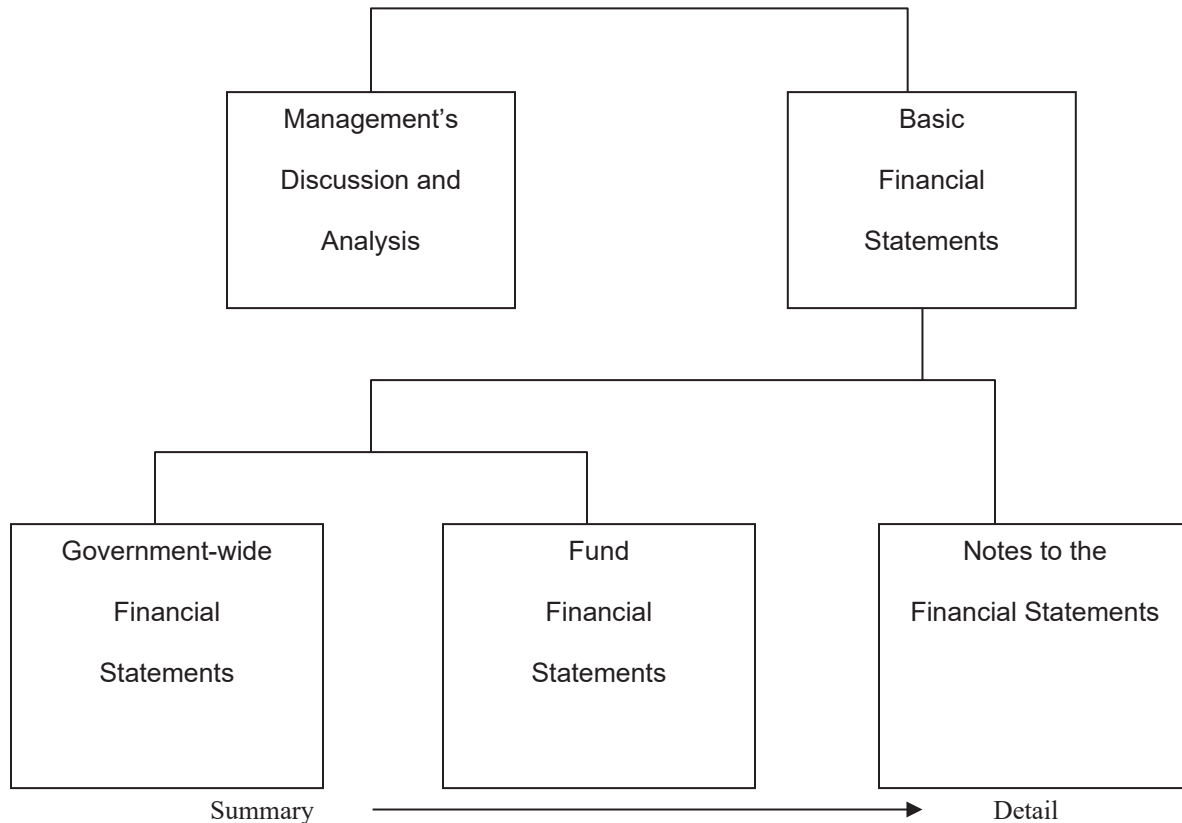
Financial Highlights

- The assets and deferred outflows of the City of Brevard exceeded its liabilities and deferred inflows at the close of the fiscal year by \$30,008,407 (net position).
- The City's total net position increased by \$1,250,714 primarily due to diligent management of the budget. In addition, net position increased due to land donated from the Hospital Corporation of America (HCA) for the Brevard Dog Park, land donated from Bethel "A" Church Board of Trustees for Silversteen Park, and land donated from Mary C. Jenkins Foundation Board of Trustees for the Mary C. Jenkins Center.
- As of the close of the current fiscal year, the City of Brevard's governmental funds reported combined ending fund balances of \$5,961,818, a decrease of \$534,983, in comparison with the prior year. Approximately 44% of this total amount, or \$2,612,102 is nonspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,660,220. This represents approximately 19% of total general fund expenditures for the fiscal year. However, the City has changed its processes in collecting its own property taxes versus using the County. This change has significantly improved the timeliness of property tax collections and improved the City's cash flow position earlier in the City's fiscal year period.
- Outstanding direct placement governmental installment obligations increased by \$166,299. The City borrowed \$395,112 to purchase new capital equipment during the year, and principal of \$228,813 was repaid.
- Outstanding direct placement installment and revolving loan debt in the Water and Sewer Fund decreased by \$638,477. The City Borrowed \$670,806 to purchase new capital equipment, and principal of \$1,309,283 was repaid.

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 deferred outflows of resources and total liabilities and deferred inflows of resources. 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 three categories: governmental funds, proprietary funds, and fiduciary 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 operations. 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 costs internally among the functions of the City. The City uses an internal service fund to account for its self-insured 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.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City of Brevard has two fiduciary funds: the OPEB reserve fund, which holds accumulates and holds assets to pay current and future costs associated with retiree health care benefits; and the T.L. Scruggs Scholarship fund, which accumulates donations and awards scholarships in honor of former City employee T.L. Scruggs.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 26 through 59 of this report.

City of Brevard's Net Position
Figure 2

| | Governmental Activities | | Business-Type Activities | | Total | | Total |
|----------------------------------|-------------------------|------------------|--------------------------|------------------|---------------|------------------|----------------------|
| | 2020 | Restated 2019 | 2020 | Restated 2019 | 2020 | Restated 2019 | Percentage Change |
| Current and other assets | \$ 7,231,082 | \$ 7,328,060 | \$ 1,613,422 | \$ 1,269,307 | \$ 8,844,504 | \$ 8,597,367 | 3% |
| Capital assets | 9,179,324 | 7,423,243 | 36,588,170 | 36,728,508 | 45,767,494 | 44,151,751 | 4% |
| Total assets | 16,410,406 | 14,751,303 | 38,201,592 | 37,997,815 | 54,611,998 | 52,749,118 | 4% |
| Deferred outflows of resources | 1,078,876 | 1,026,211 | 240,734 | 245,995 | 1,319,610 | 1,272,206 | 4% |
| Long-term liabilities | 2,871,413 | 2,286,136 | 19,686,514 | 20,308,251 | 22,557,927 | 22,594,387 | 0% |
| Other liabilities | 937,071 | 893,116 | 2,196,821 | 1,631,985 | 3,133,892 | 2,525,101 | 24% |
| Total liabilities | 3,808,484 | 3,179,252 | 21,883,335 | 21,940,236 | 25,691,819 | 25,119,488 | 2% |
| Deferred inflows of resources | 195,019 | 128,430 | 36,363 | 15,713 | 231,382 | 144,143 | 61% |
| Net position: | | | | | | | |
| Net investment in capital assets | 8,619,674 | 6,744,320 | 16,127,595 | 15,452,160 | 24,747,269 | 22,196,480 | 11% |
| Restricted | 2,225,421 | 2,335,295 | - | - | 2,225,421 | 2,335,295 | -5% |
| Unrestricted | 2,640,684 | 3,390,217 | 395,033 | 835,701 | 3,035,717 | 4,225,918 | -28% |
| Total net position | \$ 13,485,779 | \$ 12,469,832 | \$ 16,522,628 | \$ 16,287,861 | \$ 30,008,407 | \$ 28,757,693 | 4% |

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Brevard exceeded liabilities and deferred inflows by \$30,008,407 as of June 30, 2020. The City's net position increased by \$1,250,714 for the fiscal year ended June 30, 2020. The largest portion (82.5%) of net position reflects the City's investment in capital assets, less any related debt still outstanding that was issued to acquire those items. The City of Brevard uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Brevard's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Brevard's net position (7.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,035,717 (10.1%) is unrestricted.

Management's Discussion and Analysis
City of Brevard

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 99.48% for the year ending June 30, 2020, property tax revenues increased slightly over the prior year as a result of continued economic improvements leading to growth in the tax base.
- Despite sales tax decline in the 4th quarter from the COVID-19 pandemic, the overall local option sales tax revenues for the year ended June 30, 2020 increased \$132,883 or 7.8% mainly due to strong local economy.
- Total expenses increased by \$870,067 or 9.1%.

City of Brevard's Changes in Net Position
Figure 3

| | Governmental Activities | | Business-Type Activities | | Total | |
|------------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2020 | Restated 2019 | 2020 | Restated 2019 | 2020 | Restated 2019 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,215,502 | \$ 1,281,825 | \$ 5,853,692 | \$ 5,750,281 | \$ 7,069,194 | \$ 7,032,106 |
| Operating grants and contributions | 342,673 | 363,401 | - | - | 342,673 | 363,401 |
| Capital grants and contributions | 193,002 | 62,173 | 613,333 | - | 806,335 | 62,173 |
| General revenues: | | | | | | |
| Property taxes | 5,716,271 | 5,524,675 | - | - | 5,716,271 | 5,524,675 |
| Sales taxes | 1,837,898 | 1,705,015 | - | - | 1,837,898 | 1,705,015 |
| Other | 1,005,277 | 1,172,749 | - | - | 1,005,277 | 1,172,749 |
| Total revenues | 10,310,623 | 10,109,838 | 6,467,025 | 5,750,281 | 16,777,648 | 15,860,119 |
| Expenses | | | | | | |
| General government | 1,943,446 | 1,692,322 | - | - | 1,943,446 | 1,692,322 |
| Public safety | 4,276,281 | 3,616,692 | - | - | 4,276,281 | 3,616,692 |
| Public works | 3,395,164 | 3,273,411 | - | - | 3,395,164 | 3,273,411 |
| Economic and physical development | 138,645 | 498,324 | - | - | 138,645 | 498,324 |
| Culture and recreation | 258,275 | 55,398 | - | - | 258,275 | 55,398 |
| Interest on long-term debt | 17,632 | 23,229 | - | - | 17,632 | 23,229 |
| Water and sewer | - | - | 6,312,258 | 5,851,716 | 6,312,258 | 5,851,716 |
| Total expenses | 10,029,443 | 9,159,376 | 6,312,258 | 5,851,716 | 16,341,701 | 15,011,092 |
| Increase in net position | | | | | | |
| before transfers and special item | 281,180 | 950,462 | 154,767 | (101,435) | 435,947 | 849,027 |
| Transfers | (80,000) | (200,000) | 80,000 | 200,000 | - | - |
| Special item | 814,767 | - | - | - | 814,767 | - |
| Increase in net position | 1,015,947 | 750,462 | 234,767 | 98,565 | 1,250,714 | 849,027 |
| Net position, beginning | 12,469,832 | 11,719,370 | 16,287,861 | 16,189,296 | 28,757,693 | 27,908,666 |
| Net position, ending | <u>\$ 13,485,779</u> | <u>\$ 12,469,832</u> | <u>\$ 16,522,628</u> | <u>\$ 16,287,861</u> | <u>\$ 30,008,407</u> | <u>\$ 28,757,693</u> |

Governmental activities. The City's net position increased due to governmental activities by \$1,015,947. This increase can be attributed to repayment of property liens, increased ABC revenue, and keeping departmental expenditures below budget and land donations.

Business-type activities: Business-type activities increased the City of Brevard's net position by \$234,767. This increase can be attributed to revenue increases generated by a 4% rate increase.

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.

The General Fund is the chief operating fund of the City of Brevard. At the end of the current fiscal year, available fund balance in the General Fund was \$2,970,647, while total fund balance was \$4,551,757. City Council has determined that the City should maintain available fund balance of 25% of general fund budgeted expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the City. The City currently has an available fund balance of 31.8% of general fund budgeted expenditures, 29.5% of total adjusted expenditures (includes transfers less installment obligations issued), and total fund balance represents 45.1% of total adjusted expenditures.

At June 30, 2020, the governmental funds of City of Brevard reported a combined fund balance of \$5,961,818 with a combined decrease of \$534,983 which results from a \$614,653 decrease in the General Fund and a combined increase of \$79,670 in the other governmental funds. The decrease in the General Fund can be attributed primarily to departmental salary adjustments and transfers to various capital project funds. The increase in other governmental funds can be attributed to budgeted transfers from the general fund in the amount of \$1,761,696.

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 \$395,033. 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, 2020, the City of Brevard revised the overall budget several times. 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, 2020, totals \$45,742,228 (net of accumulated depreciation). These assets include land, construction in progress, buildings, infrastructure, equipment and vehicles.

Capital Asset Additions. Assets purchased included: a 2020 Freightliner garbage truck, WWTP SCADA System and Sludge Compactor, PD Radio upgrade, Sanitation Dept. Dump Bed, and Recreation Dept. ATV. There were no major demolitions or disposals recorded this fiscal year.

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

Figure 4

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Land | \$ 860,402 | \$ 397,687 | \$ 212,891 | \$ 212,891 | \$ 1,073,293 | \$ 610,578 |
| Construction in progress | 2,771,123 | 1,579,161 | 794,058 | - | 3,565,181 | 1,579,161 |
| Buildings and infrastructure | 3,906,954 | 3,842,448 | 34,300,914 | 35,088,439 | 38,207,868 | 38,930,887 |
| Equipment | 601,268 | 679,243 | 1,072,930 | 1,322,260 | 1,674,198 | 2,001,503 |
| Vehicles and motorized equipment | 1,039,577 | 924,704 | 182,111 | 104,918 | 1,221,688 | 1,029,622 |
| Total capital assets | <u>\$ 9,179,324</u> | <u>\$ 7,423,243</u> | <u>\$ 36,562,904</u> | <u>\$ 36,728,508</u> | <u>\$ 45,742,228</u> | <u>\$ 44,151,751</u> |

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

Long-term Debt. As of June 30, 2020, the City of Brevard had no outstanding bonds. Installment contract debt increased for both governmental activities and business-type activities due to new borrowing for capital equipment. The City took on new installment debt of \$395,112 and \$670,806 in governmental and business-type activities, respectively. The City continued to make principal payments on existing debt, including \$228,813 for governmental installment contracts, \$99,497 for business-type installment contracts, and \$1,209,786 towards water and sewer revolving loans.

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

| | Balance June 30, 2019 | Additions | Retirements | Balance June 30, 2020 |
|---------------------------------|--------------------------|-------------------|---------------------|--------------------------|
| <u>Governmental Activities</u> | | | | |
| Installment contracts | \$ 678,923 | \$ 395,112 | \$ 228,813 | \$ 845,222 |
| Total | <u>\$ 678,923</u> | <u>\$ 395,112</u> | <u>\$ 228,813</u> | <u>\$ 845,222</u> |
| <u>Business-Type Activities</u> | | | | |
| Installment contracts | \$ 317,731 | \$ 670,806 | \$ 99,497 | \$ 889,040 |
| Revolving loans | 20,958,617 | - | 1,209,786 | 19,748,831 |
| Total | <u>\$ 21,276,348</u> | <u>\$ 670,806</u> | <u>\$ 1,309,283</u> | <u>\$ 20,637,871</u> |

The City of Brevard continues to strive to strengthen its financial position by maintaining a strong fund balance, reducing debt, and conservatively managing its 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 remaining legal debt margin for the City of Brevard is approximately \$56 million. The City has no bonds authorized or un-issued at June 30, 2020.

Additional information regarding the City of Brevard's long-term debt can be found in Note 9 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

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

- Recent employment statistics are shown in the table below.

| County and State | Labor Force | June 2020 Unemployment Rates | |
|---------------------|----------------|------------------------------|----------------------|
| | | Number Unemployed | Unemployment Rate |
| Transylvania | 14,616 | 859 | 5.9% |
| Buncombe | 133,498 | 12,991 | 9.7% |
| Henderson | 50,873 | 3,827 | 7.5% |
| North Carolina | 4,812,847 | 371,784 | 7.7% |

Source: NC Department of Commerce – June 2020 Not Seasonally Adjusted

- Tourism remains a vital and growing part of the Brevard economy. Domestic tourism in Transylvania County generated an economic impact of \$114.92 million for the calendar year 2019. This was a \$8.6 million increase from 2018.

Transylvania County

| Year | Tourism Revenue (\$ millions) | % Growth (Decline) |
|-------------|-------------------------------|--------------------|
| 2015 | 88.86 | 3% |
| 2016 | 94.62 | 6% |
| 2017 | 99.85 | 6% |
| 2018 | 106.32 | 6% |
| 2019 | 114.92 | 8% |

Source: Economic Development Partnership of North Carolina

- The City of Brevard collects its own property taxes. The collection rate for the City, excluding motor vehicle collections, remains above the statewide average for municipalities as illustrated in the numbers below.

| | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|------------------------|----------------|----------------|----------------|----------------|------------------|
| City of Brevard | 99.93% | 99.98% | 99.89% | 99.93% | 99.48% |
| Statewide | 99.02% | 99.08% | 99.23% | 99.21% | Not Available |

Source: State Treasurer's Office, Local Government Commission (Memo#2020-09)

- Within the City, sales tax generated from taxable sales increased 7.8% from \$1,705,015 in the fiscal year 2018-2019 to \$1,837,898 in the fiscal year 2019-2020.

Budget Highlights for the Fiscal Year Ending June 30, 2021

General Fund

- The general fund budget as adopted for fiscal year 2020-2021 increased from \$10,881,245 to \$12,233,777, including transfers. The significant factors affecting this increase are: capital improvements and increases in appropriations necessary to maintain services.

Water and Sewer Fund

- Management expects water usage in fiscal year 2020-2021 to remain consistent with fiscal year 2019-2020 or slightly increase. No rate increase was budgeted for the 2020-2021 fiscal year.
- The City of Brevard has in place a 20-year Capital Improvement Plan for the Utility Fund which describes in detail the revenue increases necessary to fund the renovation of aging plants and replacement of deteriorating water/sewer lines.

Other Information:

The following statistics were provided by the Transylvania County Building Permitting and Enforcement Department for the calendar year ending December 31, 2019:

Detailed Residential Construction Value 2019

New home value: City - 24 homes - \$9,499,436
New home value: County – 94 homes - \$45,747,151

Addition/Remodel Value: City - 99 homes - \$3,082,427
Addition/Remodel Value: County - 291 homes - \$18,792,823

Manufactured Homes: City - 4 homes - \$100,743
Manufactured Homes: County - 41 homes - \$2,395,937

Detailed Residential Construction Value 2018

New home value: City - 32 homes - \$10,892,993
New home value: County – 88 homes - \$38,069,594

Addition/Remodel Value: City - 116 homes - \$4,028,821
Addition/Remodel Value: County - 277 homes - \$22,520,067

Manufactured Homes: City - 1 home - \$61,000
Manufactured Homes: County - 48 homes - \$2,119,542

Construction Values for last 5 years in the City of Brevard

2019 - \$ 32,003,444
2018 - \$ 26,374,131
2017 - \$ 21,494,392
2016 - \$ 26,094,691
2015 - \$ 23,975,307

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, City Manager and 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, 2020

| | Primary Government | | | Component Unit |
|---|-------------------------|--------------------------|---------------|---------------------------|
| | Governmental Activities | Business-type Activities | Total | City of Brevard ABC Board |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 4,951,460 | \$ 516,464 | \$ 5,467,924 | \$ 642,426 |
| Taxes receivable, net | 28,132 | - | 28,132 | - |
| Accrued interest receivable on taxes | 607 | - | 607 | - |
| Accounts receivable, net | 81,887 | 458,836 | 540,723 | - |
| Due from other governments | 1,060,299 | 345,555 | 1,405,854 | - |
| Inventories | 45,669 | - | 45,669 | 520,404 |
| Prepaid items | - | - | - | 3,140 |
| Restricted cash and cash equivalents | 713,721 | 292,567 | 1,006,288 | - |
| Total current assets | 6,881,775 | 1,613,422 | 8,495,197 | 1,165,970 |
| Non-current assets: | | | | |
| Long-term notes receivable | 248,243 | - | 248,243 | - |
| Net OPEB asset | 101,064 | 25,266 | 126,330 | - |
| Capital assets: | | | | |
| Land, non-depreciable improvements & construction in progress | 3,631,525 | 1,006,949 | 4,638,474 | - |
| Other capital assets, net of depreciation | 5,547,799 | 35,555,955 | 41,103,754 | 146,283 |
| Total capital assets | 9,179,324 | 36,562,904 | 45,742,228 | 146,283 |
| Total non-current assets | 9,528,631 | 36,588,170 | 46,116,801 | 146,283 |
| Total assets | 16,410,406 | 38,201,592 | 54,611,998 | 1,312,253 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension deferrals | 1,074,308 | 239,593 | 1,313,901 | 33,283 |
| OPEB deferrals | 4,568 | 1,141 | 5,709 | - |
| Total deferred outflows of resources | 1,078,876 | 240,734 | 1,319,610 | 33,283 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | 242,617 | 597,101 | 839,718 | 525,726 |
| Salaries and payroll taxes payable | 282,577 | 49,929 | 332,506 | - |
| Payable from restricted assets: | | | | |
| Customer deposits | 21,579 | 90,005 | 111,584 | - |
| Accrued interest payable | 1,300 | 45,800 | 47,100 | - |
| Current portion of long-term liabilities | 388,998 | 1,413,986 | 1,802,984 | - |
| Total current liabilities | 937,071 | 2,196,821 | 3,133,892 | 525,726 |
| Long-term liabilities: | | | | |
| Net pension liability (LGERS) | 1,498,949 | 374,737 | 1,873,686 | 46,426 |
| Total pension liability (LEOSSA) | 615,927 | - | 615,927 | - |
| Due in more than one year | 756,537 | 19,311,777 | 20,068,314 | - |
| Total long-term liabilities | 2,871,413 | 19,686,514 | 22,557,927 | 46,426 |
| Total liabilities | 3,808,484 | 21,883,335 | 25,691,819 | 572,152 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Pension deferrals | 62,237 | 3,644 | 65,881 | 3,817 |
| OPEB deferrals | 130,879 | 32,719 | 163,598 | - |
| Prepaid property taxes | 1,903 | - | 1,903 | - |
| Total deferred inflows of resources | 195,019 | 36,363 | 231,382 | 3,817 |
| NET POSITION | | | | |
| Net investment in capital assets | 8,619,674 | 16,127,595 | 24,747,269 | 146,283 |
| Restricted for: | | | | |
| Stabilization by State statute | 1,656,519 | - | 1,656,519 | - |
| Streets | 62,189 | - | 62,189 | - |
| Economic and physical development | 394,623 | - | 394,623 | - |
| Public safety | 111,404 | - | 111,404 | 142,083 |
| Perpetual maintenance | 686 | - | 686 | - |
| Unrestricted | 2,640,684 | 395,033 | 3,035,717 | 481,201 |
| Total net position | \$ 13,485,779 | \$ 16,522,628 | \$ 30,008,407 | \$ 769,567 |

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, 2020

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | | |
|---|------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------|---------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Component Unit |
| | | | | | Governmental Activities | Business-type Activities | Total | City of Brevard ABC Board |
| Primary Government: | | | | | | | | |
| Governmental Activities: | | | | | | | | |
| General government | \$ 1,943,446 | \$ - | \$ 22,087 | \$ - | \$ (1,921,359) | \$ - | \$ (1,921,359) | \$ - |
| Public safety | 4,276,281 | 1,880 | 100,018 | - | (4,174,383) | - | (4,174,383) | - |
| Public works | 3,395,164 | 1,181,375 | 220,568 | - | (1,993,221) | - | (1,993,221) | - |
| Economic and physical development | 138,645 | - | - | 193,002 | 54,357 | - | 54,357 | - |
| Cultural and recreation | 258,275 | 32,247 | - | - | (226,028) | - | (226,028) | - |
| Interest on long-term debt | 17,632 | - | - | - | (17,632) | - | (17,632) | - |
| Total Governmental Activities | 10,029,443 | 1,215,502 | 342,673 | 193,002 | (8,278,266) | - | (8,278,266) | - |
| Business-Type Activities: | | | | | | | | |
| Water and sewer | 6,312,258 | 5,853,692 | - | 613,333 | - | 154,767 | 154,767 | - |
| Total Business-Type Activities | 6,312,258 | 5,853,692 | - | 613,333 | - | 154,767 | 154,767 | - |
| Total Primary Government | \$ 16,341,701 | \$ 7,069,194 | \$ 342,673 | \$ 806,335 | (8,278,266) | 154,767 | (8,123,499) | - |
| Component Unit: | | | | | | | | |
| ABC Board | \$ 4,539,003 | \$ 4,789,712 | \$ - | \$ - | - | - | - | 250,709 |
| Total Component Unit | \$ 4,539,003 | \$ 4,789,712 | \$ - | \$ - | - | - | - | 250,709 |
| General revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property taxes, levied for general purpose | | | | | 5,716,271 | - | 5,716,271 | - |
| Sales taxes | | | | | 1,837,898 | - | 1,837,898 | - |
| Other taxes | | | | | 600,620 | - | 600,620 | - |
| Grants and contributions not restricted to a specific program | | | | | 208,068 | - | 208,068 | - |
| Unrestricted investment earnings | | | | | 91,980 | - | 91,980 | - |
| Gain on sale of capital assets | | | | | 10,350 | - | 10,350 | - |
| Miscellaneous | | | | | 94,259 | - | 94,259 | 25,217 |
| Total general revenues | | | | | 8,559,446 | - | 8,559,446 | 25,217 |
| Transfers | | | | | (80,000) | 80,000 | - | - |
| Total general revenues and transfers | | | | | 8,479,446 | 80,000 | 8,559,446 | 25,217 |
| Change in net position excluding special item | | | | | 201,180 | 234,767 | 435,947 | 275,926 |
| Special item (Note 17) | | | | | 814,767 | - | 814,767 | - |
| Change in net position | | | | | 1,015,947 | 234,767 | 1,250,714 | 275,926 |
| Net position, beginning, as previously reported | | | | | 12,215,201 | 16,224,202 | 28,439,403 | 493,641 |
| Restatement (Note 18) | | | | | 254,631 | 63,659 | 318,290 | - |
| Net position, beginning, as restated | | | | | 12,469,832 | 16,287,861 | 28,757,693 | 493,641 |
| Net position, ending | | | | | \$ 13,485,779 | \$ 16,522,628 | \$ 30,008,407 | \$ 769,567 |

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

CITY OF BREVARD, NORTH CAROLINA

GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2020

| | Major Fund | Total Non-Major | Total Governmental |
|--|---------------------|---------------------|---------------------|
| | General Fund | Funds | Funds |
| ASSETS | | | |
| Cash and cash equivalents, unrestricted | \$ 3,062,340 | \$ 1,272,219 | \$ 4,334,559 |
| Cash and cash equivalents, restricted | 370,746 | 342,975 | 713,721 |
| Taxes receivable, net | 26,406 | 1,726 | 28,132 |
| Accounts receivable, net | 79,129 | 365 | 79,494 |
| Due from other governments | 941,312 | 118,987 | 1,060,299 |
| Due from other funds | 515,000 | - | 515,000 |
| Inventories | 45,669 | - | 45,669 |
| Notes receivable | - | 248,243 | 248,243 |
| Total assets | <u>\$ 5,040,602</u> | <u>\$ 1,984,515</u> | <u>\$ 7,025,117</u> |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ 156,380 | \$ 57,728 | \$ 214,108 |
| Salaries and payroll taxes payable | 282,577 | - | 282,577 |
| Payable from restricted cash | 21,579 | - | 21,579 |
| Due to the general fund | - | 515,000 | 515,000 |
| Total liabilities | <u>460,536</u> | <u>572,728</u> | <u>1,033,264</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Prepaid taxes | 1,903 | - | 1,903 |
| Taxes receivable, net | 26,406 | 1,726 | 28,132 |
| Total deferred inflows of resources | <u>28,309</u> | <u>1,726</u> | <u>30,035</u> |
| FUND BALANCES | | | |
| Nonspendable: | | | |
| Inventories | 45,669 | - | 45,669 |
| Perpetual maintenance | - | 55,440 | 55,440 |
| Restricted: | | | |
| Stabilization by State statute | 1,535,441 | 121,078 | 1,656,519 |
| Streets | 62,189 | - | 62,189 |
| Public safety | 1,406 | 109,998 | 111,404 |
| Economic and physical development | - | 394,623 | 394,623 |
| Perpetual maintenance | - | 686 | 686 |
| Unspent debt proceeds | 285,572 | - | 285,572 |
| Committed: | | | |
| Capital projects | 357,553 | 730,040 | 1,087,593 |
| Assigned: | | | |
| Subsequent year's expenditures | 603,707 | - | 603,707 |
| Unassigned | 1,660,220 | (1,804) | 1,658,416 |
| Total fund balances | <u>4,551,757</u> | <u>1,410,061</u> | <u>5,961,818</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 5,040,602</u> | <u>\$ 1,984,515</u> | <u>\$ 7,025,117</u> |

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

CITY OF BREVARD, NORTH CAROLINA

GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2020

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

| | | |
|---|----|--------------------|
| Total fund balance, governmental funds | \$ | 5,961,818 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | |
| Gross capital assets at historical cost | \$ | 18,938,787 |
| Accumulated depreciation | | <u>(9,759,463)</u> |
| | | 9,179,324 |
| The OPEB asset used in governmental activities is not a financial resource and is therefore not reported in the funds. | | 101,064 |
| Deferred outflows of resources related to pensions are not reported in the funds | | 1,074,308 |
| Deferred outflows of resources related to OPEB are not reported in the funds | | 4,568 |
| 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. | | 590,785 |
| Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds. | | |
| Installment obligations | \$ | (845,222) |
| Net pension liability - LGERS | | (1,498,949) |
| Total pension liability - LEOSA | | (615,927) |
| Compensated absences | | <u>(300,313)</u> |
| | | (3,260,411) |
| Taxes and interest receivable are considered deferred inflows of resources in the funds | | 28,739 |
| Deferred inflows of resources related to pensions are not reported in the funds | | (62,237) |
| Deferred inflows of resources related to OPEB are not reported in the funds | | (130,879) |
| Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds. | | <u>(1,300)</u> |
| Net position of governmental activities | \$ | <u>13,485,779</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 Balances
For the Year Ended June 30, 2020

| | Major Funds | Total Non-Major | Total Governmental |
|---------------------------------------|---------------------|------------------------|---------------------------|
| | General Fund | Funds | Funds |
| REVENUES | | | |
| Ad valorem taxes | \$ 5,185,383 | \$ 508,758 | \$ 5,694,141 |
| Other taxes and licenses | 1,871,288 | - | 1,871,288 |
| Unrestricted intergovernmental | 775,298 | - | 775,298 |
| Restricted intergovernmental | 285,712 | 249,963 | 535,675 |
| Sales and services | 1,215,502 | - | 1,215,502 |
| Investment earnings | 91,031 | 949 | 91,980 |
| Miscellaneous | 28,619 | 65,638 | 94,257 |
| Total revenues | <u>9,452,833</u> | <u>825,308</u> | <u>10,278,141</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 1,824,167 | - | 1,824,167 |
| Public safety | 3,276,040 | 725,888 | 4,001,928 |
| Public works | 3,220,133 | - | 3,220,133 |
| Economic and physical development | - | 138,645 | 138,645 |
| Cultural and recreation | 191,571 | - | 191,571 |
| Capital outlay | - | 1,515,998 | 1,515,998 |
| Debt service: | | | |
| Principal retirement | 111,588 | 117,225 | 228,813 |
| Interest and other charges | 14,254 | 3,078 | 17,332 |
| Total expenditures | <u>8,637,753</u> | <u>2,500,834</u> | <u>11,138,587</u> |
| Revenues over (under) expenditures | <u>815,080</u> | <u>(1,675,526)</u> | <u>(860,446)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers from other funds | 6,500 | 1,761,696 | 1,768,196 |
| Transfers to other funds | (1,841,696) | (6,500) | (1,848,196) |
| Installment obligations issued | 395,113 | - | 395,113 |
| Proceeds from sale of capital assets | 10,350 | - | 10,350 |
| Total other financing sources (uses) | <u>(1,429,733)</u> | <u>1,755,196</u> | <u>325,463</u> |
| Net change in fund balance | (614,653) | 79,670 | (534,983) |
| Fund balances, beginning | <u>5,166,410</u> | <u>1,330,391</u> | <u>6,496,801</u> |
| Fund balances, ending | <u>\$ 4,551,757</u> | <u>\$ 1,410,061</u> | <u>\$ 5,961,818</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, 2020

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

| | | |
|---|----|-----------|
| Net changes in fund balances - total governmental funds | \$ | (534,983) |
|---|----|-----------|

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

| | | |
|--|------------------|---------|
| Capital outlay expenditures which were capitalized | \$ 1,494,315 | |
| Depreciation expense for governmental assets | <u>(553,001)</u> | 941,314 |

| | | |
|---|--|---------|
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities | | 373,285 |
|---|--|---------|

| | | |
|---|--|--------|
| Benefit payments paid for the LEOSSA are not included on the Statement of Activities | | 18,502 |
|---|--|--------|

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

| | | |
|---|----------------|---------|
| Change in unavailable tax revenues | 22,130 | |
| The fair market value of donated assets | <u>814,767</u> | 836,897 |

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.

| | | |
|-------------------------------|---------------|-----------|
| Compensated absences accrued | (24,834) | |
| Pension expense - LGERS | (674,880) | |
| Pension expense - LEOSSA | (35,983) | |
| Other postemployment benefits | <u>14,966</u> | (720,731) |

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.

| | | |
|--------------------------------------|--------------|-----------|
| Installment obligations issued | (395,112) | |
| Principal payments on long-term debt | 228,813 | |
| Decrease in accrued interest payable | <u>(300)</u> | (166,599) |

The internal service fund is used by management to charge the cost of health insurance to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

| | | |
|--|----|-------------------------|
| | | <u>268,262</u> |
| Total changes in net position of governmental activities | \$ | <u><u>1,015,947</u></u> |

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, 2020

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|------------------|------------------|---------------------|---|
| Revenues: | | | | |
| Ad valorem taxes | \$ 4,975,985 | \$ 5,053,985 | \$ 5,185,383 | \$ 131,398 |
| Other taxes and licenses | 1,585,880 | 1,766,412 | 1,871,288 | 104,876 |
| Unrestricted intergovernmental | 778,000 | 783,000 | 775,298 | (7,702) |
| Restricted intergovernmental | 259,000 | 259,000 | 285,712 | 26,712 |
| Sales and services | 1,343,650 | 1,343,650 | 1,142,682 | (200,968) |
| Investment earnings | 70,100 | 120,100 | 91,031 | (29,069) |
| Miscellaneous | 13,000 | 13,000 | 28,619 | 15,619 |
| Total revenues | <u>9,025,615</u> | <u>9,339,147</u> | <u>9,380,013</u> | <u>40,866</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 1,738,435 | 1,968,435 | 1,803,767 | 164,668 |
| Public safety | 3,154,664 | 3,341,664 | 3,276,040 | 65,624 |
| Public works | 3,362,029 | 3,544,029 | 3,220,133 | 323,896 |
| Cultural and recreation | 208,254 | 213,754 | 191,571 | 22,183 |
| Debt service: | | | | |
| Principal retirement | 241,578 | 241,578 | 111,588 | 129,990 |
| Interest and other charges | 16,321 | 16,321 | 14,254 | 2,067 |
| OPEB expense | 20,400 | 20,400 | 20,400 | - |
| Total expenditures | <u>8,741,681</u> | <u>9,346,181</u> | <u>8,637,753</u> | <u>708,428</u> |
| Revenues over (under) expenditures | <u>283,934</u> | <u>(7,034)</u> | <u>742,260</u> | <u>749,294</u> |
| Other financing sources (uses): | | | | |
| Fund balance appropriated | 159,000 | 1,230,320 | - | (1,230,320) |
| Transfers from other funds | 46,000 | 51,500 | 6,500 | (45,000) |
| Transfers to other funds | (1,598,664) | (2,506,696) | (1,761,696) | 745,000 |
| Installment obligations issued | 1,109,730 | 1,221,910 | 395,113 | (826,797) |
| Proceeds from sale of capital assets | - | 10,000 | 10,350 | 350 |
| Total other financing sources (uses) | <u>(283,934)</u> | <u>7,034</u> | <u>(1,349,733)</u> | <u>(1,356,767)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>(607,473)</u> | <u>\$ (607,473)</u> |
| Fund balance, beginning | | | <u>4,801,677</u> | |
| Fund balance, ending | | | 4,194,204 | |
| A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes: | | | | |
| Fees in lieu of infrastructure | | | 72,820 | |
| Transfers to other funds | | | (80,000) | |
| Fund balance, beginning (Capital Reserve Fund) | | | <u>364,733</u> | |
| Fund balance, ending (Exhibit 4) | | | <u>\$ 4,551,757</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, 2020

| | Enterprise Fund Water and Sewer Fund | Internal Service Fund Health Insurance Fund |
|---|--|--|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents, unrestricted | \$ 516,464 | \$ 616,901 |
| Cash and cash equivalents, restricted | 292,567 | - |
| Accounts receivable, net | 458,836 | 2,393 |
| Due from other governments | 345,555 | - |
| Total current assets | 1,613,422 | 619,294 |
| Noncurrent assets: | | |
| Net OPEB asset | 25,266 | - |
| Capital assets: | | |
| Land and other non-depreciable assets | 1,006,949 | - |
| Other capital assets, net of depreciation | 35,555,955 | - |
| Capital assets, net | 36,562,904 | - |
| Total noncurrent assets: | 36,588,170 | - |
| Total assets | 38,201,592 | 619,294 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension deferrals | 239,593 | - |
| OPEB deferrals | 1,141 | - |
| Total deferred outflows of resources | 240,734 | - |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | 597,101 | 28,509 |
| Salaries and payroll taxes payable | 49,929 | - |
| Payable from restricted assets: | | |
| Customer deposits | 90,005 | - |
| Accrued interest | 45,800 | - |
| Compensated absences - current | 81,283 | - |
| Installment contracts and revolving loan, current | 1,332,703 | - |
| Total current liabilities | 2,196,821 | 28,509 |
| Noncurrent liabilities: | | |
| Net pension liability | 374,737 | - |
| Compensated absences | 6,609 | - |
| Installment contracts and revolving loans, noncurrent | 19,305,168 | - |
| Total noncurrent liabilities | 19,686,514 | - |
| Total liabilities | 21,883,335 | 28,509 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension deferrals | 3,644 | - |
| OPEB deferrals | 32,719 | - |
| Total deferred inflows of resources | 36,363 | - |
| NET POSITION | | |
| Net investment in capital assets | 16,127,595 | - |
| Unrestricted | 395,033 | 590,785 |
| Total net position | \$ 16,522,628 | \$ 590,785 |

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, 2020

| | Enterprise Fund | Internal Service |
|---|-----------------------------|--------------------------|
| | Water and Sewer | Fund |
| | Fund | Health Insurance |
| | Fund | Fund |
| OPERATING REVENUES | | |
| Charges for services | \$ 5,509,729 | \$ 1,533,505 |
| Water and sewer taps | 79,613 | - |
| Other operating revenues | 264,350 | - |
| Total operating revenues | <u>5,853,692</u> | <u>1,533,505</u> |
| OPERATING EXPENSES | | |
| Water treatment and distribution | 1,787,504 | - |
| Waste collection and treatment | 2,433,372 | - |
| Payment to general fund in lieu of taxes & admin expenses | 600,000 | - |
| Depreciation | 1,155,471 | - |
| Claims | - | 835,375 |
| Insurance premiums | - | 228,260 |
| Other operating expenses | 54,090 | 201,608 |
| Total operating expenses | <u>6,030,437</u> | <u>1,265,243</u> |
| Operating income (loss) | <u>(176,745)</u> | <u>268,262</u> |
| NONOPERATING EXPENSES | | |
| Interest expense | <u>(281,821)</u> | <u>-</u> |
| Change in net position before contributions and transfers | (458,566) | 268,262 |
| Capital contributions | 613,333 | - |
| Transfers from other funds | <u>80,000</u> | <u>-</u> |
| Change in net position | 234,767 | 268,262 |
| Total net position, beginning | 16,224,202 | 322,523 |
| Restatement (note 17) | <u>63,659</u> | <u>-</u> |
| Total net position, ending | <u><u>\$ 16,522,628</u></u> | <u><u>\$ 590,785</u></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, 2020

| | Enterprise Fund Water and Sewer Fund | Internal Service Fund Health Insurance Fund |
|---|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | \$ 5,946,703 | \$ 1,537,035 |
| Cash paid for goods and services | (2,758,669) | (1,292,327) |
| Cash paid to or on behalf of employees for services | (1,539,870) | - |
| Net cash provided by operating activities | <u>1,648,164</u> | <u>244,708</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Transfer from the general fund | <u>80,000</u> | <u>-</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets | (989,867) | - |
| Proceeds from issuance of debt | 670,806 | - |
| Reimbursements due from other governments | 267,778 | - |
| Principal paid on installment obligation | (1,309,283) | - |
| Interest paid on installment obligation | (283,721) | - |
| Net cash used by capital and related financing activities | <u>(1,644,287)</u> | <u>-</u> |
| Net increase in cash and cash equivalents | 83,877 | 244,708 |
| Cash and cash equivalents, beginning of year | 725,154 | 372,193 |
| Cash and cash equivalents, end of year | <u><u>\$ 809,031</u></u> | <u><u>\$ 616,901</u></u> |
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income (loss) | <u>\$ (176,745)</u> | <u>\$ 268,262</u> |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | | |
| Depreciation | 1,155,471 | - |
| Changes in assets and liabilities: | | |
| Accounts receivable | 85,317 | 3,530 |
| Deferred outflows of resources - pensions | 5,517 | - |
| Deferred outflows of resources - OPEB | (256) | - |
| Accounts payable and accrued liabilities | 492,272 | (27,084) |
| Net pension liability | 74,304 | - |
| Net OPEB asset/liability | (28,558) | - |
| Deferred inflows of resources - pensions | (4,423) | - |
| Deferred inflows of resources - OPEB | 25,073 | - |
| Customer deposits | 7,694 | - |
| Accrued vacation | 12,498 | - |
| Total adjustments | <u>1,824,909</u> | <u>(23,554)</u> |
| Net cash provided by operating activities | <u><u>\$ 1,648,164</u></u> | <u><u>\$ 244,708</u></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, 2020

| | OPEB Reserve Fund | T.L. Scruggs Scholarship Fund |
|--|------------------------------|--|
| ASSETS | | |
| Cash and cash equivalents, restricted | \$ 269,789 | \$ 20,994 |
| LIABILITIES | | |
| Due to general fund | \$ - | \$ - |
| NET POSITION | | |
| Assets held for retiree health benefits | 269,789 | - |
| Assets held for administration of scholarship fund | - | 20,994 |
| | <u>\$ 269,789</u> | <u>\$ 20,994</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, 2020

| | OPEB Reserve Fund | T.L. Scruggs Scholarship Fund |
|-------------------------|------------------------------|--|
| ADDITIONS | | |
| Employer contributions | \$ 10,584 | \$ - |
| Retiree premiums | 34,492 | - |
| Restricted donations | - | 15,811 |
| | <u>45,076</u> | <u>15,811</u> |
| Investment income | | |
| Interest | 3,320 | - |
| Total additions | <u>48,396</u> | <u>15,811</u> |
| DEDUCTIONS | | |
| Expenditures | 15,076 | 6,488 |
| Scholarships awarded | - | 5,000 |
| Total deductions | <u>15,076</u> | <u>11,488</u> |
| Change in net position | 33,320 | 4,323 |
| Net position, beginning | 236,469 | 16,671 |
| Net position, ending | <u>\$ 269,789</u> | <u>\$ 20,994</u> |

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

CITY OF BREVARD, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

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 non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. 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 non-major governmental funds:

Special Revenue Funds. The City has four 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. The Emergency Telephone System Fund accounts for funds allocated from the State 911 Board for operations of and improvements to the 911 system. The Housing Trust Fund accumulates loan repayments made to the City as a result of affordable housing grants obtained by the City and loaned to the Developers of two different housing complexes.

Capital Projects Funds. Capital projects funds account for the acquisition and construction of major capital facilities (other than those financed by the proprietary fund). The City has three non-major capital project funds: the Multi-Use Path Capital Project Fund, the Downtown Master Plan Project Fund and the Rosenwald Revitalization Project 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 construction of major water and sewer capital facilities and infrastructure, which are accounted for in the Water and Sewer Capital Project Fund that is combined with the Water and Sewer Fund (the operating fund) for financial statement purposes. The non-GAAP budgetary comparison for the capital project fund has been included in the supplementary information.

The City also 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 Reserve Fund. A fiduciary fund is used to account for the accumulation of funds and the payment of benefit costs related to retiree health benefits.

T.L. Scruggs Scholarship Fund. A fiduciary fund 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 non-operating 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 the beer and wine tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Brevard because the tax is levied by Transylvania County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there 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 Emergency Telephone System Fund, the Heart of Brevard Special Municipal Services District Fund, the Nonexpendable Bjerg Fund, the Capital Reserve Fund, the Multi-Use Paths Capital Project Fund, the Rosenwald Revitalization Capital Project Fund, the Downtown Master Plan Capital Project Fund, and the Water and Sewer Fund. All annual appropriations lapse at the fiscal-year end. A project ordinance is adopted for the Water and Sewer Capital Project Fund. The Water and Sewer Capital Project fund is 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 departmental level for all annually budgeted funds and at the project level for the multi-year fund. 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. All amendments to the budget ordinance must be approved by the City Council.

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. Also, the City and ABC Board may establish time deposit accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The City and the ABC Board's investments are reported at fair value as determined by quoted market prices. The NCCMT Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted

average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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 forfeiture funds, fire district funds, and emergency telephone system funds for Public Safety are classified as restricted assets for the governmental activities 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.

City of Brevard Restricted Cash

Governmental activities:

General Fund

| | |
|-----------------------|-----------|
| Streets | \$ 62,189 |
| Public safety | 1,406 |
| Deposits | 21,579 |
| Unspent debt proceeds | 285,571 |

Fire District Fund

| | |
|---------------|--------|
| Public safety | 69,491 |
|---------------|--------|

Heart of Brevard Municipal Service District Fund

| | |
|-----------------------------------|-------|
| Economic and physical development | 7,517 |
|-----------------------------------|-------|

Emergency Telephone System Fund

| | |
|---------------|--------|
| Public safety | 63,461 |
|---------------|--------|

Housing Trust Capital Project fund

| | |
|-----------------------------------|---------|
| Economic and physical development | 146,380 |
|-----------------------------------|---------|

Bjerg Trust Fund

| | |
|-----------------------|--------|
| Perpetual maintenance | 56,127 |
|-----------------------|--------|

| | |
|-------------------------------|----------------|
| Total governmental activities | <u>713,721</u> |
|-------------------------------|----------------|

Business-type activities:

Water and Sewer Fund

| | |
|-----------------------|---------|
| Unspent debt proceeds | 202,562 |
| Customer deposits | 90,005 |

| | |
|--------------------------------|----------------|
| Total business-type activities | <u>292,567</u> |
|--------------------------------|----------------|

| | |
|-----------------------|----------------------------|
| Total restricted cash | <u><u>\$ 1,006,288</u></u> |
|-----------------------|----------------------------|

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, 2019.

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. Outstanding balances for inactive customer accounts for trash collection service and water and sewer service were deemed by management to be written off during the current fiscal year. These amounts have been removed from the applicable gross receivable balances and therefore will not be shown as part of the allowance. The allowance shown related to these receivables only includes outstanding balances of active customers.

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 received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or other constructed capital assets are reported at cost or estimated historical cost. 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 |

Capital assets of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

| Asset Class | Estimated Useful Lives |
|-------------------------|------------------------|
| Buildings | 15-50 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 two items that meet this criterion, pension deferrals and OPEB deferrals for the 2020 fiscal year. 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 three items that meets the criterion for this category – property taxes receivable, pension deferrals, and OPEB deferrals.

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

10. Compensated Absences

The vacation policy of the City provides 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 – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Restricted for public safety – portion of the fund balance that is restricted by revenue source for public safety. This amount represents the balance of total unexpended drug forfeiture funds.

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 economic development – portion of fund balance that is restricted to use on affordable housing per terms of grant agreements.

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.) The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Capital projects – portion of capital reserve fund committed to City improvements as well as portion of capital project fund balance that represents funds contributed by the City for certain projects.

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 as 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 25% of budgeted expenditures. Any portion of the general fund balance in excess of 25% 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. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Brevard and the ABC Board's employer contributions are recognized when due and both the City and the ABC Board have a legal

requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

13. Use of Estimates

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

Note 2 – Stewardship, Compliance, and Accountability

At June 30, 2020, the Multi-Use Path Project fund had a deficit fund balance of \$359,708 due to an interfund loan payable to the General Fund. Management anticipates the fund balance deficit being resolved in the coming years as scheduled repayments of \$45,000 per year are made on the loan.

Note 3 – Cash and Investments

1. Deposits

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

At June 30, 2020, the City's deposits had a carrying amount of \$909,658 and a bank balance of \$1,012,318. Of the bank balance, \$270,994 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 \$638,226 and the bank balance was \$637,513. Federal depository insurance covered \$250,000 of the ABC Board's deposits and the remainder was covered by collateral held under the pooling method.

The City also had cash on hand at June 30, 2020 in the amount of \$675, and the ABC Board had cash on hand of \$4,200.

2. Investments

At June 30, 2020, the City's investment balances were as follows:

| Investments by Type | Valuation Measurement Method | Book Value at 6/30/20 | Maturity | Rating |
|--|------------------------------|-----------------------|-----------|---------|
| NC Capital Management Trust Government Portfolio | Fair Value Level 1 | \$ 5,797,534 | N/A | AAAm |
| NC Capital Management Trust - Term Portfolio | Fair Value Level 1 | 57,128 | .15 years | Unrated |
| Total: | | \$ 5,854,662 | | |

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

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, 2020, 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 | \$ 909,658 |
| Petty cash | 675 |
| Fair value of investments | 5,854,662 |
| | <u>\$ 6,764,995</u> |
| Statement of Net Position | |
| Cash and cash equivalents | \$ 5,467,924 |
| Cash and cash equivalents, restricted | 1,006,288 |
| | <u>6,474,212</u> |
| Statement of Fiduciary Net Position | |
| Cash and cash equivalents, restricted | 290,783 |
| | <u>\$ 6,764,995</u> |

Note 4 – Receivables1. 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, 2020 is net of the following allowances for doubtful accounts:

Funds

General Fund

| | |
|---|-----------|
| Allowance for uncollectible property taxes receivable | \$ 15,000 |
| Allowance for uncollectible trash services receivable | 2,500 |

Water and Sewer Fund

| | |
|---|-----------|
| Allowance for uncollectible water and sewer services receivable | \$ 13,200 |
|---|-----------|

2. Notes Receivable

In 2010 and 2012, the City obtained grant funding for the purpose of providing affordable housing for its citizens. These grant funds, in the amount of \$218,000 at 2% interest and \$157,036 at 0% interest, respectively, were loaned to two different developers who were building affordable housing units within the City. The first loan requires annual principal and interest payments of \$13,332 through December 31, 2030. The second loan requires annual principal payments in the amount of \$7,852 through December 31, 2034. At June 30, 2020, the combined outstanding balance of the notes receivable was \$248,243.

Note 5 – Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2020, was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|------------------|----------------|---------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 397,687 | \$ 462,715 | \$ - | \$ 860,402 |
| Construction in progress | 1,579,161 | 2,106,102 | 914,140 | 2,771,123 |
| Total capital assets not being depreciated | <u>1,976,848</u> | <u>2,568,817</u> | <u>914,140</u> | <u>3,631,525</u> |
| Capital assets being depreciated: | | | | |
| Buildings and infrastructure | 6,580,056 | 243,825 | - | 6,823,881 |
| Equipment | 1,950,532 | 27,997 | - | 1,978,529 |
| Vehicles and motorized equipment | 6,236,848 | 382,583 | 114,579 | 6,504,852 |
| Total capital assets being depreciated | <u>14,767,436</u> | <u>654,405</u> | <u>114,579</u> | <u>15,307,262</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and infrastructure | 2,737,608 | 179,319 | - | 2,916,927 |
| Equipment | 1,271,289 | 105,972 | - | 1,377,261 |
| Vehicles and motorized equipment | 5,312,144 | 267,710 | 114,579 | 5,465,275 |
| Total accumulated depreciation | <u>9,321,041</u> | <u>553,001</u> | <u>114,579</u> | <u>9,759,463</u> |
| Total capital assets being depreciated, net | <u>5,446,395</u> | | | <u>5,547,799</u> |
| Governmental activities capital assets, net | <u>\$ 7,423,243</u> | | | <u>\$ 9,179,324</u> |

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

| | |
|----------------------------|-------------------|
| General government | \$ 80,604 |
| Public safety | 219,305 |
| Public works | 195,136 |
| Cultural and recreational | 57,956 |
| Total depreciation expense | <u>\$ 553,001</u> |

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|-----------|-----------|----------------------|
| Business-type activities: | | | | |
| <i>Water and Sewer Fund</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 212,891 | \$ - | \$ - | \$ 212,891 |
| Construction in progress | - | 794,058 | - | 794,058 |
| Total capital assets not being depreciated | 212,891 | 794,058 | - | 1,006,949 |
| Capital assets being depreciated: | | | | |
| Plant and distribution systems | 45,410,075 | - | - | 45,410,075 |
| Maintenance equipment and furniture | 2,895,008 | 76,349 | - | 2,971,357 |
| Vehicles | 1,042,227 | 119,460 | - | 1,161,687 |
| Total capital assets being depreciated | 49,347,310 | 195,809 | - | 49,543,119 |
| Less accumulated depreciation for: | | | | |
| Plant and distribution systems | 10,321,636 | 787,525 | - | 11,109,161 |
| Maintenance equipment and furniture | 1,572,748 | 325,679 | - | 1,898,427 |
| Vehicles | 937,309 | 42,267 | - | 979,576 |
| Total accumulated depreciation | 12,831,693 | 1,155,471 | - | 13,987,164 |
| Total capital assets being depreciated, net | 36,515,617 | | | 35,555,955 |
| Water and sewer fund capital assets, net | \$ 36,728,508 | | | \$ 36,562,904 |

Construction commitments:

The City had the following commitments with contractors for construction projects as of June 30, 2020:

| Project | Spent-to-Date | Remaining Commitment |
|--|---------------------|-------------------------|
| Cathey's Creek Water Intake & Stream Restoration | \$ 804,993 | \$ 195,007 |
| Gallimore Road Sewer Project | 137,560 | 1,945,440 |
| Brushy/Norton Creek Stream Restoration | 13,545 | 21,955 |
| King Street Stormwater | 19,335 | 300,265 |
| Burrell Mountain Water Tank | 5,000 | 543,050 |
| Mary C. Jenkins Design | 135,550 | 11,450 |
| Railroad Avenue Stormwater | 7,000 | 28,100 |
| | <u>\$ 1,122,983</u> | <u>\$ 3,045,267</u> |

Discretely presented component unit:

Activity for the ABC Board for the year ended June 30, 2020 was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|-----------|-----------|--------------------|
| Capital assets being depreciated: | | | | |
| Leasehold improvements | \$ 196,531 | \$ 18,071 | \$ - | \$ 214,602 |
| Furniture and equipment | 127,934 | 1,149 | - | 129,083 |
| Vehicle | 11,979 | - | - | 11,979 |
| Total capital assets being depreciated | 336,444 | 19,220 | - | 355,664 |
| Less accumulated depreciation | 196,301 | 13,080 | - | 209,381 |
| Total capital assets being depreciated, net | <u>\$ 140,143</u> | | | <u>\$ 146,283</u> |

Note 6 – Pension Plan and Postemployment ObligationsLocal Governmental Employees' Retirement System

Plan Description. The City of Brevard is a participating employer in 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 membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. 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, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die

while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Brevard employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Brevard's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 9.03% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Brevard were \$466,606 for the year ended June 30, 2020.

Refunds of Contributions – City employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the City reported a liability of \$1,873,686 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At the measurement date of June 30, 2019, the City's proportion was 0.06861%, which was an increase of 0.00529% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of \$843,868. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 320,822 | \$ - |
| Changes of assumptions | 305,380 | - |
| Net difference between projected and actual earnings on pension plan investments | 45,702 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 59,453 | 18,221 |
| City contributions subsequent to the measurement date | 466,606 | - |
| Total | <u>\$ 1,197,963</u> | <u>\$ 18,221</u> |

\$466,606 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------|-------------------|
| 2021 | \$ 337,092 |
| 2022 | 113,681 |
| 2023 | 196,963 |
| 2024 | 65,400 |
| 2025 | - |
| | <u>\$ 713,136</u> |

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Inflation | 3.0 percent |
| Salary increases | 3.50 to 8.10 percent, including inflation and productivity factor |
| Investment rate of return | 7.00 percent, net of pension plan investment expense, including inflation |

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections

are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Real Rate of Return</u> |
|----------------------|--------------------------|----------------------------|
| Fixed Income | 29.0% | 1.4% |
| Global Equity | 42.0% | 5.3% |
| Real Estate | 8.0% | 4.3% |
| Alternatives | 8.0% | 8.9% |
| Credit | 7.0% | 6.0% |
| Inflation Protection | 6.0% | 4.0% |
| Total | <u>100.0%</u> | |

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the City's proportionate share of the net pension liability or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

| | 1% Decrease (6.00%) | Discount Rate (7.00%) | 1% Increase (8.00%) |
|--|----------------------------|------------------------------|----------------------------|
| City's Proportionate share of the net Pension liability (asset) | \$ 4,285,462 | \$ 1,873,686 | \$ (130,989) |

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Law Enforcement Officers' Special Separation Allowance

1. Plan Description

The City of Brevard administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of

the 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 December 31, 2018 (valuation date), the Separation Allowance's membership consisted of:

| | |
|-----------------------------|------------------|
| Retirees receiving benefits | 2 |
| Active plan members | <u>23</u> |
| Total | <u><u>25</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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria that are outlined in GASB Statement 73.

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2018, valuation. The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|------------------|---|
| Inflation | 2.5 percent |
| Salary increases | 3.50 to 7.35 percent, including inflation and productivity factor |
| Discount rate | 3.26 percent |

4. Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$35,440 as benefits came due for the reporting period.

5. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At June 30, 2020, the City reported a total pension liability of \$615,927. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the City recognized pension expense of \$34,814.

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 64,190 | \$ 30,128 |
| Changes of assumptions | 33,246 | 17,532 |
| City contributions subsequent to the measurement date | 18,502 | - |
| Total | <u>\$ 115,938</u> | <u>\$ 47,660</u> |

The City paid \$18,502 in benefit payments subsequent to the measurement date that are reported as deferred outflows of resources related to pensions, and which will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------|------------------|
| 2021 | \$ 6,802 |
| 2022 | 6,920 |
| 2023 | 11,182 |
| 2024 | 15,237 |
| 2025 | 9,635 |
| | <u>\$ 49,776</u> |

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 3.26 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

| | 1% Decrease (2.26%) | Discount Rate (3.26%) | 1% Increase (4.26%) |
|-------------------------|---------------------------|-----------------------------|---------------------------|
| Total pension liability | \$ 669,013 | \$ 615,927 | \$ 567,409 |

| | Total Pension Liability |
|---|----------------------------|
| Balance at June 30, 2019 | \$ 506,819 |
| Service cost | 27,892 |
| Interest on the pension liability | 17,832 |
| Changes of benefit terms | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 78,298 |
| Change of assumption or other inputs | 18,962 |
| Benefit payments | (33,876) |
| Other changes | - |
| Balance at June 30, 2020 | <u>\$ 615,927</u> |

Changes of assumptions and other inputs reflect a change in the discount rate from 3.64 percent at December 31, 2018, to 3.26 percent at December 31, 2019.

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources Related to Pensions

Following is information related to the proportionate share and pension expense for all pension plans:

| | <u>LGERS</u> | <u>LEOSSA</u> | <u>Total</u> |
|--|--------------|---------------|--------------|
| Proportionate share of the net pension liability | \$1,873,686 | \$ - | \$1,873,686 |
| Proportion of the net pension liability | 0.06861% | N/A | N/A |
| Total pension liability | - | 615,927 | 615,927 |
| Pension expense | 843,868 | 35,983 | 879,851 |

Deferred Outflows of Resources

| | | | |
|--|--------------------|-------------------|--------------------|
| Differences between expected and actual experience | \$ 320,822 | \$ 64,190 | \$ 385,012 |
| Change of assumptions | 305,380 | 33,246 | 338,626 |
| Net difference between projected and actual earnings on pension plan investments | 45,702 | - | 45,702 |
| Change in proportion and differences between City contributions and proportionate share of contributions | 59,453 | - | 59,453 |
| City contributions (LGERS)/benefit payments (LEOSSA) subsequent to the measurement date | 466,606 | 18,502 | 485,108 |
| | <u>\$1,197,963</u> | <u>\$ 115,938</u> | <u>\$1,313,901</u> |

Deferred Inflows of Resources

| | | | |
|--|------------------|------------------|------------------|
| Differences between expected and actual experience | \$ - | \$ 30,128 | \$ 30,128 |
| Change of assumptions | - | 17,532 | 17,532 |
| Change in proportion and differences between City contributions and proportionate share of contributions | 18,221 | - | 18,221 |
| | <u>\$ 18,221</u> | <u>\$ 47,660</u> | <u>\$ 65,881</u> |

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. The City made contributions of \$71,481 for the reporting year. No amounts were forfeited.

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 Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who 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. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighters' 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 Firefighters' and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2020, the State contributed \$18,302,000 to the plan. The City of Brevard's proportionate share of the State's contribution is \$18,188.

Refunds of Contributions – Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City and supported by the State was \$36,057. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at the June 30, 2019 and June 30, 2018 measurement dates was 0%.

For the year ended June 30, 2020, the City recognized pension expense of \$18,983 and revenue of \$18,983 for support provided by the State. At June 30, 2020, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.0 percent |
| Salary increases | Not applicable |
| Investment rate of return | 7.00 percent, net of pension plan investment expense, including inflation |

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in the first section of this note.

Discount Rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

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 June 30, 2019, the date of the most recent actuarial valuation:

| | |
|--|-----------|
| Retirees and dependents receiving benefits | 3 |
| Terminated plan members entitled to but not yet receiving benefits | - |
| Active plan members | 95 |
| Total | <u>98</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 | \$ 697 |
| Retiree and Children | 1,143 |
| Retiree and Spouse | 1,395 |
| Family | 1,743 |

Retirees contributed \$15,076 in premiums for the year ended June 30, 2020.

This City funds current year benefits as they come due, with an additional amount to prefund benefits as determined annually by the Board. For the current year, the City contributed \$45,076. The Fund is accounted for as a trust fund.

Rate of return. For the year ended June 30, 2020, the annual money weighted rate of return on investments, net of investment expense, was 2.72 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The components of the net OPEB liability of the City at the measurement date of June 30, 2020, were as follows:

| | |
|---|------------------|
| Total OPEB liability | \$ 143,459 |
| Plan fiduciary net position | <u>269,789</u> |
| City's net OPEB liability (asset) | <u>(126,330)</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 188% |

Actuarial assumptions – The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|--|
| Inflation | 2.5 percent |
| Salary increases | 3.5 to 7.75 percent including inflation and productivity factor |
| Investment rate of return | 2.72 percent, net of OPEB plan investment expense, including inflation |
| Healthcare cost trend rates | 7.00 percent for 2019 decreasing to an ultimate rate of 4.50% by 2026 |

Mortality rates were based on the RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period 2010-2014.

The long-term expected rate of return on OPEB plan investments was determined using long-term historical data, estimates inherent in current market rates, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) are developed by the investment consultant.

Discount rate – The discount rate used to measure the total OPEB liability at was 2.72 percent June 30, 2020, a decrease from the rate of 3.31 percent at June 30, 2019.

Sensitivity of the net OPEB Asset to changes in the discount rate – The following presents the net OPEB asset of the City at June 30, 2020, as well as what the City's net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (1.72 percent) or 1-percentage-point higher (3.72 percent) than the current discount rate:

| | <u>1% Decrease (1.72%)</u> | <u>Discount Rate (2.72%)</u> | <u>1% Increase (3.72%)</u> |
|----------------|--------------------------------|----------------------------------|--------------------------------|
| Net OPEB Asset | \$ 112,944 | \$ 126,330 | \$ 138,443 |

Sensitivity of the net OPEB Asset to changes in the healthcare cost trend rates – The following presents the net OPEB asset of the City, as well as what the City's net OPEB asset would be if it were to calculate healthcare cost trend rates that are 1- percentage-point lower (6.75 percent decreasing to 4 percent) or 1-percentage-point higher (8.75 percent decreasing to 6 percent) than the current healthcare cost trend rate:

| | <u>1% Decrease (6.0% decreasing to 3.5%)</u> | <u>Healthcare Cost Trend Rate (7.0% decreasing to 4.5%)</u> | <u>1% Increase (8.0% decreasing to 5.5%)</u> |
|----------------|--|---|--|
| Net OPEB Asset | \$ 140,731 | \$ 126,330 | \$108,979 |

Changes in Net OPEB Asset, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At June 30, 2020, the City reported a net OPEB asset of \$126,330. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2019. The total OPEB liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions.

At June 30, 2020, the components of the net OPEB asset of the City, were as follows:

| | Increase (Decrease) | | |
|---|-------------------------|--------------------------------|-------------------|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Asset |
| | (a) | (b) | (b)-(a) |
| Balances at June 30, 2019 | \$ 252,931 | \$ 236,469 | \$ (16,462) |
| Changes for the year: | | | |
| Service cost | 17,553 | - | (17,553) |
| Interest on the total OPEB liability | 7,130 | - | (7,130) |
| Differences between expected and actual experience | (149,720) | - | 149,720 |
| Change of assumptions | (2,952) | - | 2,952 |
| Contributions | - | 11,483 | 11,483 |
| Net investment income | - | 3,320 | 3,320 |
| Benefit payments (net of participant contributions) | 18,517 | 18,517 | - |
| Net changes | (109,472) | 33,320 | 142,792 |
| Balances at June 30, 2020 | \$ 143,459 | \$ 269,789 | \$ 126,330 |

Changes of assumptions – Changes of assumptions and other inputs reflect a change in the discount rate from 3.31 percent in 2019 to 2.72 percent in 2020. Medical claims cost and rates were changed based on most recent experience and changed to the current schedule. The Excise Tax of 40 percent on health care plans that are above the thresholds set by the Affordable Care Act is effective in 2022 and has been reflected.

For the year ended June 30, 2020, the City recognized OPEB benefit of \$7,424. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ - | \$ 161,050 |
| Changes of assumptions | - | 2,548 |
| Net difference between projected and actual earnings on plan investments | 5,709 | - |
| Total | \$ 5,709 | \$ 163,598 |

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense in future years as follows:

Year ended June 30:

| | | |
|------------|----|------------------|
| 2021 | \$ | (25,270) |
| 2022 | | (25,271) |
| 2023 | | (26,370) |
| 2024 | | (26,600) |
| 2025 | | (25,659) |
| Thereafter | | (28,719) |
| | \$ | <u>(157,889)</u> |

Note 7 – Deferred Outflows and Inflows of Resources

The City has several deferred outflows of resources. Deferred outflows of resources comprise the following:

| Source | Amount |
|--|---------------------|
| Contributions to the pension plan in the current fiscal year | \$ 466,606 |
| Benefit payments made for LEOSSA | 18,502 |
| Differences between expected and actual experience (pension, OPEB) | 385,012 |
| Changes in assumptions (pensions) | 338,626 |
| Net differences between projected and actual earnings on plan investments (pension, OPEB) | 51,411 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions (pension) | 59,453 |
| | <u>\$ 1,319,610</u> |

Deferred inflows of resources at year end comprise the following:

| Source | Statement of Net Position | General Fund Balance Sheet |
|--|------------------------------|-------------------------------|
| Taxes receivable, less penalties (General Fund) | \$ - | \$ 26,406 |
| Prepaid property taxes | 1,903 | 1,903 |
| Differences between expected and actual experience (Pensions, OPEB) | 191,178 | - |
| Net difference between projected and actual investment earnings (Pensions, OPEB) | - | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions (Pension) | 18,221 | - |
| Changes of assumptions and other inputs (Pensions, OPEB) | 20,080 | - |
| | <u>\$ 231,382</u> | <u>\$ 28,309</u> |

Note 8 – 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 liability insurance for various risks of loss through the North Carolina League of Municipalities Risk Management Services. 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/City Manager and the City Clerk 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 9 – Long-term Debt**Installment Contracts**

In December 2012, the City entered into a direct placement installment purchase contract for \$280,000 to finance the purchase of a Seagraves Tanker fire truck. The property is pledged as collateral for the debt while the debt is outstanding. The financing agreement requires monthly payments of \$2,751 including interest at 1.96% per annum through December 2022.

In December 2014, the City entered into a direct placement installment purchase contract for \$426,000 to finance the purchase of the former Duke Energy Building located at 400 Cashiers Valley Road, Brevard, NC. The property is pledged as collateral for the debt while the debt is outstanding. The financing agreement requires monthly payments of \$3,978, including interest at 2.25% per annum through January 2025.

In August 2016, the City entered into a direct placement installment purchase contract for \$122,000 for the purchase of fire extrication equipment. The property is pledged as collateral for the debt while the debt is outstanding. The financing agreement requires monthly payments of \$2,126, including interest at 1.74% through August 2021.

In April 2017, the City entered in to a direct placement installment purchase contract for \$421,234 to finance equipment for sanitation, streets, sewer collections, park management, and waste water treatment. The property is pledged as collateral for the debt while the debt is outstanding. The financing

agreement requires monthly payments of \$7,376, including interest at 1.96% per annum through April 2022.

In May 2018, the City entered into a direct placement installment purchase contract for \$50,139 for the purchase of public works equipment. The property is pledged as collateral for the debt while the debt is outstanding. The financing agreement requires monthly payments of \$903, including interest at 3.09% per annum through May 2023.

In May 2018, the City entered into a direct placement installment purchase contract for \$257,197 for the purchase of a garbage truck, an excavator, and accessories. The property is pledged as collateral for the debt while the debt is outstanding. The financing agreement requires monthly payments of \$2,500, including interest at 3.09% per annum through May 2023.

In August 2019, the City entered into a direct placement installment purchase contract for \$332,154 for the purchase of utility equipment. The property is pledged as collateral for the debt while the debt is outstanding. The financing agreement requires monthly payments of \$3,178, including interest at 3.40% per annum through August 2029.

In June 2020, the City entered into a direct placement installment purchase contract for \$97,761 for the purchase of various public safety, public works, and water and sewer equipment. The property is pledged as collateral for the debt while the debt is outstanding. The financing agreement requires monthly payments of \$1,705, including interest at 1.79% per annum, through June 2025.

In June 2020, the City entered into a direct placement installment purchase contract for \$390,372 for the purchase of various public safety, public works, and water and sewer equipment. The property is pledged as collateral for the debt while the debt is outstanding. The financing agreement requires monthly payments of \$3,640, including interest at 2.24% per annum, through June 2030.

In September 2019, the City entered into a direct placement installment contract for \$245,631 the purchase of radio-read water meters. The property is pledged as collateral for the debt while the debt is outstanding. The financing agreement requires monthly payments of \$2,324, including interest at 2.578% per annum, through September of 2029.

The future minimum payments of the installment purchases as of June 30, 2020 are as follows:

| Year ending June 30 | Governmental Activities | | | Business-type Activities | | |
|------------------------|-------------------------|------------------|-------------------|--------------------------|------------------|-------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2021 | \$ 199,572 | \$ 18,498 | \$ 218,070 | \$ 122,914 | \$ 18,385 | \$ 141,299 |
| 2022 | 170,325 | 14,313 | 184,638 | 125,395 | 15,682 | 141,077 |
| 2023 | 103,259 | 11,126 | 114,385 | 104,114 | 13,262 | 117,376 |
| 2024 | 83,257 | 8,898 | 92,155 | 103,577 | 10,999 | 114,576 |
| 2025 | 78,417 | 6,823 | 85,240 | 92,246 | 8,605 | 100,851 |
| 2026-2030 | 210,392 | 12,321 | 222,713 | 340,794 | 17,910 | 358,704 |
| | <u>\$ 845,222</u> | <u>\$ 71,979</u> | <u>\$ 917,201</u> | <u>\$ 889,040</u> | <u>\$ 84,843</u> | <u>\$ 973,883</u> |

Revolving Loans

In May 2011, the City entered into a direct placement 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. Beginning in May 2014, the City is required to make annual principal payments of \$71,875 through May 2029.

In May 2012, the City entered into a direct placement 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. Beginning in May 2014, the City is required to make annual principal payments of \$37,469 through May 2033.

In February 2014, the City entered into a direct placement federal revolving loan for and estimated \$1,496,550 with a term of 20 years at 0% interest. The loan was for replacement of 3,484 manual-read meters with radio-read meters. Beginning in May 2017, the City is required to make annual principal payments of \$74,828 through May 2036.

In May 2014, the City entered into a direct placement federal revolving loan for \$1,680,000 with a term of 20 years at 2% per annum. The loan is for the City-wide 6 Inch Gravity Sewer Upgrade Project. Interest is due semiannually starting in November 2016. Beginning in May 2017, the City is required to make annual principal payments of \$84,000 through May 2036.

In March 2013, the City entered into a direct placement federal revolving loan for \$2,641,000 with a term of 18 years at 0% interest. The loan is for the Burrell Mountain Water Tank Project. Beginning in May 2016, the City is required to make annual principal payments of \$146,728 through May 2033.

In August 2015, the City entered into a direct placement federal revolving loan for \$1,435,784 with a term of 20 years at 0% per annum. The loan is for the Kings Creek Phase II Sewer Rehabilitation and Replacement Project. Beginning in May 2018, the City is required to make annual principal payments of \$71,789 through May 2037.

In October 2015, the City entered into a direct placement federal revolving loan for \$1,484,150 with a term of 20 years at 0% interest. The loan is for the Kings Creek Phase III Sewer Rehabilitation and Replacement Project. Beginning in May 2018, the City is required to make annual principal payments of \$74,208 through May 2037.

In October 2015, the City entered into a direct placement federal revolving loan for up to \$13,660,000 with a term of 20 years at 1.84% per annum. The final loan amount was \$12,987,256. The loan is for the Neely Road Pump Station and Force Main Rehabilitation Project. Beginning in November 2018, the City was required to make semi-annual interest payments. Beginning in May 2019, the City is required to make annual principal payments of \$649,363 through May 2038.

The future minimum payments of the revolving loans as of June 30, 2020 are as follows:

| Year ending June 30 | Business-type Activities | | |
|------------------------|--------------------------|---------------------|----------------------|
| | Principal | Interest | Total |
| 2021 | \$ 1,209,789 | \$ 269,370 | \$ 1,479,159 |
| 2022 | 1,209,789 | 252,947 | 1,462,736 |
| 2023 | 1,209,789 | 236,510 | 1,446,299 |
| 2024 | 1,209,789 | 220,117 | 1,429,906 |
| 2025 | 1,209,789 | 203,762 | 1,413,551 |
| 2026-2030 | 5,977,528 | 773,816 | 6,751,344 |
| 2031-2035 | 5,323,483 | 396,545 | 5,720,028 |
| 2036-2038 | 2,398,875 | 72,528 | 2,471,403 |
| | <u>\$ 19,748,831</u> | <u>\$ 2,425,595</u> | <u>\$ 22,174,426</u> |

Changes in Long-term Debt

| | <u>July 1, 2019</u> | <u>Increase</u> | <u>Decrease</u> | <u>June 30, 2020</u> | <u>Current Portion</u> |
|--|----------------------|-------------------|---------------------|----------------------|----------------------------|
| Governmental Activities: | | | | | |
| Direct placement | | | | | |
| installment contracts | \$ 678,923 | \$ 395,112 | \$ 228,813 | \$ 845,222 | \$ 199,572 |
| Total pension liability (LEOSSA) | 506,819 | 109,108 | - | 615,927 | - |
| Net pension obligation (LGERS) | 1,201,734 | 297,215 | - | 1,498,949 | - |
| Net OPEB obligation | 13,170 | - | 13,170 | - | - |
| Compensated absences | 275,479 | 190,122 | 165,288 | 300,313 | 189,426 |
| Governmental activity long-term liabilities | <u>\$ 2,676,125</u> | <u>\$ 991,557</u> | <u>\$ 407,271</u> | <u>\$ 3,260,411</u> | <u>\$ 388,998</u> |
| Business-type Activities: | | | | | |
| Direct placement | | | | | |
| installment contracts | \$ 317,731 | \$ 670,806 | \$ 99,497 | \$ 889,040 | \$ 122,914 |
| Direct placement | | | | | |
| revolving loans | 20,958,617 | - | 1,209,786 | 19,748,831 | 1,209,789 |
| Net pension obligation (LGERS) | 300,433 | 74,304 | - | 374,737 | - |
| Net OPEB obligation | 3,292 | - | 3,292 | - | - |
| Compensated absences | 75,394 | 57,486 | 44,988 | 87,892 | 81,283 |
| Business-type activity long-term liabilities | <u>\$ 21,655,467</u> | <u>\$ 802,596</u> | <u>\$ 1,357,563</u> | <u>\$ 21,100,500</u> | <u>\$ 1,413,986</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, 2020, the City's remaining legal debt margin was approximately \$55,900,000.

Note 10 – Interfund Balances and Activity**A. Balances Due to/from Other Funds**

The composition of interfund balances as of June 30, 2020 is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|--|---------------|
| General Fund | Multi-Use Path Capital Project Fund for the Probart Street Sidewalk Project | \$ 515,000 |

B. Transfers to/from Other Funds

| | |
|--|------------|
| From the General Fund to the Special Fire District Fund for use in operations of the fire department | \$ 438,664 |
| From the General Fund to the Downtown Master Plan Fund for use in downtown capital projects | \$ 757,500 |
| From the General Fund to the Multi-Use Path Capital Project Fund for use in construction of greenways around the City | \$ 475,532 |
| From the General Fund to the Rosenwald Fund for construction and improvement of recreational facilities | \$ 90,000 |
| From the Capital Reserve Fund to the Utility Fund for water system improvements | \$ 80,000 |
| From the Bjerg Fund to the General Fund for maintenance of the French Broad Community Center | \$ 6,500 |

Note 11 – Net Investment in Capital Assets

The net investment in capital assets as of June 30, 2020 is calculated as follows:

| | <u>Governmental</u> | <u>Business-type</u> |
|----------------------------------|---------------------|----------------------|
| Capital assets | \$ 9,179,324 | \$ 36,562,904 |
| Less: Long-term debt | (845,222) | (20,637,871) |
| Add: Unspent loan proceeds | 285,572 | 202,562 |
| Net investment in capital assets | <u>\$ 8,619,674</u> | <u>\$ 16,127,595</u> |

Note 12 – 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 | \$ 4,551,757 |
| Less: | |
| Nonspendable - inventory | (45,669) |
| Stabilization by State statute | (1,535,441) |
| Minimum fund balance policy (25%) | (2,336,545) |
| Remaining Fund Balance | <u>\$ 634,102</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 25% of budgeted expenditures.

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

Note 13 – Bjerg Nonexpendable Trust Fund

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

Note 14 – Subsequent Events

The City entered into several material transactions subsequent to the close of the fiscal year on June 30, 2020. On August 6, 2020, a property was purchased for \$1,877,500. A 15-year loan for \$1,300,000 at an interest rate of 1.86% was obtained to finance the purchase. Also in August 2020, the City was awarded grants totaling \$2,958,727 and no-interest loans totaling \$986,241 from the North Carolina Department of Environmental Quality for water system improvements.

Note 15 – Related Party Transactions

The City purchased approximately \$24,000 of goods during the year from Harris Hardware and Farm Supply, Inc., which is operated by Mayor Jimmy Harris.

Note 16 – 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 17 – Special Item

During the year ended June 30, 2020, the City received several parcels of donated land for public works projects, including a dog park, the Mary C. Jenkins Center, and two other parks. The City recorded a special item of donated revenue in the statement of activities within governmental activities in the amount of \$814,767.

Note 18 – Prior Period Adjustment - Correction of an Error

During the year ended June 30, 2020, management was notified of an error in the actuarial inputs used to calculate the net other post-employment benefits (OPEB) liability. This error has resulted in an overstatement of the liability in prior years. In order to correct the error, the City's beginning net position has increased by \$318,290, with \$254,631 allocated to governmental activities and \$63,659 allocated to business-type activities.

Note 19 – Uncertainties from COVID-19 Pandemic

The COVID-19 pandemic in the United States, including the City of Brevard, North Carolina, has caused severe business disruptions as state and local governments have declared states of emergency and issued stay-at-home orders for all but the most essential activities. As a result, economic uncertainties have arisen which are likely to negatively impact the City in various ways.

A loss of revenue could take place. Sales tax revenue is particularly vulnerable to economic uncertainties. The City may also experience staffing shortages due to employee departures from the workforce or from exposure to the virus. Other financial impacts could occur, though such potential impact is unknown at this time. The overall financial impact and duration of the COVID-19 pandemic cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

CITY OF BREVARD, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
LAST FOUR FISCAL YEARS**

Schedule of Changes in Total Pension Liability

| | 2020 | 2019 | 2018 | 2017 |
|---|-------------------|-------------------|-------------------|-------------------|
| Beginning balance | \$ 506,819 | \$ 519,416 | \$ 539,753 | \$ 563,585 |
| Service cost | 27,892 | 30,569 | 26,655 | 29,666 |
| Interest on the total pension liability | 17,832 | 15,878 | 19,948 | 19,069 |
| Changes of benefit terms | - | - | - | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 78,298 | (4,664) | (60,283) | - |
| Change of assumptions or other inputs | 18,962 | (20,504) | 39,286 | (13,688) |
| Benefit payments | (33,876) | (33,876) | (45,943) | (58,879) |
| Other changes | - | - | - | - |
| Ending balance of the total pension liability | <u>\$ 615,927</u> | <u>\$ 506,819</u> | <u>\$ 519,416</u> | <u>\$ 539,753</u> |

Schedule of Total Pension Liability as a Percentage of Covered Payroll

| | | | | |
|--|------------|------------|------------|------------|
| Total pension liability | \$ 615,927 | \$ 506,819 | \$ 519,416 | \$ 539,753 |
| Covered payroll | 1,312,841 | 1,282,051 | 1,241,015 | 1,192,033 |
| Total pension liability as a percentage of covered payroll | 46.92% | 39.53% | 41.85% | 45.28% |

Notes to the schedules:

The City of Brevard has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

The amounts presented for each fiscal year were determined as of the prior year ended December 31. These schedules are intended to provide information for ten fiscal years. Additional years' information will be displayed as it becomes available.

CITY OF BREVARD, NORTH CAROLINA

RETIREE HEALTH BENEFITS PLAN
REQUIRED SUPPLEMENTARY INFORMATION
LAST FOUR FISCAL YEARS

Schedule of Changes in Net OPEB Asset (Liability) and Related Ratios

| | 2020 | (restated) 2019 | (restated) 2018 | (restated) 2017 |
|--|-------------------|--------------------|--------------------|--------------------|
| Total OPEB Liability | | | | |
| Service cost | \$ 17,553 | \$ 16,959 | \$ 16,386 | \$ 15,869 |
| Interest on the total OPEB liability | 7,130 | 6,709 | 6,240 | 5,127 |
| Changes of benefit terms | - | - | - | - |
| Differences between expected and actual experience | (149,720) | (25,310) | (22,306) | 55,672 |
| Change of assumptions or other inputs | (2,952) | - | - | - |
| Benefit payments | 18,517 | 15,731 | 18,104 | (58,498) |
| Net change in total OPEB liability | (109,472) | 14,089 | 18,424 | 18,170 |
| Total OPEB liability - beginning | 252,931 | 238,842 | 220,418 | 202,248 |
| Total OPEB liability - ending | <u>\$ 143,459</u> | <u>\$ 252,931</u> | <u>\$ 238,842</u> | <u>\$ 220,418</u> |
| Plan Fiduciary Net Position | | | | |
| Contributions - employer | \$ 11,483 | \$ 3,019 | \$ 646 | \$ 77,248 |
| Net investment income | 3,320 | 4,890 | 22 | 39 |
| Benefit payments | 18,517 | 15,731 | 18,104 | (58,498) |
| Net change in plan fiduciary net position | 33,320 | 23,640 | 18,772 | 18,789 |
| Plan fiduciary net position - beginning | 236,469 | 212,829 | 194,057 | 175,268 |
| Plan fiduciary net position - ending | <u>\$ 269,789</u> | <u>\$ 236,469</u> | <u>\$ 212,829</u> | <u>\$ 194,057</u> |
| City's net OPEB asset (liability) - ending | <u>\$ 126,330</u> | <u>\$ (16,462)</u> | <u>\$ (26,013)</u> | <u>\$ (26,361)</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 188.06% | 93.49% | 89.11% | 88.04% |
| Covered payroll | \$4,341,214 | \$4,003,851 | \$4,003,851 | \$4,003,851 |
| City's net OPEB asset (liability) as a percentage of covered payroll | 2.91% | -0.41% | -0.65% | -0.66% |

CITY OF BREVARD, NORTH CAROLINA

RETIREE HEALTH BENEFITS PLAN REQUIRED SUPPLEMENTARY INFORMATION LAST FOUR FISCAL YEARS

Schedule of the City's Contributions

| | 2020 | (restated) 2019 | (restated) 2018 | (restated) 2017 |
|--|-------------------|--------------------|--------------------|--------------------|
| Actuarially Determined Contribution | \$ 4,276 | \$ 16,315 | \$ 17,214 | \$ 23,438 |
| Contribution in relation to the contractually required contribution | 11,483 | 3,019 | 646 | 77,248 |
| Contribution deficiency (excess) | <u>\$ (7,207)</u> | <u>\$ 13,296</u> | <u>\$ 16,568</u> | <u>\$ (53,810)</u> |
| City's covered payroll | \$ 4,341,214 | \$ 4,003,851 | \$ 4,003,851 | \$ 4,003,851 |
| Actual contributions as a percentage of covered payroll | 0.26% | 0.08% | 0.02% | 1.93% |

Notes to Schedule:

Valuation date: Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the year in which contributions are reported. This schedule will build to a ten-year schedule as information becomes available.

Methods and assumptions used to determine contributions rates:

| | |
|------------------------------|--|
| Actuarial cost method | Entry age normal |
| Amortization method | Level dollar |
| Amortization period | 30 years |
| Asset valuation method | Market value |
| Inflation | 2.50 percent |
| Healthcare cost trend rates | 7.0 percent for 2019 decreasing to 4.5% by 2026 |
| Salary increases | 3.5 to 7.75 including inflation and productivity factor |
| Investment rate of return | 2.72 percent, net of OPEB plan investment expense, including inflation |
| Retirement age and mortality | Assumed life expectancies are based on the RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. |

CITY OF BREVARD, NORTH CAROLINA

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
LAST SEVEN FISCAL YEARS *

City's Proportionate Share of Net Pension Liability (Asset)

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|--------------|--------------|-------------|--------------|-------------|--------------|-------------|
| City's proportionate share of the net pension liability (asset) (%) | 0.06861% | 0.06332% | 0.06516% | 0.07112% | 0.07737% | 0.07524% | 0.00728% |
| City's proportion of the net pension liability (asset) (\$) | \$ 1,873,686 | \$ 1,502,167 | \$ 995,464 | \$ 1,509,405 | \$ 347,232 | \$ (443,725) | \$ 877,520 |
| City's covered payroll | 4,736,758 | 4,376,609 | 4,365,405 | 4,312,361 | 4,405,582 | 4,477,284 | 4,548,986 |
| City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 39.56% | 34.32% | 22.80% | 35.00% | 7.88% | 9.91% | 19.29% |
| Plan fiduciary net position as a percentage of the total pension liability ** | 90.86% | 91.63% | 91.48% | 91.47% | 98.09% | 99.07% | 102.64% |

* The amounts presented for each fiscal year were determined as of the prior year ended June 30. These schedules are intended to provide information for ten fiscal years. Additional years' information will be displayed as it becomes available.

** This will be the same percentage for all participant employers in the LGERS plan.

CITY OF BREVARD, NORTH CAROLINA

**LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
LAST SEVEN FISCAL YEARS**

Schedule of the City's Contributions

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution | \$ 466,606 | \$ 378,589 | \$ 339,990 | \$ 328,218 | \$ 296,217 | \$ 315,304 | \$ 319,008 |
| Contribution in relation to the contractually required contribution | <u>466,606</u> | <u>378,589</u> | <u>339,990</u> | <u>328,218</u> | <u>296,217</u> | <u>315,304</u> | <u>319,008</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered payroll | \$ 5,090,737 | \$ 4,736,758 | \$ 4,376,609 | \$ 4,365,405 | \$ 4,312,361 | \$ 4,405,582 | \$ 4,477,284 |
| Contributions as a percentage of covered payroll | 9.17% | 7.99% | 7.77% | 7.52% | 6.87% | 7.16% | 7.13% |

These schedules are intended to provide information for ten fiscal years. Additional years' information will be displayed as it becomes available.

CITY OF BREVARD, NORTH CAROLINA

**FIREFIGHTERS' AND RESCUE SQUAD WORKERS' PENSION
REQUIRED SUPPLEMENTARY INFORMATION
LAST SIX FISCAL YEARS ***

City's Proportionate Share of Net Pension Liability

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| City's proportionate share of the net pension liability (%) | 0.00000% | 0.00000% | 0.00000% | 0.00000% | 0.00000% | 0.00000% |
| City's proportion of the net pension liability (\$) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| State's proportionate share of the net pension liability associated with the City | <u>36,057</u> | <u>49,860</u> | <u>44,577</u> | <u>33,501</u> | <u>32,874</u> | <u>25,311</u> |
| Total | <u>\$ 36,057</u> | <u>\$ 49,860</u> | <u>\$ 44,577</u> | <u>\$ 33,501</u> | <u>\$ 32,874</u> | <u>\$ 25,311</u> |
| City's covered payroll | \$ 330,775 | \$ 312,091 | \$ 299,914 | \$ 281,616 | \$ 256,786 | \$ 209,861 |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | 10.90% | 15.98% | 14.86% | 11.90% | 12.80% | 12.06% |
| Plan fiduciary net position as a percentage of the total pension liability | 92.43% | 89.69% | 89.35% | 89.94% | 91.40% | 93.42% |

* The amounts presented for each fiscal year were determined as of the prior year ended June 30. These schedules are intended to provide information for ten fiscal years. Additional years' information will be displayed as it becomes available.

**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, 2020

| | Final Budget | Actual | Variance Positive (Negative) |
|--|------------------|------------------|------------------------------------|
| Revenues | | | |
| Ad Valorem Taxes: | | | |
| Current year | \$ 5,037,485 | \$ 5,180,680 | \$ 143,195 |
| Prior years | 10,000 | 4,330 | (5,670) |
| Penalties and interest | 9,000 | 2,146 | (6,854) |
| Refunds paid on ad valorem tax | (2,500) | (1,773) | 727 |
| | <u>5,053,985</u> | <u>5,185,383</u> | <u>131,398</u> |
| Other Taxes and Licenses: | | | |
| Local option sales tax | 1,731,412 | 1,837,898 | 106,486 |
| Zoning administration | 35,000 | 33,390 | (1,610) |
| | <u>1,766,412</u> | <u>1,871,288</u> | <u>104,876</u> |
| Unrestricted Intergovernmental Revenues: | | | |
| Utilities sales tax | 540,000 | 532,138 | (7,862) |
| Beer and wine taxes | 35,000 | 35,092 | 92 |
| Video franchise fees | 45,000 | 44,222 | (778) |
| City of Brevard ABC Board | 150,000 | 150,000 | - |
| Payments in lieu of taxes | 7,000 | 7,671 | 671 |
| Solid waste disposal tax | 6,000 | 6,175 | 175 |
| | <u>783,000</u> | <u>775,298</u> | <u>(7,702)</u> |
| Restricted Intergovernmental Revenues: | | | |
| Powell Bill allocation | 222,000 | 220,568 | (1,432) |
| City narcotics investigation | 35,000 | 40,064 | 5,064 |
| CARES Act | - | 22,087 | 22,087 |
| Court facilities fees | 2,000 | 2,993 | 993 |
| | <u>259,000</u> | <u>285,712</u> | <u>26,712</u> |
| Sales and Services: | | | |
| Recycling revenue | 220,000 | 232,888 | 12,888 |
| Rents | 29,000 | 32,247 | 3,247 |
| Parking violation penalties | 3,000 | 1,880 | (1,120) |
| Refuse collection fees | 660,000 | 683,242 | 23,242 |
| Vehicle maintenance | 431,650 | 192,425 | (239,225) |
| | <u>1,343,650</u> | <u>1,142,682</u> | <u>(200,968)</u> |
| Investment earnings | 120,100 | 91,031 | (29,069) |
| Miscellaneous revenue | 13,000 | 28,619 | 15,619 |
| Total revenues | <u>9,339,147</u> | <u>9,380,013</u> | <u>40,866</u> |
| Expenditures | | | |
| General Government: | | | |
| Governing Body: | | | |
| Salaries and employee benefits | | 39,129 | |
| Other operating expenses | | 59,931 | |
| | <u>104,668</u> | <u>99,060</u> | <u>5,608</u> |
| Administration: | | | |
| Salaries and employee benefits | | 503,427 | |
| Other operating expenses | | 152,122 | |
| Allocation to utility fund | | (300,000) | |
| | <u>376,105</u> | <u>355,549</u> | <u>20,556</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, 2020

| | Final Budget | Actual | Variance Positive (Negative) |
|--------------------------------|-----------------|-----------|------------------------------------|
| Finance: | | | |
| Salaries and employee benefits | | 371,193 | |
| Other operating expenses | | 338,088 | |
| Allocation to utility fund | | (300,000) | |
| | 429,903 | 409,281 | 20,622 |
| Legal: | | | |
| Other operating expenses | 65,500 | 56,229 | 9,271 |
| Planning: | | | |
| Salaries and employee benefits | | 379,806 | |
| Other operating expenses | | 430,842 | |
| | 904,259 | 810,648 | 93,611 |
| Special Appropriations: | | | |
| Arts Council | | 10,000 | |
| Chamber of Commerce | | 3,000 | |
| Heart of Brevard | | 30,000 | |
| Bread of Life | | 5,000 | |
| Boys and Girls Club | | 5,000 | |
| Farmers Market | | 20,000 | |
| | 88,000 | 73,000 | 15,000 |
| Total General Government | 1,968,435 | 1,803,767 | 164,668 |
| Public Safety: | | | |
| Police: | | | |
| Salaries and employee benefits | | 2,553,372 | |
| Other operating expenses | | 507,987 | |
| Capital outlay | | 214,681 | |
| Total Public Safety | 3,341,664 | 3,276,040 | 65,624 |
| Public Works: | | | |
| Administration: | | | |
| Salaries and employee benefits | | 349,405 | |
| Other operating expenses | | 92,622 | |
| | 448,514 | 442,027 | 6,487 |
| Central Maintenance: | | | |
| Salaries and employee benefits | | 207,870 | |
| Other operating expenses | | 173,436 | |
| | 610,586 | 381,306 | 229,280 |
| Streets: | | | |
| Salaries and employee benefits | | 459,332 | |
| Other operating expenses | | 362,297 | |
| | 851,857 | 821,629 | 30,228 |
| Powell Bill: | | | |
| Other operating expenses | | 193,087 | |
| | 222,000 | 193,087 | 28,913 |

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, 2020

| | Final Budget | Actual | Variance Positive (Negative) |
|--|------------------|---------------------|------------------------------------|
| Building and Grounds: | | | |
| Salaries and employee benefits | | 175,436 | |
| Other operating expenses | | 157,937 | |
| | <u>353,747</u> | <u>333,373</u> | <u>20,374</u> |
| Sanitation: | | | |
| Salaries and employee benefits | | 493,505 | |
| Other operating expenses | | 351,681 | |
| Capital outlay | | 203,525 | |
| | <u>1,057,325</u> | <u>1,048,711</u> | <u>8,614</u> |
| Total Public Works | <u>3,544,029</u> | <u>3,220,133</u> | <u>323,896</u> |
| Cultural and Recreation: | | | |
| Recreation Department: | | | |
| Other operating expenses | | 179,289 | |
| Capital outlay | | 12,282 | |
| Total Cultural and Recreation | <u>213,754</u> | <u>191,571</u> | <u>22,183</u> |
| Debt Service: | | | |
| Principal retirement | | 111,588 | |
| Interest | | 14,254 | |
| Total Debt Service | <u>257,899</u> | <u>125,842</u> | <u>132,057</u> |
| OPEB Expense | <u>20,400</u> | <u>20,400</u> | <u>-</u> |
| Total expenditures | <u>9,346,181</u> | <u>8,637,753</u> | <u>708,428</u> |
| Revenues over (under) expenditures | <u>(7,034)</u> | <u>742,260</u> | <u>749,294</u> |
| Other Financing Sources (Uses): | | | |
| Fund balance appropriated | 1,230,320 | - | (1,230,320) |
| Operating transfers (to) from other funds: | | | |
| Pedestrian Fund | 45,000 | - | (45,000) |
| Fire District Fund | (438,664) | (438,664) | - |
| Downtown Master Plan Capital Project Fund | (757,500) | (757,500) | - |
| Multi-use Path Capital Project Fund | (475,532) | (475,532) | - |
| Rosenwald Fund | (835,000) | (90,000) | 745,000 |
| Bjerg Trust | 6,500 | 6,500 | - |
| Installment obligations issued | 1,221,910 | 395,113 | (826,797) |
| Proceeds from sale of capital assets | 10,000 | 10,350 | 350 |
| Total other financing sources (uses) | <u>7,034</u> | <u>(1,349,733)</u> | <u>(1,356,767)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>(607,473)</u> | <u>\$ (607,473)</u> |
| Fund balance, beginning of year | | <u>4,801,677</u> | |
| Fund balance, end of year | | <u>\$ 4,194,204</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, 2020

| | Final Budget | Actual | Variance Positive (Negative) |
|--------------------------------------|-----------------|------------|------------------------------------|
| Revenues: | | | |
| Fees in lieu of infrastructure | \$ - | \$ 72,820 | \$ 72,820 |
| Other Financing Sources (Uses): | | | |
| Fund balance appropriated | 80,000 | - | (80,000) |
| Transfer to the Water and Sewer Fund | (80,000) | (80,000) | - |
| Total other financing sources (uses) | - | (80,000) | (80,000) |
| Net change in fund balance | \$ - | (7,180) | \$ (7,180) |
| Fund balance, beginning of year | | 364,733 | |
| Fund balance, end of year | | \$ 357,553 | |
| Fund balance committed for: | | | |
| Streets and sidewalks | | \$ 91,126 | |
| Water and sewer projects | | 266,427 | |
| | | \$ 357,553 | |

CITY OF BREVARD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2020

| | Special Revenue | | | |
|--|----------------------------------|--|---------------------------------------|-----------------------|
| | Special Fire District Fund | Heart of Brevard Municipal Service District Fund | Emergency Telephone System Fund | Housing Trust Fund |
| ASSETS | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - |
| Cash and cash equivalents, restricted | 69,491 | 7,517 | 63,461 | 146,380 |
| Taxes receivable, net | - | 1,726 | - | - |
| Other receivables | 365 | - | - | - |
| Due from other governments | - | 78 | 14,240 | - |
| Notes receivable | - | - | - | 248,243 |
| Total assets | <u>\$ 69,856</u> | <u>\$ 9,321</u> | <u>\$ 77,701</u> | <u>\$ 394,623</u> |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 22,954 | \$ 7,595 | \$ - | \$ - |
| Due to the General Fund | - | - | - | - |
| Total liabilities | <u>22,954</u> | <u>7,595</u> | <u>-</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Taxes receivable, net | <u>-</u> | <u>1,726</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | |
| Nonspendable | - | - | - | - |
| Restricted for: | | | | |
| Stabilization by state statute | 365 | 1,804 | 14,240 | - |
| Public safety | 46,537 | - | 63,461 | - |
| Economic and physical development | - | - | - | 394,623 |
| Perpetual maintenance | - | - | - | - |
| Unassigned (deficit) | - | (1,804) | - | - |
| Committed for capital projects | - | - | - | - |
| Total fund balances (deficits) | <u>46,902</u> | <u>-</u> | <u>77,701</u> | <u>394,623</u> |
| Total liabilities deferred inflows of resources and fund balances | <u>\$ 69,856</u> | <u>\$ 9,321</u> | <u>\$ 77,701</u> | <u>\$ 394,623</u> |

CITY OF BREVARD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2020

| | Capital Projects | | | Permanent | |
|--|-----------------------------------|---|---|---------------------------------------|---|
| | Multi-Use Path Project Fund | Downtown Master Plan Project Fund | Rosenwald Revitalization Project Fund | Non-expendable Bjerg Trust Fund | Total Nonmajor Governmental Funds |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 53,659 | \$ 1,155,712 | \$ 62,848 | \$ - | \$ 1,272,219 |
| Cash and cash equivalents, restricted | - | - | - | 56,126 | 342,975 |
| Taxes receivable, net | - | - | - | - | 1,726 |
| Other receivables | - | - | - | - | 365 |
| Due from other governments | 104,669 | - | - | - | 118,987 |
| Notes receivable | - | - | - | - | 248,243 |
| Total assets | <u>\$ 158,328</u> | <u>\$ 1,155,712</u> | <u>\$ 62,848</u> | <u>\$ 56,126</u> | <u>\$ 1,984,515</u> |
| LIABILITIES | | | | | |
| Accounts payable and accrued liabilities | \$ 3,036 | \$ 24,129 | \$ 14 | \$ - | \$ 57,728 |
| Due to the General Fund | 515,000 | - | - | - | 515,000 |
| Total liabilities | <u>518,036</u> | <u>24,129</u> | <u>14</u> | <u>-</u> | <u>572,728</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Taxes receivable, net | - | - | - | - | 1,726 |
| FUND BALANCES | | | | | |
| Nonspendable | - | - | - | 55,440 | 55,440 |
| Restricted for: | | | | | |
| Stabilization by state statute | 104,669 | - | - | - | 121,078 |
| Public safety | - | - | - | - | 109,998 |
| Economic and physical development | - | - | - | - | 394,623 |
| Perpetual maintenance | - | - | - | 686 | 686 |
| Unassigned (deficit) | - | - | - | - | (1,804) |
| Committed for capital projects | (464,377) | 1,131,583 | 62,834 | - | 730,040 |
| Total fund balances (deficits) | <u>(359,708)</u> | <u>1,131,583</u> | <u>62,834</u> | <u>56,126</u> | <u>1,410,061</u> |
| Total liabilities deferred inflows of resources and fund balances | <u>\$ 158,328</u> | <u>\$ 1,155,712</u> | <u>\$ 62,848</u> | <u>\$ 56,126</u> | <u>\$ 1,984,515</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, 2020

| | Special Revenue | | | |
|--------------------------------------|----------------------------------|--|---------------------------------------|-----------------------|
| | Special Fire District Fund | Heart of Brevard Municipal Service District Fund | Emergency Telephone System Fund | Housing Trust Fund |
| Revenues: | | | | |
| Ad valorem taxes | \$ 370,113 | \$ 138,645 | \$ - | \$ - |
| Restricted intergovernmental | 365 | - | 56,961 | - |
| Investment earnings | - | - | - | - |
| Miscellaneous | 1,634 | - | - | 2,820 |
| Total revenues | <u>372,112</u> | <u>138,645</u> | <u>56,961</u> | <u>2,820</u> |
| Expenditures: | | | | |
| Public safety | 690,348 | - | 35,540 | - |
| Economic and physical development | - | 138,645 | - | - |
| Capital outlay | - | - | - | - |
| Debt service: | | | | |
| Principal retirement | 117,225 | - | - | - |
| Interest | 3,078 | - | - | - |
| Total expenditures | <u>810,651</u> | <u>138,645</u> | <u>35,540</u> | <u>-</u> |
| Revenues over (under) expenditures | <u>(438,539)</u> | <u>-</u> | <u>21,421</u> | <u>2,820</u> |
| Other Financing Sources: | | | | |
| Transfers from General Fund | 438,664 | - | - | - |
| Transfers to other funds | - | - | - | - |
| Total other financing sources (uses) | <u>438,664</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 125 | - | 21,421 | 2,820 |
| Fund balances, beginning | <u>46,777</u> | <u>-</u> | <u>56,280</u> | <u>391,803</u> |
| Fund balances (deficits), ending | <u>\$ 46,902</u> | <u>\$ -</u> | <u>\$ 77,701</u> | <u>\$ 394,623</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, 2020

| | Capital Projects | | | Permanent | |
|--------------------------------------|-----------------------------------|---|---|---------------------------------------|---|
| | Multi-Use Path Project Fund | Downtown Master Plan Project Fund | Rosenwald Revitalization Project Fund | Non-expendable Bjerg Trust Fund | Total Nonmajor Governmental Funds |
| Revenues: | | | | | |
| Ad valorem taxes | \$ - | \$ - | \$ - | \$ - | \$ 508,758 |
| Restricted intergovernmental | 109,669 | 82,968 | - | - | 249,963 |
| Investment earnings | - | - | - | 949 | 949 |
| Miscellaneous | 10,400 | 50,784 | - | - | 65,638 |
| Total revenues | <u>120,069</u> | <u>133,752</u> | <u>-</u> | <u>949</u> | <u>825,308</u> |
| Expenditures: | | | | | |
| Public safety | - | - | - | - | 725,888 |
| Economic and physical development | - | - | - | - | 138,645 |
| Capital outlay | 1,078,189 | 327,684 | 110,125 | - | 1,515,998 |
| Debt service: | | | | | |
| Principal retirement | - | - | - | - | 117,225 |
| Interest | - | - | - | - | 3,078 |
| Total expenditures | <u>1,078,189</u> | <u>327,684</u> | <u>110,125</u> | <u>-</u> | <u>2,500,834</u> |
| Revenues over (under) expenditures | <u>(958,120)</u> | <u>(193,932)</u> | <u>(110,125)</u> | <u>949</u> | <u>(1,675,526)</u> |
| Other Financing Sources: | | | | | |
| Transfers from General Fund | 475,532 | 757,500 | 90,000 | - | 1,761,696 |
| Transfers to other funds | - | - | - | (6,500) | (6,500) |
| Total other financing sources (uses) | <u>475,532</u> | <u>757,500</u> | <u>90,000</u> | <u>(6,500)</u> | <u>1,755,196</u> |
| Net change in fund balances | (482,588) | 563,568 | (20,125) | (5,551) | 79,670 |
| Fund balances, beginning | <u>122,880</u> | <u>568,015</u> | <u>82,959</u> | <u>61,677</u> | <u>1,330,391</u> |
| Fund balances (deficits), ending | <u>\$ (359,708)</u> | <u>\$ 1,131,583</u> | <u>\$ 62,834</u> | <u>\$ 56,126</u> | <u>\$ 1,410,061</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, 2020

| | Final Budget | Actual | Variance Positive (Negative) |
|---------------------------------|-----------------|------------|------------------------------------|
| Revenues: | | | |
| Ad valorem taxes | \$ 382,804 | \$ 370,113 | \$ (12,691) |
| Restricted intergovernmental | - | 365 | 365 |
| Miscellaneous | - | 1,634 | 1,634 |
| Total revenues | 382,804 | 372,112 | (10,692) |
| Expenditures: | | | |
| Public Safety: | | | |
| Salaries and employee benefits | | 416,678 | |
| Other operating expenses | | 269,530 | |
| Capital outlay | | 4,140 | |
| Total public safety | 1,361,163 | 690,348 | 670,815 |
| Debt Service: | | | |
| Principal retirement | | 117,225 | |
| Interest | | 3,078 | |
| Total debt service | 121,305 | 120,303 | 1,002 |
| Total expenditures | 1,482,468 | 810,651 | 671,817 |
| Revenues under expenditures | (1,099,664) | (438,539) | 661,125 |
| Other Financing Sources: | | | |
| Fund balance appropriated | 11,000 | - | (11,000) |
| Transfer from general fund | 438,664 | 438,664 | - |
| Lease purchase proceeds | 650,000 | - | (650,000) |
| Total other financing sources | 1,099,664 | 438,664 | (661,000) |
| Net change in fund balance | \$ - | 125 | \$ 125 |
| Fund balance, beginning of year | | 46,777 | |
| Fund balance, end of year | | \$ 46,902 | |

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, 2020

| | Final Budget | Actual | Variance Positive (Negative) |
|---------------------------------|-----------------|--------------------|------------------------------------|
| Revenues: | | | |
| Ad valorem taxes | \$ 146,000 | \$ 138,645 | \$ (7,355) |
| Expenditures: | | | |
| Contracted services | 146,000 | 138,645 | 7,355 |
| Net change in fund balance | <u>\$ -</u> | - | <u>\$ -</u> |
| Fund balance, beginning of year | | <u>-</u> | |
| Fund balance, end of year | | <u><u>\$ -</u></u> | |

CITY OF BREVARD, NORTH CAROLINA

EMERGENCY TELEPHONE SYSTEM FUND

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

For the year ended June 30, 2020

| | Final Budget | Actual | Variance Positive (Negative) |
|---------------------------------|-----------------|-----------|------------------------------------|
| Revenues: | | | |
| Restricted intergovernmental | \$ 56,972 | \$ 56,961 | \$ (11) |
| Expenditures: | | | |
| Public safety | 56,972 | 35,540 | 21,432 |
| Net change in fund balance | \$ - | 21,421 | \$ 21,421 |
| Fund balance, beginning of year | | 56,280 | |
| Fund balance, end of year | | \$ 77,701 | |

CITY OF BREVARD, NORTH CAROLINA

HOUSING TRUST FUND

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

For the year ended June 30, 2020

| | Final Budget | Actual | Variance Positive (Negative) |
|--|-----------------|---------------|------------------------------------|
| Revenues: | | | |
| Developer loan repayment | \$ 2,820 | \$ 21,184 | \$ 18,364 |
| Expenditures: | | | |
| Economic and physical development | 2,820 | - | 2,820 |
| Revenues over expenditures | \$ - | 21,184 | \$ 21,184 |
| Reconciliation from budget to actual schedule (budgetary basis) to the fund schedule (modified accrual) | | | |
| Reconciling item: | | | |
| Net collections on long-term loans | | (18,364) | |
| Net change in fund balance | | 2,820 | |
| Fund balance, beginning of year | | 391,803 | |
| Fund balance, end of year | | \$ 394,623 | |

CITY OF BREVARD, NORTH CAROLINA

MULTI-USE PATH CAPITAL PROJECT FUND

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

For the year ended June 30, 2020

| | Final Budget | Actual | Variance Positive (Negative) |
|-------------------------------------|-----------------|--------------|------------------------------------|
| Revenues | | | |
| Restricted intergovernmental | \$ 100,000 | \$ 109,669 | \$ 9,669 |
| Miscellaneous revenues | - | 10,400 | 10,400 |
| Total revenues | 100,000 | 120,069 | 20,069 |
| Expenditures: | | | |
| Paths, sidewalks, and signage | | 232,504 | |
| Skate park project | | 31,771 | |
| Railroad avenue project | | 130,837 | |
| Railroad depot project | | 683,077 | |
| Total expenditures | 1,238,234 | 1,078,189 | 160,045 |
| Revenues under expenditures | (1,138,234) | (958,120) | 180,114 |
| Other Financing Sources: | | | |
| Fund balance appropriated | 700,000 | - | (700,000) |
| Transfers from General Fund | 438,234 | 475,532 | 37,298 |
| Total other financing sources | 1,138,234 | 475,532 | (662,702) |
| Net change in fund balance | \$ - | (482,588) | \$ (482,588) |
| Fund balance, beginning of year | | 122,880 | |
| Fund balance (deficit), end of year | | \$ (359,708) | |

CITY OF BREVARD, NORTH CAROLINA

DOWNTOWN MASTER PLAN CAPITAL PROJECT FUND

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

For the year ended June 30, 2020

| | Final Budget | Actual | Variance Positive (Negative) |
|---|------------------|----------------------------|------------------------------------|
| Revenues: | | | |
| Jordan Street parking lot | \$ 50,000 | \$ 50,784 | \$ 784 |
| Grant revenue | 11,000 | 82,968 | 71,968 |
| Total revenues | <u>61,000</u> | <u>133,752</u> | <u>72,752</u> |
| Expenditures: | | | |
| Clemson Plaza and other downtown improvements | 555,729 | 321,918 | |
| Jordan Street parking lot | - | 5,766 | |
| Total expenditures | <u>818,500</u> | <u>327,684</u> | <u>490,816</u> |
| Revenues under expenditures | <u>(757,500)</u> | <u>(193,932)</u> | <u>563,568</u> |
| Other Financing Sources: | | | |
| Transfer from General Fund | 757,500 | 757,500 | - |
| Total other financing sources | <u>757,500</u> | <u>757,500</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | <u>563,568</u> | <u>\$ 563,568</u> |
| Fund balance, beginning of year | | <u>568,015</u> | |
| Fund balance, end of year | | <u><u>\$ 1,131,583</u></u> | |

CITY OF BREVARD, NORTH CAROLINA

ROSENWALD REVITALIZATION CAPITAL PROJECT FUND

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

For the year ended June 30, 2020

| | Final Budget | Actual | Variance Positive (Negative) |
|---------------------------------|-----------------|-------------------|------------------------------------|
| Revenues: | | | |
| Restricted intergovernmental | \$ - | \$ - | \$ - |
| Expenses: | | | |
| Revitalization project | \$ 917,959 | \$ 110,125 | \$ 807,834 |
| Revenues under expenditures | (917,959) | (110,125) | 807,834 |
| Other Financing Sources: | | | |
| Fund balance appropriated | 82,959 | - | (82,959) |
| Transfer from General Fund | 835,000 | 90,000 | (745,000) |
| Total other financing sources | 917,959 | 90,000 | (827,959) |
| Net change in fund balance | \$ - | (20,125) | \$ (20,125) |
| Fund balance, beginning of year | | 82,959 | |
| Fund balance, end of year | | \$ 62,834 | |

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, 2020

| | Final Budget | Actual | Variance Positive (Negative) |
|--------------------------------|------------------|-------------------------|------------------------------------|
| Revenues: | | | |
| Charges for utilities: | | | |
| Water | \$ 2,844,875 | \$ 2,857,856 | \$ 12,981 |
| Sewer | 2,528,145 | 2,651,873 | 123,728 |
| Taps and connection fees: | | | |
| Water | 36,000 | 19,200 | (16,800) |
| Sewer | 44,000 | 60,413 | 16,413 |
| Other operating revenues | 291,800 | 264,350 | (27,450) |
| Total revenues | <u>5,744,820</u> | <u>5,853,692</u> | <u>108,872</u> |
| Expenditures: | | | |
| Water Service: | | | |
| Water Treatment: | | | |
| Salaries and employee benefits | 358,149 | 377,000 | |
| Other operating expenses | 471,000 | 438,228 | |
| | <u>829,149</u> | <u>815,228</u> | <u>13,921</u> |
| Water Distribution: | | | |
| Salaries and employee benefits | 266,349 | 261,644 | |
| Other operating expenses | 395,200 | 389,985 | |
| | <u>661,549</u> | <u>651,629</u> | <u>9,920</u> |
| Total water service | <u>1,490,698</u> | <u>1,466,857</u> | <u>23,841</u> |
| Sewer Service: | | | |
| Sewage Treatment: | | | |
| Salaries and employee benefits | 582,767 | 638,576 | |
| Other operating expenses | 1,066,681 | 984,313 | |
| Capital outlay | 228,791 | 234,596 | |
| | <u>1,878,239</u> | <u>1,857,485</u> | <u>20,754</u> |
| Sewer Maintenance: | | | |
| Salaries and employee benefits | 324,700 | 267,499 | |
| Other operating expenses | 366,307 | 324,241 | |
| Capital outlay | 119,460 | 126,835 | |
| | <u>810,467</u> | <u>718,575</u> | <u>91,892</u> |
| Total sewer service | <u>2,688,706</u> | <u>2,576,060</u> | <u>112,646</u> |
| Debt Service: | | | |
| Interest and fees | | 283,721 | |
| Debt principal | | 1,309,283 | |
| Total debt service | <u>1,683,010</u> | <u>1,593,004</u> | <u>90,006</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, 2020

| | Final Budget | Actual | Variance Positive (Negative) |
|--|--------------------|---------------------------------|------------------------------------|
| Nondepartmental: | | | |
| Payment to general fund in lieu of taxes and administrative expenses | 600,000 | 600,000 | |
| OPEB expense | 9,600 | 9,600 | |
| Miscellaneous | 30,000 | 44,490 | |
| | <u>639,600</u> | <u>654,090</u> | <u>(14,490)</u> |
| Total expenditures | <u>6,502,014</u> | <u>6,290,011</u> | <u>212,003</u> |
| Revenues under expenditures | <u>(757,194)</u> | <u>(436,319)</u> | <u>320,875</u> |
| Other financing sources: | | | |
| Fund balance appropriated | 337,019 | - | (337,019) |
| Installment obligations issued | 420,175 | 425,175 | 5,000 |
| Total other financing sources | <u>757,194</u> | <u>425,175</u> | <u>(332,019)</u> |
| Revenues and other sources under expenditures | <u><u>\$ -</u></u> | <u><u>(11,144)</u></u> | <u><u>\$ (11,144)</u></u> |
| Reconciliation of Budgetary Basis (modified accrual) to Full Accrual Basis: | | | |
| Reconciling items: | | | |
| Installment obligations issued | | (425,175) | |
| Payment of debt principal | | 1,309,283 | |
| Capital outlay | | 189,756 | |
| Revenues of the Capital Project Fund | | 613,333 | |
| Capital outlay of the Capital Project Fund | | (283,560) | |
| Transfer from the Capital Reserve Fund | | 80,000 | |
| Decrease in accrued interest | | 1,900 | |
| Decrease in net OPEB liability | | 28,558 | |
| Increase in deferred outflows of resources - OPEB | | 256 | |
| Increase in deferred inflows of resources - OPEB | | (25,073) | |
| Decrease in deferred outflows of resources - pension | | (5,517) | |
| Increase in net pension liability | | (74,304) | |
| Decrease in deferred inflows of resources - pension | | 4,423 | |
| Increase in accrued vacation | | (12,498) | |
| Depreciation | | <u>(1,155,471)</u> | |
| Change in net position | | <u><u>\$ 234,767</u></u> | |

CITY OF BREVARD, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECTS FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP)

For the year ended June 30, 2020

| | Actual through June 30, 2020 | | | | Variance |
|--|-------------------------------------|------------------------------------|-------------------------|--------------------------|--------------------------------|
| | Project Authorization | Reported in Prior Years | Current Year | Total to Date | Positive (Negative) |
| Revenues: | | | | | |
| Restricted intergovernmental | <u>\$ 3,083,000</u> | <u>\$ 15,952</u> | <u>\$ 613,333</u> | <u>\$ 629,285</u> | <u>\$ (2,453,715)</u> |
| Expenditures: | | | | | |
| WWTP Rehab Project | 166,000 | 85,498 | 69,350 | 154,848 | 11,152 |
| Radio Read Meter Project | 380,120 | - | 283,560 | 283,560 | 96,560 |
| Cathey's Creek Stream Restoration | 1,000,000 | - | 572,863 | 572,863 | 427,137 |
| Gallimore Road Sewer Basin Project | 2,083,000 | - | 151,845 | 151,845 | 1,931,155 |
| Total expenditures | <u>3,629,120</u> | <u>85,498</u> | <u>1,077,618</u> | <u>1,163,116</u> | <u>2,466,004</u> |
| Revenues under expenditures | <u>(546,120)</u> | <u>(69,546)</u> | <u>(464,285)</u> | <u>(533,831)</u> | <u>12,289</u> |
| Other financing sources (uses): | | | | | |
| Loan proceeds | 380,120 | - | 245,631 | 245,631 | (134,489) |
| Transfer from Capital Reserve Fund | 280,000 | 200,000 | 80,000 | 280,000 | - |
| Transfer to Water and Sewer Fund | (114,000) | (129,952) | - | (129,952) | (15,952) |
| | <u>546,120</u> | <u>70,048</u> | <u>325,631</u> | <u>395,679</u> | <u>(150,441)</u> |
| Revenues and other financing sources over expenditures and other uses | <u>\$ -</u> | <u>\$ 502</u> | <u>\$ (138,654)</u> | <u>\$ (138,152)</u> | <u>\$ (138,152)</u> |

CITY OF BREVARD, NORTH CAROLINA

INSURANCE INTERNAL SERVICE FUND

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

For the year ended June 30, 2020

| | Financial Plan | Actual | Variance Positive (Negative) |
|----------------------------|-------------------|--------------|------------------------------------|
| Revenues: | | | |
| Charges for services | \$ 1,520,300 | \$ 1,533,505 | \$ 13,205 |
| Expenditures: | | | |
| Claims | | 835,375 | |
| Insurance premiums | | 228,260 | |
| Other operating expenses | | 201,608 | |
| Total expenditures | 1,520,300 | 1,265,243 | 255,057 |
| Revenues over expenditures | \$ - | \$ 268,262 | \$ 268,262 |

SUPPLEMENTAL FINANCIAL DATA

CITY OF BREVARD, NORTH CAROLINA

GENERAL FUND
Schedule of Ad Valorem Taxes Receivable
For the year ended June 30, 2020

| Fiscal Year | Uncollected Balance 6/30/2019 | Additions | Collections And Credits | Uncollected Balance 6/30/2020 |
|---|-------------------------------------|---------------------|----------------------------|-------------------------------------|
| 2019-2020 | \$ - | \$ 5,208,502 | \$ 5,181,289 | \$ 27,213 |
| 2018-2019 | 3,746 | - | 1,457 | 2,289 |
| 2017-2018 | 1,833 | - | 648 | 1,185 |
| 2016-2017 | 1,896 | - | - | 1,896 |
| 2015-2016 | 832 | - | - | 832 |
| 2014-2015 | 755 | - | - | 755 |
| 2013-2014 | 1,803 | - | - | 1,803 |
| 2012-2013 | 1,977 | - | - | 1,977 |
| 2011-2012 | 1,169 | - | - | 1,169 |
| 2010-2011 | 2,287 | - | - | 2,287 |
| 2009-2010 | 814 | - | 814 | - |
| | <u>\$ 17,112</u> | <u>\$ 5,208,502</u> | <u>\$ 5,184,208</u> | <u>41,406</u> |
| Less: allowance for uncollectible accounts: | | | | |
| General Fund | | | | <u>(15,000)</u> |
| Ad valorem taxes receivable, net | | | | <u>\$ 26,406</u> |
| <u>Reconciliation with revenues:</u> | | | | |
| Ad valorem taxes - General Fund | | | | \$ 5,185,383 |
| Reconciling items: | | | | |
| Interest collected | | | | (2,146) |
| Taxes written off | | | | 814 |
| Refunds and other adjustments, net | | | | 157 |
| Total collections and credits | | | | <u>\$ 5,184,208</u> |

CITY OF BREVARD, NORTH CAROLINA

GENERAL FUND
Analysis of Current Tax Levy
For the year ended June 30, 2020

| | Property Valuation | Rate | Total Levy | Property Excluding Registered Motor Vehicles | Registered Motor Vehicles |
|------------------------------------|-----------------------|--------|---------------------|--|---------------------------------|
| Original levy: | | | | | |
| Property taxed at current rates | \$ 962,144,749 | 0.0051 | \$ 5,181,737 | \$ 4,906,938 | \$ 274,799 |
| Penalties | | | 1,530 | 1,530 | - |
| Total | | | 5,183,267 | 4,908,468 | 274,799 |
| Discoveries | 18,112,353 | | 92,373 | 92,373 | - |
| Abatements | (13,164,314) | | (67,138) | (67,138) | - |
| Total property valuation | <u>\$ 967,092,788</u> | | | | |
| Net levy | | | 5,208,502 | 4,933,703 | 274,799 |
| Uncollected taxes at June 30, 2020 | | | 27,213 | 27,213 | - |
| Current year's taxes collected | | | <u>\$ 5,181,289</u> | <u>\$ 4,906,490</u> | <u>\$ 274,799</u> |
| Current levy collection percentage | | | <u>99.48%</u> | <u>99.45%</u> | <u>100.00%</u> |

COMPLIANCE SECTION



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

**Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Brevard, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the City of Brevard's basic financial statements, and have issued our report thereon dated January 15, 2021. Our report includes a reference to other auditors who audited the financial statements of the City of Brevard ABC Board, as described in our report on the City of Brevard's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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. We did not identify any

deficiencies in internal control that we consider to be 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 that is required to be reported under Government Auditing Standards.

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
January 15, 2021



Report On Compliance With Requirements Applicable to Each Major State Program And On Internal Control Over Compliance In Accordance With OMB Uniform Guidance And The State Single Audit Implementation Act

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the City of Brevard, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina* that could have a direct and material effect on each of The City of Brevard's major state programs for the year ended June 30, 2020. The City of Brevard's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of state statutes, regulations, and the terms and conditions of its state awards to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Brevard's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Brevard's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the City of Brevard's compliance.

Opinion on Each Major State Program

In our opinion, The City of Brevard complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the City of Brevard is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Brevard's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Brevard's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2020-001, that we consider to be a material weakness.

The City of Brevard's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. The City of Brevard's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

David Killian CPA Group, P.A.

Asheville, North Carolina
January 15, 2021

CITY OF BREVARD, NORTH CAROLINA

Schedule of Findings For the Fiscal Year Ended June 30, 2020

I. Summary of Auditor's Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted

☐yes ☒no

State Awards

Internal control over major State programs:

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

Type of auditor's report issued on compliance for major State programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State

- State Single Audit Implementation Act? ☒yes ☐no

Identification of major State programs:

Program Name

North Carolina Clean Water Revolving Loan and Grant Program

II. Financial Statement Findings

None reported.

CITY OF BREVARD, NORTH CAROLINA

Schedule of Findings For the Fiscal Year Ended June 30, 2020

III. State Award Findings and Questioned Costs

NC Department of Environmental Quality

Division of Water Infrastructure

Program Name: North Carolina Clean Water Revolving Loan and Grant Program
H-SRP-D-17-0127-4W03

Finding: 2020-001 Funds Received Must Be Expended Within Three Days of Receipt

MATERIAL WEAKNESS

Criteria: The Division of Water Infrastructure requires local governments applying for loans or grants for water or wastewater purposes to expedite the expenditure of funds within three days of receipt of the loan or grant proceeds.

Condition: The loan grant proceeds are deposited electronically into the City's bank account by NC Department of Environmental Control's Division of Water Infrastructure. There were three instances where the City paid contractor invoices beyond the three day window of the electronic receipt of related funds from the Division of Water Infrastructure. The errors noted were technical errors only and were eligible expenditures per the loan and grant program. The contractors were paid according to their terms (generally up to 25 days) of being invoiced for services performed.

Cause: The City does not have a formal of reviewing daily electronic deposit of funds and their purposes. This formal review is completed on a monthly basis in the bank reconciliation process. The City did not receive notification of the grant funds being remitted to the City. There was no daily process to track and monitor each day when grant monies were received to ensure payment of the contractor occurred within 3 days. In addition, the check writing process occurs weekly and not each business day.

Effect: The City did not follow the grant requirement of disbursing funds timely as defined within 3 days. The City's risk is the holding of loan grant's cash funds for the short period of time until the contractors were paid and the potential to earn minimal interest on cash being held during this time frame. The City could lose grant funding if not properly administering the program as defined by the grant's requirements.

Identification of a repeat finding: This is not a repeat finding.

Questioned costs: none.

Recommendation: We have recommend the cash management and review process be standardized to include the review of grants funds received electronically on a daily basis versus on an monthly basis. When funds are received, protocol would be in place to ensure the contractor is paid with a check dated within three business days or within the guidelines set forth in the related grant documentation.

Views of responsible officials and planned corrective actions: The City agrees with finding. Please refer to the City's corrective action plan on page 93.



CITY of BREVARD

The mission of the City of Brevard is to promote a high quality of life, support economic prosperity, and cultivate community while honoring its heritage and culture.

Office of City Manager
(828) 885-5601

CORRECTIVE ACTION PLAN For the year ended June 30, 2020

Finding 2020-001

Name of Contact Person: Jim Fatland, City Manager/Finance Director

Corrective Action Plan: The City will include in our daily standardized process (per the recommendation of the auditors) to track daily electronic receipt of funds and their purposes. If the reimbursement is for a grant, the process will expedite timely payments to applicable contractor or vendors in accordance with the related grant requirements. In addition, the City will review each grant upon acceptance for their requirements to ensure the funds are being expended according the grant terms and conditions.

Proposed completion date: January 2021

CITY OF BREVARD, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

For the year ended June 30, 2020

There were no findings for the year ended June 30, 2019.

CITY OF BREVARD, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards For the Year Ended June 30, 2020

| | Federal CFDA Number | State/Pass-Through Grantor's Number | Fed. (Direct & Pass-through) Expenditures | State Expenditures | Passthrough Expenditures | Local Expenditures |
|---|---------------------------|---|---|-----------------------|-----------------------------|-----------------------|
| Federal Awards | | | | | | |
| <u>U.S. Department of Treasury</u> | | | | | | |
| Passed-through the Office of State Budget and Management: | | | | | | |
| NC Pandemic Recovery Office | | | | | | |
| Passed-through Transylvania County: | | | | | | |
| Coronavirus Relief Fund (Note 3) | 21.019 | | \$ 105,518 | \$ - | \$ - | \$ - |
| Total U.S. Dept. of Treasury | | | 105,518 | - | - | - |
| Total Federal awards | | | 105,518 | - | - | - |
| State Awards | | | | | | |
| <u>N. C. Department of Transportation:</u> | | | | | | |
| Non-State System Street-Aid (Powell Bill) | | DOT-4 | - | 220,568 | - | - |
| Kings Creek Bridge | | B5550 | - | 109,669 | - | - |
| Total N.C. Department of Transportation | | | - | 330,237 | - | - |
| <u>N.C. Department of Environmental Quality</u> | | | | | | |
| North Carolina Clean Water Revolving Loan and Grant | | H-SRP-D-17-0127 | - | 613,333 | - | - |
| Total N.C. Department of Environmental Quality | | | - | 613,333 | - | - |
| Total State awards | | | - | 943,570 | - | - |
| Total Federal and State awards | | | \$ 105,518 | \$ 943,570 | \$ - | \$ - |

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

- Basis of Presentation**
The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of the City of Brevard under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Brevard, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Brevard.
- Summary of Significant Accounting Policies**
Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Brevard has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.
- Coronavirus Relief Funds**
Subsequent to June 30, 2020, the City of Brevard received \$184,183 of funding from the Coronavirus Relief Fund (21.019) from Transylvania County. The City has a plan to spend these funds approved by OSBM and expended \$105,518 of these funds during the year ended June 30, 2020. According to the Office of State Budget and Management, the State's pass-through agency, municipalities are considered subrecipients of the Counties. However, under the state statute, municipalities are not liable to the County for any misused or misspent funds. CRF must be spent during the period March 1, 2020 to December 30, 2020.

| | |
|--|------------------|
| Total Coronavirus Relief Funds Awarded | \$ 184,183 |
| Less: Amounts expended through June 30, 2020 | (105,158) |
| Remaining Funds | <u>\$ 79,025</u> |