

CITY OF CONOVER NORTH CAROLINA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2019

Prepared by
City of Conover Finance Department

CITY OF CONOVER, NORTH CAROLINA
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June 30, 2019

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- * List of Principal Officials**



LETTER OF TRANSMITTAL

November 15, 2019

The Honorable Mayor Lee E. Moritz, Jr., Conover City Council and the Citizens of the City of Conover, North Carolina

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the City of Conover, North Carolina for the fiscal year ended June 30, 2019. The financial statements were prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with generally accepted governmental auditing standards by a firm of licensed certified public accountants. We believe the data is presented in a manner designed to set forth fairly the financial position and results of operations for the City of Conover for fiscal year 2019.

This report consists of management's representations concerning the finances of the City of Conover. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. In order to provide a reasonable basis for making these representations, management of the City of Conover has established a comprehensive internal control framework that is designed to protect the City's assets from loss, theft, or misuse and to compile reliable information for the preparation of the City of Conover's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not out-weigh the benefits, the City of Conover's internal controls have been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Conover's financial statements have been audited by Debora B. Wentz Certified Public Accountant. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Conover for the fiscal year ended June 30, 2019, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, there was a reasonable basis for rendering an unmodified opinion that the City of Conover's financial statements for fiscal year ended June 30, 2019 are fairly presented in conformity with GAAP. The

independent auditor's report is presented as the first component of the financial section of this report.

The Comprehensive Annual Financial Report (CAFR) has been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments*. Additionally, the financial statements have been prepared in compliance with applicable requirements of the General Statutes of North Carolina and are consistent with the standards and guidelines recognized for governmental accounting and financial reporting contained in both *Audits of State and Local Governmental Units*, an audit guide prepared by the Committee of Governmental Accounting of the American Institute of Certified Public Accounts (AICPA), and *Government Auditing Standards*, issued by the Comptroller General of the United States. Among other resources used in the preparation of the financial statements, the finance staff has given particular attention to *Governmental Accounting, Auditing and Financial Reporting* (GAAFR) issued by the Government Finance Officers Association of the United States and Canada (GFOA), and Governmental Accounting Standards Board (GASB) pronouncements.

The Single Audit Act of 1984 established requirements for state and local governments that receive federal assistance. Audit requirements have also been adopted by the State of North Carolina for state grants. Information related to this single audit, including the schedule of federal and state financial awards, schedule of findings and questioned costs, auditor's report on internal control and compliance with laws and regulations, and other schedules and exhibits necessary to satisfy the requirements of the single audit, are included in the compliance section of this report.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Conover's MD&A is presented immediately following the report of the independent auditors.

Profile of the Government

The City of Conover began to develop in the mid 1800s as a "Y" intersection of the railroad traversing North Carolina. Although originally called Wye Town, legend says the name Canova was adopted, but transposed to Conover, over several years. The City of Conover was chartered in 1876 and incorporated in 1877.

Conover is located in the western piedmont area of North Carolina and is part of the Hickory Metropolitan Statistical Area (MSA), the fourth largest MSA in the state. Conover is located approximately 50 miles northwest of Charlotte; 60 miles west of Winston-Salem; and 80 miles east of Asheville, and is the geographic center of Catawba

County. Conover is located in the foothills of the Blue Ridge Mountains offering residents and visitors many scenic attractions, recreational options and a temperate climate with four seasons that are distinct yet mild. Interstate 40 traverses through the City along with other major roads including US 70, US 321, US 70A, and NC 16 facilitating easy access for residents, visitors and businesses.

Conover is experiencing a period of growth and expansion in the manufacturing sector and in residential development. The City has approved or is in the process of reviewing approximately 900,000 square feet of new manufacturing space which includes facilities for manufacturing expansion, new warehousing and distribution space and research and manufacturing incubation space. The residential sector has also seen growth. In the past year, approximately 400 residential units, that the City has received application for, have received zoning approval and are made up of apartments, townhomes and single-family homes.

The City has also completed several infrastructure projects including completing a streetscape and bike lane project on 1st Avenue South with pedestrian crossings and new bike facilities. The City has also completed Phase II of City Park at Conover Station with the addition of the Norman B. Coley Amphitheater for special events. The final event of the season in August 2019, attracted an estimated 3,500 people to enjoy music and food at the park. These public sector projects are already generating private sector investment through renovation and construction of new and existing buildings for business expansion.

As of June 2019, the land area of the City is 11.1 square miles with a resident population of 8,458.

The City of Conover operates under a council-manager form of government. The City Council consists of five council members and a mayor. Each is elected on a nonpartisan basis to serve staggered four-year terms. The City Council is the policy-making and legislative authority of the City. The Council makes appointments to various boards and commissions, and hires the City Manager. The City Manager is the Chief Executive Officer and is responsible for enforcement of ordinances, delivery of services, implementing policies, managing daily operations and hiring of department heads.

The City provides its citizens with basic quality services that include planning and zoning, code enforcement, police and fire protection, public works, street maintenance, solid waste collection, recycling, parks and cemeteries, and water and sewer utilities. This report includes all the City's activities in providing these services. The City also extends financial support to other agencies, boards and commissions to assist their efforts in serving citizens. Among these are the Economic Development Corporation, the Western Piedmont Regional Transit Authority, the Western Piedmont Council of Governments, the Hickory-Conover Tourism Development Authority, the Multijurisdictional Park/NC Data Campus and the Regional Sludge Composting Facility. There are no component units of the City required to be included in this report.

In government, much more than business, the budget is an integral part of a unit's accounting system and daily operations. North Carolina General Statutes require all governmental units in the State to adopt a balanced budget by July 1st of each year. An annual or project budget ordinance, as adopted and amended by the governing body, creates the legal limit on spending authorizations and guides the City's accounting system as well as daily operations. The City of Conover maintains budgetary controls to ensure compliance with annual and project budget ordinances approved by the City Council. Project budgets are adopted for the duration of the project; therefore, neither the project nor the appropriations need to be readopted in any subsequent fiscal year. The City Manager reports at least annually on the financial status of project ordinances. The level of budgetary control (that is, the level at which expenses or expenditures cannot legally exceed the appropriated amount) is established by department, activity or major object within an individual fund. Expenses or expenditures may not legally exceed appropriations at the department level for all funds with which budgets are adopted annually and at the object level for all funds with which budgets are adopted by project. More than one department may appear under a specific function, but the budgetary control is by department or project. Budgetary control is maintained through the use of an encumbrance accounting system and encumbrances outstanding at June 30th are reported as reservations of fund balance and are re-appropriated the following fiscal year.

In accordance with State law, the City's budget is prepared on the modified accrual basis, and its accounting records are also maintained on that basis. Under modified accrual accounting, revenues are recorded when they are both measurable and available. Expenditures are recorded when a fund liability is incurred, except for un-matured principal and interest on long-term debt and certain compensated absences. Governmental funds are reported on the modified accrual basis in the fund financial statements. Proprietary funds are reported on the full accrual basis in the fund financial statements, under which revenues are recorded when earned and expenses are recorded when incurred.

Local Economy

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Conover operates.

The current unemployment rate stands at 4.1 % with 5% being considered 'full employment'. On an average day in Catawba County, there are over 3,500 job listings in almost every job classification. There are positive trends apparent in the employment figures. The labor force is growing as is the number of positions in the county. Since 2010, over 14,000 new positions have been added to the workforce (approximately 5,200 in manufacturing; 2,900 in services; 2040 in retail; 4,000 in health care and other professional services)

Locally, manufacturing has primarily been comprised of furniture, foam, textiles, and fiber. During the past several years, this has expanded to include a variety of other forms of manufacturing such as electronics, wood products, automotive parts and cellular communications. Because of this growth, in Conover there are virtually no available manufacturing buildings ready for new or expanding companies. This shortage is prompting the City to look for private sector partners to develop new facilities in our community. In the downtown area at the Conover Station property (the former Broyhill Factory site), the City is leveraging its own property as part of a public private partnership. The City is promoting new manufacturing flex and incubator space to allow our community partner, Manufacturing Solutions Center, to expand and provide more space to incubate new manufacturing uses. New manufacturing uses would complement the other public City-led investments in this area including park facilities, streetscape development and support for small business investment.

In addition to this, City staff is working with at least four separate manufacturing clients who need approximately 900,000 square feet of new facilities. Some of these projects are building on new sites and others are expanding existing buildings on a corporate campus. These projects also qualify for special economic development incentives and so are treated confidentially until the awards are made and announcements are provided by state officials.

Efforts to expand the workforce and strengthen business are also underway county-wide. The Catawba County Chamber of Commerce has recently completed a survey of employers and employees entitled Talent Retention and Attraction: Housing Survey for both Employers and Employees. The response was strong with over 660 respondents.

One of the biggest challenges facing employers is recruiting or retaining talent. Unless this challenge is addressed, it may result in moderating the ability to grow business and manufacturing. Directly related to this shortage of employees is the shortage of suitable housing for employees. According to the survey, 73% of employees reported that finding suitable housing is a challenge. In addition, 34% of employees have had to move further away than their preference from work to find appropriate housing. Businesses of all types are recognizing that housing is important to their overall growth and success.

Employers perceive that the construction of new residential would have the most positive impact on their company as follows:

63% single family

42% townhomes/condominiums

39% apartments

25% downtown/ loft and studios

Conover has issued zoning permits for all of the above noted housing types over the past year. The number of zoning permits issued for single family homes, townhomes and apartments totals approximately 400 units. Many of the single family home permits have been issued for locations already approved and so represent infill housing. We expect that this will have a positive impact on the City by bringing more people to our community. Conover City Council has reviewed and made a priority, the development of new housing in the community. Conover is also making City land available for higher density infill housing especially where it is located close to the City center. City Council has signaled a willingness to work with private developers to increase the supply of new housing.

To round out the local economic picture, commercial development has also seen positive growth. Commercial growth for Conover has been positive and has focused on small business development. The downtown area has seen several new businesses or expansions over the past year. A new restaurant has opened in downtown, the Fresh Chef Kitchen. This is the fifth location for a small Charlotte-based chain serving fresh modern cuisine. In addition, the Perfect Workout Gym has grown in its downtown location prompting the need to expand to include 6,000 additional square feet. Membership at the downtown gym is expected to top 4,000 members by 2020.

The Downtown Revitalization Grants offered by the City have been popular this year with several new grants awarded representing nearly \$100,000 in new investment to renovate and occupy vacant building space.

Public Facility investment includes the completion of a new Fire Station 2 serving the northwest part of the City. This facility provides space for Fire staff and staff from Catawba County EMS. The facility provided public sector investment of \$2,000,000.

Another big public project this year was the construction of the Norman B. Coley Amphitheater that was part of the City's park expansion project located at the City Park at Conover Station. This new amphitheater was developed with a private donation, a state provided PARTF Grant and City funds. Several summer concerts attracted thousands of people to enjoy live music in Conover. The 2020 lineup is already being planned with a lot of enthusiasm for this type of feature in the park.

Long-term financial planning

A major consideration of the Conover governing board has consistently been to maintain or improve the quality of life for Conover citizens and businesses while still maintaining a low tax rate and a strong financial position. This has been accomplished through careful planning for growth, providing adequate public facilities and infrastructure in advance of growth and maintaining a sufficient fund balance to provide cash flow, generate interest income, eliminate the need for any short-term borrowings and provide for unanticipated opportunities or emergencies.

Each year the City updates its five-year Capital Improvement Plan (CIP) as part of the City's budgeting process, and budgets capital improvements and purchases according to the plan. For capital purchases such as sanitation trucks, fire trucks, dump trucks, park expansions, etc., the City builds reserves through its annual budget process over several years and then purchases the equipment with the reserves once enough has been accumulated to make the purchase. For fiscal year 2019-2020, the City has budgeted approximately \$703,400 in reserves for governmental projects including street improvements, public works equipment and building improvements, technology enhancements, sanitation equipment and police and fire safety equipment. The bulk of these reserves have come from sales tax revenues and franchise revenue. The City has budgeted approximately \$1,346,975 in reserves for water/sewer improvements and capital equipment. These reserves have come from utility operating revenues and investment earnings. In addition to these reserves, the City has fund balances that can be appropriated through the budget process to finance future capital purchases and improvements.

Major Initiatives

Cyber Security Training and Cyber Liability Insurance

Cybercrime has gone pro over the last 10 years. Attacks have become much more sophisticated and intense. The bad guys bypass firewalls/antivirus security software and social engineer employees to click on a malicious link or open an infected attachment. From there it's easy to hack a network and do damage. According to Verizon's 2019 Data Breach Investigation Report, phishing was the #1 threat action used in successful breaches linked to social engineering and malware attacks. Emails, phone calls and other outreach methods are designed to persuade staff to take steps that provide criminals with access to company data and funds. Each organization's employee susceptibility to these phishing attacks is known as their Phish-prone™ percentage (PPP). An organization's PPP indicates how many of their employees are likely to fall for a social engineering or phishing scam. These are the employees who might be fooled into opening a file infected with malware or transferring company funds to a fraudulent bank account. A high PPP indicates greater risk, as it points to a higher number of staff who typically fall for these

scams. A low PPP is optimal, as it indicates the staff is security-savvy and understand how to recognize and shut down such attempts. Based on a study conducted by Know Be 4 Security Awareness, the PPP for government agencies that have had no formal security awareness training is around 34.7% for agencies with 1-249 employees.

Conover IT staff provided ad-hoc Security Awareness training for years by sending out examples of Phishing emails and teaching staff how to look for “Red Flags”. Conover City Council recently decided to make an investment in our Cyber Security posture by signing on with KnowBe4 to provide cyber security education and phish testing to all employees with a City issued email address. Prior to implementation, Conover employees were Phish Tested to establish a ‘Baseline’ metric. At that time, Conover’s PPP was 38.5%, which was slightly higher than the average for government agencies of our size. We then implemented a monthly training and testing regiment where employees are required to take a short 5-15 minute training module and are ‘spoofed’ with 2 fake Phishing emails every month. After 12 months of training and testing, our PPP is now down to 2.5%! This metric emphasizes that the training and testing conducted by the City has proven itself effective and well worth the investment by our Council.

While the City’s IT Department takes every step possible to educate staff and protect the network with a layered approach that includes anti-virus software, web filters, etc, the bad guys are even more determined and work twice as hard to breach security measures. Many local governments have been compromised and held for ransom in the last few years, including Catawba County, where Conover is located. As a result, Conover made the investment to purchase Cyber Security Liability Insurance. Should Conover experience a network compromise or have data held for ransom, this insurance policy provides Conover with Security and Privacy Liability Insurance, Network Interruption Insurance, Event Management Insurance, Cyber Extortion Insurance and Reputation Guard Insurance.

Fire Station #2 Demolition and Re-construction

On September 11, 2017, the City of Conover and Catawba County entered into an Interlocal Agreement for the demolition and re-construction of Fire Station 2. The new station would house both Fire and EMS under the same roof. The partnership would place the Catawba County EMS in the best suitable location for response within the primary district. The location of the new Fire Station 2 would be on the same location as the current station, requiring demolition of the existing building and staff re-location until construction was complete.

Demolition began in November of 2017, followed by site work preparation in December of 2017. Construction of the new structure began in January 2018 and was completed and re-dedicated to serve the City of Conover and Catawba County in February, 2019. Fire Station 2 now has a total square footage of 10,640 square feet. Features include combined offices for both Fire and EMS, meeting/training room, sleeping quarters, large

kitchen, and a large apparatus bay for both fire apparatus and room to house two EMS response units.

Total cost of the project was \$2,001,000 which included demolition, re-construction, site work, emergency generator, apparatus bay doors, furnishings, and re-paving of St. Timothy Fire Drive SW.

Conover City Park Expansion

In 2014, the City of Conover conducted a public survey to help determine the needs of our community. By and large, the response was more community space at Conover City Park. Conover is a community that, until the completion of Conover City Park Phase 1 in 2013, had little public space to gather. Citing the success and the positive community response of the current park, the City of Conover applied for funds from the North Carolina Parks and Recreation Trust Fund, NC-PARTF and other agencies to expand Conover City Park. This expansion is known as “Phase 2”.

Another significant event happened in 2014, the sudden loss of our beloved community member Norman B. Coley. Norman was born and raised in Conover and served the community both anonymously and through his leadership as President of Lee Industries. Norman had a passion for Conover and its community and will always be remembered for purchasing and developing the old Conover Chair property and turning it into a state-of-the-art facility to be utilized as the headquarters for Lee Industries. His devotion to repurposing the property with an emphasis on its environmental impact was a tremendous gift to Conover and those who work for Lee Industries. Living life to the fullest, enjoying the great outdoors, having a positive impact on people, and cultivating a unique company culture for Lee Industries were all true passions to Norman. He also had a love for music.

After Norman’s passing, the Conover City Park became the meeting place for Norman’s family and close family friends to discuss further plans. The decision to establish the Norman Coley Foundation took place in Conover Station. Carefully considering Norman’s passions and hopes for Conover, the Norman Coley Foundation decided to gift \$40,000 toward an amphitheater as an addition to Phase 2. Since then, plans to create a cutting-edge amphitheater were underway. The Coley family and family friend, Artist Jonathan Birchfield, worked closely with the City to create a space for the community to enjoy. The Norman B Coley Amphitheater was designed to host concerts in the park and public ceremonies. Technical elements were planned for the capability to host local musicians as well as accommodate larger performances. The groundbreaking ceremony for the Norman B. Coley Amphitheater took place on December 27th, 2018 and since then there have been several summer concerts drawing thousands of people to downtown Conover.

The construction talent of Conover’s Public Works Department completed the grading, installed drainage and water/ sewer infrastructure to the site. In addition to the Norman B. Coley Amphitheater, Phase 2 features include: 1,400 feet of Carolina Thread Trail

walkways, an adult exercise playground, a children's play area, a pollination garden, handicap accessible swing, pickel ball courts, cornhole court, benches and porch swings.

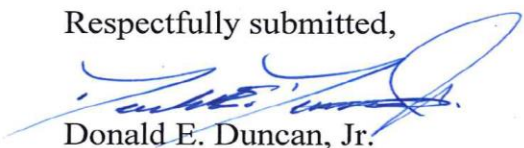
Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Conover for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. This was the twenty-second consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

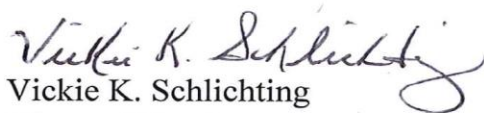
Acknowledgments

Preparation of this report would not have been possible without the dedicated efforts of the staff of the finance, planning and city manager's offices of the City. Each member who participated in the preparation of this report has our sincere appreciation for his or her contributions. We also acknowledge and appreciate the assistance provided by the auditing and accounting firm of Debora B Wentz, CPA. In closing, we thank the members of the City Council for their leadership, interest and support throughout the year.

Respectfully submitted,



Donald E. Duncan, Jr.
City Manager



Vickie K. Schlichting
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Conover
North Carolina**

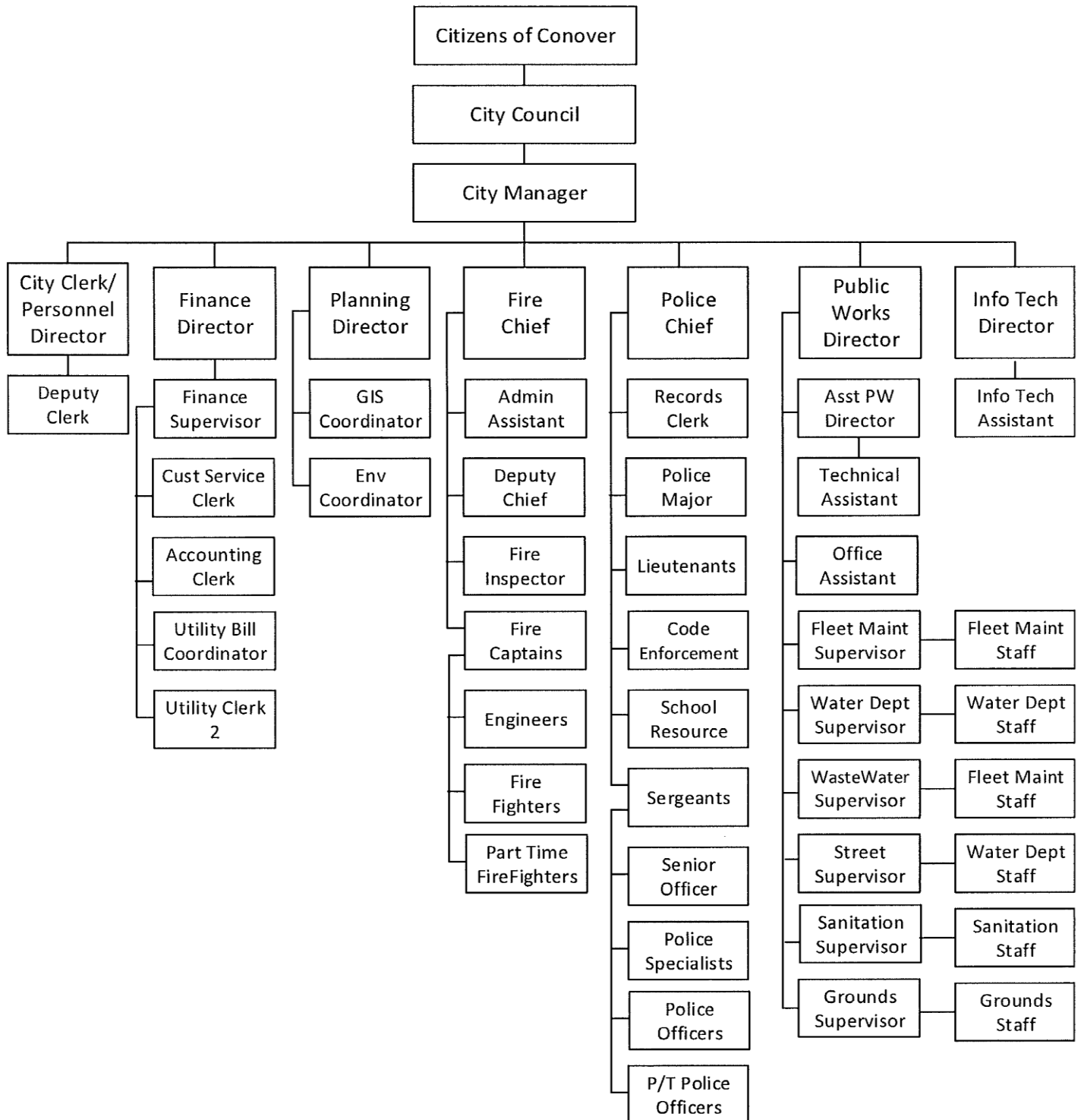
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

City of Conover Organizational Chart



**CITY OF CONOVER, NORTH CAROLINA
LIST OF PRINCIPAL OFFICIALS**

CITY COUNCIL

Mayor Lee E. Moritz, Jr.

Council Member Kyle J. Hayman (Mayor Pro Tem)

Council Member Don A. Beal

Council Member Joie D. Fulbright

Council Member Bruce R. Eckard

Council Member Mark R. Canrobert

OTHER CITY OFFICIALS

City Manager Donald E. Duncan, Jr.

City Attorney Monroe Pannell

City Clerk Cara C. (Chris) Reed

Finance Director Vickie K. Schlichting

Fire Chief J. Mark Hinson

Planning Director Alan Glines

Police Chief Eric L. Loftin

Public Works Director Jimmy A. Clark

Information Technology Director Christopher M. Niver

Financial Section

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 - * Management's Discussion and Analysis**
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 - * Required Supplementary Information**
 - * Combining, Individual Fund Statements and Schedules**

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Debora B. Wentz, CPA
Post Office Box 287
Newton, North Carolina, 28658

Independent Auditor's Report

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Conover, North Carolina, as of and for the year ended June 30, 2019, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Conover, North Carolina, as of June 30, 2019, and the respective changes in financial position, and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in 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 Management's Discussion and Analysis on pages 19 through 31, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 100 through 101, the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability (Asset) on page 102, and Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Liability as a Percentage of Covered Payroll on pages 103 through 104, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Conover, North Carolina's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules as well as the accompanying 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 purpose of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial 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 my opinion, based on my audit, the procedures performed as described above, the combining and individual nonmajor fund financial 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*, I have also issued my report dated November 15, 2019, on my consideration of the City of Conover, North Carolina's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Conover, North Carolina's internal control over financial reporting and compliance.

Debra B. Wentz, CPA

Newton, North Carolina
November 15, 2019

Management's Discussion and Analysis

As management of the City of Conover, we offer readers of the City of Conover's financial statements this narrative overview and analysis of the financial activities of the City of Conover for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

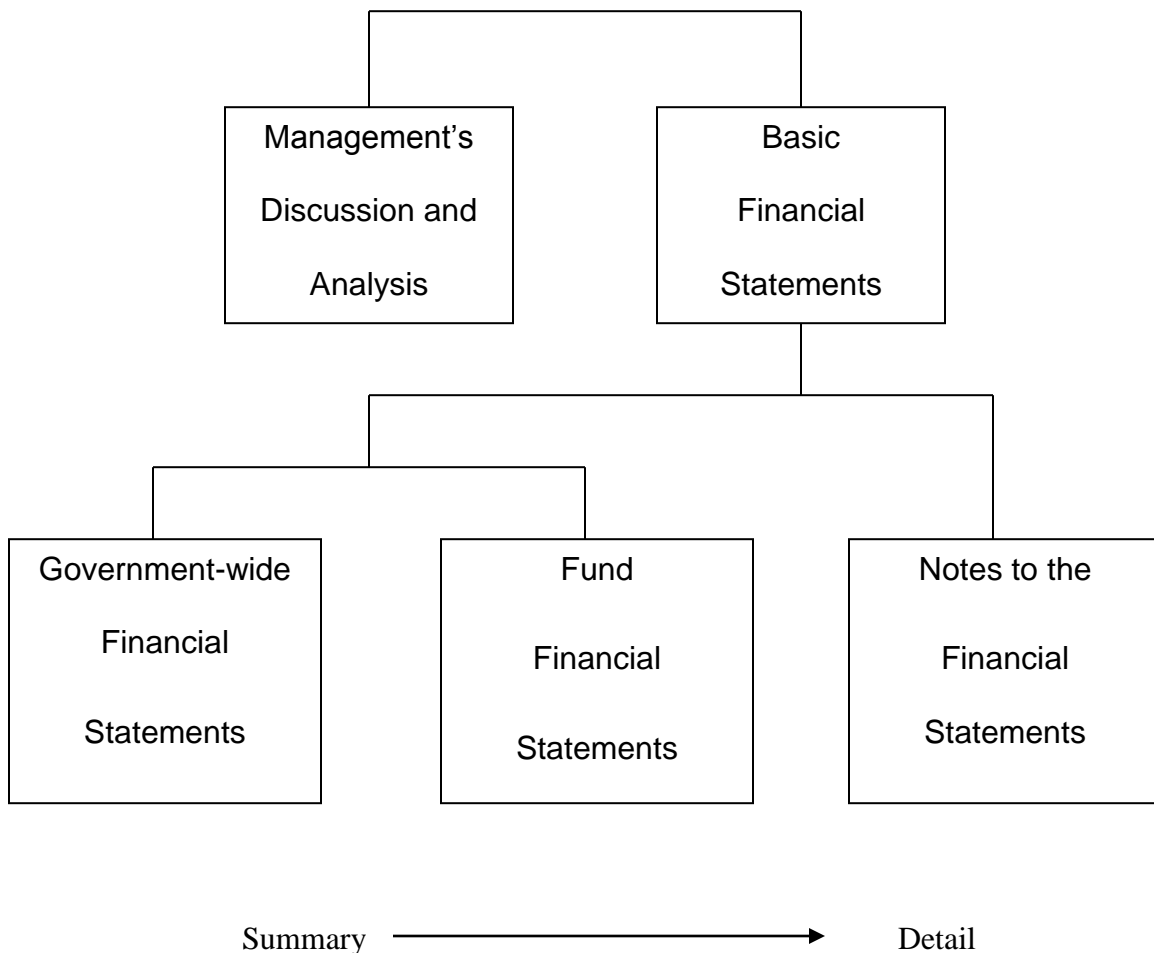
- The assets and deferred outflows of resources of the City of Conover exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$74,639,370 (net position).
- The government's total net position increased by \$1,793,247 due to increases in the governmental type activities net position of \$1,428,674 and increases in the business type activities net position of \$ 364,573.
- As of the close of the current fiscal year, the City of Conover's governmental funds reported combined ending fund balances of \$ 9,470,424, an increase of \$ 256,351 in comparison with the prior year. Approximately 21 percent of this total amount or \$ 2,016,289 is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$ 5,167,051 or 54 percent of total general fund expenditures for the fiscal year.
- The City of Conover's total debt which does not include compensated absences or pension obligations decreased by \$295,071 (3.5%) during the fiscal year although the City did add new water/sewer debt of \$260,985 from a 15 year county loan to add services outside the City limits. Compensated absences liability and pension obligations will be reported later in this MD&A and also in the notes to the financial statements.
- The City of Conover's legal debt limit is \$ 89,907,405 (8 percent of assessed value) and the City's legal debt margin is \$ 81,854,612. The total legal indebtedness of the City is \$ 8,052,793, which represents .72% of assessed valuation.
- The City of Conover's bond ratings are an "Aa2" bond rating from Moody's Investors Service, an "A" bond rating from Standard and Poor's, and a rating of 83 from the North Carolina Municipal Council.
- Tax values increased \$23,595,547 or 2.8% from the previous fiscal year as growth seems to be steadily making its way back from re-valuation. The next re-valuation will reflect in the fiscal year 2019-2020 financial reports
- The City's tax rate was increased from .47 to .50 per \$100.00 valuation in order to maintain the city's current levels of service.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Conover'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 Conover.

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's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the North Carolina 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 it has 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 two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include the City's basic services such as general administration, public safety, transportation, sanitation and recycling, economic and community development and cemeteries and parks. These activities are supported primarily by property taxes, sales taxes and state and federal grants. The business-type activities are those for which the City charges fees to recover the costs associated with providing the service. These include the water and sewer services offered by the City of Conover.

There are no component units of the City of Conover.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements 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 Conover, 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 Conover can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which 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 Conover maintained sixteen individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balance for the General Fund and the General Capital Reserve Fund. These two funds are considered to be the major funds for this fiscal year. Data from the other fourteen non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements located on pages 116 - 119 of this report.

The City of Conover adopted an annual budget for its major governmental funds; General Fund and General Capital Reserve Fund.

Of the fourteen non-major governmental funds, the City adopted an annual budget for four funds and a project budget for ten funds.

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 City 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 board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The City of Conover operates and reports on one proprietary fund: the water and sewer enterprise fund.

Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Conover uses enterprise funds to account for its water and sewer operations. The details of these funds are shown as 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 functions. The City of Conover no longer has an internal service fund as the City is no longer self-funded and provides employee insurance through the State of North Carolina's Blue Cross Blue Shield plan.

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 49 - 98 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Conover's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found beginning on page 99 of this report.

Interdependence With Other Entities – The City depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis**The City of Conover's Net Position****Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 10,043,340	\$ 10,127,051	\$ 6,598,009	\$ 5,723,309	\$ 16,641,349	\$ 15,850,360
Capital assets	38,634,013	37,617,938	29,692,379	30,173,387	68,326,392	67,791,325
Total assets	48,677,353	47,744,989	36,290,388	35,896,696	84,967,741	83,641,685
Deferred outflows of Resources	1,055,534	685,603	346,510	226,207	1,402,044	911,810
Current Liabilities	1,100,353	1,360,191	649,732	670,682	1,750,085	2,030,873
Long term liabilities	6,536,619	6,378,021	3,332,361	3,153,730	9,868,980	9,531,751
Total liabilities	7,636,972	7,738,212	3,982,093	3,824,412	11,619,065	11,562,624
Deferred Inflows of Resources	99,980	125,119	11,370	19,629	111,350	144,748
Net position:						
Net investment in capital assets	33,683,664	32,369,958	26,589,935	27,073,503	60,273,599	59,443,461
Restricted	1,933,086	3,170,890	-	-	1,933,086	3,170,890
Unrestricted	6,379,185	5,026,413	6,053,500	5,205,359	12,432,685	10,231,772
Total net position	\$ 41,995,935	\$ 40,567,261	\$ 32,643,435	\$ 32,278,862	\$ 74,639,370	\$ 72,846,123

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 Conover exceeded liabilities and deferred inflows \$ 74,639,370 as of June 30, 2019. The City's net position increased \$1,793,247 for the fiscal year ended June 30, 2019. The largest portion of net position (80.75%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The City of Conover uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Conover's net 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's net position, \$ 1,933,086 (2.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$ 12,432,685 is unrestricted.

City of Conover Changes in Net Position
Figure 3

	Governmental Activities	Governmental Activities	Business Type Activities	Business Type Activities	Total	Total
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 827,832	\$ 776,788	\$ 4,924,620	\$ 4,356,241	\$ 5,752,452	\$ 5,133,029
Operating grants and contributions	769,479	831,905			769,479	831,905
Capital grants and contributions	495,204	348,283	22,909	58,285	518,113	406,568
General revenues:						
Property taxes	5,651,421	5,157,051			5,651,421	5,157,051
Other taxes	3,498,266	3,170,208			3,498,266	3,170,208
Grants and contributions not restricted to specific programs	7,500	24,800			7,500	24,800
Capital assets contributed to Enterprise Fund	(64,456)	(83,243)	64,456	83,243	-	-
Gain on sale of assets	27,463	65,244	10,837	17,325	38,300	82,569
Other	212,005	168,394	22,547	6,530	234,552	174,924
Total revenues	11,424,714	10,459,430	5,045,369	4,521,624	16,470,083	14,981,054
Expenses:						
General government	3,117,850	2,867,859			3,117,850	2,867,859
Public safety	4,113,880	4,317,001			4,113,880	4,317,001
Transportation	1,733,196	1,747,120			1,733,196	1,747,120
Environmental Protection	852,274	834,976			852,274	834,976
Economic development	-	-			-	-
Interest on long-term debt	178,840	167,020			178,840	167,020
Water and sewer			4,680,796	4,478,611	4,680,796	4,478,611
Total expenses	9,996,040	9,933,976	4,680,796	4,478,611	14,676,836	14,412,587
Increase(Decrease) in net position before transfers	1,428,674	525,454	364,573	43,013	1,793,247	568,467
Transfers	-	19,532	-	(19,532)	-	-
Change in net position	1,428,674	544,986	364,573	23,481	1,793,247	568,467
Net position, July 1, as restated	40,567,261	40,112,105	32,278,862	32,479,344	72,846,123	72,591,449
					-	
Net position, June 30	\$ 41,995,935	\$ 40,657,091	\$ 32,643,435	\$ 32,502,825	\$ 74,639,370	\$ 73,159,916

Governmental activities: Governmental activities, this year, had a positive effect on the City's net position of \$1,428,674. Key elements of this change in net position for governmental type activities are as follows:

- Property tax revenue increased \$ 494,370 due primarily to a .03 cent tax rate increase as well as a 2.14% increase in tax value
- Increase in sales tax revenue of \$ 135,586 (4.3%) due to economic growth.
- In this fiscal year, the City began charging a motor vehicle tag fee that placed a \$30 per year tax on all registered vehicles. The purpose of this fee was to help pay for needed paving and to pay a portion of the City's contribution to the county-wide bus system. These fees brought in an additional \$192,270.
- Investment earnings increased \$97,665 (11.9%) due to increased interest rates and more invested cash

Business-type activities: Business-type activities increased the City's net position by \$364,573: The key element of the change is as follows:

- Increases in Charges for services of \$568,379 due primarily to customer growth and a 3% rate increase and a 3% increase in meter fees.

Financial Analysis of the City's Funds

As noted earlier, the City of Conover uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Conover'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 Conover's financing requirements.

As of the end of the current fiscal year, the City of Conover's governmental funds reported combined ending fund balances of \$ 9,470,424, an increase of \$ 256,351 in comparison to the prior year. Of this total fund balance, \$ 2,016,289 (21%) is non spendable or restricted.

The City's major governmental funds are the General Fund and the General Fund Capital Reserve Fund.

General Fund. The General Fund is the chief operating fund of the City of Conover. At the end of the current fiscal year, fund balance available in the general fund was \$ 5,743,713 while total fund balance was \$ 7,007,721. The City currently has an available fund balance of 59.94% of general fund expenditures while total fund balance represents 73.13% of the same amount. Total general fund balance increased \$ 943,726. This fiscal year, the property tax rate was increased from .47 per \$100 of value to .50 per \$100 of value.

General Capital Reserve Fund. The General Capital Reserve Fund is used to collect and reserve funds to distribute, when needed, to other funds for capital equipment acquisitions and construction projects. Primary revenues to this fund are revenue from cell tower leases, sales of governmental capital assets as well as transfers from the General Fund. At June 30, 2019, total fund balance was \$ 1,268,830. The fund balance of the City's General Capital Reserve Fund increased \$ 150,296 during the current fiscal year. The General Fund will continue to make transfers to this fund to help make up for revenue that was lost due to the repeal of the privilege license tax in North Carolina effective July 1, 2015 that had been a major revenue source to this fund. This is an annually budgeted fund.

Proprietary Funds. The City of Conover'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 Fund at the end of the fiscal year amounted to \$6,053,500. The total increase in net position was \$ 364,573. Factors concerning these finances have already been addressed in the discussion of the City of Conover's business-type activities.

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

At year end, actual General Fund revenues were \$ 422,977 more than budget. Property tax revenues exceeded budget by \$ 152,790 as the City budgeted very conservatively at budget time still remaining optimistic, but cautious as to whether industry and the economy as a whole was really beginning to grow and would it reflect on tax values. Sales tax and utility franchise sales tax revenues exceeded budget by \$ 75,717 indicating that the economy is growing. Another area of growth, not seen in many years, for the general fund was in investment earnings coming in at \$ 128,077; over double that of the previous fiscal year. Departments within the general fund spent 91.07 % of budget leaving \$863,670 unspent. No department exceeded the budgeted amount. Encumbrances for the general fund at year end amounted to \$ 3,687.

Capital Asset and Debt Administration

Capital assets. The City of Conover's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$ 68,326,391 (net of accumulated depreciation). An increase of \$535,066 from the previous year. These assets include buildings, streets, land, machinery and equipment, park facilities, vehicles, and water/sewer infrastructure.

Major capital asset transactions during the year include the following:

- Vehicle additions of \$ 269,470 and vehicle retirements of \$185,573.
- The removal of 3 sewer pump stations no longer in use of \$211,475.
- Additions to street infrastructure of \$1,151,018.
- Additions to water/sewer infrastructure of \$ 412,461.
- Asset disposals totaled \$500,049 which included the removal of 3 sewer pump stations and the sale of vehicles and equipment through GovDeals auction.

City of Conover's Capital Assets

Figure 4

(net of depreciation)

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
	2019	2018	2019	2018	2019	2018
Land	\$ 3,556,401	\$ 3,447,044	\$ 305,061	\$ 305,061	\$ 3,861,462	\$ 3,752,105
Buildings and systems	10,668,567	10,915,065	4,895,050	5,016,354	15,563,617	15,931,419
Computer Equipment	17,272	32,426	-	-	17,272	32,426
Equipment and Furnishings	1,407,449	1,124,571	433,022	555,130	1,840,471	1,679,701
Infrastructure	18,108,107	17,337,357	23,443,297	23,816,145	41,551,404	41,153,502
Vehicles and motorized equipment	2,689,291	2,792,631	302,499	361,613	2,991,790	3,154,244
Construction in progress	2,186,925	1,968,844	313,450	119,084	2,500,375	2,087,928
Total	\$ 38,634,012	\$ 37,617,938	\$ 29,692,379	\$ 30,173,387	\$ 68,326,391	\$ 67,791,325

Additional information on the City of Conover's capital assets can be found in note 3 on pages 66 - 68 of this report.

Long-term Debt. The City of Conover's bond rating is "Aa2" from Moody's Investors Service and "A" from Standard and Poors. Gross debt obligations of the City are \$10,610,636 as of June 30, 2019. Gross debt consists of installment purchase debt of \$4,950,349, loans and notes payable of \$3,102,444, net pension liability (LEO) of \$469,368, net pension liability for retirement of \$ 1,732,759 and compensated absences of \$355,716. Installment purchases related to the 2nd floor renovation of the Broyhill

City of Conover

Building adding “NC Works”, the police, public works and fire facilities amount to \$4,950,349 and are obligations of the general fund. Loans and notes payable amounting to \$3,102,444 are for low and no interest loans related to water and sewer capital improvements and are obligations of the water and sewer fund.

At June 30, 2019, the City of Conover had no bonded debt.

City of Conover’s Outstanding Debt Figure 5

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loans Payable	-	-	3,102,444	3,099,884	3,102,444	3,099,884
Compensated Absences	303,835	284,846	51,881	65,906	355,716	350,752
Pension related debt (LEO)	469,368	426,259	-	-	469,368	426,259
Pension related debt (LGERS)	1,289,205	851,468	443,554	292,949	1,732,759	1,144,417
Installment Purchase	4,950,349	5,247,980	-	-	4,950,349	5,247,980
Total	\$ 7,012,757	\$ 6,810,553	\$ 3,597,879	\$ 3,458,739	\$ 10,610,636	\$ 10,269,292

The City of Conover’s total debt increased \$ 341,344 (3.3%) during the past fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the City of Conover is \$81,854,612. The City of Conover has no bonds authorized but un-issued at June 30, 2019.

During the past fiscal year, the City of Conover did not refinance any of its existing debt.

Additional information regarding the City of Conover’s long-term debt can be found in note 3 beginning on page 87 of this report.

Economic Factors

- The County unemployment rate increased from 3.8% in June 2018 to 4.2% in June 2019. This compares to 4.1% in 2017 and 5.0% in 2016. The State rate at June 2019 was 4.1%.
- Investment Earnings continue to improve with rising interest rates.
- Steady commercial growth continues in Conover. Most commercial growth has taken the form of re-development of previous commercial sites or “infill”, which is ideal for the City as it has replaced underutilized and vacant development and takes advantage of existing infrastructure. In addition, the City made investments in the vitality of the downtown central business district with new public parking and by providing competitive 50/50 matching funds to downtown property owners in the amount of \$52,000 to improve the appearance of downtown buildings.
- The residential market in Conover is performing very well. As has been the case for the past three years, homes under \$250,000 that are in move in ready condition are only on the market for a few days, getting multiple offers and selling at above list price. In addition, residential home builders seem to be getting back into the spec housing market once again. Conover permitted approximately 400 new residential units for construction in 2019.
- Conover has seen strong industrial growth over the past three years as well. New industries have opened while existing industry continues to expand. All suitable industrial buildings are occupied. The problem the City is encountering now is finding existing locations for manufacture’s wanting to locate to Conover. There is a real need for more new industrial development in order to continue to grow in the industrial arena.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities:

- All revenue estimates in the City’s 2019-2020 budget remain conservative.
- This budget does not include a property tax rate change leaving the rate at .50 per \$100 of property value.
- This budget includes a 2.5%-5.0% merit pool effective July 1, 2019. An employee can receive 0% to 5.0% based on performance at their evaluation date. There are no cost of living increases proposed in this budget.
- There are two new positions added. A records clerk (civilian position) in the police department and a fleet maintenance service attendant in the sanitation department.
- Basic services are budgeted along with equipment replacements and additions to the public works facility.
- This budget includes a general fund balance appropriation of \$ 135,738 which is 1.2% of the total general fund budget adopted. In addition there were general fund

encumbrances at fiscal year- end 2019 of \$3,687 that will be added to the general fund balance appropriation for 2019-2020.

Business – type Activities:

- This budget includes a 2.75% increase in water rates and a 2.0% increase in sewer rates. This increase comprises a 3.75% wholesale pass- through rate increase from the City of Hickory for water purchase.
- Basic services are budgeted, along with replacements and maintenance of equipment.
- This budget does include a 2.5% - 5.0% merit pool effective July 1, 2019. An employee can receive 0% to 5.0% based on performance at their evaluation date. There are no cost of living increases proposed in this budget.
- No new positions were added.
- Utility usage estimates remain conservative.

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 Director of Finance, City of Conover, P.O. Box 549, Conover, N.C. 28613 or (828) 464-1191. You can also visit the City's website at www.conovernc.gov for more information about the City.

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Basic Financial Statements

The Basic Financial Statements present a condensed overview of the financial position and results of operations of the City as a whole. They also serve as an introduction to the more detailed statements and schedules that follow.

CITY OF CONOVER, NORTH CAROLINA
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
	\$	\$	\$
Assets			
Current assets:			
Cash and cash equivalents	8,431,542	5,807,635	14,239,177
Taxes receivables (net)	27,357		27,357
Accrued interest receivable on taxes	3,621		3,621
Accounts receivable (net)	221,137	510,126	731,263
Due from other governments	1,032,514	277,665	1,310,179
Prepaid items	98,507	2,583	101,090
Restricted cash	<u>228,662</u>		<u>228,662</u>
Total current assets	<u>10,043,340</u>	<u>6,598,009</u>	<u>16,641,349</u>
Noncurrent assets:			
Capital assets (Note 3):			
Land, non-depreciable improvements			
and construction in progress	5,743,326	618,511	6,361,837
Other capital assets, net of depreciation	<u>32,890,687</u>	<u>29,073,868</u>	<u>61,964,555</u>
Total capital assets	<u>38,634,013</u>	<u>29,692,379</u>	<u>68,326,392</u>
Total assets	<u>48,677,353</u>	<u>36,290,388</u>	<u>84,967,741</u>
Deferred Outflows of Resources			
Deferred outflows of resources	<u>1,055,534</u>	<u>346,510</u>	<u>1,402,044</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	539,227	169,794	709,021
Due to other governments		78,625	78,625
Accrued interest payable	84,988	222	85,210
Customer deposits		135,573	135,573
Compensated absences – current	176,296	42,279	218,575
Current portion of long-term debt	<u>299,842</u>	<u>223,239</u>	<u>523,081</u>
Total current liabilities	<u>1,100,353</u>	<u>649,732</u>	<u>1,750,085</u>
Long-term liabilities:			
Compensated absences	127,539	9,602	137,141
Net pension liability	1,289,205	443,554	1,732,759
Total pension liability	469,368		469,368
Due in more than one year	<u>4,650,507</u>	<u>2,879,205</u>	<u>7,529,712</u>
Total liabilities	<u>7,636,972</u>	<u>3,982,093</u>	<u>11,619,065</u>

CITY OF CONOVER, NORTH CAROLINA
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities \$	Business-type Activities \$	Total \$
Deferred Inflows of Resources			
Prepaid taxes	1,576		1,576
Pension deferrals	<u>98,404</u>	<u>11,370</u>	<u>109,774</u>
Total deferred inflows of resources	<u>99,980</u>	<u>11,370</u>	<u>111,350</u>
Net Position			
Net investment in capital assets	33,683,664	26,589,935	60,273,599
Restricted for:			
Stabilization by State Statute	1,526,087		1,526,087
Debt service	178,337		178,337
Transportation	155,778		155,778
Public safety	28,789		28,789
Capital development	44,095		44,095
Unrestricted	<u>6,379,185</u>	<u>6,053,500</u>	<u>12,432,685</u>
Total net position	<u>41,995,935</u>	<u>32,643,435</u>	<u>74,639,370</u>

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

CITY OF CONOVER, NORTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2019

<u>Functions/Programs</u> Primary government: Governmental activities:	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses \$	Charges for Services \$	Operating Grants and Contributions \$	Capital Grants and Contributions \$	Primary Government		
					Governmental Activities \$	Business- Type Activities \$	Total \$
General government	3,117,850	232,033	93,609	214,054	(2,578,154)		(2,578,154)
Public safety	4,113,880	80,910	63,631		(3,969,339)		(3,969,339)
Transportation	1,733,196		249,717	63,633	(1,419,846)		(1,419,846)
Economic and physical development			356,272	217,517	573,789		573,789
Environmental protection	852,274	514,889	6,250		(331,135)		(331,135)
Interest on long-term debt	<u>178,840</u>				(<u>178,840</u>)		(<u>178,840</u>)
Total governmental activities (See Note 1)	9,996,040	827,832	769,479	495,204	(7,903,525)		(7,903,525)
Business-type activities:							
Water and sewer	<u>4,680,796</u>	<u>4,924,620</u>		<u>22,909</u>		<u>266,733</u>	<u>266,733</u>
Total primary government	<u>14,676,836</u>	<u>5,752,452</u>	<u>769,479</u>	<u>518,113</u>	(7,903,525)	<u>266,733</u>	(7,636,792)

CITY OF CONOVER, NORTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u> \$	<u>Charges for Services</u> \$	<u>Operating Grants and Contributions</u> \$	<u>Primary Government</u>		<u>Total</u> \$
				<u>Governmental Activities</u> \$	<u>Business- Type Activities</u> \$	
General Revenues:						
Taxes:						
Property taxes levied for general purpose				5,651,421		5,651,421
Local option sales tax				3,304,364		3,304,364
Other taxes				193,902		193,902
Grants and contributions not restricted to specific programs				7,500		7,500
Unrestricted investments earnings				179,705	22,547	202,252
Miscellaneous				32,300		32,300
Gain on sale of assets				27,463	10,837	38,300
Capital assets contributed to Enterprise Fund				(64,456)	64,456	
Total general revenues not including transfers				9,332,199	97,840	9,430,039
Transfers						
Total general revenues and transfers				9,332,199	97,840	9,430,039
Change in net position				1,428,674	364,573	1,793,247
Net position, beginning				40,567,261	32,278,862	72,846,123
Net position, ending				41,995,935	32,643,435	74,639,370

The notes to the financial statements are an integral part of this statement

CITY OF CONOVER, NORTH CAROLINA

Balance Sheet

Governmental Funds

June 30, 2019

	Major Funds		Total	Total
	General	General	Non-Major	Governmental
	Fund	Capital	Funds	Funds
	\$	Reserve Fund	\$	\$
		\$		
Assets				
Cash and cash equivalents	6,060,178	1,268,830	1,102,534	8,431,542
Restricted cash	184,567		44,095	228,662
Receivables, net:				
Taxes	27,358			27,358
Accounts	57,550		163,587	221,137
Due from other funds	71,750			71,750
Due from other governments	1,032,514			1,032,514
Prepaid items	98,507			98,507
Total assets	<u>7,532,424</u>	<u>1,268,830</u>	<u>1,310,216</u>	<u>10,111,470</u>
Liabilities				
Accounts payable and				
accrued liabilities	494,634		44,593	539,227
Due to other funds			71,750	71,750
Total liabilities	<u>494,634</u>	<u>0</u>	<u>116,343</u>	<u>610,977</u>
Deferred Inflows of Resources				
Property taxes receivable	27,358			27,358
Prepaid taxes	1,576			1,576
Unavailable revenues	1,135			1,135
Total deferred inflows				
of resources	<u>30,069</u>	<u>0</u>	<u>0</u>	<u>30,069</u>
Fund Balances				
Non spendable				
Prepaid items	98,507			98,507
Restricted				
Stabilization by State Statute	1,165,500		360,587	1,526,087
Streets	155,778			155,778
Public safety	28,789			28,789
Debt covenant	178,337			178,337
Capital development			28,791	28,791
Committed				
LEO Special				
Separation Allowance	78,021			78,021
Capital development		1,268,830	961,475	2,230,305
Assigned				
Subsequent year's expenditures	135,738			135,738
Unassigned	5,167,051		(156,980)	5,010,071
Total fund balances	<u>7,007,721</u>	<u>1,268,830</u>	<u>1,193,873</u>	<u>9,470,424</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>7,532,424</u>	 <u>1,268,830</u>	 <u>1,310,216</u>	

CITY OF CONOVER, NORTH CAROLINA
Balance Sheet
Governmental Funds
June 30, 2019

	\$	Total Governmental Funds \$
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Total Fund Balance, Governmental Funds		9,470,424
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	54,505,770	
Accumulated depreciation	(15,871,757)	38,634,013
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		1,055,534
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.		3,621
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		28,493
Total pension liability (LEO)		(469,368)
Net pension liability (LGERS)		(1,289,205)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		(84,988)
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(5,254,185)
Pension related deferrals		(98,404)
Net position of governmental activities		<u>41,995,935</u>

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

CITY OF CONOVER, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

	Major Funds		Total	Total
	General	General	Non-Major	Governmental
	Fund	Capital	Funds	Funds
	\$	Reserve Fund	\$	\$
		\$		
Revenues				
Ad valorem taxes	5,686,790			5,686,790
Other taxes and licenses	193,903			193,903
Unrestricted intergovernmental	3,304,364			3,304,364
Restricted intergovernmental	386,260		436,288	822,548
Permits and fees	44,756			44,756
Sales and services	526,394			526,394
Investment earnings	163,152	9,871	6,682	179,705
Miscellaneous	113,590	82,588	513,238	709,416
Total revenues	<u>10,419,209</u>	<u>92,459</u>	<u>956,208</u>	<u>11,467,876</u>
Expenditures				
Current:				
General government	2,480,230		329,505	2,809,735
Public safety	3,861,766			3,861,766
Transportation	1,237,073			1,237,073
Environmental protection	721,746			721,746
Debt service:				
Principal	297,632			297,632
Interest and other charges	181,340			181,340
Capital outlay			2,130,005	2,130,005
Total expenditures	<u>8,779,787</u>	<u>0</u>	<u>2,459,510</u>	<u>11,239,297</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,639,422</u>	<u>92,459</u>	<u>(1,503,302)</u>	<u>228,579</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital assets		27,772		27,772
Transfers from other funds	106,714	341,342	1,048,288	1,496,344
Transfers to other funds	(802,410)	(311,277)	(382,657)	(1,496,344)
Total other financing sources (uses)	<u>(695,696)</u>	<u>57,837</u>	<u>665,631</u>	<u>27,772</u>
Net change in fund balance	943,726	150,296	(837,671)	256,351
Fund balances, beginning	<u>6,063,995</u>	<u>1,118,534</u>	<u>2,031,544</u>	<u>9,214,073</u>
Fund balances, ending	<u>7,007,721</u>	<u>1,268,830</u>	<u>1,193,873</u>	<u>9,470,424</u>

CITY OF CONOVER, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

	\$	\$
Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances - total governmental funds		256,351
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	2,321,452	
Depreciation expense for governmental assets	(1,248,112)	1,073,340
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		284,386
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities.		13,093
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Amount of donated assets	7,500	
Change in unavailable revenue for tax revenues	(35,369)	
Change in unavailable revenue	615	
Proceeds from sale of assets	(27,772)	
Gain on sale of assets	<u>27,463</u>	(27,563)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal payments on long-term debt	297,631	
Decrease in accrued interest payable	<u>2,500</u>	300,131
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	(18,989)	
Pension expense	(348,456)	
Assets transferred to business-type activities	(64,456)	
LEOSSA expense	<u>(39,163)</u>	(471,064)
Total changes in net position of governmental activities		<u><u>1,428,674</u></u>

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

CITY OF CONOVER, NORTH CAROLINA

General Fund

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

For the Year Ended June 30, 2019

	General Fund			Variance with Final Budget Positive (Negative)
	Original \$	Final \$	Actual Amounts \$	\$
Revenues:				
Ad valorem taxes	5,534,000	5,534,000	5,686,790	152,790
Other taxes and licenses	162,685	162,685	193,903	31,218
Unrestricted intergovernmental	3,227,800	3,227,800	3,304,364	76,564
Restricted intergovernmental	374,270	374,270	386,260	11,990
Sales and services	529,655	529,655	526,394	(3,261)
Permits and fees	16,100	30,025	44,756	14,731
Investment earnings	35,075	35,075	163,152	128,077
Miscellaneous	95,870	129,215	113,590	(15,625)
Total revenues	<u>9,975,455</u>	<u>10,022,725</u>	<u>10,419,209</u>	<u>396,484</u>
Expenditures:				
Current:				
General government	2,623,916	2,756,614	2,480,230	276,384
Public safety	4,141,604	4,249,380	3,861,766	387,614
Transportation	1,375,361	1,375,828	1,237,073	138,755
Environmental protection	807,395	807,662	721,746	85,916
Debt service:				
Principal	297,632	297,632	297,632	
Interest and other charges	181,340	181,340	181,340	
Total expenditures	<u>9,427,248</u>	<u>9,668,456</u>	<u>8,779,787</u>	<u>888,669</u>
Excess of revenues over expenditures	<u>548,207</u>	<u>354,269</u>	<u>1,639,422</u>	<u>1,285,153</u>
Other Financing Sources (Uses):				
Transfers from other funds	95,735	106,314	106,714	400
Transfers to other funds	(735,392)	(874,389)	(802,410)	71,979
Reserve for Police pension	(11,511)	(11,511)		11,511
Total other financing sources (uses)	<u>(651,168)</u>	<u>(779,586)</u>	<u>(695,696)</u>	<u>83,890</u>
Fund balance appropriated	<u>102,961</u>	<u>425,317</u>		(425,317)
Net change in fund balance	<u>0</u>	<u>0</u>	943,726	<u>943,726</u>
Fund balances, beginning			<u>6,063,995</u>	
Fund balances, ending			<u>7,007,721</u>	

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

CITY OF CONOVER, NORTH CAROLINA
Statement of Fund Net Position
Proprietary Funds
June 30, 2019

	<u>Major Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
	<u>\$</u>
Assets	
Current assets:	
Cash and cash equivalents	5,807,635
Accounts receivables (net)	510,126
Due from government agencies	277,665
Prepaid items	<u>2,583</u>
Total current assets	<u>6,598,009</u>
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	618,511
Other capital assets, net of depreciation	<u>29,073,868</u>
Total noncurrent assets	<u>29,692,379</u>
Total assets	<u>36,290,388</u>
 Deferred Outflows of Resources	
Deferred outflows of resources	<u>346,510</u>
 Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	169,794
Due to other governments	78,625
Deposits	135,573
Accrued interest payable	222
Compensated absences - current	42,279
Loans payable – current	<u>223,239</u>
Total current liabilities	<u>649,732</u>
Noncurrent liabilities:	
Compensated absences	9,602
Net pension liability	443,554
Loans payable - noncurrent	<u>2,879,205</u>
Total noncurrent liabilities	<u>3,332,361</u>
Total liabilities	<u>3,982,093</u>

CITY OF CONOVER, NORTH CAROLINA
Statement of Fund Net Position
Proprietary Funds
June 30, 2019

	<u>Major Enterprise Fund</u> Water and Sewer Fund \$
Deferred Inflows of Resources	
Deferred inflows of resources	<u>11,370</u>
Net Position	
Net investment in capital assets, net of related debt	26,589,935
Unrestricted	<u>6,053,500</u>
Total net position of business-type activities	<u>32,643,435</u>

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

CITY OF CONOVER, NORTH CAROLINA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Major Enterprise Fund Water and Sewer Fund \$
Operating Revenues	
Charges for services	<u>4,924,620</u>
Operating Expenses	
Purchase for resale	692,328
Salaries and wages	1,294,939
Professional services	6,095
Telephone alarm system	210
Telephone	8,125
Utilities	97,172
Travel and training	4,832
Maintenance and repairs-equipment and lines	140,357
Maintenance and repairs-vehicles	21,930
Maintenance and repairs-building and grounds	2,137
Automotive supplies	48,868
Departmental supplies	129,460
Contracted services	464,756
Miscellaneous	3,154
Payroll taxes	97,577
Retirement expense	185,900
Group insurance	145,894
Employee benefits	389
Uniforms	10,614
Depreciation	1,181,328
Advertising	2,996
Dues and subscriptions	4,951
Insurance and bonds	41,612
Miscellaneous	<u>5,442</u>
Total operating expenses	<u>4,591,066</u>
Operating income (loss)	<u>333,554</u>

CITY OF CONOVER, NORTH CAROLINA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Major Enterprise Fund Water and Sewer Fund \$
Nonoperating Revenues (Expenses)	
Investment earnings	22,547
Interest and fees	(1,459)
Total nonoperating revenues (expenses)	<u>21,088</u>
Income before contributions and transfers	354,642
Capital contributions	22,909
Capital contributions from the General Fund	64,456
Gain on sale of capital assets	10,837
Loss on abandoned assets	(88,271)
Change in net position	364,573
Total net position, beginning	<u>32,278,862</u>
Total net position, ending	<u>32,643,435</u>

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

CITY OF CONOVER, NORTH CAROLINA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

	Major Enterprise Fund Water and Sewer Fund \$
Cash Flows from Operating Activities	
Cash received from customers	4,650,829
Cash paid for goods and services	(2,084,401)
Cash paid to employees	(1,308,964)
Net cash provided (used) by operating activities	<u>1,257,464</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition and construction of capital assets	(725,295)
Principal paid on bond maturities and other loans	(258,425)
Interest paid on bond maturities and other loan costs	(1,459)
Capacity excess fees	804
Proceeds from sale of capital assets	11,998
Loan proceeds	<u>260,985</u>
Net cash provided (used) by capital and related financing activities	(711,392)
Cash Flows from Investing Activities	
Interest on investments	<u>44,651</u>
Net increase in cash and cash equivalents	590,723
Balances, beginning in cash and cash equivalents	<u>5,216,912</u>
Balances, ending in cash and cash equivalents	<u>5,807,635</u>

CITY OF CONOVER, NORTH CAROLINA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

Major
Enterprise Fund
Water and
Sewer
Fund
\$

**Reconciliation of Operating Income (Loss) to Net Cash
Provided (Used) by Operating Activities**

Operating income (loss)	<u>333,554</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	1,181,328
Changes in assets, deferred outflows of resources, and liabilities:	
(Increase) in due from other governments	(262,335)
Increase in due to other governments	11,029
(Increase) decrease in prepaid expenses	(77)
(Increase) in accounts receivable	(21,565)
Increase in accounts payable and other liabilities	8,453
Increase (decrease) in customer deposits	(920)
Increase (decrease) in accrued interest	(21)
Increase (decrease) in accrued vacation pay	(14,025)
(Increase) decrease in deferred outflows for pensions	(120,303)
Increase (decrease) in net pension liability	150,605
Increase (decrease) in deferred inflows of resources – pensions	(8,259)
Total adjustments	<u>923,910</u>
Net cash provided (used) by operating activities	<u><u>1,257,464</u></u>

Schedule of non-cash investing and financing activities:

Contributions of capital assets from General Fund	64,456
---	--------

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

Notes to the Financial Statements

These notes are intended to communicate information necessary for a fair presentation of financial position and results of operations that are not readily apparent from, or cannot be included in, the financial statements themselves. The notes supplement the financial statements, are an integral part thereof, and are intended to be read in conjunction with the financial statements.

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CITY OF CONOVER, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

Note 1.
Summary of Significant
Accounting Policies

The accounting policies of the City of Conover 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 Conover is a municipal corporation which is governed by an elected Mayor and a five-member council that has appointment authority of the City's management. As required by generally accepted accounting principles, the City determined there to be no component units required to be presented with the financial statements. There are no separate legal entities for which the City controls the boards or memberships, requires financial accountability, or is fiscally dependent on the City.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. 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. Separate statements for each fund category - *governmental and proprietary* - are presented. The

emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as 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 funds:

General Fund. The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

General Capital Reserve Capital Projects Fund. This fund is used to collect and reserve funds to distribute, when needed, to other funds for capital equipment acquisitions and construction projects.

The City reports the following major enterprise fund:

Water and Sewer Fund. This fund is used to account for the activities associated with production, purchase and distribution of water and sewer services to its customers and to account for the construction of water and sewer capital assets.

The City reports the following non-major governmental funds:

Facilities Maintenance Special Revenue Fund. Rental income collected for City facility leases to outside parties and citizens of Conover are reserved to provide funding for maintenance and repairs to City facilities as needed. These rental income collections are to be used specifically for maintenance on buildings where rent was collected.

GKN Economic Development Capital Project Fund. This fund provides funding for construction of a street, water and sewer infrastructure for the expansion of GKN Sinter Metals, LLC. This project was completed and the fund closed during the fiscal year.

Shelf Project-Transportation Capital Project Fund. This fund provides funding for engineering for future transportation improvements that are pre-engineered and shelf ready to begin. The project was completed and the fund closed during the fiscal year.

Priority Sidewalk Capital Project Fund. This fund is used to account for revenue received from developers in lieu of sidewalk construction. These revenues will be used at the discretion of the City Council for capital outlay and capital improvements within a priority sidewalk area as identified by the Conover Pedestrian Plan.

Solid Waste Capital Reserve Fund. This fund sets aside excess revenues from sanitation and recycling departments to reserve funds for future replacement of large sanitation and recycling equipment.

General Capital Project Fund. This fund is used to finance capital equipment acquisitions and construction projects.

Conover Park Expansion Capital Project Fund. This fund provides for the expansion of the Conover City Park to include an amphitheater, additional playground equipment, walking trails and new adult fitness equipment.

Downtown Streetscape Improvement Capital Project Fund. This fund provides rehab for existing downtown sidewalks including other improvements to the downtown district for both beautification and traffic slowing additions. This project was completed and the fund closed during the fiscal year.

Contour/Terra Mulch Economic Development Capital Project Fund. This fund provides for construction of a new public street, and water and sewer infrastructure for the expansion of Contour/Terra Mulch industrial facility. This project was completed and the fund closed during the fiscal year.

First Avenue Area Bike/Pedestrian Capital Project Fund. The fund was established to improve the First Avenue area primarily for pedestrian friendly improvements and bicycle lanes.

Lyle Creek/N-C Middle School Thread Trail Extension Capital Project Fund. This fund provides for the purchase of trail easements and property acquisition for the extension of the Lyle Creek Greenway to Newton-Conover Middle School.

Fire Station #2 Demolition and Construction Capital Project Fund. This fund provides for the demolition and re-construction of Conover Fire Station #2.

Southwest Cemetery Expansion Capital Project Fund. This fund finances expansion of the Southwest Cemetery including tree removal, grading, and additional grave sites. This project was completed and the fund closed during the fiscal year.

5 Points/Whitmire Property Demolition Fund. This fund provides for the demolition of the Whitmire building that had previously been purchased by the City. Demolition was funded with a NC Rural Demolition Grant. This building was located in the heart of downtown. The City will sell this property for re-development.

**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. The government-wide and proprietary fund financial statements are reported using 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. Non-exchange 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 enterprise funds include the cost of sales and services, administrative expenses, and depreciation on

capital assets. All revenues and expenses not meeting this definition are reported as 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. Issuance 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 a 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 Conover because the tax is levied by Catawba 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 by 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, General Capital Reserve Capital Projects Fund, Facilities Maintenance Special Revenue Fund, Priority Sidewalk Capital Project Fund, Solid Waste Capital Reserve Capital Project Fund, and the General Capital Project Fund. An annual budget is also adopted for the Enterprise Operating Fund, Enterprise Fund Water and Sewer Capital Reserve Fund, Enterprise Fund Water and Sewer Capital Projects Fund, and Enterprise Fund Water and Sewer Improvement Fund, which are consolidated with the operating funds for reporting purposes. Project ordinances are adopted for the Shelf Project-Transportation Capital Project Fund, GKN Economic Development Capital Project Fund, Downtown Streetscape Improvement Capital Project Fund, First Avenue Area Bike/Pedestrian Capital Project Fund, Southwest Cemetery Expansion Capital Project Fund, Conover Park Expansion Capital Project Fund, Lyle Creek/N-C Middle School Thread Trail Extension Capital Project Fund, Contour/Terra Mulch Economic Development Capital Project Fund, Fire Station #2 Demolition and Construction Capital Project Fund, and 5 Points/Whitmire Property Demolition Capital Project Fund. Project ordinances are also adopted for the Enterprise Fund Shelf Project Fund and the Enterprise Fund NE WWTP Expansion Fund, which are consolidated with the water and sewer operating fund for reporting purposes. 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 line item level for the multi-year funds. All amendments must be approved by the governing board.

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.

Budget transfers are ordained by the City Council as follows:

- (1) In accordance with G. S. 159-13(b)(3), each expenditure to be charged against a contingency appropriation shall be authorized only by the City Council. In an emergency situation, the City Manager may approve an expenditure to be charged to a contingency account provided that such emergency expenditure is reported to the City Council at its next meeting.
- (2) The Budget Officer is hereby authorized to approve appropriations within the General and Water/Sewer Funds. Any authorization for making expenditures from excess revenues, a transfer within the

capital project fund or between any fund shall be made by the City Council.

- (3) Transfers from one fund to another shall not be allowed except as is authorized by the Budget and Fiscal Control Act and such transfers shall be approved by the City Council prior to transfer.
- (4) The Director of Finance shall prepare forms necessary to document each budget transfer and comply with the reporting of the budget transfers as specified hereinabove.

A budget calendar is included in the North Carolina General Statutes which prescribes the last day on which certain steps of that budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

April 30	Each department head will transmit to the budget officer the budget requests and the revenue estimates for their department for the budget year.
June 1	The budget and the budget message shall be submitted to the governing board. The public hearing on the budget shall be scheduled at this time.
July 1	The budget ordinance shall be adopted by the governing board.

As required by State law [G. S. 159-26(d)], the City maintains encumbrance accounts which are considered to be "budgetary accounts". Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in progress at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. These encumbrances outstanding are reported as "reserved for encumbrances" in the fund balance section of the balance sheet and will be charged against the subsequent years' budget.

**E. Assets, Liabilities
Deferred Outflows/
Inflows of Resources
and Fund Equity**

Deposits and Investments

All deposits of the City are made in board - designated official depositories and are secured as required by State Law [G.S. 159-31]. The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the City 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's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2019, the Term portfolio has a duration of .11 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.

Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

Restricted Assets

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4. Federal and State seizure funds are also classified as restricted cash because its use is restricted to law enforcement expenditures. Grant revenues for economic development are restricted until the proceeds are spent on economic development.

City of Conover Restricted Cash

Governmental Activities:

General Fund	
Streets	\$ 155,778
Public Safety	28,789
Capital development	<u>44,095</u>
Total Governmental Activities	\$ <u>228,662</u>

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 1st, the beginning of the fiscal year. The taxes are due on

September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018.

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.

Prepaid Items

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.

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: \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical 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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	25 - 75
Buildings	30 - 75
Improvements	10 - 30
Vehicles	5 - 15
Furniture and equipment	3 - 20
Computer equipment	3 - 10
Computer software	3 - 5

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, contributions made to the pension plan in the 2019 fiscal year and changes in proportion and differences between City contributions and proportionate share of contributions. 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 several items that meet the criterion for this category – prepaid taxes, property taxes receivable, and pension deferrals.

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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

The vacation policy of the City provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, 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. Since the City does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

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.

Prepaid Items – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid items that are costs applicable to future accounting periods and are expenses when used, which are not spendable resources.

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 legislature.” 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 Streets – Powell Bill 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 Public Safety – portion of fund balance that is restricted by revenue source for law enforcement expenditures. This amount represents the balance of the total unexpended federal and State fines, forfeitures, and seizure funds.

Restricted for Debt Covenant – portion of fund balance that is restricted by USDA for loan payments in compliance with USDA requirements. This amount represents the portion of debt payments that USDA requires to be restricted on each USDA loan in accordance with respective contract.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of City of Conover’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 ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for LEO Pension Obligation – portion of fund balance that will be used for the Law Enforcement Officers’ Special Separation Allowance obligations.

Committed for Facilities Maintenance – portion of fund balance committed by the Board for the maintenance of City facilities.

Committed for Capital Development – portion of fund balance committed by the Board for capital development.

Assigned Fund Balance - portion of fund balance that City of Conover intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify appropriations within the general and water sewer fund. Any authorization from making expenditures from excess revenues, a transfer from within capital project funds, or a transfer between any fund shall be made by the City Council through a budget amendment ordinance.

Unassigned Fund Balance - portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The general fund is the only fund that reports a positive unassigned fund balance.

The City of Conover has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer 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 to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City.

The City of Conover has not adopted a minimum fund balance policy for the general fund.

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 Conover's employer contributions are recognized when due and the City of Conover has 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.

Note 2.
Stewardship, Compliance
and Accountability

Significant Violations of Finance-Related Legal and Contractual Provisions

No instances of material noncompliance were found.

Note 3.
Detail Notes on all Funds

A. Assets

Deposits

All the deposits of the City 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 agent in the unit's name. 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, these deposits are considered to be held by the City's agent 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 or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for under-collateralization. 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 risks 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.

At June 30, 2019, the City's deposits had a carrying amount of \$5,634,004 and a bank balance of \$6,036,489. The bank balances of the City were fully covered by federal depository insurance and the pooling method. At June 30, 2019, the City's petty cash fund totaled \$490.

Investments

At June 30, 2019, the City's investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2019	Maturity	Rating
NC Capital Management Trust – Government Portfolio	Amortized Cost	\$ 5,676,673	N/A	AAAm
NC Capital Management Trust – Term Portfolio	Fair Value Level 1	3,156,672	9 years	Unrated
Total		\$ 8,833,345		

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 valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest Rate Risk - The City has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's internal

investment policy limits the City's investment portfolio to maturities of less than 12 months.

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 ratings whenever particular types of securities are rated. The City's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2019. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

Custodial credit risk - For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Receivables - Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and Statement of Net Position are net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>06/30/19</u>
General Fund	
Taxes receivable	\$ 122,589
Landfill fee	<u>2,717</u>
Total General Fund	125,306
Enterprise Fund	<u>11,475</u>
Total	<u>\$ 136,781</u>

Capital Assets

Primary Government:

Capital asset activity for the Primary Government for the year ended June 30, 2019, was as follows:

	Beginning Balances \$	Additions \$	Net Transfers \$	Retire- ments \$	Ending Balances \$
Governmental activities:					
Capital assets not being depreciated:					
Land & improvements	3,447,044	109,357			3,556,401
Construction in process	<u>1,968,844</u>	<u>1,073,870</u>	(855,789)		<u>2,186,925</u>
Total capital assets not being depreciated	<u>5,415,888</u>	<u>1,183,227</u>	(855,789)	0	<u>5,743,326</u>
Capital assets being depreciated:					
Building & improvements	14,487,914	30,000			14,517,914
Equipment	3,221,165	441,873	7,900	(11,186)	3,659,752
Vehicles	6,216,662	269,470	36,796	(140,565)	6,382,363
Computer equipment	238,934			(26,815)	212,119
Infrastructure	<u>22,839,277</u>	<u>404,382</u>	<u>746,637</u>		<u>23,990,296</u>
Total capital assets being depreciated	<u>47,003,952</u>	<u>1,145,725</u>	<u>791,333</u>	(178,566)	<u>48,762,444</u>
Less accumulated depreciation for:					
Buildings & improvements	3,572,849	276,498			3,849,347
Equipment	2,096,594	166,895		(11,186)	2,252,303
Vehicles	3,424,031	409,297		(140,256)	3,693,072
Computer equipment	206,508	15,154		(26,815)	194,847
Infrastructure	<u>5,501,920</u>	<u>380,268</u>			<u>5,882,188</u>
Total accumulated depreciation	<u>14,801,902</u>	<u>1,248,112</u>	0	(178,257)	<u>15,871,757</u>
Total capital assets being depreciated, net	<u>32,202,050</u>				<u>32,890,687</u>
Governmental activity capital assets, net	<u>37,617,938</u>				<u>38,634,013</u>

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

General government	\$ 269,297
Public safety	363,877
Transportation	489,724
Environmental protection	<u>125,214</u>
Total depreciation expense	<u>\$ 1,248,112</u>

	Beginning Balances \$	Additions \$	Net Transfers \$	Retire- ments \$	Ending Balances \$
Business-type activities:					
<i>Water and Sewer Fund</i>					
Capital assets not being depreciated:					
Land & improvements	305,061				305,061
Construction in process	<u>119,084</u>	<u>239,743</u>	(<u>45,377</u>)		<u>313,450</u>
Total capital assets not being depreciated	<u>424,145</u>	<u>239,743</u>	(<u>45,377</u>)	<u>0</u>	<u>618,511</u>
Capital assets being depreciated:					
Buildings & improvements	8,114,844	128,047		(211,475)	8,031,416
Equipment	3,826,709			(65,000)	3,761,709
Vehicles	799,976			(45,007)	754,969
Computer equipment	29,969				29,969
Infrastructure	<u>36,706,593</u>	<u>357,505</u>	<u>109,833</u>		<u>37,173,931</u>
Total capital assets being depreciated	<u>49,478,091</u>	<u>485,552</u>	<u>109,833</u>	(<u>321,482</u>)	<u>49,751,994</u>
Less accumulated depreciation for:					
Buildings & improvements	3,098,490	161,079		(123,204)	3,136,365
Equipment	3,271,579	120,947		(63,839)	3,328,687
Vehicles	438,363	59,115		(45,008)	452,470
Computer equipment	29,969				29,969
Infrastructure	<u>12,890,448</u>	<u>840,187</u>			<u>13,730,635</u>
Total accumulated depreciation	<u>19,728,849</u>	<u>1,181,328</u>	<u>0</u>	(<u>232,051</u>)	<u>20,678,126</u>
Total capital assets being depreciated, net	<u>29,749,242</u>				<u>29,073,868</u>
Business-type activities capital assets, net	<u>30,173,387</u>				<u>29,692,379</u>

Construction commitments

The government has active construction projects as of June 30, 2019. At year end, the government's commitments with contractors are as follows:

Project	Spent to Date \$	Remaining Commitment \$
Conover Park Expansion	<u>0</u>	<u>27,150</u>
Total	<u><u>0</u></u>	<u><u>27,150</u></u>

B. Liabilities

Pension Plan Obligations and Postemployment Obligations

a. Local Government Employees' Retirement System:

Plan Description

The City of Conover 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 Conover 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 Conover contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.84% 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 Conover were \$384,574 for the year ended June 30, 2019.

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, 2019, the City reported a liability of \$1,732,759 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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 June 30, 2018, the City's proportion was .07304%, which was a decrease of .00187% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$470,686. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 267,323	\$ 8,970
Changes in assumptions	459,807	-
Net difference between projected and actual earnings on pension plan investments	237,856	-
Changes in proportion and differences between City contributions and proportionate share of contributions	4,093	35,449
City contributions subsequent to the measurement date	<u>384,574</u>	<u>-</u>
Total	\$ <u><u>1,353,653</u></u>	\$ <u><u>44,419</u></u>

\$384,574 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended	
June 30:	
2019	\$ 443,819
2020	291,214
2021	53,918
2022	135,710
2023	-
Thereafter	<u>-</u>
Total	\$ <u><u>924,661</u></u>

Actuarial Assumptions

The total pension liability in the December 31, 2017 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 used 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, 2017 valuation were based on the results of an actuarial experience study for 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, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected 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 2017 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 asset 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 <u>(6.00%)</u>	Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
City’s proportionate share of the net pension liability (asset)	\$ 4,162,236	\$ 1,732,759	\$(297,351)

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.

b. Law Enforcement Officers' Special Separation Allowance:

Plan Description

The City of Conover 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 City law enforcement officers are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>28</u>
Total	<u>29</u>

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 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 which are outlined in GASB Statement 73.

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 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	3.64 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

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 \$13,556 as benefits came due for the reporting period.

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

At June 30, 2019, the City reported a total pension liability of \$469,368. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the City recognized pension expense of \$39,163.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 24,350	\$ 43,731
Changes in assumptions	17,263	21,624
City benefit payments made subsequent to the measurement date	<u>6,778</u>	<u>-</u>
Total	\$ <u><u>48,391</u></u>	\$ <u><u>65,355</u></u>

\$6,778 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended	
June 30:	
2020	\$ (6,240)
2021	(6,240)
2022	(6,240)
2023	(5,741)
2024	288
Thereafter	431

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 3.64 percent, as well as what the City’s total pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.64 percent) or one percentage point higher (4.64 percent) than the current rate:

	1% Decrease <u>(2.64%)</u>	Discount Rate <u>(3.64%)</u>	1% Increase <u>(4.64%)</u>
Total pension liability	\$ 508,031	\$ 469,368	\$ 433,607

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance**

	<u>2019</u>
Beginning balance, December 31, 2017	\$ 426,259
Service Cost	31,632
Interest on the total pension liability	13,271
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	28,988
Changes of assumptions or other inputs	(18,189)
Benefit payments	(12,593)
Other changes	-
Ending balance of the total pension liability	\$ <u>469,368</u>

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, 2017 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 of Related to Pensions

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

	LGERS \$	LEOSSA \$	TOTAL \$
Pension expense	470,688	39,163	509,851
Pension liability	1,732,759	469,368	2,202,127
Proportionate share of the net pension liability	0.07304%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	267,323	24,350	291,673
Changes of assumptions	459,809	17,263	477,072
Net difference between projected and actual earnings on plan investments	237,856		237,856
Changes in proportion and differences between contributions and proportionate share of contributions	4,093	-	4,093
Benefit payments and administrative costs paid subsequent to the measurement date	384,574	6,778	391,352
Deferred of Inflows of Resources			
Differences between expected and actual experience	8,970	43,731	52,701
Changes of assumptions		21,624	21,624
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	35,449	-	35,449

c. Supplemental Retirement Income Plan for Law Enforcement Officers and General Employees

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 Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

The City has elected to also include general employees under this plan.

Funding Policy

Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$78,237, which consisted of \$57,779 from the City and \$20,458 from the law enforcement officers. Contributions for the year ended June 30, 2019 for general employees were \$232,782, which consisted of \$180,312 from the City and \$52,470 from the general employees.

d. Firefighters' and Rescue Squad Workers' Pension Fund

Plan Description

The State of North Carolina contributes, on behalf of the City of Conover, 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, 2018, the State contributed \$17,952,000 to the plan. The City of Conover's proportionate share of the State's contribution is \$27,255.

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, 2018, 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 \$74,151. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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 June 30, 2017 and at June 30, 2016 was 0%.

For the year ended June 30, 2019, the City recognized pension expense of \$21,087 and revenue of \$21,087 for support provided by the State. At June 30, 2019, 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, 2017 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 assets allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. 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 Employment Benefits

The City provides death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan, and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

At termination of employment, all employees have the option to purchase basic medical insurance at the City's group COBRA rate for 18 months. The entire cost of this insurance is borne by the employees.

The City of Conover provides additional group term life insurance of \$15,000 through the City's insurance provider.

Benefits in excess of \$50,000 are considered taxable to the employee as a fringe benefit. The cost of the excess coverage is included in taxable wages, as a result FICA taxes are calculated and withheld on the amount of the premium paid for the excess insurance coverage.

Deferred Outflows and Inflows of Resources

The City has several deferred outflows of resources. Deferred outflows of resources is comprised of the following

Contributions to pension plan in current fiscal year	\$ 384,574
Benefit payments made and administrative expenses for LEOSSA	6,778
Differences between expected and actual experience	291,673
Changes of assumptions	477,072
Net difference between projected and actual	237,856
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>4,093</u>
Total	\$ <u>1,402,046</u>

Deferred inflows of resources at year-end is comprised of the following:

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Prepaid taxes (General Fund)	\$ 1,576	\$ 1,576
Taxes receivable, less penalties (General Fund)	-	27,357
Unavailable revenues		1,135
Changes in assumptions	21,624	-
Difference between expected and actual experience	52,701	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>35,449</u>	<u>-</u>
Total	\$ <u>111,350</u>	\$ <u>30,068</u>

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in two

self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City has the following coverages: General liability of \$4,000,000, Employee Benefit liability of \$1,000,000, Public Officials liability of \$1,000,000, all with an annual aggregate of \$3,000,000. Employment Practices of \$1,000,000 with an annual aggregate of \$3,000,000, Police Professional Liability of \$4,000,000, as well as coverages for Governmental Crime, Inland Marine, Auto liability coverage of \$4,000,000. Real and personal property coverage has been purchased to cover current values scheduled. Worker's compensation coverage is up to \$1,000,000 per occurrence. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

Cybercrime directed toward municipal government has increased over the past several years. As a result, the City has purchased cyber liability insurance. This policy provides Security and Privacy Insurance, Network Interruption Insurance, Event Management Insurance, Cyber Extortion Insurance and Reputation Guard Insurance. This insurance provides an annual aggregate of \$2,000,000 with a \$5,000 deductible per claim.

The City does not hold any flood insurance. No building or facility is located in a designated flood plain.

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 the League of Municipalities. The tax collector and finance officer are individually bonded for \$50,000 and \$200,000, respectively, and the remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

Claims and Judgments

The North Carolina Supreme Court issued an opinion in August 2016 in the case of Quality Home Builders v. Town of Carthage, which held that absent some special legislative authority, North Carolina cities are not permitted to collect impact fees from water and sewer customers. In May of 2008, the City enacted an ordinance providing for the collection of water and sewer system development charges. The City has collected system development

charges from certain water and sewer customers since that date. To date, there has not been a claim or a threat of claim by any party who paid such charges for a refund of same. Management and the City's legal counsel believe it is probable that a claim will be made against the City for a refund of charges but that amount cannot be reasonably estimated.

Fun Arcade, LLC and Barracuda Ventures, LLC v. City of Conover and Eric Loftin, in his official capacity as Chief of Police, City of Hickory and Thurman Whisnant, in his official capacity as Chief of Police, Superior Court, Catawba County. This matter involves a declaratory judgment action against the City and its Chief of Police regarding enforcement of the North Carolina gambling statutes against a business in Conover known as the "Skill House" and a business known as "BV" or "Barracuda Ventures". This action was filed September 20, 2018. This is an action for a declaratory judgment and makes no monetary claim nor even a claim for attorney fees. Management and the City's legal counsel believe the outcome of this litigation is uncertain but potential pecuniary liability to the City is remote.

Tommy Hanson d/b/a Spinners of Conover vs. City of Conover and Eric Loftin, in his official capacity as Chief of Police, Superior Court, Catawba County. This action was filed October 2, 2018. This case is similar in nature of the previously reported case except this case does seek monetary damages against the City in that there are allegations that the Chief of Police acted erroneously and unlawfully with respect to potential enforcement of the State's gambling statutes. This case asks for four claims of relief: 1) A declaratory judgment that the Plaintiff in this case is not engaged or in violation of the gambling statutes by the nature of its operations; 2) injunctive relief to restrain the City from enforcing the gambling statutes; 3) that the City of Conover has acted arbitrarily and capriciously in the threatened enforcements of the gambling statutes and the Plaintiff has incurred money damages by such alleged actions; and 4) a claim for attorneys fees because of its alleged arbitrary and capacious action. Frankly, the Plaintiff in this case may have a colorable claim regarding its claim for declaratory relief and injunctive relief. The business has ceased operations. This matter is set for trial in January 2020. Management and City's legal counsel believe the Plaintiff has no colorable claim with respect to its claim for arbitrary and capricious action and attorneys fees.

During the fiscal year 2012-2013, the City collected \$68,000 from internet sweepstakes operators. In 2013, the City was sued by one of those internet operators seeking a refund of privilege license fees collected during the fiscal year 2012-2013. The City resolved that claim. There were other operators that paid the privilege license

fee. To date, none of those operators have brought a claim against the City for a refund of those fees. However, it is possible that those other internet sweepstakes businesses could bring such a claim. At some point in time, the claim will be time-barred by the statute of limitations; however, that statute may run for 10 years from the payment of the fee.

Long-Term Obligations

Installment Purchase:

Fire Station Building # 3

The City entered into an installment purchase contract with USDA Rural Development to finance the construction of the Fire Station Building #3. In the agreement, title passes to the City at the end of the contract. The installment purchase of \$1,500,000 is financed at 4.125% annual interest rate. Minimum future installment payments are:

Year Ending June 30,	\$
2020	77,205
2021	77,205
2022	77,205
2023	77,205
2024	77,205
2025-2045	<u>1,698,091</u>
	2,084,116
Less, amount representing interest	(<u>841,020</u>)
Present value of minimum installment purchase payments	<u>1,243,096</u>

Public Works Renovations

The City entered into an installment purchase contract with BB&T Governmental Finance to finance the renovations to the public works facility. The installment purchase was refinanced with USDA with an annual interest rate of 4.25% and annual payments of \$38,818 beginning on October 7, 2009. In the agreement, title passes to the City at the end of the contract. Minimum future installment payments are:

Year Ending June 30,	\$
2020	38,818
2021	38,818
2022	38,818
2023	38,818
2024	38,818
2025-2048	<u>970,230</u>
	1,164,320
Less, amount representing interest	(<u>513,055</u>)
Present value of minimum installment purchase payments	<u>651,265</u>

Police Facility Renovations

The City entered into an installment purchase contract with BB&T Governmental Finance to finance the renovations to the police facility. The installment purchase was refinanced with USDA with an annual interest rate of 4.375% and annual payments of \$62,814 beginning on April 28, 2010. In the agreement, title passes to the City at the end of the contract. Minimum future installment payments are:

Year Ending June 30,	\$
2020	62,814
2021	62,814
2022	62,814
2023	62,814
2024	62,814
2025-2049	<u>1,569,980</u>
	1,884,050
Less, amount representing interest	(<u>845,764</u>)
Present value of minimum installment purchase payments	<u>1,038,286</u>

Conover Station "NC Works" Construction Renovation

The City entered into an installment purchase agreement with BB&T Government Finance for the construction renovation of the second floor of Conover Station to provide finished space to lease.

The City received installment proceeds of \$453,860 at 2.85% annual interest. The City will pay ten (10) annual installments of \$45,386 beginning December 10, 2016. Minimum future payments are:

Year Ending June 30,	\$
2020	54,441
2021	53,147
2022	51,853
2023	50,560
2024	49,267
2025-2026	<u>94,652</u>
	353,920
Less, amount representing interest	(<u>36,218</u>)
Present value of minimum installment purchase payments	<u>317,702</u>

Fire Station #2

The City entered into an installment purchase agreement with BB&T Governmental Finance for the demolition and rebuilding of Fire Station #2. The City received installment proceeds of \$2,000,000 at 2.400% annual interest. The City will pay 11 annual installments beginning May 23, 2018. Minimum future installment payments are:

Year Ending June 30,	\$
2020	239,600
2021	234,800
2022	230,000
2023	225,200
2024	220,400
2025-2028	<u>733,600</u>
	1,883,600
Less, amount representing interest	(<u>183,600</u>)
Present value of minimum installment purchase payments	<u>1,700,000</u>

Long Term Debt

Loans Payable:

The loans payable for water and sewer funds are Catawba County loans, an American Recovery and Reinvestment Act (ARRA) loan, and four State Revolving Loans. The County loans financed construction of a sewer line in the Oxford School area and construction of a waterline to the Farmfield Subdivision, both outside the Conover city limits. The ARRA loan funded sewer system construction and rehabilitation in various areas of the City. State Revolving Loans include the Water Tank Loan, a project to construct a second water tank to improve water distribution and service, the NE/SW and the Hwy 16 N loans for water line improvements, and the SW Sewer Rehabilitation loan funding sewer line improvements and replacements in the SW area of the City where the City's oldest sewer lines were in service.

Loans payable at June 30, 2019 are comprised of the following:

	\$
Catawba County constructed a sewer line to serve Oxford Elementary School and surrounding area at a cost of \$237,645. The loan will be repaid to Catawba County in annual installments of \$23,765 beginning on June 23, 2014 for 10 years at 0% interest rate.	95,058
The City of Conover constructed a water line to serve Farmfield Subdivision located outside the city limits, part of which was paid for with a loan from Catawba County in the amount of \$260,985. The loan will be repaid to Catawba County in annual installments of \$18,823 per year for 15 years at a 1% interest rate beginning on August 1, 2020.	260,985
As part of the American Recovery and Reinvestment Act of 2009, the City was approved and received a Sanitary Sewer Project loan of \$1,727,025 at 0% interest. One half of the loan proceeds will be forgiven and the balance of \$863,513 will be repaid in annual installments beginning on May 1, 2011 of \$43,176 for 20 years.	474,932

The City received \$724,928 from the Department of Environment and Natural Resources for improvements to the NE/SW water line. Annual payments of \$36,247 began on May, 2015 for 20 years at 0% interest. 543,696

The City received \$374,843 from the Department of Environment and Natural Resources for improvements to the Highway 16 North water line. Annual payments of \$18,875 began on May, 2015 for 20 years at 0% interest. 281,132

The City received \$1,701,930 from the Department of Environment and Natural Resources for improvements to SW Sewer Rehabilitation Project. An annual payment of \$85,097 began on May 1, 2017 for 20 years at 0% interest. 1,446,641

Total long-term debt 3,102,444

Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending June 30,	<u>Business-type Activities</u>	
	Principal \$	Interest \$
2020	207,026	
2021	223,240	2,610
2022	223,402	2,448
2023	223,566	2,284
2024	199,966	2,119
2025-2029	1,002,409	8,053
2030-2034	834,057	3,663
2035-2036	<u>188,778</u>	<u>186</u>
Totals	<u>3,102,444</u>	<u>21,363</u>

At June 30, 2019 the City of Conover had no bonds authorized but unissued, a legal debt limit of \$89,907,405, which is 8% of assessed value, and a legal debt margin of \$81,854,612.

Changes in General Long-Term Liabilities

	Balance July 1, 2018 \$	Addition \$	Retirements \$	Balance June 30, 2019 \$	Current Portion of Balance \$
Governmental activities:					
Installment purchases	5,247,980		297,631	4,950,349	299,842
Net pension liability (LGERS)	851,468	437,737		1,289,205	
Total pension liability (LEO)	426,259	43,109		469,368	
Compensated absences	<u>284,846</u>	<u>184,267</u>	<u>165,278</u>	<u>303,835</u>	<u>176,296</u>
Governmental activity long-term liabilities	<u>6,810,553</u>	<u>665,113</u>	<u>462,909</u>	<u>7,012,757</u>	<u>476,138</u>
Business-type activities:					
<u>Water and Sewer Fund</u>					
Loans payable	3,099,884	260,985	258,425	3,102,444	223,239
Net pension liability (LGERS)	292,949	150,605		443,554	
Compensated absences	<u>65,906</u>	<u>39,683</u>	<u>53,708</u>	<u>51,881</u>	<u>42,279</u>
Business-type activity long-term liabilities	<u>3,458,739</u>	<u>451,273</u>	<u>312,133</u>	<u>3,597,879</u>	<u>265,518</u>

Compensated absences and pension liabilities for governmental activities have typically been liquidated in the general fund.

**C. Interfund Balances
and Activities**

Transfers from Other Funds:	\$
Transfer from General Fund to Conover Park Expansion Fund for park improvements	33,497
Transfer from General Fund to Solid Waste Capital Reserve Fund to increase reserves for future sanitation or recycling capital purchases from landfill fees collected in the General Fund	342,071
Transfer from General Fund to General Capital Reserve Fund to increase reserves for future capital purchases	341,342
Transfer from General Fund to 5 Points/Whitmire Property Demolition Fund to provide funds toward the demolition of the Whitmire building	22,500
Transfer from General Fund to General Capital Project Fund for street and sidewalk improvements at Conover Station	63,000
Transfer from Downtown Streetscape Improvement Fund to Conover Park Expansion Fund to close the Downtown Streetscape Improvement Fund and provide funds for park expansion	56,661
Transfer from Solid Waste Capital Reserve Fund to General Fund to cover costs of garbage and recycling bins	10,000
Transfer from Solid Waste Capital Reserve Fund to General Capital Project Fund for the purchase of land next to the public works facility to be used for future offices for sanitation personnel	78,500
Transfer from General Capital Reserve Fund to General Capital Project Fund to finance capital outlay expenditures	311,277
Transfer from Shelf Project – Transportation Capital Project Fund to Conover Park Expansion Fund for street improvements within the park	66,778
Transfer from Facilities Maintenance Special Revenue Fund to General Fund to pay for maintenance of leased properties	90,235
Transfer from 5 Points/Whitmire Property Demolition Fund to General Fund to close the 5 Points/Whitmire Demolition Fund	6,479

	\$
Transfer from SW Cemetery Expansion Fund to the Conover Park Expansion Fund to close the SW Cemetery Expansion Fund and provide funds to the Conover Park Expansion Fund for park improvements	37,992
Transfer from Contour/Terra Mulch Economic Development Fund to the Conover Park Expansion Fund to close the Contour/Terra Mulch Economic Development Fund and provide funds to the Conover Park Expansion Fund for park improvements	3,502
Transfer from GKN Economic Development Fund to the Conover Park Expansion Fund to close the GKN Economic Development Fund and provide funds to the Conover Park Expansion Fund for park improvements	<u>32,510</u>
Total transfers from other funds – Exhibit 4	<u>1,496,344</u>

Transfers to Other Funds:

	\$
Transfer to Conover Park Expansion Fund from the General Fund for park improvements	33,497
Transfer to Solid Waste Capital Reserve Fund from General Fund to increase reserves for future sanitation or recycling capital purchases from landfill fees collected in the General Fund	342,071
Transfer to General Capital Reserve Fund from the General Fund to increase reserves for future capital purchases	341,342
Transfer to 5 Points/Whitmire Property Demolition Fund to the General Fund to provide funds toward the demolition of the Whitmire building	22,500
Transfer to General Capital Project Fund from the General Fund for street and sidewalk improvements at Conover Station	63,000
Transfer to Conover Park Expansion Fund from the Downtown Streetscape Improvement Fund to close the Downtown Streetscape Improvement Fund and provide funds for park expansion	56,661
Transfer to General Fund from Solid Waste Capital Reserve Fund to cover the costs of garbage and recycling bins	10,000

	\$
Transfer to General Capital Project Fund from Solid Waste Capital Reserve Fund for the purchase of land next to the public works facility to be used for future offices for sanitation personnel	78,500
Transfer to General Capital Project Fund from General Capital Reserve Fund to finance capital outlay expenditures	311,277
Transfer to Conover Park Expansion Fund from the Shelf Project - Transportation Capital Project Fund for street improvements within the park	66,778
Transfer to General Fund from the Facilities Maintenance Special Revenue Fund to pay for maintenance of lease properties	90,235
Transfer to General Fund from 5 Points/Whitmire Property Demolition Fund to close the 5 Points/Whitmire Property Demolition Fund	6,479
Transfer to Conover Park Expansion Fund from the SW Cemetery Expansion Fund to close the SW Cemetery Expansion Fund and provide funds to the Conover Park Expansion Fund for park improvements	37,992
Transfer to Conover Park Expansion Fund from the Contour/Terra Mulch Economic Development Fund to close the Contour/Terra Mulch Economic Development Fund and provide funds to the Conover Park Expansion Fund for park improvements	3,502
Transfer to Conover Park Expansion Fund from the GKN Economic Development Fund to close the GKN Economic Development Fund and provide funds to the Conover Park Expansion Fund for park improvements	<u>32,510</u>
Total transfers to other funds – Exhibit 4	<u><u>1,496,344</u></u>

D. Extraordinary Item Abandoned Infrastructure

The City removed from service three sewer pump stations as a result of upgrades and expansions to the sewer distribution system which made these pump stations obsolete. The original cost was \$211,474. Accumulated depreciation while in service was \$123,204, resulting in a capital loss on abandoned assets of \$88,270. The loss is included as a program expense to the water and sewer fund as that fund used the impaired capital assets.

**E. Revenues,
Expenditures,
and, Expenses**

On-Behalf of Payments for Fringe Benefits and Salaries

The City has recognized as a revenue and an expenditure, on-behalf of payments for fringe benefits and salaries of \$7,951 for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2019. Under State law, the local board of trustees for the Fund receives an amount each year, which the board may use at its own discretion for eligible firemen or their departments.

**F. Net Investment in
Capital Assets**

	Governmental Activities \$	Business-type Activities \$	Total \$
Total capital assets net of depreciation	38,634,013	29,692,379	68,326,392
Less related debt	(4,950,349)	(3,102,444)	(8,052,793)
Net investment in capital assets	<u>33,683,664</u>	<u>26,589,935</u>	<u>60,273,599</u>

G. Fund Balance

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

<i>Total fund balance – General Fund</i>	<i>\$ 7,007,721</i>
Less:	
Prepaid expenses	98,507
Stabilization by State Statute	1,165,500
Streets – Powell Bill	155,778
Public Safety – Law Enforcement	28,789
Debt – USDA loans	178,337
LEO Special Separation Allowance	78,021
Appropriated Fund Balance in 2019-2020 budget	135,738
Remaining Fund Balance	<u>5,167,051</u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Of the \$200,687 outstanding encumbrances in non-major funds as of June 30, 2019, \$27,150 represents commitments in capital project ordinances.

Encumbrances	General		Non-Major Funds
	General Fund	Capital Reserve Fund	
	\$ 3,687	\$ 0	\$ 197,000

**Note 4.
Summary Disclosure
of Significant
Contingencies**

Federal and State Assisted Programs - The City has received proceeds from several 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 moneys 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 moneys.

**Note 5.
Jointly Governed
Organizations**

Hickory-Conover Tourism Development Authority

The Hickory-Conover Tourism Development Authority was organized to levy a room occupancy and tourism development tax. The Authority is composed of a membership of nine. Three are owners/operators of hotels, two of whom are appointed by the Hickory City Council and one appointed by the Conover City Council. Three are individuals who are not owners/operators, two of whom are appointed by the Hickory City Council and one appointed by the Conover City Council. Three ex officio members are the managers of Hickory and Conover and the executive vice-president of the Catawba County Chamber of Commerce. The proceeds of the occupancy tax are used for improving, leasing, constructing, financing, operating, or acquiring facilities and properties as needed to provide for the Hickory Metro Convention Center and the Convention and Visitors Bureau for the development of tourism.

Western Piedmont Council of Governments

The Western Piedmont Council of Governments (WPCOG) is a regional planning organization. It consists of twenty-four (24)

municipalities and four counties within western North Carolina. The WPCOG's governing board is comprised of one elected official from each of these local governments and seven at-large citizen members. Each local government has one vote. The City paid membership dues of \$5,001 during the fiscal year ended June 30, 2019.

The Catawba Economic Development Corporation

The Catawba County Economic Development Corporation is a quasi-governmental non-profit 501(c)(3) company that is funded by Catawba County and its partner municipalities of Hickory, Newton, Conover, Maiden, Claremont and the Town of Catawba. Each funding partner receives equal service but pays a prorated share of the development costs based upon their population and ad valorem tax base. The board is made of nine board members. Five appointed by Catawba County, two from the City of Hickory and one each to the cities of Conover and Newton. The corporation's main goal is to build a diversified tax base by recruiting new business and industry partners and to expand the footprint and influence of our existing industry partners.

The Western Piedmont Regional Transit Authority

The Western Piedmont Regional Transit Authority operates as Greenway Public Transportation. It provides van service to residents of Alexander, Burke, Caldwell and Catawba Counties, and bus service to residents in the cities of Conover, Hickory, and Newton. The Greenway story began in 2001 when the staff at Caldwell County Area Transit undertook a feasibility study to evaluate the benefits of creating a regional transit system. This study was completed in 2004 and identified advantages to creating a regional system, including: the ability to create seamless connections, an opportunity to bring more transit funding to the region, potential cost reduction and economy of scales, and quality improvements thru the development of a more specialized staff. The board consists of the managers of Alexander, Burke, Caldwell and Catawba Counties along with the City managers of Conover, Hickory and Newton and a representative from the Western Piedmont Council of Governments.

Note 6. Subsequent Events

Subsequent events were tested through November 15, 2019. None were noted.

Required Supplementary Financial Data

This section contains additional information required by generally accepted accounting principles.

- * Schedule of the Proportionate Share of the Net Pension Liability (Asset) for Local Government Employees' Retirement System**
- * Schedule of Contributions to Local Government Employees' Retirement System**
- * Schedule of Proportionate Share of Net Pension Liability for Firefighters' and Rescue Squad Workers' Pension Fund**
- * Schedule of Changes in Total Pension Liability for Law Enforcement Officers' Special Separation Allowance**
- * Schedule of Total Pension Liability as a Percentage of Covered Payroll for Law Enforcement Officers' Special Separation Allowance**

CITY OF CONOVER, NORTH CAROLINA
City of Conover's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years *

	Local Government Employees' Retirement System					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Conover's proportion of the net pension liability (asset) (%)	0.07304%	0.07491%	0.07206%	0.07841%	0.07977%	0.07977%
Conover's proportion of the net pension liability (asset) (\$)	\$ 1,732,759	\$ 1,144,417	\$ 1,529,354	\$ 351,900	\$ (470,440)	\$ 913,681
Conover's covered payroll	\$ 4,631,308	\$ 4,423,464	\$ 4,288,783	\$ 4,122,834	\$ 4,040,313	\$ 3,782,427
Conover's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	37.41%	25.87%	35.66%	8.54%	(11.64%)	24.16%
Plan fiduciary net position as a percentage of the total pension liability **	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

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

CITY OF CONOVER, NORTH CAROLINA
City of Conover's Contributions
Required Supplementary Information
Last Six Fiscal Years

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 384,574	\$ 367,424	\$ 332,133	\$ 294,302	\$ 293,980	\$ 285,047
Contributions in relation to the contractually required contribution	<u>384,574</u>	<u>367,424</u>	<u>332,133</u>	<u>294,302</u>	<u>293,980</u>	<u>285,047</u>
Contribution deficiency (excess)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Conover's covered payroll	\$ 4,807,164	\$ 4,631,308	\$ 4,423,464	\$ 4,288,783	\$ 4,122,834	\$ 4,040,313
Contributions as a percentage of covered-employee payroll	8.00%	7.93%	7.51%	6.86%	7.13%	7.06%

CITY OF CONOVER, NORTH CAROLINA
City of Conover's Proportionate Share of Net Pension Liability
Required Supplementary Information
Last Five Fiscal Years *

Firefighters' and Rescue Squad Workers' Pension

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Conover's proportionate share of the net pension liability (%)	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Conover's proportionate share of the net pension liability (\$)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
State's proportionate share of the net pension liability associated with the City of Conover	<u>74,151</u>	<u>62,862</u>	<u>43,300</u>	<u>42,147</u>	<u>35,695</u>
Total	\$ <u>74,151</u>	\$ <u>62,862</u>	\$ <u>43,300</u>	\$ <u>42,147</u>	\$ <u>35,695</u>
Conover's covered payroll	\$ 828,603	\$ 819,554	\$ 791,402	\$ 770,720	\$ 763,977
Conover's proportionate share of the net pension liability as a percentage of its covered-employee payroll	8.95%	7.67%	5.47%	5.47%	4.67%
Plan fiduciary net position as a percentage of the total pension liability	89.69%	89.35%	84.94%	91.40%	93.42%

* The amounts presented for the prior fiscal year.

CITY OF CONOVER, NORTH CAROLINA
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 426,259	\$ 436,969	\$ 431,626
Service Cost	31,632	24,241	24,491
Interest on the total pension liability	13,271	16,624	15,004
Difference between expected and actual experience	28,988	(64,407)	-
Changes of assumptions or other inputs	(18,189)	25,425	(11,478)
Benefit payments	(12,593)	(12,593)	(22,674)
Other changes	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance of the total pension liability	\$ <u>469,368</u>	\$ <u>426,259</u>	\$ <u>436,969</u>

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

CITY OF CONOVER, NORTH CAROLINA
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 469,368	\$ 426,259	\$ 436,969
Covered payroll	1,163,845	1,078,273	1,093,938
Total pension liability as a percentage of covered payroll	40.33%	39.53%	39.95%

Notes to the schedules:

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

Governmental Activities Major Funds

General Fund - The General Fund is the main operating fund of the City. This fund is used to account for all financial resources traditionally associated with government activities which are not required legally or by sound financial management to be accounted for in another fund.

Capital Project Fund - General Capital Reserve Fund - This fund is used to collect and reserve funds to distribute, when needed, to other funds for capital equipment acquisitions and construction projects.

CITY OF CONOVER, NORTH CAROLINA**General Fund****Schedule of Revenues, Expenditures, and Changes in Fund Balances****Budget and Actual**

For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance
	\$	\$	Positive (Negative) \$
Revenues:			
Ad valorem taxes:			
Current year	5,450,000	5,572,637	122,637
Prior years	65,000	82,261	17,261
Penalties and interest	<u>19,000</u>	<u>31,892</u>	<u>12,892</u>
Total	<u>5,534,000</u>	<u>5,686,790</u>	<u>152,790</u>
Other taxes and licenses:			
Gross receipts tax on short-term rental property	800	1,098	298
Licenses and permits	560	535	(25)
Motor vehicle tag tax	<u>161,325</u>	<u>192,270</u>	<u>30,945</u>
Total	<u>162,685</u>	<u>193,903</u>	<u>31,218</u>
Unrestricted intergovernmental:			
Local option sales tax	2,245,000	2,295,909	50,909
Electricity sales tax	765,000	790,301	25,301
Piped natural gas sales tax	34,000	39,198	5,198
Telecommunications sales tax	88,300	85,328	(2,972)
Video program sales tax	60,000	57,281	(2,719)
Beer and wine tax	<u>35,500</u>	<u>36,347</u>	<u>847</u>
Total	<u>3,227,800</u>	<u>3,304,364</u>	<u>76,564</u>
Restricted intergovernmental:			
Powell Bill allocation	246,740	248,528	1,788
Investment earnings on Powell Bill allocation	1,000	1,189	189
Fines and forfeitures	610	1,946	1,336
Interest on federal forfeitures and seizures	200	141	(59)
Contribution – Catawba County	93,000	93,000	
On-behalf of payments – fire	27,000	35,206	8,206
Solid waste disposal fees	<u>5,720</u>	<u>6,250</u>	<u>530</u>
Total	<u>374,270</u>	<u>386,260</u>	<u>11,990</u>
Permits and fees:			
Development and inspection fees	<u>30,025</u>	<u>44,756</u>	<u>14,731</u>

CITY OF CONOVER, NORTH CAROLINA**General Fund****Schedule of Revenues, Expenditures, and Changes in Fund Balances****Budget and Actual**

For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
	\$	\$	\$
Sales and services:			
Court costs, fees, and charges	2,500	2,729	229
Cemetery revenues	12,000	8,775	(3,225)
County waste disposal fees	510,450	511,060	610
Sales of recycled materials	3,000	2,390	(610)
ABC recycling fees	1,700	1,440	(260)
Sale of materials for public use	<u>5</u>	<u> </u>	<u>(5)</u>
Total	<u>529,655</u>	<u>526,394</u>	<u>(3,261)</u>
Investment earnings	<u>35,075</u>	<u>163,152</u>	<u>128,077</u>
Miscellaneous:			
Rental income	18,000	20,900	2,900
Contributions	3,819	3,609	(210)
Miscellaneous - other	<u>107,396</u>	<u>89,081</u>	<u>(18,315)</u>
Total	<u>129,215</u>	<u>113,590</u>	<u>(15,625)</u>
Total revenues	<u>10,022,725</u>	<u>10,419,209</u>	<u>396,484</u>

Expenditures:

General government:

Government body:

Special compensation	31,200	31,200	
Professional services	20,125	16,125	4,000
Travel and training	11,500	9,214	2,286
Departmental supplies	2,000	340	1,660
Insurance	5,210	5,222	(12)
Dues and subscriptions	19,851	19,380	471
Contracted services	2,083	2,083	
Other operating expenses	<u>14,599</u>	<u>13,929</u>	<u>670</u>
Total	<u>106,568</u>	<u>97,493</u>	<u>9,075</u>

CITY OF CONOVER, NORTH CAROLINA**General Fund****Schedule of Revenues, Expenditures, and Changes in Fund Balances****Budget and Actual**

For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
General government (cont'd)			
Administration:			
Salaries and wages	199,290	197,289	2,001
Employee benefits	74,085	71,908	2,177
Travel and training	17,000	11,237	5,763
Insurance	5,000	5,444	(444)
Contracted services	55,880	67,764	(11,884)
Telephone and postage	7,745	4,936	2,809
Departmental supplies	13,000	13,172	(172)
Other operating expenses	<u>41,400</u>	<u>24,969</u>	<u>16,431</u>
Total	<u>413,400</u>	<u>396,719</u>	<u>16,681</u>
Planning department:			
Salaries and wages	97,483	97,313	170
Employee benefits	30,134	29,548	586
Contracted services	29,000	20,410	8,590
Professional services	60,370	58,696	1,674
Other operating expenses	<u>20,710</u>	<u>13,681</u>	<u>7,029</u>
Total	<u>237,697</u>	<u>219,648</u>	<u>18,049</u>
Information technology:			
Salaries and wages	77,258	75,975	1,283
Employee benefits	29,134	28,031	1,103
Contracted services	196,590	177,305	19,285
Other operating expenses	<u>94,690</u>	<u>79,629</u>	<u>15,061</u>
Total	<u>397,672</u>	<u>360,940</u>	<u>36,732</u>
City attorney:			
Special compensation	4,200	4,200	
Professional services	25,000	21,630	3,370
Other operating expenses	<u>2,730</u>	<u>2,547</u>	<u>183</u>
Total	<u>31,930</u>	<u>28,377</u>	<u>3,553</u>
City Hall:			
Insurance	3,000	2,057	943
Utilities	20,000	22,586	(2,586)
Contracted services	19,887	19,231	656
Other operating expenses	<u>42,117</u>	<u>19,528</u>	<u>22,589</u>
Total	<u>85,004</u>	<u>63,402</u>	<u>21,602</u>

CITY OF CONOVER, NORTH CAROLINA**General Fund****Schedule of Revenues, Expenditures, and Changes in Fund Balances****Budget and Actual**

For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
General government (cont'd)			
Conover Station:			
Insurance and bonds	2,900	2,053	847
Utilities	45,100	38,586	6,514
Contracted services	70,535	50,638	19,897
Other operating expenses	<u>17,500</u>	<u>12,994</u>	<u>4,506</u>
Total	<u>136,035</u>	<u>104,271</u>	<u>31,764</u>
Fleet maintenance:			
Salaries and wages	156,848	144,690	12,158
Employee benefits	58,739	55,033	3,706
Vehicle expense	10,300	8,507	1,793
Contracted services	9,158	5,143	4,015
Other operating expenses	<u>21,300</u>	<u>16,613</u>	<u>4,687</u>
Total	<u>256,345</u>	<u>229,986</u>	<u>26,359</u>
Public works department:			
Salaries and wages	134,179	128,922	5,257
Employee benefits	54,092	52,289	1,803
Insurance	13,185	13,989	(804)
Utilities	27,312	23,189	4,123
Departmental supplies	8,100	7,400	700
Vehicle expense	6,950	3,296	3,654
Other operating expenses	<u>30,309</u>	<u>22,272</u>	<u>8,037</u>
Total	<u>274,127</u>	<u>251,357</u>	<u>22,770</u>
Cemetery and parks:			
Salaries and wages	220,701	188,860	31,841
Employee benefits	91,767	77,327	14,440
Grounds maintenance	54,000	48,201	5,799
Professional services	28,400	4,226	24,174
Contracted services	26,720	22,442	4,278
Other operating expenses	<u>64,100</u>	<u>60,055</u>	<u>4,045</u>
Total	<u>485,688</u>	<u>401,111</u>	<u>84,577</u>

CITY OF CONOVER, NORTH CAROLINA**General Fund****Schedule of Revenues, Expenditures, and Changes in Fund Balances****Budget and Actual**

For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
General government (cont'd)			
Nondepartmental:			
Contracted services	145,215	144,903	312
Other operating expenses	<u>186,933</u>	<u>182,023</u>	<u>4,910</u>
Total	<u>332,148</u>	<u>326,926</u>	<u>5,222</u>
 Total general government	<u>2,756,614</u>	<u>2,480,230</u>	<u>276,384</u>
 Public safety:			
Police department:			
Salaries and wages	1,404,625	1,281,877	122,748
Employee benefits	497,362	436,972	60,390
Vehicle expense	97,000	71,775	25,225
Insurance	67,580	72,673	(5,093)
Supplies and uniform	72,809	41,110	31,699
Travel and training	19,900	16,549	3,351
Capital outlay	172,375	191,448	(19,073)
Other operating expenses	<u>314,041</u>	<u>218,713</u>	<u>95,328</u>
Total	<u>2,645,692</u>	<u>2,331,117</u>	<u>314,575</u>
 Fire department:			
Salaries and wages	958,642	921,431	37,211
Professional services	9,000	6,313	2,687
Employee benefits	313,168	293,844	19,324
Utilities	40,850	35,899	4,951
Vehicle expense	65,413	60,873	4,540
Uniforms	22,455	20,739	1,716
Departmental supplies	16,500	14,796	1,704
Insurance	54,360	52,554	1,806
Other operating expenses	<u>123,300</u>	<u>124,200</u>	<u>(900)</u>
Total	<u>1,603,688</u>	<u>1,530,649</u>	<u>73,039</u>
 Total public safety	<u>4,249,380</u>	<u>3,861,766</u>	<u>387,614</u>

CITY OF CONOVER, NORTH CAROLINA**General Fund****Schedule of Revenues, Expenditures, and Changes in Fund Balances****Budget and Actual**

For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance
	\$	\$	Positive (Negative)
			\$
Transportation:			
Street department:			
Salaries and wages	298,233	303,368	(5,135)
Employee benefits	114,304	111,859	2,445
Utilities	369,600	280,724	88,876
Professional services	875	935	(60)
Vehicle expense	53,000	51,514	1,486
Departmental supplies	34,000	28,201	5,799
Insurance	17,730	17,600	130
Other operating expenses	<u>214,361</u>	<u>202,595</u>	<u>11,766</u>
Total	<u>1,102,103</u>	<u>996,796</u>	<u>105,307</u>
Street department - Powell Bill:			
Salaries and wages	49,575	46,039	3,536
Employee benefits	16,810	15,594	1,216
Professional services	800	2,399	(1,599)
Departmental supplies	13,500	5,866	7,634
Repairs - streets	187,140	163,149	23,991
Other operating expenses	<u>5,900</u>	<u>7,230</u>	<u>(1,330)</u>
Total	<u>273,725</u>	<u>240,277</u>	<u>33,448</u>
Total transportation	<u>1,375,828</u>	<u>1,237,073</u>	<u>138,755</u>
Environmental protection:			
Sanitation and recycle:			
Salaries and wages	331,642	297,283	34,359
Employee benefits	134,436	125,093	9,343
Landfill rent and fees	108,550	115,619	(7,069)
Vehicle expense	87,000	70,808	16,192
Other operating expenses	<u>146,034</u>	<u>112,943</u>	<u>33,091</u>
Total environmental protection	<u>807,662</u>	<u>721,746</u>	<u>85,916</u>
Debt service:			
Principal retirement	297,632	297,632	
Interest	<u>181,340</u>	<u>181,340</u>	
Total debt service	<u>478,972</u>	<u>478,972</u>	<u>0</u>

CITY OF CONOVER, NORTH CAROLINA**General Fund****Schedule of Revenues, Expenditures, and Changes in Fund Balances****Budget and Actual**

For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance
	\$	\$	Positive (Negative) \$
Total expenditures	<u>9,668,456</u>	<u>8,779,787</u>	<u>888,669</u>
Revenues over (under) expenditures	<u>354,269</u>	<u>1,639,422</u>	<u>1,285,153</u>
Other financing sources (uses):			
Operating transfers to other funds:			
Capital Project Fund - Solid			
Waste Capital Reserve Fund	(414,050)	(342,071)	71,979
Capital Project Fund – General			
Capital Project Fund	(63,000)	(63,000)	
Capital Project Fund – Conover			
Park Expansion Fund	(33,497)	(33,497)	
Capital Project Fund –			
General Capital Reserve Fund	(341,342)	(341,342)	
Capital Project Fund – 5 Points/			
Whitmire Property Demolition			
Fund	(22,500)	(22,500)	
Reserve for Police Salaries	(11,511)		11,511
Operating transfers from other funds:			
Capital Project Fund – 5 Points/			
Whitmire Property			
Demolition Fund	6,079	6,479	400
Capital Project Fund – Solid			
Waste Capital Reserve Fund	10,000	10,000	
Special Revenue Fund –			
Facilities Maintenance Fund	<u>90,235</u>	<u>90,235</u>	
Total other financing			
sources (uses)	(<u>779,586</u>)	(<u>695,696</u>)	<u>83,890</u>
Fund balance appropriated	<u>425,317</u>		(<u>425,317</u>)
Net change in fund balance	<u>0</u>	943,726	<u>943,726</u>
Fund balances, beginning		<u>6,063,995</u>	
Fund balances, ending		<u>7,007,721</u>	

CITY OF CONOVER, NORTH CAROLINA
Capital Project Fund - General Capital Reserve Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
Revenues:			
Investment earnings	1,300	9,871	8,571
Miscellaneous revenues	<u>79,830</u>	<u>82,588</u>	<u>2,758</u>
Total revenues	<u>81,130</u>	<u>92,459</u>	<u>11,329</u>
Other financing sources (uses):			
Proceeds from the sale of capital assets	1,000	27,772	26,772
Transfer from:			
General Fund	341,342	341,342	
Transfer to:			
General Capital Project Fund	(381,700)	(311,277)	70,423
Reserved for police technology	(60,000)		60,000
Reserved for fleet equipment	(32,500)		32,500
Reserved for police vests	(17,450)		17,450
Reserved for fire equipment	(424,750)		424,750
Reserved for streets	(34,000)		34,000
Reserved for technology	(<u>130,000</u>)	<u> </u>	<u>130,000</u>
Total other financing sources (uses)	(<u>738,058</u>)	<u>57,837</u>	<u>795,895</u>
Fund balance appropriated	<u>656,928</u>	<u> </u>	(<u>656,928</u>)
Net change in fund balance	<u>0</u>	150,296	<u>150,296</u>
Fund balance, beginning		<u>1,118,534</u>	
Fund balance, ending		<u>1,268,830</u>	

Governmental Activities

Non-Major Funds

Special Revenue Funds

Special Revenue Funds are used to account for revenues that are legally restricted to expenditures for a particular purpose.

Facilities Maintenance Fund – Rental income collected from facility leases are reserved to provide funding for maintenance for the respective properties.

Capital Project Funds

Capital Project Funds account for funds to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

GKN Economic Development Fund – This fund provides for construction of a new public street, water and sewer infrastructure for the expansion of GKN Sinter Metals, LLC.

Shelf Project-Transportation Fund – This fund provides funding for engineering for future transportation improvements.

Priority Sidewalk Fund – This fund is used to account for revenue received from developers in lieu of sidewalk construction for capital improvements within a priority sidewalk area as identified by the Conover Pedestrian Plan.

Solid Waste Capital Reserve Fund – This fund sets aside excess revenues from sanitation and recycling fees to reserve for future replacement of sanitation and recycling equipment.

General Capital Project Fund – The City uses this fund to purchase capital equipment and make capital improvements that are not in a separate capital fund.

Conover Park Expansion Fund – This fund provides the expansion of the Conover City Park to include an amphitheater, additional playground equipment, walking trails and new adult fitness equipment.

Downtown Streetscape Improvement Fund – This fund provides for the rehabilitation of downtown sidewalks, curb and gutter, new trees, benches, paving, restriping, a pedestrian railroad crossing and other beautification and traffic slowing additions to the downtown district.

Contour/Terra Mulch Economic Development Fund – This fund provides for construction of a new public street, and water and sewer infrastructure for the expansion of Contour/Terra Mulch industrial facility.

First Avenue Area Bike/Pedestrian Fund – This fund was established to make improvements to the First Avenue area primarily for pedestrian friendly improvements and bike lanes.

Lyle Creek/N-C Middle School Thread Trail Extension Fund – This fund provides for the purchase of trail easements and property acquisition for the extension of the Lyle Creek Greenway to Newton-Conover Middle School.

Fire Station #2 Demolition and Construction Fund – This fund provides for the demolition and re-construction of Conover Fire Station #2.

Southwest Cemetery Expansion Fund – This fund is used to finance the Southwest Cemetery expansion which includes tree removal, grading and construction of 180 new gravesites.

5 Points/Whitmire Property Demolition Fund – This fund provides for the demolition of the Whitmire building that had previously been purchased by the City. Demolition was funded with a NC Rural Demolition Grant. This building was located in the heart of downtown. The City will sell this property for re-development.

CITY OF CONOVER, NORTH CAROLINA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue Fund	Capital Project Funds														
	Facilities Maintenance Fund \$	GKN Economic Development Fund \$	Shelf-Project Transportation Fund \$	Priority Sidewalk Fund \$	Solid Waste Capital Reserve Fund \$	General Capital Project Fund \$	Conover Park Expansion Fund \$	Downtown Streetscape Improvement Fund \$	Contour/ Terra Mulch Economic Development Fund \$	First Avenue Area Bike/ Pedestrian Fund \$	Lyle Creek/ N-C Middle School Thread Trail Ext. Fund \$	Fire Station #2 Demolition And Reconst. \$	Southwest Cemetery Expansion Fund \$	5 Points/ Whitmire Property Demolition Fund \$	Total \$	
Assets																
Cash and cash equivalents	39,890			9,616	861,343	169,850					21,835				1,102,534	
Restricted cash												44,095			44,095	
Accounts receivable							119,992			43,595					163,587	
Total assets	39,890	0	0	9,616	861,343	169,850	119,992	0	0	43,595	21,835	44,095	0	0	1,310,216	
Liabilities and Fund Balances																
Liabilities:																
Accounts payable						44,335	258								44,593	
Due to other funds							46,501			9,945		15,304			71,750	
Total liabilities	0	0	0	0	0	44,335	46,759	0	0	9,945	0	15,304	0	0	116,343	
Fund balances:																
Restricted																
Stabilization by State Statute						169,850	147,142			43,595					360,587	
Capital development												44,095			44,095	
Committed	39,890			9,616	861,343						21,835				932,684	
Unassigned fund balance						(44,335)	(73,909)			(9,945)		(15,304)			(143,493)	
Total fund balance	39,890	0	0	9,616	861,343	125,515	73,233	0	0	33,650	21,835	28,791	0	0	1,193,873	
Total liabilities and fund balance	39,890	0	0	9,616	861,343	169,850	119,992	0	0	43,595	21,835	44,095	0	0	1,310,216	

CITY OF CONOVER, NORTH CAROLINA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2019

	Special Revenue Fund	Capital Project Funds														
	Facilities Maintenance Fund \$	GKN Economic Development Fund \$	Shelf-Project Transportation Fund \$	Priority Sidewalk Fund \$	Solid Waste Capital Reserve Fund \$	General Capital Project Fund \$	Conover Park Expansion Fund \$	Downtown Streetscape Improvement Fund \$	Contour/ Terra Mulch Economic Development Fund \$	First Avenue Area Bike/ Pedestrian Fund \$	Lyle Creek/ N-C Middle School Thread Trail Ext. Fund \$	Fire Station #2 Demolition And Reconst. \$	Southwest Cemetery Expansion Fund \$	5 Points/ Whitmire Property Demolition Fund \$	Total \$	
Revenues:																
Restricted																
intergovernmental							119,992		217,517	50,717				48,062	436,288	
Investment earnings	527		368	74	5,670							43			6,682	
Miscellaneous	98,050	356,272					46,000	12,916							513,238	
Total revenues	98,577	356,272	368	74	5,670	0	165,992	12,916	217,517	50,717	0	43	0	48,062	956,208	
Expenditures:																
General government		329,505													329,505	
Capital outlay		5,684				329,044	416,799	102,794	275,123	21,640		914,838		64,083	2,130,005	
Total expenditures	0	335,189	0	0	0	329,044	416,799	102,794	275,123	21,640	0	914,838	0	64,083	2,459,510	
Revenues over (under) expenditures	98,577	21,083	368	74	5,670	(329,044)	(250,807)	(89,878)	(57,606)	29,077	0	(914,795)	0	(16,021)	(1,503,302)	
Other financing sources (uses):																
Transfer from other funds					342,071	452,777	230,940							22,500	1,048,288	
Transfer to other funds	(90,235)	(32,510)	(66,778)		(88,500)			(56,661)	(3,502)				(37,992)	(6,479)	(382,657)	
Total other financing sources (uses)	(90,235)	(32,510)	(66,778)	0	253,571	452,777	230,940	(56,661)	(3,502)	0	0	0	(37,992)	16,021	665,631	
Net change in fund balances	8,342	(11,427)	(66,410)	74	259,241	123,733	(19,867)	(146,539)	(61,108)	29,077	0	(914,795)	(37,992)	0	(837,671)	
Fund balances, beginning	31,548	11,427	66,410	9,542	602,102	1,782	93,100	146,539	61,108	4,573	21,835	943,586	37,992	0	2,031,544	
Fund balances, ending	39,890	0	0	9,616	861,343	125,515	73,233	0	0	33,650	21,835	28,791	0	0	1,193,873	

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CITY OF CONOVER, NORTH CAROLINA
Special Revenue Fund – Facilities Maintenance Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance
	\$	\$	Positive (Negative) \$
Revenues:			
Rental income	97,000	98,050	1,050
Interest income	<u>150</u>	<u>527</u>	<u>377</u>
Total revenues	97,150	98,577	1,427
Expenditures:			
Maintenance and repairs - building	<u>11,415</u>	<u>0</u>	<u>11,415</u>
Revenues over expenditures	85,735	98,577	12,842
Other financing sources (uses):			
Transfer to General Fund	(90,235)	(90,235)	
Fund balance appropriated	<u>4,500</u>	<u> </u>	(<u>4,500</u>)
Net change in fund balance	<u><u>0</u></u>	8,342	<u><u>8,342</u></u>
Fund balance, beginning		<u>31,548</u>	
Fund balance, ending		<u><u>39,890</u></u>	

CITY OF CONOVER, NORTH CAROLINA
Capital Project Fund – GKN Economic Development Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	Project		Actual		Variance
	Authorization	Prior	Current	Total to	Positive
	\$	Year	Year	Date	(Negative)
		\$	\$	\$	\$
Revenues:					
Restricted grant	429,971	429,971		429,971	
Contributions	10,000	10,000		10,000	
Reimbursement from GKN Co.	<u>356,272</u>	<u> </u>	<u>356,272</u>	<u>356,272</u>	<u> </u>
Total revenues	<u>796,243</u>	<u>439,971</u>	<u>356,272</u>	<u>796,243</u>	<u>0</u>
Expenditures:					
Engineering	70,457	70,457		70,457	
Administration	45,000	39,315	5,685	45,000	
ROW acquisitions	17,267	17,267		17,267	
Construction	326,273	326,273		326,273	
Reimbursement to Grantor	307,237		307,237	307,237	
Reimbursement to County	<u>22,267</u>	<u> </u>	<u>22,267</u>	<u>22,267</u>	<u> </u>
Total expenditures	<u>788,501</u>	<u>453,312</u>	<u>335,189</u>	<u>788,501</u>	<u>0</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,742</u>	<u>(13,341)</u>	<u>21,083</u>	<u>7,742</u>	<u> </u>
Other financing sources (uses):					
Transfer from General Fund	24,768	24,768		24,768	
Transfer to Conover Park Expansion Fund	<u>(32,510)</u>	<u> </u>	<u>(32,510)</u>	<u>(32,510)</u>	<u> </u>
Total other financing sources (uses)	<u>(7,742)</u>	<u>24,768</u>	<u>(32,510)</u>	<u>(7,742)</u>	<u> </u>
Net change in fund balance	<u>0</u>	<u>11,427</u>	<u>(11,427)</u>	<u>0</u>	<u>0</u>
Fund balance, beginning			<u>11,427</u>		
Fund balance, ending			<u>0</u>		

CITY OF CONOVER, NORTH CAROLINA
Capital Project Fund – Shelf Project-Transportation Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Authorization \$	Prior Year \$	Actual Current Year \$	Total to Date \$	Variance Positive (Negative) \$
Revenues:					
Interest income	<u>324</u>	<u>324</u>	<u>368</u>	<u>692</u>	<u>368</u>
Expenditures:					
Engineering	233,682	162,846		162,846	70,836
Capital outlay	<u> </u>	<u>1,850</u>	<u> </u>	<u>1,850</u>	(<u>1,850</u>)
Total expenditures	<u>233,682</u>	<u>164,696</u>	<u>0</u>	<u>164,696</u>	<u>68,986</u>
Excess (deficiency) of revenues over (under) expenditures	(<u>233,358</u>)	(<u>164,372</u>)	<u>368</u>	(<u>164,004</u>)	<u>69,354</u>
Other financing sources (uses):					
Transfer from:					
General Fund	100,000	100,000		100,000	
Broyhill Redevelopment Capital Project Fund	110,680	110,680		110,680	
Highway 16/70 Sidewalk Construction Capital Project Fund	45,102	45,102		45,102	
Transfer to:					
Capital Project Fund – First Avenue Area Bike/ Pedestrian Fund	(<u>25,000</u>)	(<u>25,000</u>)		(<u>25,000</u>)	
Conover Park Expansion Fund	(<u>66,633</u>)	<u> </u>	(<u>66,778</u>)	(<u>66,778</u>)	(<u>145</u>)
Total other financing sources (uses)	<u>164,149</u>	<u>230,782</u>	(<u>66,778</u>)	<u>164,004</u>	(<u>145</u>)
Fund balance appropriated	<u>69,209</u>	<u> </u>	<u> </u>	<u> </u>	(<u>69,209</u>)
Net change in fund balance	<u>0</u>	<u>66,410</u>	(<u>66,410</u>)	<u>0</u>	<u>0</u>
Fund balance, beginning			<u>66,410</u>		
Fund balance, ending			<u>0</u>		

CITY OF CONOVER, NORTH CAROLINA
Capital Project Fund – Priority Sidewalk Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
Revenues:			
Permits and fees	100		(100)
Interest income	<u>50</u>	<u>74</u>	<u>24</u>
Total revenues	150	74	(76)
Other financing (uses):			
Reserve for future project	(<u>150</u>)	<u> </u>	<u>150</u>
Net change in fund balance	<u>0</u>	74	<u>74</u>
Fund balance, beginning		<u>9,542</u>	
Fund balance, ending		<u>9,616</u>	

CITY OF CONOVER, NORTH CAROLINA
Capital Project Fund – Solid Waste Capital Reserve Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance
	\$	\$	Positive (Negative) \$
Revenues:			
Investment earnings	<u>700</u>	<u>5,670</u>	<u>4,970</u>
Other financing sources (uses):			
Transfer from:			
General Fund	414,050	342,071	(71,979)
Transfer to:			
Capital Project Fund – General			
Capital Reserve Fund	(113,500)	(78,500)	35,000
General Fund	(10,000)	(10,000)	
Reserved for:			
Sanitation/recycling equipment	(172,000)		172,000
Future	(254,000)		254,000
Recycling/material handling	(16,000)		16,000
Storage facility	(101,250)	<u> </u>	<u>101,250</u>
Total other financing			
sources (uses)	<u>(252,700)</u>	<u>253,571</u>	<u>506,271</u>
Fund balance appropriated	<u>252,000</u>	<u> </u>	<u>(252,000)</u>
Net change in fund balance	<u>0</u>	259,241	<u>259,241</u>
Fund balance, beginning		<u>602,102</u>	
Fund balance, ending		<u>861,343</u>	

CITY OF CONOVER, NORTH CAROLINA
Capital Project Fund - General Capital Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
Expenditures:			
Capital outlay	<u>560,982</u>	<u>329,044</u>	<u>231,938</u>
Other financing sources:			
Transfer from:			
General Fund	63,000	63,000	
Capital Project Fund -			
General Capital Reserve Fund	381,700	311,277	(70,423)
Capital Project Fund –			
Solid Waste Capital Reserve Fund	<u>113,500</u>	<u>78,500</u>	(<u>35,000</u>)
Total other financing sources	<u>558,200</u>	<u>452,777</u>	(<u>105,423</u>)
Fund balance appropriated	<u>2,782</u>		(<u>2,782</u>)
Net change in fund balance	<u>0</u>	123,733	<u>123,733</u>
Fund balance, beginning		<u>1,782</u>	
Fund balance, ending		<u>125,515</u>	

CITY OF CONOVER, NORTH CAROLINA
Capital Project Fund – Conover Park Expansion Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual

From Inception and For the Fiscal Year Ended June 30, 2019

	Project		Actual		Variance
	Authorization	Prior	Current	Total to	Positive
	\$	Year	Year	Date	(Negative)
		\$	\$	\$	\$
Revenues:					
PARTF grant	119,992		119,992	119,992	
Contributions	<u>46,000</u>	<u></u>	<u>46,000</u>	<u>46,000</u>	<u>0</u>
Total revenues	<u>165,992</u>	<u>0</u>	<u>165,992</u>	<u>165,992</u>	<u>0</u>
Expenditures:					
Construction	421,127	7,900	349,740	357,640	63,487
Equipment	<u>76,661</u>	<u></u>	<u>67,059</u>	<u>67,059</u>	<u>9,602</u>
Total expenditures	<u>497,788</u>	<u>7,900</u>	<u>416,799</u>	<u>424,699</u>	<u>73,089</u>
(Deficiency) of revenues over (under) expenditures	(<u>331,796</u>)	(<u>7,900</u>)	(<u>250,807</u>)	(<u>258,707</u>)	<u>73,089</u>
Other financing sources:					
Transfer from:					
General Fund	33,497		33,497	33,497	
General Capital Reserve Fund	101,000	101,000		101,000	
Downtown Streetscape Improvement Fund	56,661		56,661	56,661	
Shelf Project – Transportation Fund	66,633		66,778	66,778	145
Southwest Cemetery Expansion Fund	37,993		37,993	37,993	
Contour/Terra Mulch Economic Development	3,503		3,502	3,502	(1)
GKN Economic Development Fund	<u>32,509</u>	<u></u>	<u>32,509</u>	<u>32,509</u>	<u></u>
Total other financing sources	<u>331,796</u>	<u>101,000</u>	<u>230,940</u>	<u>331,940</u>	<u>144</u>
Net change in fund balance	<u>0</u>	<u>93,100</u>	(<u>19,867</u>)	<u>73,233</u>	<u>73,233</u>
Fund balance, beginning			<u>93,100</u>		
Fund balance, ending			<u>73,233</u>		

CITY OF CONOVER, NORTH CAROLINA
Capital Project Fund – Downtown Streetscape Improvement Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual

From Inception and For the Fiscal Year Ended June 30, 2019

	Project		Actual		Variance
	Authorization	Prior	Current	Total to	Positive
	\$	Year	Year	Date	(Negative)
		\$	\$	\$	\$
Revenues:					
Duke Energy Grant	<u>12,916</u>	<u> </u>	<u>12,916</u>	<u>12,916</u>	<u>0</u>
Expenditures:					
Streetscape improvements	295,292	240,741	54,551	295,292	
Engineering/surveying	8,700	7,200	1,500	8,700	
Demolition and construction	<u>108,153</u>	<u>61,410</u>	<u>46,743</u>	<u>108,153</u>	<u> </u>
Total expenditures	<u>412,145</u>	<u>309,351</u>	<u>102,794</u>	<u>412,145</u>	<u>0</u>
Other financing sources (uses):					
Transfer from					
General Fund	455,890	455,890		455,890	
Transfer to Conover Park					
Expansion Fund	(<u>56,661</u>)	<u> </u>	(<u>56,661</u>)	(<u>56,661</u>)	<u> </u>
Total other financing					
sources (uses)	<u>399,229</u>	<u>455,890</u>	(<u>56,661</u>)	<u>399,229</u>	<u>0</u>
Net change in fund balance	<u>0</u>	<u>146,539</u>	(<u>146,539</u>)	<u>0</u>	<u>0</u>
Fund balance, beginning			<u>146,539</u>		
Fund balance, ending			<u>0</u>		

CITY OF CONOVER, NORTH CAROLINA**Capital Project Fund – Contour/Terra Mulch Economic Development Fund****Schedule of Revenues, Expenditures, and Changes in Fund Balance****Budget and Actual**

From Inception and For the Fiscal Year Ended June 30, 2019

	Project	Actual		Total to	Variance
	Authorization	Prior	Current	Date	Positive
	\$	Year	Year	\$	(Negative)
		\$	\$		\$
Revenues:					
NC Industrial Grant	<u>217,517</u>	<u> </u>	<u>217,517</u>	<u>217,517</u>	<u>0</u>
Expenditures:					
Street construction	200,464	992	199,472	200,464	
Engineering	22,896	14,900	7,996	22,896	
Administration	10,000		10,000	10,000	
Water line construction	<u>57,654</u>	<u> </u>	<u>57,654</u>	<u>57,654</u>	
Total expenditures	<u>291,014</u>	<u>15,892</u>	<u>275,122</u>	<u>291,014</u>	<u>0</u>
Revenues (under)					
expenditures	(<u>73,497</u>)	(<u>15,892</u>)	(<u>57,605</u>)	(<u>73,497</u>)	<u>0</u>
Other financing sources (uses):					
Transfer from:					
Water Sewer Operating Fund	23,700	23,700		23,700	
General Fund	53,300	53,300		53,300	
Transfer to Conover Park					
Expansion Fund	(<u>3,503</u>)	<u> </u>	(<u>3,503</u>)	(<u>3,503</u>)	
Total other financing					
sources (uses)	<u>73,497</u>	<u>77,000</u>	(<u>3,503</u>)	<u>73,497</u>	<u>0</u>
Net change in fund balance	<u>0</u>	<u>61,108</u>	(<u>61,108</u>)	<u>0</u>	<u>0</u>
Fund balance, beginning			<u>61,108</u>		
Fund balance, ending			<u>0</u>		

CITY OF CONOVER, NORTH CAROLINA
Capital Project Fund – First Avenue Area Bike/Pedestrian Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual

From Inception and For the Fiscal Year Ended June 30, 2019

	Project		Actual		Variance
	Authorization	Prior	Current	Total to	Positive
	\$	Year	Year	Date	(Negative)
		\$	\$	\$	\$
Revenues:					
Restricted grant	400,745	348,283	50,717	399,000	(1,745)
Expenditures:					
Construction	<u>525,932</u>	<u>468,897</u>	<u>21,640</u>	<u>490,537</u>	<u>35,395</u>
Revenues over (under)					
expenditures	(<u>125,187</u>)	(<u>120,614</u>)	<u>29,077</u>	(<u>91,537</u>)	<u>33,650</u>
Other financing sources:					
Transfer from:					
General Fund	100,187	100,187		100,187	
Capital Project Fund -					
Southwest Cemetery					
Expansion Fund	<u>25,000</u>	<u>25,000</u>	<u> </u>	<u>25,000</u>	<u> </u>
Total other					
financing sources	<u>125,187</u>	<u>125,187</u>	<u>0</u>	<u>125,187</u>	<u>0</u>
Net change in fund balance	<u>0</u>	<u>4,573</u>	29,077	<u>33,650</u>	<u>33,650</u>
Fund balance, beginning			<u>4,573</u>		
Fund balance, ending			<u>33,650</u>		

CITY OF CONOVER, NORTH CAROLINA**Capital Project Fund – Lyle Creek/N-C Middle School Thread Trail Extension Fund****Schedule of Revenues, Expenditures, and Changes in Fund Balance****Budget and Actual**

From Inception and For the Fiscal Year Ended June 30, 2019

	Project		Actual		Variance
	Authorization	Prior	Current	Total to	Positive
	\$	Year	Year	Date	(Negative)
		\$	\$	\$	\$
Revenues:					
Carolina Thread Trail Grant	<u>19,850</u>	<u>19,850</u>	<u> </u>	<u>19,850</u>	<u>0</u>
Expenditures:					
Legal	3,235				3,235
Easement acquisitions	4,300				4,300
Property purchase	<u>14,300</u>	<u> </u>	<u> </u>	<u> </u>	<u>14,300</u>
Total expenditures	<u>21,835</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>21,835</u>
Revenues over (under)					
expenditures	(1,985)	19,850		19,850	21,835
Other financing sources:					
Transfer from Capital					
Project Fund - Priority					
Sidewalk Fund	<u>1,985</u>	<u>1,985</u>	<u> </u>	<u>1,985</u>	<u> </u>
Net change in fund balance	<u>0</u>	<u>21,835</u>	0	<u>21,835</u>	<u>21,835</u>
Fund balance, beginning			<u>21,835</u>		
Fund balance, ending			<u>21,835</u>		

CITY OF CONOVER, NORTH CAROLINA
Capital Project Fund – Fire Station #2 Demolition and Construction Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
	\$	\$	\$	\$	\$
Revenues:					
Interest income	<u>1,000</u>	<u>97</u>	<u>43</u>	<u>140</u>	(<u>860</u>)
Expenditures:					
Demolition and construction	1,863,530	978,948	864,934	1,843,882	19,648
Equipment	<u>55,000</u>	<u> </u>	<u>49,904</u>	<u>49,904</u>	<u>5,096</u>
Total expenditures	<u>1,918,530</u>	<u>978,948</u>	<u>914,838</u>	<u>1,893,786</u>	<u>24,744</u>
Revenues (under) expenditures	(<u>1,917,530</u>)	(<u>978,851</u>)	(<u>914,795</u>)	(<u>1,893,646</u>)	<u>23,884</u>
Other financing sources (uses):					
Proceeds from installment purchase	2,000,000	2,000,000		2,000,000	
Transfers to:					
General Fund	(44,170)	(39,263)		(39,263)	4,907
General Capital Reserve Fund	(<u>38,300</u>)	(<u>38,300</u>)	<u> </u>	(<u>38,300</u>)	<u> </u>
Total other financing sources (uses)	<u>1,917,530</u>	<u>1,922,437</u>	<u>0</u>	<u>1,922,437</u>	<u>4,907</u>
Net change in fund balance	<u>0</u>	<u>943,586</u>	(914,795)	<u>28,791</u>	<u>28,791</u>
Fund balance, beginning			<u>943,586</u>		
Fund balance, ending			<u>28,791</u>		

CITY OF CONOVER, NORTH CAROLINA
Capital Project Fund – Southwest Cemetery Expansion Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual

From Inception and For the Fiscal Year Ended June 30, 2019

	Project		Actual		Variance
	Authorization	Prior	Current	Total to	Positive
	\$	Year	Year	Date	(Negative)
		\$	\$	\$	\$
Expenditures:					
Construction	<u>24,008</u>	<u>24,008</u>	<u> </u>	<u>24,008</u>	<u> </u>
Other financing sources (uses):					
Transfer from					
General Fund	62,000	62,000		62,000	
Transfer to Conover Park					
Expansion Fund	(<u>37,992</u>)	<u> </u>	(<u>37,992</u>)	(<u>37,992</u>)	<u> </u>
Total other financing					
sources (uses)	<u>24,008</u>	<u>62,000</u>	(<u>37,992</u>)	<u>24,008</u>	<u>0</u>
Net change in fund balance	<u>0</u>	<u>37,992</u>	(<u>37,992</u>)	<u>0</u>	<u>0</u>
Fund balance, beginning			<u>37,992</u>		
Fund balance, ending			<u>0</u>		

CITY OF CONOVER, NORTH CAROLINA
Capital Project Fund – 5 Points/Whitmire Property Demolition Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	Project		Actual		Variance
	Authorization	Prior	Current	Total to	Positive
	\$	Year	Year	Date	(Negative)
		\$	\$	\$	\$
Revenues:					
NC Rural Building Demolition Grant	48,062		48,062	48,062	
Expenditures:					
Demolition/Stabilization	<u>64,483</u>	<u> </u>	<u>64,083</u>	<u>64,083</u>	<u>400</u>
Revenues (under) expenditures	(<u>16,421</u>)	<u>0</u>	(<u>16,021</u>)	(<u>16,021</u>)	<u>0</u>
Other financing sources (uses):					
Transfer from General Fund	22,500		22,500	22,500	
Transfer to General Fund	(<u>6,079</u>)	<u> </u>	(<u>6,479</u>)	(<u>6,479</u>)	<u> </u>
Total other financing sources (uses)	<u>16,421</u>	<u>0</u>	<u>16,021</u>	<u>16,021</u>	(<u>400</u>)
Net decrease in fund balance	<u>0</u>	<u>0</u>	0	<u>0</u>	<u>0</u>
Fund balance, beginning			<u>0</u>		
Fund balance, ending			<u>0</u>		

Business-Type Activities

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Water and Sewer Operating Fund - This fund is used to account for the activities associated with the production, purchase and distribution of water and sewer services to its customers.

Water and Sewer Capital Projects Fund - This fund finances the construction of major utility capital projects associated with distribution projects.

Water and Sewer Capital Reserve Fund - This fund is used to collect and reserve funds to distribute, when needed, to other enterprise funds to finance major utility capital projects.

Shelf Project Fund - This fund provides local funding for infrastructure engineering necessary to get water/sewer projects “shelf ready” in order for these projects to be eligible for consideration for the American Recovery and Reinvestment Act stimulus funding or other outside funding applications.

Water and Sewer Improvement Fund - This fund provides financing for the design and expansion of major utility facilities with proceeds from capacity fees.

NE WWTP Expansion Fund – This fund provides funds for expansions and improvements to the City’s NE Wastewater treatment plant. The first stage of this project is for engineering. Funds for this project will come from utility capital reserves.

CITY OF CONOVER, NORTH CAROLINA

Water and Sewer Fund

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
	\$	\$	\$
Revenues:			
Operating revenues:			
Charges for services:			
Water sales	2,487,354	2,488,037	683
Sewer charges	2,258,392	2,271,712	13,320
Fire protection charges	34,990	35,390	400
Water connection fees	24,000	31,510	7,510
Sewer tap fees	5,000	7,760	2,760
Delinquent charges	70,000	72,454	2,454
Miscellaneous	600	1,077	477
Revenue SE Catawba County	<u>18,000</u>	<u>16,680</u>	(<u>1,320</u>)
Total operating revenues	<u>4,898,336</u>	<u>4,924,620</u>	<u>26,284</u>
Nonoperating revenues:			
Investment earnings	4,000	22,547	18,547
Sale of fixed assets	<u>1,000</u>	<u>11,998</u>	<u>10,998</u>
Total nonoperating revenues	<u>5,000</u>	<u>34,545</u>	<u>29,545</u>
Total revenues	<u>4,903,336</u>	<u>4,959,165</u>	<u>55,829</u>

CITY OF CONOVER, NORTH CAROLINA**Water and Sewer Fund****Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**

For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
	\$	\$	\$
Expenditures:			
Operating expenditures:			
Purchases for resale	777,460	692,328	85,132
Salaries and wages	1,371,916	1,308,964	62,952
Professional services	20,040	6,095	13,945
Telephone alarm system	750	210	540
Telephone	6,880	8,125	(1,245)
Utilities	115,383	97,172	18,211
Travel and training	7,020	4,832	2,188
Maintenance and repairs - equipment and lines	165,000	140,357	24,643
Maintenance and repairs - vehicles	27,500	21,930	5,570
Maintenance and repairs - building and grounds	2,500	2,137	363
Automotive supplies	57,000	48,868	8,132
Departmental supplies	135,154	129,460	5,694
Contracted services	468,135	464,756	3,379
Miscellaneous	11,000	3,154	7,846
Payroll taxes	104,953	97,577	7,376
Retirement expense	176,120	163,857	12,263
Group insurance	166,250	145,894	20,356
Employee benefits	500	389	111
Uniforms	11,550	10,614	936
Advertising	5,500	2,996	2,504
Dues and subscriptions	4,850	4,951	(101)
Insurance and bonds	44,240	41,612	2,628
Unemployment reserve	2,908	2,599	309
Reserve for future projects	116,261		116,261
Other operating expenses	<u>2,500</u>	<u>2,843</u>	<u>(343)</u>
Total operating expenditures	<u>3,801,370</u>	<u>3,401,720</u>	<u>399,650</u>
Debt service:			
Interest and service charges	1,481	1,480	1
Debt principal	<u>258,430</u>	<u>258,425</u>	<u>5</u>
Total debt service	<u>259,911</u>	<u>259,905</u>	<u>6</u>
Capital outlay:			
Equipment	<u>15,000</u>	<u>0</u>	<u>15,000</u>
Total expenditures	<u>4,076,281</u>	<u>3,661,625</u>	<u>414,656</u>

CITY OF CONOVER, NORTH CAROLINA**Water and Sewer Fund****Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**

For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
	\$	\$	\$
Revenues over expenditures	<u>827,055</u>	<u>1,297,540</u>	<u>470,485</u>
Other financing sources (uses):			
Transfer from:			
Water and Sewer			
Improvement Fund	51,695	35,943	(15,752)
Transfer to:			
Enterprise Fund – Water and			
Sewer Capital Reserve Fund	(893,448)	(896,058)	(2,610)
Enterprise Fund – Water and			
Sewer Capital Project Fund	(<u>88,535</u>)	(<u>88,535</u>)	<u> </u>
Total other financing			
sources (uses)	(<u>930,288</u>)	(<u>948,650</u>)	(<u>18,362</u>)
Retained earnings appropriated	<u>103,233</u>	<u> </u>	(<u>103,233</u>)
Excess of revenues and			
other financing sources over			
expenditures and other			
financing uses	<u>0</u>	<u>348,890</u>	<u>348,890</u>

CITY OF CONOVER, NORTH CAROLINA**Water and Sewer Fund****Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**

For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
Reconciliation from budgetary basis			
(modified accrual) to full accrual:			
Excess of revenues and other			
financing sources over expenditures			
and other financing uses		<u>348,890</u>	
Reconciling items:			
Principal retirement		258,425	
Proceeds from sale of fixed assets	(11,998)	
Gain on sale of fixed assets		10,837	
Loss on abandoned assets	(88,271)	
Depreciation	(1,181,328)	
Income from Water and Sewer Capital			
Project Grants and Other Income		22,909	
Decrease (increase) in accrued vacation pay		14,025	
Decrease (increase) in interest payable		21	
Decrease (increase) in deferred outflows			
of resources – pensions		120,303	
Decrease (increase) in net pension liability	(150,605)	
Decrease (increase) in deferred inflows of			
resources – pensions		8,259	
Transfer to Enterprise Fund:			
Water and Sewer Improvement Fund	(35,943)	
Transfer from Enterprise Fund:			
Water and Sewer Capital Reserve Fund		896,058	
Water and Sewer Capital Project Fund		88,535	
Capital contribution from the General Fund		<u>64,456</u>	
Total reconciling items		<u>15,683</u>	
Change in net position		<u><u>364,573</u></u>	

Note: This schedule is included to show budgetary compliance with the legally adopted budget.

CITY OF CONOVER, NORTH CAROLINA**Water and Sewer Capital Projects Fund****Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**

For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
	\$	\$	\$
Revenues:			
County loan	<u>265,604</u>	<u>260,985</u>	(<u>4,619</u>)
Expenditures:			
Engineering	145,330	55,102	90,228
Engineering/inspection	20,000		20,000
Legal	15,000		15,000
Infrastructure improvements	5,000		5,000
Contracted construction	150,000	1,000	149,000
Capital outlay – other improvements	330,000	108,902	221,098
Water line construction - Farmfield	<u>354,139</u>	<u>322,981</u>	<u>31,158</u>
Total expenditures	<u>1,019,469</u>	<u>487,985</u>	<u>531,484</u>
Revenues over (under) expenditures	(<u>753,865</u>)	(<u>227,000</u>)	<u>526,865</u>
Other financing sources:			
Transfer from:			
Water and Sewer Capital			
Reserve Fund	650,000	415,854	(234,146)
Water and Sewer Fund	<u>88,535</u>	<u>88,535</u>	
Total other financing sources	<u>738,535</u>	<u>504,389</u>	(<u>234,146</u>)
Fund balance appropriated	<u>15,330</u>		(<u>15,330</u>)
Revenues and other financing sources over expenditures	<u>0</u>	<u>277,389</u>	<u>277,389</u>

CITY OF CONOVER, NORTH CAROLINA**Water and Sewer Capital Reserve Fund****Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**

For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
	\$	\$	\$
Revenues:			
Investment earnings	<u>2,000</u>	<u>16,762</u>	<u>14,762</u>
Other financing sources (uses):			
Transfer from:			
Water and Sewer Fund	893,488	896,058	2,570
Transfer to:			
Water and Sewer Capital Projects Fund	(650,000)	(415,854)	234,146
Reserve for equipment	(90,000)		90,000
Reserve for utility relocations	(210,000)		210,000
Reserve for water/sewer infrastructure improvements	(487,115)		487,115
Reserve for plant improvements	(<u>30,000</u>)	<u> </u>	<u>30,000</u>
Total other financing sources (uses)	(<u>573,627</u>)	<u>480,204</u>	<u>1,053,831</u>
Fund balance appropriated	<u>571,627</u>	<u> </u>	(<u>571,627</u>)
Revenues and other financing sources over (under) other financing (uses)	<u>0</u>	<u>496,966</u>	<u>496,966</u>

CITY OF CONOVER, NORTH CAROLINA**Water and Sewer Improvement Fund****Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**

For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
Revenues:			
Investment earnings	100	5,343	5,243
Capacity excess	<u>1,000</u>	<u>804</u>	(<u>196</u>)
Total revenues	<u>1,100</u>	<u>6,147</u>	<u>5,047</u>
Expenditures:			
Engineering	167,792	142,192	25,600
Administrative and legal	7,500		7,500
Contracted construction	70,000		70,000
Capital outlay - improvement	25,000	21,922	3,078
Capital outlay – equipment	139,373	73,196	66,177
Reserve for future equipment purchase	<u>26,000</u>	<u> </u>	<u>26,000</u>
Total expenditures	<u>435,665</u>	<u>237,310</u>	<u>198,355</u>
Revenues over (under) expenditures	(<u>434,565</u>)	(<u>231,163</u>)	<u>203,402</u>
Other financing sources (uses):			
Transfer from:			
NEWWTP Expansion Fund	26,000	26,000	
Transfer to:			
Water and Sewer Operating Fund	(<u>51,695</u>)	(<u>35,943</u>)	<u>15,752</u>
Total other financing sources (uses)	(<u>25,695</u>)	(<u>9,943</u>)	<u>15,752</u>
Fund balance appropriated	<u>460,260</u>	<u> </u>	(<u>460,260</u>)
Revenues and other financing sources over (under) expenditures and other financing (uses)	<u>0</u>	(<u>241,106</u>)	(<u>241,106</u>)

CITY OF CONOVER, NORTH CAROLINA**Shelf Project Fund****Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**

From Inception and For the Fiscal Year Ended June 30, 2019

	Project		Actual		Variance
	Authorization	Prior	Current	Total to	Positive
	\$	Year	Year	Date	(Negative)
		\$	\$	\$	\$
Expenditures:					
Engineering	<u>174,372</u>	<u>89,551</u>	<u> </u>	<u>89,551</u>	<u>84,821</u>
Other financing					
sources:					
Transfer from:					
General Fund	50,000	50,000		50,000	
Water and Sewer Fund	50,000	50,000		50,000	
Capital Project Fund –					
SW Sewer Rehabilitation					
Project Fund	<u>74,372</u>	<u>74,372</u>	<u> </u>	<u>74,372</u>	<u> </u>
Total other					
financing sources	<u>174,372</u>	<u>174,372</u>	<u>0</u>	<u>174,372</u>	<u>0</u>
Other financing sources over					
expenditures	<u>0</u>	<u>84,821</u>	<u>0</u>	<u>84,821</u>	<u>84,821</u>

CITY OF CONOVER, NORTH CAROLINA

NE WWTP Expansion Fund

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)

From Inception and For the Fiscal Year Ended June 30, 2019

	Project	Actual			Variance
	Authorization	Prior	Current	Total to	Positive
	\$	Year	Year	Date	(Negative)
		\$	\$	\$	\$
Expenditures:					
Engineering	<u>89,000</u>	<u>79,000</u>	<u> </u>	<u>79,000</u>	<u>10,000</u>
Other financing					
sources (uses):					
Transfer from:					
Water and Sewer					
Capital Reserve Fund	115,000	115,000		115,000	
Transfer to:					
Water and Sewer					
Improvement Fund	(<u>26,000</u>)	<u> </u>	(<u>26,000</u>)	(<u>26,000</u>)	<u> </u>
Total other financing					
sources (uses)	<u>89,000</u>	<u>115,000</u>	(<u>26,000</u>)	<u>89,000</u>	<u>0</u>
Excess (deficiency) of other					
financing sources over (under)					
expenditures and other					
financing (uses)	<u>0</u>	<u>36,000</u>	(<u>26,000</u>)	<u>10,000</u>	<u>10,000</u>

Capital Assets

Capital assets are used to account for the cost of the City's fixed assets that are used in the performance of general government functions and are not accounted for in the City's Enterprise Fund.

CITY OF CONOVER, NORTH CAROLINA
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Asset Type
June 30, 2019

<u>Function</u>	Land and Improvements \$	Building and Improvements \$	Equipment \$	Vehicles \$	Infrastructure \$	Construction in Progress \$	Total \$
General Government	3,311,910	10,248,470	1,584,272	373,841	38,171	210,235	15,766,899
Public Safety	233,765	4,236,276	1,143,549	3,427,647		1,950,100	10,991,337
Transportation	10,726	33,168	886,087	1,020,077	23,952,125	25,239	25,927,422
Environmental Protection	<u> </u>	<u> </u>	<u>257,963</u>	<u>1,560,798</u>	<u> </u>	<u>1,351</u>	<u>1,820,112</u>
Total	<u>3,556,401</u>	<u>14,517,914</u>	<u>3,871,871</u>	<u>6,382,363</u>	<u>23,990,296</u>	<u>2,186,925</u>	<u>54,505,770</u>

CITY OF CONOVER, NORTH CAROLINA
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Type and Function
For the Fiscal Year Ended June 30, 2019

	Balances		Net		Balances
	July 1, 2018	Additions	Transfers	Retirements	June 30, 2019
	\$	\$	\$	\$	\$
By asset type:					
Land and improvements	3,447,044	109,357			3,556,401
Buildings and improvements	14,487,914	30,000			14,517,914
Equipment	3,221,165	441,873	7,900	(11,186)	3,659,752
Vehicles	6,216,662	269,470	36,796	(140,565)	6,382,363
Computer equipment	238,934			(26,815)	212,119
Infrastructure	22,839,277	404,382	746,637		23,990,296
Construction in process	<u>1,968,844</u>	<u>1,073,870</u>	<u>(855,789)</u>		<u>2,186,925</u>
Total	<u>52,419,840</u>	<u>2,328,952</u>	<u>(64,456)</u>	<u>(178,566)</u>	<u>54,505,770</u>
By asset function:					
General government	14,994,028	780,556	76,601	(84,286)	15,766,899
Public safety	10,026,744	1,116,785	(57,912)	(94,280)	10,991,337
Transportation	25,578,956	431,611	(83,145)		25,927,422
Environmental protection	<u>1,820,112</u>				<u>1,820,112</u>
Total	<u>52,419,840</u>	<u>2,328,952</u>	<u>(64,456)</u>	<u>(178,566)</u>	<u>54,505,770</u>
By funding source:					
Asset purchases prior to 1998-1999					
from undetermined sources					10,798,421
Contribution - Enterprise Fund					112,857
General Fund					7,822,518
General Fund – Federal Grant					373,668
Contributions					7,295,920
Capital Projects Fund:					
Federal grant					8,813,951
State contribution					1,919,217
Local contribution					16,248,178
Special Revenue Fund:					
Federal grant					865,362
State contribution					230,678
Local contribution					<u>25,000</u>
Total					<u>54,505,770</u>

Other Schedules

This section contains additional information required on property taxes and transfers.

*** Schedule of Ad Valorem Taxes Receivable**

*** Analysis of Current Tax Levy**

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CITY OF CONOVER, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

Fiscal Year	Uncollected Balance June 30, 2018 \$	Additions \$	Collections \$	Discoveries Abatements Adjustments \$	Uncollected Balance June 30, 2019 \$
2018 - 2019		5,744,304	5,572,637	(125,596)	46,071
2017 - 2018	58,636		36,424	(312)	21,900
2016 - 2017	24,142		12,441	(63)	11,638
2015 - 2016	14,714		6,942	(1)	7,771
2014 - 2015	8,350		2,319	(79)	5,952
2013 - 2014	11,820		2,480	(227)	9,113
2012 - 2013	38,093		19,389	(6,965)	11,739
2011 - 2012	17,561		845	(122)	16,594
2010 - 2011	11,906		1,204	(434)	10,268
2009 - 2010	9,389		194	(295)	8,900
2008 - 2009	21,823		6	(21,817)	0
2007 - 2008			2	2	0
2005 - 2006			12	12	0
1999 - 2000			1	1	0
Total	<u>216,434</u>	<u>5,744,304</u>	<u>5,654,896</u>	<u>(155,896)</u>	149,946
Less, allowance for uncollectible ad valorem taxes receivable					(<u>122,588</u>)
Ad valorem taxes receivable - net					<u>27,358</u>
Reconciliation with revenues:					
Taxes - ad valorem - General Fund - current year					5,572,637
Taxes - ad valorem - General Fund - prior years					<u>82,259</u>
Total					<u>5,654,896</u>

CITY OF CONOVER, NORTH CAROLINA

Analysis of Current Tax Levy

For the Fiscal Year Ended June 30, 2019

	<u>City Wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property tax at current year's rate	1,147,281,102	0.50	5,736,405	5,267,354	469,051
	1,680,640	0.47	7,899	7,899	
Releases, additions and adjustments	(25,119,174)	0.50	(125,596)	(125,596)	
Total property valuation	<u>1,123,842,568</u>				
Net levy			5,618,708	5,149,657	469,051
Uncollected taxes at June 30, 2019			(46,071)	(46,071)	0
Current year's taxes collected			<u>5,572,637</u>	<u>5,103,586</u>	<u>469,051</u>
Current levy collection percentage			<u>99.18%</u>	<u>99.11%</u>	<u>100.00%</u>

STATISTICAL SECTION

This section of the City of Conover's Comprehensive Annual Financial Report uses detailed, statistical information as another means of providing an understanding of the City's financial operations by illustrating revenue and debt capacity, economic and demographic data, operating information and financial trends.

Contents

Financial Trends

Tables 1, 2, 3, and 4 provide financial trend information to help the reader of the financial statements understand how the City's financial position has changed over time.

Revenue Capacity

Tables 5, 6, 7, and 8 provide information to help the reader assess factors that affect the City's ability to generate its main source of revenue; property tax.

Debt Capacity

Tables 9, 10, 11, and 12 provide information to help the reader understand and assess the City's outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

Tables 13 and 14 provide demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time, and with other governments.

Operating Information

Tables 15, 16, and 17 provide information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these tables is derived from the Comprehensive Annual Financial Report. The City of Conover implemented Statement 34 in fiscal year 2003-2004; tables presenting government-wide information include information beginning in that year.

Table 1
City of Conover, North Carolina
Net Position, page 1
Last Ten Fiscal Years
(accrual basis of accounting)
(unaudited)

	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Governmental activities					
Net investment in capital assets	\$ 22,401,375	\$ 24,325,504	\$ 26,663,428	\$ 28,978,012	\$ 29,796,061
Restricted	417,688	1,565,609	1,744,254	3,866,513	3,420,746
Unrestricted	6,063,531	4,962,888	5,243,578	5,800,442	5,044,567
Total governmental activities net assets	\$ 28,882,594	\$ 30,854,001	\$ 33,651,260	\$ 38,644,967	\$ 38,261,374
Business-type activities					
Net investment in capital assets	\$ 25,506,728	\$ 25,244,302	\$ 25,045,247	\$ 25,184,702	\$ 26,677,974
Restricted	-	-	-	-	-
Unrestricted	4,478,859	4,756,036	5,254,672	5,460,347	5,270,723
Total business-type activities net assets	\$ 29,985,587	\$ 30,000,338	\$ 30,299,919	\$ 30,645,049	\$ 31,948,697
Primary government					
Net investment in capital assets	\$ 47,908,103	\$ 49,569,806	\$ 51,708,675	\$ 54,162,714	\$ 56,474,035
Restricted	417,688	1,565,609	1,744,254	3,866,513	3,409,957
Unrestricted	10,542,390	9,718,924	10,498,250	11,260,789	10,326,079
Total Net Position	\$ 58,868,181	\$ 60,854,339	\$ 63,951,179	\$ 69,290,016	\$ 70,210,071

Table 1
City of Conover, North Carolina
Net Position, page 2
Last Ten Fiscal Years

(accrual basis of accounting)
(unaudited)

	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Governmental activities					
Net investment in capital assets	\$ 32,106,339	\$ 32,275,116	\$ 32,647,622	\$ 32,369,958	\$ 33,683,664
Restricted	2,450,724	1,820,932	1,803,626	3,170,890	1,933,086
Unrestricted	4,354,786	6,042,428	5,660,817	5,026,413	6,379,185
Total governmental activities net assets	<u>\$ 38,911,849</u>	<u>\$ 40,138,476</u>	<u>\$ 40,112,065</u>	<u>\$ 40,567,261</u>	<u>\$ 41,995,935</u>
Business-type activities					
Net investment in capital assets	\$ 27,008,873	\$ 26,991,472	\$ 26,980,712	\$ 27,073,503	\$ 26,589,935
Restricted	-	-	-	-	-
Unrestricted	5,097,861	5,564,443	5,498,632	5,205,359	6,053,500
Total business-type activities net assets	<u>\$ 32,106,734</u>	<u>\$ 32,555,915</u>	<u>\$ 32,479,344</u>	<u>\$ 32,278,862</u>	<u>\$ 32,643,435</u>
Primary government					
Net investment in capital assets	\$ 59,115,212	\$ 59,266,588	\$ 59,628,374	\$ 59,443,461	\$ 60,273,599
Restricted	2,450,724	1,820,932	1,803,626	3,170,890	1,933,086
Unrestricted	9,452,647	11,606,871	11,159,449	10,231,772	12,432,685
Total net position	<u>\$ 71,018,583</u>	<u>\$ 72,694,391</u>	<u>\$ 72,591,449</u>	<u>\$ 72,846,123</u>	<u>\$ 74,639,370</u>

Note:

Beginning in 2012-2013, Net Assets was changed to Net Position, but in Conover's case, the numbers have remained the same.

Table 2
City of Conover, North Carolina
Changes in Net Position, page 1
Last Ten Fiscal Years

(accrual basis of accounting)

(unaudited)

Expenses

Governmental activities:

	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
General government	\$ 2,450,004	\$ 2,399,804	\$ 2,146,721	\$ 2,257,366	\$ 2,285,156
Public safety	3,105,154	3,279,511	3,269,969	3,443,205	3,751,443
Transportation	1,270,999	1,271,150	1,312,768	1,331,836	1,412,793
Environmental protection	715,039	728,614	751,071	780,390	897,493
Economic and physical development	345,126	-	258,941	521,059	-
Interest on long-term debt	160,865	172,097	168,357	163,818	168,206
Total governmental activities expenses	8,047,187	7,851,176	7,907,827	8,497,674	8,515,091

Business-type activities:

Water and sewer	3,175,607	3,308,613	3,458,870	3,526,346	4,052,585
Total primary government expenses	\$ 11,222,794	\$ 11,159,789	\$ 11,366,697	\$ 12,024,020	\$ 12,567,676

Program Revenues

Governmental activities:

Charges for services:

General government	\$ 87,557	\$ 92,922	\$ 90,694	\$ 108,833	\$ 103,318
Public safety	21,638	20,166	18,268	16,856	20,246
Transportation	-	-	-	-	-
Environmental protection	147,992	197,047	390,809	395,533	393,357
Economic and physical development	-	-	-	-	-
Operating grants and contributions	632,499	309,714	347,707	862,633	344,478
Capital grants and contributions	542,800	2,085,671	2,607,803	4,348,765	348,199
Total governmental activities program revenues	\$ 1,432,486	\$ 2,705,520	\$ 3,455,281	\$ 5,732,620	\$ 1,209,598

Business-type activities:

Charges for services:

Water and sewer	\$ 3,344,802	\$ 3,481,755	\$ 3,789,040	\$ 3,806,886	\$ 3,945,895
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	1,934,723	41,345	164,902	261,642	1,893,480
Total business-type activities program revenues	5,279,525	3,523,100	3,953,942	4,068,528	5,839,375
Total primary government program revenues	\$ 6,712,011	\$ 6,228,620	\$ 7,409,223	\$ 9,801,148	\$ 7,048,973

Net (Expense)/Revenue

Governmental activities	\$ (6,614,701)	\$ (5,145,656)	\$ (4,452,546)	\$ (2,765,054)	\$ (7,305,493)
Business-type activities	2,103,918	214,487	495,072	542,182	1,786,790
Total primary government net expense	\$ (4,510,783)	\$ (4,931,169)	\$ (3,957,474)	\$ (2,222,872)	\$ (5,518,703)

Table 2
City of Conover
Changes in Net Position, page 2
Last Ten Fiscal Years
(accrual basis of accounting)

	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Ad valorem taxes	\$ 4,250,829	\$ 4,346,295	\$ 4,189,544	\$ 4,395,749	\$ 4,349,511
Other taxes and licenses	1,461,851	1,523,287	1,831,811	2,042,141	1,858,219
Unrestricted grants and contributions	980,988	996,329	1,000,539	1,017,740	934,236
Miscellaneous	621,597	29,922	23,724	51,342	34,924
Gain (loss) on abandoned assets	-	-	-	-	-
Gain (loss) on sale of fixed assets	6,070	5,922	-	43,093	20,165
Transfers	250,000	207,900	200,000	204,000	241,051
Capital assets contributed to enterprise fund	-	-	-	-	(519,964)
Interest earned on investments	15,594	7,408	4,187	4,696	3,758
Total governmental activities	\$ 7,586,929	\$ 7,117,063	\$ 7,249,805	\$ 7,758,761	\$ 6,921,900
Business-type activities:					
Miscellaneous	-	-	-	-	-
Gain (loss) on sales of fixed assets	1,822	-	-	3,630	-
Transfers	(250,000)	(207,900)	(200,000)	(204,000)	(241,051)
Capital Assets contributed to Enterprise Fund					
Interest earned on investments	11,711	8,164	4,509	3,318	3,333
Total business-type activities	(236,467)	(199,736)	(195,491)	(197,052)	(237,718)
Total primary government	\$ 7,350,462	\$ 6,917,327	\$ 7,054,314	\$ 7,561,709	\$ 6,684,182
Changes in Net Assets					
Governmental activities	\$ 972,228	\$ 1,971,407	\$ 2,797,259	\$ 4,993,707	\$ (383,593)
Business-type activities	1,867,451	14,751	299,581	345,130	1,549,072
Total primary government	\$ 2,839,679	\$ 1,986,158	\$ 3,096,840	\$ 5,338,837	\$ 1,165,479

Table 2
City of Conover, North Carolina
Changes in Net Position, page 3
Last Ten Fiscal Years
(accrual basis of accounting)
(unaudited)

Expenses

Governmental activities:

	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
General government	\$ 2,198,538	\$ 2,363,998	\$ 2,564,770	\$ 2,867,859	\$ 3,117,850
Public safety	3,691,773	3,854,760	3,926,788	4,317,001	4,113,880
Transportation	1,550,120	1,640,406	1,733,870	1,747,120	1,733,196
Environmental protection	768,952	676,904	847,444	834,976	852,274
Economic and physical development	-	120,840	-	-	-
Interest on long-term debt	163,787	156,720	151,358	167,020	178,840
Total governmental activities expenses	8,373,170	8,813,628	9,224,230	9,933,976	9,996,040

Business-type activities:

Water and sewer	3,921,575	4,193,686	4,355,442	4,478,611	4,680,796
Total primary government expenses	\$ 12,294,745	\$ 13,007,314	\$ 13,579,672	\$ 14,412,587	\$ 14,676,836

Program Revenues

Governmental activities:

Charges for services:

General government	\$ 157,633	\$ 130,888	\$ 216,868	\$ 221,273	\$ 232,033
Public safety	16,836	42,973	42,589	46,156	80,910
Transportation	-	-	11,352	-	-
Environmental protection	395,221	508,337	511,597	509,359	514,889
Economic and physical development	-	-	-	-	-
Operating grants and contributions	481,603	746,188	430,257	831,905	769,479
Capital grants and contributions	1,017,538	1,058,515	165,291	348,283	495,204
Total governmental activities program revenues	\$ 2,068,831	\$ 2,486,901	\$ 1,377,954	\$ 1,956,976	\$ 2,092,515

Business-type activities:

Charges for services:

Water and sewer	\$ 4,094,973	\$ 4,234,539	\$ 4,255,306	\$ 4,356,241	\$ 4,924,620
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	62,594	149,815	22,542	58,285	22,909
Total business-type activities program revenues	4,157,567	4,384,354	4,277,848	4,414,526	4,947,529
Total primary government program revenues	\$ 6,226,398	\$ 6,871,255	\$ 5,655,802	\$ 6,371,502	\$ 7,040,044

Net (Expense)/Revenue

Governmental activities	\$ (6,304,339)	\$ (6,326,727)	\$ (7,846,276)	\$ (7,977,000)	\$ (7,903,525)
Business-type activities	235,992	190,668	(77,594)	(64,085)	266,733
Total primary government net expense	\$ (6,068,347)	\$ (6,136,059)	\$ (7,923,870)	\$ (8,041,085)	\$ (7,636,792)

Table 2**City of Conover****Changes in Net Position, page 4****Last Ten Fiscal Years**

(accrual basis of accounting)

	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Ad valorem taxes	\$ 4,565,412	\$ 4,878,057	\$ 5,019,399	\$ 5,157,051	\$ 5,651,421
Other taxes and licenses	1,985,301	1,990,520	3,077,669	3,170,208	3,498,266
Unrestricted grants and contributions	965,989	1,001,183	-	24,800	7,500
Miscellaneous	36,439	28,927	76,248	86,354	32,300
Gain (loss) on abandoned assets	-	-	-	(89,830)	-
Gain (loss) on sale of fixed assets	71,456	-	-	65,244	27,463
Transfers	(206,093)	(200,000)	2,000	19,532	-
Capital assets contributed to enterprise funds	-	(55,398)	-	(83,243)	(64,456)
Interest earned on investments	4,012	15,743	37,885	82,040	179,705
Total governmental activities	\$ 7,422,516	\$ 7,659,032	\$ 8,213,201	\$ 8,432,156	\$ 9,332,199
Business-type activities:					
Miscellaneous	-	-	-	-	-
Gain (loss) on abandoned assets	-	-	-	(223,963)	-
Gain (loss) on sale of fixed assets	18,831	-	-	17,325	10,837
Transfers	61,093	200,000	(2,000)	(19,532)	-
Capital Assets contributed to Enterprise Fund	-	55,398	-	83,243	64,456
Interest earned on investments	3,051	3,115	3,023	6,530	22,547
Total business-type activities	82,975	258,513	1,023	(136,397)	97,840
Total primary government	\$ 7,505,491	\$ 7,917,545	\$ 8,214,224	\$ 8,295,759	\$ 9,430,039
Changes in Net Assets					
Governmental activities	\$ 1,118,177	\$ 1,332,305	\$ 366,925	\$ 455,156	\$ 1,428,674
Business-type activities	318,967	449,181	(76,571)	(200,482)	364,573
Total primary government	\$ 1,437,144	\$ 1,781,486	\$ 290,354	\$ 254,674	\$ 1,793,247

Note:

Beginning in 2012-2013, Net Assets was changed to Net Position, but in Conover's case, the numbers have remained the same.

Table 3
City of Conover, North Carolina
Fund Balances, Governmental Funds
Pre GASB54
Fiscal Year 2009-2010 (One Year)
(modified accrual basis of accounting)
(unaudited)

	<u>2009-2010</u>
General Fund	
Reserved	\$ 1,182,772
Unreserved	<u>2,984,652</u>
Total general fund	<u><u>\$ 4,167,424</u></u>
All Other Governmental Funds	
Reserved	\$ 78,629
Unreserved, reported in:	
Special revenue funds	381,997
Capital project funds	<u>1,449,582</u>
Total all other governmental funds	<u><u>\$ 1,910,208</u></u>

See Table 3A on next page for Post GASB54 Fund Balances

Note: This table shows fund balances prior to changes required with the implementation of GASB54 as shown in title without having to go back and restate previous years. This was an option given when the changes were made. This table will go away as we continue to drop a year and add a year.

Table 3A
City of Conover, North Carolina
Fund Balances, Governmental Funds
Post GASB54, page 1
2010-2011 through 2018-2019 (Nine Years)
(modified accrual basis of accounting)
(unaudited)

	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
General Fund					
Non-Spendable	\$ 39,129	\$ 50,715	\$ 60,316	\$ 81,142	\$ 74,728
Restricted	1,187,739	1,365,426	1,513,940	1,664,892	1,774,341
Committed	-	-	-	-	-
Assigned	86,152	346,308	564,231	647,038	422,487
Unassigned	3,342,375	3,303,997	3,089,746	2,368,419	2,621,783
Total general fund	<u>\$ 4,655,395</u>	<u>\$ 5,066,446</u>	<u>\$ 5,228,233</u>	<u>\$ 4,761,491</u>	<u>\$ 4,893,339</u>
All Other Governmental Funds					
Non-Spendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	388,180	378,828	2,352,573	1,755,924	203,190
Committed	1,124,741	1,229,643	1,561,059	1,525,567	1,914,325
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total all other governmental funds	<u>\$ 1,512,921</u>	<u>\$ 1,608,471</u>	<u>\$ 3,913,632</u>	<u>\$ 3,281,491</u>	<u>\$ 2,117,515</u>

Table 3A
City of Conover, North Carolina
Fund Balances, Governmental Funds
Post GASB54, page 2
2010-2011 through 2018-2019 (Nine Years)
(modified accrual basis of accounting)
(unaudited)

	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2015-2016	2016-2017	2017-2018	2018-2019
General Fund				
Non-Spendable	\$ 65,828	\$ 81,826	\$ 101,475	\$ 98,507
Restricted	1,542,282	1,514,351	1,587,170	1,528,404
Committed	54,690	59,404	66,001	78,021
Assigned	667,417	1,301,538	287,209	135,738
Unassigned	3,855,180	3,288,993	4,022,140	5,167,051
Total general fund	<u>\$ 6,185,397</u>	<u>\$ 6,246,112</u>	<u>\$ 6,063,995</u>	<u>\$ 7,007,721</u>
All Other Governmental Funds				
Non-Spendable	\$ -	\$ -	\$ -	\$ -
Restricted	278,650	289,275	1,583,720	389,378
Committed	1,736,738	1,877,932	1,986,567	2,230,305
Assigned	-	-	-	-
Unassigned	-	-	(420,209)	(156,980)
Total all other governmental funds	<u>\$ 2,015,388</u>	<u>\$ 2,167,207</u>	<u>\$ 3,150,078</u>	<u>\$ 2,462,703</u>

Note: This table is for the years following implementation of GASB54, as shown in the title, which changed the breakdowns of Fund Balance
As we continue to take away a year and add a year, this table will take the place of what is now Table 3.

Table 4
City of Conover, North Carolina
Changes in Fund Balances, Governmental Funds, page 1
Last Ten Fiscal Years

(modified accrual basis of accounting)

(unaudited)

	Fiscal Year				
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Revenues					
Ad valorem taxes	\$ 4,196,701	\$ 4,371,832	\$ 4,214,380	\$ 4,263,086	\$ 4,340,797
Other taxes and licenses	1,461,851	1,523,287	1,831,811	1,665,103	2,116
Unrestricted intergovernmental revenues	988,851	999,707	1,009,378	988,878	2,660,937
Restricted intergovernmental revenues	1,183,961	2,390,377	2,909,212	2,188,612	641,296
Permits and fees	-	17,331	18,132	297,378	154,611
Sales and services	192,519	233,587	417,135	424,918	417,084
Investment earnings	15,594	7,408	4,187	4,696	3,712
Miscellaneous	91,810	86,248	125,687	3,142,715	178,038
Total revenues	8,131,287	9,629,777	10,529,922	12,975,386	8,398,591
Expenditures					
General government	2,282,237	2,288,015	2,039,815	2,116,028	2,419,025
Public safety	2,819,980	3,073,889	2,974,439	3,261,359	3,481,078
Transportation	972,322	980,490	1,017,408	1,029,115	1,100,128
Environmental protection	626,334	647,435	680,081	714,788	806,635
Economic and physical development	1,383,096	-	258,941	521,059	-
Capital outlay	387,291	2,450,776	2,971,288	2,831,833	1,661,114
Debt service:					
Interest	181,503	174,870	170,063	165,593	170,302
Principal	172,272	142,693	111,286	115,756	120,408
Total expenditures	8,825,035	9,758,168	10,223,321	10,755,531	9,758,690
Excess of revenues over (under) expenditures	(693,748)	(128,391)	306,601	2,219,855	(1,360,099)
Other Financing Sources (Uses)					
Proceeds from installment purchase	-	-	-	-	-
Proceeds from disposal of capital assets	6,070	11,175	-	43,093	20,165
Transfers in	1,412,421	1,291,267	1,167,594	1,318,541	2,163,865
Transfers out	(1,162,421)	(1,083,367)	(967,594)	(1,114,541)	(1,922,814)
Total other financing sources (uses)	256,070	219,075	200,000	247,093	261,216
Net change in fund balances	\$ (437,678)	\$ 90,684	\$ 506,601	\$ 2,466,948	\$ (1,098,883)
Debt service as a percentage of noncapital expenditures	4.83%	4.45%	3.93%	3.65%	3.82%

Table 4
City of Conover, North Carolina
Changes in Fund Balances, Governmental Funds, page 2
Last Ten Fiscal Years

(modified accrual basis of accounting)
(unaudited)

	Fiscal Year				
	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Revenues					
Ad valorem taxes	\$ 4,737,276	\$ 4,908,095	\$ 5,098,625	\$ 5,176,321	\$ 5,686,790
Other taxes and licenses	17,057	1,628	1,317	139,503	193,903
Unrestricted intergovernmental revenues	2,826,709	2,990,075	3,076,352	3,168,778	3,304,364
Restricted intergovernmental revenues	1,295,764	1,796,617	580,343	1,000,411	822,548
Permits and fees	232,029	22,615	29,942	21,011	44,756
Sales and services	411,891	517,288	532,004	534,907	526,394
Investment earnings	4,012	15,743	37,885	82,040	179,705
Miscellaneous	344,940	170,035	274,923	335,174	709,416
Total revenues	9,869,678	10,422,096	9,631,391	10,458,145	11,467,876
Expenditures					
General government	2,145,878	2,247,102	2,361,283	2,594,711	2,809,735
Public safety	3,464,131	3,844,619	3,690,262	4,163,046	3,861,766
Transportation	1,210,715	1,216,769	1,282,461	1,383,062	1,237,073
Environmental protection	662,103	682,994	701,267	705,657	721,746
Economic and physical development	-	-	-	9,120	-
Capital outlay	3,096,411	1,298,719	790,171	2,622,261	2,130,005
Debt service:					
Interest	165,463	151,069	159,005	164,354	297,632
Principal	125,246	105,351	480,552	195,511	181,340
Total expenditures	10,869,947	9,546,623	9,465,001	11,837,722	11,239,297
Excess of revenues over (under) expenditures	(1,000,269)	875,473	166,390	(1,379,577)	228,579
Other Financing Sources (Uses)					
Proceeds from installment purchase	-	453,860	-	2,000,000	-
Proceeds from disposal of capital assets	76,891	5,908	-	160,799	27,772
Transfers in	1,116,784	2,348,086	2,091,001	1,769,551	1,496,344
Transfers out	(1,225,534)	(2,548,086)	(2,044,857)	(1,750,019)	(1,496,344)
Total other financing sources (uses)	(31,859)	259,768	46,144	2,180,331	27,772
Net change in fund balances	\$ (1,032,128)	\$ 1,135,241	\$ 212,534	\$ 800,754	\$ 256,351
Debt service as a percentage of noncapital expenditures	3.86%	3.27%	7.62%	4.07%	5.38%

Table 5
City of Conover, North Carolina
Assessed Value and Estimated Actual Value of Taxable Property.
Last Ten Fiscal Years

(unaudited)

Fiscal Year	Real Property	Personal Property	Public Service Companies	Total Taxable Assessed Value	Prior Years Discoveries	Total Direct Tax Rate	Estimated Actual Taxable Value
2018-2019	\$ 741,793,402	\$ 344,720,782	\$ 37,328,384	\$ 1,123,842,568	*	\$ 1,680,640	\$ 0.500
2017-2018	\$ 736,025,072	\$ 328,903,726	\$ 35,318,223	\$ 1,100,247,021	**	\$ 102,768	\$ 0.470
2016-2017	\$ 741,818,160	\$ 296,501,240	\$ 32,106,917	\$ 1,070,426,317	**	\$ 121,568	\$ 0.470
2015-2016	\$ 723,940,519	\$ 282,169,181	\$ 33,036,045	\$ 1,039,145,745	**	\$ 16,747,557	\$ 0.470
2014-2015	\$ 811,585,707	\$ 255,910,939	\$ 26,908,144	\$ 1,094,404,790	**	\$ 489,218	\$ 0.430
2013-2014	\$ 797,184,080	\$ 258,988,408	\$ 29,308,143	\$ 1,085,480,631	*	\$ 4,639,897	\$ 0.400
2012-2013	\$ 797,426,377	\$ 271,639,332	\$ 26,976,318	\$ 1,096,042,027	**	\$ 30,542,832	\$ 0.400
2011-2012	\$ 796,793,712	\$ 215,393,410	\$ 23,944,158	\$ 1,036,131,280	**	\$ 672,056	\$ 0.400
2010-2011	\$ 826,885,180	\$ 216,593,984	\$ 23,278,457	\$ 1,066,757,621	**	\$ 1,156,727	\$ 0.400
2009-2010	\$ 812,917,308	\$ 223,127,408	\$ 25,557,431	\$ 1,061,602,147	**	\$ 992,983	\$ 0.400

Notes: Real and personal property assessed by Catawba County.

* Property in Catawba County reassessed every four years.

Public service companies values certified by State of North Carolina.

Property assessed at 100% of value.

**Prior years discoveries included in Total Taxable Assessed Value

***Denotes information is not available

Years 1-10 Total Taxable Assessed Value have been changed to correctly report tax releases as a reduction in tax year valuation.

Table 6
City of Conover, North Carolina
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

(rate per \$100 of assessed value)

(unaudited)

	<u>Direct Rate</u>		<u>Overlapping Rates</u>	
<u>Fiscal Year</u>	<u>City of Conover General Fund</u>		<u>Catawba County</u>	<u>Combined Tax Rate</u>
2018-2019	\$ 0.5000	\$	0.5750	\$ 1.0750
2017-2018	\$ 0.4700	\$	0.5750	\$ 1.0450
2016-2017	\$ 0.4700	\$	0.5750	\$ 1.0450
2015-2016	\$ 0.4700	\$	0.5750	\$ 1.0450
2014-2015	\$ 0.4300	\$	0.5300	\$ 0.9600
2013-2014	\$ 0.4000	\$	0.5300	\$ 0.9300
2012-2013	\$ 0.4000	\$	0.5300	\$ 0.9300
2011-2012	\$ 0.4000	\$	0.5300	\$ 0.9300
2010-2011	\$ 0.4000	\$	0.5350	\$ 0.9350
2009-2010	\$ 0.4000	\$	0.5350	\$ 0.9350

Source: Catawba County and City of Conover Tax Records

Notes: The tax rates are set by the governing bodies of the City of Conover and Catawba County during the annual budget processes and are effective as of July 1 for the preceding January 1 valuation.
Conover's Direct Rate has no sub components; the entire rate is for the General Fund.

Table 7
City of Conover, North Carolina
Principal Property Taxpayers
Current Year and Nine Years Ago
(unaudited)

Taxpayers	2010				2019			
	Taxable Assessed Value	Rank	Total City Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Total City Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Rock Barn Properties, Inc.	\$ 29,762,169	1	\$ 1,063,939,201	2.80%	\$ 14,558,220	6	\$ 1,123,842,568	1.30%
Hickory Springs	\$ 23,301,153	2		2.19%	\$ 12,175,128	9		1.08%
Wal-Mart	\$ 16,195,533	3		1.52%	\$ 15,470,342	3		
ER Carpenter	\$ 16,014,356	4		1.51%				0.00%
Hanes Co Inc	\$ 15,652,978	5		1.47%	\$ 11,444,837	10		1.02%
Spartan Group	\$ 14,432,900	6		1.36%	\$ 12,671,500	8		1.13%
Armaceil	\$ 13,634,005	7		1.28%				
Rock-Tenn Packaging	\$ 12,158,368	8		1.14%				
Profile Products LLC	\$ 11,718,596	9		1.10%				
The Lane Co	\$ 11,100,834	10		1.04%				
Zenith Freight					\$ 20,873,163	1		1.86%
Westrock Converting Co					\$ 17,809,203	2		1.58%
GKN-Sinter Metals					\$ 15,003,862	4		1.34%
Penske Truck Leasing					\$ 13,389,955	7		1.19%
Apple Inc					\$ 14,559,218	5		
Total	<u>\$ 163,970,892</u>		<u>\$ 1,063,939,201</u>	15.41%	<u>\$ 147,955,428</u>		<u>\$ 1,123,842,568</u>	10.49%

Source: Catawba County Tax Assessor

Years 1-10 Total Taxable Assessed Value have been changed to correctly report tax releases as a reduction in tax year valuation.

Table 8
City of Conover, North Carolina
Property Tax Levies and Collections
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Taxes Levied	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Taxes Receivable
		Amount	Percentage of Levy		Amount	Percentage of Levy	
Ended June 30							
2019	\$ 5,744,305	\$ 5,698,233	99.20%	\$ -	\$ 5,698,233	99.20%	\$ 46,071
2018	\$ 5,171,161	\$ 5,112,525	98.87%	\$ 36,736	\$ 5,149,261	99.58%	\$ 21,900
2017	\$ 5,031,003	\$ 4,975,149	98.89%	\$ 44,216	\$ 5,019,365	99.77%	\$ 11,638
2016	\$ 4,883,985	\$ 4,797,058	98.22%	\$ 79,156	\$ 4,876,213	99.84%	\$ 7,771
2015	\$ 4,705,794	\$ 4,639,712	98.60%	\$ 60,130	\$ 4,699,842	99.87%	\$ 5,952
2014	\$ 4,341,995	\$ 4,227,662	97.37%	\$ 105,219	\$ 4,332,881	99.79%	\$ 9,113
2013	\$ 4,384,208	\$ 4,145,690	94.56%	\$ 226,780	\$ 4,372,470	99.73%	\$ 11,739
2012	\$ 4,144,698	\$ 4,001,788	96.55%	\$ 126,316	\$ 4,128,104	99.60%	\$ 16,594
2011	\$ 4,267,100	\$ 4,140,418	97.03%	\$ 116,414	\$ 4,256,833	99.76%	\$ 10,267
2010	\$ 4,246,494	\$ 4,082,823	96.15%	\$ 154,771	\$ 4,237,594	99.79%	\$ 8,900

Source: Tax Collector

Table 9
City of Conover, North Carolina
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

(unaudited)

Fiscal Year Ended June 30	Governmental Activities		Business-type Activities				Total Primary Government	Percentage of personal income(1)	Per Capita(1)
	Installment Purchase Contracts	General Obligation Bonds	Revolving Loans	County Loans	Installment Purchase Contracts				
2019	\$ 4,950,349	\$ -	\$ 2,746,401	\$ 356,043	\$ -	\$ 8,052,793	*	\$ 952	
2018	\$ 5,247,980	\$ -	\$ 2,981,062	\$ 118,822	\$ -	\$ 8,347,864	2.27%	\$ 992	
2017	\$ 3,443,491	\$ 125,000	\$ 3,215,722	\$ 142,587	\$ -	\$ 6,926,800	2.00%	\$ 831	
2016	\$ 3,924,044	\$ 250,000	\$ 3,450,383	\$ 166,352	\$ -	\$ 7,790,778	2.33%	\$ 938	
2015	\$ 3,575,535	\$ 375,000	\$ 3,107,101	\$ 190,116	\$ -	\$ 7,247,751	2.38%	\$ 874	
2014	\$ 3,700,781	\$ 500,000	\$ 2,047,581	\$ 213,881	\$ -	\$ 6,462,243	2.22%	\$ 783	
2013	\$ 3,821,189	\$ 625,000	\$ 1,042,386	\$ -	\$ -	\$ 5,488,575	1.93%	\$ 803	
2012	\$ 3,936,945	\$ 750,000	\$ 1,136,962	\$ -	\$ -	\$ 5,823,907	2.13%	\$ 710	
2011	\$ 4,048,231	\$ 875,000	\$ 1,431,537	\$ 12,934	\$ -	\$ 6,367,702	2.42%	\$ 785	
2010	\$ 4,190,924	\$ 1,000,000	\$ 1,726,113	\$ 52,032	\$ -	\$ 6,969,069	2.80%	\$ 869	

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See Table 13 for personal income and population data. These ratios are calculated using personal income for the prior calendar year.

Calendar 2017 personal income not available to calculate fiscal year 2018.

All of the City's General Obligation Debt is paid from the Water/Sewer Fund.

* denotes not available

Table 10
City of Conover, North Carolina
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(unaudited)

Fiscal Year Ended June 30	General Obligation Bonds	Percentage of Taxable Value of Property(1)	Per Capita(2)
2019	\$ -	0.00%	\$ -
2018	\$ -	0.00%	\$ -
2017	\$ 125,000	0.01%	\$ 15
2016	\$ 250,000	0.02%	\$ 30
2015	\$ 375,000	0.03%	\$ 45
2014	\$ 500,000	0.05%	\$ 61
2013	\$ 625,000	0.06%	\$ 76
2012	\$ 750,000	0.07%	\$ 91
2011	\$ 875,000	0.08%	\$ 108
2010	\$ 1,000,000	0.09%	\$ 125

Notes: The city paid off General Obligation Bonds in 2017-2018.

Table 11
City of Conover, North Carolina
Direct and Overlapping Governmental Activities Debt
As of June 30, 2019
(unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Catawba County Debt			
Debt repaid with property taxes			
Catawba County General Obligation Bonds	0	6.54%	\$ -
Other debt			
Catawba County Qualified Zone Academy Bonds	150,000	6.54%	\$ 9,810
Catawba County Qualified School Const. Bonds	27,808,553	6.54%	\$ 1,818,679
Catawba County Limited Obligation Bonds	80,993,922	6.54%	\$ 5,297,002
NC Department of Commerce Loan	1,070,988	6.54%	\$ 70,043
Catawba County Installment Purchases	58,593,253	6.54%	\$ 3,831,999
Catawba County Certifications of Participation	6,776,665	6.54%	\$ 443,194
Subtotal, overlapping debt			\$ 11,470,727
Conover direct debt			\$ 4,950,349
Total direct and overlapping debt			<u>\$ 16,421,076</u>

Sources: Assessed value data used to estimate applicable percentages provided by the Catawba County Finance Department. Debt outstanding provided by each governmental unit.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Conover. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident - and, therefore, responsible for repaying the debt - of each overlapping government.

For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another government unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value. This approach was also used for Catawba County's other debt.

Years 1-10 Total Taxable Assessed Value have been changed to correctly report tax releases as a reduction in tax year valuation.

Table 12
City of Conover, North Carolina
Legal Debt Margin Information, page 1
Last Ten Fiscal Years
(unaudited)

Calculation of legal debt margin as of June 30, 2019:

Assessed Value		\$ 1,123,842,568	
Debt Limit - 8% of assessed value			\$ 89,907,405
Gross long-term debt	\$ 8,052,793		
Less statutory deductions			
Bonds applicable to water system	<u>\$ -</u>		<u>\$ 8,052,793</u>
Legal debt margin			<u><u>\$ 81,854,612</u></u>

	Fiscal Year				
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Debt limit	\$ 84,928,193	\$ 85,340,610	\$ 82,890,502	\$ 87,683,362	\$ 86,838,450
Total net debt applicable to limit	<u>6,969,069</u>	<u>6,367,702</u>	<u>5,823,907</u>	<u>5,488,575</u>	<u>6,476,079</u>
Legal debt margin	<u>\$ 77,959,124</u>	<u>\$ 78,972,908</u>	<u>\$ 77,066,595</u>	<u>\$ 82,194,787</u>	<u>\$ 80,362,371</u>
Total net debt applicable to the limit as a percentage of debt limit	8.21%	7.46%	7.03%	6.26%	7.46%

Table 12
City of Conover, North Carolina
Legal Debt Margin Information, page 2
Last Ten Fiscal Years

(unaudited)

Calculation of legal debt margin as of June 30, 2019:

Assessed Value		\$ 1,123,842,568	
Debt Limit - 8% of assessed value			\$ 89,907,405
Gross long-term debt	\$ 8,052,793		
Less statutory deductions			
Bonds applicable to water system	<u>\$ -</u>		<u>\$ 8,052,793</u>
Legal debt margin			<u><u>\$ 81,854,612</u></u>

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	Fiscal Year				
	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Debt limit	\$ 87,552,383	\$ 83,131,660	\$ 85,634,105	\$ 88,019,762	\$ 89,907,405
Total net debt applicable to limit	<u>\$ 7,247,751</u>	<u>\$ 7,790,778</u>	<u>\$ 6,926,801</u>	<u>\$ 8,347,864</u>	<u>\$ 8,052,793</u>
Legal debt margin	<u>\$ 80,304,632</u>	<u>\$ 75,340,883</u>	<u>\$ 78,707,305</u>	<u>\$ 79,671,898</u>	<u>\$ 81,854,612</u>
Total net debt applicable to the limit as a percentage of debt limit	8.28%	9.37%	8.09%	9.48%	8.96%

Table 13
City of Conover, North Carolina
Demographic and Economic Statistics
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2019	8,458	*	*	4.2%
2018	8,412	\$367,192,212	\$ 43,651	3.8%
2017	8,336	\$345,752,272	\$ 41,477	4.1%
2016	8,302	\$334,280,030	\$ 40,265	5.0%
2015	8,291	\$304,627,922	\$ 36,742	6.0%
2014	8,255	\$290,988,750	\$ 35,250	7.1%
2013	8,207	\$284,914,212	\$ 34,716	10.8%
2012	8,207	\$273,457,240	\$ 33,320	11.3%
2011	8,110	\$263,607,440	\$ 32,504	12.1%
2010	8,016	\$248,912,832	\$ 31,052	13.2%

Sources: Per capita personal income is for Catawba County and is provided by the US Bureau of Economic Analysis

Population is for the City of Conover and is the State Certified Estimate.

Unemployment Rate is for Catawba County and is provided by the Bureau of Labor Statistics.

* denotes not available

Table 14
City of Conover, North Carolina
Principal Employers
Current Year and Nine Years Ago
(unaudited)

Employer	2019			2010		
	Number of Employees	Rank	Percentage of Total County Employment	Number of Employees	Rank	Percentage of Total County Employment
Vanguard Furniture	472	1	0.53%	320	3	0.41%
WestRock Converting	303	2				
Rock-Tenn	302	3	0.34%	244	5	0.31%
Wal-Mart	298	4	0.34%	330	1	0.43%
Hanes Industries	290	5	0.33%	258	4	0.33%
Lee Industries	284	6	0.32%			
Zenith Freight	279	7	0.32%	173	9	0.22%
Kroehler Furniture	270	8	0.31%	325	2	0.42%
McCreary Modern	247	9	0.28%			
Southern Furniture	134	10				
Carpenter Co				200	7	0.26%
Armacell						
Classic Leather				159	10	0.21%
U.S. Post Office				216	6	0.28%
Hickory Printing						
Rock Barn Properties				190	8	0.25%
Total County Employment	88,396			77,461		

Source: Conover Employers and Employment Security Commission

Table 15
City of Conover, North Carolina
Full-time-Equivalent City Government Employees by Function/Program, page 1
Last Ten Fiscal
Years
(unaudited)

	Full-time-Equivalent Employees as of June 30				
	2010	2011	2012	2013	2014
General Government					
Full Time is 40 hours per week	14.5	14.1	15.4	15.4	15.9
Full Time is 37.5 hours per week	8.9	8.7	9.7	10.1	10.4
Public Safety					
Police	22.6	23.6	25.5	28.2	29.2
Fire	17.0	17.4	19.0	20.2	21.7
Transportation					
Streets	7.5	7.6	9.3	9.4	9.5
Environmental Protection					
Sanitation and Recycling	8.2	8.5	9.3	9.5	9.3
Water and Sewer Utility					
Water	8.7	7.7	8.3	9.2	9.9
Sewer	7.7	8.3	10.5	10.0	10.0
Total	95.0	96.0	107.0	111.8	115.8

Source: City Payroll Department

Table 15
City of Conover, North Carolina
Full-time-Equivalent City Government Employees by Function/Program, page 2
Last Ten Fiscal
Years
(unaudited)

	Full-time-Equivalent Employees as of June 30				
	2015	2016	2017	2018	2019
General Government					
Full time is 40 hours per week	15.4	15.7	16.4	16.8	17.3
Full time is 37.5 hours per week	11.0	11.2	10.7	11.6	12.0
Public Safety					
Police	29.1	27.2	29.0	29.8	28.1
Fire	24.3	25.5	24.5	23.3	24.1
Transportation					
Streets	10.5	9.1	9.7	9.1	9.7
Environmental Protection					
Sanitation and Recycling	9.5	10.0	9.0	9.2	9.9
Water and Sewer Utility					
Water	9.7	8.9	10.0	9.9	10.8
Sewer	9.9	10.2	9.0	10.3	9.1
Total	119.4	117.7	118.2	120.1	121.0

Source: City Payroll Department

Table 16
City of Conover, North Carolina
Operating Indicators by Function/Program, page 1
Last Ten Calendar Years

(unaudited)

Function/Program	Calendar Year				
	2009	2010	2011	2012	2013
General Government					
Zoning Permits	198	213	213	190	189
Public Safety					
Police					
Violent Crimes	19	22	19	16	20
Property Crimes	603	526	517	746	466
Community Services	13,073	9,145	16,979	20,613	19,564
Accidents	689	609	626	641	615
Accidents with injury	242	173	144	178	127
Accidents/Fatalities	2	1	0	0	0
Fire					
Fire Inspections	264	287	369	347	467
Fire Alarm Activations	147	221	196	204	198
Fires	108	91	111	99	67
Community Services	225	528	533	401	303
Other Emergency Responses	437	501	512	645	736
Educational Classes Conducted	253	298	184	80	51
Transportation					
Pot holes repaired	38	72	86	74	82
Street Resurfacing (miles)	0.49	1.37	2.58	1.8	3.2
Environmental Protection					
Daily Refuse Collected (tons)	11.32	10.90	9.30	10.12	10.05
Daily Recycling Collected (tons)	1.35	1.55	1.50	1.21	2.75
Water and Sewer Utility					
Utility Customers	5,382	5,445	5,405	5,962	5,857
New Connections	47	36	15	10	16
Avg. Daily Water Consumption	1,990,000	1,966,000	1,966,000	2,010,000	1,924,000
Avg. Daily Wastewater Flow	805,000	805,000	661,000	679,000	740,000

* denotes not available

Source: City Departmental Supervisors

Table 16
City of Conover, North Carolina
Operating Indicators by Function/Program, page 2
Last Ten Calendar Years
(unaudited)

	Calendar Year				
	2014	2015	2016	2017	2018
General Government					
Zoning Permits	187	158	188	175	217
Public Safety					
Police					
Violent Crimes	21	20	20	27	27
Property Crimes	425	519	579	474	447
Community Services	20,684	25,883	24,848	21,248	18,608
Accidents	636	624	747	740	801
Accidents with injury	103	102	134	151	162
Accidents/Fatalities	1	0	1	0	0
Fire					
Fire Inspections	485	352	352	304	325
Fire Alarm Activations	237	300	244	279	407
Fires	80	73	79	60	80
Community Services	194	259	527	572	490
Other Emergency Responses	825	807	837	909	1,053
Educational Classes Conducted	65	88	113	81	85
Transportation					
Pot holes repaired	62	58	45	55	50
Street Resurfacing (miles)	2.5	2.9	1.75	1.69	2.59
Environmental Protection					
Daily Refuse Collected (tons)	9.97	9.37	10.19	10.02	10.06
Daily Recycling Collected (tons)	1.71	3.74	3.81	4.04	4.00
Water and Sewer Utility					
Utility Customers	5,861	6,013	5,914	5,632	5,925
New Connections	13	17	16	43	28
Avg. Daily Water Consumption	1,465,765	1,530,000	1,562,000	1,575,000	1,587,000
Avg. Daily Wastewater Flow	810,000	700,000	722,000	815,000	887,083

*denotes not available

Source: City Departmental Supervisors

Table 17
City of Conover, North Carolina
Capital Asset Statistics by Function/Program, page 1
Last Ten Fiscal
Years
(unaudited)

Function/Program	Fiscal Year				
	2010	2011	2012	2013	2014
General Government					
Playgrounds	7	7	7	8	8
Cemeteries	2	2	2	2	2
Public Safety					
Police Stations	1	1	1	1	1
Fire Stations	3	3	3	3	3
Transportation					
Miles of Streets	51.27	51.62	52.53	52.53	52.53
Miles of Sidewalk	17.40	17.70	17.87	18.00	18.00
Environmental Protection					
Collections Trucks	6	6	6	6	6
Water and Sewer Utility					
Water Mains (miles)	148.00	148.00	148.00	148.00	149.00
Sanitary Sewer (miles)	114.00	114.00	114.00	114.25	115.60
Wastetreatment Capacity (million gal per day)	2.559	2.559	2.559	2.559	2.559

* denotes not available

Source: Conover Property/Asset Records

Table 17
City of Conover, North Carolina
Capital Asset Statistics by Function/Program, page 2
Last Ten Fiscal
Years

(unaudited)

	Fiscal Year				
	2015	2016	2017	2018	2019
General Government					
Playgrounds	8	8	8	8	8
Cemeteries	2	2	2	2	2
Public Safety					
Police Stations	1	1	1	1	1
Fire Stations	3	3	3	3	3
Transportation					
Miles of Streets	52.53	52.53	51.84	52.50	52.50
Miles of Sidewalks	18.00	18.00	19.50	19.50	19.50
Environmental Protection					
Collections Trucks	6	6	6	6	6
Water and Sewer Utility					
Water Mains (miles)	149.00	149.50	149.50	150.00	150.00
Sanitary Sewer (miles)	115.60	116.20	116.20	116.20	127.50
Wastetreatment Capacity (million gal per day)	2.559	2.559	2.559	2.559	2.559

* denotes not available

Source: Conover Property/Asset Records

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Compliance Section

Independent Auditor's 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*

Independent Auditor's Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance; In accordance with OMB Uniform Guidance; and the State Single Audit Implementation Act

Schedule of Expenditures of Federal and State Awards

Schedule of Findings and Responses

Corrective Action Plan

Summary Schedule of Prior Audit Findings

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Debora B Wentz, CPA
Post Office Box 287
Newton, North Carolina 28658

**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***

Independent Auditor's Report

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Conover, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the City of Conover's basic financial statements, and have issued my report thereon dated November 15, 2019.

Internal Control Over Financial Reporting

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

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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Conover's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Debora B. Wentz, CPA

Debora B. Wentz, CPA
Newton, North Carolina 28658

November 15, 2019

Debora B Wentz, CPA
Post Office Box 287
Newton, North Carolina 28658

**Report On Compliance For Each Major State Program; Report on Internal Control Over
Compliance; In accordance with OMB Uniform Guidance; and the State Single Audit
Implementation Act**

Independent Auditor's Report

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

Report on Compliance for the Major State Program

I have audited the City of Conover, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on the City of Conover's major state program for the year ended June 30, 2019. The City of Conover's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for the City of Conover's major state program based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 US *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*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that I 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 Conover's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for the major state program. However, my audit does not provide a legal determination of the City of Conover's compliance.

Opinion on the Major State Program

In my opinion, the City of Conover complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Debora B. Wentz, CPA

Newton, North Carolina
November 15, 2019

City of Conover, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2019

Grantor/Pass-through Grantor Program Title	CFDA Number	Federal Expenditures	State Expenditures	Local Expenditures
Federal Awards:				
<u>U.S.Department of Transportation</u>				
Passed-through NCDOT/Highway				
Planning and Construction Grant				
1 st Avenue Bike/Pedestrian Grant	20.205	<u>50,718</u>	<u>-</u>	<u>-</u>
Total Assistance – Federal Programs		\$ <u>50,718</u>	\$ <u>0</u>	\$ <u>0</u>
State Awards:				
<u>NC Department of Transportation</u>				
Powell Bill			240,277	
<u>NC Department of Natural and Cultural Resources</u>				
PARTF Grant	2017-825		119,992	296,807
<u>NC Department of Commerce</u>				
Rural Demolition Grant	2018-163- 3213-2587		48,062	16,021
Industrial Development Fund Grant	U-479	<u>-</u>	<u>217,517</u>	<u>57,606</u>
Total Assistance – State Programs		\$ <u>0</u>	<u>625,848</u>	<u>370,434</u>
Total Federal and State Financial Awards		\$ <u>50,718</u>	\$ <u>625,848</u>	\$ <u>370,434</u>

Note 1: 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 Conover under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Conover, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Conover.

Note 2: 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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

City of Conover
Schedule of Findings and Responses
For the Year Ended June 30, 2019

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant Deficiency(s) identified that are not
considered to be material weaknesses reported _____ Yes X No

Noncompliance material to financial statements noted _____ Yes X No

State Awards

Internal control over major state programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are
not considered to be material weaknesses? _____ Yes X 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 State Single
Audit Implementation Act? _____ Yes X No

Identification of major state programs:

Program Name

N.C. Department of Transportation – Powell Bill

N.C. Department of Commerce – Rural Demolition Grant

Section II. Financial Statement Findings

None reported.

Section III. State Award Findings and Questioned Costs

None reported.

City of Conover, North Carolina
Corrective Action Plan
For the Year Ended June 30, 2019

Section II. Financial Statement Findings

None.

Section III. State Award Findings and Questioned Costs

None.

CITY OF CONOVER, NORTH CAROLINA
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2019

None.