

# CITY OF CONOVER NORTH CAROLINA

## Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

Prepared by  
City of Conover Finance Department



**CITY OF CONOVER, NORTH CAROLINA**  
**Table of Contents**  
**June 30, 2015**

	<u>Exhibit</u>	<u>Page</u>
<b>Introductory Section</b>		
Letter of Transmittal		3
GFOA Certificate of Achievement		11
Organizational Chart		13
List of Principal Officials		14
<b>Financial Section</b>		
<b>Independent Auditor's Report</b>		17
<b>Management's Discussion and Analysis</b>		20
<b>Basic Financial Statements:</b>		
Government-wide Financial Statements:		
Statement of Net Position	1	34
Statement of Activities	2	36
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	38
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	4	42
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	5	46
Statement of Fund Net Position - Proprietary Funds	6	47
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	7	49

	<u>Exhibit</u>	<u>Page</u>
Statement of Cash Flows - Proprietary Funds	8	51
Statement of Fiduciary Net Position - Fiduciary Funds	9	53
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	10	54
Notes to the Financial Statements		55

**Required Supplementary Financial Data:**

Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance	A-1	106
Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance	A-2	107
Schedule of Funding Progress for the Other Postemployment Benefits	A-3	108
Schedule of Employer Contributions For the Other Postemployment Benefits	A-4	109
Schedule of Proportionate Share of Net Pension Asset for the Local Government Employees' Retirement System	A-5	110
Schedule of Contributions to Local Government Employees' Retirement System	A-6	111
Schedule of Proportionate Share of Net Pension Liability for Firefighters' and Rescue Squad Workers' Pension Plan	A-7	112

**Individual Fund Statements and Schedules:**

*Governmental Activities - Major Funds:*

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund	B-1	114
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Capital Projects Fund - General Capital Reserve Fund	B-2	121
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects Fund – Multi-Jurisdictional Park Fund	B-3	122

*Governmental Activities - Non-Major Funds:*

Combining Balance Sheet	C-1	124
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	C-2	126
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual: Special Revenue Fund: Facilities Maintenance Fund	C-3	129
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual: Capital Projects Fund: Shelf Project-Transportation Fund	C-4	130
Priority Sidewalk Fund	C-5	131
Solid Waste Capital Reserve Fund	C-6	132
General Capital Project Fund	C-7	133
Broyhill Redevelopment Fund	C-8	134
Conover Station North Fund	C-9	136
Lyle Creek Greenway Construction Fund	C-10	137
Rock Bridge Drive Bridge Project Fund	C-11	138

	<u>Exhibit</u>	<u>Page</u>
<i>Business-Type Activities:</i>		
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP):		
Enterprise Funds:		
Water and Sewer Fund	D-1	141
Water and Sewer Capital Projects Fund	D-2	145
Water and Sewer Capital Reserve Fund	D-3	146
HWY 16 North Area Water Quality Fund	D-4	147
NE-SW Water Quality Fund	D-5	148
Shelf Project Fund	D-6	149
Water and Sewer Improvement Fund	D-7	150
NE WWTP Expansion Fund	D-8	151
SW Sewer Rehabilitation Project Fund	D-9	152
 <i>Internal Service Fund:</i>		
Schedule of Revenues and Expenditures - Budget and Actual:		
Health Insurance Fund	E-1	155
 <i>Fiduciary Type Fund:</i>		
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual		
Pension Trust Fund:		
Separation Fund/Law Enforcement	E-2	156
 <i>Capital Assets:</i>		
Capital Assets Used in the Operation of Governmental Funds - Schedule by Function and Asset Type	F-1	158
Capital Assets Used in the Operation of Governmental Funds - Schedule of Changes by Type and Function	F-2	160
 <i>Other Schedules:</i>		
Schedule of Ad Valorem Taxes Receivable	G-1	163
Analysis of Current Tax Levy	G-2	164

<b>Statistical Section (Unaudited)</b>	<b><u>Table</u></b>	<b><u>Page</u></b>
Net Position	1	166
Changes in Net Position	2	168
Fund Balances, Governmental Funds Pre GASB54	3	172
Fund Balances, Governmental Funds Post GASB54	3A	174
Changes in Fund Balances, Governmental Funds	4	176
Assessed Value and Estimated Actual Value of Taxable Property	5	179
Direct and Overlapping Property Tax Rates	6	180
Principal Property Taxpayers	7	181
Property Tax Levies and Collections	8	182
Ratios of Outstanding Debt by Type	9	183
Ratios of General Bonded Debt Outstanding	10	184
Direct and Overlapping Governmental Activities Debt	11	185
Legal Debt Margin Information	12	186
Demographic and Economic Statistics	13	188
Principal Employers	14	189
Full-time Equivalent City Government Employees by Function/Program	15	190
Operating Indicators by Function/Program	16	192
Capital Asset Statistics by Function/Program	17	194

<b>Compliance Section</b>	<b><u>Page</u></b>
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 <i>Government Auditing Standards</i>	199
Independent Auditor’s Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; In accordance with OMB Circular A-133; and the State Single Audit Implementation Act	201
Independent Auditor’s Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; In accordance with OMB Circular A-133; and the State Single Audit Implementation Act	203
Schedule of Expenditures of Federal and State Awards	205
Schedule of Findings and Questioned Costs	207
Corrective Action Plan	209
Summary Schedule of Prior Audit Findings	210

# **Introductory Section**

- 
- \* **Letter of Transmittal**
  - \* **GFOA Certificate of Achievement**
  - \* **Organizational Chart**
  - \* **List of Principal Officials**

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## LETTER OF TRANSMITTAL

November 17, 2015

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the City of Conover, North Carolina for the fiscal year ended June 30, 2015. 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 2015.

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 outweigh 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, 2015, 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 unqualified opinion that the City of Conover's financial statements for fiscal year ended June 30, 2015 are fairly presented in conformity with GAAP. The

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

The Comprehensive Annual Financial Report (CAFR) has been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *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. The audit requirements have also been adopted by the State of North Carolina for state grants. Information related to this single audit, including the schedule of federal and state financial awards, schedule of findings and questioned costs, auditor's report on internal control and compliance with laws and regulations, and other schedules and exhibits necessary to satisfy the requirements of the single audit, are included in the compliance section of this report.

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

## **Profile of the Government**

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

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

County. Interstate 40 traverses through the City along with other major roads including US 70, US 321, US 70A, and NC 16. As of June 2015, the land area of the City is 10.96 square miles with a resident population of 8,291.

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, 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 is 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 1<sup>st</sup> 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 30<sup>th</sup> are reported as reservations of fund balance and are re-appropriated the following fiscal year.

In accordance with State law, the City's budget is prepared on the modified accrual basis, and its accounting records are also maintained on that basis. Under modified accrual

accounting, revenues are recorded when they are both measurable and available. Expenditures are recorded when a fund liability is incurred, except for un-matured principal and interest on long-term debt and certain compensated absences. Governmental funds are reported on the modified accrual basis in the fund financial statements. Proprietary funds are reported on the full accrual basis in the fund financial statements, under which revenues are recorded when earned and expenses are recorded when incurred.

## **Local Economy**

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

The City of Conover continues to be more confident that we have “turned the corner” on the economic recession. Catawba County has rebounded from the high unemployment rate from the recession and is currently at 6.0% unemployment as of June, 2015. The transition continues from a traditional manufacturing workforce to an advanced manufacturing workforce. Our region remains a significant industrial hub with over 28% of our workforce in manufacturing. As we see the change occur, there is an ongoing trend toward an advanced manufacturing workforce. This change requires a higher skill set than our current workforce has to offer. At this time, there are nearly 3,000 positions open in manufacturing within in the county; however, our available workforce is unqualified. This is a major obstacle our region is facing. The City Council has partnered with Catawba Valley Community College and the local Workforce Development Board to create a system of retraining the existing workforce. A challenge moving forward is to encourage young individuals to enter the manufacturing field. The City has changed its economic development strategy to grow its workforce rather than recruit.

### Commercial

Increased activity in new commercial construction projects has provided a more positive outlook for Conover. Currently a new fitness center and retail shops are under construction downtown at the Conover Station site. This is the largest new construction in the downtown in decades. A Sheetz convenience store and restaurant is beginning construction as well. A newly constructed Waffle house and Walgreens have opened for business in the past year. Furthermore, renovations and alterations continue to take place to revitalize older and underutilized buildings that should increase tax value, create new jobs and increase commerce.

The Canova Shopping Center, the second largest in the City, was constructed in 1989. The anchor tenant K-Mart closed in 2014 and the new owner, Tricor Real Estate recently completed a \$2.5 million dollar “facelift” to the center that has dramatically updated and improved the façade and its marketability. The owner has indicated they are actively

seeking a quality, anchor tenant and when they do so, multiple other businesses will also locate in the center.

### Residential

Positive signs are taking place in residential construction. Prior to the recession, new home construction was commonplace, however in the years following 2008, construction was extremely low. New home construction has picked up, with an increased focus on townhome development. With the increasing median age of the region, there is a growing demand for single level homes, with maintenance managed by a homeowners association. Empty nesters are leaving their detached single family homes and seeking townhome developments.

A partially completed townhome development started in 1995 is experiencing a renaissance with a new developer, new design and new construction underway. Three units have been completed and 5 units are nearing completion. When completed, there will be 28 new units added to the development.

### Industrial

Exciting new development is providing optimism in the City for manufacturing. Growth in furniture manufacturing is resulting in additions to existing facilities as well as new construction of factories. Three major economic development manufacturing projects are pending in Conover today with the opportunity for substantial construction, as well as hundreds of new jobs.

### Overall Growth

Fortunately, new commercial occupancies in the City have rebounded to pre-recession totals. Businesses and developers have taken advantage of the area's work ethic, accessibility to major transportation corridors, favorable climate and cleanliness of the City. Total permit value during the past fiscal year was \$15,705,891.

Conover continues to benefit from its proximity to Charlotte; downtown Conover is less than 50 minutes to the Charlotte Douglas International Airport. The City will continue to diversify from a traditional manufacturing base to a more advanced manufacturing economy while still encouraging a mix of industry, business, professional services, and a growing retail sector. The City's transportation access, increasingly diverse economy, stable local leadership and entrepreneurial spirit will continue to make it possible for Conover to enjoy both fiscal strength and a low tax rate.

### **Long-term financial planning**

A major consideration of the Conover governing board has consistently been to maintain or improve the quality of life for Conover citizens and businesses while still maintaining a low tax rate and a strong financial position. This has been accomplished through careful planning for growth, providing adequate public facilities and infrastructure in

advance of growth and maintaining a sufficient fund balance to provide cash flow, generate interest income, eliminate the need for any short-term borrowings and provide for unanticipated opportunities or emergencies.

Each year the City updates its five-year Capital Improvement Plan (CIP) as part of the City's budgeting process, and budgets capital improvements and purchases according to the plan. For capital purchases such as sanitation trucks, fire trucks, dump trucks, 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.

During these recent, more difficult times, the City has continued with its Capital Improvement Plan; however, additions to reserves have been reduced and capital purchases have been pushed out further into the future when feasible. The City has budgeted approximately \$960,145 in reserves for governmental projects including street improvements and equipment, technology enhancements, sanitation equipment and police and fire safety equipment. The bulk of these reserves have come from sales tax revenues and franchise revenue. The City has budgeted approximately \$665,531 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**

Southwest Area Sewer Rehabilitation – The City of Conover has nearly completed the SW Area Sewer Project which has resulted in rehabilitation of a sewer system in one of the City's oldest residential areas. The purpose of the project was to reduce potential sanitary sewer overflows caused by excessive infiltration/inflow and system failure due to eroding infrastructure conditions. Such projects are necessary to lessen system failures that pose a risk of endangering the public health and negatively impacting surface waters.

This project involved identifying problem areas with closed circuit television (CCTV) inspection of approximately 32,535 linear feet of lines and related manholes. Results of the inspections were then analyzed to determine problem areas and the most appropriate and cost effective repair for each defect that was found. Construction elements included line cleaning, CIPP lining, point repairs, tap replacement, manhole rehabilitation, manhole replacement/installation, line replacement, line relocation and right of way clearing. Following corrective actions, the lines were inspected by use of the CCTV process to insure goals were met with each repair.

The cost of the project was \$1,566,940. Funding was obtained from the N.C. Department of Environment and Natural Resources (NCDENR) State Revolving Loan. Debt service for the zero- interest loan will be \$78,347 annually for a period of 20 years.

Public/Private Partnership-The Perfect Workout at Conover Station - The redevelopment project at the former Broyhill furniture factory site has now been underway in downtown Conover for ten years. Since the City purchased the site in 2005, over 6 million dollars in grant funding has resulted in a renovated mill building that serves as the Conover branch of the Catawba County library system, a new city community room, a new city park and the Manufacturing Solutions Center. With a great deal of success in public projects, the City then sought to incorporate private investment. In 2014, the City of Conover began a public/private partnership with a husband and wife business owner who each have successful businesses outside of this project and wished to expand and relocate the wife's business, a physical fitness center to the Conover Station site. This type of enterprise will dramatically increase the activity in the Conover Station development and should make the project more appealing for food vendors, professional services and other businesses that benefit from being in close proximity to such activity.

This investment will result in a state of the art 25,000 square foot fitness center complete with a trained staff, 20,000 square feet of office and retail space to accommodate businesses that wish to profit from the increased activity and a building design that is in keeping with the traditional pre-war architecture of the current development. Completion of this project and a grand opening is scheduled for October, 2015.

For this project, the City of Conover provided the land, approximately 55 public parking spaces, lighting, a new city street, sidewalk, curb and gutter, and public water and sewer.

## **Award**

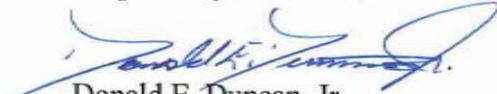
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Conover for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014. This was the eighteenth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## **Acknowledgments**

Preparation of this report would not have been possible without the dedicated efforts of the staff of the finance, planning and city manager's offices of the City. Each member who participated in the preparation of this report has our sincere appreciation for his or

her contributions. We also acknowledge and appreciate the assistance provided by the auditing and accounting firm of Debora B Wentz, CPA. In closing, we thank the members of the City Council for their leadership, interest and support throughout the year.

Respectfully submitted,

  
Donald E. Duncan, Jr.  
City Manager

  
Vickie K. Schlichting  
Finance Director



Government Finance Officers Association

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

Presented to

**City of Conover  
North Carolina**

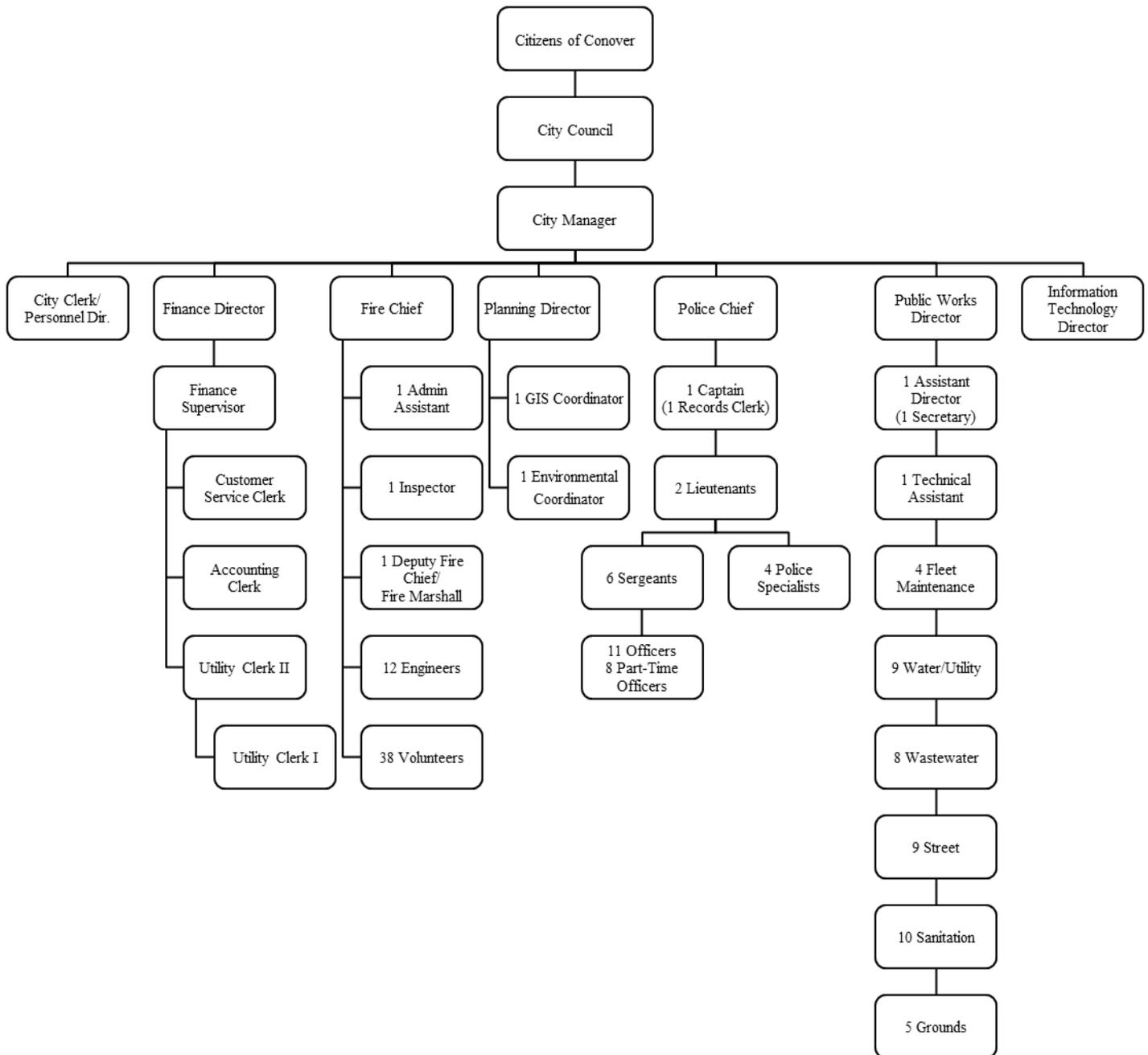
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

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# CONOVER ORGANIZATIONAL CHART



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

**CITY COUNCIL**

Mayor Lee E. Moritz, Jr.

Council Member Kyle J. Hayman (Mayor Pro Tem)

Council Member Don A. Beal

Council Member Joie D. Fulbright

Council Member Bruce R. Eckard

Council Member Mark R. Canrobert

**OTHER CITY OFFICIALS**

City Manager Donald E. Duncan, Jr.

City Attorney Monroe Pannell

City Clerk Cara C. (Chris) Reed

Finance Director Vickie K. Schlichting

Fire Chief J. Mark Hinson

Planning Director Q. Lance Hight

Police Chief Steven W. Brewer

Public Works Director Jimmy A. Clark

Information Technology Director Christopher M. Niver

## **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

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, 2015, and the related notes to the financial statements, which collectively comprise 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 *Governmental Auditing Standards*, issued by the Comptroller 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, 2015, 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 20 through 32, and the Other Post Employment Benefit and Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages 106 through 109, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on pages 110 through 111, respectively, and the Firefighter' and Rescue Squad Worker's Pension Fund's Schedule of the Proportionate Share of Net Pension Liability (Asset) on page 112 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Conover's basic financial statements. The introductory information, combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and statistical section as well as the accompanying schedule of expenditures of federal and state awards as required by U.S. Office and Management and Budget Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations 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, 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.

### ***Change in Accounting Principle***

As discussed in Note 7 to the financial statements, in 2015 the City adopted new accounting guidance, GASB 68, *Accounting and Financial Reporting for Pensions*. My opinion is not modified with respect to this matter.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated November 17, 2015 on my consideration of the City of Conover'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's internal control over financial reporting and compliance.

*Debra B. Wentz, CPA*

Newton, North Carolina  
November 17, 2015

## 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, 2015. 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

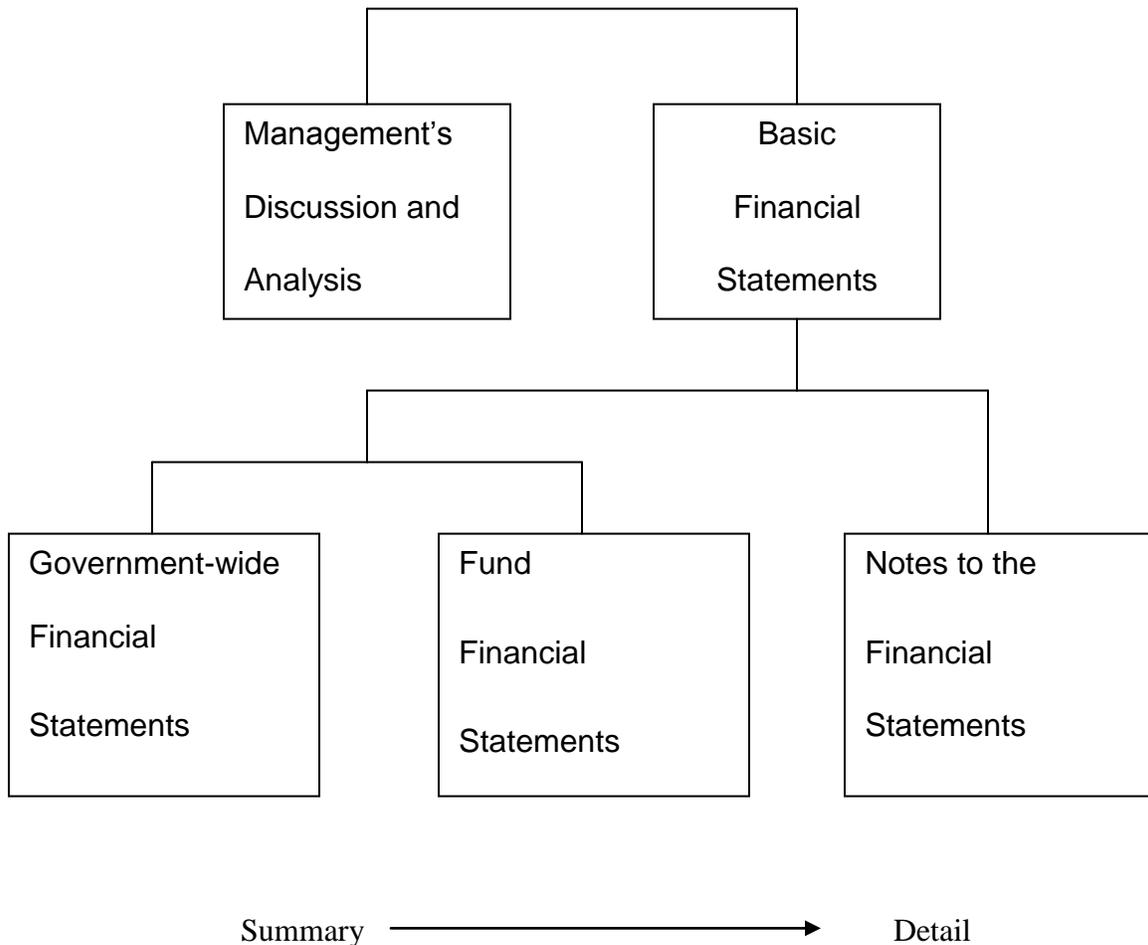
- The assets and deferred outflows of resources of the City of Conover exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$71,018,583 (net position).
- The government's total net position increased by \$ 1,437,144 due to increases in the governmental type activities net position of \$ 1,118,177 and increases in the business type activities net position of \$ 318,967.
- As of the close of the current fiscal year, the City of Conover's governmental funds reported combined ending fund balances of \$ 7,010,854, a decrease of \$1,032,128 in comparison with the prior year. Approximately 29.3 percent of this total amount or \$ 2,052,259 is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$ 2,621,783 or 31.25 percent of total general fund expenditures for the fiscal year.
- The City of Conover's total debt, which includes compensated absences liability, decreased by \$ 145,063 (1.89%) during the current fiscal year. The City's total indebtedness is \$ 7,549,903.
- The City of Conover's legal debt limit is \$ 95,651,845 (8 percent of assessed valuation) and the City's legal debt margin is \$ 88,404,094. The total legal indebtedness of the City is \$ 7,247,751, which represents .61% of assessed valuation.
- The City of Conover's bond ratings are an "A1" 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.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Conover's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Conover.

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

The next statements (Exhibits 3 through 10) 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 four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **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 intergovernmental revenues. 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 three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the

City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* 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 maintains twelve individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balance for the General Fund, the General Capital Reserve Fund and the Rock Bridge Drive Bridge Construction Fund, all of which are considered to be major funds. Data from the other nine non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements located on pages 124 - 127 of this report.

The City of Conover adopted an annual budget for its major governmental funds; General Fund and General Capital Reserve Fund. The City adopted a project budget for its other major governmental fund; Rock Bridge Drive Bridge Fund.

Of the nine non-major governmental funds, the City adopted an annual budget for four funds and a project budget for five 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 Board 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 maintains two types of proprietary funds: enterprise funds and internal service funds.

*Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Conover uses enterprise funds to account for its water and sewer operations. The details of these funds are shown as the business-type activities in the Statement of Net Position and the Statement of Activities.

*Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the City of Conover. The City uses an internal service fund to account for one activity – its health insurance. Because this operation benefits predominantly governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements.

**Fiduciary Funds** - Fiduciary funds account for the resources held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other funds. Fiduciary funds are not reflected in the government-wide financial statements. The City has one fiduciary fund, a Pension Trust Fund, that accounts for the Law Enforcement Officers' Special Separation Allowance, a single-employer, public employee retirement system.

**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 57 - 104 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 the Law Enforcement Officers' Special Separation Allowance and the other postemployment benefits (OPEB). Required supplementary information can be found beginning on page 106 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	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 8,489,405	\$ 9,469,426	\$ 6,037,940	\$ 5,761,437	\$ 14,527,345	\$ 15,230,863
Capital assets	35,681,874	33,496,842	30,681,089	29,499,390	66,362,963	62,996,232
Deferred outflows of resources	229,441	-	78,940	-	308,381	-
Total assets and deferred outflows of resources	44,400,720	42,966,268	36,797,969	35,260,827	81,198,689	78,227,095
Long-term liabilities outstanding	3,562,186	3,672,506	3,391,789	2,492,977	6,953,975	6,165,483
Other liabilities	1,072,935	982,445	1,005,922	819,153	2,078,857	1,801,598
Deferred inflows of resources	853,750	49,943	293,524	-	1,147,274	49,943
Total liabilities and deferred inflows of resources	5,488,871	4,704,894	4,691,235	3,312,130	10,180,106	8,017,024
Net position:						
Net investment in capital assets	32,106,339	29,796,061	27,008,873	26,677,974	59,115,212	56,474,035
Restricted	2,450,724	3,420,746	-	-	2,450,724	3,420,746
Unrestricted	4,354,786	5,044,567	5,097,861	5,270,723	9,452,647	10,315,290
Total net position	\$ 38,911,849	\$ 38,261,374	\$ 32,106,734	\$ 31,948,697	\$ 71,018,583	\$ 70,210,071

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 \$ 71,018,583 as of June 30, 2015. The City's net position increased \$ 1,437,144. The difference from activities affecting net position between fiscal years 2014 and 2015, as seen on the chart above, was \$ 808,512; however, a restatement to record the effects of the new reporting guidance, GASB Statement 68 decreased beginning net position by \$ 628,632. With the new reporting change, the City has allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. Decisions regarding the allocations are made by the administrators of the pension plan, not by the City of Conover's management. The largest portion of net position (83.24%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Conover uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Conover's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City's net position, \$ 2,450,724 (3.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$ 9,452,647 is unrestricted.

Aspects of the City's financial operations that positively influenced the total governmental net position include:

- Rock Bridge Drive Bridge capital asset increase of \$ 1,312,871.
- Multi-Jurisdictional Park capital asset increase of \$822,158.

**City of Conover Changes in Net Position**  
Figure 3

	Governmental Activities 2015	Governmental Activities 2014	Business Type Activities 2015	Business Type Activities 2014	Total 2015	Total 2014
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 569,690	\$ 516,921	\$ 4,094,973	\$ 3,945,895	\$ 4,664,663	\$ 4,462,816
Operating grants and contributions	481,603	344,478	-	-	481,603	344,478
Capital grants and contributions	1,017,538	348,199	62,594	1,893,480	1,080,132	2,241,679
General revenues:						
Property taxes	4,565,412	4,349,511	-	-	4,565,412	4,349,511
Other taxes	1,985,301	1,858,219	-	-	1,985,301	1,858,219
Grants and contributions not restricted to specific programs						
	965,989	934,236	-	-	965,989	934,236
Capital assets contributed to Enterprise F	-	(519,964)	-	-	-	(519,964)
Other	111,907	58,847	21,882	3,333	133,789	62,180
<b>Total revenues</b>	<b>9,697,440</b>	<b>7,890,447</b>	<b>4,179,449</b>	<b>5,842,708</b>	<b>13,876,889</b>	<b>13,733,155</b>
<b>Expenses:</b>						
General government	2,198,538	2,285,156	-	-	2,198,538	2,285,156
Public safety	3,691,773	3,751,443	-	-	3,691,773	3,751,443
Transportation	1,550,120	1,412,793	-	-	1,550,120	1,412,793
Environmental Protection	768,952	897,493	-	-	768,952	897,493
Economic development	-	-	-	-	-	-
Interest on long-term debt	163,787	168,206	-	-	163,787	168,206
Water and sewer	-	-	3,921,575	4,052,585	3,921,575	4,052,585
<b>Total expenses</b>	<b>8,373,170</b>	<b>8,515,091</b>	<b>3,921,575</b>	<b>4,052,585</b>	<b>12,294,745</b>	<b>12,567,676</b>
Increase(Decrease) in net position before transfers	1,324,270	(624,644)	257,874	1,790,123	1,582,144	1,165,479
Transfers	(206,093)	241,051	61,093	(241,051)	(145,000)	-
Change in net position	1,118,177	(383,593)	318,967	1,549,072	1,437,144	1,165,479
Net position, July 1, as restated	37,793,672	38,644,967	31,787,767	30,399,625	69,581,439	69,044,592
<b>Net position, June 30</b>	<b>\$ 38,911,849</b>	<b>\$ 38,261,374</b>	<b>\$ 32,106,734</b>	<b>\$ 31,948,697</b>	<b>\$ 71,018,583</b>	<b>\$ 70,210,071</b>

**Governmental activities:** Governmental activities, this year, had a positive effect on the City's net position of \$ 1,118,177; Key elements of this change in net position for governmental type activities are as follows:

- Capital grant from FEMA for Rock Bridge Drive bridge reconstruction of \$ 836,138.
- Increase in sales tax revenue of \$144,703 and Utility Franchise revenue of \$109,549.

**Business-type activities:** Business-type activities increased the City of Conover's net position by \$ 318,967. Key elements of the change in net position for business type activities are as follows:

- Water and Sewer rate increases of 1.5%.
- Decrease in operating expense of \$ 123,294.
- Increase in Water/Sewer capital assets of \$1,887,298. Of this amount \$ 1,277,405 was for the SW Sewer Rehabilitation project.

### **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 \$ 7,010,854, a decrease of \$ 1,032,128 in comparison with the prior year. Of this total fund balance, \$ 2,052,259 (29.27%) is non spendable or restricted.

The City's major governmental funds are the General Fund, the General Fund Capital Reserve Fund and the Rock Bridge Drive Bridge Construction 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 \$ 3,428,266 while total fund balance was \$ 4,893,339. The City currently has an available fund balance of 40.87% of general fund expenditures while total fund balance represents 58.33% of the same amount. Total general fund balance increased \$ 131,848 from the previous fiscal year. The primary reason for this increase was the increase in sales tax revenue of \$ 144,703 and the increase in utility franchise revenues of \$ 109,549. Both of these increases are indicators that the economy has improved. In addition, both of these revenue sources are unrestricted as to their use. The property tax rate was increased from forty cents to forty-three cents per \$100 of value and approximately two cents of the increase

was transferred to the General Capital Reserve Fund. The General Fund is an annually budgeted fund.

**General Capital Reserve Fund.** The General Capital Reserve Fund is used to collect and reserve funds to distribute, when needed, to other funds for capital equipment acquisitions and construction projects. Primary revenues to this fund are revenue from cell tower leases, privilege license revenues and revenue from the sale of capital assets. At June 30, 2015, total fund balance was \$ 1,313,879. The fund balance of the City's General Capital Reserve Fund increased \$ 380,952 during the current fiscal year. This increase in fund balance was due to a one-time signing bonus of \$ 50,000 on a cell tower lease and a large on-line auction sale of capital assets totaling \$ 76,891. Also beginning this fiscal year, two cents of the property tax rate was and will continue to be, transferred to this fund from the General Fund to help make up for revenue that will be lost due to the repeal of the privilege license tax in North Carolina effective July 1, 2015. This is an annually budgeted fund.

**Rock Bridge Drive Bridge Construction Fund.** The Rock Bridge Drive Bridge Construction Fund was adopted as a project fund in May, 2014 for replacement of the Rock Bridge Drive bridge that was damaged beyond repair from a flood event in July, 2013. Revenues to date for this project are from FEMA in the amount of \$ 836,137, Rock Barn Properties (the development where the bridge was located) of \$ 80,000 and local funds of \$530,213, as the bridge was located within the city limits and is part of the City's infrastructure. Total revenue for this project is \$ 1,446,349. At June 30, 2015, fund balance was \$ 62,488. This is a project fund adopted for the life of the project.

**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 \$5,097,861. The total growth in net position was \$ 318,967. 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 \$ 390,419 more than budget. Property tax revenues exceeded budget by \$ 85,764. In addition there were the increases in sales tax and utility franchise tax revenues totaling \$ 254,252 that were previously mentioned. Departments within the general fund spent a larger portion of their budgets than in previous years as budgets have gotten tighter, but no departmental budget was overspent. Encumbrances for the general fund at year end amounted to \$ 132,107.

## 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, 2015, totals \$ 66,362,963 (net of accumulated depreciation). These assets include buildings, streets, land, machinery and equipment, park facilities, vehicles, and water/sewer infrastructure.

Capital Assets (net of accumulated depreciation) increased \$ 3,366,731. Major capital asset transactions during the year include the following:

- Vehicle additions of \$ 560,454.
- There were no additions to water/sewer infrastructure; however, there is a construction in progress at year end for water/sewer infrastructure of \$1,739,298. The majority of this is due to the Southwest Area Sewer Rehabilitation project.
- Construction in progress for governmental activities of \$ 4,118,135 primarily due to new infrastructure placements still being made for the Multi-Jurisdictional Park and the Rock Bridge Drive Bridge construction.

The City retired \$ 889,891 of capital assets during the year, consisting of vehicles totaling \$687,297, furniture and equipment totaling \$ 112,594 and tore down a City-owned building valued at \$90,000.

### City of Conover’s Capital Assets

Figure 4

(net of depreciation)

	Governmental Activities 2015	Governmental Activities 2014	Business-type Activities 2015	Business-type Activities 2014	Total 2015	Total 2014
Land	\$ 3,175,012	\$ 2,968,523	\$ 296,330	\$ 293,176	\$ 3,471,342	\$ 3,261,699
Buildings and systems	11,314,594	11,679,733	5,036,034	5,146,242	16,350,628	16,825,975
Computer Equipment	34,045	2,053	-	-	34,045	2,053
Equipment and Furnishings	1,101,082	1,264,592	476,744	577,614	1,577,826	1,842,206
Infrastructure	13,316,711	13,565,414	22,687,895	21,861,766	36,004,606	35,427,180
Vehicles and motorized equipment	2,622,296	2,252,605	368,753	177,990	2,991,049	2,430,595
Construction in progress	4,118,134	1,763,922	1,815,333	1,442,602	5,933,467	3,206,524
<b>Total</b>	<b>\$ 35,681,874</b>	<b>\$ 33,496,842</b>	<b>\$ 30,681,089</b>	<b>\$ 29,499,390</b>	<b>\$ 66,362,963</b>	<b>\$ 62,996,232</b>

Additional information on the City of Conover’s capital assets can be found in note 3 on pages 73 - 74 of this report.

**Long-term Debt.** The City of Conover’s bond rating is A1 and A by Moody’s Investors Service and Standard and Poors, respectively. Gross debt obligations of the City are \$7,549,903 as of June 30, 2015. Gross debt consists of general obligation bonds of \$375,000, installment purchase debt of \$3,575,535, loans and notes payable of \$3,297,217, net pension liability (LEO) of \$ 6,183, and compensated absences of \$295,968. The general obligation bonds of \$375,000 are for sanitary sewer improvements and are being retired with resources of the water and sewer fund. Installment purchases related to the Broyhill furniture plant purchase, police, public works and fire facilities and two fire apparatus amount to \$3,575,535 and are obligations of the general fund. Loans and notes payable amounting to \$3,297,217 are for low and no interest loans related to water and sewer capital improvements and are obligations of the water and sewer fund.

At June 30, 2015, the City of Conover had total bonded debt outstanding of \$375,000; the total amount of this debt is backed by the full faith and credit of the City.

**City of Conover’s Outstanding Debt**  
**Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ -	\$ -	\$ 375,000	\$ 500,000	\$ 375,000	\$ 500,000
Loans Payable	-	-	3,297,217	2,275,298	3,297,217	2,275,298
Compensated Absences	245,198	249,409	50,770	46,118	295,968	295,527
OPEB	-	9679	-	-	-	9,679
Pension related debt (LEO)	6,183	-	-	-	6,183	-
Pension related debt (LGERS)	-	679,779	-	233,902	-	913,681
Installment Purchase	3,575,535	3,700,781	-	-	3,575,535	3,700,781
<b>Total</b>	<b>\$ 3,826,916</b>	<b>\$ 4,639,648</b>	<b>\$ 3,722,987</b>	<b>\$ 3,055,318</b>	<b>\$ 7,549,903</b>	<b>\$ 7,694,966</b>

The City of Conover’s total debt decreased \$ 145,063 (1.89%) 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 \$88,404,094. The City of Conover has no bonds authorized but un-issued at June 30, 2015.

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

Additional information regarding the City of Conover's long-term debt can be found in note 3 beginning on page 93 of this report.

### **Economic Factors**

- The County unemployment rate decreased from 7.1% in June 2014 to 6.0% in June 2015. This compares to 10.8% in 2013 and 11.3% in 2012. The State rate at June 2015 was 5.8%.
- Investment Earnings are still at an all-time low as a result of low interest rates.
- The City is still seeing growth in both commercial and residential activity with the construction of a new Waffle House, Sheets convenience store and restaurant, and the construction of a new state of the art, 25,000 square foot fitness center complete with a trained staff and 20,000 square feet of office and retail space. None of these additions were taken into consideration during the latest re-valuation as they were all still under construction at that time.
- 2015-2016 was a re-valuation year for Catawba County resulting in a loss of approximately 10% in real property values for the City of Conover primarily resulting from appealed industrial values.

### **Budget Highlights for the Fiscal Year Ending June 30, 2016**

#### **Governmental Activities:**

- All revenue estimates in the City's 2015-2016 budget remain conservative.
- For 2015-2016, the City estimated a 1% growth in assessed value.
- This budget included a 4 cent tax rate increase making the new rate .47 per \$100 of value. 2015 was a re-valuation year for Catawba County and based on estimates from the County Tax Assessor's office, Conover's revenue neutral tax rate is .4703 cents. Catawba County is on a four year re-valuation cycle.
- This budget includes an increase in landfill fees from \$7.00 to \$11.00 per month. The majority of this revenue will be reserved for future purchase of sanitation and recycling capital.
- This budget does not include pay increases for employees.
- A Planner II position was removed from the budget that had not been filled for a few years. Four part-time positions in the police department were removed. One new position was added in Cemeteries/Parks and Grounds and one new position was added to the Fleet maintenance department.
- Basic services are budgeted, but there are no new programs or services budgeted.

- Some capital purchases from the City's Capital Improvement Plan are included in this budget while some have been delayed or pushed back a year; however, small reserves are still being set aside for future capital purchases.
- This budget includes a general fund balance appropriation of \$ 422,487 which is 4.7% of total budget adopted. In addition there were general fund encumbrances at fiscal year- end of \$ 130,107 that will be added to the general fund balance appropriation for 2015-2016.

### **Business – type Activities:**

- This budget includes a 3.0% increase in water purchased from the City of Hickory and a 3% increase in sewer. This increase is on usage only. There was no increase in meter fees.
- Some capital purchases from the City's Capital Improvement Plan are included in this budget while some have been delayed or pushed back a year; however, small reserves are still being set aside for future capital purchases.
- This budget does not include pay increases for employees.
- No new positions were added.
- Utility usage estimates remain conservative.
- Reserves for utility upgrades will continue to be set aside through the collection of system development fees from any new construction.

### **Requests for Information**

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, City of Conover, P.O. Box 549, Conover, N.C. 28613 or (828) 464-1191. You can also visit the City's website at [www.conovernc.gov](http://www.conovernc.gov) for more information about the City.

## **Basic Financial Statements**

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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, 2015

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	<b>Total</b>
	<b>Activities</b>	<b>Activities</b>	<b></b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	6,095,700	5,429,105	11,524,805
Taxes receivables (net)	352,713		352,713
Accrued interest receivable on taxes	2,537		2,537
Accounts receivable (net)	218,075	628,150	846,225
Due from other funds	145,370	( 145,370)	
Due from other governments	1,070,649		1,070,649
Internal balances	( 3,370)	3,370	
Prepaid items	74,728	2,252	76,980
Restricted cash	182,995		182,995
Total current assets	<u>8,139,397</u>	<u>5,917,507</u>	<u>14,056,904</u>
Noncurrent assets:			
Net pension asset	<u>350,008</u>	<u>120,433</u>	<u>470,441</u>
Capital assets (Note 3):			
Land, non-depreciable improvements and construction in progress	7,293,146	2,111,663	9,404,809
Other capital assets, net of depreciation	<u>28,388,728</u>	<u>28,569,426</u>	<u>56,958,154</u>
Total capital assets	<u>35,681,874</u>	<u>30,681,089</u>	<u>66,362,963</u>
Total assets	<u>44,171,279</u>	<u>36,719,029</u>	<u>80,890,308</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources	<u>229,441</u>	<u>78,940</u>	<u>308,381</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	721,386	466,348	1,187,734
Accrued interest payable	86,818	7,384	94,202
Customer deposits		125,606	125,606
Due to other governments		75,387	75,387
Current portion of long-term liabilities	<u>264,731</u>	<u>331,197</u>	<u>595,928</u>
Total current liabilities	1,072,935	1,005,922	2,078,857
Long-term liabilities:			
Due in more than one year	<u>3,562,186</u>	<u>3,391,789</u>	<u>6,953,975</u>
Total liabilities	<u>4,635,121</u>	<u>4,397,711</u>	<u>9,032,832</u>

**CITY OF CONOVER, NORTH CAROLINA**  
**Statement of Net Position**  
June 30, 2015

	<b>Primary Government</b>		
	<b>Governmental Activities \$</b>	<b>Business-type Activities \$</b>	<b>Total \$</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources	<u>853,750</u>	<u>293,524</u>	<u>1,147,274</u>
<b>Net Position</b>			
Net investment in capital assets	32,106,339	27,008,873	59,115,212
Restricted for:			
Stabilization by State Statute	1,740,081		1,740,081
Debt service	201,001		201,001
Transportation	166,246		166,246
Public safety	16,749		16,749
Economic development	326,647		326,647
Unrestricted	<u>4,354,786</u>	<u>5,097,861</u>	<u>9,452,647</u>
Total net position	<u>38,911,849</u>	<u>32,106,734</u>	<u>71,018,583</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, 2015

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	Expenses \$	Charges for Services \$	Operating Grants and Contributions \$	Capital Grants and Contributions \$
<b>Primary government:</b>				
Government activities:				
General government	2,198,538	157,633		
Public safety	3,691,773	16,836	221,613	
Transportation	1,550,120		254,663	1,017,538
Environmental protection	768,952	395,221	5,327	
Interest on long-term debt	<u>163,787</u>			
Total government activities (See Note 1)	8,373,170	569,690	481,603	1,017,538
Business-type activities:				
Water and sewer	<u>3,921,575</u>	<u>4,094,973</u>		<u>62,594</u>
Total primary government	<u>12,294,745</u>	<u>4,664,663</u>	<u>481,603</u>	<u>1,080,132</u>
General revenues:				
Taxes:				
Property taxes, levied for general purpose				
Local option sales tax				
Other taxes				
Grants and contributions not restricted to specific programs				
Unrestricted investment earnings				
Miscellaneous				
Gain on sale of assets				
Total general revenues not including transfers				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning previously reported				
Restatement				
Net position, beginning, restated				
Net position, ending				

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

**Net (Expense) Revenue and Changes in Net Position**  
**Primary Government**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>\$</b>	<b>\$</b>	<b>\$</b>
( 2,040,905)		( 2,040,905)
( 3,453,324)		( 3,453,324)
( 277,919)		( 277,919)
( 368,404)		( 368,404)
<u>( 163,787)</u>		<u>( 163,787)</u>
( 6,304,339)	0	( 6,304,339)
	<u>235,992</u>	<u>235,992</u>
<u>( 6,304,339)</u>	<u>235,992</u>	<u>( 6,068,347)</u>
4,565,412		4,565,412
1,855,393		1,855,393
129,908		129,908
965,989		965,989
4,012	3,051	7,063
36,439		36,439
<u>71,456</u>	<u>18,831</u>	<u>90,287</u>
7,628,609	21,882	7,650,491
( 206,093)	61,093	( 145,000)
<u>7,422,516</u>	<u>82,975</u>	<u>7,505,491</u>
<u>1,118,177</u>	<u>318,967</u>	<u>1,437,144</u>
38,261,374	31,948,697	70,210,071
( 467,702)	( 160,930)	( 628,632)
<u>37,793,672</u>	<u>31,787,767</u>	<u>69,581,439</u>
<u>38,911,849</u>	<u>32,106,734</u>	<u>71,018,583</u>

**CITY OF CONOVER, NORTH CAROLINA**

**Balance Sheet**

**Governmental Funds**

June 30, 2015

	<b>Major Funds</b>		
	<b>General</b>	<b>General Capital Reserve Fund</b>	<b>Rock Bridge Drive Bridge Project Fund</b>
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	4,093,264	1,320,113	
Restricted cash	182,995		
Receivables, net:			
Taxes	352,713		
Accounts	81,682		
Due from other funds	314,941		
Due from other governments	861,615		209,034
Prepaid items	74,728		
Total assets	<u>5,961,938</u>	<u>1,320,113</u>	<u>209,034</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	714,751	6,234	
Due to other funds			146,546
Total liabilities	<u>714,751</u>	<u>6,234</u>	<u>146,546</u>
<b>Deferred inflows of resources:</b>			
Property taxes receivable	352,713		
Prepaid taxes	695		
Unavailable revenues	440		
Total deferred inflows of resources	<u>353,848</u>	<u>0</u>	<u>0</u>
<b>Fund balances:</b>			
Non spendable			
Prepaid expenses	74,728		
Restricted			
Stabilization by State Statute	1,390,345		62,488
Streets	166,246		
Public safety	16,749		
Debt covenant	201,001		
Committed			
Capital improvements		1,313,879	
Building maintenance			
Assigned			
Subsequent year's expenditures	422,487		
Unassigned	2,621,783		
Total fund balances	<u>4,893,339</u>	<u>1,313,879</u>	<u>62,488</u>
Total liabilities, deferred inflows of resources and fund balances	<u>5,961,938</u>	<u>1,320,113</u>	<u>209,034</u>

<b>Total Non-Major Funds \$</b>	<b>Total Governmental Funds \$</b>
678,174	6,091,551 182,995
86,400	352,713 168,082 314,941 1,070,649 74,728
<u>764,574</u>	<u>8,255,659</u>
401	721,386
<u>23,025</u>	<u>169,571</u>
<u>23,426</u>	<u>890,957</u>
0	352,713 695 440
<u>0</u>	<u>353,848</u>
140,702	74,728 1,593,535 166,246 16,749 201,001
580,207	1,894,086
20,239	20,239
<u>741,148</u>	422,487 <u>2,621,783</u> <u>7,010,854</u>
<u>764,574</u>	

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**CITY OF CONOVER, NORTH CAROLINA**  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2015

	\$	<b>Total Governmental Funds</b>
		\$
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Total Fund Balance, Governmental Funds		7,010,854
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	48,010,702	
Accumulated depreciation	<u>(12,328,828)</u>	35,681,874
Net pension asset		350,008
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		229,441
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.		2,537
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds.		( 3,370)
The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.		54,143
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		353,152
Net pension liability (LEO)		( 6,183)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		( 86,818)
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		( 3,820,734)
Pension related deferrals		<u>( 853,055)</u>
 Net position of governmental activities		 <u>38,911,849</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, 2015

	<b>Major Funds</b>		
	<b>General</b>	<b>General Capital Reserve Fund</b>	<b>Rock Bridge Drive Bridge Project Fund</b>
	\$	\$	\$
<b>Revenues:</b>			
Ad valorem taxes	4,737,276		
Other taxes and licenses	2,057		
Unrestricted intergovernmental	2,826,709		
Restricted intergovernmental	459,627		836,137
Permits and fees	18,484	213,545	
Sales and services	411,891		
Investment earnings	2,547	774	
Miscellaneous	54,187	114,228	80,000
Total revenues	<u>8,512,778</u>	<u>328,547</u>	<u>916,137</u>
<b>Expenditures:</b>			
Current:			
General government	2,145,878		
Public safety	3,464,131		
Transportation	1,194,478		
Environmental protection	662,103		
Debt Service:			
Principal	125,246		
Interest and other charges	165,463		
Capital outlay			1,312,871
Total expenditures	<u>7,757,299</u>	<u>0</u>	<u>1,312,871</u>
Excess (deficiency) of revenues over (under) expenditures	<u>755,479</u>	<u>328,547</u>	<u>( 396,734)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	7,500	212,472	
Transfers to other funds	( 631,131)	( 236,957)	
Proceeds from the sale of capital assets		76,891	
Total other financing sources (uses)	<u>( 623,631)</u>	<u>52,406</u>	<u>0</u>
Net change in fund balance	131,848	380,953	( 396,734)
Fund balances, beginning as previously reported (consolidated)	<u>4,761,491</u>	<u>932,926</u>	<u>459,222</u>
Fund balances, ending	<u>4,893,339</u>	<u>1,313,879</u>	<u>62,488</u>

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

<b>Total Non-Major Funds \$</b>	<b>Total Governmental Funds \$</b>
	4,737,276
15,000	17,057
	2,826,709
	1,295,764
	232,029
	411,891
691	4,012
<u>96,525</u>	<u>344,940</u>
<u>112,216</u>	<u>9,869,678</u>
	2,145,878
	3,464,131
16,237	1,210,715
	662,103
	125,246
	165,463
<u>1,783,540</u>	<u>3,096,411</u>
<u>1,799,777</u>	<u>10,869,947</u>
( <u>1,687,561</u> )	( <u>1,000,269</u> )
896,812	1,116,784
( 357,446 )	( 1,225,534 )
	<u>76,891</u>
<u>539,366</u>	( <u>31,859</u> )
( 1,148,195 )	( 1,032,128 )
<u>1,889,343</u>	<u>8,042,982</u>
<u>741,148</u>	<u>7,010,854</u>

**CITY OF CONOVER, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
For the Year Ended June 30, 2015

	\$	\$
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
Net changes in fund balances - total governmental funds		( 1,032,128)
<p>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.</p>		
Capital outlay expenditures which were capitalized	3,334,795	
Depreciation expense for governmental assets	( 1,038,848)	
Basis in assets transferred to enterprise fund	( 97,343)	
Cost in assets sold and abandoned	( 686,271)	
Accumulated depreciation in assets sold and abandoned	<u>672,699</u>	2,185,032
Contributions to the pension plan in the current fiscal year are not included on the statement of activities		218,727
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in interest receivable	( 3,343)	
Change in unavailable revenue for tax revenues	( 168,521)	
Change in unearned revenue	<u>( 85,253)</u>	( 257,117)
<p>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.</p>		
Principal payments on long-term debt	125,246	
Decrease in accrued interest payable	<u>1,676</u>	126,922

**CITY OF CONOVER, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
For the Year Ended June 30, 2015

	\$	\$
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	4,210	
Other postemployment benefits	3,447	
Pension expense	<u>( 24,629)</u>	( 16,972)
Consolidation adjustment for the Internal Service Fund and the Governmental Funds.		
Net expenses of internal service fund	( 133,359)	
Portion of revenue allocated to business-type activities	<u>27,072</u>	( <u>106,287</u> )
Total changes in net position of governmental activities		<u><u>1,118,177</u></u>

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

## CITY OF CONOVER, NORTH CAROLINA

## General Fund

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

For the Year Ended June 30, 2015

	<b>General Fund</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
	\$	\$	\$	\$
<b>Revenues:</b>				
Ad valorem taxes	4,651,512	4,651,512	4,737,276	85,764
Other taxes and licenses	1,500	1,500	2,057	557
Unrestricted intergovernmental	2,535,760	2,535,760	2,826,709	290,949
Restricted intergovernmental	437,216	448,177	459,627	11,450
Sales and services	418,060	418,110	411,891	( 6,219)
Permits and fees	16,100	16,100	18,484	2,384
Investment earnings	500	500	2,547	2,047
Miscellaneous	47,950	50,700	54,187	3,487
Total revenues	<u>8,108,598</u>	<u>8,122,359</u>	<u>8,512,778</u>	<u>390,419</u>
<b>Expenditures:</b>				
Current:				
General government	2,217,485	2,459,836	2,145,878	313,958
Public safety	3,681,755	3,715,221	3,464,131	251,090
Transportation	1,333,279	1,340,683	1,194,478	146,205
Environmental protection	767,244	768,626	662,103	106,523
Debt service:				
Principal	125,247	125,247	125,246	1
Interest and other charges	165,464	165,464	165,463	1
Total expenditures	<u>8,290,474</u>	<u>8,575,077</u>	<u>7,757,299</u>	<u>817,778</u>
Excess (deficiency) of revenues over (under) expenditures	( 181,876)	( 452,718)	755,479	1,208,197
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	7,550	7,500	7,500	
Transfers to other funds	( 472,812)	( 631,131)	( 631,131)	
Proceeds from sale of capital assets	100	100		( 100)
Total other financing sources (uses)	( 465,162)	( 623,531)	( 623,631)	( 100)
Fund balance appropriated	647,038	1,076,249		( 1,076,249)
Net change in fund balance	<u>0</u>	<u>0</u>	131,848	<u>131,848</u>
Fund balances, beginning			4,761,491	
Fund balances, ending			<u>4,893,339</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, 2015

	<b>Major Enterprise Fund</b>	<b>Internal Service Fund</b>
	<b>Water and Sewer Fund</b>	<b>Fund</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	5,429,105	4,149
Accounts receivables (net)	628,150	49,994
Prepaid items	<u>2,252</u>	
Total current assets	<u>6,059,507</u>	<u>54,143</u>
Noncurrent assets:		
Net pension asset	120,433	
Capital assets:		
Land and other non-depreciable assets	2,111,663	
Other capital assets, net of depreciation	<u>28,569,426</u>	
Total noncurrent assets	<u>30,801,522</u>	<u>0</u>
Total assets	<u>36,861,029</u>	<u>54,143</u>
<b>Deferred Outflows of Resources</b>		
Deferred outflows of resources	<u>78,940</u>	<u>0</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	466,348	
Deposits	125,606	
Due to other funds	145,370	
Due to other government agencies	75,387	
Accrued interest payable	7,384	
Compensated absences - current	33,000	
General obligations bonds payable - current	125,000	
Loans payable – current	<u>173,197</u>	
Total current liabilities	<u>1,151,292</u>	<u>0</u>
Noncurrent liabilities:		
Compensated absences	17,770	
General obligations bonds payable - noncurrent	250,000	
Loans payable - noncurrent	<u>3,124,019</u>	
Total noncurrent liabilities	<u>3,391,789</u>	<u>0</u>
Total liabilities	<u>4,543,081</u>	<u>0</u>

**CITY OF CONOVER, NORTH CAROLINA**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
June 30, 2015

	<b>Major Enterprise Fund</b>	<b>Internal Service Fund</b>
	<b>Water and Sewer Fund</b>	<b>Fund</b>
	<b>\$</b>	<b>\$</b>
<b>Deferred Inflows of Resources</b>		
Deferred inflows of resources	<u>293,524</u>	<u>0</u>
<b>Net Position</b>		
Investment in capital assets, net of related debt	27,008,873	
Unrestricted	<u>5,094,491</u>	<u>54,143</u>
Total net position	32,103,364	<u><u>54,143</u></u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise fund.	<u>3,370</u>	
Net position of business-type activities	<u><u>32,106,734</u></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, 2015

	<u>Major Enterprise Fund</u>		
	Water and Sewer Fund \$	Total \$	Internal Service Fund \$
<b>Operating Revenues</b>			
Charges for services	<u>4,094,973</u>	<u>4,094,973</u>	<u>1,065,542</u>
<b>Operating Expenses</b>			
Purchase for resale	675,011	675,011	
Salaries and wages	1,086,095	1,086,095	
Professional services	11,603	11,603	
Telephone alarm system	188	188	
Telephone	7,152	7,152	
Utilities	97,919	97,919	
Travel and training	3,040	3,040	
Maintenance and repairs-equipment and lines	116,107	116,107	
Maintenance and repairs-vehicles	22,130	22,130	
Automotive supplies	46,347	46,347	
Departmental supplies	152,709	152,709	
Contracted services	380,467	380,467	
Miscellaneous	1,424	1,424	
Payroll taxes	79,449	79,449	
Retirement expense	61,861	61,861	
Group insurance	155,686	155,686	
Health/dental expenses			1,343,899
Uniforms	8,962	8,962	
Depreciation	909,219	909,219	
Advertising	3,123	3,123	
Dues and subscriptions	4,373	4,373	
Insurance and bonds	37,959	37,959	
Transition fee	<u>2,268</u>	<u>2,268</u>	
Total operating expenses	<u>3,863,092</u>	<u>3,863,092</u>	<u>1,343,899</u>
Operating income (loss)	<u>231,881</u>	<u>231,881</u>	( <u>278,357</u> )

**CITY OF CONOVER, NORTH CAROLINA**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
For the Year Ended June 30, 2015

	<u>Major Enterprise Fund</u>		
	Water and Sewer Fund \$	Total \$	Internal Service Fund \$
<b>Nonoperating Revenues (Expenses)</b>			
Investment earnings	3,051	3,051	
Gain on sale of fixed assets	18,831	18,831	
Interest and fees	( 31,411)	( 31,411)	
Total nonoperating revenues (expenses)	( 9,529)	( 9,529)	<u>0</u>
Income (loss) before contributions and transfers	222,352	222,352	( 278,357)
Capital contributions	62,594	62,594	
Transfers to other funds	( 36,250)	( 36,250)	
Transfers from other funds – capital assets	<u>97,343</u>	<u>97,343</u>	<u>145,000</u>
Change in net position	<u>346,039</u>	346,039	( 133,357)
Total net position, previously reported	31,948,697		187,500
Restatement	( 160,930)		
Total net position, restated	<u>31,787,767</u>		<u>187,500</u>
Total net position, ending	<u>32,133,806</u>		<u>54,143</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise fund.		( 27,072)	
Change in net position, business-type activities		<u>318,967</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, 2015

	<b><u>Major Enterprise Fund</u></b>	<b>Internal Service Fund</b>
	<b>Water and Sewer Fund</b>	<b>Fund</b>
	<b>\$</b>	<b>\$</b>
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	4,083,801	1,025,785
Cash paid for goods and services	( 1,669,117)	( 1,343,899)
Cash paid to employees	( 1,081,443)	_____
Net cash provided (used) by operating activities	<u>1,333,241</u>	<u>( 318,114)</u>
<b>Cash Flows (to) from Noncapital Financing Activities:</b>		
Transfers to other funds	( 36,250)	<u>145,000</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition and construction of capital assets	( 1,993,575)	
Proceeds from sale of capital assets	18,831	
Proceeds from loans	1,195,380	
Increase in Due from other funds	59,013	
Principal paid on bond maturities and other loans	( 298,462)	
Interest paid on bond maturities and other loan costs	( 33,902)	
System development fees	46,850	
Capacity excess fees	<u>14,570</u>	_____
Net cash provided (used) for capital and related financing activities	<u>( 991,295)</u>	<u>0</u>
<b>Cash Flows from Investing Activities:</b>		
Interest on investments	<u>4,225</u>	<u>0</u>
Net increase (decrease) in cash and cash equivalents	309,921	( 173,114)
Balances, beginning	<u>5,119,184</u>	<u>177,263</u>
Balances, ending	<u><u>5,429,105</u></u>	<u><u>4,149</u></u>

**CITY OF CONOVER, NORTH CAROLINA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
For the Fiscal Year Ended June 30, 2015

	<b>Major Enterprise Fund</b>	<b>Internal Service Fund</b>
	<b>Water and Sewer Fund</b>	<b>Fund</b>
	<b>\$</b>	<b>\$</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>		
Operating income (loss)	<u>231,881</u>	<u>( 278,357)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	909,219	
Pension expense	12,161	
Changes in assets and liabilities:		
Increase in Due to other governments	18,458	
(Increase) in prepaid expenses	15,014	
(Increase) in accounts receivable	( 33,605)	( 39,757)
Increase in accounts payable and other liabilities	250,426	
Increase in customer deposits	3,975	
Increase in accrued vacation pay	4,652	
(Increase) in deferred outflows for pensions	<u>( 78,940)</u>	<u>                    </u>
Total adjustments	<u>1,101,360</u>	<u>( 39,757)</u>
Net cash provided (used) by operating activities	<u>1,333,241</u>	<u>( 318,114)</u>

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

**CITY OF CONOVER, NORTH CAROLINA**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
 For the Year Ended June 30, 2015

	<b>Pension Trust Fund June 30, 2015 \$</b>
<b>Assets</b>	
Cash and cash equivalents	<u>54,690</u>
<b>Net Position</b>	
Assets held for pension benefits	<u>54,690</u>

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

**CITY OF CONOVER, NORTH CAROLINA**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
 For the Fiscal Year Ended June 30, 2015

	<b>Pension Trust Fund June 30, 2015 \$</b>
<b>Additions:</b>	
Employer contributions	31,000
Investment income	<u>30</u>
Total additions	31,030
<b>Deductions:</b>	
Benefits	<u>34,070</u>
Change in net position	( 3,040)
Net position, beginning	<u>57,730</u>
Net position, ending	<u><u>54,690</u></u>

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

## **Notes to the Financial Statements**

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

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**CITY OF CONOVER, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

**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 fiduciary funds are not reflected in the government-wide financial statements.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the City's funds, including fiduciary funds.

Separate statements for each fund category - *governmental, proprietary and fiduciary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The City reports the following major governmental funds:

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

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

**Rock Bridge Drive Bridge Project Fund.** This fund provides funding for replacement of the Rock Bridge Drive bridge that was damaged beyond repair during the flood of July, 2013. Revenues for this project are from FEMA, Rock Barn Properties (development where bridge was located), and local funds. The project is scheduled to be complete by November, 2014.

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.

**Shelf Project-Transportation Capital Project Fund.** This fund provides funding for engineering for future transportation improvements. In recent years, it has become very important to have projects already engineered in order to receive grant monies. We call these pre-engineered projects, Shelf projects.

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

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

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

**Broyhill Redevelopment Capital Projects Fund.** This fund is to account for the redevelopment of the Broyhill property.

**Conover Station North Capital Project Fund.** This fund provides funding for site improvements consisting of water/sewer utility and street and sidewalk construction for Lot #11 on the northern part of the Broyhill property. This is being done to prepare property for private development.

**Lyle Creek Greenway Construction Capital Project Fund.** This fund is used to finance construction of a 1.5 mile, enhanced trail along the Carolina Thread Trail. The Carolina Thread Trail is an initiative to link 15 counties and 2.3 million people in the south-central piedmont of North Carolina through an interconnected trail system. Once this project is complete, Conover will have 7.5 miles of total connected trail within the City. Revenue to this project is a grant from the Carolina Thread Trail and in the beginning of the next fiscal year, the City will provide a local share for this project.

**Multi-Jurisdictional Park Fund.** This fund was adopted as a project fund in October, 2012 to account for street and bridge construction to a multi-jurisdictional park to be located in the City of Conover. The park named NC Data Campus will be built through a partnership between the City of Conover and other local government units within Catawba County.

The City reports the following fund types:

**Internal Service Fund.** The Health Insurance Fund is used to account for the payment of medical claims of the City's employees and their covered dependents.

**Pension Trust Fund – Separation Fund/Law Enforcement.** This fund is used to reserve contributions and pay benefits to law enforcement officers receiving benefits from the Separation Allowance.

**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, Proprietary, and Fiduciary Fund Financial Statements.* The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary 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 fund 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. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property taxes other than motor vehicles, are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Conover because the tax is levied by Catawba County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both

restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

#### **D. Budgetary Data**

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, General Capital Reserve Capital Projects Fund, Facilities Maintenance Special Revenue Fund, Priority Sidewalk Capital Projects Fund, Solid Waste Capital Reserve Capital Projects Fund, and the General Capital Projects Fund. An annual budget is also adopted for the Enterprise Operating Fund, Enterprise Fund Water and Sewer Capital Reserve Fund, Enterprise Fund Water and Sewer Capital Projects Fund, and Enterprise Fund Water and Sewer Improvement Fund, which are consolidated with the operating funds for reporting purposes. Project ordinances are adopted for the Broyhill Redevelopment Capital Projects Fund, Lyle Creek Greenway Construction Capital Projects Fund, Multi-Jurisdictional Park Capital Projects Fund, Shelf Project-Transportation Capital Projects Fund, Conover Station North Capital Projects Fund, and the Rock Bridge Drive Bridge Construction Capital Project Fund. Project ordinances are also adopted for the Enterprise Fund Shelf Project Fund, the Enterprise Fund Hwy 16 North Area Water Quality Fund, the Enterprise Fund NE-SW Water Quality Fund, the Enterprise Fund NE WWTP Expansion Fund, and the Enterprise Fund SW Sewer Rehabilitation Project Fund, which are consolidated with the water and sewer operating fund for reporting purposes. The City's Health Insurance Fund, an internal service fund, operates under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved, as required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the 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 as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

**Cash and Cash Equivalents**

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

**Restricted Assets**

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per 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

Streets	\$ 166,246
Public Safety	<u>16,749</u>

Total Governmental Activities	\$ <u>182,995</u>
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### **Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2015.

### **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. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. 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 2015 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 only four items that meet the criterion for this category – prepaid taxes, property taxes receivable, pension deferrals, and unavailable revenues.

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

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

### **Compensated Absences**

The vacation policy of the City provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested

when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the City does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

## **Net Position/Fund Balances**

### **Net Position:**

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

### **Fund Balances:**

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

*Restricted for Stabilization by State Statute* – portion of fund balance that is restricted by State Statute (G.S. 159-8(a)).

*Restricted for Streets* – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

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

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

*Restricted for Economic Development* – portion of fund balance that is restricted by Economic Development Corporation for the street and bridge construction of the Multi-Jurisdictional Park in Conover. The funding is provided by a grant from the Economic Development Corporation.

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

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

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 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.

## **Pensions**

For purposes of measuring the net pension asset, 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**

**Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2015, the expenditures made in the City's Capital Project Fund – Broyhill Redevelopment Fund exceeded appropriations made by the governing board for professional services by \$6,894, building renovations by \$2,219, water construction by \$19,746, and sewer construction by \$214. The budget was legally adopted by line item for the life of the project. The total expenditures remain under the appropriations. The expenditures made in the City's Capital Project Fund – Multi-Jurisdictional Park exceeded appropriations made by the governing board for street construction of \$149,667. This budget was legally adopted by line item. Total expenditures remain under appropriations. Management and the Board will more closely review the budget reports to ensure compliance in future years.

**Note 3.**  
**Detail Notes on all Funds**

**A. Assets**

**Deposits**

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agent in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for

the City under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risks for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2015, the City's deposits had a carrying amount of \$7,639,762 and a bank balance of \$7,831,596. The bank balances of the City were fully covered by federal depository insurance and the pooling method. At June 30, 2015, the City's petty cash fund totaled \$490.

## **Investments**

At June 30, 2015, the City of Conover had \$1,115,961 invested with North Carolina Capital Management Trust's Cash Portfolio. The City had \$3,006,277 invested with North Carolina Capital Management Trust – Term Portfolio with a duration of .19 year.

*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 Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2015. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

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

### Receivables - Allowance for Doubtful Accounts

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

<u>Fund</u>	<u>06/30/15</u>
General Fund	
Taxes receivable	\$ 122,882
Landfill fee	<u>730</u>
Total General Fund	123,612
Enterprise Fund	<u>8,169</u>
Total	<u>\$ 131,781</u>

### Capital Assets

#### Primary Government:

Capital asset activity for the Primary Government for the year ended June 30, 2015, was as follows:

	Beginning Balances \$	Additions \$	Net Transfers \$	Retire- ments \$	Ending Balances \$
<b>Governmental activities:</b>					
<b>Capital assets not being depreciated:</b>					
Land & improvements	2,968,523	93,523	112,966		3,175,012
Construction in process	<u>1,763,922</u>	<u>2,451,555</u>	( 97,343)		<u>4,118,134</u>
Total capital assets not being depreciated	<u>4,732,445</u>	<u>2,545,078</u>	<u>15,623</u>	<u>0</u>	<u>7,293,146</u>
<b>Capital assets being depreciated:</b>					
Building & improvements	14,353,837	50,170	( 112,966)	( 90,000)	14,201,041
Equipment	2,768,867	12,212		( 87,809)	2,693,270
Vehicles	5,610,828	688,309		( 508,462)	5,790,675
Computer equipment	156,659	39,026			195,685
Infrastructure	<u>17,836,885</u>				<u>17,836,885</u>
Total capital assets being depreciated	<u>40,727,076</u>	<u>789,717</u>	( 112,966)	( 686,271)	<u>40,717,556</u>
<b>Less accumulated depreciation for:</b>					
Buildings & improvements	2,674,104	294,206		( 81,863)	2,886,447
Equipment	1,504,275	175,722		( 87,809)	1,592,188
Vehicles	3,358,223	313,183		( 503,027)	3,168,379
Computer equipment	154,606	7,034			161,640
Infrastructure	<u>4,271,471</u>	<u>248,703</u>			<u>4,520,174</u>
Total accumulated depreciation	<u>11,962,679</u>	<u>1,038,848</u>	<u>0</u>	( 672,699)	<u>12,328,828</u>
Total capital assets being depreciated, net	<u>28,764,397</u>				<u>28,388,728</u>
<b>Governmental activity capital assets, net</b>	<u>33,496,842</u>				<u>35,681,874</u>

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

General government	\$ 238,831
Public safety	345,540
Transportation	346,050
Environmental protection	<u>108,427</u>
Total depreciation expense	<u>\$ 1,038,848</u>

	Beginning Balances \$	Additions \$	Net Transfers \$	Retire- ments \$	Ending Balances \$
<b>Business-type activities:</b>					
<i>Water and Sewer Fund</i>					
<b>Capital assets not being depreciated:</b>					
Land & improvements	293,176	3,154			296,330
Construction in process	<u>1,442,602</u>	<u>1,438,208</u>	( 1,065,477)		<u>1,815,333</u>
Total capital assets not being depreciated	<u>1,735,778</u>	<u>1,441,362</u>	( 1,065,477)	0	<u>2,111,663</u>
<b>Capital assets being depreciated:</b>					
Buildings & improvements	7,892,706	23,601			7,916,307
Equipment	3,454,645		( 18,300)		3,436,345
Vehicles	650,606	224,915	( 178,835)		696,686
Computer equipment	36,454		( 6,485)		29,969
Infrastructure	<u>31,722,474</u>	<u>303,697</u>	<u>1,162,820</u>		<u>33,188,991</u>
Total capital assets being depreciated	<u>43,756,885</u>	<u>552,213</u>	<u>1,162,820</u>	( 203,620)	<u>45,268,298</u>
<b>Less accumulated depreciation for:</b>					
Buildings & improvements	2,746,464	133,809			2,880,273
Equipment	2,877,031	100,870	( 18,300)		2,959,601
Vehicles	472,616	34,152	( 178,835)		327,933
Computer equipment	36,454		( 6,485)		29,969
Infrastructure	<u>9,860,708</u>	<u>640,388</u>			<u>10,501,096</u>
Total accumulated depreciation	<u>15,993,273</u>	<u>909,219</u>	0	( 203,620)	<u>16,698,872</u>
Total capital assets being depreciated, net	<u>27,763,612</u>				<u>28,569,426</u>
Business-type activities capital assets, net	<u>29,499,390</u>				<u>30,681,089</u>

## Construction commitments

The government has active projects as of June 30, 2015. At year end, the government's commitments with contractors are as follows:

Project	Spent to Date \$	Remaining Commitment \$
Water Sewer Capital Projects	1,094,698	254,906
Multi-Jurisdictional Park	1,451,145	122,348
Conover Station North	236,879	26,749
Lyle Creek Greenway Construction	<u>23,025</u>	<u>63,375</u>
Total	<u>2,805,747</u>	<u>467,378</u>

## B. Liabilities

### Pension Plan Obligations and Postemployment Obligations

#### a. Local Government Employees' Retirement System:

##### Plan Description

The City of Conover is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://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, 2015, was 7.41% of compensation for law enforcement officers and 7.07% 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 \$293,980 for the year ended June 30, 2015.

*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, 2015, the City reported an asset of \$470,440 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset 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, 2014, the City's proportion was .07977%, which was a decrease of .00398% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$33,103. At June 30, 2015, 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	\$ -	\$ 51,404
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,095,175
Changes in proportion and differences between City contributions and proportionate share of contributions	14,401	-
City contributions subsequent to the measurement date	<u>293,980</u>	<u>-</u>
Total	\$ <u><u>308,381</u></u>	\$ <u><u>1,146,579</u></u>

\$293,980 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 asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended	
June 30:	
2016	\$( 283,068)
2017	( 283,068)
2018	( 283,068)
2019	( 282,975)
2020	-
Thereafter	<u>-</u>
Total	\$( <u><u>1,132,179</u></u> )

#### Actuarial Assumptions

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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, 2014 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	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 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 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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 asset to changes in the discount rate

The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.25 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 (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease <u>(6.25%)</u>	Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
City's proportionate share of the net pension liability (asset)	\$1,596,879	\$( 470,440)	\$(2,211,057)

### Pension plan fiduciary net position

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

#### **b. Law Enforcement Officers' Special Separation Allowance:**

##### Plan Description

The City of Conover administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .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. For reporting purposes, the Separation Allowance is presented as a pension trust fund; however, it does not meet the criteria for trust funds outlined in GASB 67 and 68.

All full time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>25</u>
Total	<u>27</u>

A separate report was not issued for the plan.

##### Summary of Significant Accounting Policies

**Basis of Accounting** – Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the City has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

**Method Used to Value Investments** - Deposits are reported at cost, which approximates fair value.

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 by making contributions based on actuarial valuations. For the current year, the City contributed \$31,000 or 3.0% of annual covered payroll. 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. No funds are set aside to pay administrative costs. These expenditures are paid as they become due.

The annual required contribution for the current year was determined as part of the December 31, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increases ranging from 4.25% to 7.85 per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2014 was 16 years.

**Annual Pension Cost and Net Pension Obligation** - The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 37,230
Interest on net pension obligation	( 2)
Adjustment to annual required contribution	<u>4</u>
Annual pension cost	37,232
Contributions made	( <u>31,000</u> )
Increase in net pension obligation	6,232
Net pension obligation, beginning of year	( <u>49</u> )
Net pension obligation, end of year	\$ <u><u>6,183</u></u>

The net pension obligation for governmental activities typically have been liquidated in the general fund.

### 3 Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Advance Funding)</u>
06/30/12	\$ 29,165	99.43%	\$ 954
06/30/13	\$ 28,687	104.58%	\$ ( 359)
06/30/14	\$ 30,310	98.98%	\$ ( 49)
06/30/15	\$ 37,232	83.26%	\$ 6,183

#### Funding Status and Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the plan was 20.36% funded. The actuarial accrued liability for benefits was \$283,564 and the actuarial value of assets was \$57,736, resulting in an unfunded actuarial accrued liability (UAAL) of \$225,834. The covered payroll (annual payroll of active employees covered by the plan) was \$1,013,213, and the ratio of the UAAL to the covered payroll was 22.29%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability of benefits.

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

##### Plan Description

The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center,

Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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

#### Funding Policy

Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015 were \$62,747, which consisted of \$51,632 from the City and \$11,115 from the law enforcement officers. Contributions for the year ended June 30, 2015 for general employees were \$186,438, which consisted of \$153,480 from the City and \$32,958 from the general employees.

#### **d. Firefighters' and Rescue Squad Workers' Pension Fund**

##### Plan Description

The State of North Carolina contributes, on behalf of the City of Conover, to the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighters' and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighters' and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://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, 2014, the State contributed \$14,627,000 to the plan. The City of Conover's proportionate share of the State's contribution is \$19,035.

*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, 2015, 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 \$35,695. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 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, 2014 and at June 30, 2013 was 0%.

For the year ended June 30, 2015, the City recognized pension expense of \$13,420 and revenue of \$13,420 for support provided by the State. At June 30, 2015, 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, 2013 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	7.25 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 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### Pension plan fiduciary net position

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

## **e. Other Post-Employment Benefits**

### **Healthcare Benefits**

#### Plan Description

Under the terms of the City of Conover's personnel policy, the City administers a single-employer defined benefit health care plan. Effective March 1, 2009, the City of Conover offered qualifying retired employees the option to elect to continue coverage under the City's medical and dental insurance with the retiree paying the full cost of the premium plus 25%. Employees who retire from the North Carolina Retirement System with 30 years of credible service, and have served their last 20 full time credible years with the City of Conover are eligible to participate in the City's health insurance coverage at the retiree's expense subject to all the conditions herein. If the retiree is eligible to be covered by their spouse's insurance they will not be eligible for the City's health insurance coverage. This benefit may continue until the retiree becomes eligible for Medicare benefits or fails to make timely premium payments. In addition, with the offering of this benefit, the City reserves the right to amend or discontinue any or all of the provisions of the health and dental insurance coverage for retirees with 60 days written notice prior to termination of coverage. With the passage of resolution 4-12 adopted by the City Council on January 9, 2012, resolution 6-09 authorizing post-employment health benefits was repealed. Only retired employees continue to receive the post-employment health benefit. Two retired employees continue to receive post-employment health insurance. The retired employees continue to pay to the City 125% of the employee premium until the retired employees become Medicare eligible. When Medicare eligible, the coverage will be terminated. Effective June 30, 2015, with the passage of resolution 8-15, coverage for retirees was repealed.

Retired Employees' Years of Creditable Service	Date Hired	
	Pre July 1, 2007	On or after July 1, 2007
Less than 5 years	Not eligible for coverage	Not eligible for coverage
5 – 30 years	Not eligible for coverage	Not eligible for coverage
30 years total, 20 with City	Full coverage paid for by Retiree + 25%	Full coverage paid by retiree + 25%

Membership of the Healthcare Plan consisted of the following at July 1, 2011, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Employees:
Retirees and dependents receiving benefits	0	0
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	<u>0</u>	<u>0</u>
Total	<u>0</u>	<u>0</u>

#### Funding Policy

The qualifying retired employee has the option to continue coverage under the City's medical and dental insurance with the retiree paying the full cost of the premium plus 25%.

The current ARC is \$14,990. The City's contribution totaled \$16,383 in fiscal year 2015. The plan provides a Preferred Provider Organization (PPO) Health Plan.

#### Summary of Significant Accounting Policies

Postemployment expenditures are made from the Health Insurance Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. As of June 30, there will be no expenditures to pay under this plan.

Annual OPEB Cost and Net OPEB Obligation

The City’s annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 14,990
Interest on OPEB obligation	387
Adjustment to annual required contribution	( 3,354)
Annual OPEB cost (expense)	12,023
Contributions made	( 16,383)
Increase (decrease) in net OPEB obligation	( 4,360)
Net OPEB obligation, beginning of year	9,679
Adjustment per actuary	( 5,319)
Net OPEB obligation, end of year	\$ <u>0</u>

The net OPEB obligation for governmental activities have typically been liquidated in the general fund.

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2015 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/15	\$ 12,023	( 136.26%)	\$ 0
06/30/14	\$ 9,088	32.70%	\$ 9,679
06/30/13	\$ 1,894	10.40%	\$ 3,563

Funding Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits

and, thus, the unfunded actuarial accrued liability (UAAL) was \$42,489. The covered payroll (annual payroll of active employees covered by the plan) was \$3,813,165, and the ratio of the UAAL to the covered payroll was 1.1%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. As of June 30, 2015, this plan has been repealed with the adoption of resolution 8-15 effective June 30, 2015.

#### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.00 percent discount rate. Annual medical claims and premium rates are assumed to increase 4.50 percent annually. The investment rate included a 2.5 percent inflation assumption. The plan is funded on a pay as you go basis

#### **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 deemed 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.

For the fiscal year ended June 30, 2015, the City made contributions to the State for death benefits of \$0. The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.00% of covered payroll, respectively.

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established as follows:

<u>No. years Contributing</u>	<u>Years Relief</u>	<u>FY Contributions Resume</u>
10 - 20	2	2015
20 or more	3	2016

The period of reprieve is determined separately for law enforcement officers. The City of Conover will have a three year reprieve because it has been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

At termination of employment, all employees have the option to purchase basic medical insurance at the City's group 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 \$20,000 through the City's health care 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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 293,980
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>14,401</u>
Total deferred outflows of resources	<u>\$ 308,381</u>

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

Prepaid taxes (General Fund)	\$ 695
Taxes Receivable, less penalties (General Fund)	352,713
Unavailable revenue	440
Pension deferrals	1,146,579

**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 general, auto, law enforcement and public official’s liability coverage of \$1,000,000 primary limit per occurrence with a \$5,000,000 excess limit. 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 provides health and dental coverage to all full time employees through a partially

self-funded network administered by Healthgram with re-insurance coverage through HM Insurance Group. Health coverage has an unlimited lifetime maximum. Stop loss coverage is maintained which limits the City's self-insurance liability to \$35,000 per specific claim and \$678,989 of aggregate attachment point.

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.

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 a sewer backup resulted in damage to a building in Conover. The owners of the building filed a claim with the City's insurer, who denied the claim. If the owner files suit against the City the City's insurer will defend against the claim, and pay any resulting awards to the owner. There are no other pending claims against the City at June 30, 2015.

### **Long-Term Obligations**

#### **Installment Purchase:**

##### Fire Station Building # 3

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

Year Ending June 30,	\$
2016	77,205
2017	77,205
2018	77,205
2019	77,205
2020	77,205
2021-2045	<u>2,006,911</u>
	2,392,936
Less, amount representing interest	(1,056,004)
Present value of minimum installment purchase payments	<u>1,336,932</u>

#### Broyhill Property

The City entered into an installment purchase agreement with BB&T Governmental Finance for the purchase of real estate for \$533,166. The City received installment proceeds of \$415,000 for the purchase of the Broyhill commercial property. The City will pay twenty (20) semi-annual installments of \$24,929.19 at 3.63% beginning on April 26, 2006. Minimum future installment payments are:

Year Ending June 30,	\$
2016	<u>24,929</u>
	24,929
Less, amount representing interest	( <u>444</u> )
Present value of minimum installment purchase payments	<u>24,485</u>

#### Fire Trucks

The City entered into an installment purchase contract with USDA Rural Development to finance the purchase of two fire trucks. The City received installment proceeds of \$700,000 on April 1, 2005 for the purchase of two fire trucks and related equipment. The City will pay twenty (20) annual installments of \$52,654 at 4.25% beginning on April 1, 2006. Minimum future installments are:

Year Ending June 30,	\$
2016	52,654
2017	52,654
2018	52,654
2019	52,654
2020	52,654
2021-2025	<u>263,266</u>
	526,536
Less, amount representing interest	( <u>104,733</u> )
Present value of minimum installment purchase payments	<u>421,803</u>

#### Public Works Renovations

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

Year Ending June 30,	\$
2016	38,818
2017	38,818
2018	38,818
2019	38,818
2020	38,818
2021-2048	<u>1,125,502</u>
	1,319,592
Less, amount representing interest	( <u>628,130</u> )
Present value of minimum installment purchase payments	<u>691,462</u>

#### Police Facility Renovations

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

payments are:

Year Ending June 30,	\$
2016	62,814
2017	62,814
2018	62,814
2019	62,814
2020	62,814
2021-2049	<u>1,821,236</u>
	2,135,306
Less, amount representing interest	(1,034,453)
Present value of minimum installment purchase payments	<u>1,100,853</u>

### **Long Term Debt**

Bonds Payable:

On March 1, 1997, the City issued \$2,500,000 of General Obligation Sanitary Sewer Bonds with interest rates ranging from 5.2% to 5.3% for sewer construction and improvements.

All bonds are collateralized by faith, credit and taxing power of the City. Principal and interest requirements are appropriated when due. Bonds payable at June 30, 2015 are comprised of the following:

	\$
\$2,500,000, 1997 sanitary bonds due in annual installments of \$125,000 through March, 2018; interest at 5.2% to 5.3%	<u>375,000</u>
Total bonds payable	<u>375,000</u>

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 loan financed the construction of the sewer line in the Oxford School area, outside of 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, 2015 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.	190,116
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.	647,635
\$871,023, 1998 revolving loan payable to the State of North Carolina annually of \$51,400 on principal plus interest at 2.88% through May 1, 2019.	205,600
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 will begin in May, 2015 for 20 years at 0% interest.	688,682
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 will begin in May, 2015 for 20 years at 0% interest.	355,968
The City earned \$13,836 from Department of Environment and Natural Resources for improvements to SW Sewer Rehabilitation Project during the fiscal year. The total debt for this project will be \$1,723,631 to be received as the project is completed. An annual payment of \$86,182 will begin upon completion of the project for 20 years at 0% interest.	<u>1,209,216</u>
Total loans payable	<u>3,297,217</u>

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

Year Ending June 30,	<u>Business-type Activities</u>	
	Principal \$	Interest \$
2016	298,196	25,796
2017	384,512	17,691
2018	384,512	9,586
2019	259,512	1,481
2020	208,112	
2021-2025	993,025	
2026-2030	921,732	
2031-2035	<u>222,615</u>	<u>          </u>
Totals	<u>3,672,216</u>	<u>54,554</u>

At June 30, 2015 the City of Conover had no bonds authorized but unissued and a legal debt margin of \$88,404,094.

### Changes in General Long-Term Liabilities

	Balance July 1, 2014 \$	Addition \$	Retirements \$	Balance June 30, 2015 \$	Current Portion of Balance \$
Governmental activities:					
Installment purchases	3,700,781		125,246	3,575,535	105,351
Net pension liability (LGERS)	679,779		679,779	0	
Net pension liability (LEO)		6,183		6,183	
Other postemployment benefits	9,679		9,679	0	
Compensated absences	<u>249,409</u>	<u>139,815</u>	<u>144,025</u>	<u>245,199</u>	<u>159,380</u>
Governmental activity long-term liabilities	<u>4,639,648</u>	<u>145,998</u>	<u>958,729</u>	<u>3,826,917</u>	<u>264,731</u>

	Balance July 1, 2014 \$	Addition \$	Retirements \$	Balance June 30, 2015 \$	Current Portion of Balance \$
Business-type activities:					
<u>Water and Sewer Fund</u>					
Loans payable	2,275,298	1,195,380	173,462	3,297,216	173,196
Net pension liability (LGERS)	233,902		233,902	0	
General obligation bonds	500,000		125,000	375,000	125,000
Compensated absences	<u>46,118</u>	<u>38,453</u>	<u>33,801</u>	<u>50,770</u>	<u>33,000</u>
Business-type activity long-term liabilities	<u>3,055,318</u>	<u>1,233,833</u>	<u>566,165</u>	<u>3,722,986</u>	<u>331,196</u>

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year. Compensated absences for governmental activities have typically been liquidated in the general fund.

**C. Interfund Balances and Activities**

**Balances Due to/from Other Funds**

Balances due to/from other funds at June 30, 2015, consist of the following:

	\$
Due from the Internal Service Fund for its activity allocation to the Proprietary Funds	3,370
Due from the Lyle Creek Greenway Construction Capital Project Fund to the General Fund	23,025
Due from the Water and Sewer SW Sewer Rehabilitation Project Fund to the General Fund	145,370
Due from Rock Bridge Drive Bridge Capital Project Fund to the General Fund	<u>146,547</u>
Total due to/from other funds	<u>318,312</u>

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

<b>Transfers from Other Funds:</b>	\$
Transfer from General Fund to Capital Projects Fund – Solid Waste Capital Reserve Fund for capital outlay expenditures during this fiscal year	260,340
Transfer from Capital Projects Fund – Solid Waste Capital Reserve Fund to Capital Projects Fund – General Fund Capital Project Fund to capital outlay expenditures	349,946
Transfer from General Fund to Capital Projects Fund – General Fund Capital Project Fund for capital outlay expenditures	49,569
Transfer from Capital Projects Fund - General Capital Reserve Fund to Capital Projects Fund – General Fund Capital Project Fund for capital outlay expenditures during this fiscal year	236,957
Transfer from Capital Projects Fund – Solid Waste Capital Reserve Fund to General Fund for capital purchases	7,500
Transfer from General Fund to General Fund Capital Reserve Fund for future capital purchases	<u>212,472</u>
<b>Total transfers from other funds – Exhibit 4</b>	<b><u>1,116,784</u></b>
Transfer from Enterprises Fund to Internal Service Fund to provide funds to pay medical claims	36,250
Transfer from General Fund to Internal Service Fund to provide funds to pay medical claims	<u>108,750</u>
<b>Total transfers from other funds – Exhibit 2</b>	<b><u>145,000</u></b>
<b><i>Total transfers from other funds</i></b>	<b><u><u>1,261,784</u></u></b>

**Transfers to Other Funds:**

	\$
Transfer to Capital Projects Fund – General Fund Capital Project Fund from General Fund for capital outlay expenditures	49,569
Transfer to Capital Projects Fund – General Fund Capital Project Fund from Capital Projects Fund – Solid Waste Capital Reserve Fund to reserve for future capital purchases	349,946
Transfer to Internal Service Fund from General Fund to provide funds to pay medical claims	108,750
Transfer to Capital Projects Fund – General Fund Capital Project Fund from Capital Projects Fund – General Capital Reserve Fund for capital outlay expenditures during this fiscal year	236,957
Transfer to Capital Projects Fund – Solid Waste Capital Reserve Fund from General Fund for capital outlay expenditures during this fiscal year	260,340
Transfer to General Fund from Capital Projects Fund – Solid Waste Capital Reserve Fund for capital purchases	7,500
Transfer to General Fund Capital Reserve Fund from General Fund for future capital purchases	<u>212,472</u>
<b>Total transfers to other funds – Exhibit 4</b>	<b><u>1,225,534</u></b>
Transfer to Internal Service Fund from Enterprise Fund to provide funds to pay medical claims	<u>36,250</u>
<b>Total transfers to other funds – Exhibit 7</b>	<b><u>36,250</u></b>
<b><i>Total transfers to other funds</i></b>	<b><u><u>1,261,784</u></u></b>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

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

**On-Behalf of Payments for Fringe Benefits and Salaries**

The City has recognized as a revenue and an expenditure, on-behalf of payments for fringe benefits and salaries of \$6,914 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, 2015. 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.

**D. Net Investment in  
Capital Assets**

	<b>Governmental Activities \$</b>	<b>Business-type Activities \$</b>	<b>Total \$</b>
Total capital assets net of depreciation	35,681,874	30,681,089	66,362,963
Less related debt	( 3,575,535)	( 3,672,216)	( 7,247,751)
Net investment in capital assets	<u>32,106,339</u>	<u>27,008,873</u>	<u>59,115,212</u>

**F. Fund Balance**

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

<i>Total fund balance – General Fund</i>	\$ 4,893,339
Less:	
Prepaid expenses	74,728
Stabilization by State Statute	1,390,345
Streets – Powell Bill	166,246
Public Safety – Law Enforcement	16,749
Debt – USDA loans	201,001
Appropriated Fund Balance in 2015-2016 budget	422,487
Remaining Fund Balance	2,621,783

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Of the \$373,726 outstanding encumbrances in non-major funds as of June 30, 2015, \$233,024

represents commitments in the Multi-Jurisdictional Park Project Fund, a capital project ordinance.

Encumbrances	General Fund	General Capital Reserve Fund	Rock Bridge Drive Bridge Project Fund	Non-Major Funds
	\$ 132,107	\$ 0	\$ 0	\$ 373,726

**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.

**Firemen’s Relief Fund Board**

The City and the members of the City’s fire department each appoint two members to the five-member local board of trustees for the Firemen’s Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen’s Relief Fund is funded by a portion of the fire and lightening insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen’s

Relief Fund. The funds are used to assist fire fighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the board of trustees. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2015. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

**Note 6.**  
**Subsequent Events**

Subsequent events were tested through November 17, 2015. None were noted.

**Note 7.**  
**Changes in Accounting Principles/Restatement**

The City implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$467,702 and \$160,930, respectively.

# **Required Supplementary Financial Data**

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

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- \* **Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance**
- \* **Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance**
- \* **Schedule of Funding Progress for the Other Postemployment Benefits**
- \* **Schedule of Employer Contributions for the Other Postemployment Benefits**
- \* **Schedule of Proportionate Share of Net Pension 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 Plan**

**CITY OF CONOVER, NORTH CAROLINA**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**  
**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>* Actuarial Value of Assets (a)</b>	<b>* Actuarial Liability (AAL)-Proj. Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>* Funded Ratio (a/b)</b>	<b>Covered Payroll for Year Ended On Valuation Date (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
12/31/05	\$211,000	\$ 314,187	\$ 103,187	67.16%	\$ 895,553	11.52%
12/31/06	231,635	339,663	108,028	68.20%	893,259	12.09%
12/31/07	246,986	331,318	84,332	74.55%	952,864	8.85%
12/31/08	257,947	332,383	74,436	77.61%	997,696	7.46%
12/31/09	253,594	480,516	226,922	52.78%	878,954	25.82%
12/31/10	213,347	428,656	215,309	49.77%	988,099	21.79%
12/31/11	164,989	362,874	197,885	45.47%	952,927	20.77%
12/31/12	123,915	325,600	201,685	38.06%	962,631	20.95%
12/31/13	86,834	316,885	230,051	27.40%	1,036,190	22.20%
12/31/14	57,730	283,564	225,834	20.36%	1,013,213	22.29%

\* Reflects changes in actuarial assumptions.

**CITY OF CONOVER**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**  
**Schedule of Employer Contributions**

<b>Year Ended June 30,</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2006	28,816	55.44%
2007	20,332	78.69%
2008	19,427	82.36%
2009	19,071	83.90%
2010	18,227	87.78%
2010	28,992	65.54%
2012	29,165	99.43%
2013	28,698	104.50%
2014	30,310	98.98%
2015	37,232	83.26%

**CITY OF CONOVER, NORTH CAROLINA**  
**Other Postemployment Benefits**  
**Required Supplementary Information**  
**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL)-Proj. Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll for Year Ended On Valuation Date (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
07/01/09	\$ 0	\$ 21,873	\$ 21,873	0.00%	\$ 3,245,722	0.70%
07/01/10	\$ 0	\$ 23,400	\$ 23,400	0.00%	\$ 3,744,504	0.60%
07/01/11	\$ 0	\$ 51,394	\$ 51,394	0.00%	\$ 3,855,675	1.30%
07/01/12	\$ 0	\$ 44,500	\$ 44,500	0.00%	\$ 3,491,045	1.30%
07/01/13	\$ 0	\$ 37,300	\$ 37,300	0.00%	\$ 3,610,710	1.00%
*07/01/14	\$ 0	\$ 42,489	\$ 42,489	0.00%	\$ 3,813,165	1.10%

\*Most recent actuarial valuation date is July 1, 2014.

**CITY OF CONOVER  
Other Postemployment Benefits  
Required Supplementary Information  
Schedule of Employer Contributions**

<b>Year Ended June 30,</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2010	\$ 1,866	0.00%
2011	1,923	10.40%
2012	9,599	31.00%
2013	9,599	91.80%
2014	9,599	111.00%

**CITY OF CONOVER**  
**City of Conover's Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Two Fiscal Years \***

**Local Government Employees' Retirement System**

	<u>2015</u>	<u>2014</u>
Conover's proportion of the net pension liability (asset) (%)	0.07977%	0.07977%
Conover's proportion of the net pension liability (asset) (\$)	\$( 470,440)	\$ 913,681
Conover's covered-employee payroll	\$ 4,122,834	\$ 4,040,313
Conover's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	( 11.41%)	22.61%
Plan fiduciary net position as a percentage of the total pension liability **	102.64%	94.35%

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

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

**CITY OF CONOVER**  
**City of Conover's Contributions**  
**Required Supplementary Information**  
**Last Two Fiscal Years**

**Local Government Employees' Retirement System**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 293,980	\$ 285,047
Contributions in relation to the contractually required contribution	<u>293,980</u>	<u>285,047</u>
Contribution deficiency (excess)	\$ <u>0</u>	\$ <u>0</u>
Conover's covered-employee payroll	\$ 4,122,834	\$ 4,040,313
Contributions as a percentage of covered-employee payroll	7.13%	7.06%

**CITY OF CONOVER**  
**City of Conover's Proportionate Share of Net Pension Liability**  
**Required Supplementary Information**  
**Last Fiscal Year \***

**Firefighters' and Rescue Squad Workers' Pension**

	<u>2015</u>
Conover's proportionate share of the net pension liability (%)	0.0000%
Conover's proportionate share of the net pension liability (\$)	\$ 0
State's proportionate share of the net pension liability associated with the City of Conover	<u>35,695</u>
Total	\$ <u>35,695</u>
Conover's covered-employee payroll	\$ 763,977
Conover's proportionate share of the net pension liability as a percentage of its covered-employee payroll	4.67%
Plan fiduciary net position as a percentage of the total pension liability	93.42%

\* The amounts presented for the fiscal year ending June 30, 2015 were determined as of June 30, 2014.

## **Governmental Activities Major Funds**

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

**Capital Projects 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.

**Rock Bridge Drive Bridge Project Fund** – This fund provides funding for replacement of the Rock Bridge Drive bridge that was damaged beyond repair during the flood of July, 2013. Revenues for this project are from FEMA, Rock Barn Properties (development where bridge was located), and local funds. The project is scheduled to be complete by November, 2014.

## 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, 2015

	Budget	Actual	Variance Positive (Negative)
	\$	\$	\$
<b>Revenues:</b>			
Ad valorem taxes:			
Current year	4,565,012	4,639,712	74,700
Prior years	70,000	75,827	5,827
Penalties and interest	<u>16,500</u>	<u>21,737</u>	<u>5,237</u>
Total	<u>4,651,512</u>	<u>4,737,276</u>	<u>85,764</u>
Other taxes and licenses:			
Gross receipts tax on short-term rental property	500	804	304
Licenses and permits	<u>1,000</u>	<u>1,253</u>	<u>253</u>
Total	<u>1,500</u>	<u>2,057</u>	<u>557</u>
Unrestricted intergovernmental:			
Local option sales tax	1,726,550	1,855,393	128,843
Utility sales	542,750	722,750	180,000
Piped natural gas sales tax	59,750	15,823	( 43,927)
Telecommunications sales tax	105,750	121,644	15,894
Video program sales tax	61,750	66,401	4,651
Solid waste disposal fees	4,700	5,327	627
Beer and wine	<u>34,510</u>	<u>39,371</u>	<u>4,861</u>
Total	<u>2,535,760</u>	<u>2,826,709</u>	<u>290,949</u>
Restricted intergovernmental:			
Powell Bill allocation	254,000	254,505	505
Investment earnings on Powell Bill allocation	200	158	( 42)
Fines and forfeitures	1,110	464	( 646)
Interest on federal forfeitures and seizures	15	10	( 5)
On-behalf of payments – fire	29,000	25,949	( 3,051)
Federal grants	<u>163,852</u>	<u>178,541</u>	<u>14,689</u>
Total	<u>448,177</u>	<u>459,627</u>	<u>11,450</u>
Permits and fees:			
Development and inspection fees	<u>16,100</u>	<u>18,484</u>	<u>2,384</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, 2015

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>\$</b>	<b>\$</b>	<b>Positive</b>
			<b>(Negative)</b>
			<b>\$</b>
Sales and services:			
Court costs, fees, and charges	4,000	3,658	( 342)
Cemetery revenues	11,000	9,800	( 1,200)
County waste disposal fees	393,700	392,621	( 1,079)
Sales of recycled materials	7,000	3,212	( 3,788)
ABC recycling fees	2,400	2,600	200
Sale of materials for public use	<u>10</u>	<u>          </u>	<u>( 10)</u>
Total	<u>418,110</u>	<u>411,891</u>	<u>( 6,219)</u>
Investment earnings	<u>500</u>	<u>2,547</u>	<u>2,047</u>
Miscellaneous:			
Rental income	14,000	18,175	4,175
Contributions	2,900	3,225	325
Miscellaneous - other	<u>33,800</u>	<u>32,787</u>	<u>( 1,013)</u>
Total	<u>50,700</u>	<u>54,187</u>	<u>3,487</u>
Total revenues	<u>8,122,359</u>	<u>8,512,778</u>	<u>390,419</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, 2015

	Budget	Actual	Variance
	\$	\$	Positive (Negative)
			\$
<b>Expenditures:</b>			
General government:			
Government body:			
Special compensation	33,590	33,587	3
Professional services	22,450	18,450	4,000
Travel and training	14,000	6,914	7,086
Departmental supplies	4,500	1,549	2,951
Insurance	8,870	7,120	1,750
Dues and subscriptions	16,754	16,632	122
Contracted services	17,204	15,252	1,952
Other operating expenses	<u>8,300</u>	<u>4,905</u>	<u>3,395</u>
Total	<u>125,668</u>	<u>104,409</u>	<u>21,259</u>
Administration:			
Salaries and wages	176,747	173,936	2,811
Employee benefits	68,685	67,227	1,458
Travel and training	14,200	14,255	( 55)
Insurance	7,175	5,758	1,417
Contracted services	44,430	46,932	( 2,502)
Telephone and postage	9,000	7,275	1,725
Departmental supplies	12,500	12,200	300
Other operating expenses	<u>33,951</u>	<u>27,144</u>	<u>6,807</u>
Total	<u>366,688</u>	<u>354,727</u>	<u>11,961</u>
Planning department:			
Salaries and wages	119,408	97,778	21,630
Employee benefits	46,316	32,043	14,273
Special compensation	2,500	1,000	1,500
Contracted services	37,025	30,701	6,324
Professional services	32,700	30,737	1,963
Other operating expenses	<u>23,225</u>	<u>18,649</u>	<u>4,576</u>
Total	<u>261,174</u>	<u>210,908</u>	<u>50,266</u>
Information technology:			
Salaries and wages	34,218	34,054	164
Employee benefits	13,547	13,461	86
Contracted services	131,594	117,505	14,089
Capital outlay	105,000	39,026	65,974
Other operating expenses	<u>45,814</u>	<u>31,214</u>	<u>14,600</u>
Total	<u>330,173</u>	<u>235,260</u>	<u>94,913</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, 2015

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>\$</b>	<b>\$</b>	<b>Positive</b>
			<b>(Negative)</b>
			<b>\$</b>
General government (cont'd)			
City attorney:			
Special compensation	3,600	3,600	
Professional services	25,000	18,466	6,534
Other operating expenses	<u>2,813</u>	<u>1,597</u>	<u>1,216</u>
Total	<u>31,413</u>	<u>23,663</u>	<u>7,750</u>
City Hall:			
Insurance	3,300	3,141	159
Utilities	17,500	15,130	2,370
Contracted services	16,485	17,299	( 814)
Capital outlay	54,255	43,755	10,500
Other operating expenses	<u>31,083</u>	<u>11,738</u>	<u>19,345</u>
Total	<u>122,623</u>	<u>91,063</u>	<u>31,560</u>
Conover Station:			
Insurance and bonds	3,300	2,938	362
Utilities	33,000	31,725	1,275
Contracted services	49,730	49,749	( 19)
Other operating expenses	<u>15,125</u>	<u>11,450</u>	<u>3,675</u>
Total	<u>101,155</u>	<u>95,862</u>	<u>5,293</u>
Fleet maintenance:			
Salaries and wages	135,420	133,052	2,368
Employee benefits	53,944	52,666	1,278
Vehicle expense	10,900	8,568	2,332
Contracted services	5,502	4,868	634
Other operating expenses	<u>16,465</u>	<u>12,112</u>	<u>4,353</u>
Total	<u>222,231</u>	<u>211,266</u>	<u>10,965</u>
Public works department:			
Salaries and wages	111,396	107,902	3,494
Employee benefits	49,032	48,071	961
Insurance	15,275	12,510	2,765
Utilities	29,300	26,568	2,732
Departmental supplies	7,500	5,720	1,780
Vehicle expense	8,800	7,835	965
Other operating expenses	<u>34,688</u>	<u>31,994</u>	<u>2,694</u>
Total	<u>255,991</u>	<u>240,600</u>	<u>15,391</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, 2015

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>\$</b>	<b>\$</b>	<b>Positive</b>
			<b>(Negative)</b>
			<b>\$</b>
General government (cont'd)			
Cemetery and parks:			
Salaries and wages	151,691	147,121	4,570
Employee benefits	63,745	62,599	1,146
Other operating expenses	<u>145,695</u>	<u>127,571</u>	<u>18,124</u>
Total	<u>361,131</u>	<u>337,291</u>	<u>23,840</u>
Nondepartmental:			
Capital outlay	88,308	88,308	
Other operating expenses	<u>193,281</u>	<u>152,521</u>	<u>40,760</u>
Total	<u>281,589</u>	<u>240,829</u>	<u>40,760</u>
Total general government	<u>2,459,836</u>	<u>2,145,878</u>	<u>313,958</u>
Public safety:			
Police department:			
Salaries and wages	1,276,055	1,116,277	159,778
Employee benefits	452,174	407,034	45,140
Vehicle expense	93,000	94,212	( 1,212)
Insurance	64,503	59,187	5,316
Supplies and uniform	63,025	45,539	17,486
Travel and training	28,600	16,702	11,898
Contribution to separation allowance	31,000	31,000	
Other operating expenses	189,871	150,358	39,513
Capital outlay	<u>27,000</u>	<u>67,295</u>	<u>( 40,295)</u>
Total	<u>2,225,228</u>	<u>1,987,604</u>	<u>237,624</u>
Fire department:			
Salaries and wages	770,350	742,268	28,082
Special compensation	88,325	97,279	( 8,954)
Professional services	7,938	7,922	16
Employee benefits	319,149	304,527	14,622
Utilities	34,241	32,302	1,939
Uniforms	19,757	17,461	2,296
Departmental supplies	19,614	16,489	3,125
Insurance	43,050	44,784	( 1,734)
Other operating expenses	<u>187,569</u>	<u>213,495</u>	<u>( 25,926)</u>
Total	<u>1,489,993</u>	<u>1,476,527</u>	<u>13,466</u>
Total public safety	<u>3,715,221</u>	<u>3,464,131</u>	<u>251,090</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, 2015

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>\$</b>	<b>\$</b>	<b>Positive</b>
			<b>(Negative)</b>
			<b>\$</b>
Transportation:			
Street department:			
Salaries and wages	212,433	211,258	1,175
Employee benefits	90,145	86,851	3,294
Utilities	366,126	324,223	41,903
Professional services	3,650	1,919	1,731
Vehicle expense	53,000	41,318	11,682
Departmental supplies	30,000	27,236	2,764
Insurance	21,834	20,793	1,041
Other operating expenses	<u>282,846</u>	<u>228,272</u>	<u>54,574</u>
Total	<u>1,060,034</u>	<u>941,870</u>	<u>118,164</u>
Street department - Powell Bill:			
Salaries and wages	74,279	62,096	12,183
Employee benefits	28,180	25,137	3,043
Professional services	2,500	1,326	1,174
Departmental supplies	18,140	14,343	3,797
Repairs - streets	130,000	128,907	1,093
Vehicle expense	23,850	16,620	7,230
Other operating expenses	<u>3,700</u>	<u>4,179</u>	<u>( 479)</u>
Total	<u>280,649</u>	<u>252,608</u>	<u>28,041</u>
Total transportation	<u>1,340,683</u>	<u>1,194,478</u>	<u>146,205</u>
Environmental protection:			
Sanitation and recycle:			
Salaries and wages	295,308	266,011	29,297
Employee benefits	125,972	112,454	13,518
Landfill rent and fees	96,700	98,473	( 1,773)
Vehicle expense	127,030	93,206	33,824
Other operating expenses	<u>123,616</u>	<u>91,959</u>	<u>31,657</u>
Total environmental protection	<u>768,626</u>	<u>662,103</u>	<u>106,523</u>
Debt service:			
Principal retirement	125,247	125,246	1
Interest	<u>165,464</u>	<u>165,463</u>	<u>1</u>
Total debt service	<u>290,711</u>	<u>290,709</u>	<u>2</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, 2015

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>\$</b>	<b>\$</b>	<b>Positive</b>
			<b>(Negative)</b>
			<b>\$</b>
Total expenditures	<u>8,575,077</u>	<u>7,757,299</u>	<u>817,778</u>
Revenues over (under) expenditures	( <u>452,718</u> )	<u>755,479</u>	<u>1,208,197</u>
<b>Other financing sources (uses):</b>			
Operating transfers to other funds:			
Capital Projects Fund - Solid Waste Capital Reserve Fund	( 260,340 )	( 260,340 )	
Capital Projects Fund – General Fund Capital Project Fund	( 49,569 )	( 49,569 )	
Internal Service Fund	( 108,750 )	( 108,750 )	
General Fund Capital Reserve Fund	( 212,472 )	( 212,472 )	
Operating transfers from other funds:			
Capital Projects Fund – Solid Waste Capital Reserve Fund	7,500	7,500	
Sale of capital assets	<u>100</u>	_____	( <u>100</u> )
Total other financing sources (uses)	( <u>623,531</u> )	( <u>623,631</u> )	( <u>100</u> )
Fund balance appropriated	<u>1,076,249</u>	_____	( <u>1,076,249</u> )
Net change in fund balance	<u>0</u>	131,848	<u>131,848</u>
Fund balances, beginning		<u>4,761,491</u>	
Fund balances, ending		<u>4,893,339</u>	

**CITY OF CONOVER, NORTH CAROLINA**  
**Capital Projects Fund - General Capital Reserve Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**

For the Fiscal Year Ended June 30, 2015

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	\$	\$	<b>Positive</b>
			<b>(Negative)</b>
			\$
<b>Revenues:</b>			
Investment earnings	800	774	( 26)
Privilege license	213,358	213,545	187
Miscellaneous revenues	<u>64,403</u>	<u>114,228</u>	<u>49,825</u>
Total revenues	<u>278,561</u>	<u>328,547</u>	<u>49,986</u>
<b>Other financing sources (uses):</b>			
Proceeds from the sale of capital assets	72,715	76,891	4,176
Transfers from:			
General Fund	212,472	212,472	
Transfers to:			
General Fund Capital Project Fund	( 250,690)	( 236,957)	13,733
Reserved for future projects:			
Reserved for fleet equipment	( 35,000)		35,000
Reserved for greenway	( 5,000)		5,000
Reserved for technology	( 10,000)		10,000
Reserved for police technology	( 15,000)		15,000
Reserved for police equipment	( 30,000)		30,000
Reserved for bullet proof vests	( 3,800)		3,800
Reserved for fire truck	( 260,000)		260,000
Reserved for fire equipment	( 110,250)		110,250
Reserved for streets	( 45,000)		45,000
Reserved for public works equipment	( 17,500)		17,500
Reserved for future projects	( <u>142,583</u> )	<u>          </u>	<u>142,583</u>
Total other financing sources (uses)	<u>( 639,636)</u>	<u>52,406</u>	<u>692,042</u>
Fund balance appropriated	<u>361,075</u>	<u>          </u>	<u>( 361,075)</u>
Net change in fund balance	<u>0</u>	380,953	<u>380,953</u>
Fund balance, beginning		<u>932,926</u>	
Fund balance, ending		<u>1,313,879</u>	

**CITY OF CONOVER, NORTH CAROLINA**  
**Capital Projects Fund – Rock Bridge Drive Bridge Project Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
From Inception and For the Fiscal Year Ended June 30, 2015

	<b>Project Authorization</b>	<b>Prior Year</b>	<b>Actual Current Year</b>	<b>Total to Date</b>	<b>Variance Positive (Negative)</b>
	\$	\$	\$	\$	\$
<b>Revenues:</b>					
Restricted					
intergovernmental	836,138		836,137	836,137	( 1)
Contributions	<u>80,000</u>		<u>80,000</u>	<u>80,000</u>	
Total revenues	916,138	0	916,137	916,137	( 1)
<b>Expenditures:</b>					
Bridge construction	<u>1,446,350</u>	<u>70,990</u>	<u>1,312,871</u>	<u>1,383,861</u>	<u>62,489</u>
Revenues over (under) expenditures	( <u>530,212</u> )	( <u>70,990</u> )	( <u>396,734</u> )	( <u>467,724</u> )	<u>62,488</u>
<b>Other financing sources:</b>					
Transfer from:					
Enterprise Fund	60,464	60,464		60,464	
General Fund	<u>469,748</u>	<u>469,748</u>		<u>469,748</u>	
Total other financing sources	<u>530,212</u>	<u>530,212</u>	<u>0</u>	<u>530,212</u>	<u>0</u>
Net change in fund balance	<u>0</u>	<u>459,222</u>	( <u>396,734</u> )	<u>62,488</u>	<u>62,488</u>
Fund balance, beginning			<u>459,222</u>		
Fund balance, ending			<u>62,488</u>		

# Governmental Activities

## Non-Major Funds

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### 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 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.

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### Capital Projects Funds

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

**Shelf Project-Transportation Fund** – This fund provides funding for engineering for future transportation improvements. In recent years, it has become important to have projects already engineered in order to receive grant monies. We call these pre-engineered projects, Shelf projects.

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

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

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

**Broyhill Redevelopment Fund** – This fund is to account for the redevelopment and sale of the Broyhill property.

**Conover Station North Fund** – This fund provides funding for site improvements consisting of water/sewer utility and street and sidewalk construction for Lot #11 on the northern part of the Broyhill property. This is being done to prepare property for private development.

**Lyle Creek Greenway Construction Fund** – This fund is used to finance construction of a 1.5 mile, enhanced trail along the Carolina Thread Trail. The Carolina Thread Trail is an initiative to link 15 counties in the south-central piedmont of NC through an interconnected trail system. Once this project is complete, Conover will have 7.5 miles of total connected trail within the City.

**Multi-Jurisdictional Park Fund** – This fund was adopted to account for street and bridge construction to a multi-jurisdictional park to be located in the City of Conover. The park named NC Data Campus will be built through a partnership between the City of Conover and other local government units within the County.

**CITY OF CONOVER, NORTH CAROLINA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
June 30, 2015

	<u>Special Revenue Fund</u>	<u>Capital Projects Funds</u>		
	<b>Facilities Maintenance Fund \$</b>	<b>Shelf Project- Transportation Fund \$</b>	<b>Priority Sidewalk Fund \$</b>	<b>Solid Waste Capital Reserve Fund \$</b>
<b>Assets</b>				
Cash and cash equivalents	20,239	40,251	15,018	206,181
Account receivable	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>20,239</u>	<u>40,251</u>	<u>15,018</u>	<u>206,181</u>
 <b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable				
Due to other funds	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
 Fund balances:				
Restricted				
Stabilization by State Statute		17,281		
Committed	<u>20,239</u>	<u>22,970</u>	<u>15,018</u>	<u>206,181</u>
Total fund balance	<u>20,239</u>	<u>40,251</u>	<u>15,018</u>	<u>206,181</u>
Total liabilities and fund balance	<u>20,239</u>	<u>40,251</u>	<u>15,018</u>	<u>206,181</u>

<b>Capital Projects Funds</b>					
<b>General Capital Project Fund</b>	<b>Broyhill Redevelopment Fund</b>	<b>Conover Station North Fund</b>	<b>Lyle Creek Greenway Construction Fund</b>	<b>Multi- Jurisdictional Park Fund</b>	<b>Total</b>
<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
26,726	10,242	29,371		330,146	678,174
<u>26,726</u>	<u>10,242</u>	<u>29,371</u>	<u>86,400</u>	<u>330,146</u>	<u>86,400</u>
<u><u>26,726</u></u>	<u><u>10,242</u></u>	<u><u>29,371</u></u>	<u><u>86,400</u></u>	<u><u>330,146</u></u>	<u><u>764,574</u></u>
401					401
<u>401</u>	<u>0</u>	<u>0</u>	<u>23,025</u>	<u>0</u>	<u>23,025</u>
<u><u>401</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>23,025</u></u>	<u><u>0</u></u>	<u><u>23,426</u></u>
26,325	4,350	29,371	63,375		140,702
<u>26,325</u>	<u>5,892</u>	<u>29,371</u>	<u>63,375</u>	<u>330,146</u>	<u>600,446</u>
<u><u>26,325</u></u>	<u><u>10,242</u></u>	<u><u>29,371</u></u>	<u><u>63,375</u></u>	<u><u>330,146</u></u>	<u><u>741,148</u></u>
<u><u>26,726</u></u>	<u><u>10,242</u></u>	<u><u>29,371</u></u>	<u><u>86,400</u></u>	<u><u>330,146</u></u>	<u><u>764,574</u></u>

**CITY OF CONOVER, NORTH CAROLINA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
For the Fiscal Year Ended June 30, 2015

	<u>Special</u> <u>Revenue Fund</u>	<u>Capital Projects Funds</u>		
	<b>Facilities Maintenance Fund</b> \$	<b>Shelf Project- Transportation Fund</b> \$	<b>Priority Sidewalk Fund</b> \$	<b>Solid Waste Capital Reserve Fund</b> \$
<b>Revenues</b>				
Permits and fees			15,000	
Investment earnings	6	35	5	285
Miscellaneous	<u>10,125</u>			
Total revenues	<u>10,131</u>	<u>35</u>	<u>15,005</u>	<u>285</u>
<b>Expenditures:</b>				
Transportation		16237		
Capital outlay		<u>32,599</u>		
Total expenditures	<u>0</u>	<u>48,836</u>	<u>0</u>	<u>0</u>
Revenues over (under) expenditures	<u>10,131</u>	( <u>48,801</u> )	<u>15,005</u>	<u>285</u>
<b>Other financing sources (uses):</b>				
Transfer from other funds				260,340
Transfer to other funds				( <u>357,446</u> )
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	( <u>97,106</u> )
Net change in fund balance	10,131	( 48,801)	15,005	( 96,821)
Fund balance, beginning	<u>10,108</u>	<u>89,052</u>	<u>13</u>	<u>303,002</u>
Fund balance, ending	<u>20,239</u>	<u>40,251</u>	<u>15,018</u>	<u>206,181</u>

**Capital Projects Funds**

<b>General Capital Project Fund</b>	<b>Broyhill Redevelopment Fund</b>	<b>Conover Station North Fund</b>	<b>Lyle Creek Greenway Construction Fund</b>	<b>Multi- Jurisdictional Park Fund</b>	<b>Total</b>
<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
					15,000
				360	691
			86,400		96,525
<u>0</u>	<u>0</u>	<u>0</u>	<u>86,400</u>	<u>360</u>	<u>112,216</u>
					16,237
<u>705,189</u>	<u>10,855</u>	<u>189,714</u>	<u>23,025</u>	<u>822,158</u>	<u>1,783,540</u>
<u>705,189</u>	<u>10,855</u>	<u>189,714</u>	<u>23,025</u>	<u>822,158</u>	<u>1,799,777</u>
( <u>705,189</u> )	( <u>10,855</u> )	( <u>189,714</u> )	<u>63,375</u>	( <u>821,798</u> )	( <u>1,687,561</u> )
					896,812
<u>636,472</u>					( <u>357,446</u> )
<u>636,472</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>539,366</u>
( <u>68,717</u> )	( <u>10,855</u> )	( <u>189,714</u> )	<u>63,375</u>	( <u>821,798</u> )	( <u>1,148,195</u> )
<u>95,042</u>	<u>21,097</u>	<u>219,085</u>	<u>0</u>	<u>1,151,944</u>	<u>1,889,343</u>
<u>26,325</u>	<u>10,242</u>	<u>29,371</u>	<u>63,375</u>	<u>330,146</u>	<u>741,148</u>

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**CITY OF CONOVER, NORTH CAROLINA**  
**Special Revenue Fund – Facilities Maintenance Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
 For the Fiscal Year Ended June 30, 2015

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	\$	\$	Positive (Negative) \$
<b>Revenues:</b>			
Rental income	3,000	10,125	7,125
Interest income	<u>5</u>	<u>6</u>	<u>1</u>
Total revenues	3,005	10,131	7,126
<b>Expenditures:</b>			
Maintenance and repairs - building	<u>3,005</u>	<u>          </u>	<u>3,005</u>
Revenues over expenditures	<u>0</u>	10,131	<u>10,131</u>
Fund balance, beginning		<u>10,108</u>	
Fund balance, ending		<u>20,239</u>	

**CITY OF CONOVER, NORTH CAROLINA**  
**Capital Projects Fund – Shelf Project-Transportation Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
From Inception and For the Fiscal Year Ended June 30, 2015

	<b>Project Authorization</b>	<b>Prior Year</b>	<b>Actual Current Year</b>	<b>Total to Date</b>	<b>Variance Positive (Negative)</b>
	\$	\$	\$	\$	\$
<b>Revenues:</b>					
Interest income	<u>100</u>	<u>46</u>	<u>35</u>	<u>81</u>	<u>(19)</u>
<b>Expenditures:</b>					
Engineering	16,237		16,237	16,237	
Capital outlay	<u>94,543</u>	<u>21,674</u>	<u>32,599</u>	<u>54,273</u>	<u>40,270</u>
Total expenditures	<u>110,780</u>	<u>21,674</u>	<u>48,836</u>	<u>70,510</u>	<u>40,270</u>
(Deficiency) of revenues (under) expenditures	( 110,680)	( 21,628)	( 48,801)	( 70,429)	40,251
<b>Other financing sources:</b>					
Transfer from Capital Projects Fund – Broyhill Redevelopment Fund	<u>110,680</u>	<u>110,680</u>	_____	<u>110,680</u>	_____
Net change in fund balance	<u>0</u>	<u>89,052</u>	( 48,801)	<u>40,251</u>	<u>40,251</u>
Fund balance, beginning			<u>89,052</u>		
Fund balance, ending			<u>40,251</u>		

**CITY OF CONOVER, NORTH CAROLINA**  
**Capital Projects Fund – Priority Sidewalk Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
 For the Fiscal Year Ended June 30, 2015

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	\$	\$	Positive (Negative) \$
<b>Revenues:</b>			
Contributions	2,500	15,000	12,500
Interest income	<u>5</u>	<u>5</u>	<u>          </u>
Total revenues	2,505	15,005	12,500
<b>Expenditures:</b>			
Capital outlay/improvement	<u>2,505</u>	<u>          </u>	<u>2,505</u>
Revenues over expenditures	<u>0</u>	15,005	<u>15,005</u>
Fund balance, beginning		<u>13</u>	
Fund balance, ending		<u>15,018</u>	

**CITY OF CONOVER, NORTH CAROLINA**  
**Capital Projects 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, 2015

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>\$</b>	<b>\$</b>	<b>Positive</b>
			<b>(Negative)</b>
			<b>\$</b>
<b>Revenues:</b>			
Investment earnings	<u>400</u>	<u>285</u>	<u>( 115)</u>
<b>Other financing sources (uses):</b>			
Transfer from:			
General Fund	260,340	260,340	
Transfer to:			
General Fund	( 7,500)	( 7,500)	
Capital Projects Fund – General Capital Reserve Fund	( 425,000)	( 349,946)	75,054
Reserved for sanitation/ recycling equipment	( 138,500)	<u>          </u>	<u>138,500</u>
Total other financing sources (uses)	( 310,660)	( 97,106)	<u>213,554</u>
Fund balance appropriated	<u>310,260</u>	<u>          </u>	<u>( 310,260)</u>
Net change in fund balance	<u>0</u>	( 96,821)	<u>( 96,821)</u>
Fund balance, beginning		<u>303,002</u>	
Fund balance, ending		<u>206,181</u>	

**CITY OF CONOVER, NORTH CAROLINA**  
**Capital Projects Fund - General Capital Project Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
 For the Fiscal Year Ended June 30, 2015

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	\$	\$	Positive (Negative) \$
<b>Expenditures:</b>			
Capital outlay	<u>820,301</u>	<u>705,189</u>	<u>115,112</u>
<b>Other financing sources:</b>			
Transfer from:			
Capital Projects Fund -			
General Capital Reserve Fund	250,690	236,957	( 13,733)
Capital Projects Fund –			
Solid Waste Capital Reserve Fund	425,000	349,946	( 75,054)
General Fund	<u>49,569</u>	<u>49,569</u>	<u>          </u>
Total other financing sources	<u>725,259</u>	<u>636,472</u>	<u>( 88,787)</u>
Fund balance appropriated	<u>95,042</u>	<u>          </u>	<u>( 95,042)</u>
Net change in fund balance	<u>          0</u>	( 68,717)	<u>( 68,717)</u>
Fund balance, beginning		<u>95,042</u>	
Fund balance, ending		<u>26,325</u>	

**CITY OF CONOVER, NORTH CAROLINA**  
**Capital Projects Fund – Broyhill Redevelopment Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**

From Inception and For the Fiscal Year Ended June 30, 2015

	<b>Project Authorization</b>	<b>Prior Year</b>	<b>Actual Current Year</b>	<b>Total to Date</b>	<b>Variance Positive (Negative)</b>
	\$	\$	\$	\$	\$
<b>Revenues:</b>					
Restricted					
intergovernmental:					
EDI	735,000	735,000		735,000	
EPA Brownsfield Clean-up Grant	200,000	183,134		183,134	( 16,866)
NCDOT–CMAQ Grant	2,146,200	2,088,456		2,088,456	( 57,744)
NC Clean Water Management Trust Grant	415,719	415,719		415,719	
NC Parks and Recreation Trust Fund	333,744	333,744		333,744	
Miscellaneous revenue	<u>                    </u>	<u>          1,815</u>	<u>                    </u>	<u>          1,815</u>	<u>          1,815</u>
Total revenues	<u>3,830,663</u>	<u>3,757,868</u>	<u>                  0</u>	<u>3,757,868</u>	<u>( 72,795)</u>
<b>Expenditures:</b>					
Professional services	591,662	598,056	500	598,556	( 6,894)
Engineering	249,456	246,620		246,620	2,836
NCDOT inspections/ compliance	46,200				46,200
Building renovations	2,226,858	2,229,077		2,229,077	( 2,219)
Contracted services	672,790	639,858	4,450	644,308	28,482
Street construction	687,364	670,210	5,905	676,115	11,249
Park construction	333,744	331,564		331,564	2,180
Water construction	137,036	156,782		156,782	( 19,746)
Sewer construction	190,950	191,164		191,164	( 214)
Stormwater construction	359,987	359,263		359,263	724
Contingency	<u>          32,360</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>          32,360</u>
Total expenditures	<u>5,528,407</u>	<u>5,422,594</u>	<u>          10,855</u>	<u>5,433,449</u>	<u>          94,958</u>
(Deficiency of revenues over (under) expenditures	<u>( 1,697,744)</u>	<u>( 1,664,726)</u>	<u>( 10,855)</u>	<u>( 1,675,581)</u>	<u>          22,163</u>

**CITY OF CONOVER, NORTH CAROLINA**  
**Capital Projects Fund – Broyhill Redevelopment Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
From Inception and For the Fiscal Year Ended June 30, 2015

	Project Authorization \$	Prior Year \$	Actual Current Year \$	Total to Date \$	Variance Positive (Negative) \$
<b>Other financing sources</b>					
<b>(uses):</b>					
Sale of capital assets	80,000	68,079		68,079	( 11,921)
Transfer from:					
General Fund	1,109,826	1,109,826		1,109,826	
Enterprise Fund	7,900	7,900		7,900	
Capital Projects Fund-					
General Capital					
Reserve Fund	247,325	247,325		247,325	
Economic					
Development Fund	363,373	363,373		363,373	
Transfer to:					
Capital Projects					
Fund - Shelf Project-					
Transportation Fund	( 110,680)	( 110,680)	_____	( 110,680)	_____
Total other financing					
sources (uses)	<u>1,697,744</u>	<u>1,685,823</u>	<u>0</u>	<u>1,685,823</u>	<u>( 11,921)</u>
Net change in fund balance	<u>0</u>	<u>21,097</u>	( 10,855)	<u>10,242</u>	<u>10,242</u>
Fund balance, beginning			<u>21,097</u>		
Fund balance, ending			<u>10,242</u>		

**CITY OF CONOVER, NORTH CAROLINA**  
**Capital Projects Fund – Conover Station North Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**

From Inception and For the Fiscal Year Ended June 30, 2015

	<b>Project Authorization</b>	<b>Prior Year</b>	<b>Actual Current Year</b>	<b>Total to Date</b>	<b>Variance Positive (Negative)</b>
	\$	\$	\$	\$	\$
<b>Expenditures:</b>					
Engineering/Street	13,600	250	4,469	4,719	8,881
Street improvements	9,600				9,600
Erosion control	18,100		17,905	17,905	195
Sidewalk improvements	52,828		50,250	50,250	2,578
Engineering	49,500	44,293	5,204	49,497	3
Professional services	8,500		386	386	8,114
Water construction	75,400		75,400	75,400	
Sewer construction	36,100		36,100	36,100	
Total expenditures	<u>263,628</u>	<u>44,543</u>	<u>189,714</u>	<u>234,257</u>	<u>29,371</u>
<b>Other financing sources:</b>					
Transfer from:					
Enterprise Fund	180,587	180,587		180,587	
Capital Projects Fund - Manufacturing Solutions Center Fund	<u>83,041</u>	<u>83,041</u>		<u>83,041</u>	
Total other financing sources	<u>263,628</u>	<u>263,628</u>	<u>0</u>	<u>263,628</u>	<u>0</u>
Net change in fund balance	<u>0</u>	<u>219,085</u>	( 189,714)	<u>29,371</u>	<u>29,371</u>
Fund balance, beginning			<u>219,085</u>		
Fund balance, ending			<u>29,371</u>		

**CITY OF CONOVER, NORTH CAROLINA**  
**Capital Projects Fund – Lyle Creek Greenway Construction Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
 From Inception and For the Fiscal Year Ended June 30, 2015

	<b>Project Authorization</b>	<b>Prior Year</b>	<b>Actual Current Year</b>	<b>Total to Date</b>	<b>Variance Positive (Negative)</b>
	\$	\$	\$	\$	\$
<b>Revenues:</b>					
Contributions	86,400		86,400	86,400	
<b>Expenditures:</b>					
Greenway construction	<u>86,400</u>		<u>23,025</u>	<u>23,025</u>	<u>63,375</u>
Revenues over expenditures	<u>0</u>	<u>0</u>	63,375	<u>63,375</u>	<u>63,375</u>
Fund balance, beginning			<u>0</u>		
Fund balance, ending			<u>63,375</u>		

**CITY OF CONOVER, NORTH CAROLINA**  
**Capital Projects Fund – Rock Bridge Drive Bridge Project Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**

From Inception and For the Fiscal Year Ended June 30, 2015

	<b>Project</b>	<b>Actual</b>		<b>Total to</b>	<b>Variance</b>
	<b>Authorization</b>	<b>Prior</b>	<b>Current</b>	<b>Date</b>	<b>Positive</b>
	\$	\$	\$	\$	(Negative) \$
<b>Revenues:</b>					
Contributions	2,529,770	2,529,770		2,529,770	
Interest income	<u>100</u>	<u>3,138</u>	<u>360</u>	<u>3,498</u>	<u>3,398</u>
Total revenues	<u>2,529,870</u>	<u>2,532,908</u>	<u>360</u>	<u>2,533,268</u>	<u>3,398</u>
<b>Expenditures:</b>					
Bridge construction	1,114,600	354,171	354,602	708,773	405,827
Street construction	980,230	695,783	434,114	1,129,897	( 149,667)
Engineering	<u>435,040</u>	<u>331,010</u>	<u>33,442</u>	<u>364,452</u>	<u>70,588</u>
Total expenditures	<u>2,529,870</u>	<u>1,380,964</u>	<u>822,158</u>	<u>2,203,122</u>	<u>326,748</u>
Revenues over (under) expenditures	<u>0</u>	<u>1,151,944</u>	( 821,798)	<u>330,146</u>	<u>330,146</u>
Fund balance, beginning			<u>1,151,944</u>		
Fund balance, ending			<u>330,146</u>		

# Business-Type Activities

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## 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.

**HWY 16 North Area Water Quality Fund** – This fund is used to finance improvement of operator control and reducing water waste serving the HWY 16 North area in the City to ensure compliance with drinking water standards.

**NE-SW Water Quality Fund** – This fund is used to replace waterlines to improve water supply to the NE/SW area.

**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.

**SW Sewer Rehabilitation Project Fund** – This fund provides funds for sewer improvement construction in the SW area of the City. This project is funded with NC Department of Environment and Natural Resources loan proceeds at 0% interest for 20 years.

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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, 2015

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	\$	\$	Positive (Negative) \$
<b>Revenues:</b>			
Operating revenues:			
Charges for services:			
Water sales	1,983,336	2,059,354	76,018
Sewer charges	1,839,079	1,891,879	52,800
Fire protection charges	34,000	34,590	590
Water connection fees	7,000	14,060	7,060
Sewer tap fees	3,000	6,270	3,270
Delinquent charges	62,100	62,756	656
Miscellaneous	300	9,064	8,764
Revenue SE Catawba County	<u>18,000</u>	<u>17,000</u>	( 1,000)
Total operating revenues	<u>3,946,815</u>	<u>4,094,973</u>	<u>148,158</u>
Nonoperating revenues:			
Investment earnings	3,000	3,051	51
Sale of fixed assets	<u>1,000</u>	<u>18,831</u>	<u>17,831</u>
Total nonoperating revenues	<u>4,000</u>	<u>21,882</u>	<u>17,882</u>
Total revenues	<u>3,950,815</u>	<u>4,116,855</u>	<u>166,040</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, 2015

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>\$</b>	<b>\$</b>	<b>Positive</b>
			<b>(Negative)</b>
			<b>\$</b>
<b>Expenditures:</b>			
Operating expenditures:			
Purchases for resale	721,555	675,011	46,544
Salaries and wages	1,127,949	1,081,443	46,506
Professional services	21,500	11,603	9,897
Telephone alarm system	1,250	188	1,062
Telephone	7,000	7,152	( 152)
Utilities	100,400	97,919	2,481
Travel and training	8,545	3,040	5,505
Maintenance and repairs - equipment and lines	146,190	116,107	30,083
Maintenance and repairs - vehicles	19,500	22,130	( 2,630)
Maintenance and repairs - building and grounds	2,500		2,500
Automotive supplies	73,900	46,347	27,553
Departmental supplies	168,039	152,709	15,330
Contracted services	420,217	380,467	39,750
Miscellaneous	2,500	1,424	1,076
Payroll taxes	95,429	79,449	15,980
Retirement expense	136,075	128,640	7,435
Group insurance	162,466	155,686	6,780
Uniforms	11,400	8,962	2,438
Advertising	5,200	3,123	2,077
Dues and subscriptions	4,960	4,373	587
Insurance and bonds	41,000	37,959	3,041
Transitional fees	2,268	2,268	
Total operating expenditures	<u>3,279,843</u>	<u>3,016,000</u>	<u>263,843</u>
Debt service:			
Interest and service charges	35,902	33,902	2,000
Debt principal	<u>298,462</u>	<u>298,462</u>	
Total debt service	<u>334,364</u>	<u>332,364</u>	<u>2,000</u>
Capital outlay:			
Equipment	<u>19,386</u>		<u>19,386</u>
Total expenditures	<u>3,633,593</u>	<u>3,348,364</u>	<u>285,229</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, 2015

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>\$</b>	<b>\$</b>	<b>Positive</b>
			<b>(Negative)</b>
			<b>\$</b>
Revenues over expenditures	<u>317,222</u>	<u>768,491</u>	<u>451,269</u>
<b>Other financing sources (uses):</b>			
Transfer from:			
Water and Sewer			
Improvement Fund	55,535	36,849	( 18,686)
NE/SW Water Quality Fund	13,338	13,338	
Hwy 16 North Area Water			
Quality Fund	41,378	41,378	
Transfer to:			
Enterprise Fund – Water and			
Sewer Capital Project Fund	( 70,477)	( 70,477)	
Enterprise Fund –Water and			
Sewer Capital Reserve Fund	( 500,000)	( 500,000)	
Enterprise Fund – Water Sewer			
Improvement Fund	( 162,000)	( 162,000)	
Internal Service Fund	( 36,250)	( 36,250)	
Reserve for future water/sewer			
projects	( 54,716)	_____	<u>54,716</u>
Total other financing			
sources (uses)	( 713,192)	( 677,162)	<u>36,030</u>
Retained earnings appropriated	<u>395,970</u>	_____	( 395,970)
Excess of revenues and other			
financing sources over expenditures			
and other financing uses	<u>0</u>	<u>91,329</u>	<u>91,329</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, 2015

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	\$	\$	Positive (Negative)
			\$
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Excess of revenues and other financing sources over expenditures and other financing uses		<u>91,329</u>	
Reconciling items:			
Principal retirement		298,462	
Proceeds from sale of fixed assets		( 18,831)	
Gain on sales of fixed assets		18,831	
Depreciation		( 909,219)	
Income from Water and Sewer Capital Project Grants and Other Income		62,594	
Decrease (increase) in accrued vacation pay		( 4,652)	
Decrease (increase) in interest payable		2,491	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		75,253	
Pension expense		( 8,474)	
Transfer to Enterprise Fund:			
Water and Sewer Capital Reserve Fund		500,000	
Water and Sewer Capital Project Fund		70,477	
Water and Sewer Improvement Fund		162,000	
Transfer to General Fund		97,343	
Transfer from Enterprise Fund:			
Hwy 16 North Area Water Quality Fund		( 41,378)	
NE SW Water Quality Improvement Fund		( 13,338)	
Water and Sewer Improvement Fund		<u>(36,849)</u>	
Total reconciling items		<u>254,710</u>	
Change in net position		<u><u>346,039</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, 2015

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>\$</b>	<b>\$</b>	<b>Positive</b>
			<b>(Negative)</b>
			<b>\$</b>
<b>Expenditures:</b>			
Engineering	71,230	45,697	25,533
Legal	5,000		5,000
Infrastructure	105,477	105,477	
ROW acquisitions	5,000	3,154	1,846
Contracted construction	183,250	23,250	160,000
Capital outlay – improvements	172,863	16,128	156,735
Capital outlay – equipment	<u>238,650</u>	<u>224,915</u>	<u>13,735</u>
Total expenditures	<u>781,470</u>	<u>418,621</u>	<u>362,849</u>
<b>Other financing sources:</b>			
Transfer from:			
Water and Sewer Fund	70,477	70,477	
Water and Sewer			
Capital Reserve Fund	<u>639,863</u>	<u>301,291</u>	( 338,572)
Total other financing sources	<u>710,340</u>	<u>371,768</u>	( 338,572)
Fund balance appropriated	<u>71,130</u>	_____	( 71,130)
Expenditures over (under) other financing sources	<u>0</u>	( 46,853)	( 46,853)

**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, 2015

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>\$</b>	<b>\$</b>	<b>Positive</b>
			<b>(Negative)</b>
			<b>\$</b>
<b>Revenues:</b>			
Investment earnings	900	916	16
System development fees	<u>30,000</u>	<u>46,850</u>	<u>16,850</u>
Total revenues	<u>30,900</u>	<u>47,766</u>	<u>16,866</u>
<b>Other financing sources (uses):</b>			
Transfer from:			
Water and Sewer Fund	500,000	500,000	
Transfer to:			
Water and Sewer Capital Project Fund	( 639,863)	( 301,291)	338,572
Reserve for other water and sewer projects	( 484,833)	<u>          </u>	<u>484,833</u>
Total other financing sources (uses)	<u>( 624,696)</u>	<u>198,709</u>	<u>823,405</u>
Fund balance appropriated	<u>593,796</u>	<u>          </u>	<u>( 593,796)</u>
Revenues and other financing sources over other financing (uses)	<u>          0</u>	<u>246,475</u>	<u>246,475</u>

**CITY OF CONOVER, NORTH CAROLINA**  
**HWY 16 North Area Water Quality Fund**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
From Inception and For the Fiscal Year Ended June 30, 2015

	<b>Project</b>	<b>Actual</b>		<b>Total to</b>	<b>Variance</b>
	<b>Authorization</b>	<b>Prior</b>	<b>Current</b>	<b>Date</b>	<b>Positive</b>
	\$	\$	\$	\$	(Negative)
					\$
<b>Expenditures:</b>					
Administration	10,000	10,000		10,000	
Construction	326,935	326,935		326,935	
Engineering	17,587	17,587		17,587	
Fees	<u>7,550</u>	<u>7,550</u>		<u>7,550</u>	
Total expenditures	<u>362,072</u>	<u>362,072</u>	<u>0</u>	<u>362,072</u>	<u>0</u>
<b>Other financing sources (uses):</b>					
Loan proceeds – NC DENR	374,843	374,843		374,843	
Transfer to: Water and Sewer Fund	( 41,378)		( 41,378)	( 41,378)	
Transfer from: Water and Sewer Fund	7,550	7,550		7,550	
Water and Sewer Improvement Fund	<u>21,057</u>	<u>21,057</u>		<u>21,057</u>	
Total other financing sources (uses)	<u>362,072</u>	<u>403,450</u>	( 41,378)	<u>362,072</u>	<u>0</u>
Excess (deficiency) of other financing sources over (under) expenditures and other financing (uses)	<u>0</u>	<u>41,378</u>	( 41,378)	<u>0</u>	<u>0</u>

**CITY OF CONOVER, NORTH CAROLINA**  
**NE-SW Water Quality Fund**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
From Inception and For the Fiscal Year Ended June 30, 2015

	<b>Project</b>	<b>Actual</b>			<b>Variance</b>
	<b>Authorization</b>	<b>Prior</b>	<b>Current</b>	<b>Total to</b>	<b>Positive</b>
	\$	\$	\$	\$	(Negative)
					\$
<b>Expenditures:</b>					
Engineering	49,959	49,959		49,959	
Fees	14,499	14,499		14,499	
Administration	20,000	20,000		20,000	
Construction	<u>641,631</u>	<u>641,631</u>		<u>641,631</u>	
Total expenditures	<u>726,089</u>	<u>726,089</u>	<u>0</u>	<u>726,089</u>	<u>0</u>
<b>Other financing sources (uses):</b>					
Loan proceeds – US EPA	724,928	724,928		724,928	
Transfer from:					
Water and Sewer Fund	14,499	14,499		14,499	
Transfer to:					
Water and Sewer Fund	( 13,338)		( 13,338)	( 13,338)	
Total other financing sources (uses)	<u>726,089</u>	<u>739,427</u>	( 13,338)	<u>726,089</u>	<u>0</u>
Excess (deficiency) of other financing sources over (under) expenditures and other financing (uses)	<u>0</u>	<u>13,338</u>	( 13,338)	<u>0</u>	<u>0</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, 2015

	Project Authorization \$	Prior Year \$	Actual Current Year \$	Total to Date \$	Variance Positive (Negative) \$
<b>Expenditures:</b>					
Engineering	<u>100,000</u>	<u>73,802</u>	<u>0</u>	<u>73,802</u>	<u>26,198</u>
<b>Other financing sources:</b>					
Transfer from:					
General Fund	50,000	50,000		50,000	
Water and Sewer Fund	<u>50,000</u>	<u>50,000</u>		<u>50,000</u>	
Total other financing sources	<u>100,000</u>	<u>100,000</u>	<u>0</u>	<u>100,000</u>	<u>0</u>
Excess of other financing sources over expenditures	<u>0</u>	<u>26,198</u>	<u>0</u>	<u>26,198</u>	<u>26,198</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, 2015

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>\$</b>	<b>\$</b>	<b>Positive</b>
			<b>(Negative)</b>
			<b>\$</b>
<b>Revenues:</b>			
Investment earnings	500	258	( 242)
Capacity excess	<u>2,500</u>	<u>14,570</u>	<u>12,070</u>
Total revenues	<u>3,000</u>	<u>14,828</u>	<u>11,828</u>
<b>Expenditures:</b>			
Engineering	75,800	6,827	68,973
Administrative and legal	5,000		5,000
Contracted construction	75,000		75,000
Acquisition of ROW	5,000		5,000
Capital outlay - improvement	25,000		25,000
Capital outlay - equipment	<u>285,000</u>	<u>221,821</u>	<u>63,179</u>
Total expenditures	<u>470,800</u>	<u>228,648</u>	<u>242,152</u>
Revenues over (under) expenditures	( 467,800)	( 213,820)	<u>253,980</u>
<b>Other financing sources (uses):</b>			
Transfer from:			
Water and Sewer Fund	162,000	162,000	
Transfer to:			
Water and Sewer Fund	( 55,535)	( 36,849)	<u>18,686</u>
Total other financing sources (uses)	<u>106,465</u>	<u>125,151</u>	<u>18,686</u>
Fund balance appropriated	<u>361,335</u>	<u>          </u>	( 361,335)
Revenues and other financing sources over (under) expenditures and other financing (uses)	<u>0</u>	( 88,669)	( 88,669)

**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, 2015

	<b>Project</b>	<b>Actual</b>			<b>Variance</b>
	<b>Authorization</b>	<b>Prior</b>	<b>Current</b>	<b>Total to</b>	<b>Positive</b>
	<b>\$</b>	<b>Year</b>	<b>Year</b>	<b>Date</b>	<b>(Negative)</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Expenditures:</b>					
Engineering	115,000	2,889	68,901	71,790	43,210
<b>Other financing</b>					
<b>sources:</b>					
Transfer from:					
Water and Sewer Fund	<u>115,000</u>	<u>115,000</u>	_____	<u>115,000</u>	_____
Excess (deficiency) of other financing sources over (under) expenditures	<u>0</u>	<u>( 112,111)</u>	<u>( 68,901)</u>	<u>43,210</u>	<u>43,210</u>

**CITY OF CONOVER, NORTH CAROLINA**  
**SW Sewer Rehabilitation Project Fund**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
From Inception and For the Fiscal Year Ended June 30, 2015

	<b>Project Authorization</b>	<b>Prior Year</b>	<b>Actual Current Year</b>	<b>Total to Date</b>	<b>Variance Positive (Negative)</b>
	\$	\$	\$	\$	\$
<b>Expenditures:</b>					
Engineering	239,450	18,042	111,042	129,084	110,366
Closing fee	33,797		33,797	33,797	
Administration	50,000		42,104	42,104	7,896
ROW Acquisitions	17,000		364	364	16,636
Construction	<u>1,383,384</u>		<u>1,090,098</u>	<u>1,090,098</u>	<u>293,286</u>
Total expenditures	1,723,631	18,042	1,277,405	1,295,447	428,184
<b>Other financing sources:</b>					
Loan proceeds – NCDENR	<u>1,723,631</u>	<u>13,836</u>	<u>1,195,380</u>	<u>1,209,216</u>	( 514,415)
(Deficiency) of expenditures (under) other financing sources	<u>0</u>	( 4,206)	( 82,025)	( 86,231)	( 86,231)

## **Internal Service Fund**

---

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis.

**Health Insurance Fund** - This fund is used to account for the payment of medical claims of the City's employees and their covered dependents.

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## **Fiduciary Type Fund**

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Fiduciary type fund accounts for the assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other funds.

**Pension Trust Fund - Separation Fund/Law Enforcement** - This fund is used to reserve contributions and pay benefits to law enforcement officers receiving benefits from the Separation Allowance.

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**CITY OF CONOVER, NORTH CAROLINA**  
**Health Insurance Fund**  
**Schedule of Revenues and Expenditures - Budget and Actual**  
For the Fiscal Year Ended June 30, 2015

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	\$	\$	Positive (Negative) \$
<b>Operating revenues:</b>			
Contribution from employer	758,124	766,346	8,222
Contribution from employees	158,000	177,264	19,264
Contribution from retirees	16,807	16,807	
Re-insurance	20,000	77,607	57,607
Other operating revenues	<u>24,000</u>	<u>27,518</u>	<u>3,518</u>
Total revenues	<u>976,931</u>	<u>1,065,542</u>	<u>88,611</u>
<b>Operating expenditures - group insurance:</b>			
Employee claim expenses	759,217	896,133	( 136,916)
Voluntary charges	35,000	37,751	( 2,751)
Life insurance	5,000	4,994	6
Non-employee Cobra	10,000		10,000
Administration expenses	38,628	38,633	( 5)
Stop loss expense	324,586	336,431	( 11,845)
Wellness program	19,500	12,502	6,998
Primary physician	<u>12,000</u>	<u>17,455</u>	<u>( 5,455)</u>
Total operating expenditures	<u>1,203,931</u>	<u>1,343,899</u>	<u>( 139,968)</u>
Revenues (under) expenditures	( <u>227,000</u> )	( <u>278,357</u> )	( <u>51,357</u> )
<b>Nonoperating revenues:</b>			
Transfers from:			
General Fund	108,750	108,750	
Water and Sewer Fund	<u>36,250</u>	<u>36,250</u>	
Total nonoperating revenues	<u>145,000</u>	<u>145,000</u>	<u>0</u>
Fund balance appropriated	<u>82,000</u>		( <u>82,000</u> )
Net income (loss)	<u>0</u>	( <u>133,357</u> )	( <u>133,357</u> )

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

**CITY OF CONOVER, NORTH CAROLINA**  
**Pension Trust Fund - Separation Fund/Law Enforcement**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
 For the Fiscal Year Ended June 30, 2015

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>\$</b>	<b>\$</b>	<b>Positive</b>
			<b>(Negative)</b>
			<b>\$</b>
<b>Revenues:</b>			
Contributions	31,000	31,000	
Investment earnings	<u>65</u>	<u>30</u>	( 35)
Total revenues	<u>31,065</u>	<u>31,030</u>	( 35)
<b>Expenditures:</b>			
Salaries and wages	31,651	31,649	2
Employee benefits	<u>2,422</u>	<u>2,421</u>	<u>1</u>
Total expenditures	<u>34,073</u>	<u>34,070</u>	<u>3</u>
Revenues (under) expenditures	( 3,008)	( 3,040)	( 32)
<b>Other financing (uses):</b>			
Reserve	( 23,000)		23,000
Fund balance appropriated	<u>26,008</u>	_____	( 26,008)
Net change in fund balance	<u>0</u>	( 3,040)	( 3,040)
Fund balance, beginning		<u>57,730</u>	
Fund balance, ending		<u>54,690</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, 2015**

<b>Function</b>	<b>Land and Improvements \$</b>	<b>Building and Improvements \$</b>
General Government	2,834,174	9,510,445
Public Safety	233,765	4,462,269
Transportation	36,349	33,168
Environmental Protection		
Parks and Cemeteries	<u>70,724</u>	<u>195,159</u>
Total	<u><u>3,175,012</u></u>	<u><u>14,201,041</u></u>

<b>Equipment</b>	<b>Vehicles</b>	<b>Infrastructure</b>	<b>Construction in Progress</b>	<b>Total</b>
<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
487,242	180,301			13,012,162
853,312	3,230,350		67,700	8,847,396
756,853	956,263	17,798,715	4,050,434	23,631,782
210,889	1,343,739			1,554,628
<u>580,659</u>	<u>80,022</u>	<u>38,170</u>	<u>                    </u>	<u>964,734</u>
<u><u>2,888,955</u></u>	<u><u>5,790,675</u></u>	<u><u>17,836,885</u></u>	<u><u>4,118,134</u></u>	<u><u>48,010,702</u></u>

**CITY OF CONOVER, NORTH CAROLINA**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes by Type and Function**  
For the Fiscal Year Ended June 30, 2015

	<b>Balances</b>		<b>Net</b>		<b>Balances</b>
	<b>July 1, 2014</b>	<b>Additions</b>	<b>Transfers</b>	<b>Retirements</b>	<b>June 30, 2015</b>
	\$	\$	\$	\$	\$
<b>By asset type:</b>					
Land and improvements	2,968,523	93,523	112,966		3,175,012
Buildings and improvements	14,353,837	50,170	( 112,966)	( 90,000)	14,201,041
Equipment	2,768,867	12,212		( 87,809)	2,693,270
Vehicles	5,610,828	688,309		( 508,462)	5,790,675
Computer equipment	156,659	39,026			195,685
Infrastructure	17,836,885				17,836,885
Construction in process	<u>1,763,922</u>	<u>2,451,555</u>	<u>( 97,343)</u>		<u>4,118,134</u>
Total	<u>45,459,521</u>	<u>3,334,795</u>	<u>( 97,343)</u>	<u>( 686,271)</u>	<u>48,010,702</u>
<b>By asset function:</b>					
General government	13,944,266	316,938	( 148,790)	( 135,518)	13,976,896
Public safety	8,814,280	158,940		( 125,824)	8,847,396
Transportation	20,993,398	2,699,434	51,447	( 112,497)	23,631,782
Environmental protection	<u>1,707,577</u>	<u>159,483</u>		<u>( 312,432)</u>	<u>1,554,628</u>
Total	<u>45,459,521</u>	<u>3,334,795</u>	<u>( 97,343)</u>	<u>( 686,271)</u>	<u>48,010,702</u>
<b>By funding source:</b>					
Asset purchases prior to 1998-1999 from undetermined sources					11,020,490
Contribution - Enterprise Fund					112,857
General Fund					5,699,104
General Fund – Federal Grant					81,067
Contributions					7,132,207
Capital Projects Fund:					
Federal grant					7,062,386
State contribution					1,537,653
Local contribution					14,243,898
Special Revenue Fund:					
Federal grant					865,362
State contribution					230,678
Local contribution					<u>25,000</u>
Total					<u>48,010,702</u>

## **Other Schedules**

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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, 2015

Fiscal Year	Uncollected Balance June 30, 2014 \$	Additions \$	Collections \$	Discoveries Abatements Adjustments \$	Uncollected Balance June 30, 2015 \$
2014 - 2015		5,141,140	4,639,712	( 435,346)	66,082
2013 - 2014	114,261	72	51,315	( 9,765)	53,253
2012 - 2013	179,958	6	11,399	( 105,969)	62,596
2011 - 2012	41,971	6	5,922	( 2,543)	33,512
2010 - 2011	25,475	7	3,007	( 134)	22,341
2009 - 2010	16,075		886	( 99)	15,090
2008 - 2009	26,190		900	( 128)	25,162
2007 - 2008	17,375		1,662	( 140)	15,573
2006 - 2007	11,330		541	( 86)	10,703
2005 - 2006	11,082		160	( 7)	10,915
2004 - 2005	10,163		9	( 100)	10,054
2003 - 2004	9,545				9,545
2002 - 2003	7,160		15		7,145
2001 - 2002	15,468		11		15,457
2000 - 2001	16,622				16,622
1999 - 2000	91,446				91,446
1998 - 1999	5,956				5,956
1994 - 1998	<u>4,143</u>				<u>4,143</u>
 Total	 <u>604,220</u>	 <u>5,141,231</u>	 <u>4,715,539</u>	 <u>( 554,317)</u>	 475,595
 Less, allowance for uncollectible ad valorem taxes receivable					 <u>( 122,882)</u>
 Ad valorem taxes receivable - net					 <u>352,713</u>
 <b>Reconciliation with revenues:</b>					
Taxes - ad valorem - General Fund - current year					4,639,712
Taxes - ad valorem - General Fund - prior years					<u>75,827</u>
 Total					 <u>4,715,539</u>

**CITY OF CONOVER, NORTH CAROLINA**  
**Analysis of Current Tax Levy**  
 For the Fiscal Year Ended June 30, 2015

	<u>City Wide</u>			<u>Total Levy</u>	
	<u>Property</u>		<u>Total</u>	Property	
	<u>Valuation</u>	<u>Rate</u>	<u>Levy</u>	excluding	Registered
				Registered	Motor
				Motor	Motor
				<u>Vehicles</u>	<u>Vehicles</u>
<b>Original Levy:</b>					
Property tax at current					
year's rate	1,195,158,846	.43	5,139,183	4,834,307	304,876
	489,218	.40	1,957	1,957	
Penalties	_____		0	_____	_____
Total property valuation	<u>1,195,648,064</u>		5,141,140	4,836,264	304,876
Releases, refunds,					
additions and adjustments			( 435,346)	( 434,431)	( 915)
Net levy			4,705,794	4,401,833	303,961
Uncollected taxes at June 30, 2015			( 66,082)	( 66,014)	( 68)
Current year's taxes collected			<u>4,639,712</u>	<u>4,335,819</u>	<u>303,893</u>
Current levy collection percentage			<u>98.60%</u>	<u>98.50%</u>	<u>99.98%</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)

	<b>2005-2006</b>	<b>2006-2007</b>	<b>2007-2008</b>	<b>2008-2009</b>	<b>2009-2010</b>
<b>Governmental activities</b>					
Net investment in capital assets	\$ 18,504,594	\$ 19,976,920	\$ 20,438,607	\$ 21,010,383	\$ 22,401,375
Restricted	604,303	594,105	2,002,090	467,851	417,688
Unrestricted	6,593,862	6,757,210	5,399,795	6,432,132	6,063,531
<b>Total governmental activities net assets</b>	<b>\$ 25,702,759</b>	<b>\$ 27,328,235</b>	<b>\$ 27,840,492</b>	<b>\$ 27,910,366</b>	<b>\$ 28,882,594</b>
<b>Business-type activities</b>					
Net investment in capital assets	\$ 23,791,330	\$ 23,985,848	\$ 23,966,825	\$ 23,959,616	\$ 25,506,728
Restricted	-	-	-	-	-
Unrestricted	3,206,626	3,555,061	3,753,843	4,158,520	4,478,859
<b>Total business-type activities net assets</b>	<b>\$ 26,997,956</b>	<b>\$ 27,540,909</b>	<b>\$ 27,720,668</b>	<b>\$ 28,118,136</b>	<b>\$ 29,985,587</b>
<b>Primary government</b>					
Net investment in capital assets	\$ 42,295,924	\$ 43,962,768	\$ 44,405,432	\$ 44,969,999	\$ 47,908,103
Restricted	604,303	594,105	2,002,090	467,851	417,688
Unrestricted	9,800,488	10,312,271	9,153,638	10,590,652	10,542,390
<b>Total Net Position</b>	<b>\$ 52,700,715</b>	<b>\$ 54,869,144</b>	<b>\$ 55,561,160</b>	<b>\$ 56,028,502</b>	<b>\$ 58,868,181</b>

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

(accrual basis of accounting)  
(unaudited)

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

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
<b>Expenses</b>					
Governmental activities:					
General government	\$ 2,038,820	\$ 2,251,689	\$ 2,572,435	\$ 2,639,999	\$ 2,450,004
Public safety	2,932,732	2,937,022	3,091,026	3,148,090	3,105,154
Transportation	1,157,668	1,242,673	1,302,220	1,345,684	1,270,999
Environmental protection	659,435	663,036	712,904	779,788	715,039
Economic and physical development	-	-	-	214,070	345,126
Interest on long-term debt	54,541	117,712	164,105	98,114	160,865
Total governmental activities expenses	6,843,196	7,212,132	7,842,690	8,225,745	8,047,187
Business-type activities:					
Water and sewer	3,104,288	3,034,994	3,104,680	3,008,075	3,175,607
Total primary government expenses	\$ 9,947,484	\$ 10,247,126	\$ 10,947,370	\$ 11,233,820	\$ 11,222,794
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	\$ 151,306	\$ 77,448	\$ 77,464	\$ 82,364	\$ 87,557
Public safety	9,012	18,204	12,716	7,228	21,638
Transportation	-	-	-	-	-
Environmental protection	91,815	93,684	95,446	145,409	147,992
Economic and physical development	-	-	-	-	-
Operating grants and contributions	364,510	542,421	408,867	496,424	632,499
Capital grants and contributions	-	48,414	25,288	339,308	542,800
Total governmental activities program revenues	\$ 616,643	\$ 780,171	\$ 619,781	\$ 1,070,733	\$ 1,432,486
Business-type activities:					
Charges for services:					
Water and sewer	\$ 3,242,949	\$ 3,222,901	\$ 3,250,963	\$ 3,279,325	\$ 3,344,802
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	795,284	535,742	197,408	249,959	1,934,723
Total business-type activities program revenues	4,038,233	3,758,643	3,448,371	3,529,284	5,279,525
Total primary government program revenues	\$ 4,654,876	\$ 4,538,814	\$ 4,068,152	\$ 4,600,017	\$ 6,712,011
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (6,226,553)	\$ (6,431,961)	\$ (7,222,909)	\$ (7,155,012)	\$ (6,614,701)
Business-type activities	933,945	723,649	343,691	521,209	2,103,918
Total primary government net expense	\$ (5,292,608)	\$ (5,708,312)	\$ (6,879,218)	\$ (6,633,803)	\$ (4,510,783)

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

	<b>2005-2006</b>	<b>2006-2007</b>	<b>2007-2008</b>	<b>2008-2009</b>	<b>2009-2010</b>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Ad valorem taxes	\$ 3,664,119	\$ 3,968,494	\$ 4,176,309	\$ 4,280,312	\$ 4,250,829
Other taxes and licenses	1,589,650	1,769,423	1,860,590	1,616,438	1,461,851
Unrestricted grants and contributions	902,522	925,224	984,142	970,204	980,988
Miscellaneous	444,380	773,557	181,020	33,268	621,597
Gain (loss) on sale of fixed assets	21,000	51,687	6,196	31,156	6,070
Transfers	262,500	266,832	246,286	172,454	250,000
Capital assets contributed to enterprise fund	-	-	-	-	-
Interest earned on investments	232,821	302,220	280,623	121,054	15,594
<b>Total governmental activities</b>	<b>\$ 7,116,992</b>	<b>\$ 8,057,437</b>	<b>\$ 7,735,166</b>	<b>\$ 7,224,886</b>	<b>\$ 7,586,929</b>
Business-type activities:					
Miscellaneous				-	-
Gain (loss) on sale of fixed assets		(775)	-	-	1,822
Transfers	(262,500)	(266,832)	(246,286)	(172,454)	(250,000)
Interest earned on investments	50,288	86,911	82,354	48,713	11,711
<b>Total business-type activities</b>	<b>(212,212)</b>	<b>(180,696)</b>	<b>(163,932)</b>	<b>(123,741)</b>	<b>(236,467)</b>
<b>Total primary government</b>	<b>\$ 6,904,780</b>	<b>\$ 7,876,741</b>	<b>\$ 7,571,234</b>	<b>\$ 7,101,145</b>	<b>\$ 7,350,462</b>
<b>Changes in Net Assets</b>					
Governmental activities	\$ 890,439	\$ 1,625,476	\$ 512,257	\$ 69,874	\$ 972,228
Business-type activities	721,733	542,953	179,759	397,468	1,867,451
<b>Total primary government</b>	<b>\$ 1,612,172</b>	<b>\$ 2,168,429</b>	<b>\$ 692,016</b>	<b>\$ 467,342</b>	<b>\$ 2,839,679</b>

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

(accrual basis of accounting)

(unaudited)

	<b>2010-2011</b>	<b>2011-2012</b>	<b>2012-2013</b>	<b>2013-2014</b>	<b>2014-2015</b>
<b>Expenses</b>					
Governmental activities:					
General government	\$ 2,399,804	\$ 2,146,721	\$ 2,257,366	\$ 2,285,156	\$ 2,198,538
Public safety	3,279,511	3,269,969	3,443,205	3,751,443	3,691,773
Transportation	1,271,150	1,312,768	1,331,836	1,412,793	1,550,120
Environmental protection	728,614	751,071	780,390	897,493	768,952
Economic and physical development	-	258,941	521,059	-	-
Interest on long-term debt	172,097	168,357	163,818	168,206	163,787
Total governmental activities expenses	7,851,176	7,907,827	8,497,674	8,515,091	8,373,170
Business-type activities:					
Water and sewer	3,308,613	3,458,870	3,526,346	4,052,585	3,921,575
Total primary government expenses	\$ 11,159,789	\$ 11,366,697	\$ 12,024,020	\$ 12,567,676	\$ 12,294,745
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	\$ 92,922	\$ 90,694	\$ 108,833	\$ 103,318	\$ 157,633
Public safety	20,166	18,268	16,856	20,246	16,836
Transportation	-	-	-	-	-
Environmental protection	197,047	390,809	395,533	393,357	395,221
Economic and physical development	-	-	-	-	-
Operating grants and contributions	309,714	347,707	862,633	344,478	481,603
Capital grants and contributions	2,085,671	2,607,803	4,348,765	348,199	1,017,538
Total governmental activities program revenues	\$ 2,705,520	\$ 3,455,281	\$ 5,732,620	\$ 1,209,598	\$ 2,068,831
Business-type activities:					
Charges for services:					
Water and sewer	\$ 3,481,755	\$ 3,789,040	\$ 3,806,886	\$ 3,945,895	\$ 4,094,973
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	41,345	164,902	261,642	1,893,480	62,594
Total business-type activities program revenues	3,523,100	3,953,942	4,068,528	5,839,375	4,157,567
Total primary government program revenues	\$ 6,228,620	\$ 7,409,223	\$ 9,801,148	\$ 7,048,973	\$ 6,226,398
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (5,145,656)	\$ (4,452,546)	\$ (2,765,054)	\$ (7,305,493)	\$ (6,304,339)
Business-type activities	214,487	495,072	542,182	1,786,790	235,992
Total primary government net expense	\$ (4,931,169)	\$ (3,957,474)	\$ (2,222,872)	\$ (5,518,703)	\$ (6,068,347)

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

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

**Note:**

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

**Table 3**  
**City of Conover, North Carolina**  
**Fund Balances, Governmental Funds**  
**Pre GASB54, page 1**  
**Fiscal Years 2005-2006 through 2009-2010 (Five Years)**  
(modified accrual basis of accounting)  
(unaudited)

	<b>2005-2006</b>	<b>2006-2007</b>	<b>2007-2008</b>	<b>2008-2009</b>
<b>General Fund</b>				
Reserved	\$ 995,575	\$ 1,224,680	\$ 1,416,443	\$ 1,134,053
Unreserved	3,392,265	3,410,999	3,325,807	2,708,938
Total general fund	<u>\$ 4,387,840</u>	<u>\$ 4,635,679</u>	<u>\$ 4,742,250</u>	<u>\$ 3,842,991</u>
<b>All Other Governmental Funds</b>				
Reserved	\$ 156,093	\$ 167,606	\$ 44,476	\$ 356,923
Unreserved, reported in:				
Special revenue funds	275,995	271,733	303,590	237,046
Capital project funds	1,997,488	1,818,439	3,333,672	2,078,350
Total all other governmental funds	<u>\$ 2,429,576</u>	<u>\$ 2,257,778</u>	<u>\$ 3,681,738</u>	<u>\$ 2,672,319</u>

**Table 3**  
**City of Conover, North Carolina**  
**Fund Balances, Governmental Funds**  
**Pre GASB54, page 2**  
**Fiscal Years 2005-2006 through 2009-2010 (Five Years)**  
(modified accrual basis of accounting)  
(unaudited)

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

**Table 3A**  
**City of Conover, North Carolina**  
**Fund Balances, Governmental Funds**  
**Post GASB54, page 1**  
**2010-2011 through 20142015 (Five Years)**  
(modified accrual basis of accounting)  
(unaudited)

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

**Table 3A**  
**City of Conover, North Carolina**  
**Fund Balances, Governmental Funds**  
**Post GASB54, page 2**  
**2010-2011 through 2014-2015 (Five Years)**  
(modified accrual basis of accounting)  
(unaudited)

	<u><b>Fiscal Year</b></u>
	<u><b>2014-2015</b></u>
<b>General Fund</b>	
Non-Spendable	\$ 74,728
Restricted	1,774,341
Committed	-
Assigned	422,487
Unassigned	<u>2,621,783</u>
Total general fund	<u><u>\$ 4,893,339</u></u>
<b>All Other Governmental Funds</b>	
Non-Spendable	\$ -
Restricted	203,190
Committed	1,914,325
Assigned	-
Unassigned	-
Total all other governmental funds	<u><u>\$ 2,117,515</u></u>

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

(modified accrual basis of accounting)

(unaudited)

	<b>Fiscal Year</b>				
	<b>2005-2006</b>	<b>2006-2007</b>	<b>2007-2008</b>	<b>2008-2009</b>	<b>2009-2010</b>
<b>Revenues</b>					
Ad valorem taxes	\$ 3,608,721	\$ 3,931,456	\$ 4,182,163	\$ 4,196,312	\$ 4,196,701
Other taxes and licenses	1,597,304	1,769,423	1,860,590	1,616,438	1,461,851
Unrestricted intergovernmental revenues	904,922	927,624	986,542	972,604	988,851
Restricted intergovernmental revenues	353,661	584,212	433,526	834,412	1,183,961
Permits and fees	63,360	72,372	12,858	9,808	-
Sales and services	118,937	124,556	122,693	167,010	192,519
Investment earnings	232,821	302,220	280,623	121,054	15,594
Miscellaneous	74,011	106,109	81,324	90,371	91,810
<b>Total revenues</b>	<b>6,953,737</b>	<b>7,817,972</b>	<b>7,960,319</b>	<b>8,008,009</b>	<b>8,131,287</b>
<b>Expenditures</b>					
General government	1,994,684	2,416,234	2,473,105	2,461,311	2,282,237
Public safety	2,623,681	2,675,342	2,927,691	2,926,885	2,819,980
Transportation	915,716	931,897	1,048,131	1,057,275	972,322
Environmental protection	612,411	602,874	641,830	687,664	626,334
Economic and physical development	-	-	-	214,070	1,383,096
Capital outlay	1,011,803	1,112,544	1,153,685	2,600,061	387,291
Debt service:					
Interest	64,616	119,140	111,581	104,322	181,503
Principal	1,741,669	205,767	213,325	2,031,185	172,272
<b>Total expenditures</b>	<b>8,964,580</b>	<b>8,063,798</b>	<b>8,569,348</b>	<b>12,082,773</b>	<b>8,825,035</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(2,010,843)</b>	<b>(245,826)</b>	<b>(609,029)</b>	<b>(4,074,764)</b>	<b>(693,748)</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds from installment purchase	1,915,000	-	1,883,364	1,917,230	-
Proceeds from disposal of capital assets	21,000	55,035	6,196	31,156	6,070
Transfers in	1,767,130	1,876,571	1,734,974	2,840,590	1,412,421
Transfers out	(1,504,630)	(1,609,739)	(1,484,974)	(2,622,890)	(1,162,421)
<b>Total other financing sources (uses)</b>	<b>2,198,500</b>	<b>321,867</b>	<b>2,139,560</b>	<b>2,166,086</b>	<b>256,070</b>
<b>Net change in fund balances</b>	<b>\$ 187,657</b>	<b>\$ 76,041</b>	<b>\$ 1,530,531</b>	<b>\$ (1,908,678)</b>	<b>\$ (437,678)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>22.71%</b>	<b>4.75%</b>	<b>4.48%</b>	<b>22.83%</b>	<b>4.83%</b>

**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)

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

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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)

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Public Service Companies</b>	<b>Total Taxable Assessed Value</b>	<b>Prior Years Discoveries</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>
2014-2015	\$ 811,585,707	\$ 357,154,211	\$ 26,908,144	\$ 1,195,648,062	\$ 489,218	\$ 0.430	*
2013-2014	\$ 797,184,080	\$ 264,194,015	\$ 29,308,143	\$ 1,090,686,238	\$ 4,639,897	\$ 0.400	\$ 1,057,481,324
2012-2013	\$ 797,426,377	\$ 270,933,037	\$ 26,976,318	\$ 1,095,335,732	\$ 30,542,832	\$ 0.400	\$ 1,089,777,865
2011-2012	\$ 796,793,712	\$ 216,186,002	\$ 23,944,158	\$ 1,036,923,872	\$ 672,056	\$ 0.400	\$ 1,031,662,394
2010-2011	\$ 826,885,180	\$ 217,634,891	\$ 23,278,457	\$ 1,067,798,528	\$ 1,156,727	\$ 0.400	\$ 1,067,798,528
2009-2010	\$ 812,917,308	\$ 225,464,462	\$ 25,557,431	\$ 1,063,939,201	\$ 992,983	\$ 0.400	\$ 1,087,316,506
2008-2009	\$ 805,039,483	\$ 227,631,498	\$ 32,083,050	\$ 1,064,754,031	\$ 1,445,842	\$ 0.400	\$ 1,087,149,307
2007-2008	\$ 791,691,712	\$ 229,091,397	\$ 31,597,640	\$ 1,052,380,749	\$ 389,261	\$ 0.400	\$ 1,184,579,862
2006-2007	\$ 749,778,179	\$ 230,836,949	\$ 28,648,103	\$ 1,009,263,231	\$ 5,802,097	\$ 0.400	\$ 1,067,100,054

**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.

\*denotes not available

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

(rate per \$100 of assessed value)

(unaudited)

Fiscal Year	Direct Rate		Overlapping Rates		Combined Tax Rate
	City of Conover General Fund		Catawba County		
2014-2015	\$	0.4300	\$	0.5300	\$ 0.9600
2013-2014	\$	0.4000	\$	0.5300	\$ 0.9300
2012-2013	\$	0.4000	\$	0.5300	\$ 0.9300
2011-2012	\$	0.4000	\$	0.5300	\$ 0.9300
2010-2011	\$	0.4000	\$	0.5350	\$ 0.9350
2009-2010	\$	0.4000	\$	0.5350	\$ 0.9350
2008-2009	\$	0.4000	\$	0.5350	\$ 0.9350
2007-2008	\$	0.4000	\$	0.5350	\$ 0.9350
2006-2007	\$	0.4000	\$	0.4900	\$ 0.8900
2005-2006	\$	0.3800	\$	0.4900	\$ 0.8700

**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	2006				2015			
	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
Hickory Springs	\$ 26,230,769	1	\$ 968,770,749	2.71%	\$ 22,015,984	2	\$ 1,195,648,062	1.84%
Rock Barn Properties, Inc.	\$ 20,966,622	2		2.16%	\$ 26,466,997	1		2.21%
Hanes Co Inc	\$ 18,323,805	3		1.89%	\$ 11,780,221	7		0.99%
Gulf States Paper Corp	\$ 16,112,605	4		1.66%				
Spartan Group LLC	\$ 16,003,100	5		1.65%	\$ 14,563,400	5		1.22%
The Lane Co	\$ 15,819,993	6		1.63%				
ER Carpenter	\$ 14,253,552	7		1.47%	\$ 9,441,383	9		0.79%
Rubatex Corp	\$ 1,152,811	8		0.12%				
Southern Furniture	\$ 11,407,842	9		1.18%				
Classic Leather	\$ 11,052,975	10		1.14%				
Rock-Tenn Packaging					\$ 18,038,863	3		1.51%
Wal-Mart					\$ 14,586,924	4		1.22%
Zenith					\$ 12,015,695	6		1.00%
Armacell					\$ 11,353,569	8		0.95%
Ma-Lew LLC					\$ 7,837,600	10		0.66%
<b>Total</b>	<u>\$ 151,324,074</u>		<u>\$ 968,770,749</u>	15.62%	<u>\$ 148,100,636</u>		<u>\$ 1,195,648,062</u>	12.39%

Source: Catawba County Tax Assessor

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Taxes Receivable Balance June 30
		Amount	Percentage of Levy		Amount	Percentage of Levy	
2015	\$ 4,705,794	\$ 4,639,712	98.60%		\$ 4,639,712	98.60%	\$ 66,082
2014	\$ 4,341,995	\$ 4,227,662	97.37%	\$ 61,079	\$ 4,288,742	98.77%	\$ 53,253
2013	\$ 4,384,208	\$ 4,145,690	94.56%	\$ 175,922	\$ 4,321,612	98.57%	\$ 62,596
2012	\$ 4,144,698	\$ 4,001,788	96.55%	\$ 109,398	\$ 4,111,186	99.19%	\$ 33,512
2011	\$ 4,267,100	\$ 4,140,418	97.03%	\$ 104,340	\$ 4,244,759	99.48%	\$ 22,341
2010	\$ 4,246,494	\$ 4,082,823	96.15%	\$ 148,581	\$ 4,231,404	99.64%	\$ 15,090
2009	\$ 4,250,631	\$ 4,092,218	96.27%	\$ 133,251	\$ 4,225,469	99.41%	\$ 25,162
2008	\$ 4,213,068	\$ 4,103,855	97.41%	\$ 93,640	\$ 4,197,495	99.63%	\$ 15,573
2007	\$ 3,941,768	\$ 3,843,986	97.52%	\$ 87,079	\$ 3,931,065	99.73%	\$ 10,703
2006	\$ 3,652,982	\$ 3,551,718	97.23%	\$ 90,348	\$ 3,642,066	99.70%	\$ 10,916

**Source:** Catawba County Tax Collector

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

(unaudited)

Fiscal Year Ended June 30	Governmental Activities		Business-type Activities				Total Primary Government	Percentage of personal income(1)	Per Capita(1)
	Installment Purchase Contracts	General Obligation Bonds	Revolving Loans	County Loans	Installment Purchase Contracts				
2015	\$ 3,575,535	\$ 375,000	\$ 3,107,101	\$ 190,116		\$ 7,247,751	*	\$ 874	
2014	\$ 3,700,781	\$ 500,000	\$ 2,047,581	\$ 213,881	\$ -	\$ 6,462,243	2.22%	\$ 783	
2013	\$ 3,821,189	\$ 625,000	\$ 1,042,386	\$ -	\$ -	\$ 5,488,575	1.93%	\$ 803	
2012	\$ 3,936,945	\$ 750,000	\$ 1,136,962	\$ -	\$ -	\$ 5,823,907	2.13%	\$ 710	
2011	\$ 4,048,231	\$ 875,000	\$ 1,431,537	\$ 12,934	\$ -	\$ 6,367,702	2.42%	\$ 785	
2010	\$ 4,190,924	\$ 1,000,000	\$ 1,726,113	\$ 52,032	\$ -	\$ 6,969,069	2.80%	\$ 869	
2009	\$ 4,363,196	\$ 1,125,000	\$ 1,162,144	\$ 91,131	\$ 22,284	\$ 6,763,755	2.68%	\$ 854	
2008	\$ 4,477,151	\$ 1,250,000	\$ 1,365,400	\$ 130,230	\$ 65,712	\$ 7,288,493	3.01%	\$ 935	
2007	\$ 2,807,112	\$ 1,375,000	\$ 1,616,800	\$ 169,329	\$ 107,664	\$ 6,075,905	2.64%	\$ 794	
2006	\$ 3,012,879	\$ 1,500,000	\$ 1,868,200	\$ 215,072	\$ 148,188	\$ 6,744,339	3.14%	\$ 898	

183

**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 2014 personal income not available to calculate fiscal year 2015.

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)

<b>Fiscal Year Ended June 30</b>	<b>General Obligation Bonds</b>	<b>Percentage of Taxable Value of Property(1)</b>	<b>Per Capita(2)</b>
2015	\$ 375,000	0.03%	\$ 45
2014	\$ 500,000	0.05%	\$ 61
2013	\$ 625,000	0.06%	\$ 76
2012	\$ 750,000	0.07%	\$ 91
2011	\$ 875,000	0.08%	\$ 108
2010	\$ 1,000,000	0.09%	\$ 125
2009	\$ 1,125,000	0.11%	\$ 142
2008	\$ 1,250,000	0.12%	\$ 160
2007	\$ 1,375,000	0.14%	\$ 180

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

(1)See Table 5 for Taxable Assessed Value of Property

(2)See Table 13 for population data

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

**Table 11**  
**City of Conover, North Carolina**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2015**  
(unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
<b>Catawba County Debt</b>			
Debt repaid with property taxes			
Catawba County General Obligation Bonds	0	7.19%	\$ -
Other debt			
Catawba County Qualified Zone Academy Bonds	350,000	7.19%	\$ 25,165
Catawba County Qualified School Const. Bonds	19,675,994	7.19%	\$ 1,414,704
Catawba County Limited Obligation Bonds	57,768,142	7.19%	\$ 4,153,529
Catawba County Build America Bonds	6,084,013	7.19%	\$ 437,441
NC Department of Commerce Loan	2,600,000	7.19%	\$ 186,940
Catawba County Installment Purchases	41,334,047	7.19%	\$ 2,971,918
Catawba County Certifications of Participation	11,885,455	7.19%	\$ 854,564
Subtotal, overlapping debt			\$ 10,044,261
<b>Conover direct debt</b>			\$ 3,575,535
Total direct and overlapping debt			\$ 13,619,796

**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.

**GO bonds % based on real and personal property motor vehicles**  
**Purchase contracts % based on real and personal property and motor vehicles**

**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, 2015:

Assessed Value		\$ 1,195,648,062
Debt Limit - 8% of assessed value		\$ 95,651,845
Gross long-term debt	\$ 7,247,751	
Less statutory deductions		
Bonds applicable to water system	\$ -	\$ 7,247,751
Legal debt margin		<u>\$ 88,404,094</u>

	<b>Fiscal Year</b>				
	<b>2005-2006</b>	<b>2006-2007</b>	<b>2007-2008</b>	<b>2008-2009</b>	<b>2009-2010</b>
Debt limit	\$ 77,501,660	\$ 80,741,058	\$ 84,190,460	\$ 85,180,323	\$ 85,115,136
Total net debt applicable to limit	<u>6,744,339</u>	<u>6,075,905</u>	<u>7,288,493</u>	<u>6,763,755</u>	<u>6,969,069</u>
Legal debt margin	<u>\$ 70,757,321</u>	<u>\$ 74,665,153</u>	<u>\$ 76,901,967</u>	<u>\$ 78,416,568</u>	<u>\$ 78,146,067</u>
Total net debt applicable to the limit as a percentage of debt limit	8.70%	7.53%	8.66%	7.94%	8.19%

**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, 2015:

Assessed Value		\$ 1,195,648,062	
Debt Limit - 8% of assessed value			\$ 95,651,845
Gross long-term debt	\$ 7,247,751		
Less statutory deductions			
Bonds applicable to water system	\$ -		\$ 7,247,751
Legal debt margin			<u>\$ 88,404,094</u>

	<b>Fiscal Year</b>				
	<b>2010-2011</b>	<b>2011-2012</b>	<b>2012-2013</b>	<b>2013-2014</b>	<b>2014-2015</b>
Debt limit	\$ 85,423,882	\$ 82,953,910	\$ 87,626,859	\$ 87,254,899	\$ 95,651,845
Total net debt applicable to limit	<u>6,367,702</u>	<u>5,823,907</u>	<u>5,488,575</u>	<u>6,476,079</u>	<u>\$ 7,247,751</u>
Legal debt margin	<u>\$ 79,056,180</u>	<u>\$ 77,130,003</u>	<u>\$ 82,138,284</u>	<u>\$ 80,778,820</u>	<u>\$ 88,404,094</u>
Total net debt applicable to the limit as a percentage of debt limit	7.45%	7.02%	6.26%	7.42%	7.58%

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

(unaudited)

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Unemployment Rate</b>
2015	8,291	*	*	6.0%
2014	8,255	\$ 290,988,750	\$ 35,250	7.1%
2013	8,207	\$ 284,914,212	\$ 34,716	10.8%
2012	8,207	\$ 273,457,240	\$ 33,320	11.3%
2011	8,110	\$ 263,607,440	\$ 32,504	12.1%
2010	8,016	\$ 248,912,832	\$ 31,052	13.2%
2009	7,922	\$ 252,101,806	\$ 31,823	15.5%
2008	7,792	\$ 241,949,392	\$ 31,051	7.2%
2007	7,652	\$ 230,126,248	\$ 30,074	5.9%
2006	7,510	\$ 214,770,980	\$ 28,598	5.6%

Sources: Per capita personal income is for Catawba County and is provided by the NC Department of Commerce

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

Unemployment Rate is for Catawba County and is provided by the N.C. Employment Security Commission.

\* denotes not available

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

Employer	2015			2006		
	Number of Employees	Rank	Percentage of Total County Employment	Number of Employees	Rank	Percentage of Total County Employment
Vanguard Furniture	473	1	0.68%	500	1	0.68%
Zenith Freight	336	2	0.48%	160	10	0.22%
Wal-Mart	321	3	0.46%			
Hanes Industries	311	4	0.45%	364	2	0.49%
Rock-Tenn	275	5	0.39%	250	8	0.34%
Kroehler Furniture	230	6	0.33%	350	3	0.48%
Carpenter Company	225	7	0.32%	230	9	0.31%
Lee Industries	190	8	0.27%			
Rock Barn Properties	168	9	0.24%	257	7	0.35%
Conover Nursing	160	10	0.23%			
St. Timothy Chair				301	4	0.41%
Lane Venture Furniture				290	5	0.39%
Southern Furniture				285	6	0.39%
Total County Employment	69,826			73568		

**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)

	<b>Full-time-Equivalent Employees as of June 30</b>				
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>General Government</b>					
Full Time is 40 hours per week	12.3	14.3	13.7	14.8	14.5
Full Time is 37.5 hours per week	7.7	8.9	9.0	9.0	8.9
<b>Public Safety</b>					
<b>Police</b>	22.6	20.9	23.5	20.9	22.6
<b>Fire</b>	12.1	14.0	17.7	17.9	17.0
<b>Transportation</b>					
<b>Streets</b>	8.2	8.1	7.5	7.7	7.5
<b>Environmental Protection</b>					
<b>Sanitation and Recycling</b>	9.3	8.1	9.2	9.1	8.2
<b>Water and Sewer Utility</b>					
<b>Water</b>	8.2	8.5	7.9	8.8	8.7
<b>Sewer</b>	9.5	6.3	7.2	6.8	7.7
<b>Total</b>	<b>89.9</b>	<b>89.1</b>	<b>95.5</b>	<b>95.0</b>	<b>95.0</b>

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)

	<b>Full-time-Equivalent Employees as of June 30</b>				
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>General Government</b>					
Full time is 40 hours per week	14.1	15.4	15.4	15.9	15.4
Full time is 37.5 hours per week	8.7	9.7	10.1	10.4	11.0
<b>Public Safety</b>					
<b>Police</b>	23.6	25.5	28.2	29.2	29.1
<b>Fire</b>	17.4	19.0	20.2	21.7	24.3
<b>Transportation</b>					
<b>Streets</b>	7.6	9.3	9.4	9.5	10.5
<b>Environmental Protection</b>					
<b>Sanitation and Recycling</b>	8.5	9.3	9.5	9.3	9.5
<b>Water and Sewer Utility</b>					
<b>Water</b>	7.7	8.3	9.2	9.9	9.7
<b>Sewer</b>	8.3	10.5	10.0	10.0	9.9
<b>Total</b>	<u>96.0</u>	<u>107.0</u>	<u>111.8</u>	<u>115.8</u>	<u>119.4</u>

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				
	2006	2007	2008	2009	2010
<b>General Government</b>					
Building Permits	378	331	280	198	213
<b>Public Safety</b>					
<b>Police</b>					
Violent Crimes	18	27	22	19	22
Property Crimes	713	898	763	603	526
Community Services	10,529	15,494	16,416	13,073	9,145
Accidents	606	663	592	689	609
Accidents with injury	129	129	145	242	173
Accidents/Fatalities	0	1	0	2	1
<b>Fire</b>					
Fire Inspections	288	214	288	264	287
Fire Alarm Activations	242	303	275	147	221
Fires	148	171	184	108	91
Community Services	94	164	211	225	528
Other Emergency Responses	381	416	475	437	501
Educational Classes Conducted	162	199	222	253	298
<b>Transportation</b>					
Pot holes repaired	80	74	39	38	72
Street Resurfacing (miles <sup>0</sup> )	1.1	1.8	0.72	0.49	1.37
<b>Environmental Protection</b>					
Daily Refuse Collected (tons)	11.13	10.69	10.97	11.32	10.90
Daily Recycling Collected (tons)	1.35	1.47	1.54	1.35	1.55
<b>Water and Sewer Utility</b>					
Utility Customers	5186	5328	5410	5,382	5,445
New Connections	125	109	89	47	36
Avg. Daily Water Consumption	1,740,000	1,790,000	1,990,000	1,990,000	1,966,000
Avg. Daily Wastewater Flow	700,000	889,000	726,658	805,000	805,000

\* 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				
	2011	2012	2013	2014	2015
<b>General Government</b>					
Building Permits	213	190	189	187	*
<b>Public Safety</b>					
<b>Police</b>					
Violent Crimes	19	16	20	21	*
Property Crimes	517	746	466	425	*
Community Services	16,979	20,613	19,564	20,684	
Accidents	626	641	615	636	*
Accidents with injury	144	178	127	103	*
Accidents/Fatalities	0.0	0	0.0	1	*
<b>Fire</b>					
Fire Inspections	369	347	467	485	*
Fire Alarm Activations	196	204	198	237	*
Fires	111	99	67	80	*
Community Services	533	401	303	194	*
Other Emergency Responses	512	645	736	825	*
Educational Classes Conducted	184	80	51	65	*
<b>Transportation</b>					
Pot holes repaired	86	74	82	62	*
Street Resurfacing (miles)	2.58	1.8	3.2	2.5	*
<b>Environmental Protection</b>					
Daily Refuse Collected (tons)	9.30	10.12	10.05	9.97	*
Daily Recycling Collected (tons)	1.50	1.21	2.75	1.71	*
<b>Water and Sewer Utility</b>					
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 17**  
**City of Conover, North Carolina**  
**Capital Asset Statistics by Function/Program, page 1**  
**Last Ten Fiscal Years**

(unaudited)

Function/Program	Fiscal Year				
	2006	2007	2008	2009	2010
<b>General Government</b>					
Playgrounds	5	7	7	7	7
Cemeteries	2	2	2	2	2
<b>Public Safety</b>					
Police Stations	1	1	1	1	1
Fire Stations	3	3	3	3	3
<b>Transportation</b>					
Miles of Streets	47.95	47.95	48.69	48.69	51.27
Miles of Sidewalk	14.79	15.14	15.63	15.63	17.40
<b>Environmental Protection</b>					
Collections Trucks	5	6	6	6	6
<b>Water and Sewer Utility</b>					
Water Mains (miles)	144.00	144.70	145.10	146.00	148.00
Sanitary Sewer (miles)	110.00	110.00	110.23	110.23	114.00
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				
	2011	2012	2013	2014	2015
<b>General Government</b>					
Playgrounds	7	7	8	8	8
Cemeteries	2	2	2	2	2
<b>Public Safety</b>					
Police Stations	1	1	1	1	1
Fire Stations	3	3	3	3	3
<b>Transportation</b>					
Miles of Streets	51.62	52.53	52.53	52.53	52.53
Miles of Sidewalks	17.70	17.87	18.00	18.00	18.00
<b>Environmental Protection</b>					
Collections Trucks	6	6	6	6	6
<b>Water and Sewer Utility</b>					
Water Mains (miles)	148.00	148.00	148.00	149.00	149.00
Sanitary Sewer (miles)	114.00	114.00	114.25	115.60	115.60
Wastetreatment Capacity (million gal per day)	2.559	2.559	2.559	2.559	2.559

\* denotes not available  
Source: Conover Property/Asset Records

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# Compliance Section

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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 Federal Program; Report on Internal Control Over Compliance; In accordance with OMB Circular A-133; and the State Single Audit Implementation Act

Independent Auditor's Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance; In accordance with OMB Circular A-133; and the State Single Audit Implementation Act

Schedule of Expenditures of Federal and State Awards

Schedule of Findings and Questioned Costs

Corrective Action Plan

Summary Schedule of Prior Audit Findings

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**Deborah 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, 2015, and the related notes to the financial statements, which collectively comprises the City of Conover's basic financial statements, and have issued my report thereon dated November 17, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Debra B. Wentz, CPA

Newton, North Carolina  
November 17, 2015

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

**Report On Compliance For Each Major Federal Program; Report on Internal Control Over  
Compliance; In accordance with OMB Circular A-133; 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 Each Major Federal Program**

I have audited the City of Conover, North Carolina, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the City of Conover's major federal program for the year ended June 30, 2015. The City of Conover's major federal program is 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 federal program.

**Auditor's Responsibility**

My responsibility is to express an opinion on compliance for the City of Conover's major federal 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, 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 federal 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 each major federal program. However, my audit does not provide a legal determination of the City of Conover's compliance.

**Opinion on the Major Federal 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 federal program for the year ended June 30, 2015.

**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 federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 federal 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 federal 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 federal 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Debra B. Wentz, CPA*

Newton, North Carolina  
November 17, 2015

**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 Circular A-133; 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 Each Major State Program**

I have audited the City of Conover, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the City of Conover's major state program for the year ended June 30, 2015. The City of Conover's major state program is 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 program.

**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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, 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, 2015.

**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 each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Debra B. Wentz, CPA*

Newton, North Carolina  
November 17, 2015

**CITY OF CONOVER, NORTH CAROLINA**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2015**

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-Through Grantor's Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u> \$	<u>State Expenditures</u> \$	<u>Local Expenditures</u> \$
<b>Federal Grants:</b>					
<b>Cash Programs:</b>					
<u>U.S. Department of Homeland Assistance</u>					
FEMA Disaster Grants					
Public Assistance Grant	97.036		627,103	209,034	80,000
 <u>National Highway Traffic Safety Administration</u>					
Passed-through N.C. Department of Transportation					
Governor's Highway Safety Grant	20.600		28,767		
 <u>U.S. Department of Homeland Assistance</u>					
Direct Grant					
Safer Grant	97.083		94,182		
 <u>U.S. Department of Justice</u>					
Passed-through N.C. Department of Public Safety					
Edward Bryne Memorial Justice Assistance Grant	16.738		10,915		
 <u>U.S. Department of Homeland Security</u>					
Assistance to Firefighters Grant	97.044		<u>44,768</u>	<u>          </u>	<u>4,972</u>
Total assistance - federal programs			<u>805,735</u>	<u>209,034</u>	<u>84,972</u>

**CITY OF CONOVER, NORTH CAROLINA**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2015**

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-Through Grantor's Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u> \$	<u>State Expenditures</u> \$	<u>Local Expenditures</u> \$
<b>State Grants:</b>					
<b>Cash Assistance:</b>					
<u>N.C. Department of Transportation:</u>					
Powell Bill				252,450	
<u>N.C. Department of Environmental and Natural Resources</u>					
N.C. Clean Water Revolving Loan			_____	<u>1,195,380</u>	_____
Total assistance - State programs			<u>0</u>	<u>1,447,830</u>	<u>0</u>
Total assistance			<u>805,735</u>	<u>1,656,864</u>	<u>84,972</u>

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

1. The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the City of Conover and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, local governments, and Non-Profit Organizations* and State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

2. Loans Outstanding – City of Conover had the following loan balances outstanding at June 30, 2015. These loan balances are also included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Amount Outstanding</u> \$
N.C. Clean Water Revolving Loan	XXXX	XXXXX	1,195,380

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**CITY OF CONOVER, NORTH CAROLINA**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015**

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**Section I. Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes

  X   No

Significant deficiency(ies) identified that are  
not considered to be material weaknesses?

\_\_\_\_\_ Yes

  X   None Reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes

  X   No

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes

  X   No

Significant deficiency(ies) identified that are  
not considered to be material weaknesses?

\_\_\_\_\_ Yes

  X   None Reported

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

Unmodified

Any audit findings disclosed that are required  
to be reported in accordance with Section  
501(a) of Circular A-133?

\_\_\_\_\_ Yes

  X   No

Identification of major federal program:

CFDA#  
97.036

Program Name  
FEMA Disaster Public Assistance Grant



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**CITY OF CONOVER, NORTH CAROLINA**

**Corrective Action Plan  
For the Year Ended June 30, 2015**

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**Section II. Financial Statement Findings**

None reported.

**Section III. Federal Award Findings and Questioned Costs**

None reported.

**Section IV. State Award Findings and Questioned Costs**

None reported.

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**CITY OF CONOVER, NORTH CAROLINA**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2015**

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None.

