

CITY OF CONOVER NORTH CAROLINA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2020

Prepared by
City of Conover Finance Department

CITY OF CONOVER, NORTH CAROLINA
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June 30, 2020

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Introductory Section

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- * **Organizational Chart**
- * **List of Principal Officials**



LETTER OF TRANSMITTAL

January 20, 2021

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, 2020. 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 2020.

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, 2020, 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, 2020 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. The City of Conover was chartered in 1876 and incorporated in 1877. Many industries developed along the rail line and provided a focus for Conover's original manufacturing base of furniture and textiles.

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. 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.

Because of the COVID 19 Pandemic, special outdoor events at the Conover City Park that were very successful and popular in 2019 were cancelled for this year. The park however, has retained the role as an important facility and destination for the citizens of Conover. Many people use the park every day for walking, use of playground equipment, and exercise on the fitness equipment and pickleball courts where they can be outside and safely social distance.

As of June 2020, the land area of the City is 11.1 square miles with a resident population of 8,541.

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 local economy in Conover is dynamic and multifaceted due in part to the level of manufacturing occurring in our community. Conover has an influx of workers during the day that is larger than the nighttime population. Most cities in North Carolina of a similar size as Conover, do not have such a robust workforce.

Conover is experiencing a period of growth and expansion especially in the manufacturing sector. Over 700,000 square feet of manufacturing space is actively under construction. Additionally, two facilities totaling 65,000 square feet will be devoted to testing and research and business incubation spaces as well as to manufacturing of PPE responding to the current pandemic. An additional 150,000 square foot manufacturing spec building is currently seeking zoning approval. At least three other manufacturing facilities are undergoing major building renovations and other upfits to their existing operations.

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, cellular communications, and advanced apparel. In Conover, fully 40% of the workforce is employed in the manufacturing and closely related shipping and warehousing fields. Despite the effects of COVID-19, the City does still continue to grow with both expansions to existing industry as well as new industry. There has been a shortage of available vacant manufacturing space to service the needs of the industry. The Economic

Development Commission is working with the private sector and local government to address the demand for new space.

Conover is seeing steady growth in residential development. Two multi-family developments totaling 120 units were approved in the current budget year. One notable larger residential apartment project that was approved two years ago has not broken ground and it is expected that their permits will expire. The decision to not go forward and build is attributed to the economic uncertainties of the COVID 19 pandemic. Scattered single family infill totaling 22 residential permits have been issued for across the city and resale of single-family homes retains strong demand with days on the market down to just a few days.

Housing demand continues to be strong in Conover and Catawba County. Supply of new units however is low and interest rates are also at an all-time low. This combination is fueling additional consumer demand for housing. The average home prices year over year are up by over 26%. The trend over the past year is a steep reduction in the 'days on the market' for new listings being reduced to less than a week especially at price points below \$200,000. Based on a survey by the Catawba County Chamber of Commerce completed in 2018, many industries have seen a connection between the shortage of housing supply with challenges in recruitment for new workers. Businesses are recognizing that sufficient quantities and variety of housing are important to their overall growth and success.

City staff acknowledges the demand for single-family units is greater than the latest number of permits. Although Conover acting alone, can only make a limited impact in affecting the housing supply in the market, City leadership has signaled support for making land available for higher density infill housing especially where it is located close to the city center. City Council has experience partnering with private developers to bring private investment into the community. In addition, there are discussions among Catawba County leaders to address the need for additional housing units of all types.

Commercial growth within Conover is made up of a moderate amount of business development. A new plan was recently approved for a national fast food chain restaurant for a site in Conover. Small businesses in downtown Conover have combined their efforts to coordinate special sales to bring people downtown which by all accounts has been a success. Plans are underway to make these sales a regular event. In addition, a local dental office has expanded by another 1,000 square feet. Several small business occupancy permits have been approved in the personal care service sector. Other office and commercial uses generally, remain in business; but have experienced the widespread impacts felt by many businesses nationwide as a result of the pandemic.

COVID's Effect on Local Employment

Prior to Spring, 2020, the local economy was in the midst of economic expansion nearing record levels in low unemployment, gross domestic product and the value of exported goods. With the onset of COVID-19, March and April, 2020 represented an unprecedented economic shock that negatively impacted nearly every economic sector with employment falling both nationally and locally. After a period of low unemployment averaging 3.3%, unemployment quickly and steeply spiked to 18.7% in April, 2020. Since this time, the local economy has begun to stabilize reaching pre-pandemic levels in indicators like job openings and average weekly wages. Overall employment is still below pre-pandemic levels, but several significant new and expanding industry announcements demonstrate the strength of local ongoing economic recovery. Since the economy has begun to open back up, the unemployment rate at June, 2020 had come back down to 8.3 %. Staff expect this trend to continue over time as the economy returns to full operations and as vaccines become available to the public.

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 is 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 2020-2021, the City budgeted \$736,205 in reserves for governmental projects including street improvements, public works equipment and building improvements, technology enhancements, sanitation equipment, fleet shop equipment and police and fire safety equipment and future fire apparatus. The bulk of these reserves have come from sales tax revenues and franchise sales tax revenue. The City has budgeted \$2,083,285 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

City Fire Department Apparatus

In fiscal year 2019-2020, the City combined 7 years of reserves it had been building for fire equipment of \$424,750 with an allocation of \$200,000 from the Conover Rural Fire District fund balance, held with Catawba County, to purchase a 2020 Pierce fire engine. This new fire engine replaced a 1991 Pierce fire engine. The 1991 fire engine has seen significant use in its 29 years of service, and served the City for over 25 years as a first-due apparatus. This new truck will combine many functions of service that the fire department provides in one apparatus. It is designated as Engine 2 and housed at Fire Station 2. It will be the first-due fire engine to the southwest quadrant, an area of the City that is mixed with single family and multi-family residential occupancies. The southwest quadrant also houses the City's largest industrial parks.

This 2020 Pierce fire engine features a 1,500 gallon-per-minute fire pump, booster tank of 750 gallons of water and a 30-gallon foam cell. Engine 2 is the primary response fire apparatus to Interstate 40 which dissects the City. Engine 2 was designed and equipped to carry battery powered hydraulic extrication equipment which allows personnel to deploy extrication equipment with greater expediency and efficiency. It also features an Enforcer cab and chassis, allowing greater room for personnel and related equipment needed to combat today's fire incidents. To assist with fire hose deployment, Engine 2 was designed with a lower hose bed which will be ergonomically safer for personnel deploying and reloading hose on the apparatus. Engine 2 is also equipped with a medical cabinet; storing medical equipment and life support equipment for easier deployment on medical incidents.

Pay Scale Adjustment for Conover Police Department

In January, 2020, the Conover City Council approved a pay scale adjustment for the police department. The department was in the lowest of salary ranges for law enforcement agencies and the adjustment moved Conover to the top three in Catawba County. These adjustments were crucial to remain competitive within the workforce in order to recruit and retain qualified police officers. In 2019, the Conover City Council approved career path adjustments which allows officers that have completed certain training prescribed by the City, an opportunity to move up within the pay scale of their position. Since implementation of these adjustments, officers have increased incentives to obtain additional training. This training benefits the City by having highly trained officers that are able to better serve the citizens of Conover. The pay scale adjustments coupled with the 2019 career path adjustments have helped with recruitment and retention of officers. The additional training reduces the City's liability and affords a professional service to our citizens.

Turnover costs are a great expense for all employers. It can create logistical issues and increased overtime costs to supplement the high level of service the City strives to provide to its citizens. Approving the pay scale and career path adjustments created up-front costs for the City, but has reduced the long-range costs of officer turnover. While some communities across the nation are considering the defunding of law enforcement, the City of Conover has made an investment in the professional development of its officers. The Conover Police Department is a nationally accredited department and has been for the last seventeen years.

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, 2019. This was the twenty-third 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.

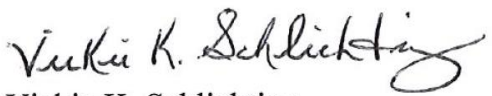
Acknowledgments

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**

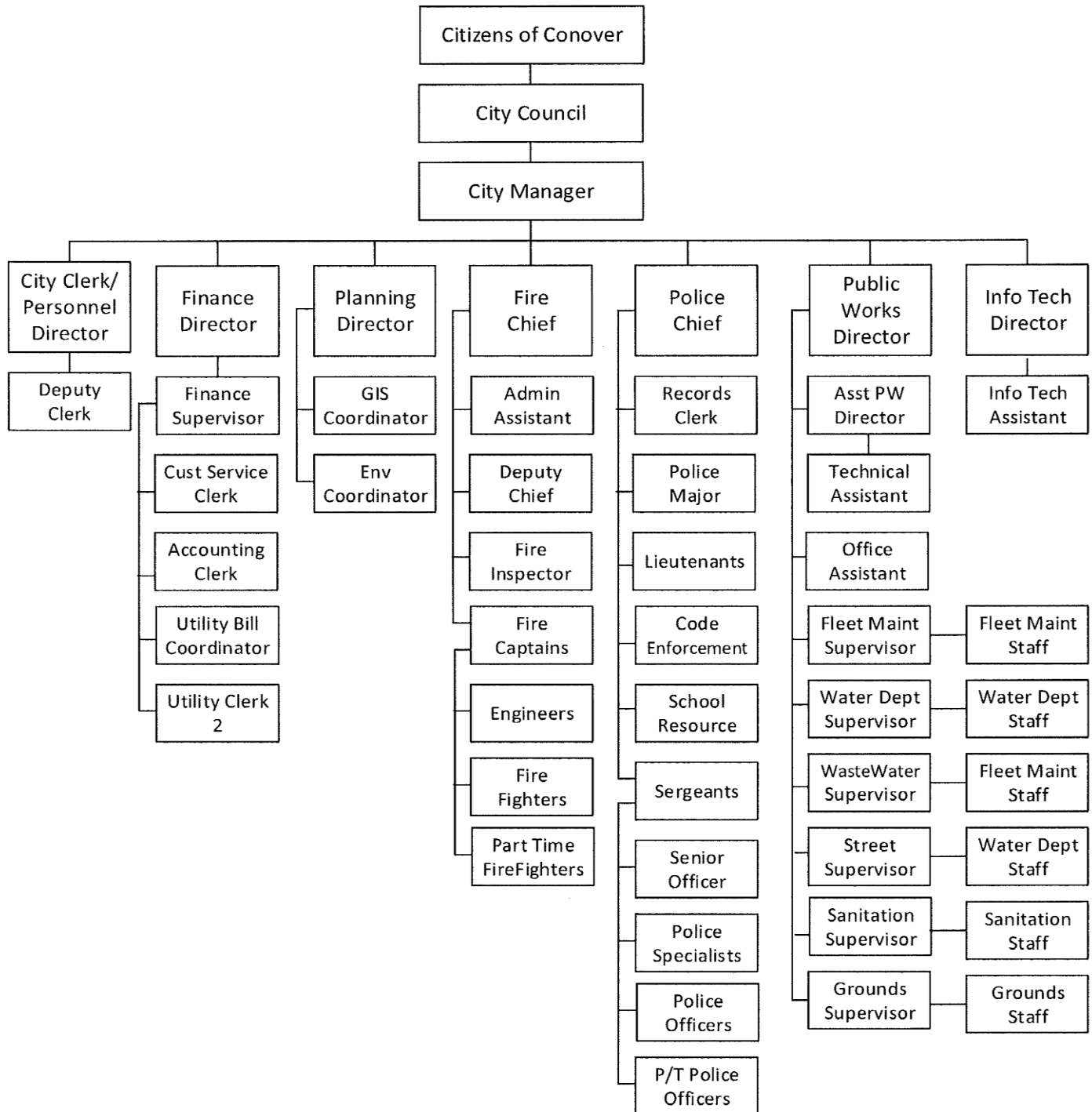
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

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 Courtney M. Kennedy

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

- * Independent Auditor's Report**
- * Management's Discussion and Analysis**
- * Basic Financial Statements**
- * Notes to the Financial Statements**
- * 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, 2020, and the related notes to the financial statements, which collectively comprise the City of Conover'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, 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 City of Conover, North Carolina, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows 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 xx through xx, Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages xx through xx, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on pages xx through xx, respectively, and the Firefighter' and Rescue Squad Worker's Pension Fund's Schedule of the Proportionate Share of Net Pension Liability (Asset) on page xx 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, other schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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, the combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory information and the statistical sections have not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, I do not express an opinion or provide assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 20, 2021, 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.

Debora B. Wentz, CPA

Newton, North Carolina
January 20, 2021

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, 2020. 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

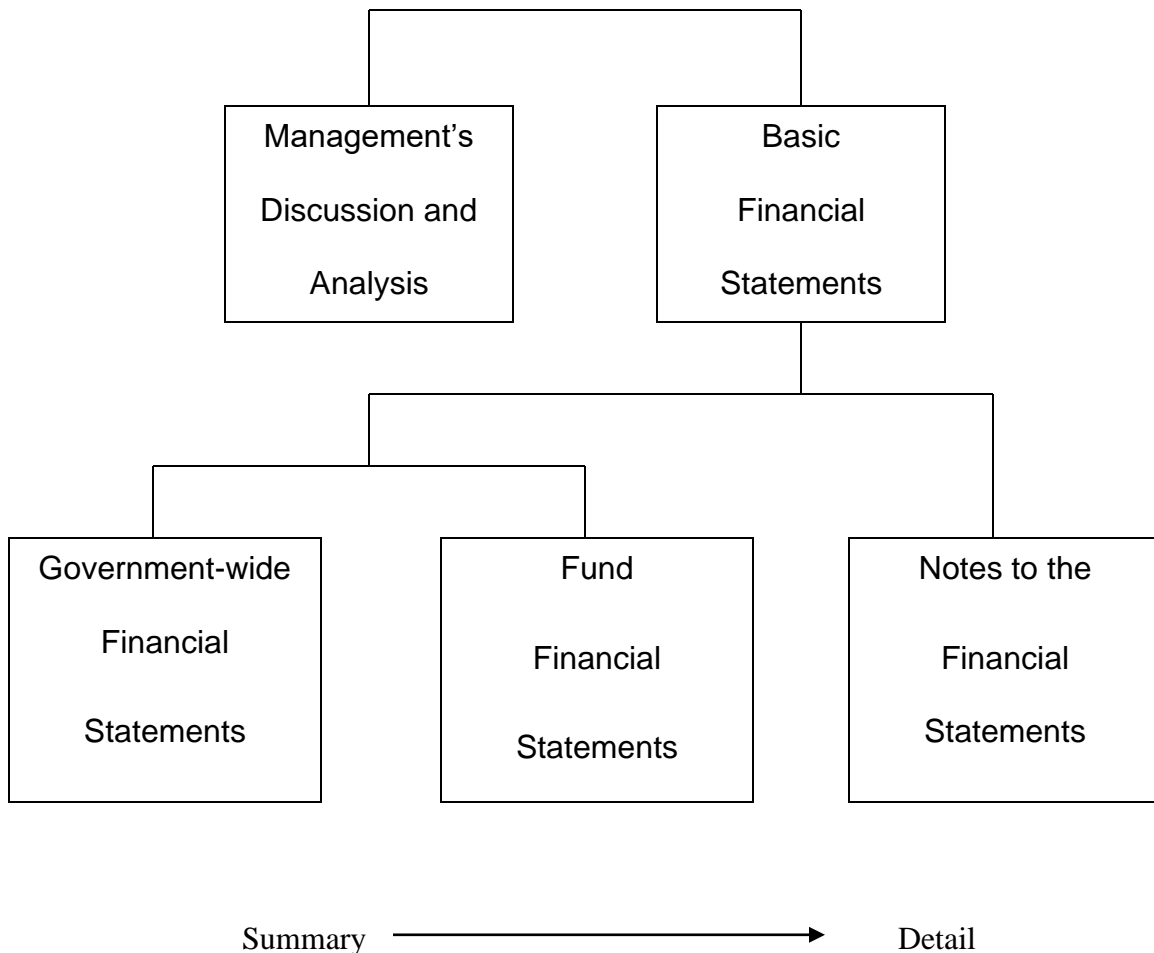
- The assets and deferred outflows of resources of the City of Conover exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$76,701,098 (net position). Of this amount, \$60,967,023 represents the City's investment in capital assets, which is not available for future spending.
- The government's total net position increased by \$2,061,728 due to increases in the governmental type activities net position of \$1,281,825 and increases in the business type activities net position of \$ 779,903.
- As of the close of the current fiscal year, the City of Conover's governmental funds reported combined ending fund balances of \$ 10,132,196, an increase of \$ 661,772 in comparison with the prior year. Approximately 22 percent of this total amount or \$ 2,254,315 is non- spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$ 4,888,105 or 44 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 \$506,867 (6.3%) during the fiscal year. No new debt was added during the year. Outstanding debt principal is \$7,545,926 and equates to \$833 per capita at the end of the fiscal year. 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 \$ 95,261,190 (8 percent of assessed value) and the City's legal debt margin is \$ 87,715,264. The total legal indebtedness of the City is \$ 7,545,926, which represents .63% 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 \$66,922,310 or 5.95% from the previous fiscal year as growth seems to be making its way back from re-valuation.
- The City's tax rate remained the same at .50 per \$100 valuation.

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 twelve 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, the General Capital Reserve Fund and the General Capital Project Fund. These three funds are considered to be the major funds for this fiscal year. Data from the other nine 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 120 - 123 of this report.

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

Of the nine non-major governmental funds, the City adopted an annual budget for three funds and a project budget for six 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.

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 - 96 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 97 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 10,736,274	\$ 10,043,340	\$ 7,691,247	\$ 6,598,009	\$ 18,427,521	\$ 16,641,349
Capital assets	39,255,965	38,634,013	29,256,983	29,692,379	68,512,948	68,326,392
Total assets	49,992,239	48,677,353	36,948,230	36,290,388	86,940,469	84,967,741
Deferred outflows of Resources	900,909	1,055,534	294,666	346,510	1,195,575	1,402,044
Current Liabilities	1,116,355	1,100,353	625,547	649,732	1,741,902	1,750,085
Long term liabilities	6,379,514	6,536,619	3,185,247	3,332,361	9,564,761	9,868,980
Total liabilities	7,495,869	7,636,972	3,810,794	3,982,093	11,306,663	11,619,065
Deferred Inflows of Resources	119,519	99,980	8,764	11,370	128,283	111,350
Net position:						
Net investment in capital assets	34,605,458	33,683,664	26,361,565	26,589,935	60,967,023	60,273,599
Restricted	2,171,128	1,933,086			2,171,128	1,933,086
Unrestricted	6,501,174	6,379,185	7,061,773	6,053,500	13,562,947	12,432,685
Total net position	\$ 43,277,760	\$ 41,995,935	\$ 33,423,338	\$ 32,643,435	\$ 76,701,098	\$ 74,639,370

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 \$ 76,701,098 as of June 30, 2020. The City's net position increased \$2,061,728 for the fiscal year ended June 30, 2020. The largest portion of net position (79.49%) 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, \$ 2,171,128 (2.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$ 13,562,947 is unrestricted.

City of Conover Changes in Net Position
Figure 3

	Governmental Activities 2020	Governmental Activities 2019	Business Type Activities 2020	Business Type Activities 2019	Total 2020	Total 2019
Revenues:						
Program revenues:						
Charges for services	\$ 806,144	\$ 827,832	\$ 5,124,289	\$ 4,924,620	\$ 5,930,433	\$ 5,752,452
Operating grants and contributions	576,538	769,479			576,538	769,479
Capital grants and contributions	-	495,204	86,995	22,909	86,995	518,113
General revenues:						
Property taxes	5,998,091	5,651,421			5,998,091	5,651,421
Other taxes	4,141,638	3,498,266			4,141,638	3,498,266
Grants and contributions not restricted to specific programs	10,000	7,500			10,000	7,500
Capital assets contributed to Enterprise Fi	-	(64,456)	-	64,456	-	-
Gain on sale of assets	23,982	27,463	-	10,837	23,982	38,300
Other	180,775	212,005	47,163	22,547	227,938	234,552
Total revenues	11,737,168	11,424,714	5,258,447	5,045,369	16,995,615	16,470,083
Expenses:						
General government	3,221,319	3,117,850			3,221,319	3,117,850
Public safety	4,367,009	4,113,880			4,367,009	4,113,880
Transportation	1,760,319	1,733,196			1,760,319	1,733,196
Environmental Protection	916,219	852,274			916,219	852,274
Economic development	-	-			-	-
Interest on long-term debt	170,477	178,840			170,477	178,840
Water and sewer			4,498,544	4,680,796	4,498,544	4,680,796
Total expenses	10,435,343	9,996,040	4,498,544	4,680,796	14,933,887	14,676,836
Increase(Decrease) in net position before transfers	1,301,825	1,428,674	759,903	364,573	2,061,728	1,793,247
Transfers	(20,000)	-	20,000	-	-	-
Change in net position	1,281,825	1,428,674	779,903	364,573	2,061,728	1,793,247
Net position, July 1	41,995,935	40,567,261	32,643,435	32,278,862	74,639,370	72,846,123
					-	
Net position, June 30	\$ 43,277,760	\$ 41,995,935	\$ 33,423,338	\$ 32,643,435	\$ 76,701,098	\$ 74,639,370

Governmental activities: Governmental activities, this year, had a positive effect on the City's net position of \$1,281,825. Key elements of this change in net position for governmental type activities are as follows:

- Property tax revenue increased \$ 346,670 primarily due to an increase in real property value of \$40,850,423 and an increase in personal property value of \$26,071,887.
- Sales and other taxes increased \$643,372 from the previous fiscal year; even though sales tax revenues were coming in at an approximate increase of 6% and dropped to 2.3% for the year after the pandemic occurred in the spring negatively affecting the last 4 months of the year.
- Last 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. Last year the fee was not collected for a full year. Increase in the amount received for this tag fee in the current fiscal year was \$51,210.

Business-type activities: Business-type activities increased the City's net position by \$779,903: The key element of this change is as follows:

- Increases in Charges for Services of \$199,669 due to customer growth and a 2.75% increase in water rates and a 2% increase in sewer rates both on usage and meter fees.
- Water and Sewer expenses were \$182,252 less than the previous year.

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 \$ 10,132,196, an increase of \$ 661,772 in comparison to the prior year. Of this total fund balance, \$ 2,254,315 (22%) is non spendable or restricted.

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

\$ 6,477,823 while total fund balance was \$ 7,845,657. The City currently has an available fund balance of 58.74% of general fund expenditures while total fund balance represents 71.14% of the same amount. Total general fund balance increased \$ 837,936. This increase was due in part to the increases in property tax and other tax revenues. This fiscal year, the property tax rate remained at .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, 2020, total fund balance was \$ 1,051,605. The fund balance of the General Capital Reserve Fund decreased \$ 217,225 primarily due to the use of reserves for fire equipment to go toward the purchase of a new fire truck which is discussed under Major Initiatives in the Letter of Transmittal. 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 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.

General Capital Project Fund. The General Capital Project Fund is used for the acquisition of capital equipment, capital improvements and capital construction projects. This fund does not have its own revenue source, but instead is primarily funded with transfers from the General Capital Reserve Fund, the Solid Waste Capital Reserve Fund and the General Fund. Transfers to this fund from capital reserve funds for the year totaled \$958,673 and \$595,000 from the General Fund. This fund had a fund balance at year end of \$305,344 to cover the year end encumbrances for this fund of the same amount. 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 \$7,061,773. 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 \$ 187,849 more than budget. Property tax revenues exceeded budget by \$ 73,601 as the City budgeted very conservatively at budget while still remaining optimistic. Sales tax and other unrestricted intergovernmental taxes

exceeded budget by \$13,736. In the last several years, utility franchise sales tax has been decreasing particularly in the telecommunication and video programming taxes due to fewer people using telephone land lines and cable television. Restricted intergovernmental revenue exceeded budget by \$22,122. In addition, the motor vehicle tag fee brought in \$53,480 more than budgeted. This was only the second year of this new fee and the previous year was for only a partial year; therefore, the City budgeted conservatively in anticipation of what a full year of revenue would bring. No department exceeded the budgeted amount. Encumbrances for the general fund at year end amounted to \$209,357.

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, 2020, totals \$ 68,512,948 (net of accumulated depreciation). An increase of \$186,556 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 \$1,301,662 and vehicle retirements of \$511,714.
- A 2005 Fire Pumper was totaled this fiscal year. The original cost of the truck was \$366,748 with accumulated depreciation of \$224,939. The value received for the truck from the person's insurance responsible for the accident was \$126,572 resulting in a loss of \$15,237.
- Purchase of a 2012 Pierce Fire Engine for \$395,000 and the purchase of a 2020 Pierce Fire Engine (that the City had reserved funds for over several years to purchase) in the amount of \$624,563.
- Additions to land in the amount of \$315,220 with the intentions of reselling for economic development purposes in the near future.
- Asset disposals totaled \$523,111 which included the 2005 Fire Pumper that was totaled.

City of Conover's Capital Assets

Figure 4

(net of depreciation)

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
	2020	2019	2020	2019	2020	2019
Land	\$ 3,881,621	\$ 3,556,401	\$ 305,061	\$ 305,061	\$ 4,186,682	\$ 3,861,462
Buildings and systems	10,407,833	10,668,567	4,756,306	4,895,050	15,164,139	15,563,617
Computer Equipment	2,118	17,272	25,060	-	27,178	17,272
Equipment and Furnishings	1,460,719	1,407,449	455,019	433,022	1,915,738	1,840,471
Infrastructure	17,706,980	18,108,107	22,978,925	23,443,297	40,685,905	41,551,404
Vehicles and motorized equipment	3,291,111	2,689,291	373,952	302,499	3,665,063	2,991,790
Construction in progress	2,505,583	2,186,925	362,660	313,450	2,868,243	2,500,375
Total	\$ 39,255,965	\$ 38,634,012	\$ 29,256,983	\$ 29,692,379	\$ 68,512,948	\$ 68,326,391

Additional information on the City of Conover's capital assets can be found in note 3 on pages 65 - 67 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 \$10,323,455 as of June 30, 2020. Gross debt consists of installment purchase debt of \$4,650,507, loans and notes payable of \$2,895,419, net pension liability (LEO) of \$460,720, net pension liability for retirement of \$ 1,912,738 and compensated absences of \$404,071. Installment purchases related to the 2nd floor renovation of the Broyhill Building adding "NC Works", the police, public works and fire facilities amount to \$4,650,507 and are obligations of the general fund. Loans and notes payable amounting to \$2,895,419 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, 2020, the City of Conover had no bonded debt.

City of Conover's Outstanding Debt
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	-
Loans Payable	-	-	2,895,419	3,102,444	2,895,419	3,102,444
Compensated Absences	349,521	303,835	54,550	51,881	404,071	355,716
Pension related debt (LEO)	460,720	469,368	-	-	460,720	469,368
Pension related debt (LGERS)	1,423,113	1,289,205	489,625	443,554	1,912,738	1,732,759
Installment Purchase	4,650,507	4,950,349	-	-	4,650,507	4,950,349
Total	\$ 6,883,861	\$ 7,012,757	\$ 3,439,594	\$ 3,597,879	\$ 10,323,455	\$ 10,610,636

The City of Conover's total debt decreased \$ 287,181 (2.7%) 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 \$87,715,264. The City of Conover has no bonds authorized but un-issued at June 30, 2020.

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 86 of this report.

Economic Factors – The following factors reflect economic activity of the City

- The County unemployment rate increased from 4.2% in June 2019 to 8.3% in June 2020. This is following a spike up to 18.7% in April, 2020 following the onset of the Coronavirus pandemic. Prior to the pandemic, unemployment was averaging 3.3% to 3.6 %.
- Low tax burden and low property tax rate compared to other same size cities throughout the State. The biggest factor being the large amount of industry in the City.

- Commercial growth in Conover has been moderate; however, Wendy's, a national food chain has broken ground at a site in Conover formally owned by a church. Several small business occupancy permits have been approved in the personal care sector, and a local dental office has expanded by 1,000 square feet. Since the start of the pandemic, other office and commercial uses have remained in business, but have experienced the impacts felt by businesses nationwide.
- The residential market in Conover is performing 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. The average home prices year over year is up by over 26%. Many industry leaders in our area have been seeing a connection between the shortage of housing supply with challenges in recruitment for new workers. The city is currently working with the county and private developers to bring private investment into the community.
- Conover has seen strong industrial growth over the past four years. New industries have opened while existing industry continues to expand. All suitable industrial buildings are occupied. The problem the City is encountering, is finding existing locations for manufacture's wanting to locate to Conover. Currently, over 700,000 square feet of manufacturing space is actively under construction. Additionally, two facilities totaling 65,000 square feet will be devoted to testing and research and business incubator spaces as well as to manufacturing spec building is currently under zoning approval status. At least three other manufacturing facilities are undergoing major building renovations and other upfits to their existing operations.

Impact of Coronavirus on the City

During this fiscal year, the City, State, Country, and world have all been affected by the spread of Coronavirus-19. The City's response to the virus was to reduce estimates of revenues the City felt would most be impacted. Since none of us had experienced anything like this before, the estimated revenues were cut rather significantly, and the City made a larger fund balance appropriation than usual as part of the way to offset revenues. In keeping with its normal approach to fiscal conservation and stewardship, the City put in a hiring freeze on non-public safety employees, placed a hold on capital purchases and any employee raises until later into the fiscal year.

Sales tax revenue had been running at approximately 6% above the previous fiscal year, but after the pandemic hit, the City ended the fiscal year with only a 2.3% increase over the previous fiscal year. Since then, for fiscal year 2020-2021 sales tax numbers are above pre-pandemic numbers through October sales.

At the beginning of the pandemic, North Carolina Governor Cooper issued two executive orders; #124 and later #142 that prevented suppliers of utilities from disconnecting service for nonpayment or from charging late fees on past due amounts accumulated after the order was issued. These orders did not, however, absolve the customer of the responsibility of paying these bills. The orders required each utility provider to set up payment plans for collecting past due balances from March 31, 2020 through July 29, 2020. At June 30, 2020, the balance owed from non-residential accounts was \$3,719 and \$36,723 from residential

accounts totaling \$40,441. Today that amount, using the payment plan for collections, has been reduced to \$580 for non-residential accounts and \$11,728 for residential accounts totaling \$12,308. There is one month left on the payment plan. Those accounts not paid in full at that time, will be turned over to debt set off following required customer notification.

The City applied for and received grants to assist with providing funds for personal protective equipment, cleaning and disinfection supplies and other COVID mitigation equipment and supplies. In August, the city received \$173,794 in CARES ACT revenue passed through Catawba County. The City has received to date \$31,397 from FEMA and the NC Department of Public Safety. The City's fire department has also received an Assistance to Fire Fighter's Grant – COVID-19 in the amount of \$2,751.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities:

- Revenue estimates in the City's 2020-2021 budget were very conservative due to the uncertainty of the economic impact of the pandemic. The City budgeted a net decrease of 8% in operating revenues and budgeted operating expenses with no increase from the previous year. In addition, the City made a higher than usual fund balance appropriation to help offset possibly greater revenue reductions.
- The City implemented a hiring freeze on all positions not directly related to emergency response employees. The City Manager put a hold on all capital purchases, that are in the budget, until the City had a better idea of the impact the pandemic would have on revenues.
- The budget does continue to set aside reserves for future capital equipment and improvement needs.
- Basic services are budgeted along with equipment replacements.
- This budget does not include a property tax rate change leaving the rate at .50 per \$100 of property value.

Business – type Activities:

- This budget includes a 2.75% increase in water rates as well as on meter fees and a 2.0% increase in sewer rates. This increase comprises a 3.0% wholesale pass-through rate increase from the City of Hickory for water purchase.
- Basic services are budgeted, along with replacements and maintenance of equipment.
- The City does continue to budget reserves for future capital projects, capital equipment and improvements.ost of living increases proposed in this budget.
- Utility 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, 2020

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
	\$	\$	\$
Assets			
Current assets:			
Cash and cash equivalents	9,200,506	7,157,844	16,358,350
Taxes receivables (net)	67,445		67,445
Accrued interest receivable on taxes	3,248		3,248
Accounts receivable (net)	64,027	512,535	576,562
Due from other governments	1,048,060	17,730	1,065,790
Prepaid items	83,187	3,138	86,325
Restricted cash	<u>269,801</u>		<u>269,801</u>
Total current assets	<u>10,736,274</u>	<u>7,691,247</u>	<u>18,427,521</u>
Noncurrent assets:			
Capital assets (Note 3):			
Land, non-depreciable improvements and construction in progress	6,387,204	667,721	7,054,925
Other capital assets, net of depreciation	<u>32,868,761</u>	<u>28,589,262</u>	<u>61,458,023</u>
Total capital assets	<u>39,255,965</u>	<u>29,256,983</u>	<u>68,512,948</u>
Total assets	<u>49,992,239</u>	<u>36,948,230</u>	<u>86,940,469</u>
Deferred Outflows of Resources			
Deferred outflows of resources	<u>900,909</u>	<u>294,666</u>	<u>1,195,575</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	529,579	148,448	678,027
Due to other governments		85,023	85,023
Accrued interest payable	82,429	222	82,651
Customer deposits		137,507	137,507
Compensated absences – current	202,202	31,108	233,310
Current portion of long-term debt	<u>302,145</u>	<u>223,239</u>	<u>525,384</u>
Total current liabilities	<u>1,116,355</u>	<u>625,547</u>	<u>1,741,902</u>
Non-current liabilities:			
Compensated absences	147,319	23,442	170,761
Net pension liability	1,423,113	489,625	1,912,738
Total pension liability	460,720		460,720
Due in more than one year	<u>4,348,362</u>	<u>2,672,180</u>	<u>7,020,542</u>
Total non-current liabilities	<u>6,379,514</u>	<u>3,185,247</u>	<u>9,564,761</u>
Total liabilities	<u>7,495,869</u>	<u>3,810,794</u>	<u>11,306,663</u>

CITY OF CONOVER, NORTH CAROLINA
Statement of Net Position
June 30, 2020

	Primary Government		
	Governmental Activities \$	Business-type Activities \$	Total \$
Deferred Inflows of Resources			
Prepaid taxes	1,421		1,421
Pension deferrals	<u>118,098</u>	<u>8,764</u>	<u>126,862</u>
Total deferred inflows of resources	<u>119,519</u>	<u>8,764</u>	<u>128,283</u>
Net Position			
Net investment in capital assets	34,605,458	26,361,565	60,967,023
Restricted for:			
Stabilization by State Statute	1,722,490		1,722,490
Debt service	178,837		178,837
Transportation	201,752		201,752
Capital Projects	36,943		36,943
Public safety	31,106		31,106
Unrestricted	<u>6,501,174</u>	<u>7,061,773</u>	<u>13,562,947</u>
Total net position	<u>43,277,760</u>	<u>33,423,338</u>	<u>76,701,098</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, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses \$	Charges for Services \$	Operating Grants and Contributions \$	Capital Grants and Contributions \$	Primary Government		
					Governmental Activities \$	Business-Type Activities \$	Total \$
Primary government:							
Governmental activities:							
General government	3,221,319	226,705	101,500		(2,893,114)		(2,893,114)
Public safety	4,367,009	60,513	219,942		(4,086,554)		(4,086,554)
Transportation	1,760,319		248,696		(1,511,623)		(1,511,623)
Economic and physical development					0		0
Environmental protection	916,219	518,926	6,400		(390,893)		(390,893)
Interest on long-term debt	<u>170,477</u>				(<u>170,477</u>)		(<u>170,477</u>)
Total governmental activities							
(See Note 1)	10,435,343	806,144	576,538	0	(9,052,661)	0	(9,052,661)
Business-type activities:							
Water and sewer	<u>4,498,544</u>	<u>5,124,289</u>		<u>86,995</u>		<u>712,740</u>	<u>712,740</u>
Total primary government	<u>14,933,887</u>	<u>5,930,433</u>	<u>576,538</u>	<u>86,995</u>	(<u>9,052,661</u>)	<u>712,740</u>	(<u>8,339,921</u>)

CITY OF CONOVER, NORTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2020

<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				5,998,091		5,998,091
Local option sales tax				3,328,836		3,328,836
Other taxes				812,802		812,802
Grants and contributions not restricted to specific programs				10,000		10,000
Unrestricted investments earnings				117,371	47,163	164,534
Miscellaneous				63,404		63,404
Gain on sale of assets				23,982		23,982
Total general revenues not including transfers				10,354,486	47,163	10,401,649
Transfers				(20,000)	20,000	0
Total general revenues and transfers				10,334,486	67,163	10,401,649
Change in net position				1,281,825	779,903	2,061,728
Net position, beginning				41,995,935	32,643,435	74,639,370
Net position, ending				43,277,760	33,423,338	76,701,098

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

CITY OF CONOVER, NORTH CAROLINA

Balance Sheet

Governmental Funds

June 30, 2020

	Major Funds				
	General Fund	General Capital Reserve Fund	General Capital Project Fund	Total Non-Major Funds	Total Governmental Funds
	\$	\$	\$	\$	\$
Assets					
Cash and cash equivalents	6,918,558	1,048,458	370,793	862,697	9,200,506
Restricted cash	232,858			36,943	269,801
Receivables, net:					
Taxes	67,445				67,445
Accounts	60,880	3,147			64,027
Due from other funds	9,945				9,945
Due from other governments	1,004,465			43,595	1,048,060
Prepaid items	83,187				83,187
Total assets	<u>8,377,338</u>	<u>1,051,605</u>	<u>370,793</u>	<u>943,235</u>	<u>10,742,971</u>
Liabilities					
Accounts payable and accrued liabilities	460,430		65,449	3,700	529,579
Due to other funds				9,945	9,945
Total liabilities	<u>460,430</u>	<u>0</u>	<u>65,449</u>	<u>13,645</u>	<u>539,524</u>
Deferred Inflows of Resources					
Property taxes receivable	67,445				67,445
Prepaid taxes	1,421				1,421
Unavailable revenues	2,385				2,385
Total deferred inflows of resources	<u>71,251</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>71,251</u>
Fund Balances					
Non spendable					
Prepaid expenses	83,187				83,187
Restricted					
Stabilization by State Statute	1,284,647	3,147	305,344	129,352	1,722,490
Streets	201,752				201,752
Public safety	31,106				31,106
Debt covenant	178,837				178,837
Capital development				36,943	36,943
Committed					
LEO Pension Obligation	95,721				95,721
Capital development		1,048,458		819,650	1,868,108
Facilities maintenance				19,090	19,090
Assigned					
Subsequent year's expenditures	1,082,302				1,082,302
Unassigned	4,888,105			(75,445)	4,812,660
Total fund balances	<u>7,845,657</u>	<u>1,051,605</u>	<u>305,344</u>	<u>929,590</u>	<u>10,132,196</u>
Total liabilities, deferred inflows of resources and fund balances	<u>8,377,338</u>	<u>1,051,605</u>	<u>370,793</u>	<u>943,235</u>	

CITY OF CONOVER, NORTH CAROLINA
Balance Sheet
Governmental Funds
June 30, 2020

	\$	Total Governmental Funds \$
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Total Fund Balance, Governmental Funds		10,132,196
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	56,042,574	
Accumulated depreciation	(16,786,609)	39,255,965
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		900,909
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.		3,248
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		69,830
Total pension liability (LEO)		(460,720)
Net pension liability (LGERS)		(1,423,113)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		(82,429)
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(5,000,028)
Pension related deferrals		(118,098)
Net position of governmental activities		<u>43,277,760</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, 2020

	Major Funds			Total	Total
	General	General	General	Non-Major	Governmental
	Fund	Capital	Capital	Funds	Funds
		Reserve Fund	Project Fund		
		\$	\$	\$	\$
Revenues					
Ad valorem taxes	5,958,376				5,958,376
Other taxes and licenses	812,802				812,802
Unrestricted intergovernmental	3,328,836				3,328,836
Restricted intergovernmental	551,459				551,459
Permits and fees	23,361				23,361
Sales and services	528,289				528,289
Investment earnings	103,608	7,030		6,733	117,371
Rental income	18,750			94,350	113,100
Miscellaneous	131,553	97,074			228,627
Total revenues	<u>11,457,034</u>	<u>104,104</u>	<u>0</u>	<u>101,083</u>	<u>11,662,221</u>
Expenditures					
Current:					
General government	3,189,991			11,693	3,201,684
Public safety	4,030,553				4,030,553
Transportation	1,217,416				1,217,416
Environmental protection	770,908				770,908
Debt service:					
Principal	299,842				299,842
Interest and other charges	173,036				173,036
Capital outlay			1,373,844	78,957	1,452,801
Total expenditures	<u>9,681,746</u>	<u>0</u>	<u>1,373,844</u>	<u>90,650</u>	<u>11,146,240</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,775,288</u>	<u>104,104</u>	<u>(1,373,844)</u>	<u>10,433</u>	<u>515,981</u>
Other Financing Sources (Uses)					
Sale of capital assets	126,572	39,219			165,791
Transfers from other funds	282,657	373,417	1,553,673	358,164	2,567,911
Transfers to other funds	(1,346,581)	(733,965)		(507,365)	(2,587,911)
Total other financing sources (uses)	<u>(937,352)</u>	<u>(321,329)</u>	<u>1,553,673</u>	<u>(149,201)</u>	<u>145,791</u>
Net change in fund balance	837,936	(217,225)	179,829	(138,768)	661,772
Fund balances, beginning	<u>7,007,721</u>	<u>1,268,830</u>	<u>125,515</u>	<u>1,068,358</u>	<u>9,470,424</u>
Fund balances, ending	<u>7,845,657</u>	<u>1,051,605</u>	<u>305,344</u>	<u>929,590</u>	<u>10,132,196</u>

CITY OF CONOVER, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

	\$	\$
Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances - total governmental funds		661,772
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	2,049,914	
Depreciation expense for governmental assets	(1,296,154)	753,760
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		344,098
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities.		7,765
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	10,000	
Change in unavailable revenue for tax revenues	39,715	
Change in unavailable revenue	1,250	
Proceeds from sale of assets	(165,791)	
Gain on sale of assets	<u>23,982</u>	(90,844)
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	299,842	
Decrease in accrued interest payable	<u>2,559</u>	302,401
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	(45,686)	
Pension expense	(621,116)	
LEOSSA expense	<u>(30,325)</u>	(697,127)
Total changes in net position of governmental activities		<u>1,281,825</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, 2020

	General Fund			Variance with Final Budget Positive (Negative)
	Original \$	Final \$	Actual Amounts \$	\$
Revenues:				
Ad valorem taxes	5,884,775	5,884,775	5,958,376	73,601
Other taxes and licenses	458,914	758,914	812,802	53,888
Unrestricted intergovernmental	3,315,100	3,315,100	3,328,836	13,736
Restricted intergovernmental	380,560	529,337	551,459	22,122
Sales and services	529,120	529,120	528,289	(831)
Permits and fees	18,300	18,300	23,361	5,061
Investment earnings	90,200	90,200	103,608	13,408
Rental income	22,200	22,200	18,750	(3,450)
Miscellaneous	67,310	121,239	131,553	10,314
Total revenues	<u>10,766,479</u>	<u>11,269,185</u>	<u>11,457,034</u>	<u>187,849</u>
Expenditures:				
Current:				
General government	2,955,239	3,591,231	3,189,991	401,240
Public safety	4,506,781	4,724,017	4,030,553	693,464
Transportation	1,385,798	1,414,713	1,217,416	197,297
Environmental protection	904,483	906,159	770,908	135,251
Debt service:				
Principal	299,842	299,842	299,842	
Interest and other charges	173,036	173,036	173,036	
Total expenditures	<u>10,225,179</u>	<u>11,108,998</u>	<u>9,681,746</u>	<u>1,427,252</u>
Excess of revenues over expenditures	<u>541,300</u>	<u>160,187</u>	<u>1,775,288</u>	<u>1,615,101</u>
Other Financing Sources (Uses):				
Sale of capital assets		126,572	126,572	
Transfers from other funds	214,736	282,990	282,657	(333)
Transfers to other funds	(875,009)	(1,346,581)	(1,346,581)	
Reserve for Police pension	(16,765)	(16,765)		16,765
Total other financing sources (uses)	<u>(677,038)</u>	<u>(953,784)</u>	<u>(937,352)</u>	<u>16,432</u>
Fund balance appropriated	<u>135,738</u>	<u>793,597</u>		(793,597)
Net change in fund balance	<u>0</u>	<u>0</u>	837,936	<u>837,936</u>
Fund balances, beginning			<u>7,007,721</u>	
Fund balances, ending			<u>7,845,657</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, 2020

	Major Enterprise Fund Water and Sewer Fund \$
Assets	
Current assets:	
Cash and cash equivalents	7,157,844
Accounts receivables (net)	512,535
Due from government agencies	17,730
Prepaid items	<u>3,138</u>
Total current assets	<u>7,691,247</u>
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	667,721
Other capital assets, net of depreciation	<u>28,589,262</u>
Total noncurrent assets	<u>29,256,983</u>
Total assets	<u>36,948,230</u>
 Deferred Outflows of Resources	
Deferred outflows of resources	<u>294,666</u>
 Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	148,448
Due to other governments	85,023
Deposits	137,507
Accrued interest payable	222
Compensated absences - current	31,108
Loans payable – current	<u>223,239</u>
Total current liabilities	<u>625,547</u>
Noncurrent liabilities:	
Compensated absences	23,442
Net pension liability	489,625
Loans payable - noncurrent	<u>2,672,180</u>
Total noncurrent liabilities	<u>3,185,247</u>
Total liabilities	<u>3,810,794</u>

CITY OF CONOVER, NORTH CAROLINA
Statement of Fund Net Position
Proprietary Funds
June 30, 2020

	Major Enterprise Fund
	Water and Sewer Fund
	\$
Deferred Inflows of Resources	
Deferred inflows of resources	<u>8,764</u>
Net Position	
Net investment in capital assets, net of related debt	26,361,565
Unrestricted	<u>7,061,773</u>
Total net position of business-type activities	<u>33,423,338</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, 2020

	Major Enterprise Fund Water and Sewer Fund \$
Operating Revenues	
Charges for services	<u>5,122,355</u>
Operating Expenses	
Purchase for resale	621,854
Salaries and wages	1,225,658
Professional services	36,696
Telephone alarm system	117
Telephone	7,853
Utilities	92,578
Travel and training	1,873
Maintenance and repairs-equipment and lines	139,083
Maintenance and repairs-vehicles	22,530
Maintenance and repairs-building and grounds	2,131
Automotive supplies	37,644
Departmental supplies	112,606
Contracted services	476,436
Miscellaneous	1,583
Payroll taxes	91,300
Retirement expense	263,681
Group insurance	129,424
Employee benefits	10
Uniforms	9,883
Depreciation	1,162,461
Advertising	3,969
Dues and subscriptions	4,686
Insurance and bonds	48,833
Miscellaneous	<u>5,654</u>
Total operating expenses	<u>4,498,543</u>
Operating income (loss)	<u>623,812</u>

CITY OF CONOVER, NORTH CAROLINA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Major Enterprise Fund Water and Sewer Fund \$
Nonoperating Revenues (Expenses)	
Investment earnings	23,790
Total nonoperating revenues (expenses)	<u>23,790</u>
Income before contributions and transfers	647,602
Capital contributions	112,301
Transfers from other funds	<u>20,000</u>
Change in net position	779,903
Total net position, beginning	<u>32,643,435</u>
Total net position, ending	<u><u>33,423,338</u></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, 2020

	Major Enterprise Fund Water and Sewer Fund \$
Cash Flows from Operating Activities	
Cash received from customers	5,388,213
Cash paid for goods and services	(2,037,016)
Cash paid to employees	(1,222,989)
Net cash provided (used) by operating activities	<u>2,128,208</u>
Cash Flows from Noncapital Financing Activities	
Transfer from other funds	<u>20,000</u>
Net cash provided (used) by noncapital financing activities	<u>20,000</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition and construction of capital assets	(727,068)
Principal paid on bond maturities and other loans	(207,025)
Capital contribution – County grant	86,995
Capacity excess fees	<u>1,936</u>
Net cash provided (used) by capital and related financing activities	(<u>845,162</u>)
Cash Flows from Investing Activities	
Interest on investments	<u>47,163</u>
Net increase in cash and cash equivalents	1,350,209
Balances, beginning in cash and cash equivalents	<u>5,807,635</u>
Balances, ending in cash and cash equivalents	<u><u>7,157,844</u></u>

CITY OF CONOVER, NORTH CAROLINA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2020

Major
Enterprise Fund
Water and
Sewer
Fund
\$

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

Operating income (loss)	<u>623,812</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	1,162,461
Changes in assets, deferred outflows of resources, and liabilities:	
Decrease in due from other governments	259,935
Increase in due to other governments	6,398
(Increase) decrease in prepaid expenses	(555)
(Increase) in accounts receivable	(2,409)
Increase in accounts payable and other liabilities	(21,346)
Increase (decrease) in customer deposits	1,934
Increase (decrease) in accrued vacation pay	2,669
(Increase) decrease in deferred outflows for pensions	51,844
Increase (decrease) in net pension liability	46,071
Increase (decrease) in deferred inflows of resources – pensions	(2,606)
Total adjustments	<u>1,504,396</u>
Net cash provided (used) by operating activities	<u><u>2,128,208</u></u>

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.

CITY OF CONOVER, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

Note 1.
Summary of Significant
Accounting Policies

The accounting policies of the City of 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 specific 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 specific 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.

General Capital Project Fund. This fund is used for capital equipment acquisitions, capital improvements and capital 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.

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.

Neighborhood Revitalization Scattered Site Housing Project Fund. This fund provides for assistance with the rehabilitation of fifteen (15) deteriorated homes owned and occupied by low and moderate income households within the City limits. Priority will be given to households whose members are elderly, disabled or have incomes below 50% of the area median income.

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, new adult fitness equipment and pickle ball.

Star Snax Economic Development Fund. This fund provides for a NC Rural Economic Development Re-use Grant and a City match to be used for building renovations to a manufacturing business already located in the City.

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.

**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 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 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 First Avenue Area Bike/Pedestrian Capital Project Fund, Conover Park Expansion Capital Project Fund, Lyle Creek/N-C Middle School Thread Trail Extension Capital Project Fund, Fire Station #2 Demolition and Construction Capital Project Fund, Neighborhood Revitalization Scattered Site Housing Project Fund and Star Snax Economic Development Fund. Project

ordinances are also adopted for the Enterprise Fund Shelf Project Fund, the Enterprise Fund NE WWTP Expansion Fund and the Project Grow Infrastructure Economic Development Capital Project 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.
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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. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2020, the Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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 from a PARTF grant to be used for threadtrail construction of \$21,835 and unspent proceeds from installment purchase for capital development of \$15,108 are restricted until the proceeds are spent according to the agreements.

City of Conover Restricted Cash

Governmental Activities:

General Fund	
Streets	\$ 201,752
Public Safety	31,106
Capital Development	<u>36,943</u>
Total Governmental Activities	\$ <u>269,801</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, 2019.

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 2020 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 withheld from the actual debt proceeds received or not, 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 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 externally imposed by either 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 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 Capital Development – portion of fund balance that is restricted by revenue source for PARTF Grant funds to be used for the construction of a thread trail as well as funds remaining that are loan proceeds for the construction of Fire Station #2.

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 the entities 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, 2020, the City's deposits had a carrying amount of \$5,699,665 and a bank balance of \$5,936,207. The bank balances of the City were fully covered by federal depository insurance and the pooling method. At June 30, 2020, the City's petty cash fund totaled \$490.

Investments

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

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2020	Maturity	Rating
NC Capital Management Trust – Government Portfolio	Fair Value Level 1	\$ 7,721,879	N/A	AAAm
NC Capital Management Trust – Term Portfolio	Fair Value Level 1	3,206,117	9 years	Unrated
Total		\$10,927,996		

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

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

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, 2020. 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 for the year ended June 30, 2020 are net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>06/30/20</u>
General Fund	
Taxes receivable	\$ 89,953
Landfill fee	<u>1,771</u>
Total General Fund	91,724
Enterprise Fund	<u>15,852</u>
Total	<u>\$ 107,576</u>

Capital Assets

Primary Government:

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

	Beginning Balances \$	Additions \$	Net Transfers \$	Retire- ments \$	Ending Balances \$
Governmental activities:					
Capital assets not being depreciated:					
Land & improvements	3,556,401	325,220			3,881,621
Construction in progress	<u>2,186,925</u>	<u>335,649</u>	(16,991)		<u>2,505,583</u>
Total capital assets not being depreciated	<u>5,743,326</u>	<u>660,869</u>	(16,991)	0	<u>6,387,204</u>
Capital assets being depreciated:					
Building & improvements	14,517,914	13,653	2,700		14,534,267
Equipment	3,659,752	212,786		(11,397)	3,861,141
Vehicles	6,382,363	1,172,607		(511,714)	7,043,256
Computer equipment	212,119				212,119
Infrastructure	<u>23,990,296</u>		<u>14,291</u>		<u>24,004,587</u>
Total capital assets being depreciated	<u>48,762,444</u>	<u>1,399,046</u>	<u>16,991</u>	(523,111)	<u>49,655,370</u>
Less accumulated depreciation for:					
Buildings & improvements	3,849,347	277,087			4,126,434
Equipment	2,252,303	159,516		(11,397)	2,400,422
Vehicles	3,693,072	428,978		(369,905)	3,752,145
Computer equipment	194,847	15,154			210,001
Infrastructure	<u>5,882,188</u>	<u>415,419</u>			<u>6,297,607</u>
Total accumulated depreciation	<u>15,871,757</u>	<u>1,296,154</u>	0	(381,302)	<u>16,786,609</u>
Total capital assets being depreciated, net	<u>32,890,687</u>				<u>32,868,761</u>
Governmental activity capital assets, net	<u>38,634,013</u>				<u>39,255,965</u>

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

General government	\$ 282,938
Public safety	374,739
Transportation	521,038
Environmental protection	<u>117,439</u>
Total depreciation expense	<u>\$ 1,296,154</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 progress	<u>313,450</u>	<u>169,403</u>	(<u>120,193</u>)		<u>362,660</u>
Total capital assets not being depreciated	<u>618,511</u>	<u>169,403</u>	(<u>120,193</u>)	<u>0</u>	<u>667,721</u>
Capital assets being depreciated:					
Buildings & improvements	8,031,416	33,076			8,064,492
Equipment	3,761,709	110,740			3,872,449
Vehicles	754,969	129,055			884,024
Computer equipment	29,969		25,200		55,169
Infrastructure	<u>37,173,931</u>	<u>284,792</u>	<u>94,993</u>		<u>37,553,716</u>
Total capital assets being depreciated	<u>49,751,994</u>	<u>557,663</u>	<u>120,193</u>	<u>0</u>	<u>50,429,850</u>
Less accumulated depreciation for:					
Buildings & improvements	3,136,365	171,821			3,308,186
Equipment	3,328,687	88,743			3,417,430
Vehicles	452,470	57,602			510,072
Computer equipment	29,969	140			30,109
Infrastructure	<u>13,730,635</u>	<u>844,156</u>			<u>14,574,791</u>
Total accumulated depreciation	<u>20,678,126</u>	<u>1,162,462</u>	<u>0</u>	<u>0</u>	<u>21,840,588</u>
Total capital assets being depreciated, net	<u>29,073,868</u>				<u>28,589,262</u>
Business-type activities capital assets, net	<u>29,692,379</u>				<u>29,256,983</u>

Construction commitments

The government has active construction projects as of June 30, 2020. At year end, the government's commitments with contractors are as follows:

Project	Spent to Date \$	Remaining Commitment \$
3 rd St. NE culvert construction	58,314	32,117
Metal building and concrete slab construction	0	145,058
Interstate Foam sewer line construction	<u>0</u>	<u>36,975</u>
Total	<u>58,314</u>	<u>214,150</u>

B. Liabilities

Pension Plan 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, 2020, was 9.70% of compensation for law enforcement officers and 9.04% 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 \$462,486 for the year ended June 30, 2020.

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

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

At June 30, 2020, the City reported a liability of \$1,912,738 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the City's proportion was .07004%, which was a decrease of .003% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of \$834,815. At June 30, 2020, 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	\$ 327,509	\$ -
Changes of assumptions	311,745	-
Net difference between projected and actual earnings on pension plan investments	46,654	-
Changes in proportion and differences between City contributions and proportionate share of contributions	2,729	34,237
City contributions subsequent to the measurement date	<u>462,486</u>	<u>-</u>
Total	\$ <u><u>1,151,123</u></u>	\$ <u><u>34,237</u></u>

\$462,486 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended	
June 30:	
2020	\$ 327,309
2021	100,126
2022	178,503
2023	48,462
2024	-
Thereafter	<u>-</u>
Total	\$ <u><u>654,400</u></u>

Actuarial Assumptions

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

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

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study 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, 2019 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 2018 asset, liability, and

investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount Rate

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

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the City's proportionate share of the net pension 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)	\$ 4,374,781	\$ 1,912,738	\$ 133,719

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>24</u>
Total	<u>25</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, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018.

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 \$7,821 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, 2020, the City reported a total pension liability of \$460,720. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the City recognized pension expense of \$29,845.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 19,712	\$ 75,622
Changes of assumptions	23,771	17,003
City benefit payments made subsequent to the measurement date	969	-
Total	\$ <u>44,452</u>	\$ <u>92,625</u>

\$969 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended	
June 30:	
2021	\$ (12,420)
2022	(12,420)
2023	(11,921)
2024	(5,892)
2025	(5,749)
Thereafter	(740)

Sensitivity of the City's total pension liability to changes in the discount rate

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

	1% Decrease <u>(2.26%)</u>	Discount Rate <u>(3.26%)</u>	1% Increase <u>(4.26%)</u>
Total pension liability	\$ 495,762	\$ 460,720	\$ 428,172

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

	<u>2020</u>
Beginning balance	\$ 469,368
Service Cost	24,909
Interest on the total pension liability	16,856
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(50,477)
Changes of assumptions or other inputs	12,657
Benefit payments	(12,593)
Other changes	<u>-</u>
Ending balance of the total pension liability	\$ <u><u>460,720</u></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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	LGERS \$	LEOSSA \$	TOTAL \$
Pension expense	834,815	29,845	864,660
Pension liability	1,912,738	460,720	2,373,458
Proportionate share of the net pension liability	0.07004%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	327,509	19,712	347,221
Changes of assumptions	311,745	23,771	335,516
Net difference between projected and actual earnings on plan investments	46,654		46,654
Changes in proportion and differences between contributions and proportionate share of contributions	2,729	-	2,729
Benefit payments and administrative costs paid subsequent to the measurement date	462,486	969	463,455
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	75,622	75,622
Changes of assumptions	-	17,003	17,003
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	34,237	-	34,237

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, 2020 were \$79,260, which consisted of \$61,999 from the City and \$17,261 from the law enforcement officers. Contributions for the year ended June 30, 2020 for general employees were \$259,398, which consisted of \$186,802 from the City and \$72,596 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, 2020, the State contributed \$18,302,000 to the plan. The City of Conover's proportionate share of the State's contribution is \$22,385.

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

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

At June 30, 2020, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City and supported by the State was \$44,377. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures

incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2020 and at June 30, 2019 was 0%.

For the year ended June 30, 2020, the City recognized pension expense of \$23,364 and revenue of \$23,364 for support provided by the State. At June 30, 2020, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

Actuarial Assumptions

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

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

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the 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 has elected to provide 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

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 462,486
Benefit payments made and administrative expenses for LEOSSA	969
Differences between expected and actual experience	347,221
Changes of assumptions	335,516
Net difference between projected and actual	46,654
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>2,729</u>
Total	<u>\$ 1,195,575</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)	\$ 1,421	\$ 1,421
Taxes receivable, less penalties (General Fund)	-	67,445
Unavailable revenues	-	2,385
Changes in assumptions	17,003	-
Difference between expected and actual experience	75,622	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>25,473</u>	<u>-</u>
Total	<u>\$ 119,519</u>	<u>\$ 71,251</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 \$5,000,000, Employee Benefit liability of \$5,000,000, Public Officials liability of \$5,000,000, all with an annual aggregate of \$5,000,000. Employment Practices of \$5,000,000 with an annual aggregate of \$5,000,000, Police Professional Liability of \$5,000,000, as well as coverages for Governmental Crime and Inland Marine. Auto liability coverage of \$5,000,000. 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

On April 20, 2015, there was a sewer backup which resulted in damage to the Bestway Rent to Own at 380 Conover Blvd. West. The City received a claim from the owner of the building, Best Conover Development, LLC and turned that claim over to its insurance carrier. The City's carrier denied the claim. Since that time, the City had entered into negotiations to settle with the owner of the building, but not the Bestway Rent to Own business. At this

point in time, the settlement negotiations have been fruitful and the City has agreed to pay \$12,000. However, as of this date, the owner has not accepted the offer and the City has yet to see a signed settlement agreement. It is the view of the City's Attorney that the City's maximum exposure would be \$12,000, but because nearly five years have passed since the claim arose, the City Attorney believes there is a remote (less than 50% chance) that the City will ever pay out this amount.

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 Whistnant, 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, and on that date, the Superior Court Judge Nathan Poovey entered a temporary restraining order restraining the City from enforcing the gambling statutes against the Plaintiffs. On April 26, 2019, Judge George C. Bell of the Superior Court entered a preliminary injunction finding that some of the games Plaintiffs were operating were most likely in violation of the gambling statutes and others-most particularly the fish games-were games of skill and thus did not run counter to the gambling statutes. Judge Bell's order though is not binding on a final trial to the merits of the matter, and that is whether or not the games being run or operated by the Plaintiffs are in violation of the North Carolina gambling statutes. This is an action for a declaratory judgment and makes no monetary claim nor even a claim for attorney's fees. In the attorney's opinion, the outcome of this litigation is uncertain, but potential pecuniary liability to the City is remote. The City if responding vigorously to the litigation and its liability insurance carrier has agreed to assist with providing the defense of the claim as well as a willingness to pay certain costs in defending the claim. This matter is set for trial during the week of April 26, 2021. According to the City's Attorney, this is not a money claim.

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,	\$
2021	77,205
2022	77,205
2023	77,205
2024	77,205
2025-2045	<u>1,698,091</u>
	2,006,911
Less, amount representing interest	(<u>789,743</u>)
Present value of minimum installment purchase payments	<u>1,217,168</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 of \$740,500 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,	\$
2021	38,818
2022	38,818
2023	38,818
2024	38,818
2025-2049	<u>970,230</u>
	1,125,502
Less, amount representing interest	(<u>485,376</u>)
Present value of minimum installment purchase payments	<u>640,126</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 of \$1,176,730 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,	\$
2021	62,814
2022	62,814
2023	62,814
2024	62,814
2025-2049	<u>1,569,980</u>
	1,821,236
Less, amount representing interest	(<u>800,339</u>)
Present value of minimum installment purchase payments	<u>1,020,897</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

beginning December 10, 2016. Minimum future payments are:

Year Ending June 30,	\$
2021	53,147
2022	51,853
2023	50,560
2024	49,267
2025-2026	<u>94,652</u>
	299,479
Less, amount representing interest	(<u>27,163</u>)
Present value of minimum installment purchase payments	<u>272,316</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,	\$
2021	234,800
2022	230,000
2023	225,200
2024	220,400
2025-2028	<u>733,600</u>
	1,644,000
Less, amount representing interest	(<u>144,000</u>)
Present value of minimum installment purchase payments	<u>1,500,000</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, 2020 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.	71,293
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.	431,757
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.	507,450

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.

262,390

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.

1,361,544

Total long-term debt

2,895,419

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

Year Ending June 30,	<u>Business-type Activities</u>	
	Principal \$	Interest \$
2021	223,240	2,610
2022	223,402	2,448
2023	223,566	2,284
2024	199,966	2,119
2025	200,133	1,952
2026-2030	1,003,230	7,193
2031-2035	736,796	2,759
2036	<u>85,097</u>	<u>-</u>
Totals	<u>2,895,430</u>	<u>21,365</u>

At June 30, 2020 the City of Conover had no bonds authorized but unissued, a legal debt limit of \$95,261,190, which is 8% of assessed value, and a legal debt margin of \$87,715,264.

Changes in General Long-Term Liabilities

	Balance July 1, 2019 \$	Addition \$	Retirements \$	Balance June 30, 2020 \$	Current Portion of Balance \$
Governmental activities:					
Installment purchases	4,950,349		299,842	4,650,507	302,145
Net pension liability (LGERS)	1,289,205	133,908		1,423,113	
Total pension liability (LEO)	469,368		8,648	460,720	
Compensated absences	<u>303,835</u>	<u>221,458</u>	<u>175,772</u>	<u>349,521</u>	<u>202,202</u>
Governmental activity long-term liabilities	<u>7,012,757</u>	<u>355,366</u>	<u>484,262</u>	<u>6,883,861</u>	<u>504,347</u>
Business-type activities:					
<u>Water and Sewer Fund</u>					
Loans payable	3,102,444		207,025	2,895,419	223,239
Net pension liability (LGERS)	443,554	46,071		489,625	
Compensated absences	<u>51,881</u>	<u>32,255</u>	<u>29,586</u>	<u>54,550</u>	<u>31,108</u>
Business-type activity long-term liabilities	<u>3,597,879</u>	<u>78,326</u>	<u>236,611</u>	<u>3,439,594</u>	<u>254,347</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 Water/Sewer Fund - Project Grow Infrastructure Capital Project Fund for economic development purposes and is the City's match to a Golden Leaf Foundation Grant	20,000
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	333,164
Transfer from General Fund to General Capital Reserve Fund to increase reserves for future capital purchases	373,417
Transfer from General Fund to Star Snax Economic Development Fund and is the City's match to a NC Rural Development Grant for building renovations to a manufacturing business expansion already located in the City	25,000
Transfer from General Fund to General Capital Project Fund to purchase a replacement fire truck that was totaled (\$395,000) as well as \$200,000 in the original budget to fund other capital projects that were purchased out of the general fund	595,000
Transfer from Solid Waste Capital Reserve Fund to General Fund to provide for costs related to the sanitation department	111,336
Transfer from Solid Waste Capital Reserve Fund to General Capital Project Fund for the purchase of sanitation capital equipment	280,362
Transfer from General Capital Reserve Fund to General Capital Project Fund to finance capital outlay expenditures for which the City had been putting back reserves to purchase	678,311
Transfer from General Capital Reserve Fund to General Fund for the purchase of two (2) server upgrades (\$20,000) and a pickup truck for the fire department (\$35,654)	55,654
Transfer from Facilities Maintenance Special Revenue Fund to General Fund to pay for maintenance of leased properties	<u>115,666</u>
Total transfers from other funds – Exhibit 4	<u>2,587,910</u>

Transfers to Other Funds:

	\$
Transfer to Water/Sewer Project Grow Infrastructure Capital Fund from the General Fund for economic development purposes and is the City's match to a Golden Leaf Foundation Grant	20,000
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	333,164
Transfer to General Capital Reserve Fund from the General Fund to increase reserves for future capital purchases	373,417
Transfer to Star Snax Economic Development Fund from the General Fund as the City's match to a NC Rural Development Grant for building renovations to a manufacturing business expansion already located in the City	25,000
Transfer to General Capital Project Fund from the General Fund for the replacement of a fire truck that was totaled (\$395,000) as well as \$200,000 in the original budget ordinance to fund other capital projects that were purchased out of the General Fund	595,000
Transfer to General Fund from Solid Waste Capital Reserve Fund as part of the original budget ordinance to provide for costs relative to the sanitation department in the general fund	111,336
Transfer to General Capital Project Fund from Solid Waste Capital Reserve Fund for sanitation equipment for which funds had been reserved and now transferred to the General Capital Project Fund to purchase capital equipment	280,362
Transfer to General Capital Project Fund from General Capital Reserve Fund to finance capital outlay expenditures for which the City has been putting back reserves to purchase	678,311
Transfer to General Fund from General Capital Reserve for the purchase of two (2) server upgrades (\$20,000) and a pickup truck for the fire department (\$35,654)	55,654
Transfer to General Fund from the Facilities Maintenance Special Revenue Fund to pay for maintenance of lease properties	<u>115,666</u>
Total transfers to other funds – Exhibit 4	<u>2,587,910</u>

**D. Revenues,
Expenditures,
and, Expenses**

On-Behalf Payments for Fringe Benefits and Salaries

The City has recognized as a revenue and an expenditure, on-behalf payments for fringe benefits and salaries of \$8,547 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, 2020. 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.

**E. Net Investment in
Capital Assets**

	Governmental Activities \$	Business-type Activities \$	Total \$
Total capital assets net of depreciation	39,255,965	29,256,983	68,512,948
Less related debt	(4,650,507)	(2,895,418)	(7,545,925)
Net investment in capital assets	<u>34,605,458</u>	<u>26,361,565</u>	<u>60,967,023</u>

F. 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>\$ 7,845,657</i>
Less:	
Prepaid expenses	83,187
Stabilization by State Statute	1,284,647
Streets – Powell Bill	201,752
Public Safety – Law Enforcement	31,106
Debt – USDA loans	178,837
LEO Special Separation Allowance	95,721
Appropriated Fund Balance in 2020-2021 budget	1,082,302
Remaining Fund Balance	<u>4,888,105</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 \$105,756 outstanding encumbrances in non-major funds as of June 30, 2020, \$105,756 represents commitments in capital project ordinances.

Encumbrances	General		General	
	General Fund	Capital Reserve Fund	Capital Project Fund	Non-Major Funds
	\$ 209,357	\$ 0	\$ 305,344	\$ 85,757

**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 \$5,888 during the fiscal year ended June 30, 2020.

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 January 20, 2021. 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 Seven Fiscal Years *

	Local Government Employees' Retirement System						
	<u>2020</u>	<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) (%)	0.07004%	0.07304%	0.07491%	0.07206%	0.07841%	0.07977%	0.07977%
Conover's proportion of the net pension liability (asset) (\$)	\$ 1,912,738	\$ 1,732,759	\$ 1,144,417	\$ 1,529,354	\$ 351,900	\$(470,440)	\$ 913,681
Conover's covered payroll	\$ 4,807,164	\$ 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	39.79%	37.41%	25.87%	35.66%	8.54%	(11.64%)	24.16%
Plan fiduciary net position as a percentage of the total pension liability **	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

* The amount 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.

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

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 462,486	\$ 384,574	\$ 367,424	\$ 332,133	\$ 294,302	\$ 293,980	\$ 285,047
Contributions in relation to the contractually required contribution	<u>462,486</u>	<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>	\$ <u>0</u>
Conover's covered payroll	\$ 5,024,829	\$ 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	9.20%	8.00%	7.93%	7.51%	6.86%	7.13%	7.06%

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

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Conover's proportionate share of the net pension liability (%)	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Conover's proportionate share of the net pension liability (\$)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
State's proportionate share of the net pension liability associated with the City of Conover	<u>44,377</u>	<u>74,151</u>	<u>62,862</u>	<u>43,300</u>	<u>42,147</u>	<u>35,695</u>
Total	<u>\$ 44,377</u>	<u>\$ 74,151</u>	<u>\$ 62,862</u>	<u>\$ 43,300</u>	<u>\$ 42,147</u>	<u>\$ 35,695</u>
Conover's covered payroll	\$ 863,343	\$ 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	5.14%	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%	92.76%

* The amounts presented for the prior fiscal year.

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CITY OF CONOVER, NORTH CAROLINA
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 469,368	\$ 426,259	\$ 436,969	\$ 431,626
Service Cost	24,909	31,632	24,241	24,491
Interest on the total pension liability	16,856	13,271	16,624	15,004
Difference between expected and actual experience	(50,477)	28,988	(64,407)	-
Changes of assumptions or other inputs	12,657	(18,189)	25,425	(11,478)
Benefit payments	(12,593)	(12,593)	(12,593)	(22,674)
Other changes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance of the total pension liability	\$ <u>460,720</u>	\$ <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, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 460,720	\$ 469,368	\$ 426,259	\$ 436,969
Covered payroll	1,248,903	1,163,845	1,078,273	1,093,938
Total pension liability as a percentage of covered payroll	36.89%	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.

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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.

Capital Project Fund – General Capital Project Fund – This fund is used for the acquisition of capital equipment, capital improvements or construction. This fund does not have its own revenue source, but instead is funded primarily with transfers from the City’s capital reserve funds or the General Fund.

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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, 2020

	Budget	Actual	Variance
	\$	\$	Positive (Negative) \$
Revenues:			
Ad valorem taxes:			
Current year	5,795,775	5,885,608	89,833
Prior year	70,000	51,602	(18,398)
Penalties and interest	<u>19,000</u>	<u>21,166</u>	<u>2,166</u>
Total	<u>5,884,775</u>	<u>5,958,376</u>	<u>73,601</u>
Other taxes and licenses:			
Gross receipts tax on short-term rental property	800	1,258	458
Licenses and permits	560	510	(50)
Motor vehicle tag tax	190,000	243,480	53,480
Rural fire district tax	<u>567,554</u>	<u>567,554</u>	
Total	<u>758,914</u>	<u>812,802</u>	<u>53,888</u>
Unrestricted intergovernmental:			
Local option sales tax	2,327,000	2,349,216	22,216
Electricity sales tax	775,000	787,290	12,290
Piped natural gas sales tax	33,100	32,453	(647)
Telecommunications sales tax	85,000	68,222	(16,778)
Video program sales tax	58,000	55,281	(2,719)
Beer and wine tax	<u>37,000</u>	<u>36,374</u>	<u>(626)</u>
Total	<u>3,315,100</u>	<u>3,328,836</u>	<u>13,736</u>
Restricted intergovernmental:			
Powell Bill allocation	246,140	247,302	1,162
Investment earnings on Powell Bill allocation	1,000	1,394	394
FEMA-COVID allocations	148,777	164,780	16,003
NC Department of Public Safety-COVID allocations		5,334	5,334
Fines and forfeitures	610	2,192	1,582
Interest on federal forfeitures and seizures	110	125	15
Contribution – Catawba County	93,000	93,000	
On-behalf of payments – fire	34,000	30,932	(3,068)
Solid waste disposal fees	<u>5,700</u>	<u>6,400</u>	<u>700</u>
Total	<u>529,337</u>	<u>551,459</u>	<u>22,122</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, 2020

	Budget	Actual	Variance
	\$	\$	Positive (Negative)
			\$
Permits and fees:			
Development and inspection fees	<u>18,300</u>	<u>23,361</u>	<u>5,061</u>
Sales and services:			
Court costs, fees, and charges	2,500	1,863	(637)
Cemetery revenues	10,000	7,500	(2,500)
County waste disposal fees	512,300	514,889	2,589
Sales of recycled materials	3,000	2,637	(363)
ABC recycling fees	<u>1,320</u>	<u>1,400</u>	<u>80</u>
Total	<u>529,120</u>	<u>528,289</u>	<u>(831)</u>
Investment earnings	<u>90,200</u>	<u>103,608</u>	<u>13,408</u>
Miscellaneous:			
Rental income	22,200	18,750	(3,450)
Contributions	6,210	25,079	18,869
Miscellaneous - other	<u>115,029</u>	<u>106,474</u>	<u>(8,555)</u>
Total	<u>143,439</u>	<u>150,303</u>	<u>6,864</u>
Total revenues	<u>11,269,185</u>	<u>11,457,034</u>	<u>187,849</u>
Expenditures:			
General government:			
Government body:			
Special compensation	31,200	31,200	
Professional services	20,650	18,922	1,728
Travel and training	12,931	5,991	6,940
Departmental supplies	2,000	2,515	(515)
Insurance	5,380	5,494	(114)
Dues and subscriptions	20,375	19,702	673
Contracted services	2,092	2,215	(123)
Other operating expenses	<u>25,890</u>	<u>20,146</u>	<u>5,744</u>
Total	<u>120,518</u>	<u>106,185</u>	<u>14,333</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, 2020

	Budget	Actual	Variance
	\$	\$	Positive (Negative)
			\$
General government (cont'd)			
Administration:			
Salaries and wages	257,579	257,154	425
Employee benefits	97,942	95,520	2,422
Travel and training	17,000	12,497	4,503
Insurance	5,610	5,650	(40)
Contracted services	59,545	63,561	(4,016)
Telephone and postage	7,500	5,211	2,289
Departmental supplies	13,000	13,194	(194)
Other operating expenses	<u>40,045</u>	<u>28,218</u>	<u>11,827</u>
Total	<u>498,221</u>	<u>481,005</u>	<u>17,216</u>
Planning department:			
Salaries and wages	159,001	160,697	(1,696)
Employee benefits	54,695	53,306	1,389
Contracted services	39,336	27,780	11,556
Professional services	62,623	40,826	21,797
Capital outlay	11,000		11,000
Other operating expenses	<u>24,965</u>	<u>13,628</u>	<u>11,337</u>
Total	<u>351,620</u>	<u>296,237</u>	<u>55,383</u>
Information technology:			
Salaries and wages	80,763	79,050	1,713
Employee benefits	31,355	29,919	1,436
Contracted services	190,575	185,929	4,646
Other operating expenses	<u>117,315</u>	<u>93,172</u>	<u>24,143</u>
Total	<u>420,008</u>	<u>388,070</u>	<u>31,938</u>
City attorney:			
Special compensation	4,200	4,200	
Professional services	25,000	24,416	584
Other operating expenses	<u>4,135</u>	<u>2,694</u>	<u>1,441</u>
Total	<u>33,335</u>	<u>31,310</u>	<u>2,025</u>
City Hall:			
Insurance	2,120	2,697	(577)
Utilities	22,825	12,190	10,635
Contracted services	17,220	15,880	1,340
Capital outlay	3,492		3,492
Other operating expenses	<u>36,108</u>	<u>30,533</u>	<u>5,575</u>
Total	<u>81,765</u>	<u>61,300</u>	<u>20,465</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, 2020

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
General government (cont'd)			
Conover Station:			
Insurance and bonds	2,600	2,963	(363)
Utilities	45,000	41,782	3,218
Contracted services	65,818	53,628	12,190
Other operating expenses	<u>34,600</u>	<u>24,394</u>	<u>10,206</u>
Total	<u>148,018</u>	<u>122,767</u>	<u>25,251</u>
Fleet maintenance:			
Salaries and wages	157,159	149,192	7,967
Employee benefits	61,741	58,585	3,156
Vehicle expense	10,900	8,796	2,104
Contracted services	10,388	7,086	3,302
Other operating expenses	<u>24,799</u>	<u>15,464</u>	<u>9,335</u>
Total	<u>264,987</u>	<u>239,123</u>	<u>25,864</u>
Public works department:			
Salaries and wages	137,736	136,908	828
Employee benefits	57,533	56,610	923
Insurance	13,700	11,048	2,652
Utilities	28,500	24,306	4,194
Departmental supplies	8,700	6,623	2,077
Vehicle expense	7,500	3,759	3,741
Other operating expenses	<u>31,680</u>	<u>20,947</u>	<u>10,733</u>
Total	<u>285,349</u>	<u>260,201</u>	<u>25,148</u>
Cemetery and parks:			
Salaries and wages	233,412	213,217	20,195
Employee benefits	99,020	93,089	5,931
Grounds maintenance	54,660	49,270	5,390
Professional services	17,500	4,675	12,825
Contracted services	36,705	26,250	10,455
Capital outlay	140,000	21,500	118,500
Other operating expenses	<u>70,030</u>	<u>64,681</u>	<u>5,349</u>
Total	<u>651,327</u>	<u>472,682</u>	<u>178,645</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, 2020

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
General government (cont'd)			
Nondepartmental:			
Contracted services	233,509	233,198	311
Capital outlay	316,000	315,220	780
Other operating expenses	<u>186,574</u>	<u>182,693</u>	<u>3,881</u>
Total	<u>736,083</u>	<u>731,111</u>	<u>4,972</u>
Total general government	<u>3,591,231</u>	<u>3,189,991</u>	<u>401,240</u>
Public safety:			
Police department:			
Salaries and wages	1,527,904	1,363,251	164,653
Employee benefits	554,180	479,844	74,336
Vehicle expense	112,000	58,611	53,389
Insurance	69,525	68,237	1,288
Supplies and uniform	58,887	43,315	15,572
Travel and training	20,442	5,977	14,465
Capital outlay	216,500	51,401	165,099
Other operating expenses	<u>209,722</u>	<u>99,262</u>	<u>110,460</u>
Total	<u>2,769,160</u>	<u>2,169,898</u>	<u>599,262</u>
Fire department:			
Salaries and wages	893,052	863,343	29,709
Professional services	9,000	4,944	4,056
Employee benefits	332,556	312,375	20,181
Utilities	40,850	30,881	9,969
Vehicle expense	73,670	86,711	(13,041)
Uniforms	25,155	11,903	13,252
Departmental supplies	17,500	13,059	4,441
Insurance	55,620	62,620	(7,000)
Capital outlay	192,931	208,993	(16,062)
Other operating expenses	<u>314,523</u>	<u>265,826</u>	<u>48,697</u>
Total	<u>1,954,857</u>	<u>1,860,655</u>	<u>94,202</u>
Total public safety	<u>4,724,017</u>	<u>4,030,553</u>	<u>693,464</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, 2020

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
Transportation:			
Street department:			
Salaries and wages	309,272	301,345	7,927
Employee benefits	122,386	118,424	3,962
Utilities	345,800	279,628	66,172
Professional services	875	3,024	(2,149)
Vehicle expense	60,000	50,508	9,492
Departmental supplies	35,000	23,497	11,503
Insurance	18,540	19,371	(831)
Other operating expenses	<u>269,148</u>	<u>221,885</u>	<u>47,263</u>
Total	<u>1,161,021</u>	<u>1,017,682</u>	<u>143,339</u>
Street department - Powell Bill:			
Salaries and wages	50,135	22,717	27,418
Employee benefits	17,788	9,136	8,652
Professional services	1,500		1,500
Departmental supplies	13,500	4,403	9,097
Repairs - streets	164,569	159,792	4,777
Other operating expenses	<u>6,200</u>	<u>3,686</u>	<u>2,514</u>
Total	<u>253,692</u>	<u>199,734</u>	<u>53,958</u>
Total transportation	<u>1,414,713</u>	<u>1,217,416</u>	<u>197,297</u>
Environmental protection:			
Sanitation and recycle:			
Salaries and wages	363,869	324,041	39,828
Employee benefits	154,975	135,033	19,942
Landfill rent and fees	110,855	109,858	997
Vehicle expense	103,275	74,406	28,869
Other operating expenses	<u>173,185</u>	<u>127,570</u>	<u>45,615</u>
Total environmental protection	<u>906,159</u>	<u>770,908</u>	<u>135,251</u>
Debt service:			
Principal retirement	299,842	299,842	
Interest	<u>173,036</u>	<u>173,036</u>	
Total debt service	<u>472,878</u>	<u>472,878</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, 2020

	Budget	Actual	Variance
	\$	\$	Positive (Negative) \$
Total expenditures	<u>11,108,998</u>	<u>9,681,746</u>	<u>1,427,252</u>
Revenues over (under) expenditures	<u>160,187</u>	<u>1,775,288</u>	<u>1,615,101</u>
Other financing sources (uses):			
Transfers to other funds:			
Capital Project Fund - Solid			
Waste Capital Reserve Fund (333,164)	(333,164)	(333,164)	
Capital Project Fund – General			
Capital Project Fund (595,000)	(595,000)	(595,000)	
Capital Project Fund – Star Snax			
Economic Development Fund (25,000)	(25,000)	(25,000)	
Capital Project Fund –			
General Capital Reserve Fund (373,417)	(373,417)	(373,417)	
Capital Project Fund – Project			
Grow Infrastructure Economic			
Development Fund (20,000)	(20,000)	(20,000)	
Reserve for Police pensions (16,765)	(16,765)		16,765
Transfers from other funds:			
Capital Project Fund – General			
Capital Reserve Fund 55,654	55,654	55,654	
Capital Project Fund – Solid			
Waste Capital Reserve Fund 111,336	111,336	111,336	
Special Revenue Fund –			
Facilities Maintenance Fund 116,000	116,000	115,667	(333)
Sale of capital assets <u>126,572</u>	<u>126,572</u>	<u>126,572</u>	<u> </u>
Total other financing			
sources (uses) (953,784)	(953,784)	(937,352)	<u>16,432</u>
Fund balance appropriated <u>793,597</u>	<u>793,597</u>	<u> </u>	(793,597)
Net change in fund balance <u>0</u>	<u>0</u>	837,936	<u>837,936</u>
Fund balances, beginning		<u>7,007,721</u>	
Fund balances, ending		<u>7,845,657</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, 2020

	Budget	Actual	Variance
	\$	\$	Positive (Negative) \$
Revenues:			
Investment earnings	3,000	7,030	4,030
Miscellaneous revenues	<u>80,177</u>	<u>97,074</u>	<u>16,897</u>
Total revenues	<u>83,177</u>	<u>104,104</u>	<u>20,927</u>
Other financing sources (uses):			
Proceeds from the sale of capital assets	37,654	39,219	1,565
Transfer from:			
General Fund	373,417	373,417	
Transfer to:			
General Capital Project Fund	(832,850)	(678,311)	154,539
General Fund	(55,654)	(55,654)	
Reserved for police technology	(70,000)		70,000
Reserved for fleet equipment	(15,000)		15,000
Reserved for police vests	(21,250)		21,250
Reserved for police equipment	(10,000)		10,000
Reserved for fire equipment	(31,572)		31,572
Reserved for public works equipment	(64,000)		64,000
Reserved for cemeteries/parks equipment	(15,000)		15,000
Reserved for streets	(120,900)		120,900
Reserved for technology	(120,000)		120,000
Total other financing sources (uses)	(945,155)	(321,329)	623,826
Fund balance appropriated	<u>861,978</u>		(861,978)
Net change in fund balance	<u>0</u>	(217,225)	(217,225)
Fund balance, beginning		<u>1,268,830</u>	
Fund balance, ending		<u>1,051,605</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, 2020

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
Expenditures:			
Capital outlay	<u>1,880,700</u>	<u>1,373,844</u>	<u>506,856</u>
Other financing sources:			
Transfer from:			
General Fund	595,000	595,000	
Capital Project Fund -			
General Capital Reserve Fund	832,850	678,311	(154,539)
Capital Project Fund –			
Solid Waste Capital Reserve Fund	<u>283,000</u>	<u>280,362</u>	(<u>2,638</u>)
Total other financing sources	<u>1,710,850</u>	<u>1,553,673</u>	(<u>157,177</u>)
Fund balance appropriated	<u>169,850</u>	<u> </u>	(<u>169,850</u>)
Net change in fund balance	<u>0</u>	179,829	<u>179,829</u>
Fund balance, beginning		<u>125,515</u>	
Fund balance, ending		<u>305,344</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.

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.

Neighborhood Revitalization Scattered Site Housing Fund - This fund provides for assistance with the rehabilitation of fifteen (15) deteriorated homes owned and occupied by low and moderate income households within the city limits of Conover.

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.

Star Snax Economic Development Fund – This fund provides funding for a NC Rural Economic Development Re-use Grant along with a match from the City to be provided to Star Snax, an existing manufacturer in Conover, for building renovations.

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.

CITY OF CONOVER, NORTH CAROLINA
Combining Balance Sheet
Nonmajor Governmental Funds
 June 30, 2020

	Special Revenue Fund	Capital Project Funds								
	Facilities Maintenance Fund \$	Priority Sidewalk Fund \$	Solid Waste Capital Reserve Fund \$	Neighborhood Revitalization Scattered Site Housing Fund \$	Conover Park Expansion Fund \$	Star Snax 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. \$	Total \$
Assets										
Cash and cash equivalents	19,090	9,684	808,956		7,960	17,007				862,697
Restricted cash								21,835	15,108	36,943
Due from other governments							43,595			43,595
Accounts receivable										0
Total assets	<u>19,090</u>	<u>9,684</u>	<u>808,956</u>	<u>0</u>	<u>7,960</u>	<u>17,007</u>	<u>43,595</u>	<u>21,835</u>	<u>15,108</u>	<u>943,235</u>
Liabilities and Fund Balances										
Liabilities:										
Accounts payable						3,700				3,700
Due to other funds							9,945			9,945
Total liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,700</u>	<u>9,945</u>	<u>0</u>	<u>0</u>	<u>13,645</u>
Fund balances:										
Restricted										
Stabilization by State Statute				65,500	6,950	13,307	43,595			129,352
Capital development								21,835	15,108	36,943
Committed										
Capital development		9,684	808,956		1,010					819,650
Maintenance	19,090									19,090
Unassigned fund balance				(65,500)			(9,945)			(75,445)
Total fund balance	<u>19,090</u>	<u>9,684</u>	<u>808,956</u>	<u>0</u>	<u>7,960</u>	<u>13,307</u>	<u>33,650</u>	<u>21,835</u>	<u>15,108</u>	<u>929,590</u>
Total liabilities and fund balance	<u>19,090</u>	<u>9,684</u>	<u>808,956</u>	<u>0</u>	<u>7,960</u>	<u>17,007</u>	<u>43,595</u>	<u>21,835</u>	<u>15,108</u>	<u>943,235</u>

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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, 2020

	Special Revenue Fund	Capital Project Funds								
	Facilities Maintenance Fund \$	Priority Sidewalk Fund \$	Solid Waste Capital Reserve Fund \$	Neighborhood Revitalization Scattered Site Housing Fund \$	Conover Park Expansion Fund \$	Star Snax 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. \$	Total \$
Revenues:										
Investment earnings	517	68	6,147						1	6,733
Miscellaneous	<u>94,350</u>									<u>94,350</u>
Total revenues	<u>94,867</u>	<u>68</u>	<u>6,147</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>101,083</u>
Expenditures:										
General government						11,693				11,693
Capital outlay					<u>65,273</u>				<u>13,684</u>	<u>78,957</u>
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>65,273</u>	<u>11,693</u>	<u>0</u>	<u>0</u>	<u>13,684</u>	<u>90,650</u>
Revenues over (under) expenditures	<u>94,867</u>	<u>68</u>	<u>6,147</u>	<u>0</u>	<u>(65,273)</u>	<u>(11,693)</u>	<u>0</u>	<u>0</u>	<u>(13,683)</u>	<u>10,433</u>
Other financing sources (uses):										
Transfer from other funds			333,164			25,000				358,164
Transfer to other funds	<u>(115,667)</u>		<u>(391,698)</u>							<u>(507,365)</u>
Total other financing sources (uses)	<u>(115,667)</u>	<u>0</u>	<u>(58,534)</u>	<u>0</u>	<u>0</u>	<u>25,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(149,201)</u>
Net change in fund balances	<u>(20,800)</u>	<u>68</u>	<u>(52,387)</u>	<u>0</u>	<u>(65,273)</u>	<u>13,307</u>	<u>0</u>	<u>0</u>	<u>(13,683)</u>	<u>(138,768)</u>
Fund balances, beginning	<u>39,890</u>	<u>9,616</u>	<u>861,343</u>	<u>0</u>	<u>73,233</u>	<u>0</u>	<u>33,650</u>	<u>21,835</u>	<u>28,791</u>	<u>1,068,358</u>
Fund balances, ending	<u>19,090</u>	<u>9,684</u>	<u>808,956</u>	<u>0</u>	<u>7,960</u>	<u>13,307</u>	<u>33,650</u>	<u>21,835</u>	<u>15,108</u>	<u>929,590</u>

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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, 2020

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
Revenues:			
Rental income	95,000	94,350	(650)
Interest income	<u>200</u>	<u>517</u>	<u>317</u>
Total revenues	95,200	94,867	(333)
Expenditures:			
Maintenance and repairs - building	<u>0</u>	<u>0</u>	<u>0</u>
Revenues over expenditures	95,200	94,867	(333)
Other financing (uses):			
Transfer to General Fund	(116,000)	(115,667)	333
Fund balance appropriated	<u>20,800</u>	<u> </u>	(<u>20,800</u>)
Net change in fund balance	<u>0</u>	(20,800)	(<u>20,800</u>)
Fund balance, beginning		<u>39,890</u>	
Fund balance, ending		<u>19,090</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, 2020

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
Revenues:			
Permits and fees	100		(100)
Interest income	<u>50</u>	<u>68</u>	<u>18</u>
Total revenues	150	68	(82)
Other financing (uses):			
Reserve for future project	(<u>150</u>)	<u> </u>	<u>150</u>
Net change in fund balance	<u>0</u>	68	<u>68</u>
Fund balance, beginning		<u>9,616</u>	
Fund balance, ending		<u>9,684</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, 2020

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
Revenues:			
Investment earnings	<u>2,000</u>	<u>6,147</u>	<u>4,147</u>
Other financing sources (uses):			
Transfer from:			
General Fund	333,164	333,164	
Transfer to:			
Capital Project Fund – General			
Capital Project Fund	(283,000)	(280,362)	2,638
General Fund	(111,336)	(111,336)	
Reserved for:			
Sanitation/recycling equipment	(231,250)		231,250
Recycling/material handling	(16,000)		<u>16,000</u>
Total other financing			
sources (uses)	(<u>308,422</u>)	(<u>58,534</u>)	<u>249,888</u>
Fund balance appropriated	<u>306,422</u>		(<u>306,422</u>)
Net change in fund balance	<u>0</u>	(52,387)	(<u>52,387</u>)
Fund balance, beginning		<u>861,343</u>	
Fund balance, ending		<u>808,956</u>	

CITY OF CONOVER, NORTH CAROLINA**Capital Project Fund – Neighborhood Revitalization Scattered Site Housing Fund****Schedule of Revenues, Expenditures, and Changes in Fund Balance****Budget and Actual**

From Inception and For the Fiscal Year Ended June 30, 2020

	Project Authorization \$	Prior Year \$	Actual Current Year \$	Total to Date \$	Variance Positive (Negative) \$
Revenues:					
CDBG Grant	<u>750,000</u>	<u> </u>	<u> </u>	<u> </u>	(<u>750,000</u>)
Expenditures:					
Professional services	12,000				12,000
Rehabilitation	670,000				670,000
Contracted services- WPCOG	65,500				65,500
Administration	<u>2,500</u>	<u> </u>	<u> </u>	<u> </u>	<u>2,500</u>
Total expenditures	<u>750,000</u>	<u> 0</u>	<u> 0</u>	<u> 0</u>	<u>750,000</u>
Revenues over (under) expenditures	0	0	0	0	0
Other financing sources:					
Transfer from General Fund	<u> 0</u>	<u> 0</u>	<u> 0</u>	<u> 0</u>	<u> 0</u>
Net change 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>		

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, 2020

	Project Authorization \$	Prior Year \$	Actual Current Year \$	Total to Date \$	Variance Positive (Negative) \$
Revenues:					
PARTF grant	119,992	119,992		119,992	
Contributions	<u>46,000</u>	<u>46,000</u>	<u> </u>	<u>46,000</u>	<u>0</u>
Total revenues	<u>165,992</u>	<u>165,992</u>	<u>0</u>	<u>165,992</u>	<u>0</u>
Expenditures:					
Construction	421,127	357,640	58,275	415,915	5,212
Equipment	<u>76,661</u>	<u>67,059</u>	<u>6,998</u>	<u>74,057</u>	<u>2,604</u>
Total expenditures	<u>497,788</u>	<u>424,699</u>	<u>65,273</u>	<u>489,972</u>	<u>7,816</u>
(Deficiency) of revenues over (under) expenditures	(<u>331,796</u>)	(<u>258,707</u>)	(<u>65,273</u>)	(<u>323,980</u>)	<u>7,816</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>32,509</u>	<u> </u>	<u>32,509</u>	<u> </u>
Total other financing sources	<u>331,796</u>	<u>331,940</u>	<u>0</u>	<u>331,940</u>	<u>144</u>
Net change in fund balance	<u>0</u>	<u>73,233</u>	(<u>65,273</u>)	<u>7,960</u>	<u>7,960</u>
Fund balance, beginning			<u>73,233</u>		
Fund balance, ending			<u>7,960</u>		

CITY OF CONOVER, NORTH CAROLINA
Capital Project Fund – Star Snax 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, 2020

	Project		Actual		Variance
	Authorization	Prior	Current	Total to	Positive
	\$	Year	Year	Date	(Negative)
		\$	\$	\$	\$
Revenues:					
NC Rural Economic Development Grant	<u>500,000</u>	<u> </u>	<u> </u>	<u> </u>	<u>(500,000)</u>
Expenditures:					
Building renovations	500,000				500,000
Administration - WPCOG	<u>25,000</u>	<u> </u>	<u>11,693</u>	<u>11,693</u>	<u>13,307</u>
Total expenditures	<u>525,000</u>	<u>0</u>	<u>11,693</u>	<u>11,693</u>	<u>513,307</u>
(Deficiency) of revenues over (under) expenses	(25,000)	0	(11,693)	(11,693)	13,307
Other financing sources:					
Transfer from General Fund	<u>25,000</u>	<u> </u>	<u>25,000</u>	<u>25,000</u>	<u> </u>
Net change in fund balance	<u>0</u>	<u>0</u>	13,307	<u>13,307</u>	<u>13,307</u>
Fund balance, beginning			<u>0</u>		
Fund balance, ending			<u>13,307</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, 2020

	Project	Prior	Actual	Total to	Variance
	Authorization	Year	Current	Date	Positive
	\$	\$	Year	\$	(Negative)
			\$		\$
Revenues:					
Restricted grant	400,745	399,000		399,000	(1,745)
Expenditures:					
Construction	<u>525,932</u>	<u>490,537</u>	<u> </u>	<u>490,537</u>	<u>35,395</u>
Revenues over (under)					
expenditures	(<u>125,187</u>)	(<u>91,537</u>)	<u>0</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>33,650</u>	0	<u>33,650</u>	<u>33,650</u>
Fund balance, beginning			<u>33,650</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, 2020

	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, 2020

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
	\$	\$	\$	\$	\$
Revenues:					
Interest income	<u>1,000</u>	<u>140</u>	<u>1</u>	<u>141</u>	(<u>859</u>)
Expenditures:					
Demolition and construction	1,863,530	1,843,882	9,327	1,853,209	10,321
Equipment	<u>55,000</u>	<u>49,904</u>	<u>4,357</u>	<u>54,261</u>	<u>739</u>
Total expenditures	<u>1,918,530</u>	<u>1,893,786</u>	<u>13,684</u>	<u>1,907,470</u>	<u>11,060</u>
Revenues (under) expenditures	(<u>1,917,530</u>)	(<u>1,893,646</u>)	(<u>13,683</u>)	(<u>1,907,329</u>)	<u>10,201</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>38,300</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>28,791</u>	(13,683)	<u>15,108</u>	<u>15,108</u>
Fund balance, beginning			<u>28,791</u>		
Fund balance, ending			<u>15,108</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.

Water and Sewer Project Grow Infrastructure Economic Development Capital Project Fund - This fund provides for an economic development incentive to a new business locating in the City. The project will provide water and sewer construction through a Golden Leaf Foundation Grant to the City along with a City match.

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.

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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, 2020

	Budget	Actual	Variance Positive (Negative)
	\$	\$	\$
Revenues:			
Operating revenues:			
Charges for services:			
Water sales	2,577,427	2,631,458	54,031
Sewer charges	2,292,130	2,337,169	45,039
Fire protection charges	35,320	35,590	270
Water connection fees	30,300	39,730	9,430
Sewer tap fees	9,500	9,200	(300)
Delinquent charges	67,000	50,803	(16,197)
Miscellaneous	600	675	75
Revenue SE Catawba County	<u>15,500</u>	<u>17,730</u>	<u>2,230</u>
Total operating revenues	<u>5,027,777</u>	<u>5,122,355</u>	<u>94,578</u>
Nonoperating revenues:			
Investment earnings	8,000	23,790	15,790
Sale of fixed assets	<u>1,000</u>	<u> </u>	<u>(1,000)</u>
Total nonoperating revenues	<u>9,000</u>	<u>23,790</u>	<u>14,790</u>
Total revenues	<u>5,036,777</u>	<u>5,146,145</u>	<u>109,368</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, 2020

	Budget	Actual	Variance
	\$	\$	Positive (Negative)
			\$
Expenditures:			
Operating expenditures:			
Purchases for resale	802,671	621,854	180,817
Salaries and wages	1,348,042	1,222,989	125,053
Professional services	32,000	36,696	(4,696)
Telephone alarm system	750	117	633
Telephone	7,900	7,853	47
Utilities	115,378	92,578	22,800
Travel and training	7,100	1,873	5,227
Maintenance and repairs - equipment and lines	175,250	139,083	36,167
Maintenance and repairs - vehicles	28,000	22,530	5,470
Maintenance and repairs - building and grounds	8,500	2,131	6,369
Automotive supplies	59,160	37,644	21,516
Departmental supplies	172,050	112,606	59,444
Contracted services	457,926	476,436	(18,510)
Miscellaneous	11,000	1,583	9,417
Payroll taxes	103,126	91,300	11,826
Retirement expense	189,224	168,372	20,852
Group insurance	152,155	129,424	22,731
Employee benefits	500	10	490
Uniforms	11,750	9,883	1,867
Advertising	5,500	3,969	1,531
Dues and subscriptions	5,350	4,686	664
Insurance and bonds	44,084	48,833	(4,749)
Unemployment reserve	2,000		2,000
Reserve for future projects	319,693		319,693
Other operating expenses	8,496	5,654	2,842
Total operating expenditures	<u>4,067,605</u>	<u>3,238,104</u>	<u>829,501</u>
Debt service:			
Debt principal	<u>226,105</u>	<u>207,025</u>	<u>19,080</u>
Capital outlay:			
Equipment	<u>19,000</u>	<u>0</u>	<u>19,000</u>
Total expenditures	<u>4,312,710</u>	<u>3,445,129</u>	<u>867,581</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, 2020

	Budget	Actual	Variance Positive (Negative)
	\$	\$	\$
Revenues over expenditures	<u>724,067</u>	<u>1,701,016</u>	<u>976,949</u>
Other financing sources (uses):			
Transfer from:			
Water and Sewer			
Improvement Fund	51,695	35,716	(15,979)
Water and Sewer Capital			
Project Fund	86,995	86,995	
Transfer to:			
Enterprise Fund – Water and			
Sewer Capital Reserve Fund	(874,000)	(874,000)	
Enterprise Fund – Water and			
Sewer Capital Project Fund	(263,537)	(263,537)	
Total other financing			
sources (uses)	(998,847)	(1,014,826)	(15,979)
Retained earnings appropriated	<u>274,780</u>		(274,780)
Revenues and other financing			
sources over expenditures and			
and other financing uses	<u>0</u>	<u>686,190</u>	<u>686,190</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, 2020

	Budget	Actual	Variance
	\$	\$	Positive (Negative)
			\$
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other financing sources over expenditures and other financing uses		<u>686,190</u>	
Reconciling items:			
Principal retirement		207,025	
Depreciation		(1,162,461)	
Income from Water and Sewer Capital Project Grants and Other Income		112,301	
Decrease (increase) in accrued vacation pay		(2,669)	
Decrease (increase) in deferred outflows of resources – pensions		(51,844)	
Decrease (increase) in net pension liability		(46,071)	
Decrease (increase) in deferred inflows of resources – pensions		2,606	
Transfer to Enterprise Fund:			
Water and Sewer Capital Reserve Fund		(35,716)	
Water and Sewer Capital Project Fund		(86,995)	
Transfer from Enterprise Fund:			
Water and Sewer Capital Reserve Fund		874,000	
Water and Sewer Capital Project Fund		263,537	
Water and Sewer Project Grow Infrastructure Economic Development Fund		<u>20,000</u>	
Total reconciling items		<u>93,713</u>	
Change in net position		<u><u>779,903</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, 2020

	Budget	Actual	Variance
	\$	\$	Positive (Negative)
			\$
Revenues:			
County grant	<u>86,995</u>	<u>86,995</u>	<u>0</u>
Expenditures:			
Engineering	146,778	22,768	124,010
Engineering/inspection	20,000		20,000
Legal	15,000		15,000
Infrastructure improvement reimbursement	5,000		5,000
Right of way acquisition	5,000		5,000
Contracted construction	338,537	211,933	126,604
Capital outlay – other improvements	279,928	185,896	94,032
Capital outlay - equipment	<u>174,000</u>	<u>139,335</u>	<u>34,665</u>
Total expenditures	<u>984,243</u>	<u>559,932</u>	<u>424,311</u>
Revenues over (under) expenditures	(<u>897,248</u>)	(<u>472,937</u>)	<u>424,311</u>
Other financing sources (uses):			
Transfer from:			
Water and Sewer Capital Reserve Fund	684,000	396,384	(287,616)
Water and Sewer Fund	263,537	263,537	
Transfer to:			
Water and Sewer Fund	(<u>86,995</u>)	(<u>86,995</u>)	
Total other financing sources (uses)	<u>860,542</u>	<u>572,926</u>	(<u>287,616</u>)
Fund balance appropriated	<u>36,706</u>		(<u>36,706</u>)
Revenues and other financing sources over expenditures and other financing uses	<u>0</u>	<u>99,989</u>	<u>99,989</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, 2020

	Budget	Actual	Variance Positive (Negative)
	\$	\$	\$
Revenues:			
Investment earnings	<u>6,000</u>	<u>19,728</u>	<u>13,728</u>
Other financing sources (uses):			
Transfer from:			
Water and Sewer Fund	874,000	874,000	
Transfer to:			
Water and Sewer Capital Projects Fund	(684,000)	(396,384)	287,616
Reserve for equipment	(230,860)		230,860
Reserve for utility relocations	(210,000)		210,000
Reserve for water/sewer infrastructure improvements	(876,115)		876,115
Reserve for plant improvements	(<u>30,000</u>)	<u> </u>	<u>30,000</u>
Total other financing sources (uses)	(<u>1,156,975</u>)	<u>477,616</u>	<u>1,634,591</u>
Fund balance appropriated	<u>1,150,975</u>	<u> </u>	(<u>1,150,975</u>)
Revenues and other financing sources over other financing uses	<u>0</u>	<u>497,344</u>	<u>497,344</u>

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

From Inception and For the Fiscal Year Ended June 30, 2020

	Project Authorization \$	Prior Year \$	Actual Current Year \$	Total to Date \$	Variance Positive (Negative) \$
Revenues:					
Restricted grant	<u>250,000</u>	<u> </u>	<u> </u>	<u> </u>	(<u>250,000</u>)
Expenditures:					
Contracted services – WPCOG	<u>20,000</u>	<u> </u>	<u> </u>	<u> </u>	<u>20,000</u>
Construction	<u>250,000</u>	<u> </u>	<u>1,000</u>	<u>1,000</u>	<u>249,000</u>
Total expenditures	<u>270,000</u>	<u>0</u>	<u>1,000</u>	<u>1,000</u>	<u>269,000</u>
(Deficiency) of revenues over (under) expenditures	(<u>20,000</u>)	<u>0</u>	(<u>1,000</u>)	(<u>1,000</u>)	<u>19,000</u>
Other financing sources:					
Transfer from: General Fund	<u>20,000</u>	<u> </u>	<u>20,000</u>	<u>20,000</u>	<u> </u>
Net increase in fund balance	<u>0</u>	<u>0</u>	<u>19,000</u>	<u>19,000</u>	<u>19,000</u>
Fund balance, beginning			<u>0</u>		
Fund balance, ending			<u>19,000</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, 2020

	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**Water and Sewer Improvement Fund****Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**

For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
Revenues:			
Investment earnings	3,000	3,645	645
Capacity excess	<u>1,000</u>	<u>1,933</u>	<u>933</u>
Total revenues	<u>4,000</u>	<u>5,578</u>	<u>1,578</u>
Expenditures:			
Engineering	145,000	25,550	119,450
Administrative and legal	7,500		7,500
Right of way acquisition	5,000		5,000
Contracted construction	75,510		75,510
Capital outlay - improvement	25,000	25,000	
Capital outlay – equipment	<u>120,000</u>	<u>115,586</u>	<u>4,414</u>
Total expenditures	<u>378,010</u>	<u>166,136</u>	<u>211,874</u>
Revenues over (under) expenditures	(374,010)	(160,558)	213,452
Other financing (uses):			
Transfer to:			
Water and Sewer Operating Fund	(51,695)	(35,716)	15,979
Fund balance appropriated	<u>425,705</u>	<u> </u>	(<u>425,705</u>)
Revenues over (under) expenditures and other financing uses	<u>0</u>	(<u>196,274</u>)	(<u>196,274</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, 2020

	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>26,000</u>)	<u> </u>	(<u>26,000</u>)	<u> </u>
Total other financing					
sources (uses)	<u>89,000</u>	<u>89,000</u>	<u>0</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>10,000</u>	<u>0</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, 2020

<u>Function</u>	Land and Improvements \$	Building and Improvements \$	Equipment \$	Vehicles \$	Infrastructure \$	Construction in Progress \$	Total \$
General Government	3,573,047	10,262,123	1,593,480	420,036	38,171	456,686	16,343,543
Public Safety	233,765	4,236,276	1,318,407	4,121,044		1,963,785	11,873,277
Transportation	74,809	34,518	903,410	941,377	23,966,416	85,112	26,005,642
Environmental Protection	<u> </u>	<u>1,350</u>	<u>257,963</u>	<u>1,560,799</u>	<u> </u>	<u> </u>	<u>1,820,112</u>
Total	<u>3,881,621</u>	<u>14,534,267</u>	<u>4,073,260</u>	<u>7,043,256</u>	<u>24,004,587</u>	<u>2,505,583</u>	<u>56,042,574</u>

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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, 2020

	Balances July 1, 2019 \$	Additions \$	Net Transfers \$	Retirements \$	Balances June 30, 2020 \$
By asset type:					
Land and improvements	3,556,401	325,220			3,881,621
Buildings and improvements	14,517,914	13,653	2,700		14,534,267
Equipment	3,659,752	212,786		(11,397)	3,861,141
Vehicles	6,382,363	1,172,607		(511,714)	7,043,256
Computer equipment	212,119				212,119
Infrastructure	23,990,296		14,291		24,004,587
Construction in process	<u>2,186,925</u>	<u>335,649</u>	<u>(16,991)</u>		<u>2,505,583</u>
Total	<u>54,505,770</u>	<u>2,059,915</u>	<u>0</u>	<u>(523,111)</u>	<u>56,042,574</u>
By asset function:					
General government	15,766,898	673,440	(64,085)	(32,710)	16,343,543
Public safety	10,991,338	1,293,640		(411,701)	11,873,277
Transportation	25,927,422	92,835	64,085	(78,700)	26,005,642
Environmental protection	<u>1,820,112</u>				<u>1,820,112</u>
Total	<u>54,505,770</u>	<u>2,059,915</u>	<u>0</u>	<u>(523,111)</u>	<u>56,042,574</u>
By funding source:					
Asset purchases prior to 1998-1999					
from undetermined sources					10,787,025
Contribution - Enterprise Fund					112,857
General Fund					8,215,640
General Fund – Federal Grant					373,688
Contributions					7,305,920
Capital Projects Fund:					
Federal grant					8,605,426
State contribution					1,919,217
Local contribution					17,601,761
Special Revenue Fund:					
Federal grant					865,362
State contribution					230,678
Local contribution					<u>25,000</u>
Total					<u>56,042,574</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, 2020

	Uncollected Balance June 30, 2019 \$	Additions \$	Collections \$	Discoveries Abatements Adjustments \$	Uncollected Balance June 30, 2020 \$
Fiscal Year					
2019 - 2020		5,978,136	5,885,608	(24,312)	68,216
2018 - 2019	46,071		30,132		15,939
2017 - 2018	21,900		10,712		11,188
2016 - 2017	11,638		3,948		7,690
2015 - 2016	7,771		1,309		6,462
2014 - 2015	5,952		877		5,075
2013 - 2014	9,113		1,481	(224)	7,408
2012 - 2013	11,739		825	(359)	10,555
2011 - 2012	16,594		1,085	(288)	15,221
2010 - 2011	10,268		381	(243)	9,644
2009 - 2010	8,900		408	(8,492)	0
2008 - 2009	0		154	154	0
2007 - 2008	0		75	75	0
2006 - 2007	0		69	69	0
1999 - 2000	<u>0</u>		<u>146</u>	<u>146</u>	<u>0</u>
Total	<u>149,946</u>	<u>5,978,136</u>	<u>5,937,210</u>	<u>(33,474)</u>	157,398
Less, allowance for uncollectible ad valorem taxes receivable					(<u>89,953</u>)
Ad valorem taxes receivable - net					<u>67,445</u>
Reconciliation to revenues:					
Taxes - ad valorem - General Fund - current year					5,885,608
Taxes - ad valorem - General Fund - prior years					<u>51,602</u>
Total					<u>5,937,210</u>

CITY OF CONOVER, NORTH CAROLINA
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2020

	<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	1,195,627,178	0.50	5,978,136	5,518,169	459,967
Releases, additions and adjustments	(<u>4,862,300</u>)	0.50	(<u>24,312</u>)	(<u>24,312</u>)	_____
Total property valuation	<u>1,190,764,878</u>				
Net levy			5,953,824	5,493,857	459,967
Uncollected taxes at June 30, 2020			(<u>68,216</u>)	(<u>68,216</u>)	_____0
Current year's taxes collected			<u>5,885,608</u>	<u>5,425,641</u>	<u>459,967</u>
Current levy collection percentage			<u>98.85%</u>	<u>98.76%</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)

	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Governmental activities					
Net investment in capital assets	\$ 24,325,504	\$ 26,663,428	\$ 28,978,012	\$ 29,796,061	\$ 32,106,339
Restricted	1,565,609	1,744,254	3,866,513	3,420,746	2,450,724
Unrestricted	4,962,888	5,243,578	5,800,442	5,044,567	4,354,786
Total governmental activities net assets	\$ 30,854,001	\$ 33,651,260	\$ 38,644,967	\$ 38,261,374	\$ 38,911,849
Business-type activities					
Net investment in capital assets	\$ 25,244,302	\$ 25,045,247	\$ 25,184,702	\$ 26,677,974	\$ 27,008,873
Restricted	-	-	-	-	-
Unrestricted	4,756,036	5,254,672	5,460,347	5,270,723	5,097,861
Total business-type activities net assets	\$ 30,000,338	\$ 30,299,919	\$ 30,645,049	\$ 31,948,697	\$ 32,106,734
Primary government					
Net investment in capital assets	\$ 49,569,806	\$ 51,708,675	\$ 54,162,714	\$ 56,474,035	\$ 59,115,212
Restricted	1,565,609	1,744,254	3,866,513	3,409,957	2,450,724
Unrestricted	9,718,924	10,498,250	11,260,789	10,326,079	9,452,647
Total Net Position	\$ 60,854,339	\$ 63,951,179	\$ 69,290,016	\$ 70,210,071	\$ 71,018,583

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

(accrual basis of accounting)
(unaudited)

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Governmental activities					
Net investment in capital assets	\$ 32,275,116	\$ 32,647,622	\$ 32,369,958	\$ 33,683,664	\$ 34,605,458
Restricted	1,820,932	1,803,626	3,170,890	1,933,086	2,171,128
Unrestricted	6,042,428	5,660,817	5,026,413	6,379,185	6,501,174
Total governmental activities net assets	\$ 40,138,476	\$ 40,112,065	\$ 40,567,261	\$ 41,995,935	\$ 43,277,760
Business-type activities					
Net investment in capital assets	\$ 26,991,472	\$ 26,980,712	\$ 27,073,503	\$ 26,589,935	\$ 26,361,565
Restricted	-	-	-	-	-
Unrestricted	5,564,443	5,498,632	5,205,359	6,053,500	7,061,773
Total business-type activities net assets	\$ 32,555,915	\$ 32,479,344	\$ 32,278,862	\$ 32,643,435	\$ 33,423,338
Primary government					
Net investment in capital assets	\$ 59,266,588	\$ 59,628,374	\$ 59,443,461	\$ 60,273,599	\$ 60,967,023
Restricted	1,820,932	1,803,626	3,170,890	1,933,086	2,171,128
Unrestricted	11,606,871	11,159,449	10,231,772	12,432,685	13,562,947
Total net position	\$ 72,694,391	\$ 72,591,449	\$ 72,846,123	\$ 74,639,370	\$ 76,701,098

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:

	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
General government	\$ 2,399,804	\$ 2,146,721	\$ 2,257,366	\$ 2,285,156	\$ 2,198,538
Public safety	3,279,511	3,269,969	3,443,205	3,751,443	3,691,773
Transportation	1,271,150	1,312,768	1,331,836	1,412,793	1,550,120
Environmental protection	728,614	751,071	780,390	897,493	768,952
Economic and physical development	-	258,941	521,059	-	-
Interest on long-term debt	172,097	168,357	163,818	168,206	163,787
Total governmental activities expenses	7,851,176	7,907,827	8,497,674	8,515,091	8,373,170

Business-type activities:

Water and sewer	3,308,613	3,458,870	3,526,346	4,052,585	3,921,575
Total primary government expenses	\$ 11,159,789	\$ 11,366,697	\$ 12,024,020	\$ 12,567,676	\$ 12,294,745

Program Revenues

Governmental activities:

Charges for services:

General government	\$ 92,922	\$ 90,694	\$ 108,833	\$ 103,318	\$ 157,633
Public safety	20,166	18,268	16,856	20,246	16,836
Transportation	-	-	-	-	-
Environmental protection	197,047	390,809	395,533	393,357	395,221
Economic and physical development	-	-	-	-	-
Operating grants and contributions	309,714	347,707	862,633	344,478	481,603
Capital grants and contributions	2,085,671	2,607,803	4,348,765	348,199	1,017,538
Total governmental activities program revenues	\$ 2,705,520	\$ 3,455,281	\$ 5,732,620	\$ 1,209,598	\$ 2,068,831

Business-type activities:

Charges for services:

Water and sewer	\$ 3,481,755	\$ 3,789,040	\$ 3,806,886	\$ 3,945,895	\$ 4,094,973
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	41,345	164,902	261,642	1,893,480	62,594
Total business-type activities program revenues	3,523,100	3,953,942	4,068,528	5,839,375	4,157,567
Total primary government program revenues	\$ 6,228,620	\$ 7,409,223	\$ 9,801,148	\$ 7,048,973	\$ 6,226,398

Net (Expense)/Revenue

Governmental activities	\$ (5,145,656)	\$ (4,452,546)	\$ (2,765,054)	\$ (7,305,493)	\$ (6,304,339)
Business-type activities	214,487	495,072	542,182	1,786,790	235,992
Total primary government net expense	\$ (4,931,169)	\$ (3,957,474)	\$ (2,222,872)	\$ (5,518,703)	\$ (6,068,347)

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

(accrual basis of accounting)

	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Ad valorem taxes	\$ 4,346,295	\$ 4,189,544	\$ 4,395,749	\$ 4,349,511	\$ 4,565,412
Other taxes and licenses	1,523,287	1,831,811	2,042,141	1,858,219	1,985,301
Unrestricted grants and contributions	996,329	1,000,539	1,017,740	934,236	965,989
Miscellaneous	29,922	23,724	51,342	34,924	36,439
Gain (loss) on abandoned assets	-	-	-	-	-
Gain (loss) on sale of fixed assets	5,922	-	43,093	20,165	71,456
Transfers	207,900	200,000	204,000	241,051	(206,093)
Capital assets contributed to enterprise fund	-	-	-	(519,964)	-
Interest earned on investments	7,408	4,187	4,696	3,758	4,012
Total governmental activities	\$ 7,117,063	\$ 7,249,805	\$ 7,758,761	\$ 6,921,900	\$ 7,422,516
Business-type activities:					
Miscellaneous	-	-	-	-	-
Gain (loss) on abandoned assets	-	-	3,630	-	-
Gain (loss) on sales of fixed assets					18,831
Transfers	(207,900)	(200,000)	(204,000)	(241,051)	61,093
Capital Assets contributed to Enterprise Fund					
Interest earned on investments	8,164	4,509	3,318	3,333	3,051
Total business-type activities	(199,736)	(195,491)	(197,052)	(237,718)	82,975
Total primary government	\$ 6,917,327	\$ 7,054,314	\$ 7,561,709	\$ 6,684,182	\$ 7,505,491
Changes in Net Assets					
Governmental activities	\$ 1,971,407	\$ 2,797,259	\$ 4,993,707	\$ (383,593)	\$ 1,118,177
Business-type activities	14,751	299,581	345,130	1,549,072	318,967
Total primary government	\$ 1,986,158	\$ 3,096,840	\$ 5,338,837	\$ 1,165,479	\$ 1,437,144

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:

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
General government	\$ 2,363,998	\$ 2,564,770	\$ 2,867,859	\$ 3,117,850	\$ 3,221,319
Public safety	3,854,760	3,926,788	4,317,001	4,113,880	4,367,009
Transportation	1,640,406	1,733,870	1,747,120	1,733,196	1,760,319
Environmental protection	676,904	847,444	834,976	852,274	916,219
Economic and physical development	120,840	-	-	-	-
Interest on long-term debt	156,720	151,358	167,020	178,840	170,477
Total governmental activities expenses	8,813,628	9,224,230	9,933,976	9,996,040	10,435,343

Business-type activities:

Water and sewer	4,193,686	4,355,442	4,478,611	4,680,796	4,498,544
Total primary government expenses	\$ 13,007,314	\$ 13,579,672	\$ 14,412,587	\$ 14,676,836	\$ 14,933,887

Program Revenues

Governmental activities:

Charges for services:

General government	\$ 130,888	\$ 216,868	\$ 221,273	\$ 232,033	\$ 226,705
Public safety	42,973	42,589	46,156	80,910	60,513
Transportation	-	11,352	-	-	-
Environmental protection	508,337	511,597	509,359	514,889	518,926
Economic and physical development	-	-	-	-	-
Operating grants and contributions	746,188	430,257	831,905	769,479	576,538
Capital grants and contributions	1,058,515	165,291	348,283	495,204	-
Total governmental activities program revenues	\$ 2,486,901	\$ 1,377,954	\$ 1,956,976	\$ 2,092,515	\$ 1,382,682

Business-type activities:

Charges for services:

Water and sewer	\$ 4,234,539	\$ 4,255,306	\$ 4,356,241	\$ 4,924,620	\$ 5,124,289
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	149,815	22,542	58,285	22,909	86,995
Total business-type activities program revenues	4,384,354	4,277,848	4,414,526	4,947,529	5,211,284
Total primary government program revenues	\$ 6,871,255	\$ 5,655,802	\$ 6,371,502	\$ 7,040,044	\$ 6,593,966

Net (Expense)/Revenue

Governmental activities	\$ (6,326,727)	\$ (7,846,276)	\$ (7,977,000)	\$ (7,903,525)	\$ (9,052,661)
Business-type activities	190,668	(77,594)	(64,085)	266,733	712,740
Total primary government net expense	\$ (6,136,059)	\$ (7,923,870)	\$ (8,041,085)	\$ (7,636,792)	\$ (8,339,921)

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

(accrual basis of accounting)

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Ad valorem taxes	\$ 4,878,057	\$ 5,019,399	\$ 5,157,051	\$ 5,651,421	\$ 5,998,091
Other taxes and licenses	1,990,520	3,077,669	3,170,208	3,498,266	4,141,638
Unrestricted grants and contributions	1,001,183	-	24,800	7,500	10,000
Miscellaneous	28,927	76,248	86,354	32,300	63,404
Gain (loss) on abandoned assets	-	-	(89,830)	-	-
Gain (loss) on sale of fixed assets	-	-	65,244	27,463	23,982
Transfers	(200,000)	2,000	19,532	-	(20,000)
Capital assets contributed to enterprise funds	(55,398)	-	(83,243)	(64,456)	-
Interest earned on investments	15,743	37,885	82,040	179,705	117,371
Total governmental activities	\$ 7,659,032	\$ 8,213,201	\$ 8,432,156	\$ 9,332,199	\$ 10,334,486
Business-type activities:					
Miscellaneous	-	-	-	-	-
Gain (loss) on abandoned assets	-	-	(223,963)	-	-
Gain (loss) on sale of fixed assets	-	-	17,325	10,837	-
Transfers	200,000	(2,000)	(19,532)	-	20,000
Capital Assets contributed to Enterprise Fund	55,398	-	83,243	64,456	-
Interest earned on investments	3,115	3,023	6,530	22,547	47,163
Total business-type activities	258,513	1,023	(136,397)	97,840	67,163
Total primary government	\$ 7,917,545	\$ 8,214,224	\$ 8,295,759	\$ 9,430,039	\$ 10,401,649
Changes in Net Assets					
Governmental activities	\$ 1,332,305	\$ 366,925	\$ 455,156	\$ 1,428,674	\$ 1,281,825
Business-type activities	449,181	(76,571)	(200,482)	364,573	779,903
Total primary government	\$ 1,781,486	\$ 290,354	\$ 254,674	\$ 1,793,247	\$ 2,061,728

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
Last Ten Fiscal Years, Page 1
(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 3
City of Conover, North Carolina
Fund Balances, Governmental Funds
Last Ten Fiscal Years, Page 2

(modified accrual basis of accounting)
(unaudited)

	Fiscal Year 2015-2016	Fiscal Year 2016-2017	Fiscal Year 2017-2018	Fiscal Year 2018-2019	Fiscal Year 2019-2020
General Fund					
Non-Spendable	\$ 65,828	\$ 81,826	\$ 101,475	\$ 98,507	\$ 83,187
Restricted	1,542,282	1,514,351	1,587,170	1,528,404	1,696,342
Committed	54,690	59,404	66,001	78,021	95,721
Assigned	667,417	1,301,538	287,209	135,738	1,082,302
Unassigned	3,855,180	3,288,993	4,022,140	5,167,051	4,888,105
Total general fund	<u>\$ 6,185,397</u>	<u>\$ 6,246,112</u>	<u>\$ 6,063,995</u>	<u>\$ 7,007,721</u>	<u>\$ 7,845,657</u>
All Other Governmental Funds					
Non-Spendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	278,650	289,275	1,583,720	389,378	474,786
Committed	1,736,738	1,877,932	1,986,567	2,230,305	1,887,198
Assigned	-	-	-	-	-
Unassigned	-	-	(420,209)	(156,980)	(75,445)
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>	<u>\$ 2,286,539</u>

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				
	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Revenues					
Ad valorem taxes	\$ 4,371,832	\$ 4,214,380	\$ 4,263,086	\$ 4,340,797	\$ 4,737,276
Other taxes and licenses	1,523,287	1,831,811	1,665,103	2,116	17,057
Unrestricted intergovernmental revenues	999,707	1,009,378	988,878	2,660,937	2,826,709
Restricted intergovernmental revenues	2,390,377	2,909,212	2,188,612	641,296	1,295,764
Permits and fees	17,331	18,132	297,378	154,611	232,029
Sales and services	233,587	417,135	424,918	417,084	411,891
Investment earnings	7,408	4,187	4,696	3,712	4,012
Miscellaneous	86,248	125,687	3,142,715	178,038	344,940
Total revenues	9,629,777	10,529,922	12,975,386	8,398,591	9,869,678
Expenditures					
General government	2,288,015	2,039,815	2,116,028	2,419,025	2,145,878
Public safety	3,073,889	2,974,439	3,261,359	3,481,078	3,464,131
Transportation	980,490	1,017,408	1,029,115	1,100,128	1,210,715
Environmental protection	647,435	680,081	714,788	806,635	662,103
Economic and physical development	-	258,941	521,059	-	-
Capital outlay	2,450,776	2,971,288	2,831,833	1,661,114	3,096,411
Debt service:					
Interest	174,870	170,063	165,593	170,302	165,463
Principal	142,693	111,286	115,756	120,408	125,246
Total expenditures	9,758,168	10,223,321	10,755,531	9,758,690	10,869,947
Excess of revenues over (under) expenditures	(128,391)	306,601	2,219,855	(1,360,099)	(1,000,269)
Other Financing Sources (Uses)					
Proceeds from installment purchase	-	-	-	-	-
Proceeds from disposal of capital assets	11,175	-	43,093	20,165	76,891
Transfers in	1,291,267	1,167,594	1,318,541	2,163,865	1,116,784
Transfers out	(1,083,367)	(967,594)	(1,114,541)	(1,922,814)	(1,225,534)
Total other financing sources (uses)	219,075	200,000	247,093	261,216	(31,859)
Net change in fund balances	\$ 90,684	\$ 506,601	\$ 2,466,948	\$ (1,098,883)	\$ (1,032,128)
Debt service as a percentage of noncapital expenditures	4.45%	3.93%	3.65%	3.82%	3.86%

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				
	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Revenues					
Ad valorem taxes	\$ 4,908,095	\$ 5,098,625	\$ 5,176,321	\$ 5,686,790	\$ 5,958,376
Other taxes and licenses	1,628	1,317	139,503	193,903	812,802
Unrestricted intergovernmental revenues	2,990,075	3,076,352	3,168,778	3,304,364	3,328,836
Restricted intergovernmental revenues	1,796,617	580,343	1,000,411	822,548	551,459
Permits and fees	22,615	29,942	21,011	44,756	23,361
Sales and services	517,288	532,004	534,907	526,394	528,289
Investment earnings	15,743	37,885	82,040	179,705	117,371
Rental Income					113,100
Miscellaneous	170,035	274,923	335,174	709,416	228,627
Total revenues	10,422,096	9,631,391	10,458,145	11,467,876	11,662,221
Expenditures					
General government	2,247,102	2,361,283	2,594,711	2,809,735	3,201,684
Public safety	3,844,619	3,690,262	4,163,046	3,861,766	4,030,553
Transportation	1,216,769	1,282,461	1,383,062	1,237,073	1,217,416
Environmental protection	682,994	701,267	705,657	721,746	770,908
Economic and physical development	-	-	9,120	-	-
Capital outlay	1,298,719	790,171	2,622,261	2,130,005	1,452,801
Debt service:					
Interest	151,069	159,005	164,354	297,632	173,036
Principal	105,351	480,552	195,511	181,340	299,842
Total expenditures	9,546,623	9,465,001	11,837,722	11,239,297	11,146,240
Excess of revenues over (under) expenditures	875,473	166,390	(1,379,577)	228,579	515,981
Other Financing Sources (Uses)					
Proceeds from installment purchase	453,860	-	2,000,000	-	-
Proceeds from disposal of capital assets	5,908	-	160,799	27,772	165,791
Transfers in	2,348,086	2,091,001	1,769,551	1,496,344	2,567,911
Transfers out	(2,548,086)	(2,044,857)	(1,750,019)	(1,496,344)	(2,587,911)
Total other financing sources (uses)	259,768	46,144	2,180,331	27,772	145,791
Net change in fund balances	\$ 1,135,241	\$ 212,534	\$ 800,754	\$ 256,351	\$ 661,772
Debt service as a percentage of noncapital expenditures	3.27%	7.62%	4.07%	5.37%	5.20%

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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
2019-2020	\$ 782,643,825	\$ 370,354,801	\$ 37,766,252	\$ 1,190,764,878	**	\$ 17,677,736	\$ 0.500	***
2018-2019	\$ 741,793,402	\$ 344,720,782	\$ 37,328,384	\$ 1,123,842,568	*	\$ 1,680,640	\$ 0.500	\$ 1,215,359,109
2017-2018	\$ 736,025,072	\$ 328,903,726	\$ 35,318,223	\$ 1,100,247,021	**	\$ 102,768	\$ 0.470	\$ 1,148,963,055
2016-2017	\$ 741,818,160	\$ 296,501,240	\$ 32,106,917	\$ 1,070,426,317	**	\$ 121,568	\$ 0.470	\$ 1,080,256,653
2015-2016	\$ 723,940,519	\$ 282,169,181	\$ 33,036,045 *	\$ 1,039,145,745	**	\$ 16,747,557	\$ 0.470	\$ 1,049,960,336
2014-2015	\$ 811,585,707	\$ 255,910,939	\$ 26,908,144	\$ 1,094,404,790	**	\$ 489,218	\$ 0.430	\$ 1,068,859,059
2013-2014	\$ 797,184,080	\$ 258,988,408	\$ 29,308,143	\$ 1,085,480,631	*	\$ 4,639,897	\$ 0.400	\$ 1,052,434,197
2012-2013	\$ 797,426,377	\$ 271,639,332	\$ 26,976,318	\$ 1,096,042,027	**	\$ 30,542,832	\$ 0.400	\$ 1,090,480,576
2011-2012	\$ 796,793,712	\$ 215,393,410	\$ 23,944,158 *	\$ 1,036,131,280	**	\$ 672,056	\$ 0.400	\$ 1,030,873,824
2010-2011	\$ 826,885,180	\$ 216,593,984	\$ 23,278,457	\$ 1,066,757,621	**	\$ 1,156,727	\$ 0.400	\$ 1,066,757,621

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)

Fiscal Year	Direct Rate		Overlapping Rates	
	City of Conover General Fund	Catawba County	Combined Tax Rate	
2019-2020	\$ 0.5000	\$ 0.5750	\$ 1.0750	
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	

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	2011				2020			
	Taxable Assessed	Rank	Total City Taxable Assessed	Percentage of Total City Taxable Assessed	Taxable Assessed	Rank	Total City Taxable Assessed	Percentage of Total City Taxable Assessed
	Value		Value	Value	Value		Value	Value
							\$	
Rock Barn Properties, Inc.	\$37,305,845	1	\$1,067,798,528	3.49%	\$17,697,886	5	1,190,764,878	1.49%
Hickory Springs	\$22,652,998	2		2.12%	\$18,496,376	4		1.55%
Wal-Mart	\$15,795,950	3		1.48%	\$15,034,569	6		1.26%
Spartan Group	\$15,589,100	4		1.46%	\$12,728,200	9		1.07%
ER Carpenter	\$15,370,219	5		1.44%				
Hanes Co Inc	\$15,261,914	6		1.43%	\$14,949,556	7		1.26%
Armacell	\$13,531,567	7		1.27%				
Rock-Tenn Packaging	\$12,430,869	8		1.16%				
Profile Products LLC	\$11,190,508	9		1.05%				
The Lane Co	\$10,896,183	10		1.02%				
Elite Comfort Solutions/Leggett & Platt					\$20,535,082	1		1.72%
WestRock Converting Co					\$19,586,071	2		1.64%
Zenith Freight Lines					\$18,842,650	3		1.58%
Apple Inc					\$14,237,380	8		1.20%
GKN Sinter Metal					\$12,297,221	10		1.03%
Total	\$170,025,153		\$1,067,798,528	15.92%	\$164,404,991		\$1,190,764,878	13.81%

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							
2020	\$ 5,978,136	\$ 5,909,920	98.86%	\$ -	\$ 5,909,920	98.86%	\$ 68,216
2019	\$ 5,744,305	\$ 5,698,233	99.20%	\$ 30,131	\$ 5,728,365	99.72%	\$ 15,940
2018	\$ 5,171,161	\$ 5,112,525	98.87%	\$ 47,448	\$ 5,159,973	99.78%	\$ 11,188
2017	\$ 5,031,003	\$ 4,975,149	98.89%	\$ 48,165	\$ 5,023,313	99.85%	\$ 7,690
2016	\$ 4,883,985	\$ 4,797,058	98.22%	\$ 80,465	\$ 4,877,523	99.87%	\$ 6,462
2015	\$ 4,705,794	\$ 4,639,712	98.60%	\$ 61,007	\$ 4,700,719	99.89%	\$ 5,075
2014	\$ 4,341,995	\$ 4,227,662	97.37%	\$ 106,925	\$ 4,334,587	99.83%	\$ 7,408
2013	\$ 4,384,208	\$ 4,145,690	94.56%	\$ 227,963	\$ 4,373,653	99.76%	\$ 10,555
2012	\$ 4,144,698	\$ 4,001,788	96.55%	\$ 127,689	\$ 4,129,477	99.63%	\$ 15,221
2011	\$ 4,267,100	\$ 4,140,418	97.03%	\$ 117,038	\$ 4,257,456	99.77%	\$ 9,643

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				
2020	\$ 4,650,507	\$ -	\$ 2,563,140	\$ 332,279	\$ -	\$ 7,545,926	*	\$ 883	
2019	\$ 4,950,349	\$ -	\$ 2,746,401	\$ 356,043	\$ -	\$ 8,052,793	2.00%	\$ 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	

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)
2020	-	0.00%	\$ -
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

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, 2020
(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	6.45%	\$ -
Other debt			
Catawba County Qualified Zone Academy Bonds	100,000	6.45%	\$ 6,450
Catawba County Qualified School Const. Bonds	27,808,553	6.45%	\$ 1,793,652
Catawba County Limited Obligation Bonds	74,282,325	6.45%	\$ 4,791,210
NC Department of Commerce Loan	540,796	6.45%	\$ 34,881
Catawba County Installment Purchases	51,671,667	6.45%	\$ 3,332,823
Catawba County Certifications of Participation	5,558,217	6.45%	\$ 358,505
Subtotal, overlapping debt			\$ 10,317,520
Conover direct debt			\$ 4,650,507
Total direct and overlapping debt			<u><u>\$ 14,968,027</u></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, 2020:

Assessed Value		\$ 1,190,764,878	
Debt Limit - 8% of assessed value			\$ 95,261,190
Gross long-term debt	\$ 7,545,926		
Less statutory deductions	\$		
Bonds applicable to water system	<u>-</u>		<u>\$ 7,545,926</u>
Legal debt margin			<u><u>\$ 87,715,264</u></u>

	Fiscal Year				
	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Debt limit	\$ 85,340,610	\$ 82,890,502	\$ 87,683,362	\$ 86,838,450	\$ 87,552,383
Total net debt applicable to limit	<u>6,367,702</u>	<u>5,823,907</u>	<u>5,488,575</u>	<u>6,476,079</u>	<u>\$ 7,247,751</u>
Legal debt margin	<u>\$ 78,972,908</u>	<u>\$ 77,066,595</u>	<u>\$ 82,194,787</u>	<u>\$ 80,362,371</u>	<u>\$ 80,304,632</u>
Total net debt applicable to the limit as a percentage of debt limit	7.46%	7.03%	6.26%	7.46%	8.28%

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, 2020:

Assessed Value		\$ 1,190,764,878	
Debt Limit - 8% of assessed value			\$ 95,261,190
Gross long-term debt	\$ 7,545,926		
Less statutory deductions			
Bonds applicable to water system	\$ -		\$ 7,545,926
Legal debt margin			<u>\$ 87,715,264</u>

	Fiscal Year				
	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Debt limit	\$ 83,131,660	\$ 85,634,105	\$ 88,019,762	\$ 89,907,405	\$ 95,261,190
Total net debt applicable to limit	<u>\$ 7,790,778</u>	<u>\$ 6,926,801</u>	<u>\$ 8,347,864</u>	<u>\$ 8,052,793</u>	<u>\$ 7,545,926</u>
Legal debt margin	<u>\$ 75,340,883</u>	<u>\$ 78,707,305</u>	<u>\$ 79,671,898</u>	<u>\$ 81,854,612</u>	<u>\$ 87,715,264</u>
Total net debt applicable to the limit as a percentage of debt limit	9.37%	8.09%	9.48%	8.96%	7.92%

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
2020	8,541	*	*	8.3%
2019	8,458	\$383,502,636	\$ 45,342	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%

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	2020			2011		
	Number of Employees	Rank	Percentage of Total County Employment	Number of Employees	Rank	Percentage of Total County Employment
Vanguard Furniture	542		0.80%	400	1	0.59%
WestRock Converting	335		0.50%			
Kroehler Furniture	319		0.47%	290	3	0.43%
Wal-Mart	294		0.44%	349	2	0.52%
Lee Industries	270		0.40%			
Hanes Industries	268		0.40%	263	4	0.39%
McCreary Modern	241		0.36%			
YMCA	153		0.23%			
Carpenter Co	138		0.20%	207	7	0.31%
Southern Furniture	135		0.20%			
Rock-Tenn				246	5	0.36%
Zenith Freight				234	6	0.35%
Armacell						
Classic Leather				145	10	0.21%
U.S. Post Office				190	9	0.28%
Hickory Printing						
Rock Barn Properties				190	8	0.28%
Total County Employment	67,518			67,552		

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				
	2011	2012	2013	2014	2015
General Government					
Full Time is 40 hours per week	14.1	15.4	15.4	15.9	15.4
Full Time is 37.5 hours per week	8.7	9.7	10.1	10.4	11.0
Public Safety					
Police	23.6	25.5	28.2	29.2	29.1
Fire	17.4	19.0	20.2	21.7	24.3
Transportation					
Streets	7.6	9.3	9.4	9.5	10.5
Environmental Protection					
Sanitation and Recycling	8.5	9.3	9.5	9.3	9.5
Water and Sewer Utility					
Water	7.7	8.3	9.2	9.9	9.7
Sewer	8.3	10.5	10.0	10.0	9.9
Total	96.0	107.0	111.8	115.8	119.4

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				
	2016	2017	2018	2019	2020
General Government					
Full time is 40 hours per week	15.7	16.4	16.8	17.3	16.6
Full time is 37.5 hours per week	11.2	10.7	11.6	12.0	12.3
Public Safety					
Police	27.2	29.0	29.8	28.1	28.6
Fire	25.5	24.5	23.3	24.1	23.6
Transportation					
Streets	9.1	9.7	9.1	9.7	8.5
Environmental Protection					
Sanitation and Recycling	10.0	9.0	9.2	9.9	11.8
Water and Sewer Utility					
Water	8.9	10.0	9.9	10.8	10.4
Sewer	10.2	9.0	10.3	9.1	9.0
Total	117.7	118.2	120.1	121.0	120.8

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				
	2010	2011	2012	2013	2014
General Government					
Zoning Permits	213	213	190	189	187
Public Safety					
Police					
Violent Crimes	22	19	16	20	21
Property Crimes	526	517	746	466	425
Community Services	9,145	16,979	20,613	19,564	20,684
Accidents	609	626	641	615	636
Accidents with injury	173	144	178	127	103
Accidents/Fatalities	1	0	0	0	1
Fire					
Fire Inspections	287	369	347	467	485
Fire Alarm Activations	221	196	204	198	237
Fires	91	111	99	67	80
Community Services	528	533	401	303	194
Other Emergency Responses	501	512	645	736	825
Educational Classes Conducted	298	184	80	51	65
Transportation					
Pot holes repaired	72	86	74	82	62
Street Resurfacing (miles)	1.37	2.58	1.8	3.2	2.5
Environmental Protection					
Daily Refuse Collected (tons)	10.90	9.30	10.12	10.05	9.97
Daily Recycling Collected (tons)	1.55	1.50	1.21	2.75	1.71
Water and Sewer Utility					
Utility Customers	5,445	5,405	5,962	5,857	5,861
New Connections	36	15	10	16	13
Avg. Daily Water Consumption	1,966,000	1,966,000	2,010,000	1,924,000	1,465,765
Avg. Daily Wastewater Flow	805,000	661,000	679,000	740,000	810,000

* 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				
	2015	2016	2017	2018	2019
General Government					
Zoning Permits	158	188	175	217	200
Public Safety					
Police					
Violent Crimes	20	20	27	27	37
Property Crimes	519	579	474	447	453
Community Services	25,883	24,848	21,248	18,608	13,885
Accidents	624	747	740	801	793
Accidents with injury	102	134	151	162	166
Accidents/Fatalities	0	1	0	0	1
Fire					
Fire Inspections	352	352	304	325	288
Fire Alarm Activations	300	244	279	407	404
Fires	73	79	60	80	82
Community Services	259	527	572	490	483
Other Emergency Responses	807	837	909	1,053	1,158
Educational Classes Conducted	88	113	81	85	84
Transportation					
Pot holes repaired	58	45	55	50	75
Street Resurfacing (miles)	2.9	1.75	1.69	2.59	1.75
Environmental Protection					
Daily Refuse Collected (tons)	9.37	10.19	10.02	10.06	11.14
Daily Recycling Collected (tons)	3.74	3.81	4.04	4.00	4.03
Water and Sewer Utility					
Utility Customers	6,013	5,914	5,632	5,925	6,075
New Connections	17	16	43	28	61
Avg. Daily Water Consumption	1,530,000	1,562,000	1,575,000	1,587,000	1,530,000
Avg. Daily Wastewater Flow	700,000	722,000	815,000	887,083	915,000

*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				
	2011	2012	2013	2014	2015
General Government					
Playgrounds	7	7	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	51.62	52.53	52.53	52.53	52.53
Miles of Sidewalk	17.70	17.87	18.00	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	149.00	149.00
Sanitary Sewer (miles)	114.00	114.00	114.25	115.60	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				
	2016	2017	2018	2019	2020
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	51.84	52.50	52.50	52.50
Miles of Sidewalks	18.00	19.50	19.50	19.50	19.50
Environmental Protection					
Collections Trucks	6	6	6	6	7
Water and Sewer Utility					
Water Mains (miles)	149.50	149.50	150.00	150.00	151.00
Sanitary Sewer (miles)	116.20	116.20	116.20	127.50	128.12
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*

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 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, 2020, 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 January 20, 2021.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered 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 *Government 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 *Government 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
January 20, 2021

City of Conover
Schedule of Findings and Responses
For the Year Ended June 30, 2020

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

Section II. Financial Statement Findings

None reported.

Corrective Action Plan
For the Year Ended June 30, 2020

Financial Statement Findings

None.

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2020

Financial Statement Findings

None.