

CITY OF CONOVER NORTH CAROLINA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

Prepared by
City of Conover Finance Department

CITY OF CONOVER, NORTH CAROLINA
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LETTER OF TRANSMITTAL

November 18, 2014

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, 2014. 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 2014.

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, 2014, 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, 2014 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 2014, the land area of the City is 10.96 square miles with a resident population of 8,255.

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 are no component units of the City required to be included in this report.

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

In accordance with State law, the City's budget is prepared on the modified accrual basis, and its accounting records are also maintained on that basis. Under modified accrual accounting, revenues are recorded when they are both measurable and available.

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

Local Economy

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

We are continuing to adapt from what was considered a traditional manufacturing workforce to a more advanced manufacturing workforce. Our region remains a significant industrial hub with over 28% of our workforce in manufacturing. Conover, as well as the rest of our region, is witnessing an ongoing trend toward an advanced manufacturing workforce that requires a higher skill set than our unemployed has to offer. At this time, there are nearly 3,000 positions open in advanced manufacturing within in the county; however, our available workforce is unqualified. Despite these obstacles, we at the city, continue to see positive signs of improvement. 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 and recruiting Millennials. The City has changed its economic development strategy to grow its workforce rather than recruit. The City of Conover continues to be more confident that we have “turned the corner” on the economic recession.

At the peak of the recession in June of 2009, the unemployment rate for our region was 15.5%. Since that time we have seen a steady improvement. The unemployment rate at June 30, 2014 was 7.1% and has remained near this mark over the past year.

Commercial

Increased activity and interest in new commercial construction projects have provided a more positive outlook for Conover. Currently a new Walgreens pharmacy/retail store and a Waffle House restaurant are under construction. 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. In 2014 the anchor tenant of the center, K-Mart, closed their doors. The exterior of the building has not been modified or upgraded since its construction. The City is optimistic with the new owner, Tricor Real Estate. The new owner has indicated great plans for revitalizing the property. Plans have been submitted for a \$2.5 million “facelift” to the

center that will dramatically improve the façade and its marketability. The owner has indicated they are actively seeking a quality, anchor tenant. The improvements are currently under construction.

Conover Station, a brownfield redevelopment project, has been an ongoing initiative for the City, with over \$6.5 million in grant funding and investment on the site. The site is currently home to the Conover branch of the Catawba County library and Conover Community room housed in the converted Warlong Building as well as a new popular park. The City has actively sought private development and investment on the site and in 2014 this goal was attained. In August, ground was broken on a new 42,000 square foot commercial building on the site. This facility will house a fitness center, commercial shops and a restaurant. This new construction will be the largest shop-front, downtown building constructed in the past 60 years.

Residential

Whereas; before the recession, new home construction was commonplace, since the recession began, new single-family home construction is rare in Conover. For example in 2006, 41 new homes were constructed. In 2013, 8 new homes were constructed. However, now we are seeing positive signs in residential construction.

A once dormant residential subdivision located at Rock Barn Golf and Spa has recently completed three new homes. A partially completed townhome development started in 1995 is experiencing a renaissance with a new developer, new design and new construction starting this fall. The national trend is also true in Conover; Baby Boomers continue to downsize from single family homes to condominiums and rental property.

Industrial

The Manufacturing Solutions Center, a 30,000 square foot research/development/testing laboratory that opened its doors in November of 2012 continues to be a major industrial/economic development asset to the City. The Manufacturing Solutions Center hosts multiple spaces for new entrepreneurs and business startups. The City believes this will serve as a catalyst for development in the surrounding Conover Station property and ultimately in the entire downtown area. The facility has received over 5,000 8th grade students for Science Technology Engineering and Mathematics, (STEM) tours to increase exposure for adolescents to advanced manufacturing principles.

A slow, but steady stream of industrial projects is providing optimism in the City for the past year. Interstate Foam, an existing Conover business, is nearing completion on a new \$3.5 million 76,000 square foot manufacturing facility. Republic Services, which operates waste management for Catawba County completed \$13 million of improvements to their Conover facility. This facility now performs “single-stream” recycling for 1/3 of the State.

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 \$14,913,349.

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 approximately \$907,710 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, franchise revenue and investment earnings. The City has approximately \$1,013,584 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

Code Enforcement – The Code Enforcement Program is nearing the completion of its second year of operation through the Conover Police Department. Prior to 2013, the code enforcement program operated out of the Planning Department under the supervision of the Planning Director. Due to the work load of the Planning Department and a struggling real estate market increasing existing violations, the decision to create a dedicated code enforcement program that would operate out of the Police Department was made. The primary goal of the code enforcement officer is to help maintain the City's health, safety, tax value and appearance while educating the residents of Conover about the City ordinance code and how code compliance is for the greater good of the community. The program's initial proactive procedures helped broadcast Conover's intention of utilizing code enforcement to help maintain and improve the appearance and property values of the City.

The primary areas of focus for this position are:

- Nuisance abatement (ex. Overgrowth, Outside storage, Stagnant water, old tires, unused building products)
- Abandoned, Nuisance or Junk motor vehicles
- Minimum housing standards
- Abandoned structures (residential homes and buildings)
- Non-Residential structures (unmaintained and unsafe)
- Zoning violations (signs, fences, storage buildings, unlicensed business operation)

Violations typically found in Conover are nuisance and sign violations. The nuisance violations range from openly stored items to overgrown lots. Sign violations that are normally found are temporary banners and/or signs placed in the public right of way. Removal of both of these two common violations helps preserve the City's overall clean appearance.

More serious violations focused on by Code Enforcement are abandoned homes with minimum housing violations. These homes typically are unsafe for human habitation and will need to be removed if the structure is classified as dilapidated. A dilapidated structure would require repair costs that would exceed 50% of the structures value to comply with minimum housing and/or structural requirements.

Compliance by Conover's property owners is the primary objective so the violation is voluntarily removed at no cost to the City. Hundreds of violations have been found and removed, and the program is received as a success by council and citizens. With the continued education of business and residents through the Code Enforcement Program, the number of smaller violations may be reduced, leaving more time to focus on larger more serious code violations. Removal of all types of violations, large or small, will help keep Conover a clean and safe place to live and work.

Implementation of Fire Captains - 24 hours a day, 7 days a week, 365 days a year, the Fire Department faces significant challenges to meet the dynamic demands of serving the public and our City with the highest quality service possible. One of the challenges that our department faced for many years was span of control within the fire department. Conover Fire Department operates as a “combination” fire department consisting of both full-time career staff and part-time/paid-on-call staff. In order to bring our department into a more manageable span of control and one that meets the needs of all members, the Fire Department added the position of Fire Captain on each of our three shifts. The Fire Captain positions, along with our paid-on-call officers, allow our department to have a shared understanding of day-to-day challenges we face, and to provide controlled coordination of effort to meet and handle each function through structured organizational initiatives.

The three Fire Captain positions supervise daily shift operations, training, and emergency response of fire apparatus, the personnel assigned to it and their respective fire stations. The position of Fire Captain, within the Conover Fire Department, is often the incident commander at emergencies. In the absence of the Fire Chief and Deputy Fire Chief, such as weekends and vacations, the Fire Captain can be, and is often called upon to; make decisions that affect not only the Fire Department, but the City as a whole. Implementing the positions of Fire Captain within the structure of the Fire Department has not only improved the operational and administrative span of control, it allowed our department to meet the growing demands of our citizenry and provide a greater level quality service.

Hwy 16 North Area Water Quality Improvement (SCADA) Project- The City of Conover Public Works Department initiated a project to address system concerns including poor water quality, water loss and system unreliability. The Highway 16 North service area is a rural portion of the system that has seen much lower growth than anticipated due to the slow economy. The system has a low density of water customers and few that use large volumes of water. The one million gallon per day (mgd) storage tank in the area is underutilized creating a condition of chlorine residual loss and increase of disinfection by-products (DBP’s) production. An effort to combat those conditions and avoid water quality compliance issues resulted in substantial water loss due to extreme “system flushing” of approximately 83,000 gallons of water per day or \$25,514 per year. The project was funded by the North Carolina Division of Natural Resources- DWSRF Loan program as a “Green Initiative Project” due to water conservation goals being met. Funding was a zero interest loan for 20 years in the amount of \$374,843 with payments of \$18,742 per year. This project more than pays for itself by saving money on water loss. A savings of \$6,772 per year after each annual debt payment is made.

Corrective actions to address the problems included installation of a tank mixing device system, upgrading the Supervisory Control and Data Acquisition (SCADA) System, installing four automated water quality monitoring stations and construction of valve vaults for system isolation control. Installation of these devices and related appurtenances modified the operation of the system allowing for the use of water at an acceptable rate, as needed, to avoid the aging of water causing water quality concerns.

The automated water quality devices also give us a very dependable tool to constantly monitor water quality conditions and receive alerts of potential concerns.

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, 2013. This was the seventeenth 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

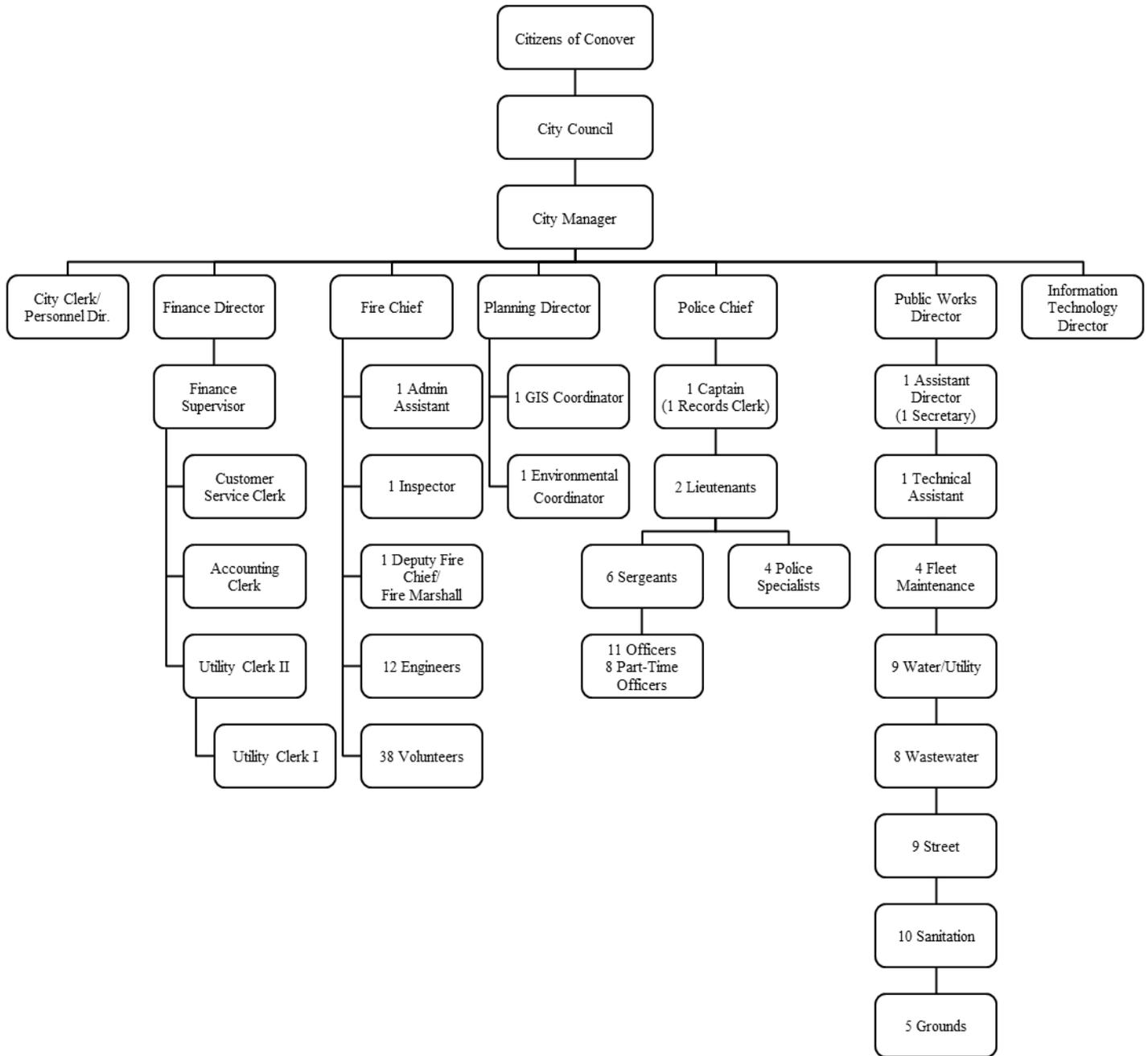
**City of Conover
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

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

- * **Independent Auditor's Report**
- * **Management's Discussion and Analysis**
- * **Basic Financial Statements**
- * **Notes to the Financial Statements**
- * **Required Supplementary Information**
- * **Combining, Individual Fund Statements
and Schedules**

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Debora B. Wentz, CPA
Post Office Box 287
Newton, North Carolina, 28658
Independent Auditor's Report

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Conover, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Conover's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 financial statement presentation of the financial statements.

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

Opinions

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Conover, North Carolina, as of June 30, 2014, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Law Enforcement Officers' Special Separation Allowance's and Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions, on pages 19 – 31 and 97 - 100, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist 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 basic financial statements of the City of Conover, North Carolina. The introductory information, combining and individual fund statements, budgetary schedules, and other schedules, statistical section, and the Schedule of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations* are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and 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 by me. In my opinion, based on my audit, and the procedures performed as described above, the combining and individual fund statements, budgetary schedules, Schedule of Expenditures of Federal and State Awards, and other schedules, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 18, 2014, 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 18, 2014

City of Conover, North Carolina

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, 2014. 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

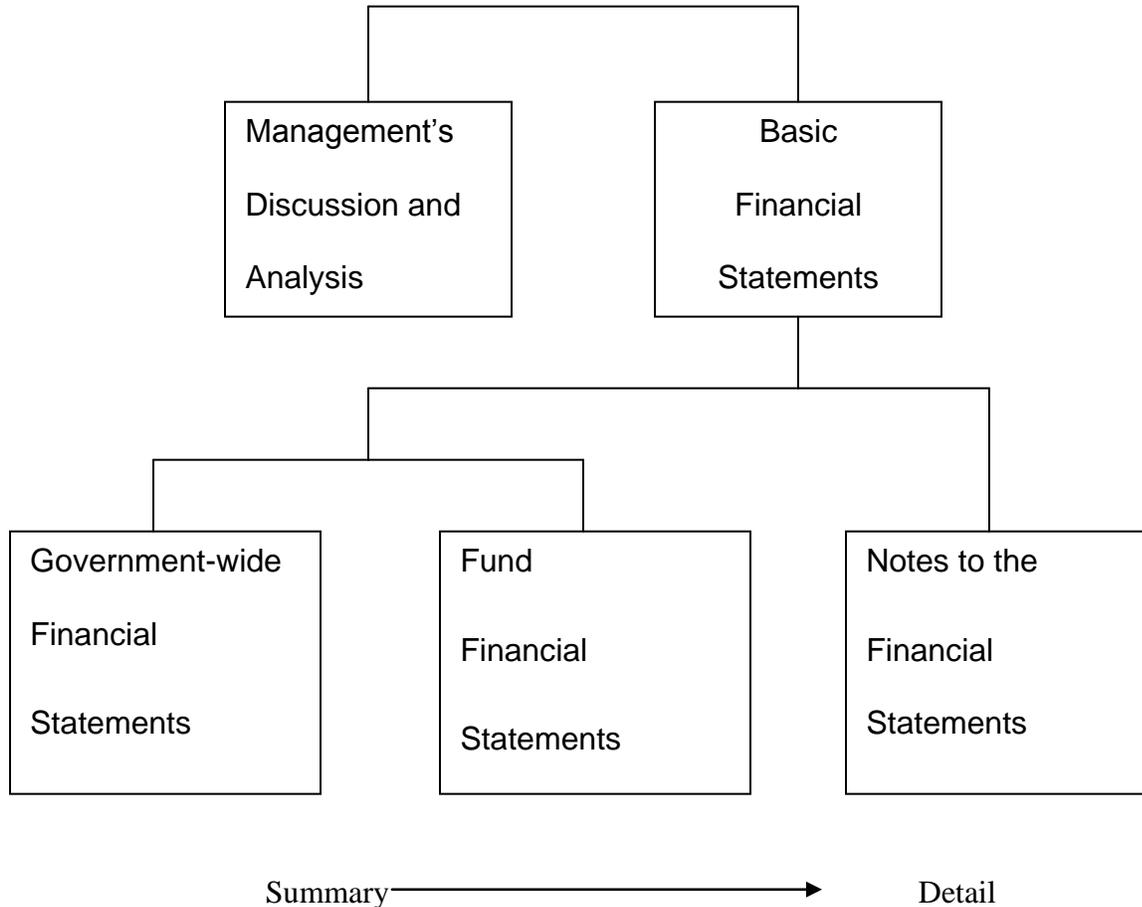
- The assets and deferred outflows of resources of the City of Conover exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$70,210,071 (net position).
- The government's total net position increased by \$ 1,165,479 due to decreases in the governmental type activities net position of \$ 383,593 and increases in the business type activities net position of \$ 1, 549,072.
- As of the close of the current fiscal year, the City of Conover's governmental funds reported combined ending fund balances of \$ 8,042,982, a decrease of \$ 1,098,883 in comparison with the prior year. Approximately 43.5 percent of this total amount or \$ 3,501,958 is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$ 2,368,419 or 26.41 percent of total general fund expenditures for the fiscal year.
- The City of Conover's total debt, which includes compensated absences liability, increased by \$ 767,662 (12.8%) during the current fiscal year. The City's total indebtedness is \$ 6,771,606.
- The City of Conover's legal debt limit is \$ 87,254,899 (8 percent of assessed valuation) and the City's legal debt margin is \$ 80,778,820. The total legal indebtedness of the City is \$ 6,476,079, which represents .59% 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.

City of Conover, North Carolina

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 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; 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

City of Conover, North Carolina

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 Multi-Jurisdictional Park 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 112 - 115 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; Multi-Jurisdictional Park 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.

City of Conover, North Carolina

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 55 - 94 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 97 of this report.

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

City of Conover, North Carolina

Government-Wide Financial Analysis

The City of Conover's Net Position

Figure 2

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|----------------------------|---------------|-----------------------------|---------------|---------------|---------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Current and other assets | \$ 9,469,426 | \$ 10,346,691 | \$ 5,761,437 | \$ 6,066,254 | \$ 15,230,863 | \$ 16,412,945 |
| Capital assets | 33,496,842 | 32,799,201 | 29,499,390 | 26,852,088 | 62,996,232 | 59,651,289 |
| Deferred outflows of resources | - | - | - | - | - | - |
| Total assets and deferred outflows of resources | 42,966,268 | 43,145,892 | 35,260,827 | 32,918,342 | 78,227,095 | 76,064,234 |
| Long-term liabilities outstanding | 3,672,506 | 3,789,772 | 2,492,977 | 1,462,978 | 6,165,483 | 5,252,750 |
| Other liabilities | 982,445 | 671,517 | 819,153 | 810,315 | 1,801,598 | 1,481,832 |
| Deferred inflows of resources | 49,943 | 39,636 | - | - | 49,943 | 39,636 |
| Total liabilities and deferred inflows of resources | 4,704,894 | 4,500,925 | 3,312,130 | 2,273,293 | 8,017,024 | 6,774,218 |
| Net position: | | | | | | |
| Net investment in capital assets | 29,796,061 | 28,978,012 | 26,677,974 | 25,184,702 | 56,474,035 | 54,162,714 |
| Restricted | 3,420,746 | 3,866,513 | - | - | 3,420,746 | 3,866,513 |
| Unrestricted | 5,044,567 | 5,800,442 | 5,270,723 | 5,460,347 | 10,315,290 | 11,260,789 |
| Total net position | \$ 38,261,374 | \$ 38,644,967 | \$ 31,948,697 | \$ 30,645,049 | \$ 70,210,071 | \$ 69,290,016 |

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 \$ 70,210,071 as of June 30, 2014. The City's net position increased \$ 1,165,479 for the fiscal year ended June 30, 2014. The largest portion of net position (80.44%) 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, \$ 3,420,746 (4.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$ 10,315,290 is unrestricted.

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

- Donated water/sewer infrastructure of \$ 1,336,551.

City of Conover, North Carolina

City of Conover Changes in Net Position
Figure 3

| | Governmental Activities 2014 | Governmental Activities 2013 | Business Type Activities 2014 | Business Type Activities 2013 | Total 2014 | Total 2013 |
|---|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|---------------|---------------|
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 516,921 | \$ 521,222 | \$ 3,945,895 | \$ 3,806,886 | \$ 4,462,816 | \$ 4,328,108 |
| Operating grants and contributions | 344,478 | 862,633 | - | - | 344,478 | 862,633 |
| Capital grants and contributions | 348,199 | 4,348,765 | 1,893,480 | 261,642 | 2,241,679 | 4,610,407 |
| General revenues: | | | | | | |
| Property taxes | 4,349,511 | 4,395,749 | - | - | 4,349,511 | 4,395,749 |
| Other taxes | 1,858,219 | 2,042,141 | - | - | 1,858,219 | 2,042,141 |
| Grants and contributions not restricted to specific programs | 934,236 | 1,017,740 | - | - | 934,236 | 1,017,740 |
| Capital assets contributed to Enterprise F | (519,964) | | - | | (519,964) | |
| Other | 58,847 | 99,131 | 3,333 | 6,948 | 62,180 | 106,079 |
| Total revenues | 7,890,447 | 13,287,381 | 5,842,708 | 4,075,476 | 13,733,155 | 17,362,857 |
| Expenses: | | | | | | |
| General government | 2,285,156 | 2,257,366 | - | - | 2,285,156 | 2,257,366 |
| Public safety | 3,751,443 | 3,443,205 | - | - | 3,751,443 | 3,443,205 |
| Transportation | 1,412,793 | 1,331,836 | - | - | 1,412,793 | 1,331,836 |
| Environmental Protection | 897,493 | 780,390 | - | - | 897,493 | 780,390 |
| Economic development | - | 521,059 | - | - | - | 521,059 |
| Interest on long-term debt | 168,206 | 163,818 | | | 168,206 | 163,818 |
| Water and sewer | - | - | 4,052,585 | 3,526,346 | 4,052,585 | 3,526,346 |
| Total expenses | 8,515,091 | 8,497,674 | 4,052,585 | 3,526,346 | 12,567,676 | 12,024,020 |
| Increase(Decrease) in net position before transfers | (624,644) | 4,789,707 | 1,790,123 | 549,130 | 1,165,479 | 5,338,837 |
| Transfers | 241,051 | 204,000 | (241,051) | (204,000) | | |
| Change in net position | (383,593) | 4,993,707 | 1,549,072 | 345,130 | 1,165,479 | 5,338,837 |
| Net position, July 1, as restated | 38,644,967 | 33,651,260 | 30,399,625 | 30,299,919 | 69,044,592 | 63,951,179 |
| Net position, June 30 | \$ 38,261,374 | \$ 38,644,967 | \$ 31,948,697 | \$ 30,645,049 | \$ 70,210,071 | \$ 69,290,016 |

City of Conover, North Carolina

Governmental activities: Governmental activities, this year, had a negative effect on the City's net position of \$ 383,593; Key elements of this change in net position for governmental type activities are as follows:

- Upon completion of the Broyhill Redevelopment Project, capital assets of \$ 519,964 were contributed to the water/sewer enterprise fund.
- Despite the decrease in net position, there was an increase in sales tax revenues of \$79,134 which indicates a modest upturn in the economy.

Business-type activities: Business-type activities increased the City of Conover's net position by \$ 1,549,072. Key elements of the change in net position for business type activities are as follows:

- Water and Sewer rate increases of 5%.
- Donated water/sewer infrastructure assets added during the past fiscal year in the amount of \$ 1,336,551.
- Water/Sewer capital assets in the amount of \$519,964 that were part of a large development project transferred to Water/Sewer capital assets once project was complete. Revenues, expenditures and capital assets for this project had been recorded under governmental activities as part of the Broyhill Redevelopment Capital 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 \$ 8,042,982, a decrease of \$ 1,098,883 in comparison with the prior year. Of this total fund balance, \$ 3,501,958 (43.5%) is non spendable or restricted.

The City's major governmental funds are the General Fund, the General Fund Capital Reserve Fund and the Multi-Jurisdictional Park 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 \$ 3,380,513 while total fund balance was \$ 4,761,491. The City currently has an available fund balance of 37.69% of general fund expenditures while total fund balance represents 53.09% of the same amount. Total general fund balance decreased \$ 466,742 from the previous fiscal year.

City of Conover, North Carolina

The primary reason for this decrease was due to a transfer to the Rock Bridge Drive Bridge Replacement Capital Project in the amount of \$469,748. This 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 the Hold Harmless funds from the State, revenue from cell tower leases and privilege license revenues. At June 30, 2014, total fund balance was \$ 932,926. The fund balance of the City's General Capital Reserve Fund decreased \$ 155,492 during the current fiscal year. This decrease in fund balance was due to the loss of State distributed Hold Harmless revenues in the amount of \$83,388 and a decrease in privilege licenses revenues of \$139,000.

Multi-Jurisdictional Park Fund. The Multi-Jurisdictional Park 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. In order to get to the land designated as the NC Data Campus, the City of Conover is building a street to connect to existing streets as well as a bridge to cross a creek to the property. Funds for this project came from the Catawba County Economic Development Commission in the amount of \$ 2,529,770 in the past fiscal year. At June 30, 2014, fund balance was \$ 1,151,944. 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 \$5,270,723. The total growth in net position was \$ 1,549,072. 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 \$ 126,233 more than budget. Property tax revenues exceeded budget by \$ 79,297. 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 \$162,748.

City of Conover, North Carolina

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, 2014, totals \$ 62,996,232 (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 \$ 3,344,943. Major capital asset transactions during the year include the following:

- Equipment and vehicle additions of \$ 737,829
- Water/Sewer infrastructure additions of \$ 1,636,650.
- Construction in progress of \$ 1,471,020 primarily due to new infrastructure placements being made for the Multi-Jurisdictional Park and the Rock Bridge Drive Bridge construction.
- Construction in progress of \$ 1,081,744 primarily due to water and sewer line and sewer plant improvements.

The City retired \$ 183,877of capital assets during the year, consisting of vehicles totaling \$ 76,686 and furniture and equipment totaling \$ 107,191.

City of Conover’s Capital Assets

Figure 4

(net of depreciation)

| | Governmental Activities 2014 | Governmental Activities 2013 | Business-type Activities 2014 | Business-type Activities 2013 | Total 2014 | Total 2013 |
|-------------------------------------|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|----------------------|----------------------|
| Land | \$ 2,968,523 | \$ 2,934,263 | \$ 293,176 | \$ 163,644 | \$ 3,261,699 | \$ 3,097,907 |
| Buildings and systems | 11,679,733 | 6,248,211 | 5,146,242 | 5,217,447 | 16,825,975 | 11,465,658 |
| Computer Equipment | 2,053 | 8,489 | - | - | 2,053 | 8,489 |
| Equipment and Furnishings | 1,264,592 | 775,589 | 577,614 | 677,081 | 1,842,206 | 1,452,670 |
| Infrastructure | 13,565,414 | 12,644,104 | 21,861,766 | 20,131,830 | 35,427,180 | 32,775,934 |
| Vehicles and motorized equipment | 2,252,605 | 2,191,666 | 177,990 | 117,061 | 2,430,595 | 2,308,727 |
| Construction in progress | 1,763,922 | 7,996,879 | 1,442,602 | 545,025 | 3,206,524 | 8,541,904 |
| Total | \$ 33,496,842 | \$ 32,799,201 | \$ 29,499,390 | \$ 26,852,088 | \$ 62,996,232 | \$ 59,651,289 |

City of Conover, North Carolina

Additional information on the City of Conover's capital assets can be found in note 3 on pages 70 - 71 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 \$6,771,606 as of June 30, 2014. Gross debt consists of general obligation bonds of \$500,000; installment purchase debt of \$3,700,781; loans and notes payable of \$2,275,298; and compensated absences of \$295,527. The general obligation bonds of \$500,000 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 \$3,700,781 and are obligations of the general fund. Loans and notes payable amounting to \$ 2,275,298 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, 2014, the City of Conover had total bonded debt outstanding of \$500,000; 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 | |
|--------------------------|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| General obligation bonds | \$ - | \$ - | \$ 500,000 | \$ 625,000 | \$ 500,000 | \$ 625,000 |
| Loans Payable | - | - | 2,275,298 | 1,042,386 | 2,275,298 | 1,042,386 |
| Compensated Absences | 249,409 | 226,607 | 46,118 | 43,338 | 295,527 | 269,945 |
| Net Pension Obligation | 9,679 | 9,679 | | | 9,679 | 9,679 |
| Installment Purchase | 3,700,781 | 3,821,189 | - | - | 3,700,781 | 3,821,189 |
| Total | \$ 3,959,869 | \$ 4,057,475 | \$ 2,821,416 | \$ 1,710,724 | \$ 6,781,285 | \$ 5,768,199 |

The City of Conover's total debt increased \$ 767,662 (12.82%) during the past fiscal year. New debt issued during the year was for water/sewer loans payable to the NC Department of Environmental and Natural Resources for \$ 868,183 and a county loan payable for \$237,646, both for infrastructure improvements and additions. Compensated absences increased \$25,582 from the previous 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

City of Conover, North Carolina

within that government's boundaries. The legal debt margin for the City of Conover is \$80,778,820. The City of Conover has no bonds authorized but un-issued at June 30, 2014.

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 83 of this report.

Economic Factors

- The County unemployment rate decreased from 10.8% in June 2013 to 7.1% in June 2014. This compares to 11.3% in 2012 and 12.1% in 2011. The State rate at June 2014 was 6.4%.
- Investment Earnings are still at an all-time low as a result of low interest rates.
- The City is beginning to see growth in both commercial and residential activity with the construction of a new Walgreens, Waffle House and the revitalization of the second largest shopping center in the City. Additionally, the City is seeing a return in new home construction.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities:

- All revenue estimates in the City's 2014-2015 budget remain conservative.
- For 2014-2015, the City estimated a 1% growth in assessed value.
- This budget included a 3 cent tax rate increase to help make up for the loss in state distributed Hold Harmless revenues and the loss in privilege license revenue from sweepstakes establishments that were shut down per state legislative actions. A total loss of approximately \$300,000.
- This budget includes a 3% merit pool for employees based on performance evaluations.
- One new part-time position was added to the police 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 does include a general fund balance appropriation of \$ 647,038 which is 7.4% of total budget adopted. In addition there were general fund encumbrances at fiscal year end of \$ 162,748 that will be added to the general fund balance appropriation for 2014-2015.

City of Conover, North Carolina

Business – type Activities:

- This budget includes a 1.5% increase in water purchased from the City of Hickory, the City's water supplier, but no additional increase in water or sewer.
- 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 3% merit pool for employees based on performance evaluations.
- One new position was added to the water/sewer fund.
- 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 for more information about the City.

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Basic Financial Statements

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

CITY OF CONOVER, NORTH CAROLINA
Statement of Net Position
June 30, 2014

| | Primary Government | | |
|--|---------------------------|----------------------|-------------------|
| | Governmental | Business-type | Total |
| | Activities | Activities | Total |
| | \$ | \$ | \$ |
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | 7,473,638 | 5,119,184 | 12,592,822 |
| Restricted cash | 181,868 | | 181,868 |
| Taxes receivables (net) | 521,234 | | 521,234 |
| Accrued interest receivable on taxes | 5,880 | | 5,880 |
| Accounts receivable (net) | 309,395 | 594,545 | 903,940 |
| Due from other funds | 86,357 | | 86,357 |
| Due from other governments | 840,305 | | 840,305 |
| Internal balances | (30,442) | 30,442 | |
| Prepaid items | 81,142 | 17,266 | 98,408 |
| Advance funding of pension obligation | 49 | | 49 |
| Total current assets | <u>9,469,426</u> | <u>5,761,437</u> | <u>15,230,863</u> |
| Noncurrent assets: | | | |
| Capital assets (Note 3): | | | |
| Land, non-depreciable improvements and construction in progress | 4,732,445 | 1,735,778 | 6,468,223 |
| Other capital assets, net of depreciation | <u>28,764,397</u> | <u>27,763,612</u> | <u>56,528,009</u> |
| Total capital assets | <u>33,496,842</u> | <u>29,499,390</u> | <u>62,996,232</u> |
| Total assets | <u>42,966,268</u> | <u>35,260,827</u> | <u>78,227,095</u> |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 606,588 | 215,922 | 822,510 |
| Accrued interest payable | 88,494 | 9,875 | 98,369 |
| Customer deposits | | 121,631 | 121,631 |
| Due to other funds | | 86,357 | 86,357 |
| Due to other governments | | 56,929 | 56,929 |
| Current portion of long-term liabilities | <u>287,363</u> | <u>328,439</u> | <u>615,802</u> |
| Total current liabilities | <u>982,445</u> | <u>819,153</u> | <u>1,801,598</u> |
| Long-term liabilities: | | | |
| Due in more than one year | <u>3,672,506</u> | <u>2,492,977</u> | <u>6,165,483</u> |
| Total liabilities | <u>4,654,951</u> | <u>3,312,130</u> | <u>7,967,081</u> |

CITY OF CONOVER, NORTH CAROLINA
Statement of Net Position
June 30, 2014

| | Primary Government | | |
|--------------------------------------|------------------------------------|-------------------------------------|-------------------|
| | Governmental Activities | Business-type Activities | Total |
| | \$ | \$ | \$ |
| Deferred Inflows of Resources | | | |
| Prepaid taxes | 51 | | 51 |
| Prepaid licenses | <u>49,892</u> | | <u>49,892</u> |
| Total deferred inflows of resources | <u>49,943</u> | <u>0</u> | <u>49,943</u> |
| Net Position | | | |
| Net investment in capital assets | 29,796,061 | 26,677,974 | 56,474,035 |
| Restricted for: | | | |
| Stabilization by State Statute | 2,729,339 | | 2,729,339 |
| Debt service | 183,118 | | 183,118 |
| Transportation | 164,191 | | 164,191 |
| Public safety | 17,677 | | 17,677 |
| Economic development | 326,421 | | 326,421 |
| Unrestricted | <u>5,044,567</u> | <u>5,270,723</u> | <u>10,315,290</u> |
| Total net position | <u>38,261,374</u> | <u>31,948,697</u> | <u>70,210,071</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, 2014

| <u>Functions/Programs</u> | <u>Expenses</u> \$ | <u>Program Revenues</u> | | |
|--|-----------------------|-----------------------------------|---|---|
| | | <u>Charges for Services</u> \$ | <u>Operating Grants and Contributions</u> \$ | <u>Capital Grants and Contributions</u> \$ |
| Primary government: | | | | |
| Government activities: | | | | |
| General government | 2,285,156 | 103,318 | | 70,378 |
| Public safety | 3,751,443 | 20,246 | 87,087 | 148,355 |
| Transportation | 1,412,793 | | 253,811 | |
| Environmental protection | 897,493 | 393,357 | 3,580 | 129,466 |
| Interest on long-term debt | <u>168,206</u> | | | |
| Total government activities (See Note 1) | 8,515,091 | 516,921 | 344,478 | 348,199 |
| Business-type activities: | | | | |
| Water and sewer | <u>4,052,585</u> | <u>3,945,895</u> | | <u>1,893,480</u> |
| Total primary government | <u>12,567,676</u> | <u>4,462,816</u> | <u>344,478</u> | <u>2,241,679</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 | | | | |
| Capital assets contributed to Enterprise Fund | | | | |
| Total general revenues not including transfers | | | | |
| Transfers | | | | |
| Total general revenues and transfers | | | | |
| Change in net position | | | | |
| Net position, beginning as 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

| Governmental Activities | Business-type Activities | Total |
|------------------------------------|-------------------------------------|-----------------------------|
| \$ | \$ | \$ |
| (2,111,460) | | (2,111,460) |
| (3,495,755) | | (3,495,755) |
| (1,158,982) | | (1,158,982) |
| (371,090) | | (371,090) |
| (<u>168,206</u>) | <u> </u> | (<u>168,206</u>) |
| (7,305,493) | 0 | (7,305,493) |
| <u> </u> | <u>1,786,790</u> | <u>1,786,790</u> |
| (<u>7,305,493</u>) | <u>1,786,790</u> | (<u>5,518,703</u>) |
| 4,349,511 | | 4,349,511 |
| 1,721,687 | | 1,721,687 |
| 136,532 | | 136,532 |
| 934,236 | | 934,236 |
| 3,758 | 3,333 | 7,091 |
| 34,924 | | 34,924 |
| 20,165 | | 20,165 |
| (<u>519,964</u>) | <u> </u> | (<u>519,964</u>) |
| 6,680,849 | 3,333 | 6,684,182 |
| <u>241,051</u> | (<u>241,051</u>) | <u> </u> |
| <u>6,921,900</u> | (<u>237,718</u>) | <u>6,684,182</u> |
| (383,593) | 1,549,072 | 1,165,479 |
| <u>38,644,967</u> | <u>30,399,625</u> | <u>69,044,592</u> |
| <u>38,261,374</u> | <u>31,948,697</u> | <u>70,210,071</u> |

CITY OF CONOVER, NORTH CAROLINA
Balance Sheet
Governmental Funds
June 30, 2014

| | Major Funds | | |
|--|--------------------|---|--|
| | General | General Capital Reserve Fund | Multi- Jurisdictional Park Fund |
| | \$ | \$ | \$ |
| Assets | | | |
| Cash and cash equivalents | 3,679,288 | 984,587 | 1,289,656 |
| Restricted cash | 181,868 | | |
| Receivables, net: | | | |
| Taxes | 521,234 | | |
| Accounts | 210,426 | 88,734 | |
| Due from other funds | 86,357 | | |
| Due from other governments | 840,305 | | |
| Prepaid items | <u>81,142</u> | | |
| Total assets | <u>5,600,620</u> | <u>1,073,321</u> | <u>1,289,656</u> |
| Liabilities and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable and accrued liabilities | <u>317,294</u> | <u>5,360</u> | <u>137,712</u> |
| Total liabilities | <u>317,294</u> | <u>5,360</u> | <u>137,712</u> |
| Deferred inflows of resources: | | | |
| Property taxes receivable | 521,234 | | |
| Prepaid taxes | 51 | | |
| Prepaid licenses | 550 | 49,342 | |
| Unavailable revenues | | <u>85,693</u> | |
| Total deferred inflows of resources | <u>521,835</u> | <u>135,035</u> | <u>0</u> |
| Fund balances: | | | |
| Non spendable | | | |
| Prepaid expenses | 81,142 | | |
| Restricted | | | |
| Stabilization by State Statute | 1,299,836 | 3,041 | 825,523 |
| Streets | 164,191 | | |
| Public safety | 17,677 | | |
| Debt covenant | 183,188 | | |
| Economic development | | | 326,421 |
| Committed | | | |
| Capital improvements | | 929,885 | |
| Building maintenance | | | |
| Assigned | | | |
| Subsequent year's expenditures | 647,038 | | |
| Unassigned | <u>2,368,419</u> | | |
| Total fund balances | <u>4,761,491</u> | <u>932,926</u> | <u>1,151,944</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>5,600,620</u> | <u>1,073,321</u> | <u>1,289,656</u> |

| Total Non-Major Funds \$ | Total Governmental Funds \$ |
|---|--|
| 1,342,843 | 7,296,374 181,868 |
| | 521,234 299,160 86,357 840,305 81,142 |
| <u>1,342,843</u> | <u>9,306,440</u> |
| | |
| <u>146,222</u> <u>146,222</u> | <u>606,588</u> <u>606,588</u> |
| | |
| <u>0</u> | 521,234 51 49,892 <u>85,693</u> <u>656,870</u> |
| | |
| 600,939 | 81,142 2,729,339 164,191 17,677 183,188 326,421 |
| 585,574 10,108 | 1,515,459 10,108 |
| | 647,038 <u>2,368,419</u> |
| <u>1,196,621</u> | <u>8,042,982</u> |
| <u>1,342,843</u> | |

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CITY OF CONOVER, NORTH CAROLINA
Balance Sheet
Governmental Funds
June 30, 2014

| | \$ | Total Governmental Funds |
|---|---------------------|---|
| | | \$ |
| Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because: | | |
| Total Fund Balance, Governmental Funds | | 8,042,982 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | |
| Gross capital assets at historical cost | 45,459,521 | |
| Accumulated depreciation | <u>(11,962,679)</u> | 33,496,842 |
| 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. | | 5,880 |
| Advance funding of pension obligation not recorded in the funds. | | 49 |
| Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. | | (30,442) |
| The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets. | | 187,499 |
| Liabilities for earned revenues considered deferred inflows of resources in fund statements. | | 606,927 |
| Net OPEB obligation not reported in the funds. | | (9,679) |
| Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds. | | (88,494) |
| Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | <u>(3,950,190)</u> |
| Net position of governmental activities | | <u>38,261,374</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, 2014

| | Major Funds | | |
|---|--------------------|---|--|
| | General | General Capital Reserve Fund | Multi- Jurisdictional Park Fund |
| | \$ | \$ | \$ |
| Revenues: | | | |
| Ad valorem taxes | 4,340,797 | | |
| Other taxes and licenses | 2,116 | | |
| Unrestricted intergovernmental | 2,579,670 | 81,267 | |
| Restricted intergovernmental | 607,919 | | |
| Permits and fees | 20,195 | 134,416 | |
| Sales and services | 417,084 | | |
| Investment earnings | 959 | 859 | 1,589 |
| Miscellaneous | 106,949 | 65,793 | |
| Total revenues | <u>8,075,689</u> | <u>282,335</u> | <u>1,589</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 2,419,025 | | |
| Public safety | 3,481,078 | | |
| Transportation | 1,078,454 | | |
| Environmental protection | 806,635 | | |
| Debt Service: | | | |
| Principal | 120,408 | | |
| Interest and other charges | 170,302 | | |
| Capital outlay | | | 1,113,490 |
| Total expenditures | <u>8,075,902</u> | <u>0</u> | <u>1,113,490</u> |
| Excess (deficiency) of revenues over (under) expenditures | (213) | <u>282,335</u> | (<u>1,111,901</u>) |
| Other Financing Sources (Uses): | | | |
| Transfers from other funds | 426,669 | 60,000 | |
| Transfers to other funds | (893,198) | (517,992) | |
| Proceeds from the sale of capital assets | | 20,165 | |
| Total other financing sources (uses) | <u>(466,529)</u> | <u>(437,827)</u> | <u>0</u> |
| Net change in fund balance | (466,742) | (155,492) | (1,111,901) |
| Fund balances, beginning as previously reported (consolidated) | <u>5,228,233</u> | <u>1,088,418</u> | <u>2,263,845</u> |
| Fund balances, ending | <u>4,761,491</u> | <u>932,926</u> | <u>1,151,944</u> |

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

| Total Non-Major Funds \$ | Total Governmental Funds \$ |
|---|--|
| | 4,340,797 |
| | 2,116 |
| | 2,660,937 |
| 33,377 | 641,296 |
| | 154,611 |
| | 417,084 |
| 305 | 3,712 |
| <u>5,296</u> | <u>178,038</u> |
| <u>38,978</u> | <u>8,398,591</u> |
| | 2,419,025 |
| | 3,481,078 |
| 21,674 | 1,100,128 |
| | 806,635 |
| | 120,408 |
| | 170,302 |
| <u>547,624</u> | <u>1,661,114</u> |
| <u>569,298</u> | <u>9,758,690</u> |
| (<u>530,320</u>) | (<u>1,360,099</u>) |
| 1,687,985 | 2,174,654 |
| (522,413) | (1,933,603) |
| | 20,165 |
| <u>1,165,572</u> | <u>261,216</u> |
| 635,252 | (1,098,883) |
| <u>561,369</u> | <u>9,141,865</u> |
| <u>1,196,621</u> | <u>8,042,982</u> |

CITY OF CONOVER, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2014

| | \$ | \$ |
|--|-----------------|-------------------|
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Net changes in fund balances - total governmental funds | | (1,098,883) |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. | | |
| Capital outlay expenditures which were capitalized | 2,140,211 | |
| Depreciation expense for governmental assets | (922,237) | |
| Basis in assets transferred to enterprise fund | (519,964) | |
| Cost in assets sold | (95,178) | |
| Accumulated depreciation in assets sold | <u>95,178</u> | 698,010 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Change in interest receivable | (3,171) | |
| Change in unavailable revenue for tax revenues | <u>(5,544)</u> | (8,715) |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | |
| Principal payments on long-term debt | 120,408 | |
| Decrease in accrued interest payable | <u>2,096</u> | 122,504 |
| 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 | (22,803) | |
| Other postemployment benefits | <u>(310)</u> | (23,113) |
| Consolidation adjustment for the Internal Service Fund and the Governmental Funds. | | |
| Net expenses of internal service fund | (99,996) | |
| Portion of revenue allocated to business-type activities | <u>26,600</u> | <u>(73,396)</u> |
| Total changes in net position of governmental activities | | <u>(383,593)</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, 2014

| | <u>General Fund</u> | | | Variance with Final Budget |
|--|---------------------|------------------|-------------------|-------------------------------|
| | Original | Final | Actual | Positive (Negative) |
| | \$ | \$ | \$ | \$ |
| Revenues: | | | | |
| Ad valorem taxes | 4,261,500 | 4,261,500 | 4,340,797 | 79,297 |
| Other taxes and licenses | 1,500 | 1,500 | 2,116 | 616 |
| Unrestricted intergovernmental | 2,499,960 | 2,499,960 | 2,579,670 | 79,710 |
| Restricted intergovernmental | 329,515 | 654,885 | 607,919 | (46,966) |
| Sales and services | 416,985 | 416,985 | 417,084 | 99 |
| Permits and fees | 16,100 | 16,100 | 20,195 | 4,095 |
| Investment earnings | 2,476 | 2,476 | 959 | (1,517) |
| Miscellaneous | <u>42,550</u> | <u>96,050</u> | <u>106,949</u> | <u>10,899</u> |
| Total revenues | <u>7,570,586</u> | <u>7,949,456</u> | <u>8,075,689</u> | <u>126,233</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 2,095,132 | 2,821,315 | 2,419,025 | 402,290 |
| Public safety | 3,662,788 | 3,744,461 | 3,481,078 | 263,383 |
| Transportation | 1,216,469 | 1,221,723 | 1,078,454 | 143,269 |
| Environmental protection | 760,519 | 919,367 | 806,635 | 112,732 |
| Debt service: | | | | |
| Principal | 120,409 | 120,409 | 120,408 | 1 |
| Interest and other charges | <u>172,642</u> | <u>172,642</u> | <u>170,302</u> | <u>2,340</u> |
| Total expenditures | <u>8,027,959</u> | <u>8,999,917</u> | <u>8,075,902</u> | <u>924,015</u> |
| Excess (deficiency) of revenues over (under) expenditures | (457,373) | (1,050,461) | (213) | <u>1,050,248</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers from other funds | 248,042 | 415,880 | 426,669 | 10,789 |
| Transfers to other funds | (355,000) | (893,198) | (893,198) | |
| Proceeds from sale of capital assets | <u>100</u> | <u>100</u> | <u> </u> | (100) |
| Total other financing sources (uses) | (106,858) | (477,218) | (466,529) | <u>10,689</u> |
| Fund balance appropriated | <u>564,231</u> | <u>1,527,679</u> | <u> </u> | (1,527,679) |
| Net change in fund balance | <u>0</u> | <u>0</u> | (466,742) | (466,742) |
| Fund balances, beginning | | | <u>5,228,233</u> | |
| Fund balances, ending | | | <u>4,761,491</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, 2014

| | Major Enterprise Fund | Internal Service Fund |
|---|-------------------------------------|--------------------------------------|
| | Water and Sewer Fund | Fund |
| | \$ | \$ |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | 5,119,184 | 177,264 |
| Accounts receivables (net) | 594,545 | 10,236 |
| Prepaid items | <u>17,266</u> | |
| Total current assets | <u>5,730,995</u> | <u>187,500</u> |
| Noncurrent assets: | | |
| Capital assets: | | |
| Land and other non-depreciable assets | 1,735,778 | |
| Other capital assets, net of depreciation | <u>27,763,612</u> | |
| Total noncurrent assets | <u>29,499,390</u> | <u>0</u> |
| Total assets | <u>35,230,385</u> | <u>187,500</u> |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | 215,922 | |
| Deposits | 121,631 | |
| Due to other funds | 86,357 | |
| Due to other government agencies | 56,929 | |
| Accrued interest payable | 9,875 | |
| Compensated absences - current | 28,170 | |
| General obligations bonds payable - current | 125,000 | |
| Loans payable – current | <u>173,462</u> | |
| Total current liabilities | <u>817,346</u> | <u>0</u> |
| Noncurrent liabilities: | | |
| Compensated absences | 17,948 | |
| General obligations bonds payable - noncurrent | 500,000 | |
| Loans payable - noncurrent | <u>1,976,836</u> | |
| Total noncurrent liabilities | <u>2,494,784</u> | <u>0</u> |
| Total liabilities | <u>3,312,130</u> | <u>0</u> |
| Net Position | | |
| Net investment in capital assets | 26,677,974 | |
| Unrestricted | <u>5,240,281</u> | <u>187,500</u> |
| Total net position | <u>31,918,255</u> | <u>187,500</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to the enterprise fund. | <u>30,442</u> | |
| Net position of business-type activities | <u>31,948,697</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, 2014

| | <u>Major Enterprise Fund</u> | | |
|--|----------------------------------|------------------|-----------------------------------|
| | Water and Sewer Fund \$ | Total \$ | Internal Service Fund \$ |
| Operating Revenues | | | |
| Charges for services | <u>3,945,895</u> | <u>3,945,895</u> | <u>902,222</u> |
| Operating Expenses | | | |
| Purchase for resale | 643,408 | 643,408 | |
| Salaries and wages | 1,078,643 | 1,078,643 | |
| Professional services | 13,803 | 13,803 | |
| Telephone alarm system | 149 | 149 | |
| Telephone | 6,561 | 6,561 | |
| Utilities | 96,286 | 96,286 | |
| Travel and training | 2,325 | 2,325 | |
| Maintenance and repairs-equipment and lines | 258,474 | 258,474 | |
| Maintenance and repairs-vehicles | 25,441 | 25,441 | |
| Maintenance and repairs-building and grounds | 5,825 | 5,825 | |
| Automotive supplies | 63,206 | 63,206 | |
| Department supplies | 141,610 | 141,610 | |
| Contracted services | 383,367 | 383,367 | |
| Miscellaneous | 2,132 | 2,132 | |
| Payroll taxes | 83,019 | 83,019 | |
| Retirement expense | 126,028 | 126,028 | |
| Group insurance | 154,288 | 154,288 | |
| Health/dental expenses | | | 1,002,218 |
| Uniforms | 9,588 | 9,588 | |
| Depreciation | 842,814 | 842,814 | |
| Advertising | 1,926 | 1,926 | |
| Dues and subscriptions | 3,524 | 3,524 | |
| Insurance and bonds | <u>43,969</u> | <u>43,969</u> | |
| Total operating expenses | <u>3,986,386</u> | <u>3,986,386</u> | <u>1,002,218</u> |
| Operating income (loss) | (40,491) | (40,491) | (99,996) |
| Nonoperating Revenues (Expenses) | | | |
| Investment earnings | 3,333 | 3,333 | |
| Interest and fees | (39,599) | (39,599) | |
| Total nonoperating revenues (expenses) | <u>(36,266)</u> | <u>(36,266)</u> | <u>0</u> |
| Income (loss) before contributions and transfers | <u>(76,757)</u> | <u>(76,757)</u> | <u>(99,996)</u> |

CITY OF CONOVER, NORTH CAROLINA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2014

| | <u>Major Enterprise Fund</u> | | Internal Service Fund \$ |
|--|----------------------------------|------------------|-----------------------------------|
| | Water and Sewer Fund \$ | Total \$ | |
| Income (loss) before contributions and transfers | (76,757) | (76,757) | (99,996) |
| Capital contributions | 1,893,480 | 1,893,480 | |
| Transfers to other funds | (241,051) | (241,051) | _____ |
| Change in net position | 1,575,672 | 1,575,672 | (99,996) |
| Total net position, beginning | 30,645,049 | | 287,496 |
| Correct beginning net assets | (245,424) | | _____ |
| Total net position, ending | <u>31,975,297</u> | | <u>187,500</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to the enterprise fund. | | (26,600) | |
| Change in net position, business-type activities | | <u>1,549,072</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, 2014

| | Major Enterprise Fund | Internal Service Fund |
|---|-------------------------------------|--------------------------------------|
| | Water and Sewer Fund | Fund |
| | \$ | \$ |
| Cash Flows from Operating Activities: | | |
| Cash received from customers | 4,033,857 | 899,434 |
| Cash paid for goods and services | (2,127,467) | (1,002,218) |
| Cash paid to employees | (1,075,863) | _____ |
| Net cash provided (used) by operating activities | <u>830,527</u> | <u>(102,784)</u> |
| Cash Flows from Noncapital Financing Activities: | | |
| Transfers to other funds | (241,051) | _____ 0 |
| Cash Flows from Capital and Related Financing Activities: | | |
| Acquisition and construction of capital assets | (1,633,595) | |
| Engineering study not capitalized | (19,137) | |
| Proceeds from loans | 1,105,828 | |
| Decrease in Due from other funds | (24,447) | |
| Principal paid on bond maturities and other loans | (243,341) | |
| Interest paid on bond maturities and other loan costs | (42,007) | |
| System development fees | 52,095 | |
| Capacity excess fees | <u>2,490</u> | _____ |
| Net cash provided (used) for capital and related financing activities | <u>(802,114)</u> | <u>_____ 0</u> |
| Cash Flows from Investing Activities: | | |
| Interest on investments | <u>4,845</u> | <u>_____ 0</u> |
| Net increase (decrease) in cash and cash equivalents | (207,793) | (102,784) |
| Balances, beginning | <u>5,326,977</u> | <u>280,048</u> |
| Balances, ending | <u><u>5,119,184</u></u> | <u><u>177,264</u></u> |

CITY OF CONOVER, NORTH CAROLINA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

| | Major Enterprise Fund | Internal Service Fund |
|---|-------------------------------------|--------------------------------------|
| | Water and Sewer Fund | Fund |
| | \$ | \$ |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | |
| Operating income (loss) | (40,491) | (99,996) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation | 842,814 | |
| Changes in assets and liabilities: | | |
| Increase in Due to other governments | 5,276 | |
| (Increase) in prepaid expenses | (9,549) | |
| (Increase) decrease in accounts receivable | 79,973 | (2,788) |
| (Decrease) in accounts payable and other liabilities | (52,989) | |
| Increase in customer deposits | 2,713 | |
| Increase in accrued vacation pay | <u>2,780</u> | <u> </u> |
| Total adjustments | <u>871,018</u> | (2,788) |
| Net cash provided (used) by operating activities | <u>830,527</u> | (102,784) |
| Supplemental Schedule of Noncash Financing Activities: | | |
| Donated assets | <u>1,336,551</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, 2014

| | Pension Trust Fund June 30, 2014 \$ |
|---|--|
| Assets | |
| Cash and cash equivalents | <u>58,590</u> |
| Liabilities and Net Position | |
| Liabilities: | |
| Withheld from employees | 860 |
| Net position: | |
| Assets held in trust for pension benefits | <u>57,730</u> |
| Total liabilities and net position | <u>58,590</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, 2014

| | Pension Trust Fund June 30, 2014 \$ |
|-------------------------|--|
| Additions: | |
| Employer contributions | 30,000 |
| Investment income | <u>56</u> |
| Total additions | 30,056 |
| Deductions: | |
| Benefits | <u>58,239</u> |
| Change in net position | (28,183) |
| Net position, beginning | <u>85,913</u> |
| Net position, ending | <u><u>57,730</u></u> |

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

Notes to the Financial Statements

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

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CITY OF CONOVER, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

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 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.

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 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 and sale of the Broyhill property.

Manufacturing Solutions Center (MSC) Capital Project Fund. This fund is used to provide financing for the construction of the Manufacturing Solutions Center of Catawba Valley Community College to be located at Conover Station. This facility will be owned by the City and leased to MSC. Funding provided includes a federal Economic Development Grant (EDA), a federal community development grant (CDBG), a contribution from MSC, and City matching funds.

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.

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 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 utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash.

Grant revenues which are unearned at year-end are recorded as unearned 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 are 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, Manufacturing Solutions Center Capital Project 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 intergovernmental 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 City Manager is hereby authorized to approve budget transfers within a department from one line item to another.
- (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 | \$ 164,191 |
| Public Safety | <u>17,677</u> |
| Total Governmental Activities | \$ <u>181,868</u> |

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2011.

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 | 50 - 100 |
| Buildings | 50 - 67 |
| Improvements | 15 - 30 |
| Vehicles | 5 - 10 |
| Furniture and equipment | 5 - 10 |
| Computer equipment | 5 - 10 |
| Computer software | 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 no items that meet this criterion. 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, prepaid licenses, 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). Any changes or removal of specific purpose requires majority action by the governing body in the form of a budget ordinance.

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 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. Policy dictates funds to be spent in this order unless the grant requirements differ. 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.

Note 2.

Stewardship, Compliance and Accountability Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2014, the expenditures made in the City's Capital Project Fund – Broyhill Redevelopment Fund exceeded appropriations made by the governing board for professional services by \$6,394, 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 in the Water and Sewer Capital Projects Fund exceeded appropriations made by the governing board for contracted construction by \$121,081. This budget was legally adopted by line item. The expenditures in the Water and Sewer NE-SW Water Quality Capital Project Fund exceeded appropriations made by the governing board for construction by \$19,703. This budget was legally adopted by line item. 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, 2014, the City's deposits had a carrying amount of \$7,667,358 and a bank balance of \$8,035,897. The bank balances of

the City were fully covered by federal depository insurance and the pooling method. At June 30, 2014, the City's petty cash fund totaled \$490.

Investments

At June 30, 2014, the City of Conover had \$5,165,432 invested with North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk.

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>06/30/14</u> |
|--------------------|------------------|
| General Fund | |
| Taxes receivable | \$ 82,986 |
| Landfill fee | <u>1,253</u> |
| Total General Fund | 84,239 |
| Enterprise Fund | <u>7,020</u> |
| Total | <u>\$ 91,259</u> |

Capital Assets

Primary Government:

Capital asset activity for the Primary Government for the year ended June 30, 2014, was as follows:

| | Beginning Balances \$ | Additions \$ | Net Transfers \$ | Retire- ments \$ | Ending Balances \$ |
|--|-----------------------------|------------------|------------------------|------------------------|--------------------------|
| Governmental activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land & improvements | 2,934,263 | 34,260 | | | 2,968,523 |
| Construction in process | <u>7,999,879</u> | <u>1,471,020</u> | (7,706,977) | | <u>1,763,922</u> |
| Total capital assets not being depreciated | <u>10,934,142</u> | <u>1,505,280</u> | (7,706,977) | 0 | <u>4,732,445</u> |
| Capital assets being depreciated: | | | | | |
| Building & improvements | 8,687,865 | | 5,665,972 | | 14,353,837 |
| Equipment | 2,200,997 | 304,135 | 348,177 | 84,442 | 2,768,867 |
| Vehicles | 5,356,339 | 330,797 | 378 | 76,686 | 5,610,828 |
| Computer equipment | 179,408 | | | 22,749 | 156,659 |
| Infrastructure | <u>16,693,714</u> | | <u>1,143,171</u> | | <u>17,836,885</u> |
| Total capital assets being depreciated | <u>33,118,323</u> | <u>634,932</u> | <u>7,157,698</u> | <u>183,877</u> | <u>40,727,076</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings & improvements | 2,439,654 | 234,450 | | | 2,674,104 |
| Equipment | 1,425,409 | 162,939 | | 84,073 | 1,504,275 |
| Vehicles | 3,167,673 | 296,551 | (29,315) | 76,686 | 3,358,223 |
| Computer equipment | 170,919 | 6,436 | | 22,749 | 154,606 |
| Infrastructure | <u>4,049,610</u> | <u>221,861</u> | | | <u>4,271,471</u> |
| Total accumulated depreciation | <u>11,253,265</u> | <u>922,237</u> | (29,315) | <u>183,508</u> | <u>11,962,679</u> |
| Total capital assets being depreciated, net | <u>21,865,058</u> | | | | <u>28,764,397</u> |
| Governmental activity capital assets, net | <u>32,799,200</u> | | | | <u>33,496,842</u> |

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

| | |
|----------------------------|-------------------|
| General government | \$ 159,509 |
| Public safety | 368,400 |
| Transportation | 309,827 |
| Environmental protection | <u>84,501</u> |
| Total depreciation expense | <u>\$ 922,237</u> |

| | Beginning Balances \$ | Additions \$ | Net Transfers \$ | Retire- ments \$ | Ending Balances \$ |
|--|-----------------------------|------------------|------------------------|------------------------|--------------------------|
| Business-type activities: | | | | | |
| <i>Water and Sewer Fund</i> | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land & improvements | 163,644 | 129,532 | | | 293,176 |
| Construction in process | <u>545,025</u> | <u>1,081,744</u> | (184,167) | | <u>1,442,602</u> |
| Total capital assets not being depreciated | <u>708,669</u> | <u>1,211,276</u> | (184,167) | 0 | <u>1,735,778</u> |
| Capital assets being depreciated: | | | | | |
| Buildings & improvements | 7,833,300 | 19,325 | 40,081 | | 7,892,706 |
| Equipment | 3,438,201 | 16,444 | | | 3,454,645 |
| Vehicles | 534,838 | 86,453 | 29,315 | | 650,606 |
| Computer equipment | 36,454 | | | | 36,454 |
| Infrastructure | <u>29,421,774</u> | <u>1,636,650</u> | <u>664,050</u> | | <u>31,722,474</u> |
| Total capital assets being depreciated | <u>41,264,567</u> | <u>1,758,872</u> | <u>733,446</u> | 0 | <u>43,756,885</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings & improvements | 2,615,852 | 130,612 | | | 2,746,464 |
| Equipment | 2,761,120 | 115,911 | | | 2,877,031 |
| Vehicles | 417,777 | 25,524 | 29,315 | | 472,616 |
| Computer equipment | 36,454 | | | | 36,454 |
| Infrastructure | <u>9,289,941</u> | <u>570,767</u> | | | <u>9,860,708</u> |
| Total accumulated depreciation | <u>15,121,144</u> | <u>842,814</u> | <u>29,315</u> | 0 | <u>15,993,273</u> |
| Total capital assets being depreciated, net | <u>26,143,423</u> | | | | <u>27,763,612</u> |
| Business-type activities capital assets, net | <u>26,852,092</u> | | | | <u>29,499,390</u> |

Construction commitments

The government has active projects as of June 30, 2014. At year end, the government's commitments with contractors are as follows:

| Project | Spent to Date \$ | Remaining Commitment \$ |
|----------------------------------|------------------------|-------------------------------|
| Water Sewer Capital Projects | 0 | 8,250 |
| Multi-Jurisdictional Park | 977,417 | 652,433 |
| Rock Bridge Drive Bridge Project | <u>74,557</u> | <u>1,324,273</u> |
| Total | <u>1,051,974</u> | <u>1,984,956</u> |

B. Liabilities

Pension Plan Obligations

Local Government Employees' Retirement System:

Plan description

The City of Conover contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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, or by calling (919) 981-5454.

Funding Policy

Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.28%, respectively, of annual covered payroll. The

contribution requirements of members and of the City of Conover is established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$285,047, \$255,237, and \$253,564, respectively. The contributions made by the City equaled the required contributions for each year.

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.

All full time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2013, the Separation Allowance's membership consisted of:

| | |
|---|-----------|
| Retirees receiving benefits | 3 |
| Terminated plan members entitled to but not yet receiving benefits | 0 |
| Active plan members | <u>27</u> |
| Total | <u>30</u> |

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

Basis of Accounting - The City has chosen to fund the Separation Allowance through appropriations made in the General Fund operating budget. 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 according to the terms of the plan. Pension expenditures are made from the Pension Trust Fund, which is maintained using the accrual basis of accounting.

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 benefit payments through contributions made in the General Fund operating budget. For the current year, the City contributed \$30,000. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. No funds are set aside to pay administrative costs. These expenditures are paid as they come due.

The annual required contribution for the current year was determined as part of the December 31, 2013 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, 2013 was 17 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 | \$ 30,299 |
| Interest on net pension obligation | (18) |
| Adjustment to annual required contribution | <u>29</u> |
| Annual pension cost | 30,310 |
| Contributions made | <u>(30,000)</u> |
| Increase in net pension obligation | 310 |
| Net pension obligation, beginning of year | <u>(359)</u> |
| Advance funding of pension obligation | <u>\$(49)</u> |

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

| 3 Year Trend Information | | | |
|------------------------------------|--|--|---|
| <u>Fiscal</u> <u>Year Ended</u> | <u>Annual</u> <u>Pension</u> <u>Cost (APC)</u> | <u>Percentage</u> <u>of APC</u> <u>Contributed</u> | <u>Net Pension</u> <u>Obligation</u> <u>(Advance</u> <u>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) |

Funding Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was 27.40% funded. The actuarial accrued liability for benefits was \$325,600 and the actuarial value of assets was \$86,834, resulting in an unfunded actuarial accrued liability (UAAL) of \$230,051. The covered payroll (annual payroll of active employees covered by the plan) was \$1,036,190, and the ratio of the UAAL to the covered payroll was 22.20%.

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.

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, 2014 were \$62,209, which consisted of \$52,219 from the City and \$9,990 from the law enforcement officers. Contributions for the year ended June 30, 2014 for general employees were \$175,679, which consisted of \$147,504 from the City and \$28,175 from the general employees.

Firemen's and Rescue Squad Workers' Pension Fund

Plan Description

The State of North Carolina contributes, on behalf of the City of Conover, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that 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. The Firemen's 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 Firemen's 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, or by calling (919) 981-5454.

Funding Policy

Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

**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, post-employment health insurance for all current employees as well as new hires has been repealed. Currently two retired employees receive post-employment health insurance and will continue to receive benefits after the passage of resolution 4-12. 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.

| 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 | 2 |
| 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>2</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 \$9,599. In the current year, the City contributed \$2,972. 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.

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 | \$ 9,599 |
| Interest on OPEB obligation | 143 |
| Adjustment to annual required contribution | (654) |
| Annual OPEB cost (expense) | 9,088 |
| Contributions made | (2,972) |
| Increase (decrease) in net OPEB obligation | 6,116 |
| Net OPEB obligation, beginning of year | 3,563 |
| Net OPEB obligation, end of year | \$ 9,679 |

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, 2012 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> |
|------------------------------|---------------------------------|---|------------------------------------|
| 06/30/10 | \$ 1,866 | 0.00% | \$ 1,866 |
| 06/30/11 | \$ 1,894 | 10.40% | \$ 3,563 |
| 06/30/12 | \$ 9,088 | 32.70% | \$ 9,679 |

Funding Status and Funding Progress

As of July 1, 2011, 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 \$51,394. The covered payroll (annual payroll of active employees covered by the plan) was \$3,855,675, and the ratio of the UAAL to the covered payroll was 1.3%. 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.

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, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.00 to 4.50 percent annually. The investment rate included a 2.5 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a 6 year, level dollar, closed. The remaining amortization period at July 1, 2011, was 6 years.

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. All death benefit payments are made from the Death Benefit Plan. 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. The City considers these contributions to be immaterial.

At termination of employment, all employees have the option to purchase basic medical insurance at the City's group 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.

For the fiscal year ended June 30, 2014, 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> |
|-------------------------------|---------------------|--------------------------------|
| Less than 10 | 1 | 2014 |
| 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.

Deferred Outflows and Inflows of Resources

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

| | Unavailable Revenues \$ | Unearned Revenues \$ |
|--|-------------------------------|----------------------------|
| Prepaid licenses and other prepayments not yet earned | | 49,943 |
| Taxes receivable (net) | 521,234 | |
| Licenses receivable | <u>85,693</u> | <u> </u> |
| Total deferred revenues | <u><u>606,927</u></u> | <u><u>49,943</u></u> |

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City has 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 \$755,782 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

At June 30, 2014, the City was not a defendant to any lawsuits, but has received a charge of discrimination from a former employee. There is no pending litigation at this time. In the opinion of the City's management and the City attorney, it is not possible to give an evaluation of an unfavorable outcome or estimate at this time.

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, | \$ |
|---|------------------|
| 2015 | 77,205 |
| 2016 | 77,205 |
| 2017 | 77,205 |
| 2018 | 77,205 |
| 2019 | 77,205 |
| 2020-2045 | <u>2,084,116</u> |
| | 2,470,141 |
| Less, amount representing interest | (1,112,026) |
| Present value of minimum installment purchase payments | <u>1,358,115</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, | \$ |
|---|------------------|
| 2015 | 49,858 |
| 2016 | <u>24,931</u> |
| | 74,789 |
| Less, amount representing interest | (<u>2,636</u>) |
| Present value of minimum installment purchase payments | <u>72,153</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, | \$ |
|---|--------------------|
| 2015 | 52,654 |
| 2016 | 52,654 |
| 2017 | 52,654 |
| 2018 | 52,654 |
| 2019 | 52,654 |
| 2020-2025 | <u>315,920</u> |
| | 579,190 |
| Less, amount representing interest | (<u>124,075</u>) |
| Present value of minimum installment purchase payments | <u>455,115</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, | \$ |
|---|--------------------|
| 2015 | 38,818 |
| 2016 | 38,818 |
| 2017 | 38,818 |
| 2018 | 38,818 |
| 2019 | 38,818 |
| 2020-2048 | <u>1,164,320</u> |
| | 1,358,410 |
| Less, amount representing interest | (<u>657,902</u>) |
| Present value of minimum installment purchase payments | <u>700,508</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, | \$ |
|---|----------------------|
| 2015 | 62,814 |
| 2016 | 62,814 |
| 2017 | 62,814 |
| 2018 | 62,814 |
| 2019 | 62,814 |
| 2020-2049 | <u>1,884,050</u> |
| | 2,198,120 |
| Less, amount representing interest | (<u>1,083,230</u>) |
| Present value of minimum installment purchase payments | <u>1,114,890</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, 2013 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>500,000</u> |
| Total bonds payable | <u><u>500,000</u></u> |

Loans Payable:

The loans payable shown in the Water and Sewer Funds are due to the County of Catawba, North Carolina in conjunction with the construction of various water and sewer projects. The projects were complete and operating as of June 30, 1998. The City began construction of a water tank financed by \$1,028,000 revolving loan payable to the State of North Carolina. As of June 30, 2000, construction was complete and \$1,028,000 of the loan proceeds had been used. Principal and interest requirements are appropriated when due.

Loans payable at June 30, 2014 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. 213,881

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. 690,810

\$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. 257,000

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. 724,928

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. 374,843

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. 13,836

Total loans payable 2,275,298

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

| Year Ending June 30, | <u>Business-type Activities</u> | |
|-------------------------|---------------------------------|----------------|
| | Principal \$ | Interest \$ |
| 2015 | 298,463 | 33,902 |
| 2016 | 298,463 | 25,796 |
| 2017 | 298,463 | 17,691 |
| 2018 | 298,463 | 9,586 |
| 2019 | 173,463 | 1,481 |
| 2020-2024 | 586,550 | |
| 2025-2029 | 491,490 | |
| 2030-2034 | <u>329,943</u> | |
| Totals | <u>2,775,298</u> | <u>88,456</u> |

At June 30, 2014 the City of Conover had no bonds authorized but unissued and a legal debt margin of \$80,778,820.

Changes in General Long-Term Liabilities

| | Balance July 1, 2013 \$ | Addition \$ | Retirements \$ | Balance June 30, 2014 \$ | Current Portion of Balance \$ |
|--|-------------------------------|------------------|-------------------|--------------------------------|--|
| Governmental activities: | | | | | |
| Installment purchases | 3,821,189 | | 120,408 | 3,700,781 | 125,247 |
| Other postemployment benefits | 9,679 | | | 9,679 | |
| Compensated absences | <u>226,607</u> | <u>151,976</u> | <u>129,174</u> | <u>249,409</u> | <u>162,116</u> |
| Governmental activity long-term liabilities | <u>4,057,475</u> | <u>151,976</u> | <u>249,582</u> | <u>3,959,869</u> | <u>287,363</u> |
| Business-type activities: | | | | | |
| <u>Water and Sewer Fund</u> | | | | | |
| Loans payable | 1,287,810 | 1,105,829 | 118,341 | 2,275,298 | 173,462 |
| General obligation bonds | 625,000 | | 125,000 | 500,000 | 125,000 |
| Compensated absences | <u>43,338</u> | <u>35,413</u> | <u>32,633</u> | <u>46,118</u> | <u>29,977</u> |
| Business-type activity long-term liabilities | <u>1,956,148</u> | <u>1,141,242</u> | <u>275,974</u> | <u>2,821,416</u> | <u>328,439</u> |

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, 2014, consist of the following:

| | |
|---|-----------------------|
| | \$ |
| Due from the Internal Service Fund for its activity allocation to the Proprietary Funds | 30,442 |
| Due from the Water and Sewer HWY 16 North Area Water Quality Capital Project Fund to the General Fund | 10,641 |
| Due from the Water and Sewer NE-SW Water Quality Capital Project Fund to the General Fund | <u>75,716</u> |
| Total due to/from other funds | <u><u>116,799</u></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.

| | |
|---|-------------------------|
| Transfers from Other Funds: | \$ |
| Transfer from Enterprise Fund to General Fund | 241,051 |
| Transfer from Capital Projects Fund – Manufacturing Solutions Center Fund to Capital Projects Fund – Conover Station North Fund for capital purchase | 83,041 |
| Transfer from Capital Projects Fund - General Capital Reserve Fund to General Fund to provide funds for capital purchases made directly from General Fund | 325,542 |
| Transfer from General Fund to Broyhill Redevelopment Fund for local contribution to Broyhill project | 8,450 |
| Transfer from Broyhill Redevelopment Fund to Shelf Project-Transportation Fund for capital outlay expenditures | 110,680 |
| Transfer from General Fund to Capital Projects Fund – Solid Waste Capital Reserve Fund for capital outlay expenditures during this fiscal year | 260,000 |
| Transfer from Capital Projects Fund – Solid Waste Capital Reserve Fund to Capital Projects Fund – General Capital Reserve Fund to reserve for future capital purchases | 238,354 |
| Transfer from General Fund to Capital Projects Fund – General Fund Capital Project Fund for capital outlay expenditures | 95,000 |
| 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 | 192,450 |
| Transfer from Capital Projects Fund – Solid Waste Capital Reserve Fund to General Fund for capital purchases | 90,338 |
| Transfer from General Fund to Capital Projects Fund to Rock Bridge Drive Bridge Project Fund for construction | 469,748 |
| Transfer from General Fund to General Fund Capital Reserve Fund for future capital purchases | <u>60,000</u> |
| Total transfer from other funds – Exhibit 4 | <u>2,174,654</u> |
| <i>Total transfers from other funds</i> | <u>2,174,654</u> |

| Transfers to Other Funds: | \$ |
|---|-------------------------|
| Transfer to Capital Projects Fund – General Fund Capital Project Fund from General Fund for capital outlay expenditures | 95,000 |
| Transfer to Capital Projects Fund – General Capital Reserve Fund from Capital Projects Fund – Solid Waste Capital Reserve Fund to reserve for future capital purchases | 238,354 |
| Transfer to Capital Projects Fund – Conover Station North Fund from Capital Projects Fund – Manufacturing Solutions Center Fund for capital purchase | 83,041 |
| Transfer to General Fund from Capital Projects Fund - General Capital Reserve Fund to provide funds for capital purchases made directly from General Fund | 325,542 |
| Transfer to Capital Projects Fund – Broyhill Redevelopment Fund from General Fund for local contribution to the Broyhill project | 8,450 |
| 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 | 192,450 |
| Transfer to Capital Projects Fund – Solid Waste Capital Reserve Fund from General Fund for capital outlay expenditures during this fiscal year | 260,000 |
| Transfer to Capital Projects Fund – Shelf Project-Transportation Fund from Capital Projects Fund – Broyhill Redevelopment Fund for capital purchases | 110,680 |
| Transfer to General Fund from Capital Projects Fund – Solid Waste Capital Reserve Fund for capital purchases | 90,338 |
| Transfer to Capital Projects Fund – Rock Bridge Drive Bridge Project Fund from General Fund for construction | 469,748 |
| Transfer to General Fund Capital Reserve Fund from General Fund for future capital purchases | <u>60,000</u> |
| Total transfers to other funds – Exhibit 4 | <u>1,933,603</u> |

| | |
|---|-------------------------|
| Transfer to General Fund from Enterprise Fund | <u>241,051</u> |
| Total transfers to other funds – Exhibit 7 | <u>241,051</u> |
| <i>Total transfers to other funds</i> | <u>2,174,654</u> |

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. Prior Period Adjustment

During the fiscal year ended June 30, 2014, the City determined loan proceeds of \$245,424 in a water and sewer capital project were incorrectly reported as restricted intergovernmental revenue at June 30, 2013 on a modified accrual basis of accounting. These revenues were improperly recorded as contributed capital instead of debt on the government-wide statements, thereby overstating ending net position by \$245,424 on June 30, 2013. Therefore, an adjustment to reduce beginning net position of business-type activities of \$245,424 has been recorded to properly reflect the receipt of loan proceeds.

E. Revenues, Expenditures, and, Expenses

On-Behalf of Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2014, the City of Conover has recognized on-behalf of payments for pension contributions made by the State as a revenue and an expenditure of \$17,171 for the 38 volunteer firemen and 15 employed firemen who perform firefighting duties for the City's fire department. The volunteers and employees elected to be members of the Firemen and Rescue Squad Worker's Pension Fund, a cost-sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

Also, the City has recognized as a revenue and an expenditure, on-behalf of payments for fringe benefits and salaries of \$6,298 for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2014. Under State law, the local board of trustees for the Fund receives an amount each year, which

the board may use at its own discretion for eligible firemen or their departments.

F. 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> | <i>\$ 4,761,491</i> |
| Less: | |
| Prepaid expenses | 81,142 |
| Stabilization by State Statute | 1,299,836 |
| Streets – Powell Bill | 164,191 |
| Public Safety – Law Enforcement | 17,677 |
| Debt – USDA loans | 183,188 |
| Appropriated Fund Balance in 2014-2015 budget | 647,038 |
| Remaining Fund Balance | 2,368,419 |

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Of the \$1,458,402 outstanding encumbrances in non-major funds as of June 30, 2014, \$857,463 represents commitments in the Rock Bridge Drive Bridge Project Fund, a capital project ordinance, for which the related FEMA grant revenue has not been received as of June 30, 2014.

| Encumbrances | General | General | Multi-Jurisdictional | Non-Major Funds |
|--------------|------------|-------------------------|----------------------|--------------------|
| | Fund | Capital Reserve Fund | Park Fund | |
| | \$ 162,748 | \$ 0 | \$ 825,523 | \$ 1,458,402 |

**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, 2014. 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 11, 2014. None were noted.

Required Supplementary Financial Data

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

- * **Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance**
- * **Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance**
- * **Notes to the Required Schedules 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**
- * **Notes to the Required Schedules for the Other Postemployment Benefits**

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

| Actuarial Valuation Date | * Actuarial Value of Assets (a) | * Actuarial Liability (AAL)-Proj. Unit Credit (b) | Unfunded AAL (UAAL) (b - a) | * Funded Ratio (a/b) | Covered Payroll for Year Ended On Valuation Date (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|--|--|--|---|---|--|
| 12/31/04 | \$194,966 | \$ 376,267 | \$ 181,301 | 51.82% | \$ 876,096 | 20.69% |
| 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% |

* Reflects changes in actuarial assumptions.

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

| Year Ended June 30, | Annual Required Contribution | Percentage Contributed |
|----------------------------|-------------------------------------|-------------------------------|
| 2004 | 23,311 | 72.93% |
| 2005 | 24,357 | 65.69% |
| 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% |

Notes to the required schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

| | |
|-------------------------------|--------------------------------|
| Valuation date | 12-31-13 |
| Actuarial cost method | Projected unit credit |
| Amortization method | Level percentage of pay closed |
| Remaining amortization period | 17 years |
| Asset valuation method | Market value |
| Actuarial assumptions: | |
| Investment rate of return | 5.00% |
| Projected salary increases | 4.25% to 7.85% |
| Includes inflation at | 3.00% |
| Cost of living adjustments | N/A |

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

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL)-Proj. Unit Credit (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll for Year Ended On Valuation Date (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|--|--|--|-----------------------------------|---|--|
| 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% |

*Most recent actuarial valuation date is July 1, 2011.

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

| Year Ended June 30, | Annual Required Contribution | Percentage Contributed |
|------------------------------------|---|-----------------------------------|
| 2010 | \$ 1,866 | 0.00% |
| 2011 | 1,923 | 10.40% |
| 2012 | 9,599 | 32.70% |
| 2013 | 9,599 | 32.70% |
| 2014 | 9,599 | 32.70% |

Notes to the required schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

| | |
|-------------------------------|---------------------------------|
| Valuation date | 07-01-11 |
| Actuarial cost method | Entry Age Actuarial Cost Method |
| Amortization method | 6 year, level dollar, closed |
| Remaining amortization period | 6 years |
| Asset valuation method | Pay as you go |
| Actuarial assumptions: | |
| Investment rate of return | 4.00% |
| Medical cost trend rate | 7.00% to 4.50% |
| Year of ultimate trend rate | 2016 |
| Includes inflation at | 2.50% |

Governmental Activities Major Funds

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

Capital 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.

Capital Projects Fund – 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

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual

For the Fiscal Year Ended June 30, 2014

| | Budget | Actual | Variance Positive (Negative) |
|--|------------------|------------------|------------------------------------|
| | \$ | \$ | \$ |
| Revenues: | | | |
| Ad valorem taxes: | | | |
| Current year | 4,175,000 | 4,227,662 | 52,662 |
| Prior years | 70,000 | 85,546 | 15,546 |
| Penalties and interest | <u>16,500</u> | <u>27,589</u> | <u>11,089</u> |
| Total | <u>4,261,500</u> | <u>4,340,797</u> | <u>79,297</u> |
| Other taxes and licenses: | | | |
| Gross receipts tax on short-term rental property | 500 | 588 | 88 |
| Licenses and permits | <u>1,000</u> | <u>1,528</u> | <u>528</u> |
| Total | <u>1,500</u> | <u>2,116</u> | <u>616</u> |
| Unrestricted intergovernmental: | | | |
| Local option sales tax | 1,688,000 | 1,721,687 | 33,687 |
| Utility franchise tax | 536,971 | 569,795 | 32,824 |
| Piped natural gas | 52,090 | 55,274 | 3,184 |
| Telecommunications sales tax | 119,558 | 126,866 | 7,308 |
| Video program sales tax | 61,381 | 65,134 | 3,753 |
| Solid waste disposal fees | 5,420 | 5,014 | (406) |
| Beer and wine tax | <u>36,540</u> | <u>35,900</u> | <u>(640)</u> |
| Total | <u>2,499,960</u> | <u>2,579,670</u> | <u>79,710</u> |
| Restricted intergovernmental: | | | |
| Powell Bill allocation | 250,000 | 253,556 | 3,556 |
| Investment earnings on Powell Bill allocation | 200 | 255 | 55 |
| Fines and forfeitures | 1,200 | 1,428 | 228 |
| Interest on federal forfeitures and seizures | 15 | 13 | (2) |
| State grants | 75,000 | 75,000 | |
| County grant | 49,552 | 49,452 | (100) |
| On-behalf of payments – fire | 28,000 | 23,469 | (4,531) |
| Federal grants | <u>250,918</u> | <u>204,746</u> | <u>(46,172)</u> |
| Total | <u>654,885</u> | <u>607,919</u> | <u>(46,966)</u> |
| Permits and fees: | | | |
| Development and inspection fees | <u>16,100</u> | <u>20,195</u> | <u>4,095</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, 2014

| | Budget | Actual | Variance |
|----------------------------------|------------------|------------------|-------------------|
| | \$ | \$ | Positive |
| | | | (Negative) |
| | | | \$ |
| Sales and services: | | | |
| Court costs, fees, and charges | 4,000 | 4,376 | 376 |
| Cemetery revenues | 12,000 | 10,700 | (1,300) |
| County waste disposal fees | 389,800 | 394,497 | 4,697 |
| Sales of recycled materials | 8,000 | 5,064 | (2,936) |
| ABC recycling fees | 3,155 | 2,440 | (715) |
| Sale of materials for public use | <u>30</u> | <u>7</u> | <u>(23)</u> |
| Total | <u>416,985</u> | <u>417,084</u> | <u>99</u> |
| Investment earnings | <u>2,476</u> | <u>959</u> | <u>(1,517)</u> |
| Miscellaneous: | | | |
| Rental income | 14,400 | 17,250 | 2,850 |
| Contributions | 42,550 | 42,786 | 236 |
| Miscellaneous - other | <u>39,100</u> | <u>46,913</u> | <u>7,813</u> |
| Total | <u>96,050</u> | <u>106,949</u> | <u>10,899</u> |
| Total revenues | <u>7,949,456</u> | <u>8,075,689</u> | <u>126,233</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, 2014

| | Budget | Actual | Variance |
|--------------------------|----------------|----------------|------------------------|
| | \$ | \$ | Positive (Negative) |
| | | | \$ |
| Expenditures: | | | |
| General government: | | | |
| Government body: | | | |
| Special compensation | 33,175 | 33,587 | (412) |
| Professional services | 17,700 | 16,700 | 1,000 |
| Travel and training | 14,000 | 14,390 | (390) |
| Departmental supplies | 4,500 | 2,876 | 1,624 |
| Insurance | 8,795 | 8,649 | 146 |
| Dues and subscriptions | 17,708 | 15,904 | 1,804 |
| Contracted services | 18,702 | 18,901 | (199) |
| Other operating expenses | <u>18,065</u> | <u>15,914</u> | <u>2,151</u> |
| Total | <u>132,645</u> | <u>126,921</u> | <u>5,724</u> |
| Administration: | | | |
| Salaries and wages | 165,134 | 158,615 | 6,519 |
| Employee benefits | 61,837 | 60,176 | 1,661 |
| Travel and training | 11,000 | 15,154 | (4,154) |
| Insurance | 6,480 | 6,955 | (475) |
| Contracted services | 37,785 | 41,713 | (3,928) |
| Telephone and postage | 8,700 | 8,404 | 296 |
| Departmental supplies | 12,500 | 13,610 | (1,110) |
| Other operating expenses | <u>32,840</u> | <u>27,602</u> | <u>5,238</u> |
| Total | <u>336,276</u> | <u>332,229</u> | <u>4,047</u> |
| Planning department: | | | |
| Salaries and wages | 93,288 | 88,538 | 4,750 |
| Employee benefits | 31,287 | 30,433 | 854 |
| Special compensation | 2,500 | 1,525 | 975 |
| Contracted services | 34,750 | 31,123 | 3,627 |
| Professional services | 17,040 | 11,583 | 5,457 |
| Capital outlay | 30,260 | 30,260 | |
| Other operating expenses | <u>19,651</u> | <u>22,467</u> | <u>(2,816)</u> |
| Total | <u>228,776</u> | <u>215,929</u> | <u>12,847</u> |
| Information technology: | | | |
| Salaries and wages | 36,489 | 33,812 | 2,677 |
| Employee benefits | 14,002 | 13,603 | 399 |
| Contracted services | 125,199 | 105,887 | 19,312 |
| Capital outlay | 65,549 | 10,549 | 55,000 |
| Other operating expenses | <u>72,493</u> | <u>64,300</u> | <u>8,193</u> |
| Total | <u>313,732</u> | <u>228,151</u> | <u>85,581</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, 2014

| | Budget | Actual | Variance |
|-----------------------------|----------------|----------------|-------------------|
| | \$ | \$ | Positive |
| | | | (Negative) |
| | | | \$ |
| General government (cont'd) | | | |
| City attorney: | | | |
| Special compensation | 3,600 | 3,600 | |
| Professional services | 25,000 | 16,762 | 8,238 |
| Other operating expenses | <u>3,840</u> | <u>2,344</u> | <u>1,496</u> |
| Total | <u>32,440</u> | <u>22,706</u> | <u>9,734</u> |
| City Hall: | | | |
| Insurance | 3,430 | 3,215 | 215 |
| Utilities | 19,440 | 15,299 | 4,141 |
| Contracted services | 17,735 | 16,384 | 1,351 |
| Capital outlay | 40,000 | 42,688 | (2,688) |
| Other operating expenses | <u>78,083</u> | <u>65,399</u> | <u>12,684</u> |
| Total | <u>158,688</u> | <u>142,985</u> | <u>15,703</u> |
| Conover Station: | | | |
| Insurance and bonds | 3,100 | 3,215 | (115) |
| Other operating expenses | <u>88,847</u> | <u>81,268</u> | <u>7,579</u> |
| Total | <u>91,947</u> | <u>84,483</u> | <u>7,464</u> |
| Fleet maintenance: | | | |
| Salaries and wages | 134,004 | 126,691 | 7,313 |
| Employee benefits | 53,650 | 50,746 | 2,904 |
| Vehicle expense | 7,400 | 6,035 | 1,365 |
| Contracted services | 5,912 | 5,456 | 456 |
| Other operating expenses | <u>16,063</u> | <u>14,350</u> | <u>1,713</u> |
| Total | <u>217,029</u> | <u>203,278</u> | <u>13,751</u> |
| Public works department: | | | |
| Salaries and wages | 106,070 | 103,315 | 2,755 |
| Employee benefits | 47,948 | 46,321 | 1,627 |
| Insurance | 15,125 | 15,080 | 45 |
| Utilities | 32,300 | 26,767 | 5,533 |
| Departmental supplies | 8,000 | 6,116 | 1,884 |
| Vehicle expense | 9,463 | 8,102 | 1,361 |
| Other operating expenses | <u>32,955</u> | <u>30,214</u> | <u>2,741</u> |
| Total | <u>251,861</u> | <u>235,915</u> | <u>15,946</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, 2014

| | Budget | Actual | Variance |
|--------------------------------------|------------------|------------------|-------------------|
| | \$ | \$ | Positive |
| | | | (Negative) |
| | | | \$ |
| General government (cont'd) | | | |
| Cemetery and parks: | | | |
| Salaries and wages | 145,836 | 143,115 | 2,721 |
| Employee benefits | 62,575 | 60,867 | 1,708 |
| Other operating expenses | <u>146,638</u> | <u>139,115</u> | <u>7,523</u> |
| Total | <u>355,049</u> | <u>343,097</u> | <u>11,952</u> |
| Nondepartmental: | | | |
| Capital outlay | 325,600 | 237,442 | 88,158 |
| Other operating expenses | <u>377,272</u> | <u>245,889</u> | <u>131,383</u> |
| Total | <u>702,872</u> | <u>483,331</u> | <u>219,541</u> |
| Total general government | <u>2,821,315</u> | <u>2,419,025</u> | <u>402,290</u> |
| Public safety: | | | |
| Police department: | | | |
| Salaries and wages | 1,259,432 | 1,148,724 | 110,708 |
| Employee benefits | 437,274 | 409,115 | 28,159 |
| Vehicle expense | 116,648 | 118,346 | (1,698) |
| Insurance | 62,930 | 62,038 | 892 |
| Supplies and uniform | 67,406 | 52,673 | 14,733 |
| Travel and training | 28,600 | 21,259 | 7,341 |
| Contribution to separation allowance | 30,000 | 30,000 | |
| Other operating expenses | 187,470 | 179,082 | 8,388 |
| Capital outlay | <u>135,165</u> | <u>109,562</u> | <u>25,603</u> |
| Total | <u>2,324,925</u> | <u>2,130,799</u> | <u>194,126</u> |
| Fire department: | | | |
| Salaries and wages | 678,822 | 674,978 | 3,844 |
| Special compensation | 70,000 | 88,999 | (18,999) |
| Professional services | 12,600 | 6,902 | 5,698 |
| Employee benefits | 278,317 | 268,830 | 9,487 |
| Utilities | 39,464 | 32,985 | 6,479 |
| Uniforms | 17,920 | 14,746 | 3,174 |
| Departmental supplies | 17,051 | 12,850 | 4,201 |
| Insurance | 54,325 | 42,455 | 11,870 |
| Other operating expenses | 204,435 | 164,613 | 39,822 |
| Capital outlay | <u>46,602</u> | <u>42,921</u> | <u>3,681</u> |
| Total | <u>1,419,536</u> | <u>1,350,279</u> | <u>69,257</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, 2014

| | Budget | Actual | Variance |
|----------------------------------|------------------|------------------|-------------------|
| | \$ | \$ | Positive |
| | | | (Negative) |
| | | | \$ |
| Public safety (cont'd): | | | |
| Total public safety | <u>3,744,461</u> | <u>3,481,078</u> | <u>263,383</u> |
| Transportation: | | | |
| Street department: | | | |
| Salaries and wages | 203,954 | 206,868 | (2,914) |
| Employee benefits | 88,448 | 86,262 | 2,186 |
| Utilities | 362,626 | 323,521 | 39,105 |
| Professional services | 1,250 | 1,381 | (131) |
| Vehicle expense | 53,000 | 41,435 | 11,565 |
| Departmental supplies | 30,000 | 24,694 | 5,306 |
| Insurance | 20,300 | 26,276 | (5,976) |
| Other operating expenses | <u>147,569</u> | <u>125,505</u> | <u>22,064</u> |
| Total | <u>907,147</u> | <u>835,942</u> | <u>71,205</u> |
| Street department - Powell Bill: | | | |
| Salaries and wages | 71,710 | 63,584 | 8,126 |
| Employee benefits | 27,665 | 25,412 | 2,253 |
| Professional services | 3,000 | 1,424 | 1,576 |
| Departmental supplies | 24,465 | 8,868 | 15,597 |
| Repairs - streets | 150,000 | 111,371 | 38,629 |
| Vehicle expense | 26,585 | 23,467 | 3,118 |
| Other operating expenses | 3,651 | 2,712 | 939 |
| Capital outlay | <u>7,500</u> | <u>5,674</u> | <u>1,826</u> |
| Total | <u>314,576</u> | <u>242,512</u> | <u>72,064</u> |
| Total transportation | <u>1,221,723</u> | <u>1,078,454</u> | <u>143,269</u> |
| Environmental protection: | | | |
| Sanitation and recycle: | | | |
| Salaries and wages | 285,329 | 269,551 | 15,778 |
| Employee benefits | 123,983 | 118,575 | 5,408 |
| Landfill rent and fees | 97,709 | 93,758 | 3,951 |
| Vehicle expense | 128,460 | 109,080 | 19,380 |
| Other operating expenses | <u>283,886</u> | <u>215,671</u> | <u>68,215</u> |
| Total environmental protection | <u>919,367</u> | <u>806,635</u> | <u>112,732</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, 2014

| | Budget | Actual | Variance Positive (Negative) |
|--|----------------------|--------------------|------------------------------------|
| | \$ | \$ | \$ |
| Debt service: | | | |
| Principal retirement | 120,409 | 120,408 | 1 |
| Interest | <u>172,642</u> | <u>170,302</u> | <u>2,340</u> |
| Total debt service | <u>293,051</u> | <u>290,710</u> | <u>2,341</u> |
| Total expenditures | <u>8,999,917</u> | <u>8,075,902</u> | <u>924,015</u> |
| Revenues over (under) expenditures | (<u>1,050,461</u>) | (<u>213</u>) | <u>1,050,248</u> |
| Other financing sources (uses): | | | |
| Operating transfers to other funds: | | | |
| Capital Projects Fund - Solid Waste Capital Reserve Fund | (260,000) | (260,000) | |
| Capital Projects Fund - Broyhill Redevelopment Capital Project Fund | (8,450) | (8,450) | |
| Capital Projects Fund – General Fund Capital Project – (Powell Bill) | (95,000) | (84,211) | 10,789 |
| General Fund Capital Reserve Fund | (60,000) | (60,000) | |
| Capital Projects Fund – Rock Bridge Drive Bridge Project Fund | (469,748) | (469,748) | |
| Operating transfers from other funds: | | | |
| Capital Projects Fund – General Fund Capital Reserve Fund | 325,542 | 325,542 | |
| Capital Projects Fund - Solid Waste Capital Reserve Fund | 90,338 | 90,338 | |
| Sale of capital assets | <u>100</u> | <u> </u> | (<u>100</u>) |
| Total other financing sources (uses) | (<u>477,218</u>) | (<u>466,529</u>) | <u>10,689</u> |
| Fund balance appropriated | <u>1,527,679</u> | <u> </u> | (<u>1,527,679</u>) |
| Net change in fund balance | <u>0</u> | (466,742) | (<u>466,742</u>) |
| Fund balances, beginning | | <u>5,228,233</u> | |
| Fund balances, ending | | <u>4,761,491</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, 2014

| | Budget | Actual | Variance |
|--|--------------------|-------------------|-------------------|
| | \$ | \$ | Positive |
| | | | (Negative) |
| | | | \$ |
| Revenues: | | | |
| Investment earnings | 1,000 | 859 | (141) |
| Unrestricted intergovernmental | | | |
| - Hold Harmless | 81,267 | 81,267 | |
| Privilege license | 130,000 | 134,416 | 4,416 |
| Miscellaneous revenues | <u>61,650</u> | <u>65,793</u> | <u>4,143</u> |
| Total revenues | <u>273,917</u> | <u>282,335</u> | <u>8,418</u> |
| Other financing sources (uses): | | | |
| Proceeds from the sale of capital assets | 11,665 | 20,165 | 8,500 |
| Transfers from: | | | |
| General Fund | 60,000 | 60,000 | |
| Transfers to: | | | |
| General Fund | (325,542) | (325,542) | |
| General Fund Capital Project Fund | (214,459) | (192,450) | 22,009 |
| Reserved for future projects: | | | |
| Reserved for fleet equipment | (25,000) | | 25,000 |
| Reserved for sanitation equipment | (66,000) | | 66,000 |
| Reserved for grounds equipment | (15,000) | | 15,000 |
| Reserved for police equipment | (30,000) | | 30,000 |
| Reserved for fire truck | (185,000) | | 185,000 |
| Reserved for fire equipment | (73,500) | | 73,500 |
| Reserved for streets | (150,000) | | 150,000 |
| Reserved for future projects | (81,267) | | 81,267 |
| Reserved for technology | <u>(60,000)</u> | <u> </u> | <u>60,000</u> |
| Total other financing sources (uses) | <u>(1,154,103)</u> | <u>(437,827)</u> | <u>716,276</u> |
| Fund balance appropriated | <u>880,186</u> | <u> </u> | <u>(880,186)</u> |
| Net change in fund balance | <u> 0</u> | <u>(155,492)</u> | <u>(155,492)</u> |
| Fund balance, beginning | | <u>1,088,418</u> | |
| Fund balance, ending | | <u>932,926</u> | |

CITY OF CONOVER, NORTH CAROLINA
Capital Projects Fund – Multi-Jurisdictional Park Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual

From Inception and For the Fiscal Year Ended June 30, 2014

| | Project Authorization | Prior Year | Actual Current Year | Total to Date | Variance Positive (Negative) |
|---------------------------------------|----------------------------------|-----------------------|------------------------------------|--------------------------|---|
| | \$ | \$ | \$ | \$ | \$ |
| Revenues: | | | | | |
| Contributions | 2,529,770 | 2,529,770 | | 2,529,770 | |
| Interest income | <u>100</u> | <u>1,549</u> | <u>1,589</u> | <u>3,138</u> | <u>3,038</u> |
| Total revenues | <u>2,529,870</u> | <u>2,531,319</u> | <u>1,589</u> | <u>2,532,908</u> | <u>3,038</u> |
| Expenditures: | | | | | |
| Bridge construction | 1,114,600 | 18,629 | 335,542 | 354,171 | 760,429 |
| Street construction | 980,230 | 3,035 | 692,748 | 695,783 | 284,447 |
| Engineering | <u>435,040</u> | <u>245,810</u> | <u>85,200</u> | <u>331,010</u> | <u>104,030</u> |
| Total expenditures | <u>2,529,870</u> | <u>267,474</u> | <u>1,113,490</u> | <u>1,380,964</u> | <u>1,148,906</u> |
| Revenues over (under) expenditures | <u>0</u> | <u>2,263,845</u> | (1,111,901) | <u>1,151,944</u> | <u>1,151,944</u> |
| Fund balance, beginning | | | <u>2,263,845</u> | | |
| Fund balance, ending | | | <u>1,151,944</u> | | |

Governmental Activities

Non-Major Funds

Special Revenue Funds

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

Facilities Maintenance Fund – Rental income collected 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.

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.

Manufacturing Solutions Center Fund – This fund is used to provide financing for the construction for the Manufacturing Solutions Center (MSC) of Catawba Valley Community College to be located at Conover Station. This facility will be owned by the City and leased to MSC. Funding provided includes a federal Economic Development Grant (EDA), a federal community development grant (CDBG), a contribution from MSC, and City matching funds.

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.

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
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

| | <u>Special Revenue Fund</u> | <u>Capital Projects Funds</u> | | |
|--|--|---|---------------------------------------|---|
| | Facilities Maintenance Fund | Shelf Project- Transportation Fund | Priority Sidewalk Fund | Solid Waste Capital Reserve Fund |
| | \$ | \$ | \$ | \$ |
| Assets | | | | |
| Cash and cash equivalents | <u>10,108</u> | <u>89,052</u> | <u>13</u> | <u>303,002</u> |
| Total assets | <u><u>10,108</u></u> | <u><u>89,052</u></u> | <u><u>13</u></u> | <u><u>303,002</u></u> |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | _____ | _____ | _____ | _____ |
| Fund balances: | | | | |
| Restricted | | | | |
| Stabilization by State Statute | | 35,518 | | |
| Committed | <u>10,108</u> | <u>53,534</u> | <u>13</u> | <u>303,002</u> |
| Total fund balance | <u>10,108</u> | <u>89,052</u> | <u>13</u> | <u>303,002</u> |
| Total liabilities and fund balance | <u><u>10,108</u></u> | <u><u>89,052</u></u> | <u><u>13</u></u> | <u><u>303,002</u></u> |

| Capital Projects Funds | | | | | |
|---|--|--|---|--|------------------|
| General Capital Project Fund | Broyhill Redevelopment Fund | Manufacturing Solutions Center Fund | Conover Station North Fund | Rock Bridge Drive Bridge Project Fund | Total |
| \$ | \$ | \$ | \$ | \$ | \$ |
| <u>166,548</u> | <u>21,097</u> | <u> </u> | <u>222,885</u> | <u>530,138</u> | <u>1,342,843</u> |
| <u>166,548</u> | <u>21,097</u> | <u> 0</u> | <u>222,885</u> | <u>530,138</u> | <u>1,342,843</u> |
| | | | | | |
| <u>71,506</u> | <u> </u> | <u> </u> | <u>3,800</u> | <u>70,916</u> | <u>146,222</u> |
| | | | | | |
| <u>95,042</u> | <u>4,450</u> | <u> </u> | <u>6,707</u> | <u>459,222</u> | <u>600,939</u> |
| <u> </u> | <u>16,647</u> | <u> </u> | <u>212,378</u> | <u> </u> | <u>595,682</u> |
| <u>95,042</u> | <u>21,097</u> | <u> 0</u> | <u>219,085</u> | <u>459,222</u> | <u>1,196,621</u> |
| | | | | | |
| <u>166,548</u> | <u>21,097</u> | <u> 0</u> | <u>222,885</u> | <u>530,138</u> | <u>1,342,843</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, 2014

| | <u>Special Revenue Fund</u> | <u>Capital Projects Funds</u> | | |
|---|--|---|---|---|
| | Facilities Maintenance Fund \$ | Shelf Project- Transportation Fund \$ | Priority Sidewalk Fund \$ | Solid Waste Capital Reserve Fund \$ |
| Revenues | | | | |
| Restricted intergovernmental | | | | |
| Investment earnings | 5 | | | 300 |
| Miscellaneous | <u>5,250</u> | <u>46</u> | <u>0</u> | <u>0</u> |
| Total revenues | <u>5,255</u> | <u>46</u> | <u>0</u> | <u>300</u> |
| Expenditures: | | | | |
| Transportation | | 21,674 | | |
| Capital outlay | <u>0</u> | <u>21,674</u> | <u>0</u> | <u>0</u> |
| Total expenditures | <u>0</u> | <u>21,674</u> | <u>0</u> | <u>0</u> |
| Revenues over (under) expenditures | <u>5,255</u> | (<u>21,628</u>) | <u>0</u> | <u>300</u> |
| Other financing sources (uses): | | | | |
| Transfer from other funds | | 110,680 | | 260,000 |
| Transfer to other funds | <u>0</u> | <u>0</u> | <u>0</u> | (<u>328,692</u>) |
| Total other financing sources (uses) | <u>0</u> | <u>110,680</u> | <u>0</u> | (<u>68,692</u>) |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) | 5,255 | 89,052 | 0 | (68,392) |
| Fund balance, beginning | <u>4,853</u> | <u>0</u> | <u>13</u> | <u>371,394</u> |
| Fund balance, ending | <u>10,108</u> | <u>89,052</u> | <u>13</u> | <u>303,002</u> |

| Capital Projects Funds | | | | | |
|--|---|---|--|---|---------------------|
| General Capital Project Fund \$ | Broyhill Redevelopment Fund \$ | Manufacturing Solutions Center Fund \$ | Conover Station North Fund \$ | Rock Bridge Drive Bridge Project Fund \$ | Total \$ |
| | 33,377 | | | | 33,377 |
| | | | | | 305 |
| | | | | | 5,296 |
| <u>0</u> | <u>33,377</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>38,978</u> |
| | | | | | 21,674 |
| <u>419,973</u> | <u>12,118</u> | <u>0</u> | <u>44,543</u> | <u>70,990</u> | <u>547,624</u> |
| <u>419,973</u> | <u>12,118</u> | <u>0</u> | <u>44,543</u> | <u>70,990</u> | <u>569,298</u> |
| (<u>419,973</u>) | <u>21,259</u> | <u>0</u> | (<u>44,543</u>) | (<u>70,990</u>) | (<u>530,320</u>) |
| 515,015 | 8,450 | | 263,628 | 530,212 | 1,687,985 |
| <u>515,015</u> | (<u>110,680</u>) | (<u>83,041</u>) | <u>263,628</u> | <u>530,212</u> | (<u>522,413</u>) |
| <u>515,015</u> | (<u>102,230</u>) | (<u>83,041</u>) | <u>263,628</u> | <u>530,212</u> | <u>1,165,572</u> |
| 95,042 | (80,971) | (83,041) | 219,085 | 459,222 | 635,252 |
| <u>0</u> | <u>102,068</u> | <u>83,041</u> | <u>0</u> | <u>0</u> | <u>561,369</u> |
| <u>95,042</u> | <u>21,097</u> | <u>0</u> | <u>219,085</u> | <u>459,222</u> | <u>1,196,621</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, 2014

| | Budget | Actual | Variance |
|---------------------------------------|-----------------|----------------------|------------------------------|
| | \$ | \$ | Positive (Negative) \$ |
| Revenues: | | | |
| Rental income | 3,400 | 5,250 | 1,850 |
| Interest income | <u>10</u> | <u>5</u> | (<u>5</u>) |
| Total revenues | 3,410 | 5,255 | 1,845 |
| Expenditures: | | | |
| Maintenance and repairs - building | <u>3,410</u> | <u> </u> | <u>3,410</u> |
| Revenues over expenditures | <u><u>0</u></u> | 5,255 | <u><u>5,255</u></u> |
| Fund balance, beginning | | <u>4,853</u> | |
| Fund balance, ending | | <u><u>10,108</u></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, 2014

| | Project | | Actual | | Variance |
|---|----------------------|-------------------|----------------|-----------------|-------------------|
| | Authorization | Prior | Current | Total to | Positive |
| | \$ | \$ | \$ | \$ | (Negative) |
| | | | | | \$ |
| Revenues: | | | | | |
| Interest income | 100 | | 46 | 46 | (54) |
| Expenditures: | | | | | |
| Engineering | <u>110,780</u> | <u>0</u> | <u>21,674</u> | <u>21,674</u> | <u>89,106</u> |
| (Deficiency) of revenues (under) expenditures | (110,680) | 0 | (21,628) | (21,628) | 89,052 |
| Other financing sources: | | | | | |
| Transfer from Capital Projects Fund – Broyhill Redevelopment Fund | <u>110,680</u> | <u> </u> | <u>110,680</u> | <u>110,680</u> | <u> </u> |
| Revenues and other financing sources over expenditures | <u>0</u> | <u>0</u> | 89,052 | <u>89,052</u> | <u>89,052</u> |
| Fund balance, beginning | | | <u>0</u> | | |
| Fund balance, ending | | | <u>89,052</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, 2014

| | Budget | Actual | Variance |
|------------------------------------|-----------------|-------------------|-------------------|
| | \$ | \$ | Positive |
| | | | (Negative) |
| | | | \$ |
| Revenues: | | | |
| Contributions | 3,000 | | (3,000) |
| Interest income | <u>5</u> | <u> </u> | <u>(5)</u> |
| Total revenues | 3,005 | 0 | (3,005) |
| Expenditures: | | | |
| Capital outlay/improvement | <u>3,005</u> | <u> </u> | <u>3,005</u> |
| Revenues over (under) expenditures | <u><u>0</u></u> | 0 | <u><u>0</u></u> |
| Fund balance, beginning | | <u>13</u> | |
| Fund balance, ending | | <u><u>13</u></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, 2014

| | Budget | Actual | Variance |
|---|--------------------|-------------------|--------------------|
| | \$ | \$ | Positive |
| | | | (Negative) |
| | | | \$ |
| Revenues: | | | |
| Investment earnings | <u>100</u> | <u>300</u> | <u>200</u> |
| Other financing sources (uses): | | | |
| Transfer from: | | | |
| General Fund | 260,000 | 260,000 | |
| Transfer to: | | | |
| General Fund | (90,338) | (90,338) | |
| Capital Projects Fund – General Capital Reserve Fund | (310,000) | (238,354) | 71,646 |
| Reserved for sanitation/ recycling equipment | (<u>221,943</u>) | <u> </u> | <u>221,943</u> |
| Total other financing sources (uses) | (<u>362,281</u>) | (<u>68,692</u>) | <u>293,589</u> |
| Fund balance appropriated | <u>362,181</u> | <u> </u> | (<u>362,181</u>) |
| Net change in fund balance | <u> 0</u> | (68,392) | (<u>68,392</u>) |
| Fund balance, beginning | | <u>371,394</u> | |
| Fund balance, ending | | <u>303,002</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, 2014

| | Budget | Actual | Variance |
|--|----------------|----------------|-------------------|
| | \$ | \$ | Positive |
| | | | (Negative) |
| | | | \$ |
| Expenditures: | | | |
| Capital outlay | <u>619,459</u> | <u>419,973</u> | <u>199,486</u> |
| Other financing sources: | | | |
| Transfer from: | | | |
| Capital Projects Fund - | | | |
| General Capital Reserve Fund | 214,459 | 192,450 | (22,009) |
| Capital Projects Fund – | | | |
| Solid Waste Capital Reserve Fund | 310,000 | 238,354 | (71,646) |
| General Fund | <u>95,000</u> | <u>84,211</u> | <u>(10,789)</u> |
| Total other financing sources | <u>619,459</u> | <u>515,015</u> | <u>(104,444)</u> |
| Excess of other financing sources over expenditures | <u>0</u> | 95,042 | <u>95,042</u> |
| Fund balance, beginning | | <u>0</u> | |
| Fund balance, ending | | <u>95,042</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, 2014

| | Project Authorization \$ | Prior Year \$ | Actual Current Year \$ | Total to Date \$ | Variance Positive (Negative) \$ |
|--|--------------------------------|-----------------------------|---------------------------------|-----------------------------|--|
| Revenues: | | | | | |
| 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 | 300,367 | 33,377 | 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>3,724,491</u> | <u> 33,377</u> | <u>3,757,868</u> | <u>(72,795)</u> |
| Expenditures: | | | | | |
| Professional services | 591,662 | 598,056 | | 598,056 | (6,394) |
| 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 | 635,858 | 4,000 | 639,858 | 32,932 |
| Street construction | 687,364 | 670,210 | | 670,210 | 17,154 |
| Park construction | 333,744 | 323,446 | 8,118 | 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>5,410,476</u> | <u> 12,118</u> | <u>5,422,594</u> | <u> 105,813</u> |
| Revenues over (under) expenditures | <u>(1,697,744)</u> | <u>(1,685,985)</u> | <u> 21,259</u> | <u>(1,664,726)</u> | <u> 33,018</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, 2014

| | Project Authorization | Prior Year | Actual Current Year | Total to Date | Variance Positive (Negative) |
|---------------------------------|----------------------------------|-----------------------|------------------------------------|--------------------------|---|
| | \$ | \$ | \$ | \$ | \$ |
| Other financing sources | | | | | |
| (uses): | | | | | |
| Sale of capital assets | 80,000 | 68,079 | | 68,079 | (11,921) |
| Transfer from: | | | | | |
| General Fund | 1,109,826 | 1,101,376 | 8,450 | 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>1,788,053</u> | <u>(102,230)</u> | <u>1,685,823</u> | <u>(11,921)</u> |
| Excess (deficiency) of revenues | | | | | |
| and other financing sources | | | | | |
| over (under) expenditures and | | | | | |
| other financing (uses) | <u>0</u> | <u>102,068</u> | <u>(80,971)</u> | <u>21,097</u> | <u>21,097</u> |
| Fund balance, beginning | | | <u>102,068</u> | | |
| Fund balance, ending | | | <u>21,097</u> | | |

CITY OF CONOVER, NORTH CAROLINA
Capital Projects Fund – Manufacturing Solutions Center Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual

From Inception and For the Fiscal Year Ended June 30, 2014

| | Project Authorization | Prior Year | Actual Current Year | Total to Date | Variance Positive (Negative) |
|---|----------------------------------|-----------------------|------------------------------------|--------------------------|---|
| | \$ | \$ | \$ | \$ | \$ |
| Revenues: | | | | | |
| Restricted | | | | | |
| intergovernmental: | | | | | |
| EDA Federal Grant | 1,500,000 | 1,500,000 | | 1,500,000 | |
| CDBG | 1,000,000 | 1,000,000 | | 1,000,000 | |
| Contributions | <u>513,524</u> | <u>513,524</u> | — | <u>513,524</u> | — |
| Total revenues | 3,013,524 | 3,013,524 | 0 | 3,013,524 | 0 |
| Expenditures: | | | | | |
| Capital outlay | <u>2,968,483</u> | <u>2,968,483</u> | — | <u>2,968,483</u> | — |
| Revenues over expenditures | <u>45,041</u> | <u>45,041</u> | 0 | <u>45,041</u> | 0 |
| Other financing sources (uses): | | | | | |
| Transfer from: | | | | | |
| Special Revenue Fund – Economic Development Loan Fund | 38,000 | 38,000 | | 38,000 | |
| Transfer to: | | | | | |
| Capital Projects Fund – Conover Station North Fund | (83,041) | — | (83,041) | (83,041) | — |
| Total other financing sources (uses) | <u>(45,041)</u> | <u>38,000</u> | <u>(83,041)</u> | <u>(45,041)</u> | <u>0</u> |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) | <u>0</u> | <u>83,041</u> | <u>(83,041)</u> | <u>0</u> | <u>0</u> |
| Fund balance, beginning | | | <u>83,041</u> | | |
| Fund balance, ending | | | <u>0</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, 2014

| | Project | Actual | | | Variance |
|---|----------------------|---------------|----------------|-----------------|-----------------|
| | Authorization | Prior | Current | Total to | Positive |
| | \$ | \$ | \$ | \$ | (Negative) |
| | | | | | \$ |
| Expenditures: | | | | | |
| Engineering/Street | 13,600 | | 250 | 250 | 13,350 |
| Street improvements | 9,600 | | | | 9,600 |
| Erosion control | 18,100 | | | | 18,100 |
| Sidewalk improvements | 52,828 | | | | 52,828 |
| Engineering | 49,500 | | 44,293 | 44,293 | 5,207 |
| Professional services | 8,500 | | | | 8,500 |
| Water construction | 75,400 | | | | 75,400 |
| Sewer construction | 36,100 | | | | 36,100 |
| Total expenditures | <u>263,628</u> | <u>0</u> | <u>44,543</u> | <u>44,543</u> | <u>219,085</u> |
| Other financing sources: | | | | | |
| 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>0</u> | <u>263,628</u> | <u>263,628</u> | <u>0</u> |
| Excess of other financing sources over expenditures | <u>0</u> | <u>0</u> | 219,085 | <u>219,085</u> | <u>219,085</u> |
| Fund balance, beginning | | | <u>0</u> | | |
| Fund balance, ending | | | <u>219,085</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, 2014

| | Project Authorization | Prior Year | Actual Current Year | Total to Date | Variance Positive (Negative) |
|--|----------------------------------|-----------------------|------------------------------------|--------------------------|---|
| | \$ | \$ | \$ | \$ | \$ |
| Revenues: | | | | | |
| Restricted | | | | | |
| intergovernmental - FEMA | 836,138 | | | | (836,138) |
| Contributions | <u>80,000</u> | | | | <u>(80,000)</u> |
| Total revenues | 916,138 | <u>0</u> | <u>0</u> | <u>0</u> | <u>(916,138)</u> |
| Expenditures: | | | | | |
| Bridge construction | <u>1,446,350</u> | <u>0</u> | <u>70,990</u> | <u>70,990</u> | <u>1,375,360</u> |
| Revenues (under) expenditures | <u>(530,212)</u> | <u>0</u> | <u>(70,990)</u> | <u>(70,990)</u> | <u>459,222</u> |
| Other financing sources: | | | | | |
| 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>0</u> | <u>530,212</u> | <u>530,212</u> | <u>0</u> |
| Excess of revenues and other financing sources over expenditures | <u>0</u> | <u>0</u> | 459,222 | <u>459,222</u> | <u>459,222</u> |
| Fund balance, beginning | | | <u>0</u> | | |
| Fund balance, ending | | | <u>459,222</u> | | |

Business-Type Activities

Enterprise Funds

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

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

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

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

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.

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

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.

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, 2014

| | Budget | Actual | Variance |
|-----------------------------|------------------|-------------------|------------------------------|
| | \$ | \$ | Positive (Negative) \$ |
| Revenues: | | | |
| Operating revenues: | | | |
| Charges for services: | | | |
| Water sales | 2,065,683 | 1,980,534 | (85,149) |
| Sewer charges | 1,815,415 | 1,827,222 | 11,807 |
| Fire protection charges | 34,000 | 34,415 | 415 |
| Water connection fees | 9,000 | 14,180 | 5,180 |
| Sewer tap fees | 2,000 | 6,180 | 4,180 |
| Delinquent charges | 48,000 | 64,831 | 16,831 |
| Miscellaneous | 500 | 480 | (20) |
| Revenue SE Catawba County | <u>18,500</u> | <u>18,053</u> | <u>(447)</u> |
| Total operating revenues | <u>3,993,098</u> | <u>3,945,895</u> | <u>(47,203)</u> |
| Nonoperating revenues: | | | |
| Investment earnings | 3,300 | 3,333 | 33 |
| Sale of fixed assets | <u>1,000</u> | <u> </u> | <u>(1,000)</u> |
| Total nonoperating revenues | <u>4,300</u> | <u>3,333</u> | <u>(967)</u> |
| Total revenues | <u>3,997,398</u> | <u>3,949,228</u> | <u>(48,170)</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, 2014

| | Budget | Actual | Variance |
|---|------------------|------------------|------------------------------|
| | \$ | \$ | Positive (Negative) \$ |
| Expenditures: | | | |
| Operating expenditures: | | | |
| Purchases for resale | 716,604 | 643,408 | 73,196 |
| Salaries and wages | 1,055,980 | 1,075,863 | (19,883) |
| Professional services | 17,675 | 13,803 | 3,872 |
| Telephone alarm system | 1,000 | 149 | 851 |
| Telephone | 7,000 | 6,561 | 439 |
| Utilities | 102,400 | 96,286 | 6,114 |
| Travel and training | 9,390 | 2,325 | 7,065 |
| Maintenance and repairs - equipment and lines | 348,500 | 258,474 | 90,026 |
| Maintenance and repairs - vehicles | 19,653 | 25,441 | (5,788) |
| Maintenance and repairs - building and grounds | 3,500 | 5,825 | (2,325) |
| Automotive supplies | 74,520 | 63,206 | 11,314 |
| Departmental supplies | 161,481 | 141,610 | 19,871 |
| Contracted services | 428,497 | 383,367 | 45,130 |
| Miscellaneous | 2,350 | 2,132 | 218 |
| Payroll taxes | 89,173 | 83,019 | 6,154 |
| Retirement expense | 127,305 | 126,028 | 1,277 |
| Group insurance | 155,696 | 154,288 | 1,408 |
| Uniforms | 10,700 | 9,588 | 1,112 |
| Advertising | 5,200 | 1,926 | 3,274 |
| Dues and subscriptions | 4,960 | 3,524 | 1,436 |
| Insurance and bonds | 40,800 | 43,969 | (3,169) |
| Total operating expenditures | <u>3,382,384</u> | <u>3,140,792</u> | <u>241,592</u> |
| Debt service: | | | |
| Interest and service charges | 44,007 | 42,007 | 2,000 |
| Debt principal | 298,462 | 243,341 | 55,121 |
| Total debt service | <u>342,469</u> | <u>285,348</u> | <u>57,121</u> |
| Capital outlay: | | | |
| Equipment | 30,550 | 16,445 | 14,105 |
| Total expenditures | <u>3,755,403</u> | <u>3,442,585</u> | <u>312,818</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, 2014

| | Budget | Actual | Variance |
|--|----------------|----------------|-------------------|
| | \$ | \$ | Positive |
| | | | (Negative) |
| | | | \$ |
| Revenues over expenditures | <u>241,995</u> | <u>506,643</u> | <u>264,648</u> |
| Other financing sources (uses): | | | |
| Transfer from: | | | |
| Water and Sewer | | | |
| Improvement Fund | 55,533 | 36,850 | (18,683) |
| Transfer to: | | | |
| Enterprise Fund – Water and | | | |
| Sewer Capital Project Fund | (40,000) | (40,000) | |
| Enterprise Fund –Water and | | | |
| Sewer Capital Reserve Fund | (474,794) | (474,794) | |
| Capital Projects Fund – Rock | | | |
| Bridge Drive Bridge Project Fund | (60,464) | (60,464) | |
| Capital Projects Fund - Conover | | | |
| Station North Fund | (180,587) | (180,587) | _____ |
| Total other financing | | | |
| sources (uses) | (700,312) | (718,995) | (18,683) |
| Retained earnings appropriated | <u>458,317</u> | _____ | (458,317) |
| (Deficiency) of revenues and other | | | |
| financing sources (under) expenditures | | | |
| and other financing uses | <u>0</u> | (212,352) | (212,352) |

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, 2014

| | Budget | Actual | Variance |
|--|---------------|------------------|------------------------------|
| | \$ | \$ | Positive (Negative) \$ |
| Reconciliation from budgetary basis (modified accrual) to full accrual: | | | |
| (Deficiency) of revenues and other financing sources (under) expenditures and other financing uses | | (212,352) | |
| Reconciling items: | | | |
| Principal retirement | | 243,341 | |
| Capital outlay | | 16,445 | |
| Depreciation | | (842,814) | |
| Income from Water and Sewer Capital Project Grants and Other Income | | 1,893,480 | |
| Decrease (increase) in accrued vacation pay | | (2,780) | |
| Decrease (increase) in interest payable | | 2,408 | |
| Transfer to: | | | |
| Enterprise Fund - Water and Sewer Capital Reserve Fund | | 474,794 | |
| Enterprise Fund – Capital Project Fund | | 40,000 | |
| Transfer from: | | | |
| Enterprise Fund - Water and Sewer Improvement Fund | | (36,850) | |
| Total reconciling items | | <u>1,788,024</u> | |
| Change in net position | | <u>1,575,672</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, 2014

| | Budget | Actual | Variance |
|--|----------------|-------------------|------------------------------|
| | \$ | \$ | Positive (Negative) \$ |
| Expenditures: | | | |
| Engineering | 252,640 | 55,204 | 197,436 |
| Legal | 5,000 | | 5,000 |
| Infrastructure | 35,000 | | 35,000 |
| ROW acquisitions | 5,000 | 3,638 | 1,362 |
| Contracted construction | 202,500 | 323,581 | (121,081) |
| Capital outlay – improvements | 63,988 | 62,993 | 995 |
| Capital outlay – equipment | <u>175,000</u> | <u>86,453</u> | <u>88,547</u> |
| Total expenditures | <u>739,128</u> | <u>531,869</u> | <u>207,259</u> |
| Other financing sources: | | | |
| Loan proceeds – Catawba County | | 237,645 | 237,645 |
| Transfer from: | | | |
| Water and Sewer Fund | 40,000 | 40,000 | |
| Water and Sewer | | | |
| Capital Reserve Fund | <u>666,738</u> | <u>301,021</u> | <u>(365,717)</u> |
| Total other financing sources | <u>706,738</u> | <u>578,666</u> | <u>(128,072)</u> |
| Fund balance appropriated | <u>32,390</u> | <u> </u> | <u>(32,390)</u> |
| Expenditures over other financing sources | <u>0</u> | <u>46,797</u> | <u>46,797</u> |

CITY OF CONOVER, NORTH CAROLINA
Water and Sewer Capital Reserve Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
 For the Fiscal Year Ended June 30, 2014

| | Budget | Actual | Variance |
|--|----------------------|---------------------------------|-------------------------|
| | \$ | \$ | Positive |
| | | | (Negative) |
| | | | \$ |
| Revenues: | | | |
| Investment earnings | 1,000 | 1,000 | |
| System development fees | <u>10,000</u> | <u>52,095</u> | <u>42,095</u> |
| Total revenues | <u>11,000</u> | <u>53,095</u> | <u>42,095</u> |
| Other financing sources (uses): | | | |
| Transfer from: | | | |
| Water and Sewer Fund | 474,794 | 474,794 | |
| Transfer to: | | | |
| Water and Sewer | | | |
| Capital Projects Fund – | | | |
| NE WWTP Expansion Fund | (115,000) | (115,000) | |
| Water and Sewer Capital | | | |
| Project Fund | (666,738) | (301,021) | 365,717 |
| Reserve for other water and | | | |
| sewer projects | (<u>1,013,584</u>) | <u> </u> | <u>1,013,584</u> |
| Total other financing | | | |
| sources (uses) | (<u>1,320,528</u>) | <u>58,773</u> | <u>1,379,301</u> |
| Fund balance appropriated | <u>1,309,528</u> | <u> </u> | <u>(1,309,528)</u> |
| Revenues and other financing sources | | | |
| over other financing uses | <u>0</u> | <u>111,868</u> | <u>111,868</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, 2014

| | Project | Actual | | Total to | Variance |
|---------------------------------|----------------------|---------------|----------------|-----------------|-----------------|
| | Authorization | Prior | Current | Date | Positive |
| | \$ | \$ | \$ | \$ | (Negative) |
| | | | | | \$ |
| Expenditures: | | | | | |
| Administration | 10,000 | | 10,000 | 10,000 | |
| Construction | 358,557 | | 326,935 | 326,935 | 31,622 |
| Engineering | 30,000 | 6,347 | 11,240 | 17,587 | 12,413 |
| Fees | <u>7,550</u> | | <u>7,550</u> | <u>7,550</u> | |
| Total expenditures | <u>406,107</u> | <u>6,347</u> | <u>355,725</u> | <u>362,072</u> | <u>44,035</u> |
| Other financing sources: | | | | | |
| Loan proceeds – | | | | | |
| US EPA | 377,500 | | 374,843 | 374,843 | (2,657) |
| 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> | <u>0</u> |
| Total other | | | | | |
| financing sources | <u>406,107</u> | <u>7,550</u> | <u>395,900</u> | <u>403,450</u> | <u>(2,657)</u> |
| Excess other financing | | | | | |
| sources over expenditures | <u>0</u> | <u>1,203</u> | <u>40,175</u> | <u>41,378</u> | <u>41,378</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, 2014

| | Project Authorization | Prior Year | Actual Current Year | Total to Date | Variance Positive (Negative) |
|--|----------------------------------|-----------------------|------------------------------------|--------------------------|---|
| | \$ | \$ | \$ | \$ | \$ |
| Expenditures: | | | | | |
| Engineering | 83,000 | 22,764 | 27,194 | 49,958 | 33,042 |
| Fees | 14,499 | 14,499 | | 14,499 | |
| Administration | 20,000 | 8,591 | 11,409 | 20,000 | |
| Construction | <u>621,928</u> | <u>160,382</u> | <u>481,249</u> | <u>641,631</u> | (<u>19,703</u>) |
| Total expenditures | <u>739,427</u> | <u>206,236</u> | <u>519,852</u> | <u>726,088</u> | <u>13,339</u> |
| Other financing sources: | | | | | |
| Loan proceeds – US EPA | 724,928 | 245,424 | 479,504 | 724,928 | |
| Transfer from: | | | | | |
| Water and Sewer Fund | <u>14,499</u> | <u>14,499</u> | | <u>14,499</u> | <u>0</u> |
| Total other financing sources | <u>739,427</u> | <u>259,923</u> | <u>479,504</u> | <u>739,427</u> | <u>0</u> |
| Excess (deficiency) of other financing sources over (under) expenditures | <u>0</u> | <u>53,687</u> | (<u>40,348</u>) | <u>13,339</u> | <u>13,339</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, 2014

| | Project Authorization \$ | Prior Year \$ | Actual Current Year \$ | Total to Date \$ | Variance Positive (Negative) \$ |
|--|--------------------------------|---------------------|---------------------------------|------------------------|--|
| Expenditures: | | | | | |
| Engineering | <u>100,000</u> | <u>73,802</u> | <u>0</u> | <u>73,802</u> | <u>26,198</u> |
| Other financing sources: | | | | | |
| 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, 2014

| | Budget | Actual | Variance |
|--|--------------------|-------------------|-------------------|
| | \$ | \$ | Positive |
| | | | (Negative) |
| | | | \$ |
| Revenues: | | | |
| Investment earnings | 1,000 | 512 | (488) |
| Capacity excess | <u>12,000</u> | <u>2,490</u> | <u>(9,510)</u> |
| Total revenues | <u>13,000</u> | <u>3,002</u> | <u>(9,998)</u> |
| Expenditures: | | | |
| Engineering | 96,214 | 22,232 | 73,982 |
| Administrative and legal | 10,000 | | 10,000 |
| Contracted construction | 75,000 | | 75,000 |
| Acquisition of ROW | 5,000 | | 5,000 |
| Capital outlay - improvement | 25,000 | | 25,000 |
| Capital outlay - equipment | <u>283,268</u> | <u>185,673</u> | <u>97,595</u> |
| Total expenditures | <u>494,482</u> | <u>207,905</u> | <u>286,577</u> |
| Revenues over (under) expenditures | <u>(481,482)</u> | <u>(204,903)</u> | <u>276,579</u> |
| Other financing (uses): | | | |
| Transfer to: | | | |
| Water and Sewer Fund | (55,533) | (36,850) | 18,683 |
| Water and Sewer Capital Project Fund – HWY 16 North Area | | | |
| Water Quality Fund | <u>(21,057)</u> | <u>(21,057)</u> | <u> </u> |
| Total other financing (uses) | <u>(76,590)</u> | <u>(57,907)</u> | <u>18,683</u> |
| Fund balance appropriated | <u>558,072</u> | <u> </u> | <u>(558,072)</u> |
| Revenues over (under) expenditures and other financing (uses) | <u> 0</u> | <u>(262,810)</u> | <u>(262,810)</u> |

CITY OF CONOVER, NORTH CAROLINA
NE WWTP Expansion Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
 From Inception and For the Fiscal Year Ended June 30, 2014

| | Project Authorization | Prior Year | Actual Current Year | Total to Date | Variance Positive (Negative) |
|--|----------------------------------|-----------------------|------------------------------------|--------------------------|---|
| | \$ | \$ | \$ | \$ | \$ |
| Expenditures: | | | | | |
| Engineering | 115,000 | | 2,889 | 2,889 | 112,111 |
| Other financing sources: | | | | | |
| Transfer from: | | | | | |
| Water and Sewer Fund | <u>115,000</u> | _____ | <u>115,000</u> | <u>115,000</u> | _____ |
| Excess of other financing sources over expenditures | <u>0</u> | <u>0</u> | <u>112,111</u> | <u>112,111</u> | <u>112,111</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, 2014

| | Project | Actual | | | Variance |
|--|----------------------|---------------|----------------|-----------------|--------------------|
| | Authorization | Prior | Current | Total to | Positive |
| | \$ | \$ | \$ | \$ | (Negative) |
| | | | | | \$ |
| Expenditures: | | | | | |
| Engineering | 239,450 | | 18,042 | 18,042 | 221,408 |
| Closing fee | 38,218 | | | | 38,218 |
| Administration | 50,000 | | | | 50,000 |
| ROW Acquisitions | 17,000 | | | | 17,000 |
| Construction | <u>1,222,270</u> | | | | <u>1,222,270</u> |
| Total expenditures | 1,566,938 | 0 | 18,042 | 18,042 | 1,548,896 |
| Other financing sources: | | | | | |
| Loan proceeds – US EPA | <u>1,566,938</u> | | <u>13,836</u> | <u>13,836</u> | <u>(1,553,102)</u> |
| (Deficiency) of expenditures (under) other financing sources | <u>0</u> | <u>0</u> | <u>(4,206)</u> | <u>(4,206)</u> | <u>(4,206)</u> |

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.

Fiduciary Type Fund

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, 2014

| | Budget | Actual | Variance |
|--|----------------------|-----------------------|------------------------------|
| | \$ | \$ | Positive (Negative) \$ |
| Operating revenues: | | | |
| Contribution from employer | 731,048 | 711,857 | (19,191) |
| Contribution from employees | 161,501 | 159,623 | (1,878) |
| Contribution from retirees | 16,807 | 16,807 | |
| Re-insurance | 20,000 | 8,095 | (11,905) |
| Other operating revenues | <u>15,700</u> | <u>5,840</u> | <u>(9,860)</u> |
| Total revenues | 945,056 | 902,222 | (42,834) |
| Fund balance appropriated | <u>75,000</u> | <u> </u> | <u>(75,000)</u> |
| Total budget | <u>1,020,056</u> | <u>902,222</u> | <u>(117,834)</u> |
| Operating expenditures - group insurance: | | | |
| Employee claim expenses | 624,066 | 614,886 | 9,180 |
| Voluntary charges | 31,270 | 35,851 | (4,581) |
| Life insurance | 5,000 | 4,822 | 178 |
| Non-employee Cobra | 14,200 | 1,121 | 13,079 |
| Administration expenses | 37,248 | 37,708 | (460) |
| Stop loss expense | 288,822 | 301,765 | (12,943) |
| Wellness program | <u>19,500</u> | <u>6,065</u> | <u>13,435</u> |
| Total operating expenditures | <u>1,020,106</u> | <u>1,002,218</u> | <u>17,888</u> |
| Revenues (under) expenditures | (50) | (99,996) | (99,946) |
| Nonoperating revenues: | | | |
| Investment earnings | <u>50</u> | <u> </u> | <u>(50)</u> |
| Net income (loss) | <u>0</u> | <u>(99,996)</u> | <u>(99,996)</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, 2014

| | Budget | Actual | Variance |
|------------------------------------|----------------------|----------------------|--------------------------|
| | \$ | \$ | Positive |
| | | | (Negative) |
| | | | \$ |
| Revenues: | | | |
| Contributions | 30,000 | 30,000 | |
| Investment earnings | <u>100</u> | <u>56</u> | (44) |
| Total revenues | 30,100 | 30,056 | (44) |
| Fund balance appropriated | <u>54,180</u> | _____ | (54,180) |
| Total budget | <u>84,280</u> | <u>30,056</u> | (54,224) |
| Expenditures: | | | |
| Salaries and wages | 55,000 | 54,100 | 900 |
| Employee benefits | <u>4,208</u> | <u>4,138</u> | <u>70</u> |
| Total expenditures | <u>59,208</u> | <u>58,238</u> | <u>970</u> |
| Revenues over (under) expenditures | <u><u>25,072</u></u> | (28,182) | (<u><u>53,254</u></u>) |
| Fund balance, beginning | | <u>85,912</u> | |
| Fund balance, ending | | <u><u>57,730</u></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, 2014

| Function | Land and Improvements \$ | Building and Improvements \$ |
|--------------------------|---|---|
| General Government | 2,687,059 | 9,663,241 |
| Public Safety | 233,765 | 4,462,269 |
| Transportation | | 33,168 |
| Environmental Protection | | |
| Parks and Cemeteries | <u>47,699</u> | <u>195,159</u> |
| Total | <u>2,968,523</u> | <u>14,353,837</u> |

| Equipment | Vehicles | Infrastructure | Construction in Progress | Total |
|------------------|------------------|-----------------------|-------------------------------------|-------------------|
| \$ | \$ | \$ | \$ | \$ |
| 441,170 | 179,276 | 51,447 | | 13,022,193 |
| 860,155 | 3,190,391 | | 67,700 | 8,814,280 |
| 791,461 | 725,279 | 17,747,268 | 1,696,222 | 20,993,398 |
| 245,382 | 1,462,195 | | | 1,707,577 |
| <u>587,358</u> | <u>53,687</u> | <u>38,170</u> | <u> </u> | <u>922,073</u> |
| <u>2,925,526</u> | <u>5,610,828</u> | <u>17,836,885</u> | <u>1,763,922</u> | <u>45,459,521</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, 2014

| | Balances | | Net | | Balances |
|---|---------------------|------------------|-----------------------------|-----------------------------|----------------------|
| | July 1, 2013 | Additions | Transfers | Retirements | June 30, 2014 |
| | \$ | \$ | \$ | \$ | \$ |
| By asset type: | | | | | |
| Land and improvements | 2,934,263 | 34,260 | | | 2,968,523 |
| Buildings and improvements | 8,687,865 | | 5,665,972 | | 14,353,837 |
| Equipment and vehicles | 7,736,744 | 634,932 | 348,555 | 183,877 | 8,536,354 |
| Infrastructure | 16,693,714 | | 1,143,171 | | 17,836,885 |
| Construction in process | <u>7,999,880</u> | <u>1,471,019</u> | <u>(7,706,977)</u> | <u> </u> | <u>1,763,922</u> |
| Total | <u>44,052,466</u> | <u>2,140,211</u> | <u>(549,279)</u> | <u>183,877</u> | <u>45,459,521</u> |
| By asset function: | | | | | |
| General government | 14,967,060 | 230,740 | (1,194,257) | 59,277 | 13,944,266 |
| Public safety | 8,791,424 | 152,484 | (48,740) | 80,888 | 8,814,280 |
| Transportation | 18,819,563 | 1,518,633 | 693,718 | 38,516 | 20,993,398 |
| Environmental protection | <u>1,474,419</u> | <u>238,354</u> | <u> </u> | <u>5,196</u> | <u>1,707,577</u> |
| Total | <u>44,052,466</u> | <u>2,140,211</u> | <u>(549,279)</u> | <u>183,877</u> | <u>45,459,521</u> |
| By funding source: | | | | | |
| Asset purchases prior to 1998-1999 from undetermined sources | | | | | 11,220,878 |
| Contribution - Enterprise Fund | | | | | 77,296 |
| General Fund | | | | | 5,460,720 |
| General Fund – Federal Grant | | | | | 81,067 |
| Contributions | | | | | 6,223,223 |
| Capital Projects Fund: | | | | | |
| Federal grant | | | | | 5,829,516 |
| State contribution | | | | | 1,567,800 |
| Local contribution | | | | | 13,877,981 |
| Special Revenue Fund: | | | | | |
| Federal grant | | | | | 865,362 |
| Local contribution | | | | | 230,678 |
| State contribution | | | | | <u>25,000</u> |
| Total | | | | | <u>45,459,521</u> |

Other Schedules

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

* **Schedule of Ad Valorem Taxes Receivable**

* **Analysis of Current Tax Levy**

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CITY OF CONOVER, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
 June 30, 2014

| Fiscal Year | Uncollected Balance June 30, 2013 \$ | Additions \$ | Collections \$ | Discoveries Abatements Adjustments \$ | Uncollected Balance June 30, 2014 \$ |
|--|---|----------------------|----------------------|--|---|
| 2013 - 2014 | | 4,362,745 | 4,227,662 | (20,822) | 114,261 |
| 2012 - 2013 | 238,038 | 474 | 55,655 | (2,899) | 179,958 |
| 2011 - 2012 | 59,645 | 167 | 17,208 | (633) | 41,971 |
| 2010 - 2011 | 31,105 | 102 | 5,222 | (510) | 25,475 |
| 2009 - 2010 | 19,074 | 119 | 2,667 | (451) | 16,075 |
| 2008 - 2009 | 27,227 | 131 | 858 | (310) | 26,190 |
| 2007 - 2008 | 18,761 | | 883 | (503) | 17,375 |
| 2006 - 2007 | 12,274 | | 572 | (372) | 11,330 |
| 2005 - 2006 | 12,318 | | 856 | (380) | 11,082 |
| 2004 - 2005 | 10,720 | | 197 | (360) | 10,163 |
| 2003 - 2004 | 9,857 | | 178 | (134) | 9,545 |
| 2002 - 2003 | 7,958 | | 798 | | 7,160 |
| 2001 - 2002 | 15,888 | | 420 | | 15,468 |
| 2000 - 2001 | 16,631 | | | (9) | 16,622 |
| 1999 - 2000 | 91,478 | | 32 | | 91,446 |
| 1998 - 1999 | 5,956 | | | | 5,956 |
| 1994 - 1998 | <u>4,143</u> | | | | <u>4,143</u> |
| Total | <u>581,073</u> | <u>4,363,738</u> | <u>4,313,208</u> | <u>(27,383)</u> | 604,220 |
| Less, allowance for uncollectible ad valorem taxes receivable | | | | | <u>82,986</u> |
| Ad valorem taxes receivable - net | | | | | <u>521,234</u> |
| Reconciliation with revenues: | | | | | |
| Taxes - ad valorem - General Fund - current year | | | | | 4,227,662 |
| Taxes - ad valorem - General Fund - prior years | | | | | <u>85,546</u> |
| Total | | | | | <u>4,313,208</u> |

CITY OF CONOVER, NORTH CAROLINA
Analysis of Current Tax Levy
 For the Fiscal Year Ended June 30, 2014

| | City Wide | | Total Levy | | |
|---|-----------------------|------|-------------------|--|---------------------------------|
| | Property Valuation | Rate | Total Levy | Property excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original Levy: | | | | | |
| Property tax at current year's rate | 1,090,686,238 | .40 | 4,362,745 | 3,998,742 | 364,003 |
| Penalties | | | 0 | | |
| Total property valuation | <u>1,090,686,238</u> | | 4,362,745 | 3,998,742 | 364,003 |
| Releases, refunds, additions and adjustments | | | (20,822) | (17,927) | (2,895) |
| Net levy | | | 4,341,923 | 3,980,815 | 361,108 |
| Uncollected taxes at June 30, 2014 | | | (114,261) | (91,743) | (22,518) |
| Current year's taxes collected | | | <u>4,227,662</u> | <u>3,889,072</u> | <u>338,590</u> |
| Current levy collection percentage | | | <u>97.37%</u> | <u>97.70%</u> | <u>93.76%</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)

| | 2004-2005 | 2005-2006 | 2006-2007 | 2007-2008 | 2008-2009 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Governmental activities | | | | | |
| Net investment in capital assets | \$ 18,060,414 | \$ 18,504,594 | \$ 19,976,920 | \$ 20,438,607 | \$ 21,010,383 |
| Restricted | 671,533 | 604,303 | 594,105 | 2,002,090 | 467,851 |
| Unrestricted | <u>6,080,373</u> | <u>6,593,862</u> | <u>6,757,210</u> | <u>5,399,795</u> | <u>6,432,132</u> |
| Total governmental activities net assets | <u>\$ 24,812,320</u> | <u>\$ 25,702,759</u> | <u>\$ 27,328,235</u> | <u>\$ 27,840,492</u> | <u>\$ 27,910,366</u> |
| Business-type activities | | | | | |
| Net investment in capital assets | \$ 22,939,947 | \$ 23,791,330 | \$ 23,985,848 | \$ 23,966,825 | \$ 23,959,616 |
| Restricted | - | - | - | - | - |
| Unrestricted | <u>3,336,276</u> | <u>3,206,626</u> | <u>3,555,061</u> | <u>3,753,843</u> | <u>\$ 4,158,520</u> |
| Total business-type activities net assets | <u>\$ 26,276,223</u> | <u>\$ 26,997,956</u> | <u>\$ 27,540,909</u> | <u>\$ 27,720,668</u> | <u>\$ 28,118,136</u> |
| Primary government | | | | | |
| Net investment in capital assets | \$ 41,000,361 | \$ 42,295,924 | \$ 43,962,768 | \$ 44,405,432 | \$ 44,969,999 |
| Restricted | 671,533 | 604,303 | 594,105 | 2,002,090 | 467,851 |
| Unrestricted | <u>9,416,649</u> | <u>9,800,488</u> | <u>10,312,271</u> | <u>9,153,638</u> | <u>10,590,652</u> |
| Total Net Position | <u>\$ 51,088,543</u> | <u>\$ 52,700,715</u> | <u>\$ 54,869,144</u> | <u>\$ 55,561,160</u> | <u>\$ 56,028,502</u> |

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

(accrual basis of accounting)
(unaudited)

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

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)

| | 2004-2005 | 2005-2006 | 2006-2007 | 2007-2008 | 2008-2009 |
|---|----------------|----------------|----------------|----------------|----------------|
| Expenses | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 2,043,389 | \$ 2,038,820 | \$ 2,251,689 | \$ 2,572,435 | \$ 2,639,999 |
| Public safety | 2,621,435 | 2,932,732 | 2,937,022 | 3,091,026 | 3,148,090 |
| Transportation | 1,047,069 | 1,157,668 | 1,242,673 | 1,302,220 | 1,345,684 |
| Environmental protection | 574,888 | 659,435 | 663,036 | 712,904 | 779,788 |
| Economic and physical development | 29,000 | - | - | - | 214,070 |
| Interest on long-term debt | 33,983 | 54,541 | 117,712 | 164,105 | 98,114 |
| Total governmental activities expenses | 6,349,764 | 6,843,196 | 7,212,132 | 7,842,690 | 8,225,745 |
| Business-type activities: | | | | | |
| Water and sewer | 2,950,918 | 3,104,288 | 3,034,994 | 3,104,680 | 3,008,075 |
| Total primary government expenses | \$ 9,300,682 | \$ 9,947,484 | \$ 10,247,126 | \$ 10,947,370 | \$ 11,233,820 |
| Program Revenues | | | | | |
| Governmental activities: | | | | | |
| Charges for services: | | | | | |
| General government | \$ 136,327 | \$ 151,306 | \$ 77,448 | \$ 77,464 | \$ 82,364 |
| Public safety | 10,654 | 9,012 | 18,204 | 12,716 | 7,228 |
| Transportation | - | - | - | - | - |
| Environmental protection | 89,747 | 91,815 | 93,684 | 95,446 | 145,409 |
| Economic and physical development | - | - | - | - | - |
| Operating grants and contributions | 280,669 | 364,510 | 542,421 | 408,867 | 496,424 |
| Capital grants and contributions | 74,982 | - | 48,414 | 25,288 | 339,308 |
| Total governmental activities program revenues | \$ 592,379 | \$ 616,643 | \$ 780,171 | \$ 619,781 | \$ 1,070,733 |
| Business-type activities: | | | | | |
| Charges for services: | | | | | |
| Water and sewer | \$ 3,067,461 | \$ 3,242,949 | \$ 3,222,901 | \$ 3,250,963 | \$ 3,279,325 |
| Operating grants and contributions | - | - | - | - | - |
| Capital grants and contributions | 258,626 | 795,284 | 535,742 | 197,408 | 249,959 |
| Total business-type activities program revenues | 3,326,087 | 4,038,233 | 3,758,643 | 3,448,371 | 3,529,284 |
| Total primary government program revenues | \$ 3,918,466 | \$ 4,654,876 | \$ 4,538,814 | \$ 4,068,152 | \$ 4,600,017 |
| Net (Expense)/Revenue | | | | | |
| Governmental activities | \$ (5,757,385) | \$ (6,226,553) | \$ (6,431,961) | \$ (7,222,909) | \$ (7,155,012) |
| Business-type activities | 375,169 | 933,945 | 723,649 | 343,691 | 521,209 |
| Total primary government net expense | \$ (5,382,216) | \$ (5,292,608) | \$ (5,708,312) | \$ (6,879,218) | \$ (6,633,803) |

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

| | 2004-2005 | 2005-2006 | 2006-2007 | 2007-2008 | 2008-2009 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| General Revenues and Other Changes in Net Assets | | | | | |
| Governmental activities: | | | | | |
| Ad valorem taxes | \$ 3,717,753 | \$ 3,664,119 | \$ 3,968,494 | \$ 4,176,309 | \$ 4,280,312 |
| Other taxes and licenses | 1,434,293 | 1,589,650 | 1,769,423 | 1,860,590 | 1,616,438 |
| Unrestricted grants and contributions | 913,390 | 902,522 | 925,224 | 984,142 | 970,204 |
| Miscellaneous | 240,431 | 444,380 | 773,557 | 181,020 | 33,268 |
| Gain (loss) on sale of fixed assets | - | 21,000 | 51,687 | 6,196 | 31,156 |
| Transfers | 226,871 | 262,500 | 266,832 | 246,286 | 172,454 |
| Capital assets contributed to enterprise fund | - | - | - | - | - |
| Interest earned on investments | 102,697 | 232,821 | 302,220 | 280,623 | 121,054 |
| Total governmental activities | \$ 6,635,435 | \$ 7,116,992 | \$ 8,057,437 | \$ 7,735,166 | \$ 7,224,886 |
| Business-type activities: | | | | | |
| Miscellaneous | - | - | - | - | - |
| Gain (loss) on sale of fixed assets | - | - | (775) | - | - |
| Transfers | (226,871) | (262,500) | (266,832) | (246,286) | (172,454) |
| Interest earned on investments | 24,087 | 50,288 | 86,911 | 82,354 | 48,713 |
| Total business-type activities | (202,784) | (212,212) | (180,696) | (163,932) | (123,741) |
| Total primary government | \$ 6,432,651 | \$ 6,904,780 | \$ 7,876,741 | \$ 7,571,234 | \$ 7,101,145 |
| Changes in Net Assets | | | | | |
| Governmental activities | \$ 878,050 | \$ 890,439 | \$ 1,625,476 | \$ 512,257 | \$ 69,874 |
| Business-type activities | 172,385 | 721,733 | 542,953 | 179,759 | 397,468 |
| Total primary government | \$ 1,050,435 | \$ 1,612,172 | \$ 2,168,429 | \$ 692,016 | \$ 467,342 |

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

(accrual basis of accounting)
(unaudited)

| | 2009-2010 | 2010-2011 | 2011-2012 | 2012-2013 | 2013-2014 |
|---|------------------|------------------|------------------|------------------|------------------|
| Expenses | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 2,450,004 | \$ 2,399,804 | \$ 2,146,721 | \$ 2,257,366 | \$ 2,285,156 |
| Public safety | 3,105,154 | 3,279,511 | 3,269,969 | 3,443,205 | 3,751,443 |
| Transportation | 1,270,999 | 1,271,150 | 1,312,768 | 1,331,836 | 1,412,793 |
| Environmental protection | 715,039 | 728,614 | 751,071 | 780,390 | 897,493 |
| Economic and physical development | 345,126 | - | 258,941 | 521,059 | - |
| Interest on long-term debt | 160,865 | 172,097 | 168,357 | 163,818 | 168,206 |
| Total governmental activities expenses | 8,047,187 | 7,851,176 | 7,907,827 | 8,497,674 | 8,515,091 |
| Business-type activities: | | | | | |
| Water and sewer | 3,175,607 | 3,308,613 | 3,458,870 | 3,526,346 | 4,052,585 |
| Total primary government expenses | \$ 11,222,794 | \$ 11,159,789 | \$ 11,366,697 | \$ 12,024,020 | \$ 12,567,676 |
| Program Revenues | | | | | |
| Governmental activities: | | | | | |
| Charges for services: | | | | | |
| General government | \$ 87,557 | \$ 92,922 | \$ 90,694 | \$ 108,833 | \$ 103,318 |
| Public safety | 21,638 | 20,166 | 18,268 | 16,856 | 20,246 |
| Transportation | - | - | - | - | - |
| Environmental protection | 147,992 | 197,047 | 390,809 | 395,533 | 393,357 |
| Economic and physical development | - | - | - | - | - |
| Operating grants and contributions | 632,499 | 309,714 | 347,707 | 862,633 | 344,478 |
| Capital grants and contributions | 542,800 | 2,085,671 | 2,607,803 | 4,348,765 | 348,199 |
| Total governmental activities program revenues | \$ 1,432,486 | \$ 2,705,520 | \$ 3,455,281 | \$ 5,732,620 | \$ 1,209,598 |
| Business-type activities: | | | | | |
| Charges for services: | | | | | |
| Water and sewer | \$ 3,344,802 | \$ 3,481,755 | \$ 3,789,040 | \$ 3,806,886 | \$ 3,945,895 |
| Operating grants and contributions | - | - | - | - | - |
| Capital grants and contributions | 1,934,723 | 41,345 | 164,902 | 261,642 | 1,893,480 |
| Total business-type activities program revenues | 5,279,525 | 3,523,100 | 3,953,942 | 4,068,528 | 5,839,375 |
| Total primary government program revenues | \$ 6,712,011 | \$ 6,228,620 | \$ 7,409,223 | \$ 9,801,148 | \$ 7,048,973 |
| Net (Expense)/Revenue | | | | | |
| Governmental activities | \$ (6,614,701) | \$ (5,145,656) | \$ (4,452,546) | \$ (2,765,054) | \$ (7,305,493) |
| Business-type activities | 2,103,918 | 214,487 | 495,072 | 542,182 | 1,786,790 |
| Total primary government net expense | \$ (4,510,783) | \$ (4,931,169) | \$ (3,957,474) | \$ (2,222,872) | \$ (5,518,703) |

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

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

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 2004-2005 through 2009-2010 (Six Years)
(modified accrual basis of accounting)
(unaudited)

| | 2004-2005 | 2005-2006 | 2006-2007 | 2007-2008 |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|
| General Fund | | | | |
| Reserved | \$ 941,942 | \$ 995,575 | \$ 1,224,680 | \$ 1,416,443 |
| Unreserved | 3,470,137 | 3,392,265 | 3,410,999 | 3,325,807 |
| Total general fund | <u>\$ 4,412,079</u> | <u>\$ 4,387,840</u> | <u>\$ 4,635,679</u> | <u>\$ 4,742,250</u> |
| All Other Governmental Funds | | | | |
| Reserved | \$ 172,232 | \$ 156,093 | \$ 167,606 | \$ 44,476 |
| Unreserved, reported in: | | | | |
| Special revenue funds | 267,691 | 275,995 | 271,733 | 303,590 |
| Capital project funds | 1,777,757 | 1,997,488 | 1,818,439 | 3,333,672 |
| Total all other governmental funds | <u>\$ 2,217,680</u> | <u>\$ 2,429,576</u> | <u>\$ 2,257,778</u> | <u>\$ 3,681,738</u> |

Table 3
City of Conover, North Carolina
Fund Balances, Governmental Funds
Pre GASB54, page 2
Fiscal Years 2004-2005 through 2009-2010 (Six Years)
(modified accrual basis of accounting)
(unaudited)

| | <u>2008-2009</u> | <u>2009-2010</u> |
|-------------------------------------|---------------------|---------------------|
| General Fund | | |
| Reserved | \$ 1,134,053 | \$ 1,182,772 |
| Unreserved | 2,708,938 | 2,984,652 |
| Total general fund | <u>\$ 3,842,991</u> | <u>\$ 4,167,424</u> |
| All Other Governmental Funds | | |
| Reserved | \$ 356,923 | \$ 78,629 |
| Unreserved, reported in: | | |
| Special revenue funds | 237,046 | 381,997 |
| Capital project funds | 2,078,350 | 1,449,582 |
| Total all other governmental funds | <u>\$ 2,672,319</u> | <u>\$ 1,910,208</u> |

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Table 3A
City of Conover, North Carolina
Fund Balances, Governmental Funds
Post GASB54, page 1
2010-2011 through 2013-2014 (Four Years)

(modified accrual basis of accounting)

(unaudited)

| | Fiscal Year | Fiscal Year | Fiscal Year | Fiscal Year |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2010-2011 | 2011-2012 | 2012-2013 | 2013-2014 |
| General Fund | | | | |
| 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> |
| All Other Governmental Funds | | | | |
| 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 4
City of Conover, North Carolina
Changes in Fund Balances, Governmental Funds, page 1
Last Ten Fiscal Years

(modified accrual basis of accounting)
(unaudited)

| | Fiscal Year | | | | |
|---|---------------------|-------------------|------------------|---------------------|-----------------------|
| | 2004-2005 | 2005-2006 | 2006-2007 | 2007-2008 | 2008-2009 |
| Revenues | | | | | |
| Ad valorem taxes | \$ 3,705,686 | \$ 3,608,721 | \$ 3,931,456 | \$ 4,182,163 | \$ 4,196,312 |
| Other taxes and licenses | 1,434,293 | 1,597,304 | 1,769,423 | 1,860,590 | 1,616,438 |
| Unrestricted intergovernmental revenues | 915,790 | 904,922 | 927,624 | 986,542 | 972,604 |
| Restricted intergovernmental revenues | 339,633 | 353,661 | 584,212 | 433,526 | 834,412 |
| Permits and fees | 58,534 | 63,360 | 72,372 | 12,858 | 9,808 |
| Sales and services | 110,338 | 118,937 | 124,556 | 122,693 | 167,010 |
| Investment earnings | 120,289 | 232,821 | 302,220 | 280,623 | 121,054 |
| Miscellaneous | 89,663 | 74,011 | 106,109 | 81,324 | 90,371 |
| Total revenues | 6,774,226 | 6,953,737 | 7,817,972 | 7,960,319 | 8,008,009 |
| Expenditures | | | | | |
| General government | 1,984,856 | 1,994,684 | 2,416,234 | 2,473,105 | 2,461,311 |
| Public safety | 2,486,535 | 2,623,681 | 2,675,342 | 2,927,691 | 2,926,885 |
| Transportation | 811,993 | 915,716 | 931,897 | 1,048,131 | 1,057,275 |
| Environmental protection | 542,699 | 612,411 | 602,874 | 641,830 | 687,664 |
| Economic and physical development | - | - | - | - | 214,070 |
| Capital outlay | 2,317,229 | 1,011,803 | 1,112,544 | 1,153,685 | 2,600,061 |
| Debt service: | | | | | |
| Interest | 74,378 | 64,616 | 119,140 | 111,581 | 104,322 |
| Principal | 197,075 | 1,741,669 | 205,767 | 213,325 | 2,031,185 |
| Total expenditures | 8,414,765 | 8,964,580 | 8,063,798 | 8,569,348 | 12,082,773 |
| Excess of revenues over (under) expenditures | (1,640,539) | (2,010,843) | (245,826) | (609,029) | (4,074,764) |
| Other Financing Sources (Uses) | | | | | |
| Proceeds from installment purchase | 700,000 | 1,915,000 | - | 1,883,364 | 1,917,230 |
| Proceeds from disposal of capital assets | - | 21,000 | 55,035 | 6,196 | 31,156 |
| Transfers in | 1,138,963 | 1,767,130 | 1,876,571 | 1,734,974 | 2,840,590 |
| Transfers out | (912,092) | (1,504,630) | (1,609,739) | (1,484,974) | (2,622,890) |
| Total other financing sources (uses) | 926,871 | 2,198,500 | 321,867 | 2,139,560 | 2,166,086 |
| Net change in fund balances | \$ (713,668) | \$ 187,657 | \$ 76,041 | \$ 1,530,531 | \$ (1,908,678) |
| Debt service as a percentage of noncapital expenditures | 4.45% | 22.71% | 4.75% | 4.48% | 22.83% |

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

(modified accrual basis of accounting)
(unaudited)

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

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

(unaudited)

| Fiscal Year | Real Property | Personal Property | Public Service Companies | Total Taxable Assessed Value | Prior Years Discoveries | Total Direct Tax Rate | Estimated Actual Taxable Value |
|--------------------|----------------------|--------------------------|---------------------------------|-------------------------------------|--------------------------------|------------------------------|---------------------------------------|
| 2013-2014 | \$ 797,184,080 | \$ 264,194,015 | \$ 29,308,143 | \$ 1,090,686,238 | \$ 4,639,897 | \$ 0.400 | * |
| 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 |
| 2005-2006 | \$ 728,267,067 | \$ 215,420,743 | \$ 25,082,939 | \$ 968,770,749 | \$ 3,929,530 | \$ 0.380 | \$ 1,004,219,705 |
| 2004-2005 | \$ 719,202,464 | \$ 239,361,513 | \$ 23,599,870 | \$ 982,163,847 | \$ 21,052,631 | \$ 0.380 | \$ 989,087,459 |

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 | | |
| 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 |
| 2004-2005 | \$ | 0.3800 | \$ | 0.4800 | \$ 0.8600 |

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 | 2005 | | | | 2014 | | | | | |
|----------------------------|----------------------|------|-----------------------------|---------------|---|------|-----------------------------|---------------|---|--|
| | Taxable Assessed | | Total City Taxable Assessed | | Percentage of Total City Taxable Assessed | | Total City Taxable Assessed | | Percentage of Total City Taxable Assessed | |
| | Value | Rank | Value | Value | Value | Rank | Value | Value | | |
| Hickory Springs | \$25,050,837 | 1 | \$982,163,847 | 2.55% | \$26,866,919 | 2 | \$1,090,686,238 | 2.46% | | |
| Hanes Co Inc | \$18,233,885 | 2 | | 1.86% | | | | | | |
| Rubatex Corp | \$17,611,558 | 3 | | 1.79% | | | | 0.00% | | |
| Gulf States Paper Corp | \$17,041,295 | 4 | | 1.74% | | | | | | |
| Spartan Group LLC | \$16,003,647 | 5 | | 1.63% | \$14,563,400 | 5 | | 1.34% | | |
| The Lane Co | \$15,392,416 | 6 | | 1.57% | | | | | | |
| ER Carpenter | \$14,293,468 | 7 | | 1.46% | \$10,525,464 | 9 | | 0.97% | | |
| Classic Leather | \$12,614,847 | 8 | | 1.28% | | | | 0.00% | | |
| Southern Furniture | \$11,193,739 | 9 | | 1.14% | | | | | | |
| General Electric Co | \$10,872,953 | 10 | | 1.11% | | | | | | |
| Rock Barn Properties, Inc. | | | | | \$30,146,160 | 1 | | 2.76% | | |
| Rock-Tenn Packaging | | | | | \$19,194,541 | 3 | | 1.76% | | |
| Wal-Mart | | | | | \$14,916,099 | 4 | | 1.37% | | |
| Zenith | | | | | \$12,135,985 | 6 | | 1.11% | | |
| Hanes Co Inc | | | | | \$11,628,125 | 7 | | 1.07% | | |
| Armacell | | | | | \$11,601,560 | 8 | | 1.06% | | |
| CAPRI | | | | | \$9,559,900 | 10 | | 0.88% | | |
| Total | \$158,308,645 | | \$982,163,847 | 16.12% | \$161,138,153 | | \$1,090,686,238 | 14.77% | | |

Source: Catawba County Tax Assessor

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

| Fiscal Year | Taxes Levied | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | | Taxes Receivable Balance June 30 |
|---------------|---------------------|--|--------------------|---------------------------------|---------------------------|--------------------|----------------------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy | |
| Ended June 30 | for the Fiscal Year | Amount | Percentage of Levy | Amount | Percentage of Levy | Amount | Balance June 30 |
| 2014 | \$ 4,341,923 | \$ 4,227,662 | 97.37% | \$ - | 97.37% | \$ 4,227,662 | \$ 114,260 |
| 2013 | \$ 4,384,203 | \$ 4,145,690 | 94.56% | \$ 58,554 | 95.90% | \$ 4,204,244 | \$ 179,959 |
| 2012 | \$ 4,144,692 | \$ 4,001,788 | 96.55% | \$ 100,932.86 | 98.99% | \$ 4,102,721 | \$ 41,971 |
| 2011 | \$ 4,267,093 | \$ 4,140,418 | 97.03% | \$ 101,200 | 99.40% | \$ 4,241,619 | \$ 25,474 |
| 2010 | \$ 4,246,494 | \$ 4,082,823 | 96.15% | \$ 147,596 | 99.62% | \$ 4,230,419 | \$ 16,075 |
| 2009 | \$ 4,250,631 | \$ 4,092,218 | 96.27% | \$ 132,223 | 99.38% | \$ 4,224,441 | \$ 26,190 |
| 2008 | \$ 4,213,068 | \$ 4,103,855 | 97.41% | \$ 91,838 | 99.59% | \$ 4,195,693 | \$ 17,375 |
| 2007 | \$ 3,941,768 | \$ 3,843,986 | 97.52% | \$ 86,452 | 99.71% | \$ 3,930,438 | \$ 11,330 |
| 2006 | \$ 3,652,982 | \$ 3,551,718 | 97.23% | \$ 90,181 | 99.70% | \$ 3,641,899 | \$ 11,083 |
| 2005 | \$ 3,692,819 | \$ 3,622,493 | 98.10% | \$ 60,163 | 99.72% | \$ 3,682,656 | \$ 10,163 |

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) |
|---------------------------------|-------------------------|--------------------------------------|--------------------------------|--------------------------|-----------------|--------------------------------------|--------------------------------|--|------------------|
| | County Loans | Installment Purchase Contracts | General Obligation Bonds | Revolving Loans | County Loans | Installment Purchase Contracts | | | |
| 2014 | \$ 468,000 | \$ 3,700,781 | \$ 500,000 | \$ 2,047,581 | \$ 213,881 | \$ - | \$ 6,930,243 | * | \$ 840 |
| 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 |
| 2005 | \$ - | \$ 2,839,548 | \$ 1,625,000 | \$ 2,119,600 | \$ 260,815 | \$ 187,335 | \$ 7,032,298 | 3.59% | \$ 999 |

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 2013 personal income not available to calculate fiscal year 2014.

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

* denotes not available

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

(unaudited)

| Fiscal Year Ended June 30 | General Obligation Bonds | Percentage of Taxable Value of Property(1) | Per Capita(2) |
|--|---|---|--------------------------|
| 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 |
| 2006 | \$ 1,500,000 | 0.15% | \$ 200 |
| 2005 | \$ 1,625,000 | 0.17% | \$ 231 |

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, 2014
(unaudited)

| Governmental Unit | Debt Outstanding | Estimated Percentage Applicable | Estimated Share of Direct and Overlapping Debt |
|--|------------------|---------------------------------|--|
| Catawba County Debt | | | |
| Debt repaid with property taxes | | | |
| Catawba County General Obligation Bonds | 799,341 | 6.53% | \$ 52,197 |
| Other debt | | | |
| Catawba County Qualified Zone Academy Bonds | 400,000 | 6.53% | \$ 26,120 |
| Catawba County Qualified School Const. Bonds | 21,529,896 | 6.53% | \$ 1,405,902 |
| Catawba County Limited Obligation Bonds | 59,871,433 | 6.53% | \$ 3,909,605 |
| Catawba County Build America Bonds | 6,663,443 | 6.53% | \$ 435,123 |
| NC Department of Commerce Loan | 2,600,000 | 6.53% | \$ 169,780 |
| Catawba County Installment Purchases | 47,940,428 | 6.53% | \$ 3,130,510 |
| Catawba County Certifications of Participation | 13,183,902 | 6.53% | \$ 860,909 |
| Subtotal, overlapping debt | | | \$ 9,990,145 |
| Conover direct debt | | | \$ 4,168,781 |
| Total direct and overlapping debt | | | <u>\$ 14,158,926</u> |

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

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

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

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, 2014:

| | | | |
|-----------------------------------|--------------|------------------|----------------------|
| Assessed Value | | \$ 1,090,686,238 | |
| Debt Limit - 8% of assessed value | | | \$ 87,254,899 |
| Gross long-term debt | \$ 6,476,079 | | |
| Less statutory deductions | | | |
| Bonds applicable to water system | \$ - | | \$ 6,476,079 |
| Legal debt margin | | | <u>\$ 80,778,820</u> |

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| | Fiscal Year | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2004-2005 | 2005-2006 | 2006-2007 | 2007-2008 | 2008-2009 |
| Debt limit | \$ 78,573,108 | \$ 77,501,660 | \$ 80,741,058 | \$ 84,190,460 | \$ 85,180,323 |
| Total net debt applicable to limit | <u>7,032,299</u> | <u>6,744,339</u> | <u>6,075,905</u> | <u>7,288,493</u> | <u>6,763,755</u> |
| Legal debt margin | <u>\$ 71,540,809</u> | <u>\$ 70,757,321</u> | <u>\$ 74,665,153</u> | <u>\$ 76,901,967</u> | <u>\$ 78,416,568</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 8.95% | 8.70% | 7.53% | 8.66% | 7.94% |

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, 2014:

| | | | |
|-----------------------------------|--------------|------------------|-----------------------------|
| Assessed Value | | \$ 1,090,686,238 | |
| Debt Limit - 8% of assessed value | | | \$ 87,254,899 |
| Gross long-term debt | \$ 6,476,079 | | |
| Less statutory deductions | | | |
| Bonds applicable to water system | <u>\$ -</u> | | <u>\$ 6,476,079</u> |
| Legal debt margin | | | <u><u>\$ 80,778,820</u></u> |

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| | Fiscal Year | | | | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2009-2010 | 2010-2011 | 2011-2012 | 2012-2013 | 2013-2014 |
| Debt limit | \$ 85,115,136 | \$ 85,423,882 | \$ 82,953,910 | \$ 87,626,859 | \$ 87,254,899 |
| Total net debt applicable to limit | <u>6,969,069</u> | <u>6,367,702</u> | <u>5,823,907</u> | <u>5,488,575</u> | <u>6,476,079</u> |
| Legal debt margin | <u><u>\$ 78,146,067</u></u> | <u><u>\$ 79,056,180</u></u> | <u><u>\$ 77,130,003</u></u> | <u><u>\$ 82,138,284</u></u> | <u><u>\$ 80,778,820</u></u> |
| Total net debt applicable to the limit as a percentage of debt limit | 8.19% | 7.45% | 7.02% | 6.26% | 7.42% |

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

(unaudited)

| Fiscal Year | Population | Personal Income | Per Capita Personal Income | Unemployment Rate |
|--------------------|-------------------|------------------------|-----------------------------------|--------------------------|
| 2014 | 8,255 | * | * | 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% |
| 2005 | 7,040 | \$195,916,160 | \$ 27,829 | 6.6% |

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 | 2014 | | | 2005 | | |
|-------------------------|---------------------|------|---------------------------------------|---------------------|------|---------------------------------------|
| | Number of Employees | Rank | Percentage of Total County Employment | Number of Employees | Rank | Percentage of Total County Employment |
| Vanguard Furniture | 448 | 1 | 0.67% | * | * | * |
| Wal-Mart | 325 | 2 | 0.49% | * | * | * |
| Rock-Tenn | 301 | 3 | 0.45% | * | * | * |
| Hanes Industries | 290 | 4 | 0.44% | * | * | * |
| Zenith Freight | 273 | 5 | 0.41% | * | * | * |
| Carpenter Company | 215 | 6 | 0.32% | * | * | * |
| Kroehler Furniture | 169 | 7 | 0.25% | * | * | * |
| Conover Nursing | 160 | 8 | 0.24% | * | * | * |
| Lee Industries | 160 | 9 | 0.24% | * | * | * |
| Rock Barn Properties | 145 | 10 | 0.22% | * | * | * |
| Total County Employment | 66,414 | | | | | |

Source: Conover Employers and Employment Security Commission

Notes: Total employment based on Catawba County workforce.

Some businesses, when contacted directly, were unwilling to provide employment numbers.

*denotes not available

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

| | Full-time-Equivalent Employees as of June 30 | | | | |
|----------------------------------|---|-------------|-------------|-------------|-------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 |
| General Government | | | | | |
| Full Time is 40 hours per week | 15.2 | 12.3 | 14.3 | 13.7 | 14.8 |
| Full Time is 37.5 hours per week | 8.1 | 7.7 | 8.9 | 9.0 | 9.0 |
| Public Safety | | | | | |
| Police | 23.9 | 22.6 | 20.9 | 23.5 | 20.9 |
| Fire | 9.7 | 12.1 | 14.0 | 17.7 | 17.9 |
| Transportation | | | | | |
| Streets | 7.7 | 8.2 | 8.1 | 7.5 | 7.7 |
| Environmental Protection | | | | | |
| Sanitation and Recycling | 8.5 | 9.3 | 8.1 | 9.2 | 9.1 |
| Water and Sewer Utility | | | | | |
| Water | 9.2 | 8.2 | 8.5 | 7.9 | 8.8 |
| Sewer | 7.8 | 9.5 | 6.3 | 7.2 | 6.8 |
| Total | <u>90.1</u> | <u>89.9</u> | <u>89.1</u> | <u>95.5</u> | <u>95.0</u> |

Source: City Payroll Department

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

| | Full-time-Equivalent Employees as of June 30 | | | | |
|----------------------------------|---|-------------|--------------|--------------|--------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| General Government | | | | | |
| Full time is 40 hours per week | 14.5 | 14.1 | 15.4 | 15.4 | 15.9 |
| Full time is 37.5 hours per week | 8.9 | 8.7 | 9.7 | 10.1 | 10.4 |
| Public Safety | | | | | |
| Police | 22.6 | 23.6 | 25.5 | 28.2 | 29.2 |
| Fire | 17.0 | 17.4 | 19.0 | 20.2 | 21.7 |
| Transportation | | | | | |
| Streets | 7.5 | 7.6 | 9.3 | 9.4 | 9.5 |
| Environmental Protection | | | | | |
| Sanitation and Recycling | 8.2 | 8.5 | 9.3 | 9.5 | 9.3 |
| Water and Sewer Utility | | | | | |
| Water | 8.7 | 7.7 | 8.3 | 9.2 | 9.9 |
| Sewer | 7.7 | 8.3 | 10.5 | 10.0 | 10.0 |
| Total | <u>95.0</u> | <u>96.0</u> | <u>107.0</u> | <u>111.8</u> | <u>115.8</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 | | | | |
|--|---------------|-----------|-----------|-----------|-----------|
| | 2005 | 2006 | 2007 | 2008 | 2009 |
| General Government | | | | | |
| Building Permits | 449 | 378 | 331 | 280 | 198 |
| Public Safety | | | | | |
| Police | | | | | |
| Violent Crimes | 20 | 18 | 27 | 22 | 19 |
| Property Crimes | 618 | 713 | 898 | 763 | 603 |
| Community Services | 10,300 | 10,529 | 15,494 | 16,416 | 13,073 |
| Accidents | 647 | 606 | 663 | 592 | 689 |
| Accidents with injury | 117 | 129 | 129 | 145 | 242 |
| Accidents/Fatalities | 1 | 0 | 1 | 0 | 2 |
| Fire | | | | | |
| Fire Inspections | 194 | 288 | 214 | 288 | 264 |
| Fire Alarm Activations | 218 | 242 | 303 | 275 | 147 |
| Fires | 103 | 148 | 171 | 184 | 108 |
| Community Services | 96 | 94 | 164 | 211 | 225 |
| Other Emergency Responses | 412 | 381 | 416 | 475 | 437 |
| Educational Classes Conducted | 178 | 162 | 199 | 222 | 253 |
| Transportation | | | | | |
| Pot holes repaired | 77 | 80 | 74 | 39 | 38 |
| Street Resurfacing (miles ⁰) | 1.3 | 1.1 | 1.8 | 0.72 | 0.49 |
| Environmental Protection | | | | | |
| Daily Refuse Collected (tons) | 10.68 | 11.13 | 10.69 | 10.97 | 11.32 |
| Daily Recycling Collected (tons) | 1.26 | 1.35 | 1.47 | 1.54 | 1.35 |
| Water and Sewer Utility | | | | | |
| Utility Customers | 5056 | 5186 | 5328 | 5410 | 5,382 |
| New Connections | 129 | 125 | 109 | 89 | 47 |
| Avg. Daily Water Consumption | 2,030,000 | 1,740,000 | 1,790,000 | 1,990,000 | 1,990,000 |
| Avg. Daily Wastewater Flow | 686,000 | 700,000 | 889,000 | 726,658 | 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 | | | | |
|----------------------------------|----------------------|-------------|-------------|-------------|-------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| General Government | | | | | |
| Building Permits | 213 | 213 | 190 | 189 | * |
| Public Safety | | | | | |
| Police | | | | | |
| Violent Crimes | 22 | 19 | 16 | 20 | * |
| Property Crimes | 526 | 517 | 746 | 466.0 | * |
| Community Services | 9,145 | 16,979 | 20,613 | 19564.0 | |
| Accidents | 609 | 626 | 641 | 615 | * |
| Accidents with injury | 173 | 144 | 178 | 127 | * |
| Accidents/Fatalities | 1 | 0.0 | 0 | 0.0 | * |
| Fire | | | | | |
| Fire Inspections | 287 | 369 | 347 | 467 | * |
| Fire Alarm Activations | 221 | 196 | 204 | 198 | * |
| Fires | 91 | 111 | 99 | 67.0 | * |
| Community Services | 528 | 533 | 401 | 303 | * |
| Other Emergency Responses | 501 | 512 | 645 | 736 | * |
| Educational Classes Conducted | 298 | 184 | 80 | 51 | * |
| Transportation | | | | | |
| Pot holes repaired | 72 | 86 | 74 | 82.0 | * |
| Street Resurfacing (miles) | 1.37 | 2.58 | 1.8 | 3.2 | * |
| Environmental Protection | | | | | |
| Daily Refuse Collected (tons) | 10.90 | 9.30 | 10.12 | 10.05 | * |
| Daily Recycling Collected (tons) | 1.55 | 1.50 | 1.21 | 2.75 | * |
| Water and Sewer Utility | | | | | |
| Utility Customers | 5,445 | 5,405 | 5,962 | 5,857 | 5,861 |
| New Connections | 36 | 15 | 10 | 16 | 13 |
| Avg. Daily Water Consumption | 1,966,000 | 1,966,000 | 2,010,000 | 1,924,000 | 1,465,765 |
| Avg. Daily Wastewater Flow | 805,000 | 661,000 | 679,000 | 740,000 | 810,000 |

*denotes not available
Source: City Departmental Supervisors

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

(unaudited)

| Function/Program | Fiscal Year | | | | |
|---|-------------|--------|--------|--------|--------|
| | 2005 | 2006 | 2007 | 2008 | 2009 |
| General Government | | | | | |
| Playgrounds | 5 | 5 | 7 | 7 | 7 |
| Cemeteries | 2 | 2 | 2 | 2 | 2 |
| Public Safety | | | | | |
| Police Stations | 1 | 1 | 1 | 1 | 1 |
| Fire Stations | 3 | 3 | 3 | 3 | 3 |
| Transportation | | | | | |
| Miles of Streets | 46.48 | 47.95 | 47.95 | 48.69 | 48.69 |
| Miles of Sidewalk | 12.53 | 14.79 | 15.14 | 15.63 | 15.63 |
| Environmental Protection | | | | | |
| Collections Trucks | 5 | 5 | 6 | 6 | 6 |
| Water and Sewer Utility | | | | | |
| Water Mains (miles) | 142.00 | 144.00 | 144.70 | 145.10 | 146.00 |
| Sanitary Sewer (miles) | 104.00 | 110.00 | 110.00 | 110.23 | 110.23 |
| 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 | | | | |
|---|--------------------|-------------|-------------|-------------|-------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| General Government | | | | | |
| Playgrounds | 7 | 7 | 7 | 8 | 8 |
| Cemeteries | 2 | 2 | 2 | 2 | 2 |
| Public Safety | | | | | |
| Police Stations | 1 | 1 | 1 | 1 | 1 |
| Fire Stations | 3 | 3 | 3 | 3 | 3 |
| Transportation | | | | | |
| Miles of Streets | 51.27 | 51.62 | 52.53 | 52.53 | 52.53 |
| Miles of Sidewalks | 17.40 | 17.70 | 17.87 | 18.00 | 18.00 |
| Environmental Protection | | | | | |
| Collections Trucks | 6 | 6 | 6 | 6 | 6 |
| Water and Sewer Utility | | | | | |
| Water Mains (miles) | 148.00 | 148.00 | 148.00 | 148.00 | 149.00 |
| Sanitary Sewer (miles) | 114.00 | 114.00 | 114.00 | 114.25 | 115.60 |
| Wastetreatment Capacity (million gal per day) | 2.559 | 2.559 | 2.559 | 2.559 | 2.559 |

* denotes not available

Source: Conover Property/Asset Records

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Compliance Section

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

Independent Auditor's Report on Compliance For Each Major Federal 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 City of Conover, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Conover's, basic financial statements, and have issued my report thereon dated November 18, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Conover's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *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 18, 2014

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, 2014. 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 programs.

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*. Those standards and the OMB Circular A-133 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 the major federal program. However, my audit does not provide a legal determination of the City of Conover's compliance.

Opinion on Each 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, 2014.

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 18, 2014

CITY OF CONOVER, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2014

| <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> \$ |
|---|------------------------------------|---|---|-------------------------------------|-------------------------------------|
| Federal Grants: | | | | | |
| Cash Programs: | | | | | |
| <u>FEMA U.S. Department of Homeland Assistance</u> | | | | | |
| Direct Grant | | | | | |
| Safer Grant | 97.083 | | 19,475 | | |
| <u>National Highway Traffic Safety Administration</u> | | | | | |
| Passed-through N.C. Department of Transportation | | | | | |
| Governor's Highway Safety Grant | 20.600 | | 36,916 | | |
| <u>U.S. Department of Homeland Security</u> | | | | | |
| FEMA/Disaster Grants | | | | | |
| Passed-through N.C. Department of Public Safety | | | | | |
| | 97.036 | | 148,355 | 49,452 | |
| <u>U.S. Department Environmental Protection Agency – Office of Water</u> | | | | | |
| Passed-through N.C. Department of Environmental and Natural Resources | | | | | |
| Capitalization Grants for Drinking Water State Revolving Funds (Note 2) | | | | | |
| | 66.468 | | <u>1,113,607</u> | _____ | _____ |
| Total assistance - federal programs | | | <u>1,318,353</u> | <u>49,452</u> | <u>0</u> |

CITY OF CONOVER, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2014

| <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> \$ |
|---|------------------------------------|---|---|-------------------------------------|-------------------------------------|
| State Grants: | | | | | |
| Cash Assistance: | | | | | |
| <u>N.C. Department of Transportation:</u> | | | | | |
| Powell Bill | | | | 326,723 | |
| <u>N.C. Department of Natural Resources</u> | | | | | |
| N.C. Recycling Carts Grant | | | | 75,000 | |
| <u>N.C. Department of Environmental and Natural Resources</u> | | | | | |
| Parks and Recreation Trust Fund | | | | 33,378 | |
| Total assistance - State programs | | | 0 | 435,101 | 0 |
| Total assistance | | | <u>1,318,353</u> | <u>484,553</u> | <u>0</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, 2014. 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> \$ |
|---|------------------------|--|-------------------------------------|
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | XXXXX | 1,113,607 |

CITY OF CONOVER, NORTH CAROLINA

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

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:

| | |
|--------------|--|
| <u>CFDA#</u> | <u>Program Name</u> |
| 66.468 | Capitalization Grants for Drinking Water State Revolving Funds |

CITY OF CONOVER, NORTH CAROLINA

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

Dollar threshold used to distinguish between
Type A and Type B Programs \$300,000

Auditee qualified as low-risk auditee? X Yes No

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.

CITY OF CONOVER, NORTH CAROLINA

**Corrective Action Plan
For the Year Ended June 30, 2014**

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.

CITY OF CONOVER, NORTH CAROLINA
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2014

None.