

CITY OF CONOVER NORTH CAROLINA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2016

Prepared by
City of Conover Finance Department

CITY OF CONOVER, NORTH CAROLINA
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LETTER OF TRANSMITTAL

November 18, 2016

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, 2016. 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 2016.

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, 2016, 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, 2016 are fairly presented in conformity with GAAP. The

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

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

The Single Audit Act of 1984 established requirements for state and local governments that receive federal assistance. 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. Conover is located in the foothills of the Blue Ridge Mountains offering residents and visitors many scenic attractions, recreational options and a temperate climate with four seasons that are distinct yet mild. The City currently has 8 parks. The newest park, provides a splash pad, picnic shelter and sails along with beautiful trees to provide plenty opportunity for shade along with a walking trail and playground equipment and is wired for sound and Wi-Fi. Another park located across the street from City Hall, provides a large gazebo with picnic tables, park equipment and is also wired for lights, sound, and Wi-Fi. There are many places in Conover to get out and enjoy the weather and nature.

Interstate 40 traverses through the City along with other major roads including US 70, US 321, US 70A, and NC 16. As of June 2016, the land area of the City is 11.06 square miles with a resident population of 8,302.

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.

Each year we move further away from the great recession and the City seems to experience more positive economic conditions. The high unemployment Catawba County experienced post-recession is fortunately now a memory and the unemployment rate is currently 5.0% at June 30, 2016. Whereas our MSA once had one of the highest unemployment rates in the state, we are now in a much better position as seen below.

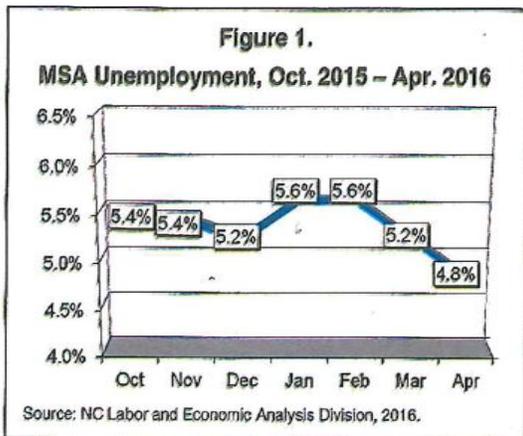


Table 1.
MSA Unemployment Rate, April 2016

Asheville	3.9%
Raleigh	4.2%
Durham-Chapel Hill	4.4%
Burlington	4.7%
Winston-Salem	4.7%
Wilmington	4.7%
Charlotte-Concord-Gastonia	4.8%
Hickory-Lenoir-Morganton	4.8%
Greensboro-High Point	5.1%
New Bern	5.2%
Greenville	5.4%
Goldsboro	5.5%
Jacksonville	5.5%
Fayetteville	6.3%
Rocky Mount	7.6%

Source: NC Labor and Economic Analysis Division, 2016.

The transition continues from a traditional manufacturing workforce to an advanced manufacturing workforce. Our region remains a significant industrial hub with over 28% of our workforce in manufacturing. As we see the change occur, there is an ongoing trend toward an advanced manufacturing workforce. This change requires a higher skill set than our current workforce has to offer. For the second straight year, there continues to be over 3,000 positions open in manufacturing within in the county; however, we struggle to have qualified workers. This is a major obstacle our region is facing. Conover is striving to contribute to a solution and is pleased that the new NC Works Career Center is opened at Conover Station.

Commercial

A steady commercial development environment in Conover has provided several projects this year. A new 20,000 square foot Southern States retail store opened in 2016. Also, a new 24,000 square foot, multi-tenant shopping center is set to open late fall 2016. These two projects are coincidentally side by side. The projects, like many others in recent years, have been redevelopment on previously developed land. This is ideal for the City, as it removes underutilized and often unsightly development, while taking advantage of existing infrastructure and preserving greenfield, or undeveloped fields and forests. It also increases the tax base by turning underutilized sites, which are typically lower tax valued property into improved, new structures and sites.

Residential

Positive signs are taking place in residential construction. New home construction has noticeably picked up. Numerous new single-family homes have been constructed in existing subdivisions over the past year. Townhome development also continues to be a strong growth segment. A partially completed townhome development started in 1995 is experiencing a renaissance with a new developer, new design and new construction underway. Over the past 18 months, 15 new townhomes have been constructed in this development.

Industrial

Manufacturing is not dead in the City of Conover. The City has had continued positive growth in various manufacturing sectors resulting in projects and new businesses. Growth in manufacturing has resulted in additions to existing facilities as well as new construction of factories. GKN Sinter Drivelines on Thornburg Drive announced an expansion that will double employment in their powdered metal division. Vanguard Furniture has purchased its fifth factory and increased their employment base by more than 200 positions in a single year. West Penn Hardwoods continues to expand and has purchased their second facility in just 18 months.

Whereas, after the recession, Conover had substantial vacancies in industrial buildings, the City now has little to no available existing building square footage on the market, filling more than five million square feet of vacant space in the last few years. With no existing vacant square footage available, the City staff has witnessed a greater push for speculative building construction. All of this new growth; however, has not yet affected

the city's tax scrolls as it relates to industry because the growth and redevelopment has happened so quickly. The City's re-valuation for 2015-2016 did not pick up any of this new growth because of the timing of the re-valuation. At the time tax assessors were working on values for re-valuation, industrial space was selling for pennies on the dollar which naturally lowered tax values. For Conover, industrial tax values dropped almost 10%. Now the new owners of these industrial spaces have done extensive rehabilitation and expansions on these properties making the industrial properties much more valuable now than they were during the time of the assessments.

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 \$16,328,760. Below are calendar year totals going back to 2005.



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. For fiscal year 2016-2017, the City has budgeted approximately \$1,028,895 in reserves for governmental projects including street improvements and equipment, technology enhancements, sanitation equipment and police and fire safety equipment. The bulk of these reserves have come from sales tax revenues and franchise revenue. The City has budgeted approximately \$652,530 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

Lyle Creek Greenway/Carolina Thread Trail – In June 2016, Conover opened its first nature trail greenway. The new Lyle Creek Greenway is a 1.5 mile recycled concrete trail along the planned route of the Carolina Thread Trail. It is located within the highest populated quadrant of the City, and will provide recreational opportunities while connecting residents and a local school.

This trail was made possible through a generous grant of \$86,400 from the Carolina Thread Trail. The Carolina Thread Trail is a system of 220 miles of trails and sidewalk connectors that are currently open to the public throughout a 15-county region. The Thread Trail program provides implementation grants funding to communities and non-profit organizations to assist with trail corridor planning, land acquisition, construction and trail amenities. Conover provided \$15,000 in cash generated from private developers from its “fee in lieu of sidewalk” program; whereby the City collects a fee for sidewalk construction from new development rather than have sidewalks constructed that lead to nowhere. These fees were then used to link existing sidewalks together to create a more walkable community.

Construction consisted of over 8,000 linear feet of 8 ft. wide trail with four foot bridges, trail marking, signage, and a crosswalk across County Home Road. The City is very excited to have this new 1.5 mile trail in Conover, and provide citizens with quick access to get out and enjoy nature.

NC Works Career Center “NC Works” – The City of Conover redeveloped the former Broyhill furniture factory that once had over 450 employees and closed its doors in 2004. In 2005, the City took a proactive approach in helping to insure the future vitality of the downtown by purchasing the 27 acre property in the heart of downtown. The oldest building was renovated in 2011 into the Catawba County Branch Library, and Conover community room. The second floor was left unfinished for a future tenant. This past year, the City has partnered with NC Department of Commerce, Western Piedmont Council of Governments, and the Workforce Development Board to build a new facility on the second floor for a more efficient and collaborative way to assist area employers and jobseekers called “NC Works”.

The partnership makes substantive use of technology, and wishes to maintain an open and friendly environment. There will be a focus on professionalism. If you are a jobseeker, after your first visit, you will be expected to enter the building in appropriate “job-seeking” attire. The whole concept hinges on the fact that existing and new companies will be brought to the NC Works offices and they will be interacting with potential employees. This model is the exact opposite of what workforce development and the Employment Security Commission have done for the past 40 years and requires major organizational and service delivery restructuring. This new model is focused on “business engagement” and not unemployed services.

Award

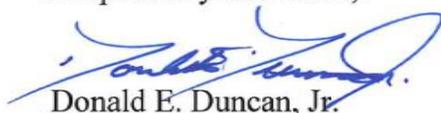
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Conover for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. This was the nineteenth consecutive 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**

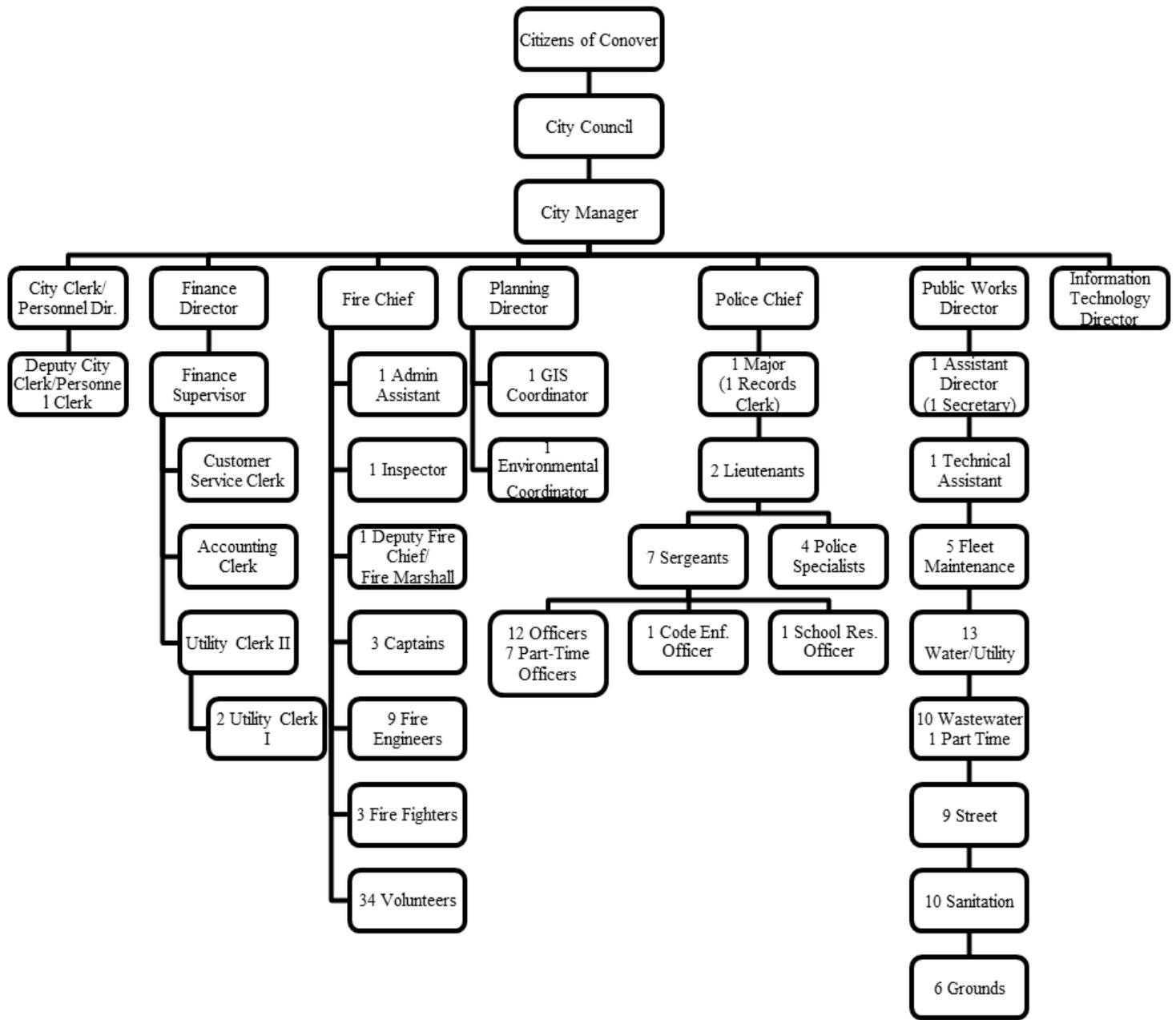
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015



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 Eric L. Loftin

Public Works Director Jimmy A. Clark

Information Technology Director Christopher M. Niver

Financial Section

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

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

Independent Auditor's Report

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

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, 2016, and the related notes to the financial statements, which collectively comprise City of Conover's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Conover, North Carolina as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United

States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 20 through 32, Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages 102 through 103, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on pages 104 through 105, respectively, and the Firefighter' and Rescue Squad Worker's Pension Fund's Schedule of the Proportionate Share of Net Pension Liability (Asset) on page 106 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Conover's basic financial statements. The introductory information, combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and statistical section as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, based on my audit, the procedures performed as described above, the combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards, and other schedules, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

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

2016 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 28658

November 18, 2016

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, 2016. 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

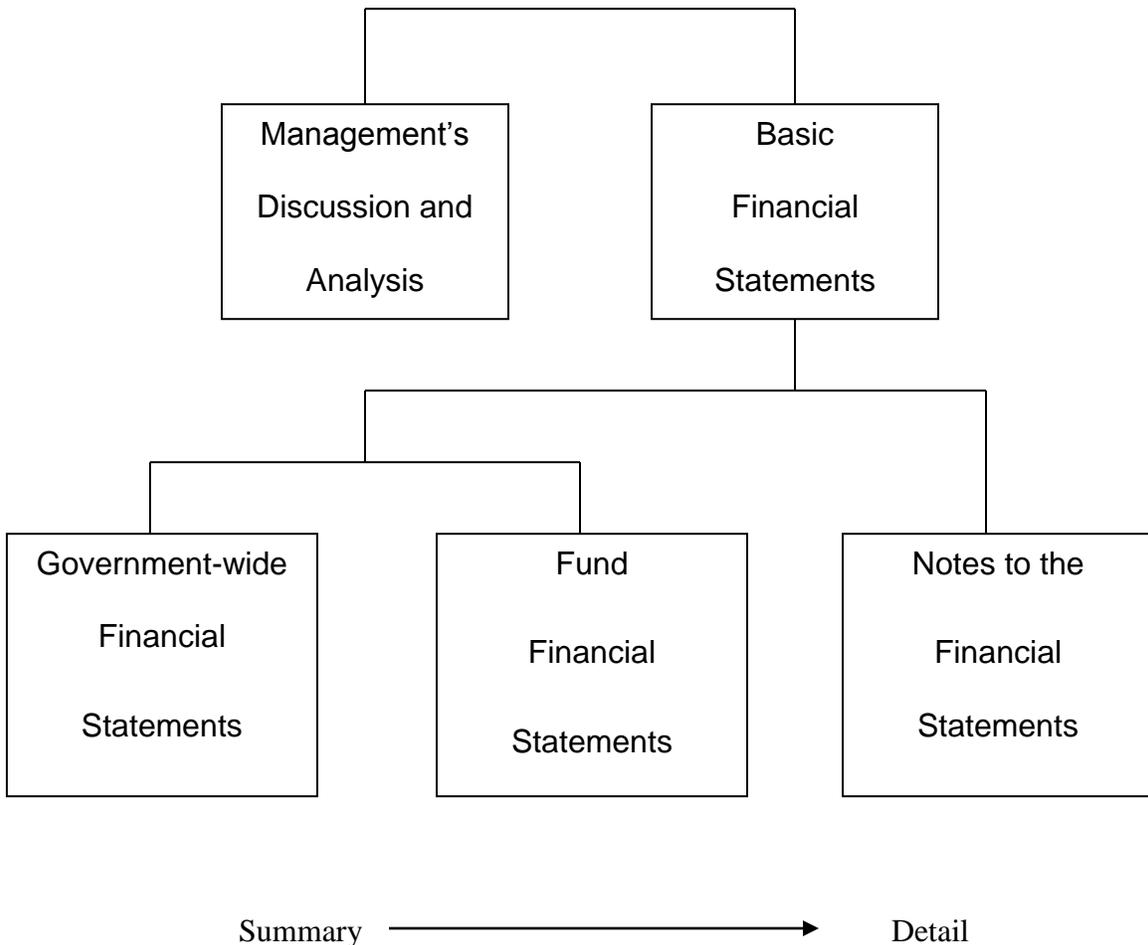
- The assets and deferred outflows of resources of the City of Conover exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$72,694,391 (net position).
- The government's total net position increased by \$ 1,675,808 due to increases in the governmental type activities net position of \$ 1,226,627 and increases in the business type activities net position of \$ 449,181.
- As of the close of the current fiscal year, the City of Conover's governmental funds reported combined ending fund balances of \$ 8,200,785, an increase of \$1,189,931 in comparison with the prior year. Approximately 23.01 percent of this total amount or \$ 1,886,760 is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$ 3,855,180 or 42.19 percent of total general fund expenditures for the fiscal year.
- The City of Conover's total debt, which does not include compensated absences or pension obligations increased by \$ 543,027 (7.5%) during the current fiscal year. Compensated absences liability and pension obligations will be reported later in this MD&A and also in the notes to the financial statements. Factors related to this increase are the new debt added for the installment purchase contract for "NC Works" in the amount of \$453,860, and increase in the SW Sewer Rehabilitation revolving loan debt in the amount of \$492,714. The City's total debt is \$7,790,778.
- The City of Conover's legal debt limit is \$ 83,131,660 (8 percent of assessed value) and the City's legal debt margin is \$ 75,340,883. The total legal indebtedness of the City is \$ 7,790,778, which represents .75% of assessed valuation.
- The City of Conover's bond ratings are an "A" bond rating from Moody's Investors Service, an "A" bond rating from Standard and Poor's, and a rating of 83 from the North Carolina Municipal Council.
- Tax values were down for 2015-2016 due to re-valuation. Real property values decreased almost 11% primarily due to industrial values when industrial space was selling for pennies on the dollar. Industrial tax values are now on the rise. This is discussed in greater detail in the Letter of Transmittal under Local Economy.
- The City's tax rate was increased from .43 to .47 per \$100.00 value for fiscal year 2015-2016.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

There are no component units of the City of Conover.

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

Fund Financial Statements

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

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

The City of Conover maintained sixteen individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balance for the General Fund, the General Capital Reserve Fund and the Highway 16/70 Sidewalk Construction Fund, all of which are considered to be major funds. Data from the other thirteen non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements located on pages 120 - 123 of this report.

The City of Conover adopted an annual budget for its major governmental funds; General Fund and General Capital Reserve Fund. The City adopted a project budget for its other major governmental fund; Highway 16/70 Sidewalk Construction Fund.

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

The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the City Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as

planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The City of Conover maintains two types of proprietary funds: enterprise funds and internal service funds.

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

Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the functions of the City of Conover. The City uses an internal service fund to account for one activity – its health insurance. Because this operation benefits predominantly governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements. In January, 2016 the City Council made the decision to change from being partially self-funded to joining the NC State Healthcare Plan. The City, however, was required by contract with the previous provider to leave funds in the Internal Service Fund to pay late- filed claims for a period of twelve months. This period will expire on December 31, 2016 at which time, the Internal Service Fund will be closed.

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 53 - 100 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Conover's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found beginning on page 101 of this report.

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

Government-Wide Financial Analysis

The City of Conover's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 8,865,250	\$ 8,489,405	\$ 6,051,045	\$ 6,037,940	\$ 14,916,295	\$ 14,527,345
Capital assets	36,199,160	35,681,874	30,858,206	30,681,089	67,057,366	66,362,963
Deferred outflows of resources	226,995	229,441	78,908	78,940	305,903	308,381
Total assets and deferred outflows of resources	45,291,405	44,400,720	36,988,159	36,797,969	82,279,564	81,198,689
Long-term liabilities outstanding	4,133,097	3,562,186	3,592,198	3,391,789	7,725,295	6,953,975
Other liabilities	860,419	1,072,935	784,580	1,005,922	1,644,999	2,078,857
Deferred inflows of resources	159,413	853,750	54,656	293,524	214,069	1,147,274
Total liabilities and deferred inflows of resources	5,152,929	5,488,871	4,431,434	4,691,235	9,584,363	10,180,106
Net position:						
Net investment in capital assets	32,275,116	32,106,339	26,991,472	27,008,873	59,266,588	59,115,212
Restricted	1,820,932	2,450,724	-	-	1,820,932	2,450,724
Unrestricted	6,042,428	4,354,786	5,564,443	5,097,861	11,606,871	9,452,647
Total net position	\$ 40,138,476	\$ 38,911,849	\$ 32,555,915	\$ 32,106,734	\$ 72,694,391	\$ 71,018,583

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 \$ 72,694,391 as of June 30, 2016. The City's net position increased \$ 1,675,808. The difference from activities affecting net position between fiscal years 2015 and 2016, as seen on the chart above, was \$1,675,808; however, in accordance with Governmental Accounting Standards Board (GASB) statement 73, the City reclassified the Law Enforcement Officers' Special Separation Allowance fund to the General Fund. As a result, net position for the governmental activities increased by \$54,690. In addition, the City wrote off \$160,368 of uncollectible property tax receivables from prior years reducing beginning net position by \$160,368. The net effect of the restatements of beginning net assets is a reduction of \$105,678. The largest portion of net position (81.53%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Conover uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Conover's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City's net position, \$ 1,820,932 (2.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$ 11,606,871 is unrestricted.

City of Conover

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

- Property tax revenue increase of \$ 312,645 due to a tax rate increase of 4 cents.
- Sales tax increase of \$133,499.
- Reimbursement from FEMA for costs initially incurred by the City in prior years of \$ 969,095.
- Water/Sewer Rate increase of 3%.
- Landfill fee increase from \$11.00 to \$14.00 per month.

City of Conover Changes in Net Position
Figure 3

	Governmental Activities 2016	Governmental Activities 2015	Business Type Activities 2016	Business Type Activities 2015	Total 2016	Total 2015
Revenues:						
Program revenues:						
Charges for services	\$ 682,198	\$ 569,690	\$ 4,234,539	\$ 4,094,973	\$ 4,916,737	\$ 4,664,663
Operating grants and contributions	746,188	481,603	-	-	746,188	481,603
Capital grants and contributions	1,058,515	1,017,538	149,815	62,594	1,208,330	1,080,132
General revenues:						
Property taxes	4,878,057	4,565,412	-	-	4,878,057	4,565,412
Other taxes	1,990,520	1,985,301	-	-	1,990,520	1,985,301
Grants and contributions not restricted to specific programs	1,001,183	965,989	-	-	1,001,183	965,989
Capital assets contributed to Enterprise Fund	(55,398)	-	55,398	-	-	-
Other	44,670	111,907	3,115	21,882	47,785	133,789
Total revenues	10,345,933	9,697,440	4,442,867	4,179,449	14,788,800	13,876,889
Expenses:						
General government	2,363,998	2,198,538	-	-	2,363,998	2,198,538
Public safety	3,854,760	3,691,773	-	-	3,854,760	3,691,773
Transportation	1,640,406	1,550,120	-	-	1,640,406	1,550,120
Environmental Protection	676,904	768,952	-	-	676,904	768,952
Economic development	120,840	-	-	-	120,840	-
Interest on long-term debt	156,720	163,787	-	-	156,720	163,787
Water and sewer	-	-	4,193,686	3,921,575	4,193,686	3,921,575
Total expenses	8,813,628	8,373,170	4,193,686	3,921,575	13,007,314	12,294,745
Increase(Decrease) in net position before transfers	1,532,305	1,324,270	249,181	257,874	1,781,486	1,582,144
Transfers	(200,000)	(206,093)	200,000	61,093	-	(145,000)
Change in net position	1,332,305	1,118,177	449,181	318,967	1,781,486	1,437,144
Net position, July1, as restated	38,806,171	37,793,672	32,106,734	31,787,767	70,912,905	69,581,439
Net position, June 30	\$ 40,138,476	\$ 38,911,849	\$ 32,555,915	\$ 32,106,734	\$ 72,694,391	\$ 71,018,583

Governmental activities: Governmental activities, this year, had a positive effect on the City's net position of \$ 1,226,627; Key elements of this change in net position for governmental type activities are as follows:

- Transfer of \$ 831,583 from closing the Rock Bridge Drive Bridge Capital Project.
- Firefighter's Assistance Grant of \$328,820.
- Increase in governmental capital assets of \$ 1,718,992.

Business-type activities: Business-type activities increased the City of Conover's net position by \$ 449,181. Key elements of the change in net position for business type activities are as follows:

- Transfer of \$ 200,000 from closing the Rock Bridge Drive Bridge Capital Project.
- Increase in Water/Sewer capital assets of \$1,175,504. Of this amount \$ 332,112 was for the SW Sewer Rehabilitation project.
- Water and Sewer usage rate increase of 3.0%.

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 \$ 8,200,785, an increase of \$ 1,189,931 in comparison with the prior year. Of this total fund balance, \$ 1,886,760 (23.01%) is non spendable or restricted.

The City's major governmental funds are the General Fund, the General Fund Capital Reserve Fund and the Highway 16/70 Sidewalk Construction Fund.

General Fund. The General Fund is the chief operating fund of the City of Conover. At the end of the current fiscal year, fund balance available in the general fund was \$ 4,985,560 while total fund balance was \$ 6,185,397. The City currently has an available fund balance of 54.56% of general fund expenditures while total fund balance represents 67.69% of the same amount. Total general fund balance increased \$ 1,292,058, which includes a prior period adjustment of \$54,690 for LEO Special Separation Allowance that is now part of the general fund. The primary reason for this increase was the transfer of \$ 831,583 from the transfer to the general fund as part of the closing of the Rock Bridge Drive Bridge project. The property tax rate was increased from .43 to .47 per \$100 of property value due to the estimated decrease in tax value following re-valuation. The General Fund is an annually budgeted fund.

General Capital Reserve Fund. The General Capital Reserve Fund is used to collect and reserve funds to distribute, when needed, to other funds for capital equipment acquisitions and construction projects. Primary revenues to this fund are revenue from cell tower leases as well as transfers from the General Fund. At June 30, 2016, total fund balance was \$ 1,283,953. The fund balance of the City's General Capital Reserve Fund decreased \$ 29,926 during the current fiscal year. This decrease in fund balance was due to the fact that last year, the City received a one- time signing bonus of \$ 50,000 on a cell tower lease that the City did not receive this year. In addition, last year the City had a large on-line auction sale of capital assets totaling \$ 76,891 that the City did not have this year. The General Fund will continue to make transfers to this fund to help make up for revenue that was lost due to the repeal of the privilege license tax in North Carolina effective July 1, 2015. This is an annually budgeted fund.

Highway 16/70 Sidewalk Construction Fund. The Highway 16/70 Sidewalk Construction Fund was adopted as a project fund in April, 2016 for construction of approximately one mile of new sidewalk. Revenues to date for this project are from a NC Department of Transportation (NCDOT) Reimbursement Grant in the amount of \$84,708 and local funds of \$80,000. The total grant for this project from the NCDOT will be \$250,000 by the time the project is complete. The project is estimated to be complete by early fall, 2016. At June 30, 2016, fund balance was \$ 6,127. 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 \$5,564,443. The total growth in net position was \$ 449,181. 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 \$ 548,436 more than budget. Property tax revenues exceeded budget by \$ 243,195 as the City budgeted very conservatively based on preliminary estimates for re-valuation and concern over whether industry was really starting to pick up or had we just seen a small spark. Sales tax and utility franchise sales tax revenues exceeded budget by \$ 337,075 due primarily to a \$ 133,499 (7.20%) increase in sales tax and a \$ 51,773 increase on sales tax from electricity over the previous year and the fact the City had budgeted a 4.7% increase in sales tax and actually ended the year with a 7.2% increase. Although not large, another area of unexpected growth for the general fund was in investment earnings. Departments within the general

City of Conover

fund spent 90.42 % of budget leaving \$874,156 unspent. No department exceeded the budgeted amount. Encumbrances for the general fund at year end amounted to \$129,764.

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, 2016, totals \$ 67,057,366 (net of accumulated depreciation). An increase of \$ 694,403 from the previous year. These assets include buildings, streets, land, machinery and equipment, park facilities, vehicles, and water/sewer infrastructure.

Major capital asset transactions during the year include the following:

- Furniture and Equipment additions of \$ 170,408.
- Additions to water/sewer infrastructure construction in progress of \$ 731,184. The majority of this is due to the Southwest Area Sewer Rehabilitation project.

City of Conover’s Capital Assets

Figure 4

(net of depreciation)

	Governmental Activities 2016	Governmental Activities 2015	Business-type Activities 2016	Business-type Activities 2015	Total 2016	Total 2015
Land	\$ 3,276,291	\$ 3,175,012	\$ 297,461	\$ 296,330	\$ 3,573,752	\$ 3,471,342
Buildings and systems	11,097,295	11,314,594	4,968,465	5,036,034	16,065,760	16,350,628
Computer Equipment	62,663	34,045	-	-	62,663	34,045
Equipment and Furnishings	1,256,675	1,101,082	491,559	476,744	1,748,234	1,577,826
Infrastructure	14,752,619	13,316,711	22,207,964	22,687,895	36,960,583	36,004,606
Vehicles and motorized equipment	2,562,988	2,622,296	346,240	368,753	2,909,228	2,991,049
Construction in progress	3,190,629	4,118,134	2,546,517	1,815,333	5,737,146	5,933,467
Total	\$ 36,199,160	\$ 35,681,874	\$ 30,858,206	\$ 30,681,089	\$ 67,057,366	\$ 66,362,963

Additional information on the City of Conover’s capital assets can be found in note 3 on pages 70 - 72 of this report.

Long-term Debt. The City of Conover’s bond rating is A and A by Moody’s Investors Service and Standard and Poors, respectively. Gross debt obligations of the City are \$8,456,927 as of June 30, 2016. Gross debt consists of general obligation bonds of \$250,000, installment purchase debt of \$3,924,044, loans and notes payable of \$3,616,734, net pension liability (LEO) of \$ 15,459, net pension liability for retirement of \$ 351,899 and compensated absences of \$298,791. The general obligation bonds of \$250,000 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, the new installment purchase contract for renovation to the Broyhill Building adding “NC Works”, to the police, public works and fire facilities and two fire apparatus amount to \$3,924,044 and are obligations of the general fund. Loans and notes payable amounting to \$3,616,734 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, 2016, the City of Conover had total bonded debt outstanding of \$250,000; 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	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ -	\$ -	\$ 250,000	\$ 375,000	\$ 250,000	\$ 375,000
Loans Payable	-	-	3,616,734	3,297,217	3,616,734	3,297,217
Compensated Absences	246,925	245,198	51,866	50,770	298,791	295,968
OPEB	-	-	-	-	-	-
Pension related debt (LEO)	15,459	6,183	-	-	15,459	6,183
Pension related debt (LGERS)	261,814	-	90,085	-	351,899	-
Installment Purchase	3,924,044	3,575,535	-	-	3,924,044	3,575,535
Total	\$ 4,448,242	\$ 3,826,916	\$ 4,008,685	\$ 3,722,987	\$ 8,456,927	\$ 7,549,903

The City of Conover’s total debt increased \$ 907,024 (12.01%) during the past fiscal year primarily due to the increase in installment purchases for the new Conover Station “NC Works debt, the increase in debt on the Southwest Sewer Rehabilitation notes payable and the increase due to the reporting of the pension related debt for retirement.

City of Conover

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Conover is \$75,340,883. The City of Conover has no bonds authorized but un-issued at June 30, 2016.

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 90 of this report.

Economic Factors

- The County unemployment rate decreased from 6.0% in June 2015 to 5.0% in June 2016. This compares to 7.1% in 2014 and 10.8% in 2013. The State rate at June 2016 was 4.9%.
- Investment Earnings have improved and are much better than in years past.
- The City is continuing to see new growth in both commercial and residential activity with the construction of a new 20,000 square foot Southern States retail store that opened in the summer of 2016. Also, a new 24,000 square foot, multi-tenant shopping center is set to open in the fall of 2016. These two projects have been redeveloped on previously developed land. This is ideal for the City, as it has removed underutilized and unsightly development, while taking advantage of existing infrastructure. It also increases the tax base by turning underutilized, low-value sites into improved, higher-value sites. In addition, positive signs are taking place in residential construction with both single family and townhome development completed or under different stages of development. None of these additions were taken into consideration during the latest re-valuation as they were all still under construction at that time.
- 2015-2016 was a re-valuation year for Catawba County resulting in a loss of approximately 10% in real property values for the City of Conover primarily resulting from appealed industrial values; however, since re-valuation the City has experienced a revitalization taking place with industry and remain very positive for the future.

Budget Highlights for the Fiscal Year Ending June 30, 2017

Governmental Activities:

City of Conover

- All revenue estimates in the City's 2016-2017 budget remain conservative, although we have had some real growth and seen signs of potential growth within the last 8 to 10 months.
- This budget does not include a property tax rate increase leaving the rate at .47 cents per \$100.00 of property value.
- This budget does include a 3% merit pool that will not take place until January, 2017. An employee can receive 0% to 3% based on performance. There are no cost of living increases proposed in this budget.
- This budget includes one new full-time position, a narcotics officer in the police department, and a part-time records clerk, also in the police department.
- Basic services are budgeted, along with replacements of equipment. In addition, the City has budgeted matching funds for the 1st Ave S Bike and Pedestrian Improvement Plan, and for the Pedestrian Crossing over the Norfolk Southern Railway at Conover Station.
- This budget includes a general fund balance appropriation of \$ 535,310 which is 5.7% of the total general fund budget adopted. In addition there were general fund encumbrances at fiscal year- end of \$ 129,764 that will be added to the general fund balance appropriation for 2016-2017.

Business – type Activities:

- This budget includes a 1.8% increase in water purchased from the City of Hickory, and no increase in the sewer rate. This increase is on usage only. There was no increase in meter fees.
- Basic services are budgeted, along with replacements of equipment.
- This budget does include a 3% merit pool that will not take place until January. An employee can receive 0% to 3% based on performance. There are no cost of living increases proposed in this budget.
- No new positions were added.
- Utility usage estimates remain conservative.

Requests for Information

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

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, 2016

Primary Government

	Governmental Activities	Business-type Activities	Total
	\$	\$	\$
Assets			
Current assets:			
Cash and cash equivalents	7,154,377	5,571,667	12,726,044
Taxes receivables (net)	161,676		161,676
Accrued interest receivable on taxes	3,168		3,168
Accounts receivable (net)	51,369	434,561	485,930
Due from other governments	1,037,585	16,620	1,054,205
Internal balances	(1,961)	1,961	
Prepaid items	65,828	26,236	92,064
Restricted cash	<u>393,208</u>		<u>393,208</u>
Total current assets	<u>8,865,250</u>	<u>6,051,045</u>	<u>14,916,295</u>
Noncurrent assets:			
Capital assets (Note 3):			
Land, non-depreciable improvements and construction in progress	6,466,920	2,843,978	9,310,898
Other capital assets, net of depreciation	<u>29,732,240</u>	<u>28,014,228</u>	<u>57,746,468</u>
Total capital assets	<u>36,199,160</u>	<u>30,858,206</u>	<u>67,057,366</u>
Total assets	<u>45,064,410</u>	<u>36,909,251</u>	<u>81,973,661</u>
Deferred Outflows of Resources			
Deferred outflows of resources	<u>226,995</u>	<u>78,098</u>	<u>305,093</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	452,805	233,466	686,271
Accrued interest payable	92,469	5,004	97,473
Customer deposits		129,623	129,623
Current portion of long-term liabilities	<u>315,145</u>	<u>416,487</u>	<u>731,632</u>
Total current liabilities	860,419	784,580	1,644,999
Long-term liabilities:			
Due in more than one year	<u>4,133,097</u>	<u>3,592,198</u>	<u>7,725,295</u>
Total liabilities	<u>4,993,516</u>	<u>4,376,778</u>	<u>9,370,294</u>

CITY OF CONOVER, NORTH CAROLINA
Statement of Net Position
June 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
	\$	\$	\$
Deferred Inflows of Resources			
Prepaid taxes	571		571
Pension deferrals	<u>158,842</u>	<u>54,656</u>	<u>213,498</u>
Total deferred inflows of resources	<u>159,413</u>	<u>54,656</u>	<u>214,069</u>
Net Position			
Net investment in capital assets	32,275,116	26,991,472	59,266,588
Restricted for:			
Stabilization by State Statute	1,247,678		1,247,678
Debt service	211,165		211,165
Transportation	174,711		174,711
Public safety	22,397		22,397
Economic development	145,642		145,642
Capital development	19,339		19,339
Unrestricted	<u>6,042,428</u>	<u>5,564,443</u>	<u>11,606,871</u>
Total net position	<u>40,138,476</u>	<u>32,555,915</u>	<u>72,694,391</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, 2016

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	Expenses \$	Charges for Services \$	Operating Grants and Contributions \$	Capital Grants and Contributions \$
Primary government:				
Government activities:				
General government	2,363,998	130,888		
Public safety	3,854,760	42,973	487,040	
Transportation	1,640,406		253,774	1,058,515
Economic and physical Development	120,840			
Environmental protection	676,904	508,337	5,374	
Interest on long-term debt	<u>156,720</u>	_____	_____	_____
Total government activities (See Note 1)	8,813,628	682,198	746,188	1,058,515
Business-type activities:				
Water and sewer	<u>4,193,686</u>	<u>4,234,539</u>	_____	<u>149,815</u>
Total primary government	<u>13,007,314</u>	<u>4,916,737</u>	<u>746,188</u>	<u>1,208,330</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				
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 previously reported				
Restatement				
Net position, beginning, restated				
Net position, ending				

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

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

Governmental Activities	Business-type Activities	Total
\$	\$	\$
(2,233,110)		(2,233,110)
(3,324,747)		(3,324,747)
(328,117)		(328,117)
(120,840)		(120,840)
(163,193)		(163,193)
(156,720)		(156,720)
(6,326,727)	0	(6,326,727)
	<u>190,668</u>	<u>190,668</u>
(6,326,727)	<u>190,668</u>	(6,136,059)
4,878,057		4,878,057
1,988,892		1,988,892
1,628		1,628
1,001,183		1,001,183
15,743	3,115	18,858
28,927		28,927
(55,398)	<u>55,398</u>	
7,859,032	<u>58,513</u>	7,917,545
(200,000)	<u>200,000</u>	
<u>7,659,032</u>	<u>258,513</u>	<u>7,917,545</u>
<u>1,332,305</u>	<u>449,181</u>	<u>1,781,486</u>
38,911,849	32,106,734	71,018,583
(105,678)		(105,678)
<u>38,806,171</u>	<u>32,106,734</u>	<u>70,912,905</u>
<u>40,138,476</u>	<u>32,555,915</u>	<u>72,694,391</u>

CITY OF CONOVER, NORTH CAROLINA
Balance Sheet
Governmental Funds
June 30, 2016

	Major Funds		
	General	General Capital Reserve Fund	Capital Projects Fund – Highway 16/70 Sidewalk Fund
	\$	\$	\$
Assets			
Cash and cash equivalents	5,173,102	1,283,953	80,000
Restricted cash	197,108		
Receivables, net:			
Taxes	161,676		
Accounts	51,369		
Due from other governments	952,876		84,709
Prepaid items	65,828		
Total assets	<u>6,601,959</u>	<u>1,283,953</u>	<u>164,709</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	253,880		158,582
Total liabilities	<u>253,880</u>	<u>0</u>	<u>158,582</u>
Deferred inflows of resources:			
Property taxes receivable	161,676		
Prepaid taxes	571		
Unavailable revenues	435		
Total deferred inflows of resources	<u>162,682</u>	<u>0</u>	<u>0</u>
Fund balances:			
Non spendable			
Prepaid expenses	65,828		
Restricted			
Stabilization by State Statute	1,134,009		6,127
Streets	174,711		
Public safety	22,397		
Debt covenant	211,165		
Economic development			
Capital development			
Committed			
LEO Special Separation Allowance	54,690		
Capital development		1,283,953	
Facilities maintenance			
Assigned			
Subsequent year's expenditures	667,417		
Unassigned	3,855,180		
Total fund balances	<u>6,185,397</u>	<u>1,283,953</u>	<u>6,127</u>
Total liabilities, deferred inflows of resources and fund balances	<u>6,601,959</u>	<u>1,283,953</u>	<u>164,709</u>

Total Non-Major Funds \$	Total Governmental Funds \$
569,551	7,106,606
196,100	393,208
	161,676
	51,369
	1,037,585
	65,828
<u>765,651</u>	<u>8,816,272</u>
<u>40,343</u>	<u>452,805</u>
<u>40,343</u>	<u>452,805</u>
	161,676
	571
	435
<u>0</u>	<u>162,682</u>
	65,828
107,542	1,247,678
	174,711
	22,397
	211,165
145,642	145,642
19,339	19,339
	54,690
418,170	1,702,123
34,615	34,615
	667,417
	3,855,180
<u>725,308</u>	<u>8,200,785</u>
<u>765,651</u>	

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CITY OF CONOVER, NORTH CAROLINA
Balance Sheet
Governmental Funds
June 30, 2016

	\$	Total Governmental Funds
		\$
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Total Fund Balance, Governmental Funds		8,200,785
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	49,588,870	
Accumulated depreciation	<u>(13,389,710)</u>	36,199,160
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		226,995
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.		3,168
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds.		(1,961)
The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.		47,771
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		162,111
Net pension liability (LEO)		(15,459)
Net pension liability (LGERS)		(261,814)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		(92,469)
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(4,170,969)
Pension related deferrals		<u>(158,842)</u>
 Net position of governmental activities		 <u>40,138,476</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, 2016

	Major Funds		
	General	General Capital Reserve Fund	Capital Projects Fund – Highway 16/70 Sidewalk Fund
	\$	\$	\$
Revenues:			
Ad valorem taxes	4,908,095		
Other taxes and licenses	1,628		
Unrestricted intergovernmental	2,990,075		
Restricted intergovernmental	742,813		84,709
Permits and fees	17,903		
Sales and services	517,288		
Investment earnings	14,321	982	
Miscellaneous	68,085	72,350	
Total revenues	<u>9,260,208</u>	<u>73,332</u>	<u>84,709</u>
Expenditures:			
Current:			
General government	2,247,102		
Public safety	3,844,619		
Transportation	1,216,769		
Environmental protection	682,994		
Debt Service:			
Principal	105,351		
Interest and other charges	151,069		
Capital outlay			158,582
Total expenditures	<u>8,247,904</u>	<u>0</u>	<u>158,582</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,012,304</u>	<u>73,332</u>	<u>(73,873)</u>
Other Financing Sources (Uses):			
Transfers from other funds	1,108,591	304,840	80,000
Transfers to other funds	(889,435)	(408,098)	
Proceeds from installment loan			
Proceeds from the sale of capital assets	5,908		
Total other financing sources (uses)	<u>225,064</u>	<u>(103,258)</u>	<u>80,000</u>
Net change in fund balance	<u>1,237,368</u>	<u>(29,926)</u>	<u>6,127</u>
Fund balances, beginning as previously reported (consolidated)	4,893,339	1,313,879	
Prior period adjustment (Note 3E)	54,690		
Fund balances, beginning as restated	<u>4,948,029</u>	<u>1,313,879</u>	<u>0</u>
Fund balances, ending	<u>6,185,397</u>	<u>1,283,953</u>	<u>6,127</u>

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

Total Non-Major Funds \$	Total Governmental Funds \$
	4,908,095
	1,628
	2,990,075
969,095	1,796,617
4,712	22,615
	517,288
440	15,743
<u>29,600</u>	<u>170,035</u>
<u>1,003,847</u>	<u>10,422,096</u>
	2,247,102
	3,844,619
	1,216,769
	682,994
	105,351
	151,069
<u>1,140,137</u>	<u>1,298,719</u>
<u>1,140,137</u>	<u>9,546,623</u>
(<u>136,290</u>)	<u>875,473</u>
854,655	2,348,086
(1,250,553)	(2,548,086)
453,860	453,860
	<u>5,908</u>
<u>57,962</u>	<u>259,768</u>
(<u>78,328</u>)	<u>1,135,241</u>
803,636	7,010,854
	<u>54,690</u>
<u>803,636</u>	<u>7,065,544</u>
<u><u>725,308</u></u>	<u><u>8,200,785</u></u>

CITY OF CONOVER, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2016

	\$	\$
Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances - total governmental funds		1,135,241
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay expenditures which were capitalized	1,718,989	
Depreciation expense for governmental assets	(1,146,308)	
Basis in assets transferred to enterprise fund	(55,398)	
Cost in assets sold and abandoned	(85,426)	
Accumulated depreciation in assets sold and abandoned	85,426	517,283
Contributions to the pension plan in the current fiscal year are not included on the statement of activities		218,966
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	631	
Change in unavailable revenue for tax revenues	(191,037)	
Prior period adjustment for write off of property tax receivable	160,368	
Change in unearned revenue	(5)	(30,043)
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	105,351	
Loan proceeds	(453,860)	
Increase in accrued interest payable	(5,651)	(354,160)

CITY OF CONOVER, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2016

	\$	\$
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	(1,727)	
Law Enforcement Officers' Special Separation Allowance	(9,276)	
Pension expense	<u>(139,015)</u>	(150,018)
Consolidation adjustment for the Internal Service Fund and the Governmental Funds.		
Net expenses of internal service fund	(6,373)	
Portion of revenue allocated to business-type activities	<u>1,409</u>	<u>(4,964)</u>
Total changes in net position of governmental activities		<u><u>1,332,305</u></u>

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

CITY OF CONOVER, NORTH CAROLINA

General Fund

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

For the Year Ended June 30, 2016

	General Fund			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
	\$	\$	\$	\$
Revenues:				
Ad valorem taxes	4,664,900	4,664,900	4,908,095	243,195
Other taxes and licenses	1,600	1,600	1,628	28
Unrestricted intergovernmental	2,655,000	2,655,000	2,990,075	335,075
Restricted intergovernmental	429,808	773,498	742,813	(30,685)
Sales and services	533,899	533,899	517,288	(16,611)
Permits and fees	16,100	16,100	17,903	1,803
Investment earnings	2,000	2,000	14,321	12,321
Miscellaneous	48,300	64,775	68,085	3,310
Total revenues	<u>8,351,607</u>	<u>8,711,772</u>	<u>9,260,208</u>	<u>548,436</u>
Expenditures:				
Current:				
General government	2,285,007	2,505,220	2,247,102	258,118
Public safety	3,823,921	4,251,274	3,844,619	406,655
Transportation	1,306,810	1,334,142	1,216,769	117,373
Environmental protection	760,069	775,004	682,994	92,010
Debt service:				
Principal	105,351	105,351	105,351	
Interest and other charges	151,069	151,069	151,069	
Total expenditures	<u>8,432,227</u>	<u>9,122,060</u>	<u>8,247,904</u>	<u>874,156</u>
Excess (deficiency) of revenues over (under) expenditures	(80,620)	(410,288)	1,012,304	1,422,592
Other Financing Sources (Uses):				
Transfers from other funds	156,400	1,108,591	1,108,591	
Transfers to other funds	(498,367)	(889,435)	(889,435)	
Proceeds from sale of capital assets	100	100	5,908	5,808
Total other financing sources (uses)	<u>(341,867)</u>	<u>219,256</u>	<u>225,064</u>	<u>5,808</u>
Fund balance appropriated	<u>422,487</u>	<u>191,032</u>		(191,032)
Net change in fund balance	<u>0</u>	<u>0</u>	1,237,368	1,237,368
Fund balances, beginning as previously reported			4,893,339	
Prior period adjustment (Note 3E)			54,690	
Fund balances, beginning as restated			<u>4,948,029</u>	
Fund balances, ending			<u>6,185,397</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, 2016

	Major Enterprise Fund	Internal Service Fund
	Water and Sewer Fund	Fund
	\$	\$
Assets		
Current assets:		
Cash and cash equivalents	5,571,667	4,149
Accounts receivables (net)	434,561	49,994
Due from government agencies	16,620	
Prepaid items	<u>26,236</u>	<u> </u>
Total current assets	<u>6,049,084</u>	<u>54,143</u>
Noncurrent assets:		
Capital assets:		
Land and other non-depreciable assets	2,843,978	
Other capital assets, net of depreciation	<u>28,014,228</u>	<u> </u>
Total noncurrent assets	<u>30,858,206</u>	<u>0</u>
Total assets	<u>36,907,290</u>	<u>54,143</u>
Deferred Outflows of Resources		
Deferred outflows of resources	<u>78,098</u>	<u>0</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	233,466	
Deposits	129,623	
Accrued interest payable	5,004	
Compensated absences - current	33,194	
General obligations bonds payable - current	125,000	
Loans payable – current	<u>258,293</u>	<u> </u>
Total current liabilities	<u>784,580</u>	<u>0</u>
Noncurrent liabilities:		
Compensated absences	18,672	
General obligations bonds payable - noncurrent	125,000	
Loans payable - noncurrent	<u>3,448,526</u>	<u> </u>
Total noncurrent liabilities	<u>3,592,198</u>	<u>0</u>
Total liabilities	<u>4,376,778</u>	<u>0</u>

CITY OF CONOVER, NORTH CAROLINA
Statement of Fund Net Position
Proprietary Funds
June 30, 2016

	Major Enterprise Fund	Internal Service Fund
	Water and Sewer Fund	Fund
	\$	\$
Deferred Inflows of Resources		
Deferred inflows of resources	<u>54,656</u>	<u>0</u>
Net Position		
Investment in capital assets, net of related debt	30,858,206	
Unrestricted	<u>1,695,748</u>	<u>54,143</u>
Total net position	32,553,954	<u><u>54,143</u></u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	<u>1,961</u>	
Net position of business-type activities	<u><u>32,555,915</u></u>	

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

CITY OF CONOVER, NORTH CAROLINA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	<u>Major Enterprise Fund</u>		
	Water and Sewer Fund \$	Total \$	Internal Service Fund \$
Operating Revenues			
Charges for services	<u>4,234,539</u>	<u>4,234,539</u>	<u>623,210</u>
Operating Expenses			
Purchase for resale	671,800	671,800	
Salaries and wages	1,132,430	1,132,430	
Professional services	30,113	30,113	
Telephone alarm system	109	109	
Telephone	6,669	6,669	
Utilities	110,022	110,022	
Travel and training	5,117	5,117	
Maintenance and repairs-equipment and lines	132,897	132,897	
Maintenance and repairs-vehicles	15,756	15,756	
Maintenance and repairs-building and grounds	760	760	
Sewer line easements	3,311	3,311	
Automotive supplies	30,868	30,868	
Departmental supplies	153,758	153,758	
Contracted services	386,051	386,051	
Miscellaneous	3,603	3,603	
Payroll taxes	85,508	85,508	
Retirement expense	105,378	105,378	
Group insurance	175,354	175,354	
Health/dental expenses			629,583
Employee benefits	1,109	1,109	
Uniforms	9,548	9,548	
Depreciation	1,053,785	1,053,785	
Advertising	3,363	3,363	
Dues and subscriptions	4,560	4,560	
Insurance and bonds	45,407	45,407	
Transition fee	<u>1,584</u>	<u>1,584</u>	
Total operating expenses	<u>4,168,860</u>	<u>4,168,860</u>	<u>629,583</u>
Operating income (loss)	<u>65,679</u>	<u>65,679</u>	<u>(6,373)</u>

CITY OF CONOVER, NORTH CAROLINA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	<u>Major Enterprise Fund</u>		
	Water and Sewer Fund \$	Total \$	Internal Service Fund \$
Nonoperating Revenues (Expenses)			
Investment earnings	3,115	3,115	
Interest and fees	(23,417)	(23,417)	_____
Total nonoperating revenues (expenses)	(20,302)	(20,302)	_____ 0
Income (loss) before contributions and transfers	45,377	45,377	(6,373)
Capital contributions	205,213	205,213	
Transfers from other funds	<u>200,000</u>	<u>200,000</u>	_____
Change in net position	450,590	450,590	(6,373)
Total net position, beginning	<u>32,106,734</u>		<u>54,143</u>
Total net position, ending	<u>32,557,324</u>		<u>47,770</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise fund.		(1,409)	
Change in net position, business-type activities		<u>449,181</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, 2016

	Major Enterprise Fund	Internal Service Fund
	Water and Sewer Fund	Fund
	\$	\$
Cash Flows from Operating Activities:		
Cash received from customers	4,340,138	673,204
Cash paid for goods and services	(2,267,020)	(629,583)
Cash paid to employees	(1,131,333)	_____
Net cash provided (used) by operating activities	<u>941,785</u>	<u>43,621</u>
Cash Flows from Noncapital Financing Activities:		
Transfers from other funds	<u>200,000</u>	_____
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(1,092,947)	
Proceeds from loans	492,713	
Decrease in due from other funds	(145,370)	
Principal paid on bond maturities and other loans	(298,196)	
Interest paid on bond maturities and other loan costs	(25,797)	
System development fees	52,823	
Capacity excess fees	<u>13,144</u>	_____
Net cash provided (used) for capital and related financing activities	<u>(1,003,630)</u>	<u>0</u>
Cash Flows from Investing Activities:		
Interest on investments	<u>4,407</u>	<u>0</u>
Net increase in cash and cash equivalents	142,562	43,621
Balances, beginning	<u>5,429,105</u>	<u>4,149</u>
Balances, ending	<u>5,571,667</u>	<u>47,770</u>

CITY OF CONOVER, NORTH CAROLINA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

	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)	<u>65,679</u>	<u>(6,373)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,053,785	
Changes in assets and liabilities:		
(Decrease) in due from other governments	(75,387)	
(Increase) in due from other governments	(16,620)	
(Increase) in prepaid expenses	(23,984)	
Decrease in accounts receivable	193,589	49,994
(Decrease) in accounts payable and other liabilities	(232,882)	
Increase in customer deposits	4,017	
Increase in accrued vacation pay	1,096	
Decrease in deferred outflows for pensions	842	
Decrease in net pension asset	120,433	
Increase in net pension liability	90,085	
(Decrease) in deferred inflows of resources - pensions	<u>(238,868)</u>	<u> </u>
Total adjustments	<u>876,106</u>	<u>49,994</u>
Net cash provided (used) by operating activities	<u>941,785</u>	<u>43,621</u>

Schedule of non-cash capital and related financing activities:

Contributions of capital assets	137,954
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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, 2016

Note 1.
Summary of Significant
Accounting Policies

The accounting policies of the City of Conover conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

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

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category - *governmental and proprietary* - are presented. The

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

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

The City reports the following major governmental funds:

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

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

Highway 16/70 Sidewalk Construction Project Capital Project Fund. This fund provides funding for the construction of one mile of concrete sidewalk along Highway 16 and Highway 70.

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.

West Penn Hardwoods Special Revenue Fund. This fund

provides a grant from NC Commerce for building reuse received by the City to provide funding for building renovations provided all the conditions of the grant are met.

GKN Economic Development Capital Project Fund. This fund provides funding for construction of a street, water and sewer infrastructure for the expansion of GKN Sinter Metals, LLC.

Shelf Project-Transportation Capital Project Fund. This fund provides funding for engineering for future transportation improvements that are pre-engineered and shelf ready to begin.

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 Project Fund. This fund is to account for the redevelopment of the Broyhill property and was completed and closed during the fiscal year.

Conover Station North Capital Project Fund. This fund provides funding for site improvements consisting of water/sewer utility and street and sidewalk construction. This project was completed and closed during the year.

Lyle Creek Greenway Construction Capital Project Fund. This fund is used to finance construction of a 1.5 mile, enhanced trail along the Carolina Thread Trail linking 15 counties and 2.3 million people in the south-central piedmont of North Carolina through an interconnected trail system. The project is funded with grant income.

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. The project was completed and closed during the fiscal year.

Conover Station NC Works Fund. Funds construction renovation for the new “NC Works” occupancy located on the second floor of

the Warlong Building.

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

The City reports the following fund type:

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.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise 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 other than motor vehicles, are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, General Capital Reserve Capital Projects Fund, Facilities Maintenance Special Revenue Fund, Priority Sidewalk Capital Project Fund, Solid Waste Capital Reserve Capital Project Fund, and the General Capital Project Fund. An annual budget is also adopted for the Enterprise Operating Fund, Enterprise Fund Water and Sewer Capital Reserve Fund, Enterprise Fund Water and Sewer Capital Projects Fund, and Enterprise Fund Water and Sewer Improvement Fund, which are consolidated with the operating funds for reporting purposes. Project ordinances are adopted for the Broyhill Redevelopment Capital Project Fund, Lyle Creek Greenway Construction Capital Project Fund, Multi-Jurisdictional Park Capital Project Fund, Shelf Project-Transportation Capital Project Fund, Conover Station North Capital Project Fund, the Rock Bridge Drive Bridge Construction Capital Project Fund, Highway 16/70 Sidewalk Construction Capital Project Fund, GKN Economic Development Capital Project Fund, Conover Station NC Works Capital Project Ordinance, and West Penn Hardwoods Special Revenue Fund. Project ordinances are also adopted for the Enterprise Fund Shelf Project Fund, the Enterprise Fund NE WWTP Expansion Fund, and the Enterprise Fund SW Sewer Rehabilitation Project Fund, which are consolidated with the water and sewer operating fund for reporting purposes. The City's Health Insurance Fund, an internal service fund, operates under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved, as required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the line item level for the multi-year funds. All amendments must be approved by the governing board.

The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Budget transfers are ordained by the City Council as follows:

- (1) In accordance with G. S. 159-13(b)(3), each expenditure to be charged against a contingency appropriation shall be authorized only by the City Council. In an emergency situation, the City Manager may approve an expenditure to be charged to a contingency account provided that such emergency expenditure is reported to the City Council at its next meeting.
- (2) The Budget Officer is hereby authorized to approve appropriations within the General and Water/Sewer Funds. Any authorization for making expenditures from excess revenues, a transfer within the capital project fund or between any fund shall be made by the City Council.
- (3) Transfers from one fund to another shall not be allowed except as is authorized by the Budget and Fiscal Control Act and such transfers shall be approved by the City Council prior to transfer.
- (4) The Director of Finance shall prepare forms necessary to document each budget transfer and comply with the reporting of the budget transfers as specified hereinabove.

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

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

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

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

Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The City's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT-Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, 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 and considers all cash and investments to be cash and cash equivalents.

Restricted Assets

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

City of Conover Restricted Cash

Governmental Activities:

General Fund	
Streets	\$ 174,711
Public Safety	22,397
Multi-Jurisdictional Park Capital	
Project Fund Economic Development	176,761
Conover Station NC Works Capital	
Development	<u>19,339</u>
Total Governmental Activities	<u>\$ 393,208</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, 2015.

Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2016 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meet this criterion, contributions made to the pension plan in the 2016 fiscal year and changes in proportion and differences between City contributions and proportionate share of contributions. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has only four items that meet the criterion for this category – prepaid taxes, property taxes receivable, deferrals of pension expense that result from the implementation of GASB 68, 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 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.

Restricted for Capital Development – portion of fund balance that is restricted in escrow with BB&T for renovation of Conover Station.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of City of Conover's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance

prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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

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

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

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

Unassigned Fund Balance - portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The City of Conover has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, City funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City.

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

Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Conover's employer contributions are recognized when due and the City of Conover has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2. Stewardship, Compliance and Accountability

Significant Violations of Finance-Related Legal and Contractual Provisions

No instances of material noncompliance were found.

Note 3. Detail Notes on all Funds

A. Assets

Deposits

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agent in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits

are considered to be held by the City's agent in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risks for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2016, the City's deposits had a carrying amount of \$7,497,075 and a bank balance of \$8,008,109. The bank balances of the City were fully covered by federal depository insurance and the pooling method. At June 30, 2016, the City's petty cash fund totaled \$490.

Investments

At June 30, 2016, the City's investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2016	Maturity	Rating
NC Capital Management Trust – Cash Portfolio	Amortized Cost	\$ 2,606,051	N/A	AAAm
NC Capital Management Trust – Term Portfolio	Fair Value Level 1	3,015,636	14 years	
Total		\$ 5,621,687		

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

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for

identical assets.

Interest Rate Risk - The City has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's internal investment policy limits the City's investment portfolio to maturities of less than 12 months.

Credit risk – The City has no formal policy regarding credit risk, but has internal management procedures that limits the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2016. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

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

Receivables - Allowance for Doubtful Accounts

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

<u>Fund</u>	<u>06/30/16</u>
General Fund	
Taxes receivable	\$ 140,756
Landfill fee	<u>920</u>
Total General Fund	141,676
Enterprise Fund	<u>7,965</u>
Total	<u>\$ 149,641</u>

Capital Assets

Primary Government:

Capital asset activity for the Primary Government for the year ended June 30, 2016, was as follows:

	Beginning Balances \$	Additions \$	Net Transfers \$	Retire- ments \$	Ending Balances \$
Governmental activities:					
Capital assets not being depreciated:					
Land & improvements	3,175,012	101,279			3,276,291
Construction in process	<u>4,118,134</u>	<u>873,065</u>	(1,800,570)		<u>3,190,629</u>
Total capital assets not being depreciated	<u>7,293,146</u>	<u>974,344</u>	(1,800,570)	<u>0</u>	<u>6,466,920</u>
Capital assets being depreciated:					
Building & improvements	14,201,041	68,835			14,269,876
Equipment	2,693,270	328,358		(6,059)	3,015,569
Vehicles	5,790,675	304,206		(79,367)	6,015,514
Computer equipment	195,685	43,249			238,934
Infrastructure	<u>17,836,885</u>		<u>1,745,172</u>		<u>19,582,057</u>
Total capital assets being depreciated	<u>40,717,556</u>	<u>744,648</u>	<u>1,745,172</u>	(85,426)	<u>43,121,950</u>
Less accumulated depreciation for:					
Buildings & improvements	2,886,447	286,134			3,172,581
Equipment	1,592,188	172,765		(6,059)	1,758,894
Vehicles	3,168,379	363,514		(79,367)	3,452,526
Computer equipment	161,640	14,631			176,271
Infrastructure	<u>4,520,174</u>	<u>309,264</u>			<u>4,829,438</u>
Total accumulated depreciation	<u>12,328,828</u>	<u>1,146,308</u>	<u>0</u>	(85,426)	<u>13,389,710</u>
Total capital assets being depreciated, net	<u>28,388,728</u>				<u>29,732,240</u>
Governmental activity capital assets, net	<u>35,681,874</u>				<u>36,199,160</u>

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

General government	\$ 244,707
Public safety	354,795
Transportation	425,966
Environmental protection	<u>120,840</u>
Total depreciation expense	<u>\$ 1,146,308</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	296,330	1,131			297,461
Construction in process	<u>1,815,333</u>	<u>675,786</u>	<u>55,398</u>		<u>2,546,517</u>
Total capital assets not being depreciated	<u>2,111,663</u>	<u>676,917</u>	<u>55,398</u>	<u>0</u>	<u>2,843,978</u>
Capital assets being depreciated:					
Buildings & improvements	7,916,307	70,238		(5,363)	7,981,182
Equipment	3,436,345	119,865			3,556,210
Vehicles	696,686	23,244			719,930
Computer equipment	29,969				29,969
Infrastructure	<u>33,188,991</u>	<u>285,240</u>			<u>33,474,231</u>
Total capital assets being depreciated	<u>45,268,298</u>	<u>498,587</u>	<u>0</u>	<u>(5,363)</u>	<u>45,761,522</u>
Less accumulated depreciation for:					
Buildings & improvements	2,880,273	137,807		(5,363)	3,012,717
Equipment	2,959,601	105,050			3,064,651
Vehicles	327,933	45,757			373,690
Computer equipment	29,969				29,969
Infrastructure	<u>10,501,096</u>	<u>765,171</u>			<u>11,266,267</u>
Total accumulated depreciation	<u>16,698,872</u>	<u>1,053,785</u>	<u>0</u>	<u>(5,363)</u>	<u>17,747,294</u>
Total capital assets being depreciated, net	<u>28,569,426</u>				<u>28,014,228</u>
Business-type activities capital assets, net	<u>30,681,089</u>				<u>30,858,206</u>

Construction commitments

The government has active projects as of June 30, 2016. At year end, the government's commitments with contractors are as follows:

Project	Spent to Date \$	Remaining Commitment \$
Water Sewer Capital Projects	159,031	53,369
2 nd St. NW Paving	0	10,657
HWY 16/70 Sidewalk Construction	<u>157,430</u>	<u>135,962</u>
Total	<u>316,461</u>	<u>199,988</u>

B. Liabilities

Pension Plan Obligations and Postemployment Obligations

a. Local Government Employees' Retirement System:

Plan Description

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

Benefits Provided

LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Conover employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Conover contractually required contribution rate for

the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 7.15% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Conover were \$294,302 for the year ended June 30, 2016.

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

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

At June 30, 2016, the City reported a liability of \$351,899 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the City's proportion was .07841%, which was a decrease of .00136% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$186,848. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 82,716
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	100,185
Changes in proportion and differences between City contributions and proportionate share of contributions	10,791	30,597
City contributions subsequent to the measurement date	<u>294,302</u>	<u>-</u>
Total	\$ <u><u>305,093</u></u>	\$ <u><u>213,498</u></u>

\$294,302 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended	
June 30:	
2017	\$(121,133)
2018	(121,133)
2019	(121,042)
2020	160,602
2021	-
Thereafter	<u>-</u>
Total	\$(<u><u>202,706</u></u>)

Actuarial Assumptions

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

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

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and

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

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s proportionate share of the net pension asset to changes in the discount rate

The following presents the City’s proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the City’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease <u>(6.25%)</u>	Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
City’s proportionate share of the net pension liability (asset)	\$ 913,188	\$ 130,958	\$ 528,054

Pension plan fiduciary net position

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

b. Law Enforcement Officers' Special Separation Allowance:

Plan Description

The City of Conover administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of:

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

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

Basis of Accounting – The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers

Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. No funds are set aside to pay administrative costs. These expenditures are paid as they become due.

The annual required contribution for the current year was determined as part of the December 31, 2015 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 3.57% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 3.50% to 7.35 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 dollar closed basis. The remaining amortization period at December 31, 2015 was 15 years.

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

Annual required contribution	\$ 37,826
Interest on net pension obligation	309
Adjustment to annual required contribution	(543)
Annual pension cost	<u>37,592</u>
Contributions made	(<u>28,316</u>)
Increase in net pension obligation	9,276
Net pension obligation, beginning of year	<u>6,183</u>
Net pension obligation, end of year	\$ <u><u>15,459</u></u>

Assets reserved to pay benefits are reported as committed fund balance in the General Fund. Benefit payments reduce the net pension obligation.

Funding Status and Funding Progress

3 Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Advance Funding)</u>
06/30/14	\$ 30,310	98.98%	\$ (49)
06/30/15	\$ 37,232	83.26%	\$ 6,183
06/30/16	\$ 37,592	75.32%	\$ 15,459

As of December 31, 2015, the most recent actuarial valuation date, the plan was 12.67% funded. The actuarial accrued liability for benefits was \$431,626 and the actuarial value of assets was \$54,690, resulting in an unfunded actuarial accrued liability (UAAL) of \$376,936. The covered payroll (annual payroll of active employees covered by the plan) was \$1,116,739, and the ratio of the UAAL to the covered payroll was 33.75%.

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

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

Plan Description

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

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

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

Funding Policy

Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016 were \$65,614, which consisted of \$51,605 from the City and \$14,009 from the law enforcement officers. Contributions for the year ended June 30, 2016 for general employees were \$194,890, which consisted of \$160,850 from the City and \$34,040 from the general employees.

d. Firefighters' and Rescue Squad Workers' Pension Fund

Plan Description

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

Benefits Provided

FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions

Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2015, the State contributed \$13,900,000 to the plan. The City of Conover's proportionate share of the State's contribution is \$16,113.

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

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

At June 30, 2016, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City and supported by the State was \$42,147. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures

incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2015 and at June 30, 2014 was 0%.

For the year ended June 30, 2016, the City recognized pension expense of \$3,373 and revenue of \$3,373 for support provided by the State. At June 30, 2016, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Not applicable
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the assets allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension plan fiduciary net position

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

Other Employment Benefits

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

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 \$15,000 through the City's insurance provider. Benefits in excess of \$50,000 are considered taxable to the employee as a fringe benefit. The cost of the excess coverage is included in taxable wages, as a result FICA taxes are calculated and withheld on the amount of the premium paid for the excess insurance coverage.

Deferred Outflows and Inflows of Resources

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

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 294,302
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>10,791</u>
Total deferred outflows of resources	<u>\$ 305,093</u>

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

Prepaid taxes (General Fund)	\$ 571
Taxes Receivable, less penalties (General Fund)	161,676
Unavailable revenue	435
Pension deferrals	<u>213,498</u>
Total deferred inflows of resources	<u>\$ 376,180</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 \$3,000,000 excess limit. Law enforcement liability has coverage with a \$4,000,000 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 provided health and dental coverage to all full time employees through a partially self-funded network administered by Healthgram with re-insurance coverage from HM Insurance Group from July 1, 2015 thru December 31, 2015 of this fiscal year. The City’s

coverage changed on January 1, 2016. Full time employees are covered for health and dental insurance through the NC State Health plan. Per membership in the NC State Health plan, employees are not eligible for post-employment health insurance benefits.

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

The North Carolina Supreme Court issued an opinion in August 2016 in the case of Quality Home Builders v. Town of Carthage, which held that absent some special legislative authority, North Carolina cities are not permitted to collect impact fees from water and sewer customers. In May of 2008, the City enacted an ordinance providing for the collection of water and sewer system development charges. The City has collected system development charges from certain water and sewer customers since that date. To date, there has not been a claim or a threat of claim by any party who paid such charges for a refund of same. Management and the City's legal counsel believe it is probable that a claim will be made against the City for a refund of charges but that amount cannot be reasonably estimated.

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,	\$
2017	77,205
2018	77,205
2019	77,205
2020	77,205
2021	77,205
2022-2045	<u>1,929,706</u>
	2,315,731
Less, amount representing interest	(1,000,855)
Present value of minimum installment purchase payments	<u>1,314,876</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,	\$
2017	52,654
2018	52,654
2019	52,654
2020	52,654
2021	52,654
2022-2025	<u>210,612</u>
	473,882
Less, amount representing interest	(<u>86,806</u>)
Present value of minimum installment purchase payments	<u>387,076</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,	\$
2017	38,818
2018	38,818
2019	38,818
2020	38,818
2021	38,818
2022-2048	<u>1,086,684</u>
	1,280,774
Less, amount representing interest	(<u>598,743</u>)
Present value of minimum installment purchase payments	<u>682,031</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,	\$
2017	62,814
2018	62,814
2019	62,814
2020	62,814
2021	62,814
2022-2049	<u>1,758,422</u>
	2,072,492
Less, amount representing interest	(<u>986,291</u>)
Present value of minimum installment purchase payments	<u>1,086,201</u>

Conover Station “NC Works” Construction Renovation

The City entered into an installment purchase agreement with BB&T Government Finance for the construction renovation of the second floor of Conover Station to provide finished space to lease. The City received installment proceeds of \$453,860 at 2.85% annual interest. The City will pay ten (10) annual installments of \$45,386 beginning December 10, 2016. Minimum future payments are:

Year Ending June 30,	\$
2017	58,321
2018	57,028
2019	55,734
2020	54,441
2021	53,147
2022-2026	<u>246,332</u>
	525,003
Less, amount representing interest	(<u>71,143</u>)
Present value of minimum installment purchase payments	<u>453,860</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, 2016 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>250,000</u>
Total bonds payable	<u>250,000</u>

Loans Payable:

The loans payable for water and sewer funds are Catawba County loans, an American Recovery and Reinvestment Act (ARRA) loan, and four State Revolving Loans. The county loan financed the

construction of the sewer line in the Oxford School area, outside of the Conover city limits. The ARRA loan funded sewer system construction and rehabilitation in various areas of the City. State Revolving Loans include the Water Tank Loan, a project to construct a second water tank to improve water distribution and service, the NE/SW and the Hwy 16 N loans for water line improvements, and the SW Sewer Rehabilitation loan funding sewer line improvements and replacements in the SW area of the City where the City's oldest sewer lines were in service.

Loans payable at June 30, 2016 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.	166,351
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.	604,459
\$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.	154,200
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.	652,435
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.	337,359

The City received \$1,701,930 from Department of Environment and Natural Resources for improvements to SW Sewer Rehabilitation Project during the fiscal year. An annual payment of \$85,097 will begin on May 1, 2017 for 20 years at 0% interest.	<u>1,701,930</u>
Total loans payable	<u>3,616,734</u>
Total long-term debt	<u>3,866,734</u>

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

Year Ending June 30,	<u>Business-type Activities</u>	
	Principal \$	Interest \$
2017	383,426	17,691
2018	383,426	9,586
2019	258,426	1,481
2020	207,026	
2021	207,026	
2022-2026	963,835	
2027-2031	873,130	
2032-2035	<u>590,439</u>	<u> </u>
Totals	<u>3,866,734</u>	<u>28,758</u>

At June 30, 2016 the City of Conover had no bonds authorized but unissued and a legal debt margin of \$75,340,883.

Changes in General Long-Term Liabilities

	Balance July 1, 2015 \$	Addition \$	Retirements \$	Balance June 30, 2016 \$	Current Portion of Balance \$
Governmental activities:					
Installment purchases	3,575,535	453,860	105,351	3,924,044	159,582
Net pension liability (LGERS)		542,122	280,308	261,814	
Net pension liability (LEO)	6,183	9,276		15,459	
Compensated absences	<u>245,199</u>	<u>157,116</u>	<u>155,390</u>	<u>246,925</u>	<u>155,563</u>
 Governmental activity long-term liabilities	 <u>3,826,917</u>	 <u>1,162,374</u>	 <u>541,049</u>	 <u>4,448,242</u>	 <u>315,145</u>
 Business-type activities:					
<u>Water and Sewer Fund</u>					
Loans payable	3,297,216	492,714	173,196	3,616,734	258,293
Net pension liability (LGERS)		186,539	96,454	90,085	
General obligation bonds	375,000		125,000	250,000	125,000
Compensated absences	<u>50,770</u>	<u>34,818</u>	<u>33,722</u>	<u>51,866</u>	<u>33,194</u>
 Business-type activity long-term liabilities	 <u>3,722,986</u>	 <u>714,071</u>	 <u>428,372</u>	 <u>4,008,685</u>	 <u>416,487</u>

The LGERS plan had a net pension liability as of June 30, 2016; however, the plan had a net pension asset at the beginning of the fiscal year. Compensated absences for governmental activities have typically been liquidated in the general fund.

**C. Interfund Balances
and Activities**

Transfers from Other Funds:	\$
Transfer from General Fund to Capital Projects Fund – Solid Waste Capital Reserve Fund for capital outlay expenditures during this fiscal year	297,527
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	235,493
Transfer from Capital Projects Fund – Solid Waste Capital Reserve Fund to General Fund for capital purchases	8,000
Transfer from General Fund to General Fund Capital Reserve Fund for future capital purchases	304,840
Transfer from General Fund to Special Revenue Fund West Penn Hardwoods Fund to pay administration costs	2,000
Transfer from General Fund to Capital Projects Fund – Shelf Project – Transportation Fund to fund engineering for projects	100,000
Transfer from General Fund to Capital Projects Fund – Conover Station NC Works Fund to fund construction expenses	80,300
Transfer from General Fund to Capital Projects Fund – GKN Economic Development Fund to pay for infrastructure construction	24,768
Transfer from General Fund to Capital Projects Fund – Highway 16/70 Sidewalk Construction Fund for sidewalk construction	80,000
Transfer from Capital Projects Fund – General Fund Capital Reserve Fund to General Fund to pay for capital outlay purchases	172,605
Transfer from Capital Projects Fund – Broyhill Redevelopment Fund to General Fund to close the Broyhill Project	853
Transfer from Special Revenue Fund – Facilities Maintenance Fund to General Fund to pay for maintenance on leased properties	15,250
Transfer from Capital Projects Fund – Conover Station NC Works Fund to General Fund for funding not used	80,300
Transfer from Capital Projects Fund – Rock Bridge Drive Bridge Construction Fund to General Fund to close the fund	831,583

	\$
Transfer from Capital Projects Fund – Solid Waste Capital Reserve Fund to Capital Projects Fund – General Fund Capital Project Fund	94,867
Transfer from Capital Projects Fund – Priority Sidewalk Fund to Capital Projects Fund – Lyle Creek Greenway Construction Fund for sidewalk construction	<u>19,700</u>
Total transfers from other funds – Exhibit 4	<u>2,348,086</u>
Transfer from Capital Projects Fund – Rock Bridge Drive Bridge Construction Fund to Water Sewer Capital Reserve Fund	<u>200,000</u>
Total transfers from other funds – Exhibit 7	<u>200,000</u>
Total transfers from other funds	<u>2,548,086</u>

Transfers to Other Funds:

	\$
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	235,493
Transfer to Capital Projects Fund – Solid Waste Capital Reserve Fund from General Fund for capital outlay expenditures during this fiscal year	297,527
Transfer to General Fund from Capital Projects Fund – Solid Waste Capital Reserve Fund for capital purchases	8,000
Transfer to General Fund Capital Reserve Fund from General Fund for future capital purchases	304,840
Transfer to Special Revenue Fund – West Penn Hardwoods Fund from General Fund to pay administration costs	2,000
Transfer to Capital Projects Fund – Shelf Project – Transportation Fund from General Fund to fund engineering for projects	100,000
Transfer to Capital Projects Fund – Conover Station NC Works Fund from General Fund to fund construction expenses	80,300
Transfer to Capital Projects Fund – GKN Economic Development Fund from General Fund to fund infrastructure construction	24,768

	\$
Transfer to Capital Projects Fund – Highway 16/70 Sidewalk Construction Fund from General Fund for sidewalk construction	80,000
Transfer to General Fund from Capital Projects Fund – General Fund Capital Reserve Fund to pay for capital outlay	172,605
Transfer to General Fund from Capital Projects Fund – Broyhill Redevelopment Fund to close the Broyhill project	853
Transfer to General Fund from Special Revenue Fund – Facilities Maintenance Fund to pay maintenance on leased properties	15,250
Transfer to General Fund from Capital Projects Fund – Conover Station NC Works Fund to reimburse for funding not used	80,300
Transfer to General Fund from Capital Projects Fund – Rock Bridge Drive Bridge Construction Fund to close the project	831,583
Transfer to Capital Projects Fund – General Fund Capital Project Fund from Capital Projects Fund – Solid Waste Capital Reserve Fund for capital outlay	94,867
Transfer to Capital Projects Fund – Lyle Creek Greenway Construction Fund from Capital Projects Fund – Priority Sidewalk Fund for sidewalk construction	19,700
Transfer to Water Sewer Capital Reserve Fund from Capital Projects Fund – Rock Bridge Drive Bridge Construction Fund to close fund	<u>200,000</u>
Total transfers to other funds – Exhibit 4	<u>2,548,086</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. Revenues,
Expenditures,
and, Expenses**

On-Behalf of Payments for Fringe Benefits and Salaries

The City has recognized as a revenue and an expenditure, on-behalf of payments for fringe benefits and salaries of \$8,063 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, 2016. Under State law, the local

board of trustees for the Fund receives an amount each year, which the board may use at its own discretion for eligible firemen or their departments.

E. Prior Period Adjustments

In accordance with Governmental Accounting Standards Board (GASB) 73 the City reclassified the Law Enforcement Officers' Special Separation Allowance trust fund to the General Fund. Therefore, an adjustment to beginning fund balance and beginning net assets has been recorded to report monies committed to Special Separation Allowance to the general fund and to governmental activities for \$54,690. During the year, the City determined prior year outstanding ad valorem tax receivables totaling \$160,368 were not collectible and were written off, reducing beginning net assets by \$160,368. The net effect of both restatements results in a reduction in beginning net assets of \$105,678.

F. Net Investment in Capital Assets

	Governmental Activities \$	Business-type Activities \$	Total \$
Total capital assets net of depreciation	36,199,160	30,858,206	67,057,366
Less related debt	(3,924,044)	(3,866,734)	(7,790,778)
Net investment in capital assets	<u>32,275,116</u>	<u>26,991,472</u>	<u>59,266,588</u>

G. 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>\$ 6,185,397</i>
Less:	
Prepaid expenses	65,828
Stabilization by State Statute	1,134,009
Streets – Powell Bill	174,711
Public Safety – Law Enforcement	22,397
Debt – USDA loans	211,165
LEO Special Separation Allowance	54,690
Appropriated Fund Balance in 2016-2017 budget	667,417
Remaining Fund Balance	3,855,180

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Of the \$247,551 outstanding encumbrances in non-major funds as of June 30, 2016, \$230,144 represents commitments in capital project ordinances.

Encumbrances	General	General	Highway 16/70	Non-Major Funds
	Fund	Capital Reserve Fund	Sidewalk Construction Fund	
	\$ 129,764	\$ 0	\$ 144,563	\$ 145,041

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

Federal and State Assisted Programs - The City has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

**Note 5.
Jointly Governed
Organizations**

Hickory-Conover Tourism Development Authority

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

Western Piedmont Council of Governments

The Western Piedmont Council of Governments (WPCOG) is a regional planning organization. It consists of twenty-four (24) municipalities and four counties within western North Carolina. The WPCOG's governing board is comprised of one elected official from each of these local governments and seven at-large

citizen members. Each local government has one vote. The City paid membership dues of \$8,457 during the fiscal year ended June 30, 2016.

The Catawba Economic Development Corporation

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

The Western Piedmont Regional Transit Authority

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

Note 6. Subsequent Events

Subsequent events were tested through November 18, 2016. None were noted.

Note 7. Changes in Accounting Principles/Restatement

In accordance with Governmental Accounting Standards Board (GASB) statement 73, the City reclassified the Law Enforcement Officers' Special Separation Allowance trust fund to the General Fund. As a result, beginning net position and beginning fund balance for the governmental activities and the general fund,

respectively, increased by \$54,690. The City wrote off \$160,368 of uncollectible property tax receivables from prior years reducing the beginning net position by \$160,368. The net effect of the restatements of beginning net position is a decrease in beginning net position of \$105,678.

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**
- * **Schedule of Proportionate Share of Net Pension Asset for Local Government Employees' Retirement System**
- * **Schedule of Contributions to Local Government Employees' Retirement System**
- * **Schedule of Proportionate Share of Net Pension Liability for Firefighters' and Rescue Squad Workers' Pension Plan**

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

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)
12/31/06	\$231,635	\$ 339,663	\$ 108,028	68.20%	\$ 893,259	12.09%
12/31/07	246,986	331,318	84,332	74.55%	952,864	8.85%
12/31/08	257,947	332,383	74,436	77.61%	997,696	7.46%
12/31/09	253,594	480,516	226,922	52.78%	878,954	25.82%
12/31/10	213,347	428,656	215,309	49.77%	988,099	21.79%
12/31/11	164,989	362,874	197,885	45.47%	952,927	20.77%
12/31/12	123,915	325,600	201,685	38.06%	962,631	20.95%
12/31/13	86,834	316,885	230,051	27.40%	1,036,190	22.20%
12/31/14	57,730	283,564	225,834	20.36%	1,013,213	22.29%
12/31/15	54,690	431,626	376,936	12.67%	1,116,739	33.75%

* 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
2007	20,332	78.69%
2008	19,427	82.36%
2009	19,071	83.90%
2010	18,227	87.78%
2010	28,992	65.54%
2012	29,165	99.43%
2013	28,698	104.50%
2014	30,310	98.98%
2015	37,232	83.26%
2016	37,592	75.32%

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

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Conover's proportion of the net pension liability (asset) (%)	0.07841%	0.07977%	0.07977%
Conover's proportion of the net pension liability (asset) (\$)	\$ 351,900	\$(470,440)	\$ 913,681
Conover's covered-employee payroll	\$ 4,288,783	\$ 4,122,834	\$ 4,040,313
Conover's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.21%	(11.41%)	22.61%
Plan fiduciary net position as a percentage of the total pension liability **	94.35%	102.64%	94.35%

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

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

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

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 294,302	\$ 293,980	\$ 285,047
Contributions in relation to the contractually required contribution	<u>294,302</u>	<u>293,980</u>	<u>285,047</u>
Contribution deficiency (excess)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Conover's covered-employee payroll	\$ 4,288,783	\$ 4,122,834	\$ 4,040,313
Contributions as a percentage of covered-employee payroll	6.86%	7.13%	7.06%

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

Firefighters' and Rescue Squad Workers' Pension

	<u>2016</u>	<u>2015</u>
Conover's proportionate share of the net pension liability (%)	0.0000%	0.0000%
Conover's proportionate share of the net pension liability (\$)	\$ 0	\$ 0
State's proportionate share of the net pension liability associated with the City of Conover	<u>42,147</u>	<u>35,695</u>
Total	\$ <u>42,147</u>	\$ <u>35,695</u>
Conover's covered-employee payroll	\$ 770,720	\$ 763,977
Conover's proportionate share of the net pension liability as a percentage of its covered-employee payroll	5.49%	4.67%
Plan fiduciary net position as a percentage of the total pension liability	91.40%	93.42%

* The amounts presented for the fiscal year ending June 30, 2016 were determined as of June 30, 2015.

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.

Highway 16/70 Sidewalk Construction Capital Project Fund – This fund provides funding for construction of approximately one mile of concrete sidewalk along Highway 16 N. from 10th Street NW to Thornburg Drive and Highway 70 from Emmanuel Church Road to the Shuford YMCA.

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CITY OF CONOVER, NORTH CAROLINA
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
Revenues:			
Ad valorem taxes:			
Current year	4,578,400	4,797,058	218,658
Prior years	70,000	79,288	9,288
Penalties and interest	<u>16,500</u>	<u>31,749</u>	<u>15,249</u>
Total	<u>4,664,900</u>	<u>4,908,095</u>	<u>243,195</u>
Other taxes and licenses:			
Gross receipts tax on short-term rental property	600	863	263
Licenses and permits	<u>1,000</u>	<u>765</u>	(<u>235</u>)
Total	<u>1,600</u>	<u>1,628</u>	<u>28</u>
Unrestricted intergovernmental:			
Local option sales tax	1,809,000	1,988,892	179,892
Utility sales	585,000	774,523	189,523
Piped natural gas sales tax	33,000	25,254	(7,746)
Telecommunications sales tax	128,000	101,873	(26,127)
Video program sales tax	63,000	63,061	61
Beer and wine	<u>37,000</u>	<u>36,472</u>	(<u>528</u>)
Total	<u>2,655,000</u>	<u>2,990,075</u>	<u>335,075</u>
Restricted intergovernmental:			
Powell Bill allocation	252,420	253,582	1,162
Investment earnings on Powell Bill allocation	100	192	92
Fines and forfeitures	610	5,635	5,025
Interest on federal forfeitures and seizures	11	12	1
On-behalf of payments – fire	27,000	24,175	(2,825)
Solid waste disposal fees	5,500	5,374	(126)
Federal grants	<u>487,857</u>	<u>453,843</u>	(<u>34,014</u>)
Total	<u>773,498</u>	<u>742,813</u>	(<u>30,685</u>)
Permits and fees:			
Development and inspection fees	<u>16,100</u>	<u>17,903</u>	<u>1,803</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, 2016

	Budget	Actual	Variance Positive (Negative)
	\$	\$	\$
Sales and services:			
Court costs, fees, and charges	3,000	2,550	(450)
Cemetery revenues	10,000	6,400	(3,600)
County waste disposal fees	516,094	504,139	(11,955)
Sales of recycled materials	2,000	1,679	(321)
ABC recycling fees	2,800	2,520	(280)
Sale of materials for public use	<u>5</u>	<u>5</u>	<u>(5)</u>
Total	<u>533,899</u>	<u>517,288</u>	<u>(16,611)</u>
Investment earnings	<u>2,000</u>	<u>14,321</u>	<u>12,321</u>
Miscellaneous:			
Rental income	19,000	19,300	300
Contributions	4,700	4,525	(175)
Miscellaneous - other	<u>41,075</u>	<u>44,262</u>	<u>3,187</u>
Total	<u>64,775</u>	<u>68,085</u>	<u>3,310</u>
Total revenues	<u>8,711,772</u>	<u>9,260,208</u>	<u>548,436</u>

Expenditures:

General government:

Government body:

Special compensation	31,200	31,200	
Professional services	19,200	23,350	(4,150)
Travel and training	10,000	7,112	2,888
Departmental supplies	3,500	3,614	(114)
Insurance	8,400	5,964	2,436
Dues and subscriptions	18,530	18,481	49
Contracted services	13,465	15,465	(2,000)
Other operating expenses	<u>20,065</u>	<u>14,205</u>	<u>5,860</u>
Total	<u>124,360</u>	<u>119,391</u>	<u>4,969</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, 2016

	Budget	Actual	Variance
	\$	\$	Positive (Negative)
			\$
General government (cont'd)			
Administration:			
Salaries and wages	178,056	172,513	5,543
Employee benefits	73,218	70,958	2,260
Travel and training	14,550	10,455	4,095
Insurance	7,175	5,666	1,509
Contracted services	46,370	45,092	1,278
Telephone and postage	10,000	7,292	2,708
Departmental supplies	12,500	11,808	692
Other operating expenses	<u>41,397</u>	<u>35,259</u>	<u>6,138</u>
Total	<u>383,266</u>	<u>359,043</u>	<u>24,223</u>
Planning department:			
Salaries and wages	100,727	99,368	1,359
Employee benefits	35,695	34,125	1,570
Special compensation	2,500	1,160	1,340
Contracted services	24,358	20,075	4,283
Professional services	70,623	57,480	13,143
Other operating expenses	<u>23,600</u>	<u>20,967</u>	<u>2,633</u>
Total	<u>257,503</u>	<u>233,175</u>	<u>24,328</u>
Information technology:			
Salaries and wages	34,325	34,527	(202)
Employee benefits	14,363	14,502	(139)
Contracted services	135,334	140,404	(5,070)
Capital outlay	43,250	43,250	
Other operating expenses	<u>28,100</u>	<u>15,475</u>	<u>12,625</u>
Total	<u>255,372</u>	<u>248,158</u>	<u>7,214</u>
City attorney:			
Special compensation	3,600	3,600	
Professional services	25,000	16,654	8,346
Other operating expenses	<u>2,345</u>	<u>2,274</u>	<u>71</u>
Total	<u>30,945</u>	<u>22,528</u>	<u>8,417</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, 2016

	Budget	Actual	Variance
	\$	\$	Positive (Negative) \$
General government (cont'd)			
City Hall:			
Insurance	3,384	2,597	787
Utilities	17,000	14,712	2,288
Contracted services	17,005	16,689	316
Capital outlay	72,835	68,835	4,000
Other operating expenses	<u>32,100</u>	<u>20,678</u>	<u>11,422</u>
Total	<u>142,324</u>	<u>123,511</u>	<u>18,813</u>
Conover Station:			
Insurance and bonds	3,422	2,576	846
Utilities	44,995	35,412	9,583
Contracted services	55,228	52,784	2,444
Other operating expenses	<u>12,500</u>	<u>6,024</u>	<u>6,476</u>
Total	<u>116,145</u>	<u>96,796</u>	<u>19,349</u>
Fleet maintenance:			
Salaries and wages	139,176	115,034	24,142
Employee benefits	57,844	48,735	9,109
Vehicle expense	11,000	6,782	4,218
Contracted services	6,923	6,083	840
Other operating expenses	<u>22,065</u>	<u>16,159</u>	<u>5,906</u>
Total	<u>237,008</u>	<u>192,793</u>	<u>44,215</u>
Public works department:			
Salaries and wages	112,179	108,824	3,355
Employee benefits	52,531	49,968	2,563
Insurance	13,550	11,175	2,375
Utilities	29,000	21,409	7,591
Departmental supplies	7,500	7,279	221
Vehicle expense	8,800	3,032	5,768
Other operating expenses	<u>31,509</u>	<u>26,803</u>	<u>4,706</u>
Total	<u>255,069</u>	<u>228,490</u>	<u>26,579</u>
Cemetery and parks:			
Salaries and wages	182,264	163,918	18,346
Employee benefits	81,461	76,619	4,842
Capital outlay	9,100	9,100	
Other operating expenses	<u>176,950</u>	<u>141,022</u>	<u>35,928</u>
Total	<u>449,775</u>	<u>390,659</u>	<u>59,116</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, 2016

	Budget	Actual	Variance Positive (Negative)
	\$	\$	\$
General government (cont'd)			
Nondepartmental:			
Contracted services	115,111	114,800	311
Other operating expenses	<u>138,342</u>	<u>117,758</u>	<u>20,584</u>
Total	<u>253,453</u>	<u>232,558</u>	<u>20,895</u>
Total general government	<u>2,505,220</u>	<u>2,247,102</u>	<u>258,118</u>
Public safety:			
Police department:			
Salaries and wages	1,229,562	1,115,021	114,541
Employee benefits	468,414	421,189	47,225
Vehicle expense	100,000	61,640	38,360
Insurance	64,000	56,037	7,963
Supplies and uniform	65,900	46,173	19,727
Travel and training	28,600	11,209	17,391
Capital outlay	149,500	97,383	52,117
Other operating expenses	<u>262,936</u>	<u>194,037</u>	<u>68,899</u>
Total	<u>2,368,912</u>	<u>2,002,689</u>	<u>366,223</u>
Fire department:			
Salaries and wages	793,459	794,896	(1,437)
Special compensation	98,712	97,459	1,253
Professional services	9,000	9,360	(360)
Employee benefits	307,652	304,180	3,472
Utilities	39,464	30,033	9,431
Uniforms	96,175	95,121	1,054
Departmental supplies	19,000	18,833	167
Insurance	47,150	41,353	5,797
Capital outlay	281,550	201,705	79,845
Other operating expenses	<u>190,200</u>	<u>248,990</u>	<u>(58,790)</u>
Total	<u>1,882,362</u>	<u>1,841,930</u>	<u>40,432</u>
Total public safety	<u>4,251,274</u>	<u>3,844,619</u>	<u>406,655</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, 2016

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
Transportation:			
Street department:			
Salaries and wages	220,387	229,259	(8,872)
Employee benefits	96,554	93,764	2,790
Utilities	338,500	331,251	7,249
Professional services	10,525	3,532	6,993
Vehicle expense	54,500	26,950	27,550
Departmental supplies	30,000	23,805	6,195
Insurance	23,575	22,224	1,351
Other operating expenses	<u>282,264</u>	<u>240,675</u>	<u>41,589</u>
Total	<u>1,056,305</u>	<u>971,460</u>	<u>84,845</u>
Street department - Powell Bill:			
Salaries and wages	75,584	68,314	7,270
Employee benefits	30,078	27,858	2,220
Professional services	1,500	706	794
Departmental supplies	15,000	10,353	4,647
Repairs - streets	130,000	120,864	9,136
Vehicle expense	22,300	13,768	8,532
Other operating expenses	<u>3,375</u>	<u>3,446</u>	<u>(71)</u>
Total	<u>277,837</u>	<u>245,309</u>	<u>32,528</u>
Total transportation	<u>1,334,142</u>	<u>1,216,769</u>	<u>117,373</u>
Environmental protection:			
Sanitation and recycle:			
Salaries and wages	289,126	279,780	9,346
Employee benefits	133,068	129,003	4,065
Landfill rent and fees	98,650	100,588	(1,938)
Vehicle expense	126,850	75,478	51,372
Other operating expenses	<u>127,310</u>	<u>98,145</u>	<u>29,165</u>
Total environmental protection	<u>775,004</u>	<u>682,994</u>	<u>92,010</u>
Debt service:			
Principal retirement	105,351	105,351	
Interest	<u>151,069</u>	<u>151,069</u>	
Total debt service	<u>256,420</u>	<u>256,420</u>	<u>0</u>

CITY OF CONOVER, NORTH CAROLINA
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
Total expenditures	<u>9,122,060</u>	<u>8,247,904</u>	<u>874,156</u>
Revenues over (under) expenditures	<u>(410,288)</u>	<u>1,012,304</u>	<u>1,422,592</u>
Other financing sources (uses):			
Operating transfers to other funds:			
Capital Projects Fund - Solid Waste Capital Reserve Fund	(297,527)	(297,527)	
General Fund Capital Reserve Fund	(304,840)	(304,840)	
Special Revenue Fund – West Penn Hardwoods Fund	(2,000)	(2,000)	
Capital Projects Fund – Shelf Project – Transportation Fund	(100,000)	(100,000)	
Capital Projects Fund – Conover Station Renovation Fund	(80,300)	(80,300)	
Capital Projects Fund – GKN Economic Development Fund	(24,768)	(24,768)	
Capital Projects Fund – Highway 16/70 Sidewalk Construction Fund	(80,000)	(80,000)	
Operating transfers from other funds:			
Capital Reserve Fund	172,605	172,605	
Capital Projects Fund – Broyhill Redevelopment Fund	853	853	
Special Revenue Fund – Facilities Maintenance Fund	15,250	15,250	
Capital Projects Fund – Solid Waste Capital Reserve Fund	8,000	8,000	
Capital Projects Fund – Conover Station Renovation NC Works	80,300	80,300	
Capital Projects Fund – Rock Bridge Drive Bridge Project Fund	831,583	831,583	
Sale of capital assets	<u>100</u>	<u>5,908</u>	<u>5,808</u>
Total other financing sources (uses)	<u>219,256</u>	<u>225,064</u>	<u>5,808</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, 2016

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
Fund balance appropriated	<u>191,032</u>	<u> </u>	(<u>191,032</u>)
Net change in fund balance	<u> 0</u>	<u>1,237,368</u>	<u>1,237,368</u>
Fund balances, beginning as previously reported		4,893,339	
Prior period adjustment (Note 3E)		<u>54,690</u>	
Fund balances, beginning as restated		<u>4,948,029</u>	
Fund balances, ending		<u>6,185,397</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, 2016

	Budget	Actual	Variance
	\$	\$	Positive (Negative) \$
Revenues:			
Investment earnings	300	982	682
Miscellaneous revenues	<u>65,240</u>	<u>72,350</u>	<u>7,110</u>
Total revenues	<u>65,540</u>	<u>73,332</u>	<u>7,792</u>
Other financing sources (uses):			
Proceeds from the sale of capital assets	1,000		(1,000)
Transfer from: General Fund	304,840	304,840	
Transfers to: General Fund	(172,605)	(172,605)	
General Fund Capital Project Fund	(281,000)	(235,493)	45,507
Reserved for future projects:			
Reserved for Conover City Park	(34,000)		34,000
Reserved for police technology	(30,000)		30,000
Reserved for police equipment	(30,000)		30,000
Reserved for fire truck	(360,000)		360,000
Reserved for police vests	(7,600)		7,600
Reserved for fire equipment	(122,795)		122,795
Reserved for streets	(80,750)		80,750
Reserved for public works equipment	(33,750)		33,750
Reserved for WPRTA	(10,000)		10,000
Reserved for technology	<u>(20,000)</u>	<u> </u>	<u>20,000</u>
Total other financing sources (uses)	<u>(876,660)</u>	<u>(103,258)</u>	<u>773,402</u>
Fund balance appropriated	<u>811,120</u>	<u> </u>	(811,120)
Net change in fund balance	<u>0</u>	(29,926)	<u>(29,926)</u>
Fund balance, beginning		<u>1,313,879</u>	
Fund balance, ending		<u>1,283,953</u>	

CITY OF CONOVER, NORTH CAROLINA
Capital Projects Fund – Highway 16/70 Sidewalk Construction Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2016

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
	\$	\$	\$	\$	\$
Revenues:					
Restricted intergovernmental grant	<u>250,000</u>	<u> </u>	<u>84,709</u>	<u>84,709</u>	<u>(165,291)</u>
Expenditures:					
Professional services	6,500		1,698	1,698	4,802
Sidewalk construction	<u>323,500</u>	<u> </u>	<u>156,884</u>	<u>156,884</u>	<u>166,616</u>
Total expenditures	<u>330,000</u>	<u> </u>	<u>158,582</u>	<u>158,582</u>	<u>171,418</u>
Revenues over (under) expenditures	(80,000)	0	(73,873)	(73,873)	6,127
Other financing sources:					
Transfer from: General Fund	<u>80,000</u>	<u> </u>	<u>80,000</u>	<u>80,000</u>	<u> </u>
Net change in fund balance	<u>0</u>	<u>0</u>	6,127	<u>6,127</u>	<u>6,127</u>
Fund balance, beginning			<u>0</u>		
Fund balance, ending			<u>6,127</u>		

Governmental Activities

Non-Major Funds

Special Revenue Funds

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

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

West Penn Hardwoods Fund – This fund received a NC Commerce-Building Reuse Grant for building renovations provided all conditions of the grant are met.

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.

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

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

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

Solid Waste Capital Reserve Fund – This fund sets aside excess revenues from sanitation and recycling 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 Fund – This fund is to account for the redevelopment and sale of the Broyhill property. The project was completed during the fiscal year.

Conover Station North Fund – This fund provides funding for site improvements consisting of water/sewer utility, street, and sidewalk construction in preparation for private development. The project is complete.

Lyle Creek Greenway Construction Fund – This fund is used to finance construction of a 1.5 mile, enhanced trail along the Carolina Thread Trail.

Rock Bridge Drive Bridge Project Fund – This fund provides for replacement of the Rock Bridge damaged beyond repair during the flood of July 2013.

Conover Station NC Works Fund – Funds renovation for new occupancy located on the second floor of the Warlong Building.

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 will be built through a partnership between the City of Conover and other local government units within the County.

CITY OF CONOVER, NORTH CAROLINA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue Funds		Capital Projects Funds			
	Facilities Maintenance Fund	West Penn Hardwoods Fund	GKN Economic Development Fund	Shelf Project-Transportation Fund	Priority Sidewalk Fund	Solid Waste Capital Reserve Fund
	\$	\$	\$	\$	\$	\$
Assets						
Cash and cash equivalents	34,615	2,000	7,501	72,291	32	401,081
Restricted cash						
Total assets	<u>34,615</u>	<u>2,000</u>	<u>7,501</u>	<u>72,291</u>	<u>32</u>	<u>401,081</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable			2,947	6,991		
Total liabilities	<u>0</u>	<u>0</u>	<u>2,947</u>	<u>6,991</u>	<u>0</u>	<u>0</u>
Fund balances:						
Restricted Stabilization by State Statute		2,000	4,554	48,820		
Economic development Capital development						
Committed	34,615			16,480	32	401,081
Total fund balance	<u>34,615</u>	<u>2,000</u>	<u>4,554</u>	<u>65,300</u>	<u>32</u>	<u>401,081</u>
Total liabilities and fund balances	<u>34,615</u>	<u>2,000</u>	<u>7,501</u>	<u>72,291</u>	<u>32</u>	<u>401,081</u>

Capital Projects Funds

General Capital Project Fund \$	Broyhill Redevelopment Fund \$	Conover Station North Fund \$	Lyle Creek Greenway Construction Fund \$	Rock Bridge Drive Bridge Project Fund \$	Conover Station NC Works Fund \$	Multi- Jurisdictional Park Fund \$	Total \$
38,803			77			13,151	569,551
<u>38,803</u>	<u>0</u>	<u>0</u>	<u>77</u>	<u>0</u>	<u>19,339</u>	<u>176,761</u>	<u>196,100</u>
20,896						9,509	40,343
<u>20,896</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,509</u>	<u>40,343</u>
17,407						34,761	107,542
						145,642	145,642
500			77		19,339		19,339
<u>500</u>	<u>0</u>	<u>0</u>	<u>77</u>	<u>0</u>	<u>19,339</u>	<u>0</u>	<u>452,785</u>
17,907	0	0	77	0	19,339	180,403	725,308
<u>17,907</u>	<u>0</u>	<u>0</u>	<u>77</u>	<u>0</u>	<u>19,339</u>	<u>180,403</u>	<u>725,308</u>
38,803	0	0	77	0	19,339	189,912	765,651
<u>38,803</u>	<u>0</u>	<u>0</u>	<u>77</u>	<u>0</u>	<u>19,339</u>	<u>189,912</u>	<u>765,651</u>

CITY OF CONOVER, NORTH CAROLINA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
June 30, 2016

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>			
	<u>Facilities Maintenance Fund</u> \$	<u>West Penn Hardwoods Fund</u> \$	<u>GKN Economic Development Fund</u> \$	<u>Shelf Project-Transportation Fund</u> \$	<u>Priority Sidewalk Fund</u> \$	<u>Solid Waste Capital Reserve Fund</u> \$
Revenues:						
Restricted intergovernmental						
Permits and fees					4,712	
Investment earnings	26			17	2	240
Miscellaneous	<u>29,600</u>					
Total revenues	<u>29,626</u>	<u>0</u>	<u>0</u>	<u>17</u>	<u>4,714</u>	<u>240</u>
Expenditures:						
Capital outlay			<u>20,214</u>	<u>74,968</u>		
Total expenditures	<u>0</u>	<u>0</u>	<u>20,214</u>	<u>74,968</u>	<u>0</u>	<u>0</u>
Revenues over (under) expenditures	<u>29,626</u>	<u>0</u>	<u>(20,214)</u>	<u>(74,951)</u>	<u>4,714</u>	<u>240</u>
Other financing sources (uses):						
Transfer from other funds		2,000	24,768	100,000		297,527
Transfer to other funds	(15,250)				(19,700)	(102,867)
Proceeds from installment purchase						
Total other financing sources (uses)	<u>(15,250)</u>	<u>2,000</u>	<u>24,768</u>	<u>100,000</u>	<u>(19,700)</u>	<u>194,660</u>
Net change in fund balances	14,376	2,000	4,554	25,049	(14,986)	194,900
Fund balances, beginning	<u>20,239</u>			<u>40,251</u>	<u>15,018</u>	<u>206,181</u>
Fund balances, ending	<u><u>34,615</u></u>	<u><u>2,000</u></u>	<u><u>4,554</u></u>	<u><u>65,300</u></u>	<u><u>32</u></u>	<u><u>401,081</u></u>

Capital Projects Funds

General Capital Project Fund \$	Broyhill Redevelopment Fund \$	Conover Station North Fund \$	Lyle Creek Greenway Construction Fund \$	Rock Bridge Drive Bridge Project Fund \$	Conover Station NC Works Fund \$	Multi- Jurisdictional Park Fund \$	Total \$
				969,095			969,095
					11	144	4,712
							440
							<u>29,600</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>969,095</u>	<u>11</u>	<u>144</u>	<u>1,003,847</u>
<u>338,778</u>	<u>9,389</u>	<u>29,371</u>	<u>82,998</u>		<u>434,532</u>	<u>149,887</u>	<u>1,140,137</u>
<u>338,778</u>	<u>9,389</u>	<u>29,371</u>	<u>82,998</u>	<u>0</u>	<u>434,532</u>	<u>149,887</u>	<u>1,140,137</u>
(<u>338,778</u>)	(<u>9,389</u>)	(<u>29,371</u>)	(<u>82,998</u>)	<u>969,095</u>	(<u>434,521</u>)	(<u>149,743</u>)	(<u>136,290</u>)
330,360	(853)		19,700	(1,031,583)	80,300		854,655
					(80,300)		(1,250,553)
					<u>453,860</u>		<u>453,860</u>
<u>330,360</u>	(<u>853</u>)	<u>0</u>	<u>19,700</u>	(<u>1,031,583</u>)	<u>453,860</u>	<u>0</u>	<u>57,962</u>
(8,418)	(10,242)	(29,371)	(63,298)	(62,488)	19,339	(149,743)	(78,328)
<u>26,325</u>	<u>10,242</u>	<u>29,371</u>	<u>63,375</u>	<u>62,488</u>		<u>330,146</u>	<u>803,636</u>
<u>17,907</u>	<u>0</u>	<u>0</u>	<u>77</u>	<u>0</u>	<u>19,339</u>	<u>180,403</u>	<u>725,308</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, 2016

	Budget	Actual	Variance
	\$	\$	Positive (Negative) \$
Revenues:			
Rental income	3,500	29,600	26,100
Interest income	<u>10</u>	<u>26</u>	<u>16</u>
Total revenues	3,510	29,626	26,116
Expenditures:			
Maintenance and repairs - building	<u>4,510</u>	_____	<u>4,510</u>
Revenues over (under) expenditures	(1,000)	29,626	30,626
Other financing sources (uses):			
Transfer to General Fund	(15,250)	(15,250)	
Fund balance appropriated	<u>16,250</u>	_____	(<u>16,250</u>)
Net change in fund balance	<u>0</u>	14,376	<u>14,376</u>
Fund balance, beginning		<u>20,239</u>	
Fund balance, ending		<u>34,615</u>	

CITY OF CONOVER, NORTH CAROLINA
Special Revenue Fund – West Penn Hardwoods Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2016

	Project	Actual			Variance
	Authorization	Prior	Current	Total to	Positive
	\$	\$	\$	\$	(Negative)
					\$
Revenues:					
Restricted intergovernmental grant	40,000	_____	_____	_____	(40,000)
Expenditures:					
Administration	2,000				2,000
Economic development	40,000	_____	_____	_____	40,000
Total expenditures	42,000	0	0	0	42,000
(Deficiency) of revenues (under) expenditures	(2,000)	0	0	0	2,000
Other financing sources:					
Transfer from General Fund	2,000	_____	2,000	2,000	_____
Net change in fund balance	<u>0</u>	<u>0</u>	2,000	<u>2,000</u>	<u>2,000</u>
Fund balance, beginning			0		
Fund balance, ending			<u>2,000</u>		

CITY OF CONOVER, NORTH CAROLINA
Capital Projects Fund – GKN Economic Development Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2016

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
	\$	\$	\$	\$	\$
Revenues:					
Restricted grant	600,000				(600,000)
Contributions	<u>7,500</u>				<u>(7,500)</u>
Total revenues	<u>607,500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(607,500)</u>
Expenditures:					
Engineering	65,000				65,000
Professional services	25,000				25,000
Administration	45,000		2,947	2,947	42,053
ROW acquisitions	17,268		17,267	17,267	1
Construction	<u>480,000</u>				<u>480,000</u>
Total expenditures	<u>632,268</u>	<u>0</u>	<u>20,214</u>	<u>20,214</u>	<u>612,054</u>
(Deficiency) of revenues over (under) expenditures	(24,768)		(20,214)	(20,214)	4,554
Other financing sources:					
Transfer from General Fund	<u>24,768</u>		<u>24,768</u>	<u>24,768</u>	
Net change in fund balance	<u>0</u>	<u>0</u>	4,554	<u>4,554</u>	<u>4,554</u>
Fund balance, beginning			<u>0</u>		
Fund balance, ending			<u>4,554</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, 2016

	Project	Actual		Total to	Variance
	Authorization	Prior	Current	Date	Positive
	\$	\$	\$	\$	(Negative) \$
Revenues:					
Interest income	100	81	17	98	(2)
Expenditures:					
Engineering	<u>210,780</u>	<u>70,510</u>	<u>74,968</u>	<u>145,478</u>	<u>65,302</u>
(Deficiency) of revenues (under) expenditures	(<u>210,680</u>)	(<u>70,429</u>)	(<u>74,951</u>)	(<u>145,380</u>)	<u>65,300</u>
Other financing sources:					
Transfer from:					
General Fund	100,000		100,000	100,000	
Capital Projects Fund - Broyhill Redevelopment Fund	<u>110,680</u>	<u>110,680</u>	_____	<u>110,680</u>	_____
Total other financing sources	<u>210,680</u>	<u>110,680</u>	<u>100,000</u>	<u>210,680</u>	<u>0</u>
Net change in fund balance	<u>0</u>	<u>40,251</u>	25,049	<u>65,300</u>	<u>65,300</u>
Fund balance, beginning			<u>40,251</u>		
Fund balance, ending			<u>65,300</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, 2016

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
Revenues:			
Permits and fees	1,000	4,712	3,712
Interest income	<u>10</u>	<u>2</u>	(<u>8</u>)
Total revenues	1,010	4,714	3,704
Other financing sources:			
Transfer to Capital Projects Fund – Lyle Creek Greenway Construction Fund	(19,700)	(19,700)	
Fund balance appropriated	<u>18,690</u>	<u> </u>	(<u>18,690</u>)
Net change in fund balance	<u><u>0</u></u>	(14,986)	(<u>14,986</u>)
Fund balance, beginning		<u>15,018</u>	
Fund balance, ending		<u><u>32</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, 2016

	Budget	Actual	Variance
	\$	\$	Positive (Negative) \$
Revenues:			
Investment earnings	<u>300</u>	<u>240</u>	(<u>60</u>)
Other financing sources (uses):			
Transfer from:			
Capital Projects Fund – General Capital Reserve Fund	297,527	297,527	
Transfer to:			
Capital Projects Fund – General Capital Reserve Fund	(97,000)	(94,867)	2,133
General Fund	(8,000)	(8,000)	
Reserved for:			
Sanitation/recycling equipment	(231,500)		231,500
Storage facility	(33,750)	<u> </u>	<u>33,750</u>
Total other financing sources (uses)	(<u>72,723</u>)	<u>194,660</u>	<u>267,383</u>
Fund balance appropriated	<u>72,423</u>	<u> </u>	(<u>72,423</u>)
Net change in fund balance	<u><u>0</u></u>	194,900	<u><u>194,900</u></u>
Fund balance, beginning		<u>206,181</u>	
Fund balance, ending		<u><u>401,081</u></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, 2016

	Budget	Actual	Variance
	\$	\$	Positive (Negative) \$
Expenditures:			
Capital outlay	<u>404,325</u>	<u>338,778</u>	<u>65,547</u>
Other financing sources:			
Transfer from:			
Capital Projects Fund -			
General Capital Reserve Fund	281,000	235,493	(45,507)
Capital Projects Fund –			
Solid Waste Capital Reserve Fund	<u>97,000</u>	<u>94,867</u>	(2,133)
Total other financing sources	<u>378,000</u>	<u>330,360</u>	(47,640)
Fund balance appropriated	<u>26,325</u>	_____	(26,325)
Net change in fund balance	<u>0</u>	(8,418)	(8,418)
Fund balance, beginning		<u>26,325</u>	
Fund balance, ending		<u>17,907</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, 2016

	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	183,134	183,134		183,134	
NCDOT–CMAQ Grant	2,088,457	2,088,456		2,088,456	(1)
NC Clean Water					
Management Trust Grant	415,719	415,719		415,719	
NC Parks and					
Recreation Trust Fund	333,744	333,744		333,744	
Miscellaneous revenue	<u> </u>	<u> 1,815</u>	<u> </u>	<u> 1,815</u>	<u> 1,815</u>
Total revenues	<u>3,756,054</u>	<u>3,757,868</u>	<u> 0</u>	<u>3,757,868</u>	<u> 1,814</u>
Expenditures:					
Fiber	32,000				32,000
Professional services	607,750	598,556	9,194	607,750	
Engineering	246,621	246,620		246,620	1
Building renovations	2,197,077	2,229,077		2,229,077	(32,000)
Contracted services	644,308	644,308		644,308	
Street construction	676,310	676,115		676,115	195
Park construction	331,564	331,564		331,564	
Water construction	156,783	156,782	195	156,977	(194)
Sewer construction	191,164	191,164		191,164	
Stormwater construction	<u>359,262</u>	<u>359,263</u>	<u> </u>	<u>359,263</u>	<u>(1)</u>
Total expenditures	<u>5,442,839</u>	<u>5,433,449</u>	<u> 9,389</u>	<u>5,442,838</u>	<u> 1</u>
(Deficiency) of revenues over (under) expenditures	<u>(1,686,785)</u>	<u>(1,675,581)</u>	<u>(9,389)</u>	<u>(1,684,970)</u>	<u> 1,815</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, 2016

	Project Authorization \$	Prior Year \$	Actual Current Year \$	Total to Date \$	Variance Positive (Negative) \$
Other financing sources					
(uses):					
Sale of capital assets	69,894	68,079		68,079	(1,815)
Transfer to:					
General Fund	(853)		(853)	(853)	
Capital Projects Fund – Shelf Project – Transportation Fund	(110,680)	(110,680)		(110,680)	
Transfer from:					
General Fund	1,109,826	1,109,826		1,109,826	
Enterprise Fund	7,900	7,900		7,900	
Capital Projects Fund- General Capital Reserve Fund	247,325	247,325		247,325	
Economic Development Fund	<u>363,373</u>	<u>363,373</u>	_____	<u>363,373</u>	_____
Total other financing sources (uses)	<u>1,686,785</u>	<u>1,685,823</u>	(853)	<u>1,684,970</u>	(1,815)
Net change in fund balance	<u>0</u>	<u>10,242</u>	(10,242)	<u>0</u>	<u>0</u>
Fund balance, beginning			<u>10,242</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, 2016

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
	\$	\$	\$	\$	\$
Expenditures:					
Engineering/Street	13,600	4,719	8,881	13,600	
Street improvements	9,600		9,600	9,600	
Erosion control	18,100	17,905	195	18,100	
Sidewalk improvements	52,828	50,250	2,578	52,828	
Engineering	49,500	49,497	3	49,500	
Professional services	8,500	386	8,114	8,500	
Water construction	75,400	75,400		75,400	
Sewer construction	36,100	36,100		36,100	
Total expenditures	<u>263,628</u>	<u>234,257</u>	<u>29,371</u>	<u>263,628</u>	<u>0</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>263,628</u>	<u>0</u>	<u>263,628</u>	<u>0</u>
Net change in fund balance	<u>0</u>	<u>29,371</u>	(29,371)	<u>0</u>	<u>0</u>
Fund balance, beginning			<u>29,371</u>		
Fund balance, ending			<u>0</u>		

CITY OF CONOVER, NORTH CAROLINA
Capital Projects Fund – Lyle Creek Greenway Construction Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
 From Inception and For the Fiscal Year Ended June 30, 2016

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
	\$	\$	\$	\$	\$
Revenues:					
Contributions	86,400	86,400		86,400	
Expenditures:					
Greenway construction	<u>106,100</u>	<u>23,025</u>	<u>82,998</u>	<u>106,023</u>	<u>77</u>
Revenues over (under) expenditures	(19,700)	63,375	(82,998)	(19,623)	77
Other financing sources:					
Transfer from Capital Projects Fund – Priority Sidewalk Fund	<u>19,700</u>		<u>19,700</u>	<u>19,700</u>	
Net change in fund balance	<u><u>0</u></u>	<u><u>63,375</u></u>	(63,298)	<u><u>77</u></u>	<u><u>77</u></u>
Fund balance, beginning			<u>63,375</u>		
Fund balance, ending			<u><u>77</u></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, 2016

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
	\$	\$	\$	\$	\$
Revenues:					
Restricted intergovernmental Contributions	1,805,232	836,137	969,095	1,805,232	
	<u>80,000</u>	<u>80,000</u>		<u>80,000</u>	
Total revenues	1,885,232	916,137	969,095	1,885,232	<u>0</u>
Expenditures:					
Bridge construction	<u>1,383,861</u>	<u>1,383,861</u>		<u>1,383,861</u>	
Revenues over (under) expenditures	<u>501,371</u>	(<u>467,724</u>)	<u>969,095</u>	<u>501,371</u>	<u>0</u>
Other financing sources (uses):					
Transfer from:					
Enterprise Fund	60,464	60,464		60,464	
General Fund	469,748	469,748		469,748	
Transfer to:					
General Fund	(831,583)		(831,583)	(831,583)	
Water/Sewer Capital Reserve Fund	(<u>200,000</u>)		(<u>200,000</u>)	(<u>200,000</u>)	
Total other financing sources (uses)	(<u>501,371</u>)	<u>530,212</u>	(<u>1,031,583</u>)	(<u>501,371</u>)	<u>0</u>
Net change in fund balance	<u>0</u>	<u>62,488</u>	(62,488)	<u>0</u>	<u>0</u>
Fund balance, beginning			<u>62,488</u>		
Fund balance, ending			<u>0</u>		

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

From Inception and For the Fiscal Year Ended June 30, 2016

	Project		Actual		Variance
	Authorization	Prior	Current	Total to	Positive
	\$	\$	\$	\$	(Negative)
					\$
Revenues:					
Interest	<u>10</u>	_____	<u>11</u>	<u>11</u>	<u>1</u>
Expenditures:					
Architectural and engineering	80,300		78,425	78,425	1,875
Legal/closing cost	4,960		4,455	4,455	505
Construction	<u>368,610</u>		<u>351,652</u>	<u>351,652</u>	<u>16,958</u>
Total expenditures	<u>453,870</u>	<u>0</u>	<u>434,532</u>	<u>434,532</u>	<u>19,338</u>
Revenues over (under) expenditures	(<u>453,860</u>)	<u>0</u>	(<u>434,521</u>)	(<u>434,521</u>)	<u>19,339</u>
Other financing sources (uses):					
Transfer to General Fund	(80,300)		(80,300)	(80,300)	
Transfer from General Fund	80,300		80,300	80,300	
Proceeds from installment purchase	<u>453,860</u>		<u>453,860</u>	<u>453,860</u>	
Total other financing sources (uses)	<u>453,860</u>	<u>0</u>	<u>453,860</u>	<u>453,860</u>	<u>0</u>
Net change in fund balance	<u>0</u>	<u>0</u>	19,339	<u>19,339</u>	<u>19,339</u>
Fund balance, beginning			<u>0</u>		
Fund balance, ending			<u>19,339</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, 2016

	Project	Actual		Total to	Variance
	Authorization	Prior	Current	Date	Positive
	\$	\$	\$	\$	(Negative)
					\$
Revenues:					
Contributions	2,529,770	2,529,770		2,529,770	
Interest income	<u>100</u>	<u>3,498</u>	<u>144</u>	<u>3,642</u>	<u>3,542</u>
Total revenues	<u>2,529,870</u>	<u>2,533,268</u>	<u>144</u>	<u>2,533,412</u>	<u>3,542</u>
Expenditures:					
Bridge construction	713,489	708,773		708,773	4,716
Street construction	1,319,526	1,129,897	52,246	1,182,143	137,383
Engineering	<u>496,855</u>	<u>364,452</u>	<u>97,641</u>	<u>462,093</u>	<u>34,762</u>
Total expenditures	<u>2,529,870</u>	<u>2,203,122</u>	<u>149,887</u>	<u>2,353,009</u>	<u>176,861</u>
Revenues over (under) expenditures	<u>0</u>	<u>330,146</u>	(149,743)	<u>180,403</u>	<u>180,403</u>
Fund balance, beginning			<u>330,146</u>		
Fund balance, ending			<u>180,403</u>		

Business-Type Activities

Enterprise Funds

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

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

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

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

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

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

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

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, 2016

	Budget	Actual	Variance
	\$	\$	Positive (Negative)
			\$
Revenues:			
Operating revenues:			
Charges for services:			
Water sales	2,029,090	2,141,413	112,323
Sewer charges	1,886,712	1,942,558	55,846
Fire protection charges	34,000	35,190	1,190
Water connection fees	7,500	26,040	18,540
Sewer tap fees	3,200	6,215	3,015
Delinquent charges	60,700	65,426	4,726
Miscellaneous	700	1,077	377
Revenue SE Catawba County	<u>18,000</u>	<u>16,620</u>	(1,380)
Total operating revenues	<u>4,039,902</u>	<u>4,234,539</u>	<u>194,637</u>
Nonoperating revenues:			
Investment earnings	3,000	3,115	115
Sale of fixed assets	<u>1,000</u>	<u> </u>	(1,000)
Total nonoperating revenues	<u>4,000</u>	<u>3,115</u>	(885)
Total revenues	<u>4,043,902</u>	<u>4,237,654</u>	<u>193,752</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, 2016

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
Expenditures:			
Operating expenditures:			
Purchases for resale	704,323	671,800	32,523
Salaries and wages	1,166,473	1,131,333	35,140
Professional services	45,148	30,113	15,035
Telephone alarm system	750	109	641
Telephone	7,400	6,669	731
Utilities	100,155	110,022	(9,867)
Travel and training	7,545	5,117	2,428
Maintenance and repairs - equipment and lines	165,000	132,897	32,103
Maintenance and repairs - vehicles	25,500	15,756	9,744
Maintenance and repairs - building and grounds	2,500	760	1,740
Sewer line easements	11,092	3,311	7,781
Automotive supplies	73,900	30,868	43,032
Departmental supplies	164,000	153,758	10,242
Contracted services	417,184	386,051	31,133
Miscellaneous	9,900	3,603	6,297
Payroll taxes	89,277	85,508	3,769
Retirement expense	140,958	132,886	8,072
Group insurance	181,954	175,354	6,600
Employee benefits	2,000	1,109	891
Uniforms	11,400	9,548	1,852
Advertising	5,200	3,363	1,837
Dues and subscriptions	5,400	4,560	840
Insurance and bonds	53,515	45,407	8,108
Transitional fees	1,700	1,585	115
Total operating expenditures	<u>3,392,274</u>	<u>3,141,487</u>	<u>250,787</u>
Debt service:			
Interest and service charges	26,797	25,797	1,000
Debt principal	298,463	298,196	267
Total debt service	<u>325,260</u>	<u>323,993</u>	<u>1,267</u>
Capital outlay:			
Equipment	16,500	9,045	7,455
Total expenditures	<u>3,734,034</u>	<u>3,474,525</u>	<u>259,509</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, 2016

	Budget	Actual	Variance Positive (Negative)
	\$	\$	\$
Revenues over expenditures	<u>309,868</u>	<u>763,129</u>	<u>453,261</u>
Other financing sources (uses):			
Transfer from:			
Water and Sewer			
Improvement Fund	55,535	36,622	(18,913)
Transfer to:			
Enterprise Fund – Water and			
Sewer Capital Project Fund	(400,407)	(400,407)	
Enterprise Fund –Water and			
Sewer Capital Reserve Fund	(500,000)	(500,000)	_____
Total other financing			
sources (uses)	(844,872)	(863,785)	(18,913)
Retained earnings appropriated	<u>535,004</u>	_____	(535,004)
(Deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>0</u>	(100,656)	(100,656)

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, 2016

	Budget	Actual	Variance
	\$	\$	Positive (Negative) \$
Reconciliation from budgetary basis (modified accrual) to full accrual:			
(Deficiency) of revenues and other financing sources over (under) expenditures and other financing uses		(100,656)	
Reconciling items:			
Principal retirement		298,196	
Donated assets		137,954	
Capital outlay		9,045	
Depreciation		(1,053,785)	
Income from Water and Sewer Capital Project			
Grants and Other Income		67,259	
Decrease (increase) in accrued vacation pay		(1,096)	
Decrease (increase) in interest payable		2,380	
Decrease in net pension asset		(120,433)	
Decrease in deferred outflows of resources - pensions		(842)	
Increase in net pension liability		(90,085)	
Decrease in deferred inflows of resources – pensions		238,868	
Transfer to Enterprise Fund:			
Water and Sewer Capital Reserve Fund		500,000	
Water and Sewer Capital Project Fund		400,407	
Transfer from Enterprise Fund:			
Water and Sewer Improvement Fund		(36,622)	
Transfer from:			
Capital Projects Fund – Rock Bridge Drive			
Bridge Construction Fund		<u>200,000</u>	
Total reconciling items		<u>551,246</u>	
Change in net position		<u>450,590</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, 2016

	Budget	Actual	Variance
	\$	\$	Positive (Negative) \$
Expenditures:			
Engineering	114,277	62,336	51,941
Legal	33,000	16,347	16,653
Infrastructure improvements	5,000		5,000
ROW acquisitions	5,000		5,000
Contracted construction	147,000	59,307	87,693
Capital outlay – improvements	226,289	111,714	114,575
Capital outlay – equipment	<u>158,000</u>	<u>143,109</u>	<u>14,891</u>
Total expenditures	688,566	392,813	295,753
Other financing sources:			
Transfer from:			
Water and Sewer Fund	664,289	424,491	(239,798)
Fund balance appropriated	<u>24,277</u>	<u> </u>	(<u>24,277</u>)
Expenditures over (under) other financing sources	<u> 0</u>	<u> 31,678</u>	<u> 31,678</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, 2016

	Budget	Actual	Variance Positive (Negative)
	\$	\$	\$
Revenues:			
Investment earnings	500	1,054	554
System development fees	<u>35,000</u>	<u>52,823</u>	<u>17,823</u>
Total revenues	<u>35,500</u>	<u>53,877</u>	<u>18,377</u>
Other financing sources (uses):			
Transfer from:			
Water and Sewer Fund	500,000	500,000	
Capital Projects Fund – Rock Bridge Drive Bridge Construction Fund	200,000	200,000	
Transfer to:			
Water and Sewer Capital Project Fund	(664,289)	(424,491)	239,798
Reserve for other water and sewer projects	(865,531)	<u> </u>	<u>865,531</u>
Total other financing sources (uses)	<u>(829,820)</u>	<u>275,509</u>	<u>1,105,329</u>
Fund balance appropriated	<u>794,320</u>	<u> </u>	(<u>794,320</u>)
Revenues and other financing sources over other financing (uses)	<u>0</u>	<u>329,386</u>	<u>329,386</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, 2016

	Project Authorization \$	Prior Year \$	Actual Current Year \$	Total to Date \$	Variance Positive (Negative) \$
Expenditures:					
Engineering	<u>174,372</u>	<u>73,802</u>	<u>8,748</u>	<u>82,550</u>	<u>91,822</u>
Other financing sources:					
Transfer from:					
General Fund	50,000	50,000		50,000	
Water and Sewer Fund	50,000	50,000		50,000	
Capital Projects Fund – SW Sewer Rehabilitation Project Fund	<u>74,372</u>	<u> </u>	<u>74,371</u>	<u>74,371</u>	<u> </u>
Total other financing sources	<u>174,372</u>	<u>100,000</u>	<u>74,371</u>	<u>174,371</u>	<u> 0</u>
Excess of other financing sources over expenditures	<u><u>0</u></u>	<u><u>26,198</u></u>	<u><u>65,623</u></u>	<u><u>91,821</u></u>	<u><u>91,822</u></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, 2016

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
Revenues:			
Investment earnings	200	238	38
Capacity excess	<u>5,000</u>	<u>13,144</u>	<u>8,144</u>
Total revenues	<u>5,200</u>	<u>13,382</u>	<u>8,182</u>
Expenditures:			
Engineering	125,732	66,078	59,654
Administrative and legal	5,000		5,000
Contracted construction	80,000		80,000
Acquisition of ROW	50,000		50,000
Capital outlay - improvement	25,000		25,000
Capital outlay - equipment	<u>346,189</u>	<u>276,942</u>	<u>69,247</u>
Total expenditures	<u>631,921</u>	<u>343,020</u>	<u>288,901</u>
Revenues over (under) expenditures	(<u>626,721</u>)	(<u>329,638</u>)	<u>297,083</u>
Other financing sources (uses):			
Transfer from:			
Water and Sewer Fund	400,407	400,407	
Transfer to:			
Water and Sewer Fund	(<u>55,535</u>)	(<u>36,622</u>)	<u>18,913</u>
Total other financing sources (uses)	<u>344,872</u>	<u>363,785</u>	<u>18,913</u>
Fund balance appropriated	<u>281,849</u>	<u> </u>	(<u>281,849</u>)
Revenues and other financing sources over (under) expenditures and other financing (uses)	<u> 0</u>	<u>34,147</u>	<u>34,147</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, 2016

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
	\$	\$	\$	\$	\$
Expenditures:					
Engineering	115,000	71,790	7,210	79,000	36,000
Other financing sources:					
Transfer from:					
Water and Sewer Capital Reserve Fund	<u>115,000</u>	<u>115,000</u>	_____	<u>115,000</u>	_____
Excess (deficiency) of other financing sources over (under) expenditures	<u>0</u>	<u>43,210</u>	<u>(7,210)</u>	<u>36,000</u>	<u>36,000</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, 2016

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
	\$	\$	\$	\$	\$
Expenditures:					
Engineering	165,892	129,084	36,808	165,892	
Closing fee	33,797	33,797		33,797	
Administration	50,000	42,104	7,896	50,000	
ROW acquisitions	364	364		364	
Construction	<u>1,377,505</u>	<u>1,090,097</u>	<u>287,408</u>	<u>1,377,505</u>	
Total expenditures	<u>1,627,558</u>	<u>1,295,446</u>	<u>332,112</u>	<u>1,627,558</u>	<u>0</u>
Other financing sources (uses):					
Transfer to:					
Water/Sewer Capital Project Fund – Shelf Project Fund	(74,371)		(74,371)	(74,371)	
Loan proceeds – NCDENR	<u>1,701,929</u>	<u>1,209,216</u>	<u>492,713</u>	<u>1,701,929</u>	
Total other financing sources (uses)	<u>1,627,558</u>	<u>1,209,216</u>	<u>418,342</u>	<u>1,627,558</u>	<u>0</u>
(Deficiency) of expenditures over (under) other financing sources (uses)	<u>0</u>	<u>(86,230)</u>	<u>86,230</u>	<u>0</u>	<u>0</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.

CITY OF CONOVER, NORTH CAROLINA
Health Insurance Fund
Schedule of Revenues and Expenditures - Budget and Actual
For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
Operating revenues:			
Contribution from employer	864,262	518,360	(345,902)
Contribution from employees	148,808	38,492	(110,316)
Re-insurance	20,000	20,244	244
Other operating revenues	<u>77,200</u>	<u>46,114</u>	<u>(31,086)</u>
Total revenues	<u>1,110,270</u>	<u>623,210</u>	<u>(487,060)</u>
Operating expenditures - group insurance:			
Employee claim expenses	688,023	437,457	250,566
Voluntary charges	35,000	18,558	16,442
Life insurance	5,000	2,556	2,444
Non-employee Cobra	10,000	3,076	6,924
Administration expenses	33,640	22,762	10,878
Stop loss expense	<u>351,507</u>	<u>145,174</u>	<u>206,333</u>
Total operating expenditures	<u>1,123,170</u>	<u>629,583</u>	<u>493,587</u>
Revenues over (under) expenditures	(12,900)	(6,373)	6,527
Fund balance appropriated	<u>12,900</u>	<u> </u>	<u>(12,900)</u>
Net income (loss)	<u> 0</u>	<u>(6,373)</u>	<u>(6,373)</u>

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

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, 2016

Function	Land and Improvements \$	Building and Improvements \$
General Government	3,006,177	9,774,439
Public Safety	233,765	4,462,269
Transportation	36,349	33,168
Environmental Protection	_____	_____
Total	<u>3,276,291</u>	<u>14,269,876</u>

Equipment	Vehicles	Infrastructure	Construction in Progress	Total
\$	\$	\$	\$	\$
1,201,249	273,825	38,170	434,532	14,728,392
1,055,017	3,267,791		67,700	9,086,542
780,103	1,042,537	19,543,887	2,688,397	24,124,441
<u>218,134</u>	<u>1,431,361</u>	<u> </u>	<u> </u>	<u>1,649,495</u>
<u><u>3,254,503</u></u>	<u><u>6,015,514</u></u>	<u><u>19,582,057</u></u>	<u><u>3,190,629</u></u>	<u><u>49,588,870</u></u>

CITY OF CONOVER, NORTH CAROLINA
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Type and Function
For the Fiscal Year Ended June 30, 2016

	Balances		Net		Balances
	July 1, 2015	Additions	Transfers	Retirements	June 30, 2016
	\$	\$	\$	\$	\$
By asset type:					
Land and improvements	3,175,012	101,279			3,276,291
Buildings and improvements	14,201,041	68,835			14,269,876
Equipment	2,693,270	328,358		(6,059)	3,015,569
Vehicles	5,790,675	304,206		(79,367)	6,015,514
Computer equipment	195,685	43,249			238,934
Infrastructure	17,836,885	55,398	1,689,766		19,582,049
Construction in process	<u>4,118,134</u>	<u>817,667</u>	<u>(1,745,164)</u>		<u>3,190,637</u>
Total	<u>48,010,702</u>	<u>1,718,992</u>	<u>(55,398)</u>	<u>(85,426)</u>	<u>49,588,870</u>
By asset function:					
General government	13,976,896	770,921		(19,425)	14,728,392
Public safety	8,847,396	299,089		(59,943)	9,086,542
Transportation	23,631,782	554,116	(55,398)	(6,059)	24,124,441
Environmental protection	<u>1,554,628</u>	<u>94,867</u>			<u>1,649,495</u>
Total	<u>48,010,702</u>	<u>1,718,993</u>	<u>(55,398)</u>	<u>(85,427)</u>	<u>49,588,870</u>
By funding source:					
Asset purchases prior to 1998-1999 from undetermined sources					11,020,490
Contribution - Enterprise Fund					112,857
General Fund					6,033,951
General Fund – Federal Grant					409,887
Contributions					7,195,504
Capital Projects Fund:					
Federal grant					7,913,590
State contribution					1,537,653
Local contribution					14,243,898
Special Revenue Fund:					
Federal grant					865,362
State contribution					230,678
Local contribution					<u>25,000</u>
Total					<u>49,588,870</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, 2016

Fiscal Year	Uncollected Balance June 30, 2015 \$	Additions \$	Collections \$	Discoveries Abatements Adjustments \$	Uncollected Balance June 30, 2016 \$
2015 - 2016		4,924,230	4,797,058	(40,245)	86,927
2014 - 2015	66,082		36,250	(32)	29,800
2013 - 2014	53,253		13,382	(4,808)	35,063
2012 - 2013	62,596		9,622	(4,356)	48,618
2011 - 2012	33,512		8,202	(26)	25,284
2010 - 2011	22,341		5,725	(21)	16,595
2009 - 2010	15,090		2,742	(5)	12,343
2008 - 2009	25,162		1,385	(27)	23,750
2007 - 2008	15,573		1,604	(211)	13,758
2006 - 2007	10,703		376	(34)	10,293
2005 - 2006	10,915			(10,915)	0
2004 - 2005	10,054			(10,054)	0
2003 - 2004	9,545			(9,545)	0
2002 - 2003	7,145			(7,145)	0
2001 - 2002	15,458			(15,458)	0
2000 - 2001	16,621			(16,622)	0
1999 - 2000	91,446			(91,446)	0
1998 - 1999	5,956			(5,956)	0
1994 - 1998	<u>4,143</u>			<u>(4,143)</u>	<u>0</u>
Total	<u>475,595</u>	<u>4,924,230</u>	<u>4,876,346</u>	<u>(221,048)</u>	302,431
Less, allowance for uncollectible ad valorem taxes receivable					(<u>140,755</u>)
Ad valorem taxes receivable - net					<u>161,676</u>
Reconciliation with revenues:					
Taxes - ad valorem - General Fund - current year					4,797,058
Taxes - ad valorem - General Fund - prior years					<u>79,288</u>
Total					<u>4,876,346</u>

CITY OF CONOVER, NORTH CAROLINA
Analysis of Current Tax Levy
 For the Fiscal Year Ended June 30, 2016

	<u>City Wide</u>			<u>Total Levy</u>	
	<u>Property</u>		<u>Total</u>	<u>Property</u>	<u>Registered</u>
	<u>Valuation</u>	<u>Rate</u>	<u>Levy</u>	<u>excluding</u>	<u>Motor</u>
				<u>Registered</u>	<u>Motor</u>
				<u>Vehicles</u>	<u>Vehicles</u>
Original Levy:					
Property tax at current year's rate	1,047,708,511	.47	4,924,230	4,580,317	343,913
Releases, additions and adjustments	(8,562,766)		(40,245)	(40,245)	_____
Total property valuation	<u>1,039,145,745</u>				
Net levy			4,883,985	4,540,072	343,913
Uncollected taxes at June 30, 2016			(86,927)	(86,927)	_____ 0
Current year's taxes collected			<u>4,797,058</u>	<u>4,453,145</u>	<u>343,913</u>
Current levy collection percentage			<u>98.22%</u>	<u>98.09%</u>	<u>100.00%</u>

STATISTICAL SECTION

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

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

(accrual basis of accounting)
(unaudited)

	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Governmental activities					
Net investment in capital assets	\$ 19,976,920	\$ 20,438,607	\$ 21,010,383	\$ 22,401,375	\$ 24,325,504
Restricted	594,105	2,002,090	467,851	417,688	1,565,609
Unrestricted	6,757,210	5,399,795	6,432,132	6,063,531	4,962,888
Total governmental activities net assets	<u>\$ 27,328,235</u>	<u>\$ 27,840,492</u>	<u>\$ 27,910,366</u>	<u>\$ 28,882,594</u>	<u>\$ 30,854,001</u>
Business-type activities					
Net investment in capital assets	\$ 23,985,848	\$ 23,966,825	\$ 23,959,616	\$ 25,506,728	\$ 25,244,302
Restricted	-	-	-	-	-
Unrestricted	3,555,061	3,753,843	\$ 4,158,520	4,478,859	4,756,036
Total business-type activities net assets	<u>\$ 27,540,909</u>	<u>\$ 27,720,668</u>	<u>\$ 28,118,136</u>	<u>\$ 29,985,587</u>	<u>\$ 30,000,338</u>
Primary government					
Net investment in capital assets	\$ 43,962,768	\$ 44,405,432	\$ 44,969,999	\$ 47,908,103	\$ 49,569,806
Restricted	594,105	2,002,090	467,851	417,688	1,565,609
Unrestricted	10,312,271	9,153,638	10,590,652	10,542,390	9,718,924
Total Net Position	<u>\$ 54,869,144</u>	<u>\$ 55,561,160</u>	<u>\$ 56,028,502</u>	<u>\$ 58,868,181</u>	<u>\$ 60,854,339</u>

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

(accrual basis of accounting)
(unaudited)

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

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)

	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Expenses					
Governmental activities:					
General government	\$ 2,251,689	\$ 2,572,435	\$ 2,639,999	\$ 2,450,004	\$ 2,399,804
Public safety	2,937,022	3,091,026	3,148,090	3,105,154	3,279,511
Transportation	1,242,673	1,302,220	1,345,684	1,270,999	1,271,150
Environmental protection	663,036	712,904	779,788	715,039	728,614
Economic and physical development	-	-	214,070	345,126	-
Interest on long-term debt	117,712	164,105	98,114	160,865	172,097
Total governmental activities expenses	7,212,132	7,842,690	8,225,745	8,047,187	7,851,176
Business-type activities:					
Water and sewer	3,034,994	3,104,680	3,008,075	3,175,607	3,308,613
Total primary government expenses	\$ 10,247,126	\$ 10,947,370	\$ 11,233,820	\$ 11,222,794	\$ 11,159,789
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 77,448	\$ 77,464	\$ 82,364	\$ 87,557	\$ 92,922
Public safety	18,204	12,716	7,228	21,638	20,166
Transportation	-	-	-	-	-
Environmental protection	93,684	95,446	145,409	147,992	197,047
Economic and physical development	-	-	-	-	-
Operating grants and contributions	542,421	408,867	496,424	632,499	309,714
Capital grants and contributions	48,414	25,288	339,308	542,800	2,085,671
Total governmental activities program revenues	\$ 780,171	\$ 619,781	\$ 1,070,733	\$ 1,432,486	\$ 2,705,520
Business-type activities:					
Charges for services:					
Water and sewer	\$ 3,222,901	\$ 3,250,963	\$ 3,279,325	\$ 3,344,802	\$ 3,481,755
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	535,742	197,408	249,959	1,934,723	41,345
Total business-type activities program revenues	3,758,643	3,448,371	3,529,284	5,279,525	3,523,100
Total primary government program revenues	\$ 4,538,814	\$ 4,068,152	\$ 4,600,017	\$ 6,712,011	\$ 6,228,620
Net (Expense)/Revenue					
Governmental activities	\$ (6,431,961)	\$ (7,222,909)	\$ (7,155,012)	\$ (6,614,701)	\$ (5,145,656)
Business-type activities	723,649	343,691	521,209	2,103,918	214,487
Total primary government net expense	\$ (5,708,312)	\$ (6,879,218)	\$ (6,633,803)	\$ (4,510,783)	\$ (4,931,169)

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

	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Ad valorem taxes	\$ 3,968,494	\$ 4,176,309	\$ 4,280,312	\$ 4,250,829	\$ 4,346,295
Other taxes and licenses	1,769,423	1,860,590	1,616,438	1,461,851	1,523,287
Unrestricted grants and contributions	925,224	984,142	970,204	980,988	996,329
Miscellaneous	773,557	181,020	33,268	621,597	29,922
Gain (loss) on sale of fixed assets	51,687	6,196	31,156	6,070	5,922
Transfers	266,832	246,286	172,454	250,000	207,900
Capital assets contributed to enterprise fund	-	-	-	-	-
Interest earned on investments	302,220	280,623	121,054	15,594	7,408
Total governmental activities	\$ 8,057,437	\$ 7,735,166	\$ 7,224,886	\$ 7,586,929	\$ 7,117,063
Business-type activities:					
Miscellaneous			-	-	-
Gain (loss) on sale of fixed assets	(775)	-	-	1,822	-
Transfers	(266,832)	(246,286)	(172,454)	(250,000)	(207,900)
Interest earned on investments	86,911	82,354	48,713	11,711	8,164
Total business-type activities	(180,696)	(163,932)	(123,741)	(236,467)	(199,736)
Total primary government	\$ 7,876,741	\$ 7,571,234	\$ 7,101,145	\$ 7,350,462	\$ 6,917,327
Changes in Net Assets					
Governmental activities	\$ 1,625,476	\$ 512,257	\$ 69,874	\$ 972,228	\$ 1,971,407
Business-type activities	542,953	179,759	397,468	1,867,451	14,751
Total primary government	\$ 2,168,429	\$ 692,016	\$ 467,342	\$ 2,839,679	\$ 1,986,158

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

(accrual basis of accounting)
(unaudited)

	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Expenses					
Governmental activities:					
General government	\$ 2,146,721	\$ 2,257,366	\$ 2,285,156	\$ 2,198,538	\$ 2,363,998
Public safety	3,269,969	3,443,205	3,751,443	3,691,773	3,854,760
Transportation	1,312,768	1,331,836	1,412,793	1,550,120	1,640,406
Environmental protection	751,071	780,390	897,493	768,952	676,904
Economic and physical development	258,941	521,059	-	-	120,840
Interest on long-term debt	168,357	163,818	168,206	163,787	156,720
Total governmental activities expenses	7,907,827	8,497,674	8,515,091	8,373,170	8,813,628
Business-type activities:					
Water and sewer	3,458,870	3,526,346	4,052,585	3,921,575	4,193,686
Total primary government expenses	\$ 11,366,697	\$ 12,024,020	\$ 12,567,676	\$ 12,294,745	\$ 13,007,314
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 90,694	\$ 108,833	\$ 103,318	\$ 157,633	\$ 130,888
Public safety	18,268	16,856	20,246	16,836	42,973
Transportation	-	-	-	-	-
Environmental protection	390,809	395,533	393,357	395,221	508,337
Economic and physical development	-	-	-	-	-
Operating grants and contributions	347,707	862,633	344,478	481,603	746,188
Capital grants and contributions	2,607,803	4,348,765	348,199	1,017,538	1,058,515
Total governmental activities program revenues	\$ 3,455,281	\$ 5,732,620	\$ 1,209,598	\$ 2,068,831	\$ 2,486,901
Business-type activities:					
Charges for services:					
Water and sewer	\$ 3,789,040	\$ 3,806,886	\$ 3,945,895	\$ 4,094,973	\$ 4,234,539
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	164,902	261,642	1,893,480	62,594	149,815
Total business-type activities program revenues	3,953,942	4,068,528	5,839,375	4,157,567	4,384,354
Total primary government program revenues	\$ 7,409,223	\$ 9,801,148	\$ 7,048,973	\$ 6,226,398	\$ 6,871,255
Net (Expense)/Revenue					
Governmental activities	\$ (4,452,546)	\$ (2,765,054)	\$ (7,305,493)	\$ (6,304,339)	\$ (6,326,727)
Business-type activities	495,072	542,182	1,786,790	235,992	190,668
Total primary government net expense	\$ (3,957,474)	\$ (2,222,872)	\$ (5,518,703)	\$ (6,068,347)	\$ (6,136,059)

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

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

Note:

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

Table 3
City of Conover, North Carolina
Fund Balances, Governmental Funds
Pre GASB54
Fiscal Years 2006-2007 through 2009-2010 (Four Years)
(modified accrual basis of accounting)
(unaudited)

	2006-2007	2007-2008	2008-2009	2009-2010
General Fund				
Reserved	\$ 1,224,680	\$ 1,416,443	\$ 1,134,053	\$ 1,182,772
Unreserved	3,410,999	3,325,807	2,708,938	2,984,652
Total general fund	<u>\$ 4,635,679</u>	<u>\$ 4,742,250</u>	<u>\$ 3,842,991</u>	<u>\$ 4,167,424</u>
All Other Governmental Funds				
Reserved	\$ 167,606	\$ 44,476	\$ 356,923	\$ 78,629
Unreserved, reported in:				
Special revenue funds	271,733	303,590	237,046	381,997
Capital project funds	1,818,439	3,333,672	2,078,350	1,449,582
Total all other governmental funds	<u>\$ 2,257,778</u>	<u>\$ 3,681,738</u>	<u>\$ 2,672,319</u>	<u>\$ 1,910,208</u>

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

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

Table 3A
City of Conover, North Carolina
Fund Balances, Governmental Funds
Post GASB54, page 1
2010-2011 through 2015-2016 (Six 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 3A
City of Conover, North Carolina
Fund Balances, Governmental Funds
Post GASB54, page 2
2010-2011 through 2015-2016 (Six Years)
(modified accrual basis of accounting)
(unaudited)

	Fiscal Year	Fiscal Year
	2014-2015	2015-2016
General Fund		
Non-Spendable	\$ 74,728	\$ 65,828
Restricted	1,774,341	1,542,282
Committed	-	54,690
Assigned	422,487	667,417
Unassigned	2,621,783	3,855,180
Total general fund	<u>\$ 4,893,339</u>	<u>\$ 6,185,397</u>
All Other Governmental Funds		
Non-Spendable	\$ -	\$ -
Restricted	203,190	278,650
Committed	1,914,325	1,736,738
Assigned	-	-
Unassigned	-	-
Total all other governmental funds	<u>\$ 2,117,515</u>	<u>\$ 2,015,388</u>

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

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

(modified accrual basis of accounting)
(unaudited)

	Fiscal Year				
	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Revenues					
Ad valorem taxes	\$ 3,931,456	\$ 4,182,163	\$ 4,196,312	\$ 4,196,701	\$ 4,371,832
Other taxes and licenses	1,769,423	1,860,590	1,616,438	1,461,851	1,523,287
Unrestricted intergovernmental revenues	927,624	986,542	972,604	988,851	999,707
Restricted intergovernmental revenues	584,212	433,526	834,412	1,183,961	2,390,377
Permits and fees	72,372	12,858	9,808	-	17,331
Sales and services	124,556	122,693	167,010	192,519	233,587
Investment earnings	302,220	280,623	121,054	15,594	7,408
Miscellaneous	106,109	81,324	90,371	91,810	86,248
Total revenues	7,817,972	7,960,319	8,008,009	8,131,287	9,629,777
Expenditures					
General government	2,416,234	2,473,105	2,461,311	2,282,237	2,288,015
Public safety	2,675,342	2,927,691	2,926,885	2,819,980	3,073,889
Transportation	931,897	1,048,131	1,057,275	972,322	980,490
Environmental protection	602,874	641,830	687,664	626,334	647,435
Economic and physical development	-	-	214,070	1,383,096	-
Capital outlay	1,112,544	1,153,685	2,600,061	387,291	2,450,776
Debt service:					
Interest	119,140	111,581	104,322	181,503	174,870
Principal	205,767	213,325	2,031,185	172,272	142,693
Total expenditures	8,063,798	8,569,348	12,082,773	8,825,035	9,758,168
Excess of revenues over (under) expenditures	(245,826)	(609,029)	(4,074,764)	(693,748)	(128,391)
Other Financing Sources (Uses)					
Proceeds from installment purchase	-	1,883,364	1,917,230	-	-
Proceeds from disposal of capital assets	55,035	6,196	31,156	6,070	11,175
Transfers in	1,876,571	1,734,974	2,840,590	1,412,421	1,291,267
Transfers out	(1,609,739)	(1,484,974)	(2,622,890)	(1,162,421)	(1,083,367)
Total other financing sources (uses)	321,867	2,139,560	2,166,086	256,070	219,075
Net change in fund balances	\$ 76,041	\$ 1,530,531	\$ (1,908,678)	\$ (437,678)	\$ 90,684
Debt service as a percentage of noncapital expenditures	4.75%	4.48%	22.83%	4.83%	4.45%

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

Table 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
2015-2016	\$ 723,940,519	\$ 282,169,181	\$ 33,036,045 *	\$ 1,039,145,745 **	\$ 16,747,557	\$ 0.470	***
2014-2015	\$ 811,585,707	\$ 255,910,939	\$ 26,908,144	\$ 1,094,404,790 **	\$ 489,218	\$ 0.430	\$ 1,068,859,059
2013-2014	\$ 797,184,080	\$ 258,988,408	\$ 29,308,143	\$ 1,085,480,631 *	\$ 4,639,897	\$ 0.400	\$ 1,052,434,197
2012-2013	\$ 797,426,377	\$ 271,639,332	\$ 26,976,318	\$ 1,096,042,027 **	\$ 30,542,832	\$ 0.400	\$ 1,090,480,576
2011-2012	\$ 796,793,712	\$ 215,393,410	\$ 23,944,158 *	\$ 1,036,131,280 **	\$ 672,056	\$ 0.400	\$ 1,030,873,824
2010-2011	\$ 826,885,180	\$ 216,593,984	\$ 23,278,457	\$ 1,066,757,621 **	\$ 1,156,727	\$ 0.400	\$ 1,066,757,621
2009-2010	\$ 812,917,308	\$ 223,127,408	\$ 25,557,431	\$ 1,061,602,147 **	\$ 992,983	\$ 0.400	\$ 1,084,928,101
2008-2009	\$ 805,039,483	\$ 225,511,226	\$ 32,083,050	\$ 1,062,633,759 **	\$ 1,445,842	\$ 0.400	\$ 1,087,149,307
2007-2008	\$ 791,691,712	\$ 229,980,407	\$ 31,597,640 *	\$ 1,053,269,759 **	\$ 389,261	\$ 0.400	\$ 1,185,580,548
2006-2007	\$ 749,778,179	\$ 209,295,664	\$ 28,648,103	\$ 987,721,946 **	\$ 5,802,097	\$ 0.400	\$ 1,044,324,324

Notes: Real and personal property assessed by Catawba County.

* Property in Catawba County reassessed every four years.

Public service companies values certified by State of North Carolina.

Property assessed at 100% of value.

**Prior years discoveries included in Total Taxable Assessed Value

***Denotes information is not available

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

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

(rate per \$100 of assessed value)
(unaudited)

Fiscal Year	Direct Rate		Overlapping Rates	
	City of Conover General Fund	Catawba County	Combined Tax Rate	
2015-2016	\$ 0.4700	\$ 0.5750	\$ 1.0450	
2014-2015	\$ 0.4300	\$ 0.5300	\$ 0.9600	
2013-2014	\$ 0.4000	\$ 0.5300	\$ 0.9300	
2012-2013	\$ 0.4000	\$ 0.5300	\$ 0.9300	
2011-2012	\$ 0.4000	\$ 0.5300	\$ 0.9300	
2010-2011	\$ 0.4000	\$ 0.5350	\$ 0.9350	
2009-2010	\$ 0.4000	\$ 0.5350	\$ 0.9350	
2008-2009	\$ 0.4000	\$ 0.5350	\$ 0.9350	
2007-2008	\$ 0.4000	\$ 0.5350	\$ 0.9350	
2006-2007	\$ 0.4000	\$ 0.4900	\$ 0.8900	

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	2007				2016			
	Taxable Assessed	Rank	Total City Taxable Assessed	Percentage of Total City Taxable Assessed	Taxable Assessed	Rank	Total City Taxable Assessed	Percentage of Total City Taxable Assessed
	Value		Value	Value	Value		Value	Value
Hickory Springs	\$ 26,364,299	1	\$ 987,721,946	2.67%	\$ 18,481,533	2	\$ 1,039,145,745	1.78%
Rock Barn Properties, Inc.	\$ 21,279,860	2		2.15%	\$ 15,713,312	4		1.51%
Hanes Co Inc	\$ 18,818,114	3		1.91%	\$ 11,381,560	9		1.10%
ER Carpenter	\$ 14,405,579	4		1.46%				
The Lane Co	\$ 12,691,518	5		1.28%				0.00%
Armacell	\$ 12,398,655	6		1.26%	\$ 9,953,658	10		
175 Southern Furniture	\$ 11,385,674	7		1.15%				0.00%
Classic Leather	\$ 11,067,415	8		1.12%				
CAPRI LLC	\$ 10,170,300	9		1.03%				
The Country Shop Inc	\$ 11,052,975	10		1.12%				
Rock-Tenn Packaging					\$ 20,030,037	1		1.93%
Wal-Mart					\$ 15,601,531	5		1.50%
Apple Inc					\$ 16,204,647	3		1.56%
Zenith					\$ 15,145,559	6		1.46%
Penske Truck Leasing					\$ 13,370,739	7		1.29%
Spartan Group Five LLC					\$ 12,024,800	8		1.16%
Total	<u>\$149,634,389</u>		<u>\$ 987,721,946</u>	15.15%	<u>\$ 147,907,376</u>		<u>\$ 1,039,145,745</u>	13.28%

Source: Catawba County Tax Assessor

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

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

Fiscal Year	Taxes Levied	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Taxes Receivable Balance June 30
		Ended June 30	for the Fiscal Year		Amount	Percentage of Levy	
2016	\$ 4,883,985	\$ 4,797,058	98.22%		\$ 4,797,058	98.22%	\$ 86,927
2015	\$ 4,705,794	\$ 4,639,712	98.60%	\$ 36,282	\$ 4,675,994	99.37%	\$ 29,800
2014	\$ 4,341,995	\$ 4,227,662	97.37%	\$ 79,270	\$ 4,306,932	99.19%	\$ 35,063
2013	\$ 4,384,208	\$ 4,145,690	94.56%	\$ 189,900	\$ 4,335,590	98.89%	\$ 48,618
2012	\$ 4,144,698	\$ 4,001,788	96.55%	\$ 117,626	\$ 4,119,414	99.39%	\$ 25,284
2011	\$ 4,267,100	\$ 4,140,418	97.03%	\$ 110,086	\$ 4,250,505	99.61%	\$ 16,595
2010	\$ 4,246,494	\$ 4,082,823	96.15%	\$ 151,328	\$ 4,234,151	99.71%	\$ 12,343
2009	\$ 4,250,631	\$ 4,092,218	96.27%	\$ 134,663	\$ 4,226,881	99.44%	\$ 23,750
2008	\$ 4,213,068	\$ 4,103,855	97.41%	\$ 95,455	\$ 4,199,310	99.67%	\$ 13,758
2007	\$ 3,941,768	\$ 3,843,986	97.52%	\$ 87,489	\$ 3,931,475	99.74%	\$ 10,293

Source: Tax Collector

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

Fiscal Year Ended June 30	Governmental Activities	Business-type Activities				Total Primary Government	Percentage of personal income(1)	Per Capita(1)
	Installment Purchase Contracts	General Obligation Bonds	Revolving Loans	County Loans	Installment Purchase Contracts			
2016	\$ 3,924,044	\$ 250,000	\$ 3,450,383	\$ 166,352	\$ -	\$ 7,790,778	*	\$ 938
2015	\$ 3,575,535	\$ 375,000	\$ 3,107,101	\$ 190,116	\$ -	\$ 7,247,751	2.38%	\$ 874
2014	\$ 3,700,781	\$ 500,000	\$ 2,047,581	\$ 213,881	\$ -	\$ 6,462,243	2.22%	\$ 783
2013	\$ 3,821,189	\$ 625,000	\$ 1,042,386	\$ -	\$ -	\$ 5,488,575	1.93%	\$ 803
2012	\$ 3,936,945	\$ 750,000	\$ 1,136,962	\$ -	\$ -	\$ 5,823,907	2.13%	\$ 710
2011	\$ 4,048,231	\$ 875,000	\$ 1,431,537	\$ 12,934	\$ -	\$ 6,367,702	2.42%	\$ 785
2010	\$ 4,190,924	\$ 1,000,000	\$ 1,726,113	\$ 52,032	\$ -	\$ 6,969,069	2.80%	\$ 869
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

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 2015 personal income not available to calculate fiscal year 2016.

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)
2016	\$ 250,000	0.02%	\$ 30
2015	\$ 375,000	0.03%	\$ 45
2014	\$ 500,000	0.05%	\$ 61
2013	\$ 625,000	0.06%	\$ 76
2012	\$ 750,000	0.07%	\$ 91
2011	\$ 875,000	0.08%	\$ 108
2010	\$ 1,000,000	0.09%	\$ 125
2009	\$ 1,125,000	0.11%	\$ 142
2008	\$ 1,250,000	0.12%	\$ 160
2007	\$ 1,375,000	0.14%	\$ 180

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

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

(2)See Table 13 for population data

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

Years 1-10 Total Taxable Assessed Value have been changed to correctly report tax releases as a reduction in tax year valuation, therefore, the Percentage of Taxable Value of Property has changed..

Table 11
City of Conover, North Carolina
Direct and Overlapping Governmental Activities Debt
As of June 30, 2016
(unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Catawba County Debt			
Debt repaid with property taxes			
Catawba County General Obligation Bonds	0	6.46%	\$ -
Other debt			
Catawba County Qualified Zone Academy Bonds	300,000	6.46%	\$ 19,380
Catawba County Qualified School Const. Bonds	27,808,553	6.46%	\$ 1,796,433
Catawba County Limited Obligation Bonds	52,638,035	6.46%	\$ 3,400,417
Catawba County Build America Bonds	5,504,583	6.46%	\$ 355,596
NC Department of Commerce Loan	2,600,000	6.46%	\$ 167,960
Catawba County Installment Purchases	37,299,345	6.46%	\$ 2,409,538
Catawba County Certifications of Participation	10,582,008	6.46%	\$ 683,598
Subtotal, overlapping debt			\$ 8,832,921
Conover direct debt			\$ 3,924,044
Total direct and overlapping debt			<u><u>\$ 12,756,965</u></u>

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

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

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

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

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

Calculation of legal debt margin as of June 30, 2016:

Assessed Value		\$ 1,039,145,745	
Debt Limit - 8% of assessed value			\$ 83,131,660
Gross long-term debt	\$ 7,790,778		
Less statutory deductions			
Bonds applicable to water system	\$ -		\$ 7,790,778
Legal debt margin			<u>\$ 75,340,883</u>

	Fiscal Year				
	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Debt limit	\$ 79,017,756	\$ 84,261,581	\$ 85,010,702	\$ 84,928,193	\$ 85,340,610
Total net debt applicable to limit	<u>6,075,905</u>	<u>7,288,493</u>	<u>6,763,755</u>	<u>6,969,069</u>	<u>6,367,702</u>
Legal debt margin	<u>\$ 72,941,851</u>	<u>\$ 76,973,088</u>	<u>\$ 78,246,947</u>	<u>\$ 77,959,124</u>	<u>\$ 78,972,908</u>
Total net debt applicable to the limit as a percentage of debt limit	7.69%	8.65%	7.96%	8.21%	7.46%

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

(unaudited)

Calculation of legal debt margin as of June 30, 2016:

Assessed Value		\$ 1,039,145,745	
Debt Limit - 8% of assessed value			\$ 83,131,660
Gross long-term debt	\$ 7,790,778		
Less statutory deductions			
Bonds applicable to water system	\$ -		\$ 7,790,778
Legal debt margin			<u>\$ 75,340,883</u>

	Fiscal Year				
	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>
Debt limit	\$ 82,890,502	\$ 87,683,362	\$ 86,838,450	\$ 87,552,383	\$ 83,131,660
Total net debt applicable to limit	<u>5,823,907</u>	<u>5,488,575</u>	<u>6,476,079</u>	<u>\$ 7,247,751</u>	<u>\$ 7,790,778</u>
Legal debt margin	<u>\$ 77,066,595</u>	<u>\$ 82,194,787</u>	<u>\$ 80,362,371</u>	<u>\$ 80,304,632</u>	<u>\$ 75,340,883</u>
Total net debt applicable to the limit as a percentage of debt limit	7.03%	6.26%	7.46%	8.28%	9.37%

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

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
2016	\$ 8,302	*	*	5.0%
2015	8,291	\$304,627,922	\$ 36,742	6.0%
2014	8,255	\$290,988,750	\$ 35,250	7.1%
2013	8,207	\$284,914,212	\$ 34,716	10.8%
2012	8,207	\$273,457,240	\$ 33,320	11.3%
2011	8,110	\$263,607,440	\$ 32,504	12.1%
2010	8,016	\$248,912,832	\$ 31,052	13.2%
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%

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	2016			2007		
	Number of Employees	Rank	Percentage of Total County Employment	Number of Employees	Rank	Percentage of Total County Employment
Vanguard Furniture	570	1	0.80%	507	1	0.70%
Zenith Freight	336	2	0.47%			
Wal-Mart	321	3	0.45%	380	3	
Hanes Industries	312	4	0.44%			
Rock-Tenn	297	5	0.42%	259	7	0.36%
Carpenter Company	229	7	0.32%	472	2	0.65%
Lee Industries	225	8	0.32%			
Kroehler Furniture	219	6	0.31%	365	4	0.50%
Conover Nursing	160	10	0.22%			
Armacell	160	9	0.22%			
Classic Leather				282	6	0.39%
Lane Venture Furniture				256	9	0.35%
Southern Furniture				351	5	0.48%
Rock Barn Properties				215	10	0.30%
Total County Employment	71,254			72,538		

Source: Conover Employers and Employment Security Commission

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

	Full-time-Equivalent Employees as of June 30				
	2007	2008	2009	2010	2011
General Government					
Full Time is 40 hours per week	14.3	13.7	14.8	14.5	14.1
Full Time is 37.5 hours per week	8.9	9.0	9.0	8.9	8.7
Public Safety					
Police	20.9	23.5	20.9	22.6	23.6
Fire	14.0	17.7	17.9	17.0	17.4
Transportation					
Streets	8.1	7.5	7.7	7.5	7.6
Environmental Protection					
Sanitation and Recycling	8.1	9.2	9.1	8.2	8.5
Water and Sewer Utility					
Water	8.5	7.9	8.8	8.7	7.7
Sewer	6.3	7.2	6.8	7.7	8.3
Total	<u>89.1</u>	<u>95.5</u>	<u>95.0</u>	<u>95.0</u>	<u>96.0</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				
	2012	2013	2014	2015	2016
General Government					
Full time is 40 hours per week	15.4	15.4	15.9	15.4	15.7
Full time is 37.5 hours per week	9.7	10.1	10.4	11.0	11.2
Public Safety					
Police	25.5	28.2	29.2	29.1	27.2
Fire	19.0	20.2	21.7	24.3	25.5
Transportation					
Streets	9.3	9.4	9.5	10.5	9.1
Environmental Protection					
Sanitation and Recycling	9.3	9.5	9.3	9.5	10.0
Water and Sewer Utility					
Water	8.3	9.2	9.9	9.7	8.9
Sewer	10.5	10.0	10.0	9.9	10.2
Total	<u>107.0</u>	<u>111.8</u>	<u>115.8</u>	<u>119.4</u>	<u>117.7</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				
	2007	2008	2009	2010	2011
General Government					
Building Permits	331	280	198	213	213
Public Safety					
Police					
Violent Crimes	27	22	19	22	19
Property Crimes	898	763	603	526	517
Community Services	15,494	16,416	13,073	9,145	16,979
Accidents	663	592	689	609	626
Accidents with injury	129	145	242	173	144
Accidents/Fatalities	1	0	2	1	0.0
Fire					
Fire Inspections	214	288	264	287	369
Fire Alarm Activations	303	275	147	221	196
Fires	171	184	108	91	111
Community Services	164	211	225	528	533
Other Emergency Responses	416	475	437	501	512
Educational Classes Conducted	199	222	253	298	184
Transportation					
Pot holes repaired	74	39	38	72	86
Street Resurfacing (miles)	1.8	0.72	0.49	1.37	2.58
Environmental Protection					
Daily Refuse Collected (tons)	10.69	10.97	11.32	10.90	9.30
Daily Recycling Collected (tons)	1.47	1.54	1.35	1.55	1.50
Water and Sewer Utility					
Utility Customers	5328	5410	5,382	5,445	5,405
New Connections	109	89	47	36	15
Avg. Daily Water Consumption	1,790,000	1,990,000	1,990,000	1,966,000	1,966,000
Avg. Daily Wastewater Flow	889,000	726,658	805,000	805,000	661,000

* 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				
	2012	2013	2014	2015	2016
General Government					
Building Permits	190	189	187	158	*
Public Safety					
Police					
Violent Crimes	16	20	21	20	*
Property Crimes	746	466	425	519.0	*
Community Services	20,613	19,564	20,684	25883.0	
Accidents	641	615	636	624	*
Accidents with injury	178	127	103	102	*
Accidents/Fatalities	0	0.0	1	0.0	*
Fire					
Fire Inspections	347	467	485	352	*
Fire Alarm Activations	204	198	237	300.0	*
Fires	99	67	80	73.0	*
Community Services	401	303	194	259.0	*
Other Emergency Responses	645	736	825	807.0	*
Educational Classes Conducted	80	51	65	88.0	*
Transportation					
Pot holes repaired	74	82	62	58	*
Street Resurfacing (miles)	1.8	3.2	2.5	2.9	*
Environmental Protection					
Daily Refuse Collected (tons)	10.12	10.05	9.97	9.37	*
Daily Recycling Collected (tons)	1.21	2.75	1.71	3.74	*
Water and Sewer Utility					
Utility Customers	5,962	5,857	5,861	6,013	5,914
New Connections	10	16	13	17	16
Avg. Daily Water Consumption	2,010,000	1,924,000	1,465,765	1,530,000	1,562,000
Avg. Daily Wastewater Flow	679,000	740,000	810,000	700,000	722,000

*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				
	2007	2008	2009	2010	2011
General Government					
Playgrounds	7	7	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	47.95	48.69	48.69	51.27	51.62
Miles of Sidewalk	15.14	15.63	15.63	17.40	17.70
Environmental Protection					
Collections Trucks	6	6	6	6	6
Water and Sewer Utility					
Water Mains (miles)	144.70	145.10	146.00	148.00	148.00
Sanitary Sewer (miles)	110.00	110.23	110.23	114.00	114.00
Wastetreatment Capacity (million gal per day)	2.559	2.559	2.559	2.559	2.559

* denotes not available

Source: Conover Property/Asset Records

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

	Fiscal Year				
	2012	2013	2014	2015	2016
General Government					
Playgrounds	7	8	8	8	8
Cemeteries	2	2	2	2	2
Public Safety					
Police Stations	1	1	1	1	1
Fire Stations	3	3	3	3	3
Transportation					
Miles of Streets	52.53	52.53	52.53	52.53	52.53
Miles of Sidewalks	17.87	18.00	18.00	18.00	18.00
Environmental Protection					
Collections Trucks	6	6	6	6	6
Water and Sewer Utility					
Water Mains (miles)	148.00	148.00	149.00	149.00	149.50
Sanitary Sewer (miles)	114.00	114.25	115.60	115.60	116.20
Wastetreatment Capacity (million gal per day)	2.559	2.559	2.559	2.559	2.559

* denotes not available

Source: Conover Property/Asset Records

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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 With Requirements Applicable To Each Major Federal Program and Internal Control Over Compliance; In accordance with OMB Uniform Guidance; and the State Single Audit Implementation Act

Independent Auditor's Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance; In accordance with OMB Uniform Guidance; 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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Debora B Wentz, CPA
Post Office Box 287
Newton, North Carolina 28658

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed
In Accordance with *Government Auditing Standards***

Independent Auditor's Report

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Conover, North Carolina, as of and for the year ended June 30, 2016, not presented here, and the related notes to the financial statements, which collectively comprises the City of Conover's basic financial statements, and have issued my report thereon dated November 18, 2016.

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.

Debora B. Wentz, CPA

Debora B. Wentz, CPA
Newton, North Carolina 28658
November 18, 2016

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

Report On Compliance With Requirements Applicable To Each Major Federal Program and Internal Control Over Compliance; In accordance with OMB Uniform Guidance; and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

I have audited the City of Conover, North Carolina, compliance with the types of compliance requirements described in the *OMB 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 each of the City of Conover's major federal programs for the year ended June 30, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the OMB Uniform Guidance, and the State Single Audit Implementation Act require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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.

Basis for Qualified Opinion on Assistance to Firefighters Grant

As described in the accompanying schedule of findings and questioned costs, the City of Conover did not comply with requirements regarding *CFDA 97.044 Assistance to Firefighters Grant as described in finding*

number 2016-1 for Cash Management. Compliance with such requirements is necessary, in my opinion, for City of Conover to comply with the requirements applicable to that program.

Qualified Opinion on Assistance to Firefighters Grant

In my opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 Assistance to Firefighters Grant for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other Major Federal Programs

The City of Conover had no other major federal programs for the year ended June 30, 2016.

Other Matters

The results of my auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as 2016-1.

The City of Conover's response to the noncompliance findings identified in my audit is described in the accompanying corrective action plan. The City of Conover's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to be material weaknesses.

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. I consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2016-1 to be a material weakness.

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. I did not identify any deficiencies in internal control over compliance

that I consider to be significant deficiencies. However, significant deficiencies may exist that have not been identified.

The City of Conover's response to the internal control over compliance findings identified in my audit are described in the accompanying corrective action plan. The City of Conover's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

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 the OMB Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Debora B. Wentz, CPA

Debora B. Wentz, CPA
Newton, North Carolina 28658
November 18, 2016

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

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

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

I have audited the City of Conover, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Conover's major state programs for the year ended June 30, 2016. The City of Conover's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In my opinion, the City of Conover complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Debra B. Wentz, CPA

Debra B. Wentz, CPA
Newton, North Carolina 28658
November 18, 2016

CITY OF CONOVER, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2016

<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>U.S. Department of Homeland Assistance</u>					
FEMA Disaster Grants					
Public Assistance Grant	973.036		969,095		
<u>National Highway Traffic Safety Administration</u>					
Passed-through N.C. Department of Transportation					
Governor's Highway Safety Grant	20.600		7,461		3,731
<u>U.S. Department of Homeland Assistance</u>					
Direct Grant					
Safer Grant	97.083		102,693		
<u>U.S. Department of Justice</u>					
Passed-through N.C. Department of Public Safety					
Edward Bryne Memorial Justice Assistance Grant	16.738		14,869		
<u>U.S. Department of Homeland Security</u>					
2014 Assistance to Firefighters Grant					
	97.044		328,820		16,440
<u>U.S. Department of Transportation</u>					
Passed-through N.C. Department of Transportation					
Highway Planning and Construction Grant	20.205		84,708		80,000
Total assistance - federal programs			<u>1,507,646</u>	<u>0</u>	<u>100,171</u>

CITY OF CONOVER, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2016

<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				253,582	
<u>N.C. Department of Environmental and Natural Resources</u>					
N.C. Clean Water Revolving Loan			_____	492,714	_____
Total assistance - State programs			_____ 0	746,296	_____ 0
Total assistance			<u>1,507,646</u>	<u>746,296</u>	<u>100,171</u>

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

1. The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the City of Conover under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Conover, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Conover.

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

3. City of Conover has a loan balance outstanding at June 30, 2016 from NC Clean Revolving Loan of \$1,701,930. The project was closed as of June 30, 2016, and there are no imposed continuing compliance requirements. Loan outstanding at the beginning of the year of \$1,209,216 is not included in the SEFSA due to lack of continuing compliance requirements. Current year loan proceeds of \$492,714 are included in the SEFSA.

CITY OF CONOVER, NORTH CAROLINA

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Section I. Summary of Auditor's Results

Financial Statements

Type of report auditor issued on whether the financial statements audited were prepared in accordance to GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant Deficiency(s) 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? X Yes No

Significant Deficiency(s) Yes X None Reported

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

Modified for Assistance to Firefighters Grant, the only major federal program.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 X Yes No

Identification of major federal program:

<u>CFDA#</u>	<u>Program Name</u>
97.044	Assistance to Firefighters Grant

Dollar Threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X Yes No

Section III. Federal Award Findings and Questioned Costs

US Department of Homeland Security

Program Name: Assistance to Firefighters Grant

CFDA # 94.077

Grant Number: EMW-2014-F0-01452

Finding: 2016 – 1

MATERIAL WEAKNESS

MATERIAL NONCOMPLIANCE

Cash Management

Criteria: The City is required to disburse grant funds within thirty (30) days of receipt of the award and to minimize the time elapsing between the transfer of grant funds from FEMA and the disbursement of those funds by the City.

Condition: The City did not disburse the grant awards within thirty (30) days of receipt of the award or minimize the time elapsing between the transfer of grant funds from FEMA and the disbursement of those funds by the City.

Questioned Costs: \$ 260,748. These grant funds were received by the City on November 16, 2015. The equipment purchased with grant funds was paid for on January 20, 2016. No interest was earned on the grant funds by the City.

\$ 4,603. These grant funds were received by the City on January 27, 2016. The equipment purchased with grant funds was paid for on April 30, 2016. No interest was earned on the grant funds by the City.

Context: For the November 16, 2015 receipt, equipment ordered by the City on August 21, 2015 was received on October 30, 2015. Some equipment was defective and was shipped back. The replacement equipment was received on December 22, 2015. The City disbursed the grant funds for the purchases after the replacement equipment was received.

Effect: \$265,351 was held by the City for longer than allowed by grant requirements.

Cause: Human error in not understanding the grant requirements for placing an order, receiving grant funds, and paying the invoice. Also, the department did not have procedures in place to ensure the grant awards were disbursed within the time allowed by the grant.

Recommendation: A control should be developed to ensure education, implementation, and verification of grant requirements prior to receiving grant funds.

Views of
Responsible
officials and
planned
corrective
actions:

The City agrees with the finding and will implement adequate system to ensure that this problem does not recur. Please refer to the corrective action plan on page 207.

Section IV. State Award Findings and Questioned Costs

None reported.

CITY OF CONOVER, NORTH CAROLINA

**Corrective Action Plan
For the Year Ended June 30, 2016**

Section II. Financial Statement Findings

None reported.

Section III. Federal Award Findings and Questioned Costs

Finding: 2016-1

Name of contact person: Mark Hinson, Fire Chief & Vickie Schlichting, Finance Officer

Corrective Action: A control has been developed to ensure education, implementation, and verification of grant requirements prior to receiving grant funds.

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, 2016

None.