

CITY OF CONOVER NORTH CAROLINA

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2021

Prepared by
City of Conover Finance Department

CITY OF CONOVER, NORTH CAROLINA
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June 30, 2021

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City of Conover

LETTER OF TRANSMITTAL

February 3, 2022

The Honorable Mayor Kyle J. Hayman, Conover City Council and the Citizens of the City of Conover, North Carolina

We are pleased to present the Annual Comprehensive Financial Report for the City of Conover, North Carolina for the fiscal year ended June 30, 2021. 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 2021.

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, 2021, 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, 2021 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 Annual Comprehensive Financial Report 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.

As of June 2021, the land area of the City is 11.1 square miles with a resident population of 8,437.

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.

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 workers and 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.

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 23%. 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. 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.

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 2021-2022, the City budgeted \$889,859 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 \$2,809,060 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

Manufacturing Solutions Center – Phase II PPE Initiative

The COVID-19 pandemic has created a burning platform to source, produce and certify personal protective equipment (PPE) in the United States. The first entity many companies called upon is right here in Conover; the Manufacturing Solutions Center (MSC). MSC was tasked to assist businesses in prototyping and testing textile products for PPE. COVID-19 has revealed the U.S. supply chain for PPE in an extreme deficit as almost 97% of all PPE is

made in China. The U.S. did not have necessary supply of PPE to react to the crisis. Many U.S. companies immediately wanted to help and changed their production to make PPE. However, the requirements of medical PPE are more difficult to meet than apparel, furniture upholstery or other sewn products. The North Carolina General Assembly allotted a special appropriation of \$9 million to Conover to build a facility for MSC to prototype, test and commercialize PPE for US manufacturers. The City broke ground on the new construction for MSCII in May of 2021. This 75,000 sq ft facility to be built at Conover Station is a partnership with the private sector to grow and expand manufacturers based in the Catawba Valley. MSC was created at Catawba Valley Community College in 1990 with a mission to create or retain jobs in the U.S. Located in a facility constructed and owned by the City of Conover, MSC currently offers training, prototyping, applied R&D, testing, domestic product sourcing, on-site business incubation and commercialization to entrepreneurs and hundreds of United States manufacturers. Manufacturing Solutions Center is just one of the many additions the City of Conover has been able to bring to town with the renovation of Conover Station.

Premier Development, LLC and Arhaus Home Furnishings

In 2020, Premier Development, LLC chose Conover to build a 500,000-square-foot distribution and manufacturing facility at Exit 130 off Punch Loop Road. The \$31.5 million investment will house Arhaus Home Furnishings and will create 65 new jobs. This facility is a mix of uses, with the western portion housing the manufacturing facilities of Thomas Bain furniture. Two local Thomas Bain facilities are to be merged into this new location. The eastern portion of the building will become a storage and shipping hub for Arhaus furniture, a retailer of upscale furniture with dozens of outlets around the country. The building will have 76 loading docks and space to handle 150 trucks at once. The facility is expected to open for business during the fourth quarter of 2021.

Award

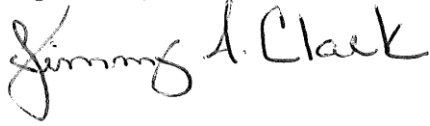
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Conover for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021. This was the twenty-fourth consecutive 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.

Acknowledgments

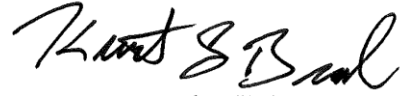
Preparation of this report would not have been possible without the dedicated efforts of the staff of the finance, planning and city manager's offices of the City. Each member who

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,

A handwritten signature in black ink that reads "Jimmy A. Clark". The signature is written in a cursive style with a large, stylized "J" and "C".

Jimmy A. Clark
Interim City Manager

A handwritten signature in black ink that reads "Kurt L. Beal". The signature is written in a cursive style with a large, stylized "K" and "B".

Kurt L. Beal, CPA
Finance Director



Government Finance Officers Association

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

Presented to

**City of Conover
North Carolina**

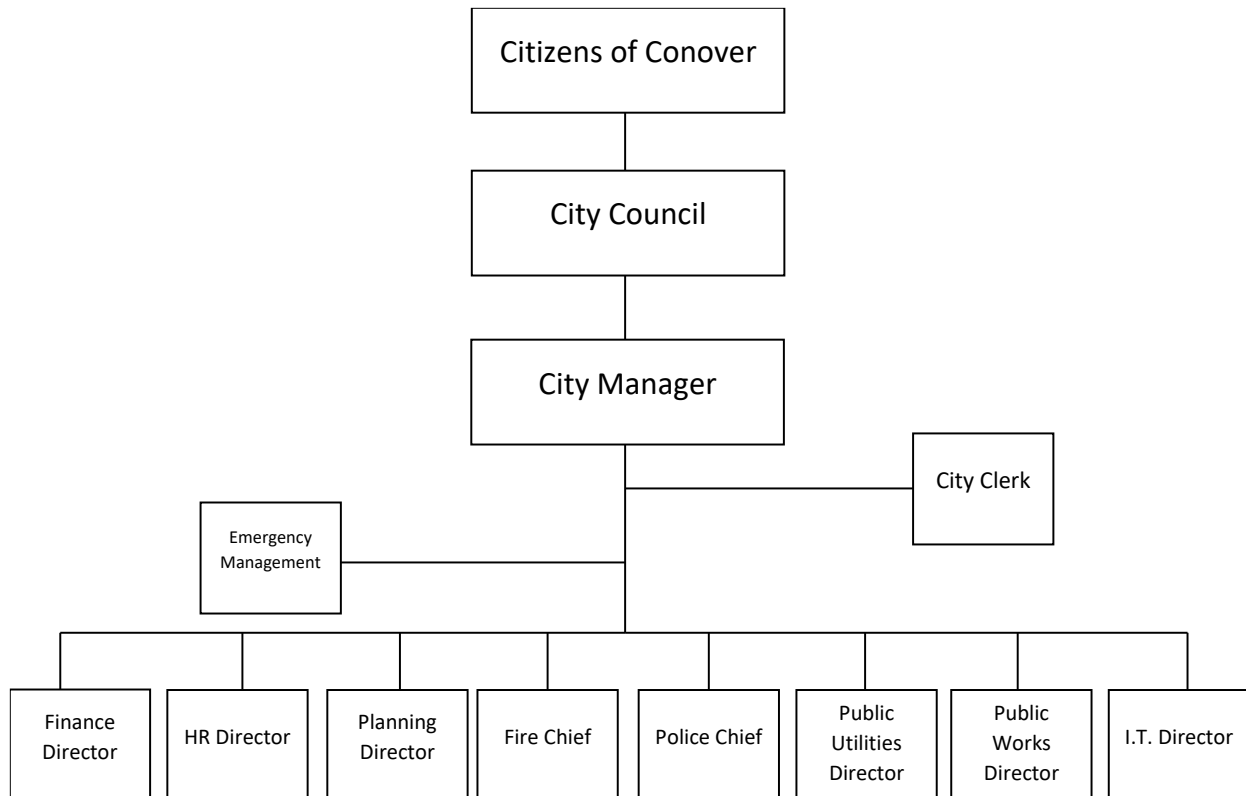
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

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 Joie D. Fulbright

Council Member Bruce R. Eckard

Council Member Mark R. Canrobert

OTHER CITY OFFICIALS

Interim City Manager Jimmy A. Clark

City Attorney Susan Williams Matthews

City Clerk Stephanie Watson

Finance Director Kurt L. Beal

Fire Chief J. Mark Hinson

Human Resources Director Madeleine Epley

Information Technology Director Christopher M. Niver

Planning Director Erik K. Schlichting

Police Chief Eric L. Loftin

Public Works General Services Director Terry Jones

Public Works Utilities Director Brian Bradshaw

Financial Section

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- * 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, 2021, 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, 2021, 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 17 through 28, Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages 98 through 99, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on pages 92 through 95, respectively, and the Firefighter' and Rescue Squad Worker's Pension Fund's Schedule of the Proportionate Share of Net Pension Liability (Asset) on pages 96 through 97 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.

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 introductory information, combining and individual fund financial statements, budgetary schedules, other schedules, statistical section as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act are presented for 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, other schedules, and the schedule of expenditures of federal and state awards 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, based on my audit, the procedures performed as described above, the combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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 February 3, 2022, on my consideration of the City of Conover, North Carolina's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Conover, North Carolina's internal control over financial reporting and compliance.

Debra B. Wentz, CPA

Newton, North Carolina
February 3, 2022

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, 2021. 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

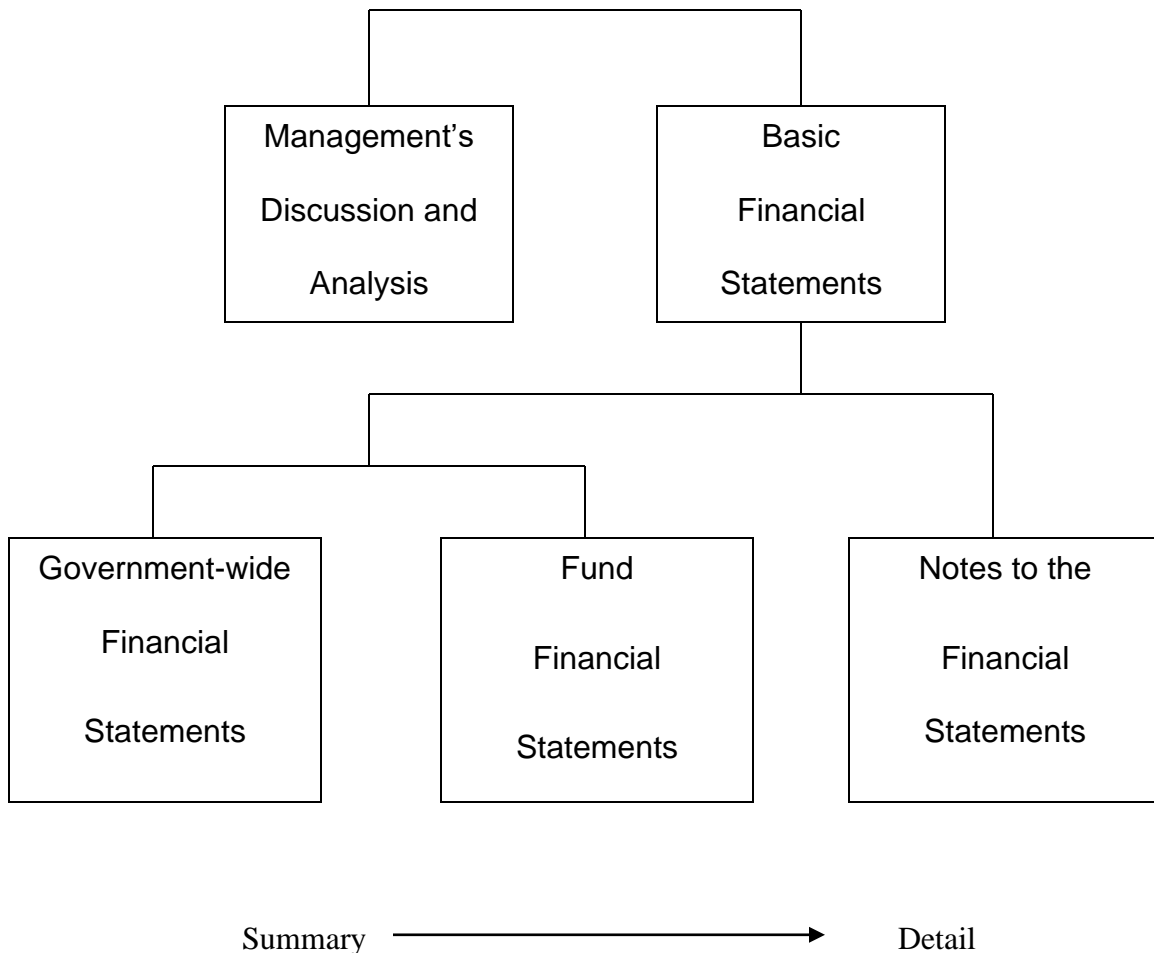
- The assets and deferred outflows of resources of the City of Conover exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$79,875,159 (net position). Of this amount, \$61,708,072 represents the City's investment in capital assets, which is not available for future spending.
- The government's total net position increased by \$3,174,061 due to increases in the governmental type activities net position of \$2,441,281 and increases in the business type activities net position of \$732,780.
- As of the close of the current fiscal year, the City of Conover's governmental funds reported combined ending fund balances of \$ 12,219,118, an increase of \$2,086,922 in comparison with the prior year. Approximately 84 percent of this total amount or \$ 10,212,380 is non- spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$ 7,234,282 or 72 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 \$449,676 (6.0%) during the fiscal year. No new debt was added during the year, however, three outstanding USDA loans of \$2,897,132 were refinanced with BB&T and consolidated into one loan. Outstanding debt principal is \$7,096,250 and equates to \$841 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 \$ 99,262,724 (8 percent of assessed value) and the City's legal debt margin is \$ 92,166,482. The total legal indebtedness of the City is \$ 7,096,242, which represents .57% 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 \$50,019,174 or 4.2% 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 are intended to serve as an introduction to the City of Conover's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Conover.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include the City's basic services such as general administration, public safety, transportation, sanitation and recycling, economic and community development and cemeteries and parks. These activities are supported primarily by property taxes, sales taxes and state and federal grants. The business-type activities are those for which the City charges fees to recover the costs associated with providing the service. These include the water and sewer services offered by the City of Conover.

There are no component units of the City of Conover.

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Conover, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Conover can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Conover maintained sixteen individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balance for the General Fund and the MSC Phase II Expansion Capital Project Fund. These two funds are considered to be the major funds for this fiscal year. Data from the other fourteen non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements located on pages 112 - 115 of this report.

The City of Conover adopted an annual budget for the general fund and a project budget for the MSC Phase II Expansion Capital Project Fund; its major governmental funds.

Of the fourteen non-major governmental funds, the City adopted an annual budget for six funds and a project budget for eight 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 46 - 90 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 91 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	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 13,146,709	\$ 10,736,274	\$ 8,527,628	\$ 7,691,247	\$ 21,674,337	\$ 18,427,521
Capital assets	39,657,741	39,255,965	29,146,573	29,256,983	68,804,314	68,512,948
Total assets	52,804,450	49,992,239	37,674,201	36,948,230	90,478,651	86,940,469
Deferred outflows of Resources	1,270,852	901	347,417	294,666	1,618,269	295,567
Current Liabilities	1,745,600	1,116,355	800,177	625,547	2,545,777	1,741,902
Long term liabilities	6,518,555	6,379,514	3,058,699	3,185,247	9,577,254	9,564,761
Total liabilities	8,264,155	7,495,869	3,858,876	3,810,794	12,123,031	11,306,663
Deferred Inflows of Resources	92,106	119,519	6,624	8,764	98,730	128,283
Net position:						
Net investment in capital assets	35,233,679	34,605,458	26,474,393	26,361,565	61,708,072	60,967,023
Restricted	10,122,935	2,171,128			10,122,935	2,171,128
Unrestricted	362,427	6,501,174	7,681,725	7,061,773	8,044,152	13,562,947
Total net position	\$ 45,719,041	\$ 43,277,760	\$ 34,156,118	\$ 33,423,338	\$ 79,875,159	\$ 76,701,098

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 \$ 79,875,159 as of June 30, 2021. The City's net position increased \$3,174,061 for the fiscal year ended June 30, 2021. The largest portion of net position (77.3%) 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, \$10,122,935 (12.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,044,152 is unrestricted.

City of Conover Changes in Net Position

Figure 3

	Governmental Activities	Governmental Activities	Business Type Activities	Business Type Activities	Total	Total
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 841,859	\$ 806,144	\$ 5,285,711	\$ 5,124,289	\$ 6,127,570	\$ 5,930,433
Operating grants and contributions	1,915,946	576,538			1,915,946	576,538
Capital grants and contributions	11,200	-	20,000	86,995	31,200	86,995
General revenues:						
Property taxes	6,232,982	5,998,091			6,232,982	5,998,091
Other taxes	3,975,992	4,141,638			3,975,992	4,141,638
Grants and contributions not restricted to specific programs	-	10,000			-	10,000
Capital assets contributed to Enterprise Fund	-	-	-	-	-	-
Gain on sale of assets	45,771	23,983	5,605	-	51,376	23,983
Other	123,959	180,774	1,075	47,163	125,034	227,937
Total revenues	13,147,709	11,737,168	5,312,391	5,258,447	18,460,100	16,995,615
Expenses:						
General government	3,234,086	3,221,319			3,234,086	3,221,319
Public safety	4,641,997	4,367,009			4,641,997	4,367,009
Transportation	1,692,833	1,760,319			1,692,833	1,760,319
Environmental Protection	1,002,023	916,219			1,002,023	916,219
Economic development	22,131	-			22,131	-
Interest on long-term debt	113,358	170,477			113,358	170,477
Water and sewer			4,579,611	4,498,544	4,579,611	4,498,544
Total expenses	10,706,428	10,435,343	4,579,611	4,498,544	15,286,039	14,933,887
Increase(Decrease) in net position before transfers	2,441,281	1,301,825	732,780	759,903	3,174,061	2,061,728
Transfers	-	(20,000)	-	20,000	-	-
Change in net position	2,441,281	1,281,825	732,780	779,903	3,174,061	2,061,728
Net position, July 1	43,277,760	41,995,935	33,423,338	32,643,435	76,701,098	74,639,370
Net position, June 30	\$ 45,719,041	\$ 43,277,760	\$ 34,156,118	\$ 33,423,338	\$ 79,875,159	\$ 76,701,098

Governmental activities: Governmental activities, this year, had a positive effect on the City's net position of \$2,441,281. Key elements of this change in net position for governmental type activities are as follows:

- Property tax revenue increased \$ 289,601 primarily due to an increase in real property value of \$13,193,659 and an increase in personal property value of \$36,825,515.
- Sales and other taxes increased \$389,256 from the previous fiscal year.

Business-type activities: Business-type activities increased the City's net position by \$732,780: The key element of this change is as follows:

- Increases in Charges for Services of \$161,422 due to customer growth and a 3.00% increase in both water and sewer rates on usage and a 3.0% increase on meter fees.
- Water and Sewer expenses were \$81,067 more 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 \$ 12,219,118, an increase of \$ 2,086,922 in comparison to the prior year. Of this total fund balance, \$ 10,212,380 (84%) is non spendable or restricted.

The City's major governmental funds are the General Fund and the MSC Phase II Expansion 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 \$ 8,272,011 while total fund balance was \$9,887,654. The City currently has an available fund balance of 82.2% of general fund expenditures while total fund balance represents 98.3% of the same amount. Total general fund balance increased \$ 2,041,997. This increase was due in part to the increases in property tax as well as increases in intergovernmental revenues and decreases in expenditures. This fiscal year, the property tax rate remained at .50 per \$100 of value. The General Fund is an annually budgeted fund.

MSC Phase II Expansion Fund. The MSC Phase II Expansion Fund was created to account for the construction of a new building for the Manufacturing Solutions Center (MSC) Phase II for the purpose of providing a PPE equipment and testing laboratory. The construction of this building is funded with North Carolina general fund special appropriation funds in the amount of \$9,000,000. Funds are drawn down from the state as needed. At June 30, 2021, total fund balance was \$ 98,679. This fund was adopted as a multi-year capital project for the life of the project and will close when construction is completed.

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 \$7,681,725. 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 \$1,488,061 more than budget. Property tax revenues exceeded budget by \$652,153 as the City budgeted very conservatively at budget while remaining optimistic. Sales tax and other unrestricted intergovernmental taxes exceeded budget by \$824,016. Restricted intergovernmental revenue fell short of budget by \$19,113. In addition, the motor vehicle tag fee brought in \$17,590 more than budgeted. This was only the third year of this new fee. No department exceeded the budgeted amount. Encumbrances for the general fund at year end amounted to \$277,078.

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, 2021, totals \$68,804,314 (net of accumulated depreciation). An increase of \$291,366 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 \$477,987 and vehicle retirements of \$311,892.
- Construction in progress on the MSC II building totaled \$860,175, and \$158,823 on the public works building addition.
- Additions to water/sewer infrastructure of \$589,959.

City of Conover

- Purchase of Xtreme Vac Leaf Truck \$218,032.00. (City had reserved for over several years)
- Asset disposals totaled \$332,188 in the general fund.

City of Conover's Capital Assets

Figure 4

(net of depreciation)

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
	2021	2020	2021	2020	2021	2020
Land	\$ 3,904,593	\$ 3,881,621	\$ 305,061	\$ 305,061	\$ 4,209,654	\$ 4,186,682
Buildings and systems	12,291,113	10,407,833	4,750,128	4,756,306	17,041,241	15,164,139
Computer Equipment	72	2,118	23,380	25,060	23,452	27,178
Equipment and Furnishings	1,688,613	1,460,719	445,422	455,019	2,134,035	1,915,738
Infrastructure	17,431,960	17,706,980	22,527,245	22,978,925	39,959,205	40,685,905
Vehicles and motorized equipment	3,283,159	3,291,111	310,422	373,952	3,593,581	3,665,063
Construction in progress	1,058,231	2,505,583	784,915	362,660	1,843,146	2,868,243
Total	\$ 39,657,741	\$ 39,255,965	\$ 29,146,573	\$ 29,256,983	\$ 68,804,314	\$ 68,512,948

Additional information on the City of Conover's capital assets can be found in note 3 on pages 62 - 64 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 \$10,677,087 as of June 30, 2021. Gross debt consists of installment purchase debt of \$4,424,062, loans and notes payable of \$2,672,188, net pension liability (LEO) of \$769,736, net pension liability for retirement of \$2,409,561 and compensated absences of \$401,540. Installment purchases related to the 2nd floor renovation of the Broyhill Building adding "NC Works", the police, public works and fire facilities amount to \$4,424,062 and are obligations of the general fund. Loans and notes payable amounting to \$2,672,188 are for low and no

City of Conover

interest loans related to water and sewer capital improvements and are obligations of the water and sewer fund.

At June 30, 2021, the City of Conover had no bonded debt.

City of Conover's Outstanding Debt Figure 5

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General Obligation Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loans Payable	-	-	2,672,188	2,895,419	2,672,188	2,895,419
Compensated Absences	354,305	349,521	47,235	54,550	401,540	404,071
Pension related debt (LEO)	769,736	460,720	-	-	769,736	460,720
Pension related debt (LERS)	1,792,759	1,423,113	616,802	489,625	2,409,561	1,912,738
Installment Purchase	4,424,062	4,650,507	-	-	4,424,062	4,650,507
Total	\$ 7,340,862	\$ 6,883,861	\$ 3,336,225	\$ 3,439,594	\$ 10,677,087	\$ 10,323,455

The City of Conover's total debt increased \$353,632 (3.4%) 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 \$92,166,482. The City of Conover has no bonds authorized but un-issued at June 30, 2021.

During the past fiscal year, the City of Conover refinanced three of its installment purchase loans into one loan.

Additional information regarding the City of Conover's long-term debt can be found in note 3 beginning on page 81 of this report.

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

- 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 opened a site in Conover formally owned by a church.
- 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.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities:

- Revenue estimates in the City's 2021-2022 budget were again very conservative due to the uncertainty of the economic impact of the coronavirus pandemic.
- 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 3.00% increase in water and sewer rates as well as on meter fees. 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, as well as cost 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 Finance Director, 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.

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, 2021

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
	\$	\$	\$
Assets			
Current assets:			
Cash and cash equivalents	10,884,133	7,966,256	18,850,389
Taxes receivables (net)	51,038		51,038
Accrued interest receivable on taxes	3,723		3,723
Accounts receivable (net)	58,396	543,375	601,771
Due from other governments	1,197,222	16,750	1,213,972
Prepaid items	89,445	1,247	90,692
Restricted cash	<u>862,752</u>		<u>862,752</u>
Total current assets	<u>13,146,709</u>	<u>8,527,628</u>	<u>21,674,337</u>
Noncurrent assets:			
Capital assets (Note 3):			
Land, non-depreciable improvements			
and construction in progress	4,962,824	1,089,976	6,052,800
Other capital assets, net of depreciation	<u>34,694,917</u>	<u>28,056,597</u>	<u>62,751,514</u>
Total capital assets	<u>39,657,741</u>	<u>29,146,573</u>	<u>68,804,314</u>
Total assets	<u>52,804,450</u>	<u>37,674,201</u>	<u>90,478,651</u>
Deferred Outflows of Resources			
Deferred outflows of resources	<u>1,270,852</u>	<u>347,417</u>	<u>1,618,269</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	858,925	300,331	1,159,256
Due to other governments		82,514	82,514
Accrued interest payable	64,368	208	64,576
Customer deposits		139,606	139,606
Compensated absences – current	190,636	27,058	217,694
Current portion of long-term debt	<u>631,671</u>	<u>250,460</u>	<u>882,131</u>
Total current liabilities	<u>1,745,600</u>	<u>800,177</u>	<u>2,545,777</u>
Non-current liabilities:			
Compensated absences	163,669	20,177	183,846
Net pension liability	1,792,759	616,802	2,409,561
Total pension liability	769,736		769,736
Due in more than one year	<u>3,792,391</u>	<u>2,421,720</u>	<u>6,214,111</u>
Total non-current liabilities	<u>6,518,555</u>	<u>3,058,699</u>	<u>9,577,254</u>
Total liabilities	<u>8,264,155</u>	<u>3,858,876</u>	<u>12,123,031</u>

CITY OF CONOVER, NORTH CAROLINA
Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental Activities \$	Business-type Activities \$	Total \$
Deferred Inflows of Resources			
Prepaid taxes	3,434		3,434
Pension deferrals	<u>88,672</u>	<u>6,624</u>	<u>95,296</u>
Total deferred inflows of resources	<u>92,106</u>	<u>6,624</u>	<u>98,730</u>
Net Position			
Net investment in capital assets	35,233,679	26,474,393	61,708,072
Restricted for:			
Stabilization by State Statute	9,260,183		9,260,183
Transportation	213,764		213,764
Capital Projects	243,050		243,050
Public safety	32,729		32,729
Economic development	373,209		373,209
Unrestricted	<u>362,427</u>	<u>7,681,725</u>	<u>8,044,152</u>
Total net position	<u>45,719,041</u>	<u>34,156,118</u>	<u>79,875,159</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, 2021

Functions/Programs Primary government: Governmental activities:	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses \$	Charges for Services \$	Operating Grants and Contributions \$	Capital Grants and Contributions \$	Primary Government		
					Governmental Activities \$	Business- Type Activities \$	Total \$
General government	3,234,086	239,995	240,502		(2,753,589)		(2,753,589)
Public safety	4,641,997	69,878	454,156		(4,117,963)		(4,117,963)
Transportation	1,692,833	2,380	234,984	11,200	(1,444,269)		(1,444,269)
Economic and physical development	22,131		979,912		957,781		957,781
Environmental protection	1,002,023	529,606	6,392		(466,025)		(466,025)
Interest on long-term debt	<u>113,358</u>				(<u>113,358</u>)		(<u>113,358</u>)
Total governmental activities (See Note 1)	10,706,428	841,859	1,915,946	11,200	(7,937,423)	0	(7,937,423)
Business-type activities:							
Water and sewer	<u>4,579,611</u>	<u>5,285,711</u>		<u>20,000</u>		<u>726,100</u>	<u>726,100</u>
Total primary government	<u>15,286,039</u>	<u>6,127,570</u>	<u>1,915,946</u>	<u>31,200</u>	(7,937,423)	<u>726,100</u>	(7,211,323)

CITY OF CONOVER, NORTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2021

<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				6,232,982		6,232,982
Local option sales tax				3,718,092		3,718,092
Other taxes				257,900		257,900
Unrestricted investments earnings				3,619	1,075	4,694
Miscellaneous				120,340		120,340
Gain on sale of assets				45,771	5,605	51,376
Total general revenues not including transfers				10,378,704	6,680	10,385,384
Transfers						0
Total general revenues and transfers				10,378,704	6,680	10,385,384
Change in net position				2,441,281	732,780	3,174,061
Net position, beginning				43,277,760	33,423,338	76,701,098
Net position, ending				45,719,041	34,156,118	79,875,159

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

CITY OF CONOVER, NORTH CAROLINA

Balance Sheet

Governmental Funds

June 30, 2021

	Major Funds		Total	Total
	General	MSC Phase	Non-Major	Governmental
	Fund	II Expansion	Funds	Funds
	\$	\$	\$	\$
Assets				
Cash and cash equivalents	8,699,085		2,185,046	10,884,131
Restricted cash	433,093	373,209	56,450	862,752
Receivables, net:				
Taxes	51,038			51,038
Accounts	58,396			58,396
Due from other funds	35,404			35,404
Due from other governments	1,155,320		41,902	1,197,222
Prepaid items	89,445			89,445
Total assets	<u>10,521,781</u>	<u>373,209</u>	<u>2,283,398</u>	<u>13,178,388</u>
Liabilities				
Accounts payable and accrued liabilities	577,895	274,530	6,499	858,924
Due to other funds			35,403	35,403
Total liabilities	<u>577,895</u>	<u>274,530</u>	<u>41,902</u>	<u>894,327</u>
Deferred Inflows of Resources				
Property taxes receivable	51,038			51,038
Prepaid taxes	3,434			3,434
Unavailable revenues	1,760		8,711	10,471
Total deferred inflows of resources	<u>56,232</u>	<u>0</u>	<u>8,711</u>	<u>64,943</u>
Fund Balances				
Non spendable				
Prepaid expenses	89,445			89,445
Restricted				
Stabilization by State Statute	1,526,197	7,556,970	177,016	9,260,183
Streets	213,764			213,764
Public safety	32,729			32,729
Economic development		373,209		373,209
Capital development	186,600		56,450	243,050
Committed				
LEO Special Separation Allowance	120,774			120,774
Capital development			2,099,022	2,099,022
Facilities maintenance			28,856	28,856
Assigned				
Subsequent year's expenditures	483,863			483,863
Unassigned	7,234,282	(7,831,500)	(128,559)	(725,777)
Total fund balances	<u>9,887,654</u>	<u>98,679</u>	<u>2,232,785</u>	<u>12,219,118</u>
Total liabilities, deferred inflows of resources and fund balances	<u>10,521,781</u>	<u>373,209</u>	<u>2,283,398</u>	

CITY OF CONOVER, NORTH CAROLINA
Balance Sheet
Governmental Funds
June 30, 2021

	\$	Total Governmental Funds \$
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Total Fund Balance, Governmental Funds		12,219,118
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	57,479,114	
Accumulated depreciation	(17,821,373)	39,657,741
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		1,270,851
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.		3,723
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		61,510
Total pension liability (LEO)		(769,736)
Net pension liability (LGERS)		(1,792,759)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		(64,368)
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(4,778,367)
Pension related deferrals		(88,672)
Net position of governmental activities		<u>45,719,041</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, 2021

	Major Funds			
	General Fund \$	MSC Phase II Expansion Fund \$	Total Non-Major Funds \$	Total Governmental Funds \$
Revenues				
Ad valorem taxes	6,248,914			6,248,914
Other taxes and licenses	257,900			257,900
Unrestricted intergovernmental	3,718,092			3,718,092
Restricted intergovernmental	602,327	957,781	287,886	1,847,994
Permits and fees	25,495		2,380	27,875
Sales and services	547,528			547,528
Investment earnings	1,485	1,073	1,061	3,619
Rental income	20,929		198,126	219,055
Miscellaneous	174,838			174,838
Total revenues	<u>11,597,508</u>	<u>958,854</u>	<u>489,453</u>	<u>13,045,815</u>
Expenditures				
Current:				
General government	2,809,610		105,268	2,914,878
Public safety	4,220,338			4,220,338
Transportation	1,155,775			1,155,775
Economic and physical development		860,175	22,131	882,306
Environmental protection	838,542			838,542
Debt service:				
Principal	226,445			226,445
Interest and other charges	138,708			138,708
Capital outlay			634,961	634,961
Total expenditures	<u>9,389,418</u>	<u>860,175</u>	<u>762,360</u>	<u>11,011,953</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,208,090</u>	<u>98,679</u>	<u>(272,907)</u>	<u>2,033,862</u>
Other Financing Sources (Uses)				
Sale of capital assets			45,771	45,771
Transfers from other funds	500,074		1,050,781	1,550,855
Transfer to other funds	(673,456)		(877,399)	(1,550,855)
Installment purchase obligation	2,897,132			2,897,132
Retirement of installment purchase obligation	(2,889,843)			(2,889,843)
Total other financing sources (uses)	<u>(166,093)</u>	<u>0</u>	<u>219,153</u>	<u>53,060</u>
Net change in fund balance	2,041,997	98,679	(53,754)	2,086,922
Fund balances, beginning	<u>7,845,657</u>	<u>0</u>	<u>2,286,539</u>	<u>10,132,196</u>
Fund balances, ending	<u>9,887,654</u>	<u>98,679</u>	<u>2,232,785</u>	<u>12,219,118</u>

CITY OF CONOVER, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

	\$	\$
Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances - total governmental funds		2,086,922
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay expenditures which were capitalized	1,704,759	
Depreciation expense for governmental assets	(1,366,952)	337,807
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		396,670
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities.		594
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	63,972	
Change in unavailable revenue for tax revenues	(15,932)	
Change in unavailable revenue	8,086	
Proceeds from sale of assets	(45,771)	
Gain on sale of assets	<u>45,771</u>	56,126
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.		
New long-term debt issued	(2,897,132)	
Long-term debt refinanced (payoff)	<u>2,878,191</u>	(18,941)
Principal payments on long-term debt	245,386	
Decrease in accrued interest payable	<u>18,061</u>	263,447
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	(4,784)	
Pension expense	(606,773)	
LEOSSA expense	<u>(69,787)</u>	<u>(681,344)</u>
Total changes in net position of governmental activities		<u>2,441,281</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, 2021

	General Fund			Variance with Final Budget Positive (Negative)
	Original \$	Final \$	Actual Amounts \$	\$
Revenues:				
Ad valorem taxes	5,567,416	5,596,761	6,248,914	652,153
Other taxes and licenses	240,310	240,310	257,900	17,590
Unrestricted intergovernmental	2,894,076	2,894,076	3,718,092	824,016
Restricted intergovernmental	359,101	621,440	602,327	(19,113)
Sales and services	527,870	527,870	547,078	19,208
Permits and fees	17,300	17,300	25,495	8,195
Investment earnings	50,100	50,100	1,485	(48,615)
Rental income	17,000	17,000	20,929	3,929
Miscellaneous	67,024	144,590	175,288	30,698
Total revenues	<u>9,740,197</u>	<u>10,109,447</u>	<u>11,597,508</u>	<u>1,488,061</u>
Expenditures:				
Current:				
General government	3,101,636	3,392,763	2,809,610	583,153
Public safety	4,531,313	4,975,007	4,220,338	754,669
Transportation	1,449,953	1,467,697	1,155,775	311,922
Environmental protection	938,863	932,381	838,542	93,839
Debt service:				
Principal	309,435	309,435	226,445	82,990
Interest and other charges	157,350	157,350	138,708	18,642
Total expenditures	<u>10,488,550</u>	<u>11,234,633</u>	<u>9,389,418</u>	<u>1,845,215</u>
Excess (Deficiency) of revenues over (under) expenditures	(748,353)	(1,125,186)	2,208,090	3,333,276
Other Financing Sources (Uses):				
Transfers from other funds	310,162	500,074	500,074	
Transfers to other funds	(644,111)	(673,456)	(673,456)	
Installment purchase obligation		2,897,132	2,897,132	
Retirement of installment purchase obligation		(2,889,843)	(2,889,843)	
Total other financing sources (uses)	(333,949)	(166,093)	(166,093)	0
Fund balance appropriated	<u>1,082,302</u>	<u>1,291,279</u>		(1,291,279)
Net change in fund balance	<u>0</u>	<u>0</u>	2,041,997	2,041,997
Fund balances, beginning			7,845,657	
Fund balances, ending			<u>9,887,654</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, 2021

	<u>Major Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
	<u>\$</u>
Assets	
Current assets:	
Cash and cash equivalents	7,966,256
Accounts receivables (net)	523,375
Due from government agencies	16,750
Accounts receivable – other	20,000
Prepaid items	<u>1,247</u>
Total current assets	<u>8,527,628</u>
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	1,089,976
Other capital assets, net of depreciation	<u>28,056,597</u>
Total noncurrent assets	<u>29,146,573</u>
Total assets	<u>37,674,201</u>
 Deferred Outflows of Resources	
Deferred outflows of resources	<u>347,417</u>
 Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	300,331
Due to other governments	82,514
Deposits	139,606
Accrued interest payable	208
Compensated absences - current	27,058
Loans payable – current	<u>223,402</u>
Total current liabilities	<u>773,119</u>
Noncurrent liabilities:	
Compensated absences	20,177
Net pension liability	616,802
Loans payable - noncurrent	<u>2,448,778</u>
Total noncurrent liabilities	<u>3,085,757</u>
Total liabilities	<u>3,858,876</u>

CITY OF CONOVER, NORTH CAROLINA
Statement of Fund Net Position
Proprietary Funds
June 30, 2021

	<u>Major Enterprise Fund</u> Water and Sewer Fund \$
Deferred Inflows of Resources	
Deferred inflows of resources	<u>6,624</u>
Net Position	
Net investment in capital assets, net of related debt	26,474,393
Unrestricted	<u>7,681,725</u>
Total net position of business-type activities	<u>34,156,118</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, 2021

	Major Enterprise Fund Water and Sewer Fund \$
Operating Revenues	
Charges for services	<u>5,281,108</u>
Operating Expenses	
Purchase for resale	745,706
Salaries and wages	1,202,471
Professional services	10,148
Telephone alarm system	105
Telephone	7,137
Utilities	92,390
Travel and training	6,473
Maintenance and repairs-equipment and lines	119,596
Maintenance and repairs-vehicles	20,864
Maintenance and repairs-building and grounds	2,522
Automotive supplies	44,337
Departmental supplies	172,441
Contracted services	420,415
Miscellaneous	2,013
Payroll taxes	89,215
Retirement expense	251,103
Group insurance	130,875
Employee benefits	1,437
Uniforms	12,282
Depreciation	1,167,252
Advertising	4,507
Dues and subscriptions	4,495
Insurance and bonds	40,812
Software	24,282
Miscellaneous	<u>4,137</u>
Total operating expenses	<u>4,577,015</u>
Operating income (loss)	<u>704,093</u>

CITY OF CONOVER, NORTH CAROLINA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	Major Enterprise Fund Water and Sewer Fund \$
Nonoperating Revenues (Expenses)	
Investment earnings	433
Interest expense	(2,596)
Total nonoperating revenues (expenses)	(2,163)
Income before contributions and transfers	701,930
Capital contributions	25,245
Gain on sale of capital assets	<u>5,605</u>
Change in net position	732,780
Total net position, beginning	<u>33,423,338</u>
Total net position, ending	<u>34,156,118</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, 2021

	Major Enterprise Fund Water and Sewer Fund \$
Cash Flows from Operating Activities	
Cash received from customers	5,250,838
Cash paid for goods and services	(1,981,246)
Cash paid to employees	(1,209,786)
Net cash provided (used) by operating activities	<u>2,059,806</u>
Cash Flows from Noncapital Financing Activities	
Transfer from other funds	<u>0</u>
Net cash provided (used) by noncapital financing activities	<u>0</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition and construction of capital assets	(1,056,842)
Principal paid on bond maturities and other loans	(223,239)
Interest paid	(2,596)
Capital contribution	24,603
Proceeds from the sale of capital assets	<u>5,605</u>
Net cash provided (used) by capital and related financing activities	<u>(1,252,469)</u>
Cash Flows from Investing Activities	
Interest on investments	<u>1,075</u>
Net increase in cash and cash equivalents	808,412
Balances, beginning in cash and cash equivalents	<u>7,157,844</u>
Balances, ending in cash and cash equivalents	<u><u>7,966,256</u></u>

CITY OF CONOVER, NORTH CAROLINA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2021

Major
Enterprise Fund
Water and
Sewer
Fund
\$

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

Operating income (loss)	<u>704,093</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	1,167,252
Changes in assets, deferred outflows of resources, and liabilities:	
Decrease in due from other governments	980
(Decrease) in due to other governments	(2,509)
(Increase) decrease in prepaid expenses	1,891
(Increase) in accounts receivable	(30,840)
Increase in accounts payable and other liabilities	151,883
Increase (decrease) in customer deposits	2,099
Increase (decrease) in accrued vacation pay	(7,315)
(Increase) decrease in deferred outflows for pensions	(52,751)
Increase (decrease) in net pension liability	127,177
Increase (decrease) in deferred inflows of resources – pensions	(2,140)
Increase (decrease) in accrued interest	<u>(14)</u>
Total adjustments	<u>1,355,713</u>
Net cash provided (used) by operating activities	<u><u>2,059,806</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, 2021

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

City has no fiduciary funds to report. 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.

MSC Phase II Expansion Fund. This fund is used to account for the construction of a new building for Manufacturing Solutions Center (MSC) Phase II for the purpose of a PPE equipment and testing laboratory. The building is funded with North Carolina general fund appropriations.

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 Capital Project 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 Special Revenue 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 Special Revenue 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.

Coronavirus Relief Special Revenue Fund. This fund provides for PPE gear and equipment to mitigate the spread of COVID-19.

Arhaus Economic Development Capital Project Fund. This fund provides for the construction of public utilities needed to service the new Arhaus Furnishings building off I-40.

Nufabrx PPE Manufacturing Economic Development Capital Project Fund. This fund provides for the purchase and renovation

of an existing downtown building for the purpose of jobs creation and to increase the tax base.

General Capital Reserve Capital Project 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.

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, Coronavirus Relief Special Revenue Fund, General Capital Reserve Capital Project 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 Project 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 MSC Phase II Expansion Capital Project Fund, 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 Special Revenue Fund, Star Snax Economic Development Special Revenue Fund, Arhaus Economic Development Capital Project Fund, and Nufabrx PPE Manufacturing Economic Development Capital Project Fund. Project ordinances are also adopted for the Enterprise Fund Shelf Capital Project Fund, the Enterprise Fund NE WWTP Expansion Capital Project 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.
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. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is 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.

City of Conover Restricted Cash

Governmental Activities:	General Fund	MSC II	Non-Major Funds	Total
Streets	\$ 213,764	\$	\$	\$ 213,764
Public Safety	32,729			32,729
Economic Development		373,209		373,209
Capital Development	<u>186,600</u>	<u>-</u>	<u>56,450</u>	<u>243,050</u>
Total Governmental Activities	<u>\$ 433,093</u>	<u>\$ 373,209</u>	<u>\$ 56,450</u>	<u>\$ 862,752</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, 2020.

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 2021 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 Economic Development – portion of fund balance that is restricted by revenue source for economic development expenditures for the construction of the MSC Phase II expansion project.

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.

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

Compliance with North Carolina General Statutes

Availability of Audited Financial Statements

The City is required by General Statute and the Local Government Commission to have audited financial statements available no more than four months after the fiscal year end. The City was unable to close the final general ledger timely largely due to the COVID-19 pandemic, where many staff members, including finance staff, were diagnosed with the virus, and forced to quarantine. The City will make all due efforts to complete the financial statements timely in the future.

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, 2021, the City's deposits had a carrying amount of \$6,768,848 and a bank balance of \$7,088,722. The bank balances of the City were fully covered by federal depository insurance and the pooling method. At June 30, 2021, the City's petty cash fund totaled \$490.

Investments

At June 30, 2021, the City's investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2021	Maturity	Rating
NC Capital Management Trust – Government Portfolio	Fair Value Level 1	\$ 12,943,803	N/A	AAAm
Total		\$ 12,943,803		

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, 2021.

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, 2021 are net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>06/30/21</u>
General Fund	
Taxes receivable	\$ 73,778
Landfill fee	<u>1,251</u>
Total General Fund	75,029
Enterprise Fund	<u>16,187</u>
Total	<u>\$ 91,216</u>

Capital Assets

Primary Government:

Capital asset activity for the Primary Government for the year ended June 30,

2021, was as follows:

	Beginning Balances \$	Additions \$	Net Transfers \$	Retire- ments \$	Ending Balances \$
Governmental activities:					
Capital assets not being depreciated:					
Land & improvements	3,881,621	22,972			3,904,593
Construction in progress	<u>2,505,583</u>	<u>892,646</u>	(2,339,998)		<u>1,058,231</u>
Total capital assets not being depreciated	<u>6,387,204</u>	<u>915,618</u>	(2,339,998)	0	<u>4,962,824</u>
Capital assets being depreciated:					
Building & improvements	14,534,267	187,660	1,979,155		16,701,082
Equipment	3,861,141	141,015	260,808	(9,204)	4,253,760
Vehicles	7,043,256	477,987		(311,892)	7,209,351
Computer equipment	212,119			(11,092)	201,027
Infrastructure	<u>24,004,587</u>	<u>46,448</u>	<u>100,035</u>		<u>24,151,070</u>
Total capital assets being depreciated	<u>49,655,370</u>	<u>853,110</u>	<u>2,339,998</u>	(332,188)	<u>52,516,290</u>
Less accumulated depreciation for:					
Buildings & improvements	4,126,434	283,536			4,409,969
Equipment	2,400,422	173,927		(9,204)	2,565,147
Vehicles	3,752,145	485,940		(311,892)	3,926,192
Computer equipment	210,001	2,047		(11,092)	200,955
Infrastructure	<u>6,297,607</u>	<u>421,502</u>			<u>6,719,110</u>
Total accumulated depreciation	<u>16,786,609</u>	<u>1,366,952</u>	0	(332,188)	<u>17,821,373</u>
Total capital assets being depreciated, net	<u>32,868,761</u>				<u>34,694,917</u>
Governmental activity capital assets, net					
	<u>39,255,965</u>				<u>39,657,741</u>

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

General government	\$ 277,780
Public safety	410,098
Transportation	530,447
Environmental protection	<u>148,627</u>
Total depreciation expense	<u>\$ 1,366,952</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>362,660</u>	<u>550,659</u>	(<u>128,404</u>)		<u>784,915</u>
Total capital assets not being depreciated	<u>667,721</u>	<u>550,659</u>	(<u>128,404</u>)	<u>0</u>	<u>1,089,976</u>
Capital assets being depreciated:					
Buildings & improvements	8,064,492	137,260	25,000		8,226,752
Equipment	3,872,449	58,519			3,930,968
Vehicles	884,024			(18,375)	865,649
Computer equipment	55,169				55,169
Infrastructure	<u>37,553,716</u>	<u>310,404</u>	<u>103,404</u>		<u>37,967,524</u>
Total capital assets being depreciated	<u>50,429,850</u>	<u>506,183</u>	<u>128,404</u>	(<u>18,375</u>)	<u>51,046,062</u>
Less accumulated depreciation for:					
Buildings & improvements	3,308,186	168,438			3,476,624
Equipment	3,417,430	68,116			3,485,546
Vehicles	510,072	63,530		(18,375)	555,227
Computer equipment	30,109	1,680			31,789
Infrastructure	<u>14,574,791</u>	<u>865,488</u>			<u>15,440,279</u>
Total accumulated depreciation	<u>21,840,588</u>	<u>1,167,252</u>	<u>0</u>	(<u>18,375</u>)	<u>22,989,465</u>
Total capital assets being depreciated, net	<u>28,589,262</u>				<u>28,056,597</u>
Business-type activities capital assets, net	<u>29,256,983</u>				<u>29,146,573</u>

Construction commitments

The government has active construction projects as of June 30, 2021. At year end, the government's commitments with contractors are as follows:

Project	Spent to Date \$	Remaining Commitment \$
MSC Phase II building	796,296	7,586,659
Metal building and concrete slab construction	<u>101,477</u>	<u>107,965</u>
Total	<u>897,773</u>	<u>7,694,624</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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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, 2021, was 10.84% of compensation for law enforcement officers and 10.24% 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 \$533,146 for the year ended June 30, 2021.

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, 2021, the City reported a liability of \$2,409,561 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2020, the City's proportion was .06743%, which was a decrease of .003% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized pension expense of \$815,537. At June 30, 2021, 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	\$ 304,285	\$ -
Changes of assumptions	179,319	-
Net difference between projected and actual earnings on pension plan investments	339,081	-
Changes in proportion and differences between City contributions and proportionate share of contributions	1,365	25,878
City contributions subsequent to the measurement date	<u>533,146</u>	<u>-</u>
Total	\$ <u>1,357,196</u>	\$ <u>25,878</u>

\$533,146 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended	
June 30:	
2022	\$ 224,039
2023	299,445
2024	174,337
2025	100,351
2026	-
Thereafter	<u>-</u>
Total	\$ <u>798,172</u>

Actuarial Assumptions

The total pension liability in the December 31, 2019 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, 2019 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, 2020 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 2019 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)	\$ 4,888,737	\$ 2,409,561	\$ 349,192

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report 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, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Active plan members	<u>23</u>
Total	<u>23</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, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 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, 2019.

Mortality rates are based on the RP-2010 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 \$0 as no 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, 2021, the City reported a total pension liability of \$769,736. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the City recognized pension expense of \$815,537.

	<u>Deferred Outflows of Resources</u>	<u>Inflows of Resources</u>
Differences between expected and actual experience	\$ 34,331	\$ 57,036
Changes of assumptions	226,142	12,382
City benefit payments and plan administrative expense made subsequent to the measurement date	600	-
Total	\$ <u>261,073</u>	\$ <u>69,418</u>

\$0 paid as benefits came due and \$600 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended	
June 30:	
2022	\$ 27,124
2023	27,623
2024	33,652
2025	33,795
2026	38,804
Thereafter	30,057

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 1.93 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 (0.93 percent) or one percentage point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 826,852	\$ 769,736	\$ 716,782

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

	2021
Beginning balance	\$ 460,720
Service Cost	27,167
Interest on the total pension liability	15,012
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	22,600
Changes of assumptions or other inputs	244,721
Benefit payments	(484)
Other changes	-
Ending balance of the total pension liability	\$ <u>769,736</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, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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	815,537	69,903	885,440
Pension liability	2,409,561	769,736	3,179,297
Proportionate share of the net pension liability	0.06743%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	304,285	34,331	338,616
Changes of assumptions	179,319	226,142	405,461
Net difference between projected and actual earnings on plan investments	339,081		339,081
Changes in proportion and differences between contributions and proportionate share of contributions	1,365	-	1,365
Benefit payments and administrative costs paid subsequent to the measurement date	533,146	600	533,746
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	57,036	57,036
Changes of assumptions	-	12,382	12,382
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	25,878	-	25,878

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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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, 2021 were \$83,490, which consisted of \$65,491 from the City and \$17,999 from the law enforcement officers. Contributions for the year ended June 30, 2021 for general employees were \$254,909, which consisted of \$188,765 from the City and \$66,144 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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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, 2021, the State contributed \$18,652,000 to the plan. The City of Conover's proportionate share of the State's contribution is \$22,724.

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, 2021, 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 \$44,085. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2021 and at June 30, 2020 was 0%.

For the year ended June 30, 2021, the City recognized pension expense of \$17,647 and revenue of \$17,647 for support provided by the State. At June 30, 2021, 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, 2019 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 Annual Comprehensive Financial Report 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	\$ 533,146
Benefit payments made and administrative expenses for LEOSSA	600
Differences between expected and actual experience	338,616
Changes of assumptions	405,461
Net difference between projected and actual	339,081
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>1,365</u>
Total	<u>\$ 1,618,269</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)	\$ 3,434	\$ 3,434
Taxes receivable, less penalties (General Fund)	-	51,038
Unavailable revenues	-	1,760
Changes in assumptions	12,382	-
Difference between expected and actual experience	57,036	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>25,878</u>	<u>-</u>
Total	<u>\$ 98,730</u>	<u>\$ 56,232</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 more than six years have passed since the claim arose, the City Attorney believes the matter is barred by the six-year statute of limitations (N.C.G.S. §1-50).

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. According to the City's Attorney, this is not a money claim. The City's Attorney, along with the co-defendant, has engaged in significant discovery, and moved for summary judgment. The motion was denied but the matter could be revisited by order. The matter is set for trial for the week of April 2022.

Long-Term Obligations

Installment Purchase:

Current Refunding – Installment Purchase Obligation

The current refunding was issued on August 6, 2020 as a new installment purchase obligation at an interest rate of 2.24% in the amount of \$2,897,132. Annual principal of \$193,143 plus interest will be paid annually on August 6 for 15 years. The proceeds from the installment paid off the USDA installment debt of \$1,193,804 on Fire Station #3 at an interest rate of 4.125%, USDA installment debt of \$1,033,256 on the Police Facility at an interest rate of 4.375%, USDA installment debt of \$662,784 for renovations to the public works facility at an interest rate of 4.25%, and \$7,288 for closing expenses. The current refunding was undertaken to reduce total future debt service costs by reducing interest rates and terms, and will result in an economic gain of \$747,597.

Year Ending June 30,	\$
2022	258,038
2023	253,712
2024	249,385
2025	245,059
2026-2036	<u>2,410,105</u>
	3,416,299
Less, amount representing interest	(<u>519,167</u>)
Present value of minimum installment purchase payments	<u>2,897,132</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,	\$
2022	51,853
2023	50,560
2024	49,267
2025	47,973
2026	<u>46,680</u>
	246,333
Less, amount representing interest	(<u>19,403</u>)
Present value of minimum installment purchase payments	<u>226,930</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,	\$
2022	230,000
2023	225,200
2024	220,400
2025	215,600
2026-2028	<u>518,000</u>
	1,409,200
Less, amount representing interest	(<u>109,200</u>)
Present value of minimum installment purchase payments	<u>1,300,000</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, 2021 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.	47,529
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.	244,772
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.	388,580
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.	471,203
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.	243,648
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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.	<u>1,276,448</u>
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Total long-term debt	<u><u>2,672,180</u></u>
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Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending June 30,	<u>Business-type Activities</u>	
	Principal \$	Interest \$
2022	223,402	2,448
2023	223,566	2,284
2024	199,966	2,119
2025	200,133	1,952
2026	200,302	1,783
2027-2031	960,923	6,324
2032-2036	<u>663,898</u>	<u>1,844</u>
Totals	<u><u>2,672,180</u></u>	<u><u>18,754</u></u>

At June 30, 2021 the City of Conover had no bonds authorized but unissued, a legal debt limit of \$99,262,724, which is 8% of assessed value, and a legal debt margin of \$92,166,482.

Changes in General Long-Term Liabilities

	Balance July 1, 2020 \$	Addition \$	Retirements \$	Balance June 30, 2021 \$	Current Portion of Balance \$
Governmental activities:					
Installment purchases	4,650,507	2,897,132	3,123,577	4,424,062	438,528
Net pension liability (LGERS)	1,423,113	369,646		1,792,759	
Total pension liability (LEO)	460,720	309,016		769,736	
Compensated absences	<u>349,521</u>	<u>192,846</u>	<u>188,062</u>	<u>354,305</u>	<u>190,636</u>
Governmental activity long-term liabilities	<u>6,883,861</u>	<u>3,768,640</u>	<u>3,311,639</u>	<u>7,340,862</u>	<u>629,164</u>
Business-type activities:					
<u>Water and Sewer Fund</u>					
Loans payable	2,895,419		223,239	2,672,180	250,460
Net pension liability (LGERS)	489,625	127,177		616,802	
Compensated absences	<u>54,550</u>	<u>23,934</u>	<u>31,249</u>	<u>47,235</u>	<u>27,058</u>
Business-type activity long-term liabilities	<u>3,439,594</u>	<u>151,111</u>	<u>254,488</u>	<u>3,336,217</u>	<u>277,518</u>

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

**C. Interfund Balances
and Activities**

Transfers from Other Funds:	\$
Transfer from General Fund to Solid Waste Capital Reserve Fund to increase reserves for future sanitation or recycling capital purchases from landfill fees collected in the General Fund	305,753
Transfer from General Fund to General Capital Reserve Fund to increase reserves for future capital purchases	367,703
Transfer from Solid Waste Capital Reserve Fund to General Fund to provide for costs related to the sanitation department	101,448
Transfer from Solid Waste Capital Reserve Fund to General Capital Project Fund for the purchase of sanitation capital equipment	218,300
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	157,060
Transfer from General Capital Reserve Fund to General Fund	120,000
Transfer from Facilities Maintenance Special Revenue Fund to General Fund to pay for maintenance of leased properties	88,714
Transfer residual equity from Conover Park Expansion Fund to General Fund to close out this capital project	1,010
Transfer from Priority Sidewalk Fund to Lyle Creek/N-C Middle School Thread Trail Extension Fund for purchase of land for Greenway Trail	1,965
Transfer from Coronavirus Relief Fund to General Fund for the purchase of equipment to mitigate the spread of COVID-19	173,794
Transfer from Fire Station #2 Fund to General Fund for Demolition work	<u>15,108</u>
Total transfers from other funds – Exhibit 4	<u><u>1,550,855</u></u>

Transfers to Other Funds:

	\$
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	305,753
Transfer to General Capital Reserve Fund from the General Fund to increase reserves for future capital purchases	367,703
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	101,448
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	218,300
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	157,060
Transfer to General Fund from General Capital Reserve Fund	120,000
Transfer to General Fund from the Facilities Maintenance Special Revenue Fund to pay for maintenance of lease properties	88,714
Transfer residual equity to General Fund from Conover Park Expansion Fund to close this capital project	1,010
Transfer to Lyle Creek/N-C Middle School Thread Trail Extension Fund from Priority Sidewalk Fund for purchase of land for Greenway Trail	1,965
Transfer to General Fund from Coronavirus Relief Fund for the purchase of equipment to mitigate the spread of COVID-19	173,794
Transfer to General Fund from Fire Station #2 Fund for demolition work	<u>15,108</u>
Total transfers to other funds – Exhibit 4	<u>1,550,855</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 \$9,298 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, 2021. 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	39,657,741	29,146,573	68,804,314
Less related debt	(4,424,062)	(2,672,180)	(7,096,242)
Net investment in capital assets	<u>35,233,679</u>	<u>26,474,393</u>	<u>61,708,072</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>\$ 9,887,654</i>
Less:	
Prepaid expenses	89,445
Stabilization by State Statute	1,526,197
Streets – Powell Bill	213,764
Public Safety – Law Enforcement	32,729
Capital Development	186,600
LEO Special Separation Allowance	120,774
Appropriated Fund Balance in 2021-2022 budget	483,863
Remaining Fund Balance	<u>7,234,282</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 \$135,114 outstanding encumbrances in non-major funds as of June 30, 2021, \$86,657 represents commitments in capital project ordinances.

Encumbrances	General Fund	MSC II Expansion Fund	Non-Major Funds
	\$ 277,078	\$ 7,556,970	\$ 135,114

**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 \$6,918 during the fiscal year ended June 30, 2021.

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 February 3, 2022. 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 Eight Fiscal Years *

	Local Government Employees' Retirement System							
	<u>2021</u>	<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) (%)	0.06743%	0.07004%	0.07304%	0.07491%	0.07206%	0.07841%	0.07977%	0.07977%
Conover's proportion of the net pension liability (asset) (\$)	\$ 2,409,561	\$ 1,912,738	\$ 1,732,759	\$ 1,144,417	\$ 1,529,354	\$ 351,900	\$(470,440)	\$ 913,681
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	\$ 3,782,427
Conover's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	47.95%	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 **	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

* 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 Eight Fiscal Years

	Local Government Employees' Retirement System							
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 533,146	\$ 462,486	\$ 384,574	\$ 367,424	\$ 332,133	\$ 294,302	\$ 293,980	\$ 285,047
Contributions in relation to the contractually required contribution	<u>533,146</u>	<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>	\$ <u>0</u>
Conover's covered payroll	\$ 5,129,224	\$ 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 payroll	10.40%	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 Seven Fiscal Years *

	Local Government Employees' Retirement System						
	<u>2021</u>	<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 (%)	0.0000%	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	\$ 0
State's proportionate share of the net pension liability associated with the City of Conover	<u>44,085</u>	<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>\$ 44,085</u>	<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	\$ 907,782	\$ 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 payroll	4.85%	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%	91.45%

* 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, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 460,720	\$ 469,368	\$ 426,259	\$ 436,969	\$ 431,626
Service Cost	27,167	24,909	31,632	24,241	24,491
Interest on the total pension liability	15,012	16,856	13,271	16,624	15,004
Difference between expected and actual experience	22,600	(50,477)	28,988	(64,407)	-
Changes of assumptions or other inputs	244,721	12,657	(18,189)	25,425	(11,478)
Benefit payments	(484)	(12,593)	(12,593)	(12,593)	(22,674)
Other changes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance of the total pension liability	\$ <u>769,736</u>	\$ <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, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 769,736	\$ 460,720	\$ 469,368	\$ 426,259	\$ 436,969
Covered payroll	1,318,622	1,248,903	1,163,845	1,078,273	1,093,938
Total pension liability as a percentage of covered payroll	58.37%	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.

MSC Phase II Expansion Fund - This fund is used to account for the construction of a new building for Manufacturing Solutions Center (MSC) Phase II for the purpose of a PPE equipment and testing laboratory. The building is funded with North Carolina general fund appropriations.

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, 2021

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
Revenues:			
Ad valorem taxes:			
Current year	5,528,761	6,154,537	625,776
Prior year	50,000	72,331	22,331
Penalties and interest	<u>18,000</u>	<u>22,046</u>	<u>4,046</u>
Total	<u>5,596,761</u>	<u>6,248,914</u>	<u>652,153</u>
Other taxes and licenses:			
Gross receipts tax on short-term rental property	800	1,700	900
Licenses and permits	510	510	
Motor vehicle tag tax	<u>239,000</u>	<u>255,690</u>	<u>16,690</u>
Total	<u>240,310</u>	<u>257,900</u>	<u>17,590</u>
Unrestricted intergovernmental:			
Local option sales tax	1,877,516	2,733,789	856,273
Electricity sales tax	811,800	783,691	(28,109)
Piped natural gas sales tax	34,700	41,144	6,444
Telecommunications sales tax	77,400	69,162	(8,238)
Video program sales tax	56,130	54,634	(1,496)
Beer and wine tax	<u>36,530</u>	<u>35,672</u>	<u>(858)</u>
Total	<u>2,894,076</u>	<u>3,718,092</u>	<u>824,016</u>
Restricted intergovernmental:			
NC Department of Commerce –			
Demolition Grant	67,950	50,441	(17,509)
Powell Bill allocation	222,571	234,916	12,345
Investment earnings on			
Powell Bill allocation	1,000	121	(879)
FEMA-COVID allocations	36,802	34,288	(2,514)
NC Department of Public			
Safety-COVID allocations	7,545	2,515	(5,030)
Fines and forfeitures	610	1,615	1,005
Interest on federal			
forfeitures and seizures	110	8	(102)
Contribution – Catawba County	95,500	95,500	
On-behalf of payments – fire	35,500	32,022	(3,478)
Solid waste disposal fees	6,310	6,392	82
FEMA-Fire Safer recruitment and retention	<u>147,542</u>	<u>144,509</u>	<u>(3,033)</u>
Total	<u>621,440</u>	<u>602,327</u>	<u>(19,113)</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, 2021

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
Permits and fees:			
Development and inspection fees	<u>17,300</u>	<u>25,495</u>	<u>8,195</u>
Sales and services:			
Court costs, fees, and charges	2,500	1,922	(578)
Cemetery revenues	6,000	16,000	10,000
County waste disposal fees	515,000	524,556	9,556
Sales of recycled materials	3,000	3,610	610
ABC recycling fees	<u>1,370</u>	<u>1,440</u>	<u>70</u>
Total	<u>527,870</u>	<u>547,528</u>	<u>19,658</u>
Investment earnings	<u>50,100</u>	<u>1,485</u>	(48,615)
Miscellaneous:			
Rental income	17,000	20,929	3,929
Contributions	38,876	79,152	40,276
Miscellaneous - other	<u>105,714</u>	<u>95,686</u>	(10,028)
Total	<u>161,590</u>	<u>195,767</u>	<u>34,177</u>
Total revenues	<u>10,109,447</u>	<u>11,597,508</u>	<u>1,488,061</u>

Expenditures:

General government:

Government body:

Special compensation	31,200	30,775	425
Professional services	21,000	17,627	3,373
Travel and training	12,930	4,840	8,090
Departmental supplies	2,500	2,542	(42)
Insurance	5,800	7,323	(1,523)
Dues and subscriptions	20,950	22,350	(1,400)
Other operating expenses	<u>17,065</u>	<u>10,319</u>	<u>6,746</u>
Total	<u>111,445</u>	<u>95,776</u>	<u>15,669</u>

Administration:

Salaries and wages	265,045	272,617	(7,572)
Employee benefits	101,095	98,488	2,607
Professional services	21,000	21,898	(898)
Travel and training	13,100	14,056	(956)

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, 2021

	Budget	Actual	Variance
	\$	\$	Positive (Negative)
			\$
General government (cont'd)			
Administration (cont'd):			
Insurance	5,875	4,797	1,078
Contracted services	59,240	63,723	(4,483)
Telephone and postage	7,500	2,890	4,610
Departmental supplies	14,300	13,836	464
Other operating expenses	<u>21,235</u>	<u>7,977</u>	<u>13,258</u>
Total	<u>508,390</u>	<u>500,282</u>	<u>8,108</u>
Planning department:			
Salaries and wages	155,464	161,188	(5,724)
Employee benefits	56,542	55,506	1,036
Contracted services	54,000	41,335	12,665
Professional services	64,400	16,234	48,166
Insurance	7,200	6,116	1,084
Other operating expenses	<u>23,400</u>	<u>11,000</u>	<u>12,400</u>
Total	<u>361,006</u>	<u>291,379</u>	<u>69,627</u>
Information technology:			
Salaries and wages	82,178	82,527	(349)
Employee benefits	32,787	31,426	1,361
Contracted services	232,934	219,112	13,822
Professional services	6,000	3,763	2,237
Insurance	4,480	3,834	646
Capital outlay	11,000		11,000
Other operating expenses	<u>52,380</u>	<u>27,033</u>	<u>25,347</u>
Total	<u>421,759</u>	<u>367,695</u>	<u>54,064</u>
City attorney:			
Special compensation	4,200	3,500	700
Professional services	34,000	33,344	656
Other operating expenses	<u>3,100</u>	<u>1,539</u>	<u>1,561</u>
Total	<u>41,300</u>	<u>38,383</u>	<u>2,917</u>
City Hall:			
Insurance	2,835	2,296	539
Utilities	23,210	15,035	8,175
Contracted services	17,220	15,990	1,230
Other operating expenses	<u>34,100</u>	<u>12,827</u>	<u>21,273</u>
Total	<u>77,365</u>	<u>46,148</u>	<u>31,217</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, 2021

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
General government (cont'd)			
Conover Station:			
Insurance and bonds	3,114	3,032	82
Utilities	44,100	38,439	5,661
Contracted services	57,000	52,459	4,541
Other operating expenses	<u>23,100</u>	<u>14,091</u>	<u>9,009</u>
Total	<u>127,314</u>	<u>108,021</u>	<u>19,293</u>
Fleet maintenance:			
Salaries and wages	163,495	137,279	26,216
Employee benefits	65,370	57,828	7,542
Vehicle expense	10,900	4,917	5,983
Contracted services	7,984	4,057	3,927
Other operating expenses	<u>22,850</u>	<u>13,332</u>	<u>9,518</u>
Total	<u>270,599</u>	<u>217,413</u>	<u>53,186</u>
Public works department:			
Salaries and wages	170,500	165,837	4,663
Employee benefits	63,020	60,883	2,137
Insurance	12,075	9,898	2,177
Utilities	28,500	22,310	6,190
Departmental supplies	8,700	6,891	1,809
Vehicle expense	7,000	3,562	3,438
Other operating expenses	<u>31,650</u>	<u>26,132</u>	<u>5,518</u>
Total	<u>321,445</u>	<u>295,513</u>	<u>25,932</u>
Cemetery and parks:			
Salaries and wages	234,607	204,297	30,310
Employee benefits	105,086	87,258	17,828
Grounds maintenance	84,910	53,653	31,257
Professional services	17,500	16,852	648
Contracted services	38,930	28,856	10,074
Insurance	8,400	8,815	(415)
Other operating expenses	<u>77,005</u>	<u>59,997</u>	<u>17,008</u>
Total	<u>566,438</u>	<u>459,728</u>	<u>106,710</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, 2021

	Budget	Actual	Variance
	\$	\$	Positive (Negative) \$
General government (cont'd)			
Nondepartmental:			
Contracted services	187,264	186,952	312
Financial software	110,136	24,282	85,854
Other operating expenses	<u>288,302</u>	<u>178,038</u>	<u>110,264</u>
Total	<u>585,702</u>	<u>389,272</u>	<u>196,430</u>
Total general government	<u>3,392,763</u>	<u>2,809,610</u>	<u>583,153</u>
Public safety:			
Police department:			
Salaries and wages	1,640,113	1,450,445	189,668
Employee benefits	595,630	506,996	88,634
Vehicle expense	87,824	72,403	15,421
Insurance	73,000	60,083	12,917
Supplies and uniform	69,294	27,034	42,260
Travel and training	22,000	8,754	13,246
Capital outlay	263,017	147,551	115,466
Other operating expenses	<u>244,410</u>	<u>116,513</u>	<u>127,897</u>
Total	<u>2,995,288</u>	<u>2,389,779</u>	<u>605,509</u>
Fire department:			
Salaries and wages	958,544	907,782	50,762
Professional services	8,200	5,925	2,275
Employee benefits	365,415	330,221	35,194
Utilities	40,850	34,279	6,571
Vehicle expense	65,225	63,852	1,373
Uniforms	63,119	60,432	2,687
Departmental supplies	59,258	60,783	(1,525)
Insurance	66,150	59,172	6,978
Capital outlay	57,571	56,623	948
Other operating expenses	<u>295,387</u>	<u>251,490</u>	<u>43,897</u>
Total	<u>1,979,719</u>	<u>1,830,559</u>	<u>149,160</u>
Total public safety	<u>4,975,007</u>	<u>4,220,338</u>	<u>754,669</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, 2021

	Budget	Actual	Variance
	\$	\$	Positive (Negative)
			\$
Transportation:			
Street department:			
Salaries and wages	310,438	302,438	8,000
Employee benefits	129,000	117,139	11,861
Utilities	331,123	266,051	65,072
Professional services	10,300	11,833	(1,533)
Vehicle expense	57,655	33,718	23,937
Departmental supplies	35,000	27,965	7,035
Insurance	21,000	14,052	6,948
Contracted services	94,085	90,456	3,629
Capital outlay	26,700	5,448	21,252
Other operating expenses	<u>183,584</u>	<u>63,633</u>	<u>119,951</u>
Total	<u>1,198,885</u>	<u>932,733</u>	<u>266,152</u>
Street department - Powell Bill:			
Salaries and wages	43,119	25,353	17,766
Employee benefits	16,831	10,759	6,072
Professional services	2,000	679	1,321
Departmental supplies	13,500	8,441	5,059
Repairs - streets	186,362	174,366	11,996
Other operating expenses	<u>7,000</u>	<u>3,444</u>	<u>3,556</u>
Total	<u>268,812</u>	<u>223,042</u>	<u>45,770</u>
Total transportation	<u>1,467,697</u>	<u>1,155,775</u>	<u>311,922</u>
Environmental protection:			
Sanitation and recycle:			
Salaries and wages	380,217	355,286	24,931
Employee benefits	165,464	150,090	15,374
Landfill rent and fees	110,000	117,930	(7,930)
Vehicle expense	101,700	87,998	13,702
Contracted services	89,690	66,727	22,963
Insurance	24,150	22,695	1,455
Other operating expenses	<u>61,160</u>	<u>37,816</u>	<u>23,344</u>
Total environmental protection	<u>932,381</u>	<u>838,542</u>	<u>93,839</u>
Debt service:			
Principal retirement	309,435	226,445	82,990
Interest	<u>157,350</u>	<u>138,708</u>	<u>18,642</u>
Total debt service	<u>466,785</u>	<u>365,153</u>	<u>101,632</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, 2021

	Budget	Actual	Variance
	\$	\$	Positive (Negative) \$
Total expenditures	<u>11,234,633</u>	<u>9,389,418</u>	<u>1,845,215</u>
Revenues over (under) expenditures	(<u>1,125,186</u>)	<u>2,208,090</u>	<u>3,333,276</u>
Other financing sources (uses):			
Transfers to other funds:			
Capital Project Fund - Solid			
Waste Capital Reserve Fund	(305,753)	(305,753)	
Capital Project Fund –			
General Capital Reserve Fund	(367,703)	(367,703)	
Transfers from other funds:			
Capital Project Fund – General			
Capital Reserve Fund	120,000	120,000	
Capital Project Fund – Solid			
Waste Capital Reserve Fund	101,448	101,448	
Special Revenue Fund –			
Facilities Maintenance Fund	88,714	88,714	
Capital Project Fund –			
Coronavirus Relief Fund	173,794	173,794	
Capital Project Fund – Fire			
Station #2 Demo and			
Reconstruction Fund	15,108	15,108	
Residual Equity Transfer from			
Capital Project Fund - Conover Park			
Expansion Fund	1,010	1,010	
Installment purchase obligation	2,897,132	2,897,132	
Retirement of installment			
purchase obligation	(<u>2,889,843</u>)	(<u>2,889,843</u>)	
Total other financing			
sources (uses)	(<u>166,093</u>)	(<u>166,093</u>)	<u>0</u>
Fund balance appropriated	<u>1,291,279</u>		(<u>1,291,279</u>)
Net change in fund balance	<u>0</u>	2,041,997	<u>2,041,997</u>
Fund balances, beginning		<u>7,845,657</u>	
Fund balances, ending		<u>9,887,654</u>	

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

From Inception and For the Fiscal Year Ended June 30, 2021

	Project Authorization \$	Prior Year \$	Actual Current Year \$	Total to Date \$	Variance Positive (Negative) \$
Revenues:					
Interest income	1,000		1,073	1,073	73
Developer contribution	3,353,946				(3,353,946)
NC State appropriation	<u>9,000,000</u>	<u> </u>	<u>957,781</u>	<u>957,781</u>	<u>(8,042,219)</u>
Total revenues	<u>12,354,946</u>	<u> 0</u>	<u>958,854</u>	<u>958,854</u>	<u>(11,396,092)</u>
Expenditures:					
Construction	<u>12,354,946</u>	<u> </u>	<u>860,175</u>	<u>860,175</u>	<u>11,494,771</u>
Total expenditures	<u>12,354,946</u>	<u> 0</u>	<u>860,175</u>	<u>860,175</u>	<u>11,494,771</u>
Net change in fund balance	<u> 0</u>	<u> 0</u>	98,679	<u>98,679</u>	<u>98,679</u>
Fund balance, beginning			<u> 0</u>		
Fund balance, ending			<u>98,679</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.

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 withing the city limits of Conover.

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.

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.

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.

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.

Coronavirus Relief Fund – This fund provides for PPE gear and equipment to mitigate the spread of COVID-19.

Arhaus Economic Development Fund – This fund provides for the construction of public utilities needed to service the new Arhaus Furnishings building off I-40.

Nufabrx PPE Manufacturing Economic Development Fund – This fund provides for the purchase and renovation of an existing downtown building for the purpose of jobs creation and to increase the tax base.

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 of the General Fund.

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

CITY OF CONOVER, NORTH CAROLINA

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2021

	Special Revenue Fund			Capital Project Funds											
	Facilities Maintenance Fund \$	Neighborhood Revitalization Scattered Site Housing Fund \$	Star Snax Economic Development Fund \$	Priority Sidewalk Fund \$	Solid Waste Capital Reserve Fund \$	Conover Park Expansion Fund \$	First Avenue Area Bike/ Pedestrian Fund \$	Lyle Creek/ N-C Middle School Thread Trail Ext. Fund \$	Fire Station #2 Demolition And Reconst. \$	Corona- Virus Relief Fund \$	Arhaus Economic Development Fund \$	Nufabrx PPE Mfg. Economic Development Fund \$	General Capital Project Fund \$	General Capital Reserve Fund \$	Total \$
Assets															
Cash and cash equivalents	37,567			10,105	795,326		33,650	22,800					53,693	1,288,355	2,185,046
Restricted cash															
Due from other governments		19,771										22,131			41,902
Total assets	<u>37,567</u>	<u>19,771</u>	<u>0</u>	<u>10,105</u>	<u>795,326</u>	<u>0</u>	<u>33,650</u>	<u>22,800</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>22,131</u>	<u>53,693</u>	<u>1,288,355</u>	<u>2,283,398</u>
Liabilities and Fund Balances															
Liabilities:															
Accounts payable		6,499													6,499
Unearned revenue	8,711														8,711
Due to other funds		13,272										22,131			35,403
Total liabilities	<u>8,711</u>	<u>19,771</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>22,131</u>	<u>0</u>	<u>0</u>	<u>50,613</u>
Fund balances:															
Restricted															
Stabilization by State Statute		79,559										49,000	48,457		177,016
Capital development							33,650	22,800							56,450
Committed															
Capital development				10,105	795,326								5,236	1,288,355	2,099,022
Maintenance	28,856														28,856
Unassigned fund balance		(79,559)										(49,000)			(128,559)
Total fund balance	<u>28,856</u>	<u>0</u>	<u>0</u>	<u>10,105</u>	<u>795,326</u>	<u>0</u>	<u>33,650</u>	<u>22,800</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>53,693</u>	<u>1,288,355</u>	<u>2,232,785</u>
Total liabilities and fund balance	<u>37,567</u>	<u>19,771</u>	<u>0</u>	<u>10,105</u>	<u>795,326</u>	<u>0</u>	<u>33,650</u>	<u>22,800</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>22,131</u>	<u>53,693</u>	<u>1,288,355</u>	<u>2,283,398</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, 2021

	Special Revenue Fund			Capital Project Funds											
	Facilities Maintenance Fund \$	Neighborhood Revitalization Scattered Site Housing Fund \$	Star Snax Economic Development Fund \$	Priority Sidewalk Fund \$	Solid Waste Capital Reserve Fund \$	Conover Park Expansion Fund \$	First Avenue Area Bike/ Pedestrian Fund \$	Lyle Creek/ N-C Middle School Thread Trail Ext. Fund \$	Fire Station #2 Demolition And Reconst. \$	Corona- Virus Relief Fund \$	Arhaus Economic Development Fund \$	Nufabrx PPE Mfg. Economic Development Fund \$	General Capital Project Fund \$	General Capital Reserve Fund \$	Total \$
Revenues:															
Restricted															
intergovernmental		91,961								173,794		22,131			287,886
Permits and fees				2,380											2,380
Investment earnings	22			6	365									668	1,061
Rental income	98,458													99,668	198,126
Total revenues	98,480	91,961	0	2,386	365	0	0	0	0	173,794	0	22,131	0	100,336	489,453
Expenditures:															
General government		91,961	13,307												105,268
Capital outlay						6,950		1,000					627,011		634,961
Economic development												22,131			22,131
Total expenditures	0	91,961	13,307	0	0	6,950	0	1,000	0	0	0	22,131	627,011	0	762,360
Revenues over (under)															
expenditures	98,480	0	(13,307)	2,386	365	(6,950)	0	(1,000)	0	173,794	0	0	(627,011)	100,336	(272,907)
Other financing															
sources (uses):															
Sale of capital assets														45,771	45,771
Transfer from															
other funds					305,753			1,965					375,360	367,703	1,050,781
Transfer to															
other funds	(88,714)			(1,965)	(319,748)	(1,010)			(15,108)	(173,794)				(277,060)	(877,399)
Total other financing															
sources (uses)	(88,714)	0	0	(1,965)	(13,995)	(1,010)	0	1,965	(15,108)	(173,794)	0	0	375,360	136,414	219,153
Net change in															
fund balances	9,766	0	(13,307)	421	(13,630)	(7,960)	0	965	(15,108)	0	0	0	(251,651)	236,750	(53,754)
Fund balances,															
beginning	19,090	0	13,307	9,684	808,956	7,960	33,650	21,835	15,108	0	0	0	305,344	1,051,605	2,286,539
Fund balances, ending	28,856	0	0	10,105	795,326	0	33,650	22,800	0	0	0	0	53,693	1,288,355	2,232,785

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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, 2021

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
Revenues:			
Rental income	94,000	98,458	4,458
Interest income	<u>100</u>	<u>22</u>	(<u>78</u>)
Total revenues	94,100	98,480	4,380
Expenditures:			
Maintenance and repairs - building	<u>0</u>	<u>0</u>	<u>0</u>
Revenues over expenditures	<u>94,100</u>	<u>98,480</u>	<u>4,380</u>
Other financing (uses):			
Transfer to General Fund	(88,714)	(88,714)	
Reserved for future projects	(<u>5,386</u>)	<u> </u>	<u>5,386</u>
Total other financing (uses)	(<u>94,100</u>)	(<u>88,714</u>)	<u>5,386</u>
Net change in fund balance	<u>0</u>	9,766	<u>9,766</u>
Fund balance, beginning		<u>19,090</u>	
Fund balance, ending		<u>28,856</u>	

CITY OF CONOVER, NORTH CAROLINA**Special Revenue 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, 2021

		Actual			
	Project	Variance			
	Authorization	Prior	Current	Total to	Positive
	\$	Year	Year	Date	(Negative)
		\$	\$	\$	\$
Revenues:					
CDBG Grant	<u>750,000</u>	<u> </u>	<u>91,961</u>	<u>91,961</u>	(<u>658,039</u>)
Expenditures:					
Professional services	12,000				12,000
Rehabilitation	670,000		43,530	43,530	626,470
Contracted services-					
WPCOG	65,500		48,216	48,216	17,284
Administration	<u>2,500</u>	<u> </u>	<u>215</u>	<u>215</u>	<u>2,285</u>
Total expenditures	<u>750,000</u>	<u>0</u>	<u>91,961</u>	<u>91,961</u>	<u>658,039</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
Special Revenue 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, 2021

	Project	Actual		Total to	Variance
	Authorization	Prior	Current	Date	Positive
	\$	Year	Year	\$	(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>11,693</u>	<u>13,307</u>	<u>25,000</u>	<u> </u>
Total expenditures	<u>525,000</u>	<u>11,693</u>	<u>13,307</u>	<u>25,000</u>	<u>500,000</u>
(Deficiency) of revenues over (under) expenses	(25,000)	(11,693)	(13,307)	(25,000)	
Other financing sources:					
Transfer from General Fund	<u>25,000</u>	<u>25,000</u>	<u> </u>	<u>25,000</u>	<u> </u>
Net change in fund balance	<u>0</u>	<u>13,307</u>	(13,307)	<u>0</u>	<u>0</u>
Fund balance, beginning			<u>13,307</u>		
Fund balance, ending			<u>0</u>		

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

For the Fiscal Year Ended June 30, 2021

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
Revenues:			
Permits and fees	100	2,380	2,280
Interest income	<u>20</u>	<u>6</u>	(<u>14</u>)
Total revenues	<u>120</u>	<u>2,386</u>	<u>2,266</u>
Other financing (uses):			
Transfer to Lyle Creek/NC			
Middle School Thread Trail	(1,965)	(1,965)	
Reserve for future project	(<u>120</u>)	<u> </u>	<u>120</u>
Total other financing (uses)	(<u>2,085</u>)	(<u>1,965</u>)	<u>120</u>
Fund balance appropriated	<u>1,965</u>	<u> </u>	(<u>1,965</u>)
Net change in fund balance	<u>0</u>	421	<u>421</u>
Fund balance, beginning		<u>9,684</u>	
Fund balance, ending		<u>10,105</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, 2021

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
Revenues:			
Investment earnings	<u>1,500</u>	<u>365</u>	(<u>1,135</u>)
Other financing sources (uses):			
Transfer from:			
General Fund	305,753	305,753	
Transfer to:			
Capital Project Fund – General			
Capital Project Fund	(218,300)	(218,300)	
General Fund	(101,448)	(101,448)	
Reserved for:			
Sanitation/recycling equipment	(271,250)		271,250
Recycling/material handling	(<u>7,700</u>)	<u> </u>	<u>7,700</u>
Total other financing			
sources (uses)	(<u>292,945</u>)	(<u>13,995</u>)	<u>278,950</u>
Fund balance appropriated	<u>291,445</u>	<u> </u>	(<u>291,445</u>)
Net change in fund balance	<u>0</u>	(13,630)	(<u>13,630</u>)
Fund balance, beginning		<u>808,956</u>	
Fund balance, ending		<u>795,326</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, 2021

		Actual			
	Project	Variance			
	Authorization	Prior	Current	Total to	Positive
	\$	Year	Year	Date	(Negative)
		\$	\$	\$	\$
Revenues:					
PARTF grant	119,992	119,992		119,992	
Contributions	<u>46,000</u>	<u>46,000</u>	<u> </u>	<u>46,000</u>	<u>0</u>
Total revenues	165,992	165,992	0	165,992	0
Expenditures:					
Capital outlay	<u>496,922</u>	<u>489,972</u>	<u>6,950</u>	<u>496,922</u>	<u>0</u>
(Deficiency) of revenues over (under) expenditures	(<u>330,930</u>)	(<u>323,980</u>)	(<u>6,950</u>)	(<u>330,930</u>)	<u>0</u>
Other financing sources (uses):					
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	66,777	66,777		66,777	
Southwest Cemetery					
Expansion Fund	37,993	37,993		37,993	
Contour/Terra Mulch					
Economic Development	3,503	3,503		3,503	
GKN Economic					
Development Fund	32,509	32,509		32,509	
Transfer residual equity to General Fund	(<u>1,010</u>)	<u> </u>	(<u>1,010</u>)	(<u>1,010</u>)	<u> </u>
Total other financing sources (uses)	<u>330,930</u>	<u>331,940</u>	(<u>1,010</u>)	<u>330,930</u>	<u>0</u>
Net change in fund balance	<u>0</u>	<u>7,960</u>	(<u>7,960</u>)	<u>0</u>	<u>0</u>
Fund balance, beginning			<u>7,960</u>		
Fund balance, ending			<u>0</u>		

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

From Inception and For the Fiscal Year Ended June 30, 2021

	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, 2021

	Project	Prior	Actual	Total to	Variance
	Authorization	Year	Current	Date	Positive
	\$	\$	Year	\$	(Negative)
			\$		\$
Revenues:					
Carolina Thread Trail Grant	<u>19,850</u>	<u>19,850</u>	<u> </u>	<u>19,850</u>	<u>0</u>
Expenditures:					
Property purchase	<u>23,800</u>	<u> </u>	<u>1,000</u>	<u>1,000</u>	<u>22,800</u>
Total expenditures	<u>23,800</u>	<u>0</u>	<u>1,000</u>	<u>1,000</u>	<u>22,800</u>
Revenues over (under)					
expenditures	(3,950)	19,850	(1,000)	18,850	22,800
Other financing sources:					
Transfer from Capital					
Project Fund - Priority					
Sidewalk Fund	<u>3,950</u>	<u>1,985</u>	<u>1,965</u>	<u>3,950</u>	<u> </u>
Net change in fund balance	<u>0</u>	<u>21,835</u>	965	<u>22,800</u>	<u>22,800</u>
Fund balance, beginning			<u>21,835</u>		
Fund balance, ending			<u>22,800</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, 2021

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
	\$	\$	\$	\$	\$
Revenues:					
Interest income	<u>1,000</u>	<u>141</u>	<u> </u>	<u>141</u>	<u>(859)</u>
Expenditures:					
Demolition and construction	1,863,530	1,853,209		1,853,209	10,321
Equipment	<u>55,000</u>	<u>54,261</u>	<u> </u>	<u>54,261</u>	<u>739</u>
Total expenditures	<u>1,918,530</u>	<u>1,907,470</u>	<u>0</u>	<u>1,907,470</u>	<u>11,060</u>
Revenues over (under) expenditures	<u>(1,917,530)</u>	<u>(1,907,329)</u>	<u>0</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)	(15,108)	(54,371)	(10,201)
General Capital Reserve Fund	<u>(38,300)</u>	<u>(38,300)</u>	<u> </u>	<u>(38,300)</u>	<u> </u>
Total other financing sources (uses)	<u>1,917,530</u>	<u>1,922,437</u>	<u>(15,108)</u>	<u>1,907,329</u>	<u>(10,201)</u>
Net change in fund balance	<u>0</u>	<u>15,108</u>	<u>(15,108)</u>	<u>0</u>	<u>0</u>
Fund balance, beginning			<u>15,108</u>		
Fund balance, ending			<u>0</u>		

CITY OF CONOVER, NORTH CAROLINA
Capital Project Fund – Coronavirus Relief Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2021

		Actual			
	Project	Variance			
	Authorization	Prior	Current	Total to	Positive
	\$	Year	Year	Date	(Negative)
		\$	\$	\$	\$
Revenues:					
CARES Act distribution	173,794		173,794	173,794	
Other financing (uses):					
Transfer to General Fund	(173,794)	0	(173,794)	(173,794)	0
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 – Arhaus Economic Development Fund****Schedule of Revenue, Expenditures, and Changes in Fund Balance****Budget and Actual**

From Inception and for the Fiscal Year Ended June 30, 2021

	Project Authorization \$	Prior Year \$	Current Year \$	Total to Date \$	Positive (Negative) \$
Revenues:					
CARES Act distribution	268,000				(268,000)
Expenditures:					
Economic development – Industrial	(268,000)				268,000
Net change in fund balance	<u>0</u>	<u>0</u>	0	<u>0</u>	<u>0</u>
Fund balance, beginning			0		
Fund balance, ending			<u>0</u>		

CITY OF CONOVER, NORTH CAROLINA**Capital Project Fund – Nufabrx PPE Manufacturing 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, 2021

	Project		Actual		Variance
	Authorization	Prior	Current	Total to	Positive
	\$	Year	Year	Date	(Negative)
		\$	\$	\$	\$
Revenues:					
CDBG Grant	<u>850,000</u>	<u> </u>	<u>22,131</u>	<u>22,131</u>	<u>(827,869)</u>
Expenditures:					
Administration	1,000				1,000
WPCOG – contracted services	49,000		22,131	22,131	26,869
Construction	<u>800,000</u>	<u> </u>	<u> </u>	<u> </u>	<u>800,000</u>
Total expenditures	<u>850,000</u>	<u>0</u>	<u>22,131</u>	<u>22,131</u>	<u>827,869</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 – General Capital Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2021

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
Expenditures:			
Capital outlay	<u>755,644</u>	<u>627,011</u>	<u>128,633</u>
Other financing sources:			
Transfer from:			
Capital Project Fund -			
General Capital Reserve Fund	232,000	157,060	(74,940)
Capital Project Fund –			
Solid Waste Capital Reserve Fund	<u>218,300</u>	<u>218,300</u>	<u> </u>
Total other financing sources	<u>450,300</u>	<u>375,360</u>	<u>(74,940)</u>
Fund balance appropriated	<u>305,344</u>	<u> </u>	<u>(305,344)</u>
Net change in fund balance	<u>0</u>	(251,651)	<u>(251,651)</u>
Fund balance, beginning		<u>305,344</u>	
Fund balance, ending		<u>53,693</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, 2021

	Budget	Actual	Variance
	\$	\$	Positive (Negative)
			\$
Revenues:			
Investment earnings	3,000	668	(2,332)
Miscellaneous revenues	<u>92,930</u>	<u>99,668</u>	<u>6,739</u>
Total revenues	<u>95,930</u>	<u>100,336</u>	<u>4,407</u>
Other financing sources (uses):			
Proceeds from the sale of capital assets	1,000	45,771	44,771
Transfer from:			
General Fund	367,703	367,703	
Transfer to:			
General Capital Project Fund	(232,000)	(157,060)	74,940
General Fund	(120,000)	(120,000)	
Reserved for police technology	(70,000)		70,000
Reserved for fleet equipment	(25,000)		15,000
Reserved for police vests	(21,250)		21,250
Reserved for police equipment	(10,000)		10,000
Reserved for fire equipment	(131,572)		131,572
Reserved for public works equipment	(119,000)		119,000
Reserved for cemeteries/parks equipment	(43,233)		43,233
Reserved for streets	(28,900)		28,900
Reserved for future projects	(<u>29,345</u>)	<u> </u>	<u>29,345</u>
Total other financing sources (uses)	(<u>461,597</u>)	<u>136,414</u>	<u>598,011</u>
Fund balance appropriated	<u>365,667</u>	<u> </u>	(<u>365,667</u>)
Net change in fund balance	<u>0</u>	236,750	<u>236,751</u>
Fund balance, beginning		<u>1,051,605</u>	
Fund balance, ending		<u>1,288,355</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, 2021

	Budget	Actual	Variance
	\$	\$	Positive (Negative)
			\$
Revenues:			
Operating revenues:			
Charges for services:			
Water sales	2,741,800	2,704,528	(37,272)
Sewer charges	2,389,723	2,383,875	(5,848)
Fire protection charges	35,590	35,860	270
Water connection fees	37,000	51,600	14,600
Sewer tap fees	9,500	13,150	3,650
Delinquent charges	67,000	74,366	7,366
Miscellaneous	900	979	79
Revenue SE Catawba County	<u>15,500</u>	<u>16,750</u>	<u>1,250</u>
Total operating revenues	<u>5,297,013</u>	<u>5,281,108</u>	<u>(15,905)</u>
Nonoperating revenues:			
Investment earnings	8,000	433	(7,567)
Sale of fixed assets	<u>1,000</u>	<u>5,605</u>	<u>4,605</u>
Total nonoperating revenues	<u>9,000</u>	<u>6,038</u>	<u>(2,962)</u>
Total revenues	<u>5,306,013</u>	<u>5,287,146</u>	<u>(18,867)</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, 2021

	Budget	Actual	Variance
	\$	\$	Positive (Negative)
			\$
Expenditures:			
Operating expenditures:			
Purchases for resale	802,481	745,706	56,775
Salaries and wages	1,369,979	1,209,786	160,193
Professional services	32,000	10,148	21,852
Telephone alarm system	750	105	645
Telephone	8,500	7,137	1,363
Utilities	120,541	92,390	28,151
Travel and training	7,800	6,473	1,327
Maintenance and repairs - equipment and lines	182,037	119,596	62,441
Maintenance and repairs - vehicles	28,800	20,864	7,936
Maintenance and repairs - building and grounds	8,500	2,522	5,978
Automotive supplies	59,200	44,337	14,863
Departmental supplies	179,848	172,441	7,407
Contracted services	513,884	420,415	93,469
Miscellaneous	11,000	2,013	8,987
Payroll taxes	104,763	89,215	15,548
Retirement expense	208,327	178,814	29,513
Group insurance	153,701	130,875	22,826
Employee benefits	800	1,437	(637)
Uniforms	12,100	12,282	(182)
Advertising	5,500	4,507	993
Dues and subscriptions	5,600	4,495	1,105
Insurance and bonds	47,250	40,812	6,438
Unemployment reserve	2,000	2,000	
Software	110,136	24,282	85,854
Other operating expenses	5,000	2,140	2,860
Total operating expenditures	<u>3,980,497</u>	<u>3,344,792</u>	<u>635,705</u>
Debt service:			
Interest and service charges	2,615	2,610	5
Debt principal	<u>223,239</u>	<u>223,239</u>	
Total debt service	<u>225,854</u>	<u>225,849</u>	<u>5</u>
Capital outlay:			
Equipment	<u>20,000</u>	<u>5,309</u>	<u>14,691</u>
Total expenditures	<u>4,226,351</u>	<u>3,575,950</u>	<u>650,401</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, 2021

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
Revenues over expenditures	<u>1,079,662</u>	<u>1,711,196</u>	<u>631,534</u>
Other financing sources (uses):			
Transfer from:			
Water and Sewer			
Improvement Fund	51,695	8,384	(43,311)
Transfer to:			
Enterprise Fund – Water and			
Sewer Capital Reserve Fund	(1,207,170)	(1,212,382)	(5,212)
Enterprise Fund – Water and			
Sewer Capital Project Fund	(344,240)	(344,240)	
Enterprise Fund – Water and			
Sewer Improvement Fund	(<u>394,437</u>)	(<u>394,437</u>)	<u> </u>
Total other financing			
sources (uses)	(<u>1,894,152</u>)	(<u>1,942,675</u>)	(<u>48,523</u>)
Retained earnings appropriated	<u>814,490</u>	<u> </u>	(<u>814,490</u>)
Revenues and other financing			
sources over (under) expenditures			
and other financing uses	<u> 0</u>	(<u>231,479</u>)	(<u>231,479</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, 2021

	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>231,479</u>)	
Reconciling items:			
Principal retirement		223,239	
Proceeds from sale of fixed assets	(5,605)	
Gain on sale of fixed assets		5,605	
Capital outlay		5,309	
Depreciation	(1,167,252)	
Income from Water and Sewer Capital Project Grants and Other Income		25,245	
Decrease (increase) in accrued vacation pay		7,315	
Decrease (increase) in interest payable		14	
Decrease (increase) in deferred outflows of resources – pensions		52,751	
Decrease (increase) in net pension liability	(127,177)	
Decrease (increase) in deferred inflows of resources – pensions		2,140	
Transfer to Enterprise Fund:			
Water and Sewer Improvement Fund	(8,384)	
Transfer from Enterprise Fund:			
Water and Sewer Capital Reserve Fund		1,212,382	
Water and Sewer Capital Project Fund		344,240	
Water and Sewer Improvement Fund		<u>394,437</u>	
Total reconciling items		<u>964,259</u>	
Change in net position		<u><u>732,780</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, 2021

	Budget	Actual	Variance
	\$	\$	Positive (Negative)
			\$
Revenues:			
County grant	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures:			
Engineering	229,720	125,481	104,239
Engineering/inspection	35,000	8,951	26,049
Legal	20,000		20,000
Infrastructure improvement reimbursement	5,000		5,000
Right of way acquisition	5,000		5,000
Contracted construction	324,535	191,650	132,885
Capital outlay – other improvements	130,000	24,760	105,240
Capital outlay - equipment	<u>572,680</u>	<u>321,785</u>	<u>250,895</u>
Total expenditures	<u>1,321,935</u>	<u>672,627</u>	<u>649,308</u>
Revenues over (under) expenditures	(<u>1,321,935</u>)	(<u>672,627</u>)	<u>649,308</u>
Other financing sources:			
Transfer from:			
Water and Sewer Capital Reserve Fund	841,000	285,295	(555,705)
Water and Sewer Fund	<u>344,240</u>	<u>344,240</u>	<u></u>
Total other financing sources	<u>1,185,240</u>	<u>629,535</u>	(<u>555,705</u>)
Fund balance appropriated	<u>136,695</u>	<u></u>	(<u>136,695</u>)
Revenues and other financing sources over (under) expenditures	<u>0</u>	(<u>43,092</u>)	(<u>43,092</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, 2021

	Budget	Actual	Variance Positive (Negative)
	\$	\$	\$
Revenues:			
Investment earnings	<u>6,000</u>	<u>459</u>	(<u>5,541</u>)
Other financing sources (uses):			
Transfer from:			
Water and Sewer Fund	1,207,170	1,212,382	5,212
Transfer to:			
Water and Sewer Capital Projects Fund	(841,000)	(285,295)	555,705
Reserve for equipment	(151,750)		151,750
Reserve for utility relocations	(260,000)		260,000
Reserve for water/sewer infrastructure improvements	(1,271,535)		1,271,535
Reserve for plant improvements	(<u>400,000</u>)	<u> </u>	<u>400,000</u>
Total other financing sources (uses)	(<u>1,717,115</u>)	<u>927,087</u>	<u>2,644,202</u>
Fund balance appropriated	<u>1,711,115</u>	<u> </u>	(<u>1,711,115</u>)
Revenues and other financing sources over other financing uses	<u>0</u>	<u>927,546</u>	<u>927,546</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, 2021

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
	\$	\$	\$	\$	\$
Revenues:					
Restricted grant – Golden Leaf	<u>250,000</u>	<u> </u>	<u>20,000</u>	<u>20,000</u>	(<u>230,000</u>)
Expenditures:					
Contracted services – WPCOG	<u>20,000</u>		<u>20,000</u>	<u>20,000</u>	
Utility line construction	<u>250,000</u>	<u>1,000</u>	<u> </u>	<u>1,000</u>	<u>249,000</u>
Total expenditures	<u>270,000</u>	<u>1,000</u>	<u>20,000</u>	<u>21,000</u>	<u>249,000</u>
(Deficiency) of revenues over (under) expenditures	(<u>20,000</u>)	(<u>1,000</u>)	<u>0</u>	(<u>1,000</u>)	<u>19,000</u>
Other financing sources:					
Transfer from: General Fund	<u>20,000</u>	<u>20,000</u>	<u> </u>	<u>20,000</u>	<u> </u>
Net increase in fund balance	<u>0</u>	<u>19,000</u>	<u>0</u>	<u>19,000</u>	<u>19,000</u>
Fund balance, beginning			<u>19,000</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, 2021

	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, 2021

	Budget	Actual	Variance
	\$	\$	Positive (Negative)
			\$
Revenues:			
Investment earnings	1,000	183	(817)
Capacity excess	<u>1,000</u>	<u>4,603</u>	<u>3,603</u>
Total revenues	<u>2,000</u>	<u>4,786</u>	<u>2,786</u>
Expenditures:			
Engineering	223,850	142,890	80,960
Contracted construction	98,000	39,092	58,908
Capital outlay - improvement	135,000	39,665	95,335
Capital outlay – equipment	<u>143,500</u>	<u>137,259</u>	<u>6,241</u>
Total expenditures	<u>600,350</u>	<u>358,906</u>	<u>241,444</u>
Revenues over (under) expenditures	(<u>598,350</u>)	(<u>354,120</u>)	<u>244,230</u>
Other financing sources (uses):			
Transfer from:			
Water and Sewer Operating Fund	394,437	394,437	
Transfer to:			
Water and Sewer Operating Fund	(<u>51,695</u>)	(<u>8,384</u>)	<u>43,311</u>
Total other financing sources (uses)	<u>342,742</u>	<u>386,053</u>	<u>43,311</u>
Fund balance appropriated	<u>255,608</u>		(<u>255,608</u>)
Revenues and other financing sources over expenditures and other financing uses	<u>0</u>	<u>31,933</u>	<u>31,933</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, 2021

	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> </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> </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, 2021

<u>Function</u>	Land and Improvements \$	Building and Improvements \$	Equipment \$	Vehicles \$	Infrastructure \$	Construction in Progress \$	Total \$
General Government	3,573,047	10,436,316	1,863,977	420,036	38,171	188,458	16,520,005
Public Safety	233,765	6,228,898	1,325,897	4,008,298			11,796,858
Transportation	97,781	34,518	1,006,950	941,377	24,112,900	9,598	26,203,124
Environmental Protection		1,350	257,963	1,839,639			2,098,952
Economic Development	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>860,175</u>	<u>860,175</u>
Total	<u>3,904,593</u>	<u>16,701,082</u>	<u>4,454,787</u>	<u>7,209,350</u>	<u>24,151,071</u>	<u>1,058,231</u>	<u>57,479,114</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, 2021

	Balances July 1, 2020 \$	Additions \$	Net Transfers \$	Retirements \$	Balances June 30, 2021 \$
By asset type:					
Land and improvements	3,881,621	22,972			3,904,593
Buildings and improvements	14,534,267	187,660	1,979,155		16,701,082
Equipment	3,861,141	141,015	260,808	(9,204)	4,253,760
Vehicles	7,043,256	477,987		(311,892)	7,209,351
Computer equipment	212,119			(11,092)	201,027
Infrastructure	24,004,587	46,448	100,035		24,151,070
Construction in process	<u>2,505,583</u>	<u>892,646</u>	<u>(2,339,998)</u>		<u>1,058,231</u>
Total	<u>56,042,574</u>	<u>1,768,728</u>	<u>0</u>	<u>(332,188)</u>	<u>57,479,114</u>
By asset function:					
General government	16,343,543	176,462			16,520,005
Public safety	11,873,277	204,174		(280,593)	11,796,858
Transportation	26,005,642	197,482			26,203,124
Environmental protection	1,820,112	330,435		(51,595)	2,098,952
Economic development		<u>860,175</u>			<u>860,175</u>
Total	<u>56,042,574</u>	<u>1,768,728</u>	<u>0</u>	<u>(332,188)</u>	<u>57,479,114</u>
By funding source:					
Asset purchases prior to 1998-1999					
from undetermined sources					10,591,414
Contribution - Enterprise Fund					112,857
General Fund					8,886,856
General Fund – Federal Grant					402,526
Contributions					7,369,892
Capital Projects Fund:					
Federal grant					8,605,426
State contribution					2,779,392
Local contribution					17,609,711
Special Revenue Fund:					
Federal grant					865,362
State contribution					230,678
Local contribution					<u>25,000</u>
Total					<u>57,479,114</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, 2021

	Uncollected Balance June 30, 2020 \$	Additions \$	Collections \$	Discoveries Abatements Adjustments \$	Uncollected Balance June 30, 2021 \$
Fiscal Year					
2020 - 2021		6,303,363	6,154,537	(99,442)	49,384
2019 - 2020	68,216		47,701	(103)	20,412
2018 - 2019	15,940		10,564	(1)	5,375
2017 - 2018	11,188		5,466		5,722
2016 - 2017	7,690		2,578		5,112
2015 - 2016	6,462		2,372		4,090
2014 - 2015	5,075		1,529		3,546
2013 - 2014	7,408		623		6,785
2012 - 2013	10,555		769	(85)	9,701
2011 - 2012	15,221		473	(59)	14,689
2010 - 2011	<u>9,643</u>		<u>256</u>	<u>(9,387)</u>	<u>0</u>
Total	<u>157,398</u>	<u>6,303,363</u>	<u>6,226,868</u>	<u>(109,077)</u>	124,816
Less, allowance for uncollectible ad valorem taxes receivable					<u>(73,778)</u>
Ad valorem taxes receivable - net					<u>51,038</u>
Reconciliation to revenues:					
Taxes - ad valorem - General Fund - current year					6,154,537
Taxes - ad valorem - General Fund - prior years					<u>72,331</u>
Total					<u>6,226,868</u>

CITY OF CONOVER, NORTH CAROLINA
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2021

	<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	1,260,672,600	0.50	6,303,363	5,794,614	508,749
Releases, additions and adjustments	(<u>19,888,548</u>)	0.50	(<u>99,442</u>)	(<u>99,442</u>)	_____
Total property valuation	<u>1,240,784,052</u>				
Net levy			6,203,921	5,695,172	508,749
Uncollected taxes at June 30, 2021			(<u>49,384</u>)	(<u>49,384</u>)	_____0
Current year's taxes collected			<u>6,154,537</u>	<u>5,645,788</u>	<u>508,749</u>
Current levy collection percentage			<u>99.20%</u>	<u>99.13%</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)

	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Governmental activities					
Net investment in capital assets	\$ 26,663,428	\$ 28,978,012	\$ 29,796,061	\$ 32,106,339	\$ 32,275,116
Restricted	1,744,254	3,866,513	3,420,746	2,450,724	1,820,932
Unrestricted	5,243,578	5,800,442	5,044,567	4,354,786	6,042,428
Total governmental activities net assets	<u>\$ 33,651,260</u>	<u>\$ 38,644,967</u>	<u>\$ 38,261,374</u>	<u>\$ 38,911,849</u>	<u>\$ 40,138,476</u>
Business-type activities					
Net investment in capital assets	\$ 25,045,247	\$ 25,184,702	\$ 26,677,974	\$ 27,008,873	\$ 26,991,472
Restricted	-	-	-	-	-
Unrestricted	5,254,672	5,460,347	5,270,723	5,097,861	5,564,443
Total business-type activities net assets	<u>\$ 30,299,919</u>	<u>\$ 30,645,049</u>	<u>\$ 31,948,697</u>	<u>\$ 32,106,734</u>	<u>\$ 32,555,915</u>
Primary government					
Net investment in capital assets	\$ 51,708,675	\$ 54,162,714	\$ 56,474,035	\$ 59,115,212	\$ 59,266,588
Restricted	1,744,254	3,866,513	3,409,957	2,450,724	1,820,932
Unrestricted	10,498,250	11,260,789	10,326,079	9,452,647	11,606,871
Total Net Position	<u>\$ 63,951,179</u>	<u>\$ 69,290,016</u>	<u>\$ 70,210,071</u>	<u>\$ 71,018,583</u>	<u>\$ 72,694,391</u>

Table 1
City of Conover, North Carolina
Net Position, page 2
Last Ten Fiscal Years
 (accrual basis of accounting)
 (unaudited)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Governmental activities					
Net investment in capital assets	\$ 32,647,622	\$ 32,369,958	\$ 33,683,664	\$ 34,605,458	\$ 35,233,679
Restricted	1,803,626	3,170,890	1,933,086	2,171,128	10,122,935
Unrestricted	5,660,817	5,026,413	6,379,185	6,501,174	362,427
Total governmental activities net assets	<u>\$ 40,112,065</u>	<u>\$ 40,567,261</u>	<u>\$ 41,995,935</u>	<u>\$ 43,277,760</u>	<u>\$ 45,719,041</u>
Business-type activities					
Net investment in capital assets	\$ 26,980,712	\$ 27,073,503	\$ 26,589,935	\$ 26,361,565	\$ 26,474,393
Restricted	-	-	-	-	-
Unrestricted	5,498,632	5,205,359	6,053,500	7,061,773	7,681,725
Total business-type activities net assets	<u>\$ 32,479,344</u>	<u>\$ 32,278,862</u>	<u>\$ 32,643,435</u>	<u>\$ 33,423,338</u>	<u>\$ 34,156,118</u>
Primary government					
Net investment in capital assets	\$ 59,628,374	\$ 59,443,461	\$ 60,273,599	\$ 60,967,023	\$ 61,708,072
Restricted	1,803,626	3,170,890	1,933,086	2,171,128	10,122,935
Unrestricted	11,159,449	10,231,772	12,432,685	13,562,947	8,044,152
Total net position	<u>\$ 72,591,449</u>	<u>\$ 72,846,123</u>	<u>\$ 74,639,370</u>	<u>\$ 76,701,098</u>	<u>\$ 79,875,159</u>

Note:

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

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

(accrual basis of accounting)
(unaudited)

Expenses

Governmental activities:

	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
General government	\$ 2,146,721	\$ 2,257,366	\$ 2,285,156	\$ 2,198,538	\$ 2,363,998
Public safety	3,269,969	3,443,205	3,751,443	3,691,773	3,854,760
Transportation	1,312,768	1,331,836	1,412,793	1,550,120	1,640,406
Environmental protection	751,071	780,390	897,493	768,952	676,904
Economic and physical development	258,941	521,059	-	-	120,840
Interest on long-term debt	168,357	163,818	168,206	163,787	156,720
Total governmental activities expenses	7,907,827	8,497,674	8,515,091	8,373,170	8,813,628

Business-type activities:

Water and sewer	3,458,870	3,526,346	4,052,585	3,921,575	4,193,686
Total primary government expenses	\$ 11,366,697	\$ 12,024,020	\$ 12,567,676	\$ 12,294,745	\$ 13,007,314

Program Revenues

Governmental activities:

Charges for services:

General government	\$ 90,694	\$ 108,833	\$ 103,318	\$ 157,633	\$ 130,888
Public safety	18,268	16,856	20,246	16,836	42,973
Transportation	-	-	-	-	-
Environmental protection	390,809	395,533	393,357	395,221	508,337
Economic and physical development	-	-	-	-	-
Operating grants and contributions	347,707	862,633	344,478	481,603	746,188
Capital grants and contributions	2,607,803	4,348,765	348,199	1,017,538	1,058,515
Total governmental activities program revenues	\$ 3,455,281	\$ 5,732,620	\$ 1,209,598	\$ 2,068,831	\$ 2,486,901

Business-type activities:

Charges for services:

Water and sewer	\$ 3,789,040	\$ 3,806,886	\$ 3,945,895	\$ 4,094,973	\$ 4,234,539
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	164,902	261,642	1,893,480	62,594	149,815
Total business-type activities program revenues	3,953,942	4,068,528	5,839,375	4,157,567	4,384,354
Total primary government program revenues	\$ 7,409,223	\$ 9,801,148	\$ 7,048,973	\$ 6,226,398	\$ 6,871,255

Net (Expense)/Revenue

Governmental activities	\$ (4,452,546)	\$ (2,765,054)	\$ (7,305,493)	\$ (6,304,339)	\$ (6,326,727)
Business-type activities	495,072	542,182	1,786,790	235,992	190,668
Total primary government net expense	\$ (3,957,474)	\$ (2,222,872)	\$ (5,518,703)	\$ (6,068,347)	\$ (6,136,059)

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

(accrual basis of accounting)

	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Ad valorem taxes	\$ 4,189,544	\$ 4,395,749	\$ 4,349,511	\$ 4,565,412	\$ 4,878,057
Other taxes and licenses	1,831,811	2,042,141	1,858,219	1,985,301	1,990,520
Unrestricted grants and contributions	1,000,539	1,017,740	934,236	965,989	1,001,183
Miscellaneous	23,724	51,342	34,924	36,439	28,927
Gain (loss) on abandoned assets	-	-	-	-	-
Gain (loss) on sale of fixed assets	-	43,093	20,165	71,456	-
Transfers	200,000	204,000	241,051	(206,093)	(200,000)
Capital assets contributed to enterprise fund	-	-	(519,964)	-	(55,398)
Interest earned on investments	4,187	4,696	3,758	4,012	15,743
Total governmental activities	\$ 7,249,805	\$ 7,758,761	\$ 6,921,900	\$ 7,422,516	\$ 7,659,032
Business-type activities:					
Miscellaneous	-	-	-	-	-
Gain (loss) on abandoned assets	-	3,630	-	-	-
Gain (loss) on sales of fixed assets				18,831	-
Transfers	(200,000)	(204,000)	(241,051)	61,093	200,000
Capital Assets contributed to Enterprise Fund					55,398
Interest earned on investments	4,509	3,318	3,333	3,051	3,115
Total business-type activities	(195,491)	(197,052)	(237,718)	82,975	258,513
Total primary government	\$ 7,054,314	\$ 7,561,709	\$ 6,684,182	\$ 7,505,491	\$ 7,917,545
Changes in Net Assets					
Governmental activities	\$ 2,797,259	\$ 4,993,707	\$ (383,593)	\$ 1,118,177	\$ 1,332,305
Business-type activities	299,581	345,130	1,549,072	318,967	449,181
Total primary government	\$ 3,096,840	\$ 5,338,837	\$ 1,165,479	\$ 1,437,144	\$ 1,781,486

Table 2
City of Conover, North Carolina
Changes in Net Position, page 3
Last Ten Fiscal Years

(accrual basis of accounting)

(unaudited)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Expenses					
Governmental activities:					
General government	\$ 2,564,770	\$ 2,867,859	\$ 3,117,850	\$ 3,221,319	\$ 3,234,086
Public safety	3,926,788	4,317,001	4,113,880	4,367,009	4,641,997
Transportation	1,733,870	1,747,120	1,733,196	1,760,319	1,692,833
Environmental protection	847,444	834,976	852,274	916,219	1,002,023
Economic and physical development	-	-	-	-	22,131
Interest on long-term debt	151,358	167,020	178,840	170,477	113,358
Total governmental activities expenses	9,224,230	9,933,976	9,996,040	10,435,343	10,706,428
Business-type activities:					
Water and sewer	4,355,442	4,478,611	4,680,796	4,498,544	4,579,611
Total primary government expenses	\$ 13,579,672	\$ 14,412,587	\$ 14,676,836	\$ 14,933,887	\$ 15,286,039
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 216,868	\$ 221,273	\$ 232,033	\$ 226,705	\$ 239,995
Public safety	42,589	46,156	80,910	60,513	69,878
Transportation	11,352	-	-	-	2,380
Environmental protection	511,597	509,359	514,889	518,926	529,606
Economic and physical development	-	-	-	-	-
Operating grants and contributions	430,257	831,905	769,479	576,538	1,915,946
Capital grants and contributions	165,291	348,283	495,204	-	11,200
Total governmental activities program revenues	\$ 1,377,954	\$ 1,956,976	\$ 2,092,515	\$ 1,382,682	\$ 2,769,005
Business-type activities:					
Charges for services:					
Water and sewer	\$ 4,255,306	\$ 4,356,241	\$ 4,924,620	\$ 5,124,289	\$ 5,285,711
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	22,542	58,285	22,909	86,995	20,000
Total business-type activities program revenues	4,277,848	4,414,526	4,947,529	5,211,284	5,305,711
Total primary government program revenues	\$ 5,655,802	\$ 6,371,502	\$ 7,040,044	\$ 6,593,966	\$ 8,074,716
Net (Expense)/Revenue					
Governmental activities	\$ (7,846,276)	\$ (7,977,000)	\$ (7,903,525)	\$ (9,052,661)	\$ (7,937,423)
Business-type activities	(77,594)	(64,085)	266,733	712,740	726,100
Total primary government net expense	\$ (7,923,870)	\$ (8,041,085)	\$ (7,636,792)	\$ (8,339,921)	\$ (7,211,323)

Table 2
City of Conover
Changes in Net Position, page 4
Last Ten Fiscal Years
(accrual basis of accounting)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Ad valorem taxes	\$ 5,019,399	\$ 5,157,051	\$ 5,651,421	\$ 5,998,091	\$ 6,232,982
Other taxes and licenses	3,077,669	3,170,208	3,498,266	4,141,638	3,975,992
Unrestricted grants and contributions	-	24,800	7,500	10,000	-
Restricted grants and contributions	-	-	-	-	-
Miscellaneous	76,248	86,354	32,300	63,403	120,340
Gain (loss) on abandoned assets	-	(89,830)	-	-	-
Gain (loss) on sale of fixed assets	-	65,244	27,463	23,983	45,771
Transfers	2,000	19,532	-	(20,000)	-
Capital assets contributed to enterprise funds	-	(83,243)	(64,456)	-	-
Interest earned on investments	37,885	82,040	179,705	117,371	3,619
Total governmental activities	\$ 8,213,201	\$ 8,432,156	\$ 9,332,199	\$ 10,334,486	\$ 10,378,704
Business-type activities:					
Restricted grants and contributions	-	-	-	-	-
Gain (loss) on abandoned assets	-	(223,963)	-	-	-
Gain (loss) on sale of fixed assets	-	17,325	10,837	-	5,605
Transfers	(2,000)	(19,532)	-	20,000	-
Capital Assets contributed to Enterprise Fund	-	83,243	64,456	-	-
Interest earned on investments	3,023	6,530	22,547	47,163	1,075
Total business-type activities	1,023	(136,397)	97,840	67,163	6,680
Total primary government	\$ 8,214,224	\$ 8,295,759	\$ 9,430,039	\$ 10,401,649	\$ 10,385,384
Changes in Net Assets					
Governmental activities	\$ 366,925	\$ 455,156	\$ 1,428,674	\$ 1,281,825	\$ 2,441,281
Business-type activities	(76,571)	(200,482)	364,573	779,903	732,780
Total primary government	\$ 290,354	\$ 254,674	\$ 1,793,247	\$ 2,061,728	\$ 3,174,061

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 2011-2012	Fiscal Year 2012-2013	Fiscal Year 2013-2014	Fiscal Year 2014-2015	Fiscal Year 2015-2016
General Fund					
Non-Spendable	\$ 50,715	\$ 60,316	\$ 81,142	\$ 74,728	\$ 65,828
Restricted	1,365,426	1,513,940	1,664,892	1,774,341	1,542,282
Committed	-	-	-	-	54,690
Assigned	346,308	564,231	647,038	422,487	667,417
Unassigned	3,303,997	3,089,746	2,368,419	2,621,783	3,855,180
Total general fund	<u>\$ 5,066,446</u>	<u>\$ 5,228,233</u>	<u>\$ 4,761,491</u>	<u>\$ 4,893,339</u>	<u>\$ 6,185,397</u>
All Other Governmental Funds					
Non-Spendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	378,828	2,352,573	1,755,924	203,190	278,650
Committed	1,229,643	1,561,059	1,525,567	1,914,325	1,736,738
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total all other governmental funds	<u>\$ 1,608,471</u>	<u>\$ 3,913,632</u>	<u>\$ 3,281,491</u>	<u>\$ 2,117,515</u>	<u>\$ 2,015,388</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	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
General Fund					
Non-Spendable	\$ 81,826	\$ 101,475	\$ 98,507	\$ 83,187	\$ 89,445
Restricted	1,514,351	1,587,170	1,528,404	1,696,342	1,959,290
Committed	59,404	66,001	78,021	95,721	120,774
Assigned	1,301,538	287,209	135,738	1,082,302	483,863
Unassigned	3,288,993	4,022,140	5,167,051	4,888,105	7,234,282
Total general fund	\$ 6,246,112	\$ 6,063,995	\$ 7,007,721	\$ 7,845,657	\$ 9,887,654
All Other Governmental Funds					
Non-Spendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	289,275	1,583,720	389,378	474,786	8,163,645
Committed	1,877,932	1,986,567	2,230,305	1,887,198	2,127,878
Assigned	-	-	-	-	-
Unassigned	-	(420,209)	(156,980)	(75,445)	(7,960,059)
Total all other governmental funds	\$ 2,167,207	\$ 3,150,078	\$ 2,462,703	\$ 2,286,539	\$ 2,331,464

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				
	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Revenues					
Ad valorem taxes	\$ 4,214,380	\$ 4,263,086	\$ 4,340,797	\$ 4,737,276	\$ 4,908,095
Other taxes and licenses	1,831,811	1,665,103	2,116	17,057	1,628
Unrestricted intergovernmental revenues	1,009,378	988,878	2,660,937	2,826,709	2,990,075
Restricted intergovernmental revenues	2,909,212	2,188,612	641,296	1,295,764	1,796,617
Permits and fees	18,132	297,378	154,611	232,029	22,615
Sales and services	417,135	424,918	417,084	411,891	517,288
Investment earnings	4,187	4,696	3,712	4,012	15,743
Miscellaneous	125,687	3,142,715	178,038	344,940	170,035
Total revenues	10,529,922	12,975,386	8,398,591	9,869,678	10,422,096
Expenditures					
General government	2,039,815	2,116,028	2,419,025	2,145,878	2,247,102
Public safety	2,974,439	3,261,359	3,481,078	3,464,131	3,844,619
Transportation	1,017,408	1,029,115	1,100,128	1,210,715	1,216,769
Environmental protection	680,081	714,788	806,635	662,103	682,994
Economic and physical development	258,941	521,059	-	-	-
Capital outlay	2,971,288	2,831,833	1,661,114	3,096,411	1,298,719
Debt service:					
Interest	170,063	165,593	170,302	165,463	151,069
Principal	111,286	115,756	120,408	125,246	105,351
Total expenditures	10,223,321	10,755,531	9,758,690	10,869,947	9,546,623
Excess of revenues over (under) expenditures	306,601	2,219,855	(1,360,099)	(1,000,269)	875,473
Other Financing Sources (Uses)					
Proceeds from installment purchase	-	-	-	-	453,860
Proceeds from disposal of capital assets	-	43,093	20,165	76,891	5,908
Transfers in	1,167,594	1,318,541	2,163,865	1,116,784	2,348,086
Transfers out	(967,594)	(1,114,541)	(1,922,814)	(1,225,534)	(2,548,086)
Total other financing sources (uses)	200,000	247,093	261,216	(31,859)	259,768
Net change in fund balances	\$ 506,601	\$ 2,466,948	\$ (1,098,883)	\$ (1,032,128)	\$ 1,135,241
Debt service as a percentage of noncapital expenditures	3.93%	3.65%	3.82%	3.86%	3.27%

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				
	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Revenues					
Ad valorem taxes	\$ 5,098,625	\$ 5,176,321	\$ 5,686,790	\$ 5,958,376	\$ 6,248,914
Other taxes and licenses	1,317	139,503	193,903	812,802	257,900
Unrestricted intergovernmental revenues	3,076,352	3,168,778	3,304,364	3,328,836	3,718,092
Restricted intergovernmental revenues	580,343	1,000,411	822,548	551,459	1,847,994
Permits and fees	29,942	21,011	44,756	23,361	27,875
Sales and services	532,004	534,907	526,394	528,289	547,528
Investment earnings	37,885	82,040	179,705	117,371	3,619
Rental Income				113,100	219,055
Miscellaneous	274,923	335,174	709,416	228,627	174,838
Total revenues	9,631,391	10,458,145	11,467,876	11,662,221	13,045,815
Expenditures					
General government	2,361,283	2,594,711	2,809,735	3,201,684	2,914,878
Public safety	3,690,262	4,163,046	3,861,766	4,030,553	4,220,338
Transportation	1,282,461	1,383,062	1,237,073	1,217,416	1,155,775
Environmental protection	701,267	705,657	721,746	770,908	838,542
Economic and physical development	-	9,120	-	-	882,306
Capital outlay	790,171	2,622,261	2,130,005	1,452,801	634,961
Debt service:					
Interest	159,005	164,354	297,632	173,036	138,708
Principal	480,552	195,511	181,340	299,842	226,445
Total expenditures	9,465,001	11,837,722	11,239,297	11,146,240	11,011,953
Excess of revenues over (under) expenditures	166,390	(1,379,577)	228,579	515,981	2,033,862
Other Financing Sources (Uses)					
Proceeds from installment purchase	-	2,000,000	-	-	-
Proceeds from disposal of capital assets	-	160,799	27,772	165,791	45,771
Proceeds from re-finance					2,897,132
Payoff debt with re-finance					(2,889,843)
Transfers in	2,091,001	1,769,551	1,496,344	2,567,911	1,550,855
Transfers out	(2,044,857)	(1,750,019)	(1,496,344)	(2,587,911)	(1,550,855)
Total other financing sources (uses)	46,144	2,180,331	27,772	145,791	53,060
Net change in fund balances	\$ 212,534	\$ 800,754	\$ 256,351	\$ 661,772	\$ 2,086,922
Debt service as a percentage of noncapital expenditures	7.62%	4.07%	5.37%	5.20%	3.92%

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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	
2020-2021	\$ 795,837,484	\$ 405,950,580	\$ 38,995,988	\$ 1,240,784,052	**	\$ 56,020,726	\$ 0.500	***
2019-2020	\$ 782,643,825	\$ 370,354,801	\$ 37,766,252	\$ 1,190,764,878	**	\$ 17,677,736	\$ 0.500	\$ 1,214,322,739
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

Notes: Real and personal property assessed by Catawba County.

* Property in Catawba County reassessed every four years.

Public service companies values certified by State of North Carolina.

Property assessed at 100% of value.

**Prior years discoveries included in Total Taxable Assessed Value

***Denotes information is not available

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

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

(rate per \$100 of assessed value)

(unaudited)

	<u>Direct Rate</u>		<u>Overlapping Rates</u>	
<u>Fiscal Year</u>	<u>City of Conover General Fund</u>	<u>Catawba County</u>	<u>Combined Tax Rate</u>	
2020-2021	\$ 0.5000	\$ 0.5750	\$ 1.0750	
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	

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	2012				2021			
	Taxable Assessed Value	Rank	Total City Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Total City Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Rock Barn Properties, Inc.	\$ 28,197,897	1	\$1,036,923,872	2.72%	\$17,697,886	5	\$1,240,782,552	1.43%
Hickory Springs	\$ 20,989,358	2		2.02%	\$18,496,376	4		1.49%
Wal-Mart	\$ 15,974,061	3		1.54%	\$15,034,569	6		1.21%
Spartan Group	\$ 14,032,100	4		1.35%	\$12,728,200	9		1.03%
Rock-Tenn Packaging	\$ 13,102,144	5		1.26%				
Carpenter Co	\$ 12,900,829	6		1.24%				0.00%
Hanes Co Inc	\$ 11,944,424	7		1.15%	\$14,949,556	7		
Armacell	\$ 11,679,968	8		1.13%				
CAPRI	\$ 9,559,900	9		0.92%				
Profile Products LLC	\$ 9,262,391	10		0.89%				
Elite Comfort Solutions/Leggett & Platt					\$20,535,082	1		1.66%
WestRock Converting Co					\$19,586,071	2		1.58%
Zenith Freight Lines					\$18,842,650	3		1.52%
Apple Inc					\$14,237,380	8		1.15%
GKN Sinter Metal					\$18,496,376	10		1.49%
Total	<u>\$147,643,072</u>		<u>\$1,036,923,872</u>	14.24%	<u>\$170,604,146</u>		<u>\$1,240,782,552</u>	12.54%

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							
2021	\$ 6,303,363	\$ 6,253,980	99.22%	\$ -	\$ 6,253,980	99.22%	\$ 49,384
2020	\$ 5,978,136	\$ 5,909,920	98.86%	\$ 47,805	\$ 5,957,724	99.66%	\$ 20,412
2019	\$ 5,744,305	\$ 5,698,233	99.20%	\$ 40,696	\$ 5,738,929	99.91%	\$ 5,375
2018	\$ 5,171,161	\$ 5,112,525	98.87%	\$ 52,914	\$ 5,165,439	99.89%	\$ 5,722
2017	\$ 5,031,003	\$ 4,975,149	98.89%	\$ 50,743	\$ 5,025,891	99.90%	\$ 5,112
2016	\$ 4,883,985	\$ 4,797,058	98.22%	\$ 82,837	\$ 4,879,894	99.92%	\$ 4,090
2015	\$ 4,705,794	\$ 4,639,712	98.60%	\$ 62,536	\$ 4,702,248	99.92%	\$ 3,546
2014	\$ 4,341,995	\$ 4,227,662	97.37%	\$ 107,548	\$ 4,335,210	99.84%	\$ 6,785
2013	\$ 4,384,208	\$ 4,145,690	94.56%	\$ 228,817	\$ 4,374,507	99.78%	\$ 9,701
2012	\$ 4,144,698	\$ 4,001,788	96.55%	\$ 128,221	\$ 4,130,009	99.65%	\$ 14,689

Source: Tax Collector

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

Fiscal Year Ended	Governmental Activities		Business-type Activities				Total Primary	Percentage of personal	Per
	Installment Purchase	General Obligation	Revolving	County	Installment Purchase				
	Contracts	Bonds	Loans	Loans	Contracts				
June 30	Contracts	Bonds	Loans	Loans	Contracts	Government	income(1)	Capita(1)	
2021	\$ 4,424,062	\$ -	\$ 2,379,877	\$ 292,301	\$ -	\$ 7,096,250	*	\$ 841	
2020	\$ 4,650,507	\$ -	\$ 2,563,140	\$ 332,279	\$ -	\$ 7,545,926	1.91%	\$ 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	

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 year 2020 personal income not available to calculate fiscal year 2021.

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)
2021	\$ -	0.00%	\$ -
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

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, 2021
(unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Catawba County Debt			
Catawba County Qualified Zone Academy Bonds	50,000	6.45%	\$ 3,225
Catawba County Qualified School Const. Bonds	27,808,553	6.45%	\$ 1,793,652
Catawba County Limited Obligation Bonds	67,583,820	6.45%	\$ 4,359,156
Catawba County Installment Purchases	63,186,667	6.45%	\$ 4,075,540
Catawba County Certifications of Participation	4,369,770	6.45%	\$ 281,850
Subtotal, overlapping debt			\$ 10,513,423
Conover direct debt			\$ 4,424,062
Total direct and overlapping debt			<u>\$ 14,937,485</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, 2021:

Assessed Value	\$ 1,240,784,052	
Debt Limit - 8% of assessed value		\$ 99,262,724
Gross long-term debt	\$ 7,096,242	
Less statutory deductions		
Bonds applicable to water system	<u>\$ -</u>	<u>\$ 7,096,242</u>
Legal debt margin		<u><u>\$ 92,166,482</u></u>

	Fiscal Year				
	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Debt limit	\$ 82,890,502	\$ 87,683,362	\$ 6,838,450	\$ 7,552,383	\$ 83,131,660
Total net debt applicable to limit	<u>5,823,907</u>	<u>5,488,575</u>	<u>6,476,079</u>	<u>7,247,751</u>	<u>\$ 7,790,778</u>
Legal debt margin	<u>\$ 77,066,595</u>	<u>\$ 82,194,787</u>	<u>\$ 0,362,371</u>	<u>\$ 80,304,632</u>	<u>\$ 75,340,882</u>
Total net debt applicable to the limit as a percentage of debt limit	7.03%	6.26%	7.46%	8.28%	9.37%

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, 2021:

Assessed Value		\$ 1,240,784,052	
Debt Limit - 8% of assessed value			\$ 99,262,724
Gross long-term debt	\$ 7,096,242		
Less statutory deductions			
Bonds applicable to water system	\$ -		\$ 7,096,242
Legal debt margin			<u>\$ 92,166,482</u>

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	Fiscal Year				
	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Debt limit	\$ 85,634,105	\$ 88,019,762	\$ 89,907,405	\$ 95,261,190	\$ 99,262,724
Total net debt applicable to limit	\$ 6,926,801	\$ 8,347,864	\$ 8,052,793	\$ 7,545,926	\$ 7,096,242
Legal debt margin	<u>\$ 78,707,305</u>	<u>\$ 79,671,899</u>	<u>\$ 81,854,612</u>	<u>\$ 87,715,264</u>	<u>\$ 92,166,482</u>
Total net debt applicable to the limit as a percentage of debt limit	8.09%	9.48%	8.96%	7.92%	7.15%

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
2021	8,437	*	*	4.7%
2020	8,541	\$396,020,547	\$ 46,367	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%

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	2021			2012		
	Number of Employees	Rank	Percentage of Total County Employment	Number of Employees	Rank	Percentage of Total County Employment
Vanguard Furniture	537	1	0.71%	375	1	0.57%
Wal-Mart	375	2	0.50%	350	2	0.53%
WestRock Converting	364	3	0.48%			
Kroehler Furniture	293	4	0.39%	204	7	0.31%
Hanes Industries	275	5	0.36%	259	4	0.39%
Lee Industries	254	6	0.34%			
McCreary Modern	243	7	0.32%			
YMCA	240	8	0.32%			
Carpenter Co	145	9	0.19%	238	5	0.36%
Southern Furniture	129	10	0.17%			
Rock-Tenn				304	3	0.46%
Zenith Freight				225	6	0.34%
Armacell						
Classic Leather				143	9	0.22%
U.S. Post Office						0.00%
Hickory Printing						
Rock Barn Properties				140	10	0.21%
Conover Nursing				145	8	
Total County Employment	75,562			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				
	2012	2013	2014	2015	2016
General Government					
Full Time is 40 hours per week	15.4	15.4	15.9	15.4	15.7
Full Time is 37.5 hours per week	9.7	10.1	10.4	11.0	11.2
Public Safety					
Police	25.5	28.2	29.2	29.1	27.2
Fire	19.0	20.2	21.7	24.3	25.5
Transportation					
Streets	9.3	9.4	9.5	10.5	9.1
Environmental Protection					
Sanitation and Recycling	9.3	9.5	9.3	9.5	10.0
Water and Sewer Utility					
Water	8.3	9.2	9.9	9.7	8.9
Sewer	10.5	10.0	10.0	9.9	10.2
Total	107.0	111.8	115.8	119.4	117.7

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				
	2017	2018	2019	2020	2021
General Government					
Full time is 40 hours per week	16.4	16.8	17.3	16.6	17.1
Full time is 37.5 hours per week	10.7	11.6	12.0	12.3	11.9
Public Safety					
Police	29.0	29.8	28.1	28.6	28.3
Fire	24.5	23.3	24.1	23.6	24.2
Transportation					
Streets	9.7	9.1	9.7	8.5	8.8
Environmental Protection					
Sanitation and Recycling	9.0	9.2	9.9	11.8	10.6
Water and Sewer Utility					
Water	10.0	9.9	10.8	10.4	10.6
Sewer	9.0	10.3	9.1	9.0	8.8
Total	118.2	120.1	121.0	120.8	120.3

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				
	2011	2012	2013	2014	2015
General Government					
Zoning Permits	213	190	189	187	158
Public Safety					
Police					
Violent Crimes	19	16	20	21	20
Property Crimes	517	746	466	425	519
Community Services	16,979	20,613	19,564	20,684	25,883
Accidents	626	641	615	636	624
Accidents with injury	144	178	127	103	102
Accidents/Fatalities	0	0	0	1	0
Fire					
Fire Inspections	369	347	467	485	352
Fire Alarm Activations	196	204	198	237	300
Fires	111	99	67	80	73
Community Services	533	401	303	194	259
Other Emergency Responses	512	645	736	825	807
Educational Classes Conducted	184	80	51	65	88
Transportation					
Pot holes repaired	86	74	82	62	58
Street Resurfacing (miles)	2.58	1.8	3.2	2.5	2.9
Environmental Protection					
Daily Refuse Collected (tons)	9.30	10.12	10.05	9.97	9.37
Daily Recycling Collected (tons)	1.50	1.21	2.75	1.71	3.74
Water and Sewer Utility					
Utility Customers	5,405	5,962	5,857	5,861	6,013
New Connections	15	10	16	13	17
Avg. Daily Water Consumption	1,966,000	2,010,000	1,924,000	1,465,765	1,530,000
Avg. Daily Wastewater Flow	661,000	679,000	740,000	810,000	700,000

* 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				
	2016	2017	2018	2019	2020
General Government					
Zoning Permits	188	175	217	200	182
Public Safety					
Police					
Violent Crimes	20	27	27	37	35
Property Crimes	579	474	447	453	377
Community Services	24,848	21,248	18,608	13,885	*
Accidents	747	740	801	793	672
Accidents with injury	134	151	162	166	131
Accidents/Fatalities	1	0	0	1	1
Fire					
Fire Inspections	352	304	325	288	333
Fire Alarm Activations	244	279	407	404	445
Fires	79	60	80	82	80
Community Services	527	572	490	483	599
Other Emergency Responses	837	909	1,053	1,158	1,140
Educational Classes Conducted	113	81	85	84	46
Transportation					
Pot holes repaired	45	55	50	75	70
Street Resurfacing (miles)	1.75	1.69	2.59	1.75	1.50
Environmental Protection					
Daily Refuse Collected (tons)	10.19	10.02	10.06	11.14	11.92
Daily Recycling Collected (tons)	3.81	4.04	4.00	4.03	3.75
Water and Sewer Utility					
Utility Customers	5,914	5,632	5,925	6,075	6,090
New Connections	16	43	28	61	71
Avg. Daily Water Consumption	1,562,000	1,575,000	1,587,000	1,530,000	1,523,000
Avg. Daily Wastewater Flow	722,000	815,000	887,083	915,000	1,598,000

*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				
	2012	2013	2014	2015	2016
General Government					
Playgrounds	7	8	8	8	8
Cemeteries	2	2	2	2	2
Public Safety					
Police Stations	1	1	1	1	1
Fire Stations	3	3	3	3	3
Transportation					
Miles of Streets	52.53	52.53	52.53	52.53	52.53
Miles of Sidewalk	17.87	18.00	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	149.00	149.00	149.50
Sanitary Sewer (miles)	114.00	114.25	115.60	115.60	116.20
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				
	2017	2018	2019	2020	2021
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	51.84	52.50	52.50	52.50	53.41
Miles of Sidewalks	19.50	19.50	19.50	19.50	19.50
Environmental Protection					
Collections Trucks	6	6	6	7	7
Water and Sewer Utility					
Water Mains (miles)	149.50	150.00	150.00	151.00	152.00
Sanitary Sewer (miles)	116.20	116.20	127.50	128.12	128.12
Wastetreatment Capacity (million gal per day)	2.559	2.559	2.559	2.559	2.550

* denotes not available

Source: Conover Property/Asset Records

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Compliance Section

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

Schedule of Expenditures of Federal and State Awards

Schedule of Findings and Questioned Costs

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, 2021, 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 February 3, 2022.

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) as a basis for designing 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 instances of noncompliance or other matters that are required to be reported under

Government Auditing Standards and which are described in the accompanying schedule of findings and responses as Finding 2021-001.

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
February 3, 2022

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

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

Independent Auditor's Report

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

Report on Compliance for the Major State Program

I have audited the City of Conover, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the City of Conover's major state programs for the year ended June 30, 2021. The City of Conover's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major State Program

In my opinion, the City of Conover complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the City of Conover is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my

audit of compliance, I considered the City of Conover's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for the major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

Debra B. Wentz, CPA

Newton, North Carolina
February 3, 2022

City of Conover, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021

Grantor/Pass-through Grantor Program Title	CFDA Number	Federal Expenditures	State Expenditures	Local Expenditures
Federal Grants:				
<u>U.S. Department of Homeland Security</u>				
Federal Emergency Management Agency (FEMA):				
Assistance to Firefighter's Grant	97.044	2,751		
Fire Prevention and Safety Grant	97.044	21,135		
Assistance to Firefighter's Grant	97.044	2,857		
SAFER Grant	97.083	144,509		
<u>U.S. Department of Transportation</u>				
Passed-through NCDOT/Highway Planning and Construction Grant				
1 st Avenue Bike/Pedestrian Grant	20.205	43,595		
<u>U. S. Housing and Urban Development</u>				
Passed-through NC Department of Commerce				
Scattered Site Community Development Block Grant	14.228	91,961		
<u>U.S. Department of Homeland Security</u>				
Passed-through NC Department of Public Safety:				
Division of Emergency Management				
Disaster Grants – Public Assistance (Presidentially Declared Disaster)	97.036	7,545		
<u>U.S. Department of Treasury</u>				
Passed-through the Office of State Budget and Management:				
NC Pandemic Recovery Office				
COVID-19 Coronavirus Relief Fund, NC Contract 02-18	21.019	173,794	-	-
Total Assistance – Federal Programs		\$ 488,147	\$ 0	\$ 0

City of Conover, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021

Grantor/Pass-through Grantor Program Title	CFDA Number	Federal Expenditures	State Expenditures	Local Expenditures
State Grants:				
<u>NC Department of Transportation:</u>				
Powell Bill, DOT-4			223,042	
<u>NC Department of Commerce:</u>				
Rural Economic Development				
Demolition Grant			50,441	
CDBG Grant, 20-V-3500			22,131	
<u>Office of Statement Budget and Management:</u>				
NC State Appropriation – MSC2			860,175	
<u>NC Department of Public Safety:</u>				
COVID-19 Reimbursement		-	2,515	-
Event 4487 DR-NC				
Total Assistance – State Programs		\$ 0	\$ 1,158,304	\$ 0
Total Federal and State Financial Awards		\$ 488,147	\$ 1,158,304	\$ 0

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the City of Conover under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Conover, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Conover.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

City of Conover
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant Deficiency(s) identified that are not considered to be material weaknesses reported	_____ Yes	_____ <u>X</u> No
Noncompliance material to financial statements noted	_____ <u>X</u> Yes	_____ No

State Awards

Internal control over major state programs:		
Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> None Reported
Type of auditor's report issued on compliance for major state programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with State Single Audit Implementation Act?	_____ Yes	_____ <u>X</u> No

Identification of major state program:

Program Name

N.C. Department of Transportation - Powell Bill Grant

Office of State Budget and Management - NC State Appropriation – MSC II

City of Conover
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section II. Financial Statement Findings

Finding: 2021-001 Late Submission of Audited Financial Statement
MATERIAL NONCOMPLIANCE

Criteria:	The City is required by General Statute and the Local Government Commission to have audited financial statements available no more than four months after the fiscal year end.
Condition:	The City was unable to close the final general ledger timely due to the COVID-19 pandemic and its effects on the City's staff, employees, and closing functions. Due to inefficiencies caused by the COVID-19 Pandemic, the City staff and the Auditor had mutual difficulties completing the work necessary to deliver the audited financial statement on the original due date of October 31, 2021, or the LGC extended due date of December 1, 2021. During this time period, the City hired the new Finance Officer and the new Interim Town Manager, and implemented a new accounting software system.
Effect:	The audited financial statements were not available until more than four months after the fiscal year end as required by General Statute and the Local Government Commission.
Cause:	Finance staff were delayed in providing auditor with information necessary to complete the audit.
Recommendation:	The City and the Auditor now have pandemic experience, have set up their workplaces with the appropriate CDC recommendations, and have updated their technology to be able to complete financial statement drafting and auditing in a timelier manner. Furthermore, the Auditor recommends the City not implement new software, or need to hire a new Town Manager and Finance Officer all within the same audit period.
Identification of a repeat finding:	This is not a repeat finding from the immediate previous audit.
Views of responsible officials and planned corrective actions:	The City agrees with this finding and will adhere to the correction action plan on the following page of this audit report.

Section III. State Award Findings and Questioned Costs

None reported.

Section IV. Summary Schedule of Prior Audit Findings

None reported.



City of Conover

Corrective Action Plan For the Year Ended June 30, 2021

Section II. Financial Statement Findings

Finding: 2021-001

MATERIAL NONCOMPLIANCE

Name of contact person: Kurt Beal, Finance Officer

Corrective Action: The City and the Auditor now have pandemic experience, have set up their workplaces with the appropriate CDC recommendations, and have updated their technology to be able to complete financial statement drafting and auditing, in a timelier manner. Furthermore, the City will make all reasonable best efforts to avoid the implementation of new accounting software, the hiring of the Town Manager and the hiring of the Finance Officer all within the same audit period.

If there are any questions regarding this plan, please call Kurt Beal, Finance Officer for City of Conover, at (828) 464-1191.

Sincerely yours,

Kurt L. Beal,
Finance Officer