

CITY OF CONOVER
NORTH CAROLINA
FINANCIAL STATEMENTS
June 30, 2024

CITY OF CONOVER, NORTH CAROLINA
LIST OF PRINCIPAL OFFICERS

CITY COUNCIL

Mayor Kyle J Hayman
Mayor Pro Tem Bruce R. Eckard
Council Member Joie D. Fulbright
Council Member Mark R. Canrobert
Council Member Jim Green
Council Member Brenda Powell

OTHER CITY OFFICIALS

City Manager Tom Hart
City Attorney Susan Willaims Matthews
City Clerk Stephanie Watson
Finance Director Kurt L. Beal
Fire Chief Mark Stafford
Human Resources Director Madeleine Epley
Information Technology Director Christopher M. Niver
Planning Director Erik K. Schlichting
Police Chief Robert Houston
Public Works General Services Director Terry Jones
Public Works Utilities Director Brian Bradshaw

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INDEPENDENT AUDITORS' REPORT

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

Report on Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Conover, North Carolina, as of and for the year ended June 30, 2024, and the related notes to the financial statements which collectively comprise the City of Conover's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information City of Conover, North Carolina as of June 30, 2024, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the General Capital Projects Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Conover and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Audit of 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raises substantial doubt about the City of Conover's ability to continue as a going concern for the twelve months beyond the financial statement date, including any current known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing and audit in accordance with GAAS and *Government Auditing Standards* we:

- exercised professional judgement and maintained professional skepticism throughout the audit.
- identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 City of Conover's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Conover's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identify during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 12, Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages 60 through 61, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on pages 57 through 58, respectively, and the Firefighter' and Rescue Squad Worker's Pension Fund's Schedule of the Proportionate Share of Net Pension Liability (Asset) on pages 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Conover, North Carolina's basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare that basic financial statements. The information has been subject to 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 our opinion, the combining and individual fund financial statements, budgetary schedules, other schedules as well as the accompanying schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory information but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2024 on our consideration of the City of Conover, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose the report is to describe the scope of our 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.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, NC
October 18, 2024

CITY OF CONOVER, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Conover, we offer readers of the City of Conover's financial statements this narrative overview and analysis of the financial activities of the City of Conover for the fiscal year ended June 30, 2024. 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

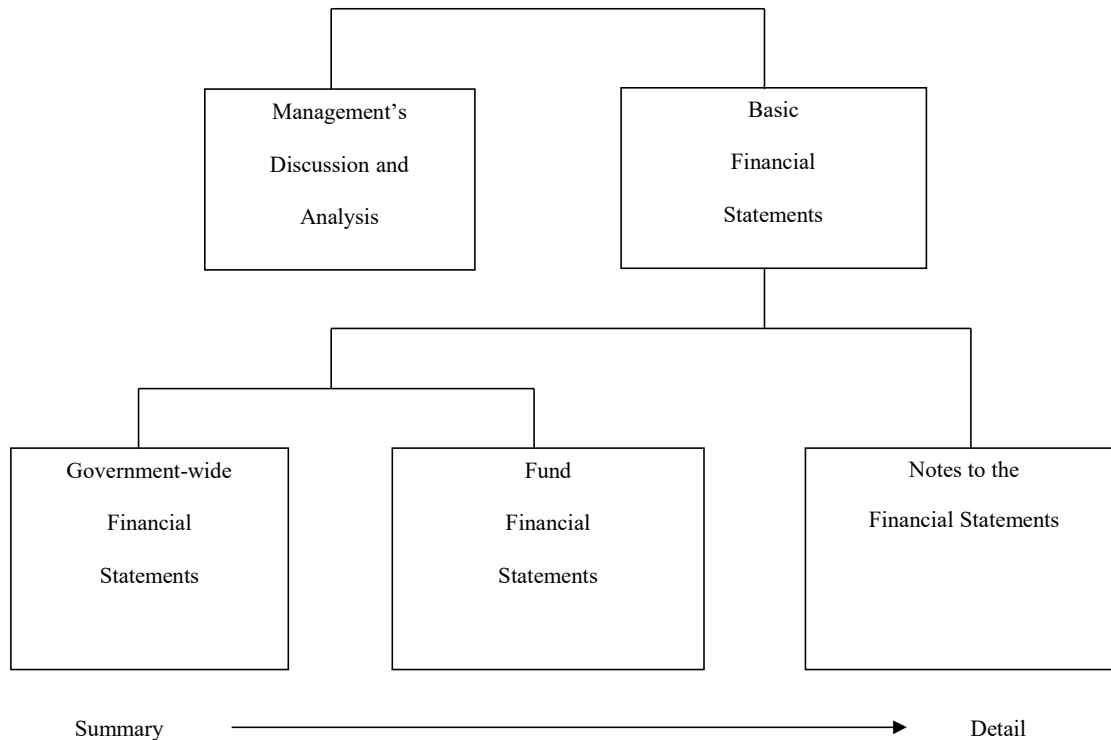
- The assets and deferred outflows of resources of the City of Conover exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$104,868,879 (net position). Of this amount, \$70,527,222 represents the City's investment in capital assets, which is not available for future spending.
- The government's total net position increased by \$5,007,171 due to increases in the governmental type activities net position of \$1,295,007 and increases in the business type activities net position of \$3,712,164.
- As of the close of the current fiscal year, the City of Conover's governmental funds reported combined ending fund balances of \$18,299,327, a decrease of \$115,292 in comparison with the prior year. Approximately 16 percent of this total amount or \$3,012,372 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$10,909,992 or 72 percent of total general fund expenditures for the fiscal year.
- The City of Conover's total debt which does not include compensated absences or pension obligations increased by \$4,485,927 (73%) during the fiscal year. One new debt issuance in the form of an installment purchase agreement was entered into for \$4,900,000 for improvements to the headworks at the wastewater treatment plant. Outstanding debt principal is \$10,617,835 and equates to \$1,218 per capita at the end of the fiscal year. Compensated absences liability and pension obligations will be reported later in this MD&A and also in the notes to the financial statements.
- The City of Conover's legal debt limit is \$159,968,700 (8 percent of assessed value) and the City's legal debt margin is \$149,350,865. The total legal indebtedness of the City is \$10,617,835, which represents .53% of assessed valuation.
- The City of Conover's bond ratings are an "Aa2" bond rating from Moody's Investors Service, an "A" bond rating from Standard and Poor's, and a rating of 83 from the North Carolina Municipal Council.
- Tax values increased \$653,835,949 or 49% from the previous fiscal year primarily due to the County's revaluation of property values as of January 1, 2023.
- The City's tax rate was reduced from .500 to .395 per \$100 valuation effective July 1, 2023.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's non-major governmental funds and internal service funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains funding information about the City's pension plans.

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.

CITY OF CONOVER, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 grounds. 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 fourteen individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balance for the General Fund and the General Capital Project Fund. These two funds are considered to be the major funds for this fiscal year. Data from the other twelve 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 67-70 of this report.

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

Of the twelve non-major governmental funds, the City adopted an annual budget for four funds and either grant or capital project budget ordinances for the other eight funds.

The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the City Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The City of Conover operates and reports on one proprietary fund: the water and sewer enterprise fund.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 25 - 55 of this report.

CITY OF CONOVER, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 56 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

CITY OF CONOVERS'S NET POSITION
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 19,501,727	\$ 19,918,777	\$ 20,084,927	\$ 12,284,384	\$ 39,586,654	\$ 32,203,161
Capital assets and right to use asset	49,894,968	48,379,100	31,250,089	29,839,230	81,145,057	78,218,330
Total assets	69,396,695	68,297,877	51,335,016	42,123,614	120,731,711	110,421,491
Total deferred outflows of resources	2,401,948	2,004,772	747,907	617,888	3,149,855	2,622,660
Current Liabilities	1,456,830	1,492,215	1,310,572	817,365	2,767,401	2,309,580
Long term liabilities	7,355,041	6,896,428	8,130,311	2,995,003	15,485,351	9,891,431
Total liabilities	8,811,870	8,388,643	9,440,882	3,812,368	18,252,752	12,201,011
Total deferred inflows of resources	743,530	965,771	16,405	15,663	759,935	981,434
Net position:						
Net investment in capital assets	46,595,200	44,554,714	23,932,022	27,531,708	70,527,222	72,086,422
Restricted	2,891,087	6,134,116	-	-	2,891,087	6,134,116
Unrestricted	12,756,956	10,259,406	18,693,614	11,381,764	31,450,570	21,641,170
Total net position	\$ 62,243,243	\$ 60,948,236	\$ 42,625,636	\$ 38,913,472	\$ 104,868,879	\$ 99,861,708

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 by \$104,868,879 as of June 30, 2024. The City's net position increased \$5,007,171 for the fiscal year ended June 30, 2024. The largest portion of net position (67%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The City of Conover uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Conover's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City's net position, \$2,891,087 (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$31,450,570 is unrestricted.

CITY OF CONOVER, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF CONOVER CHANGES IN NET POSITION
Figure 3

	Governmental		Business-type		Total	
	Activities		Activities			
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 921,259	\$ 891,852	\$ 5,585,641	\$ 5,861,728	\$ 6,506,900	\$ 6,753,580
Operating grants and contributions	1,067,799	2,274,998	-	-	1,067,799	2,274,998
Capital grants and contributions	1,417,047	4,111,131	1,662,841	547,350	3,079,888	4,658,481
General revenues:						
Property taxes	7,936,473	6,733,850	-	-	7,936,473	6,733,850
Other taxes	4,632,705	4,518,028	-	-	4,632,705	4,518,028
Gain on sale of assets	38,251	599,733	49,053	14,599	87,304	614,332
Other	1,186,482	677,844	709,930	309,122	1,896,412	986,966
Total revenues	17,200,016	19,807,436	8,007,465	6,732,799	25,207,481	26,540,235
Expenses:						
General government	4,386,136	4,233,522	-	-	4,386,136	4,233,522
Public safety	6,348,103	5,437,196	-	-	6,348,103	5,437,196
Transportation	2,006,555	3,341,725	-	-	2,006,555	3,341,725
Environmental Protection	488,728	49,424	-	-	488,728	49,424
Economic and physical development	1,239,077	1,157,077	-	-	1,239,077	1,157,077
Interest on long-term debt	75,572	85,992	-	-	75,572	85,992
Water and sewer	-	-	5,656,139	5,271,938	5,656,139	10,928,077
Total expenses	14,544,171	14,304,936	5,656,139	5,271,938	20,200,310	25,233,013
Increase in net position before transfers and special items	2,655,845	5,502,500	2,351,326	1,460,861	5,007,171	1,307,222
Transfers and special items	(1,360,838)	(1,360,838)	1,360,838	1,360,838	-	-
Change in net position	1,295,007	4,141,662	3,712,164	2,821,699	5,007,171	6,963,361
Net position, beginning	60,948,236	56,748,594	38,913,472	36,023,613	99,861,708	92,772,207
Restatement	-	57,980	-	68,160	-	126,140
Net position, beginning, restated	60,948,236	56,806,574	38,913,472	36,091,773	99,861,708	92,898,347
Net position, ending	\$ 62,243,243	\$ 60,948,236	\$ 42,625,636	\$ 38,913,472	\$ 104,868,879	\$ 99,861,708

Governmental activities. Governmental activities, this year, had a positive effect on the City's net position of \$1,295,007. Key elements of this change in net position for governmental type activities are as follows:

- Property tax revenue increased significantly by \$1,202,623, or 18%, primarily due to the County's revaluation of property values as of January 1, 2023. On average, most properties saw an increase of about 60% to valuation across the city while the Council reduced the tax rate by 21% to offset the effect.
- Interest earnings increased \$225,794 from the previous fiscal year due to higher rates and reallocation of balances.
- Sales taxes increased \$109,377 from the previous fiscal year.

Business-type activities. Business-type activities increased the City's net position by \$3,712,164: The key element of this change is as follows:

- Receipt of developer contributions of water and sewer line infrastructure of \$1,269,507.
- Increases in capital grants of \$347,434 for projects.
- Interest earning increased \$400,808 from the previous fiscal year due to higher rates and reallocation of balances.
- Receipt of original ARPA funds from the General Fund in the amount of \$1,360,838.

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 \$18,299,327, a decrease of \$115,292 in comparison to the prior year. Of this total fund balance, \$2,889,672 (16%) is non spendable or restricted.

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

General Fund: The General Fund is the chief operating fund of the City of Conover. At the end of the current fiscal year, fund balance available in the general fund was \$12,148,225 while total fund balance was \$13,951,637. The City currently has an available fund balance of 80.3% of general fund expenditures while total fund balance represents 92.3% of the same amount. Total general fund balance increased \$453,020. This increase was due in part to the increases in property tax, sales tax revenue and investment earnings. This fiscal year, the property tax rate decrease to .395 per \$100 of value.

General Capital Project Fund. The General Capital Project 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 grants and transfers from the General Fund. At June 30, 2024, total fund balance was \$121,211. This is an annually budgeted fund.

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 \$898,844 more than originally budgeted. Property tax revenues exceeded budget by \$374,862 which is much less than recent prior years. Sales tax and other unrestricted intergovernmental taxes exceeded budget by \$361,647. Restricted intergovernmental revenues exceeded budget by \$76,049, mostly due to an increase in Powell Bill funds distributed and the acceleration of the SAFER Fire Grant. Encumbrances for the general fund at year end amounted to \$404,797.

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 \$18,693,614. Factors concerning these finances have already been addressed in the discussion of the City of Conover's business-type activities.

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, 2024, totals \$81,145,057 (net of accumulated depreciation and amortization). An increase of \$3,299,956 from the previous year. These assets include buildings, streets, land, machinery and equipment, park facilities, vehicles, water/sewer infrastructure and right to use assets for leases and IT subscriptions.

CITY OF CONOVER, NORTH CAROLINA
MANAGEMENT’S DISCUSSION AND ANALYSIS

Major capital asset transactions during the year include the following:

Governmental Activities

- Vehicle additions of \$1,774,952 and vehicle retirements of \$520,541. Significant additions were as follows:
 - 2024 Pierce Enforcer Fire Engine for \$797,184
 - 2024 ProPatch Asphalt Paver for \$214,006
 - 2024 Heil Side Arm Garbage Truck for \$378,757
- The upfit to the new finance department at City Hall was completed and placed in service for a total of \$491,110.
- The Plaza @ MSC II was completed and placed in service for a total of \$544,997.
- The addition to the Public Works facility for office space was completed and placed in service for a total of \$201,472.
- Additions to street infrastructure of \$1,091,232, which was a developer contribution.
- Police department purchased 4 new cars.

Business-type Activities

- Purchase of a new Freightliner Truck for hauling sludge for a total of \$74,426.
- Purchase of two new service trucks for a total of \$88,377.
- Additions to water/sewer infrastructure of \$1,367,524, including a developer contribution of \$1,269,507 for utility lines.

**CITY OF CONOVER CAPITAL ASSETS
(net of depreciation)**

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 3,789,909	\$ 3,812,177	\$ 305,061	\$ 305,061	\$ 4,094,970	\$ 4,117,238
Buildings and systems	22,683,311	22,114,305	4,542,458	4,703,466	27,225,769	26,817,771
Computer Equipment	6,552	1	18,340	20,020	24,892	20,021
Equipment and Furnishings	2,131,087	2,182,486	1,012,353	925,297	3,143,440	3,107,783
Infrastructure	16,276,898	15,558,767	22,570,951	22,104,975	38,847,849	37,663,742
Vehicles and motorized equipment	4,264,560	3,206,652	864,949	839,719	5,129,509	4,046,371
Right to use asset, net	234,945	89,616	51,702	-	286,647	89,616
Construction in progress	507,706	1,170,017	1,884,275	812,542	2,391,981	1,982,559
Total	\$ 49,894,968	\$ 48,134,021	\$ 31,250,089	\$ 29,711,080	\$ 81,145,057	\$ 77,845,101

Additional information on the City of Conover’s capital assets can be found in Note 3 on pages 36 - 37 of this report.

Long-term Debt. The City of Conover’s bond rating is “Aa2” from Moody’s Investors Service and “A” from Standard and Poors. Gross debt obligations of the City are \$16,768,667 as of June 30, 2024. Gross debt consists of installment purchase debt of \$7,934,808 loans and notes payable of \$2,461,965, lease liabilities of \$59,558, IT subscription liabilities of \$161,504, net pension liability (LEO) of \$938,004, net pension liability for retirement of \$4,494,758 and compensated absences of \$718,070. Installment purchases related to the 2nd floor renovation of the Broyhill Building adding “NC Works”, the police, public works and fire facilities amount to \$3,108,478 and are obligations of the General Fund; the Water and Sewer Fund accounts for the remaining \$4,826,330 which is for the upgrades and repairs of the NEWWTP aeration system. Loans and notes payable amounting to \$2,461,965 are for low and no interest loans related to water and sewer capital improvements and are obligations of the Water and Sewer Fund. Lease payables total \$59,558 and relate to office equipment and are obligations of the General Fund. IT subscription liabilities total \$161,504 and relate to software subscriptions and are obligations of both the General Fund and the Water and Sewer Fund.

At June 30, 2024, the City of Conover had no bonded debt.

CITY OF CONOVER OUTSTANDING DEBT

(net of depreciation)
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
General Obligation Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loans Payable	-	-	2,461,965	2,225,215	2,461,965	2,225,215
Lease Liabilities	59,558	118,992	-	-	59,558	118,992
IT Subscription Liabilities	131,732	158,388	29,772	82,307	161,504	240,695
Compensated Absenses	629,365	444,401	88,705	79,749	718,070	524,150
Pension related debt (LEOSSA)	938,004	818,617	-	-	938,004	818,617
Pension related debt (LGRS)	3,344,185	2,616,195	1,150,573	900,107	4,494,758	3,516,302
Installment Purchase	3,108,478	3,547,006	4,826,330	-	7,934,808	3,547,006
Total	\$ 8,211,322	\$ 7,703,599	\$ 8,557,345	\$ 3,287,378	\$ 16,768,667	\$ 10,990,977

The City of Conover’s total debt increased \$5,777,690 (53%) during the past fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the City of Conover is \$149,350,865, of which the City is utilizing only 11%. The City of Conover has no bonds authorized but un-issued at June 30, 2024.

Additional information regarding the City of Conover’s long-term debt can be found in Note 3 beginning on page 34 of this report.

Economic Factors and Next Year’s Budgets and Rates

- Low tax burden and low property tax rate compared to other same size cities throughout the State. The biggest factor being the large amount of industry in the City.
- Commercial growth in Conover has been moderate, but we are seeing a large influx of proposed residential developments.
- The residential market in Conover is performing well. As has been the case for the past three years, homes under \$250,000 that are in move in ready condition are only on the market for a few days, getting multiple offers and selling at above list price. New listings and closed sales have decreased while the average sale price continues to increase. Many industry leaders in our area have been seeing a connection between the shortage of housing supply with challenges in recruitment for new workers. The city is currently working with the county and private developers to bring private investment into the community.

Budget Highlights for Fiscal Year Ending June 30, 2025

Government Activities:

- Revenue estimates in the City’s 2024-2025 budget were again less conservative than in recent years with the exception of budgeting for interest income. The rationale here is that interest rates are rather volatile and earnings should be used to build reserves and hedge against uncertainty and emergencies.
- The budget continues to set aside \$770,000 of transfers to reserves for future capital equipment and improvement needs.
- A 2.0% cost-of-living-adjustment (COLA) for employees was implemented due to increased inflation and cost of living factors. Council and staff have made personnel a priority.
- Basic services are budgeted along with equipment maintenance and replacements.

CITY OF CONOVER, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Type Activities:

- This budget includes a 9% increase in water and sewer rates. This increase accounts for a 7% wholesale pass-through rate increase from the City of Hickory for water purchases, the second largest increase on record since the agreement was entered into.
- Basic services are budgeted, along with replacements and maintenance of equipment.
- The City does continues to set aside \$1MM for future capital projects, capital equipment and improvements, as well as cost of living increases of 2% proposed in this budget.
- Utility estimates remain conservative, estimating only a 1.5% growth in customer base.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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

CITY OF CONOVER, NORTH CAROLINA
Statement of Net Position
June 30, 2024

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and cash investments	\$ 16,866,952	\$ 12,969,935	\$ 29,836,887
Taxes receivable (net)	63,339	-	63,339
Leases receivable - current	185,458	-	185,458
Accrued interest receivable on taxes	4,662	-	4,662
Accounts receivables (net)	59,730	2,113,271	2,173,001
Due from other governments	1,437,023	19,424	1,456,447
Prepaid items	93,828	466	94,294
Restricted cash and cash equivalents	368,010	4,981,831	5,349,841
Total current assets	<u>19,079,002</u>	<u>20,084,927</u>	<u>39,163,929</u>
Noncurrent Assets:			
Lease receivable - noncurrent	422,725	-	422,725
Capital assets (Note 3):			
Land, non-depreciable improvements and construction in progress	4,297,615	2,189,336	6,486,951
Other capital assets, net of depreciation	45,362,408	29,009,051	74,371,459
Right to use leased asset, net of amortization	234,945	51,702	286,647
Total capital assets	<u>49,894,968</u>	<u>31,250,089</u>	<u>81,145,057</u>
Total non-current assets	<u>50,317,693</u>	<u>31,250,089</u>	<u>81,567,782</u>
Total assets	<u>69,396,695</u>	<u>51,335,016</u>	<u>120,731,711</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>2,401,948</u>	<u>747,907</u>	<u>3,149,855</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	551,036	646,167	1,197,203
Accrued interest payable	49,512	166	49,678
Customer Deposits	-	146,845	146,845
Compensated absences - current	314,683	44,353	359,035
Current portion of long-term debt	541,599	382,682	924,281
Total current liabilities	<u>1,456,830</u>	<u>1,310,572</u>	<u>2,767,401</u>
Non-current liabilities:			
Compensated absences	314,683	44,353	359,035
Net pension liability	3,344,185	1,150,573	4,494,758
Total pension liability	938,004	-	938,004
Due in more than one year	2,758,169	6,935,385	9,693,554
Total non-current liabilities	<u>7,355,041</u>	<u>8,130,311</u>	<u>15,485,351</u>
Total liabilities	<u>8,811,870</u>	<u>9,440,882</u>	<u>18,252,752</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	2,202	-	2,202
Lease deferrals	580,726	-	580,726
Pension deferrals	160,602	16,405	177,007
Total deferred inflows of resources	<u>743,530</u>	<u>16,405</u>	<u>759,935</u>
NET POSITION			
Net investment in capital assets	46,595,200	23,932,022	70,527,222
Restricted for:			
Stabilization by State Statute	1,923,457	-	1,923,457
Transportation	322,199	-	322,199
Capital Projects	599,620	-	599,620
Public Safety	45,811	-	45,811
Unrestricted	12,756,956	18,693,614	31,450,570
Total net position	<u>\$ 62,243,243</u>	<u>\$ 42,625,636</u>	<u>\$ 104,868,879</u>

CITY OF CONOVER, NORTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 4,386,136	\$ 220,203	\$ -	\$ 175,854	\$ (3,990,079)	\$ -	\$ (3,990,079)
Public safety	6,348,103	36,108	642,602	93,000	(5,576,393)	-	(5,576,393)
Transportation	2,006,555	26,898	308,269	1,091,790	(579,598)	-	(579,598)
Economic and physical development	488,728	30,725	58,678	56,403	(342,922)	-	(342,922)
Enviromental protection	1,239,077	607,325	58,250	-	(573,502)	-	(573,502)
Interest on long-term debt	75,572	-	-	-	(75,572)	-	(75,572)
Total governmental activities	<u>14,544,171</u>	<u>921,259</u>	<u>1,067,799</u>	<u>1,417,047</u>	<u>(11,138,066)</u>	<u>-</u>	<u>(11,138,066)</u>
Business-type activities:							
Water and sewer	<u>5,656,139</u>	<u>5,585,641</u>	<u>-</u>	<u>1,662,841</u>	<u>-</u>	<u>1,592,343</u>	<u>1,592,343</u>
Total primary government	<u>\$ 20,200,310</u>	<u>\$ 6,506,900</u>	<u>\$ 1,067,799</u>	<u>\$ 3,079,888</u>	<u>(11,138,066)</u>	<u>1,592,343</u>	<u>(9,545,723)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					7,936,473	-	7,936,473
Local option sales tax					3,294,515	-	3,294,515
Other taxes					1,338,190	-	1,338,190
Unrestricted investment earnings					766,151	709,930	1,476,081
Miscellaneous					420,331	-	420,331
Proceeds from Sale of Assets					38,251	49,053	87,304
Total general revenues not including transfers					<u>13,793,911</u>	<u>758,983</u>	<u>14,552,894</u>
Transfers					<u>(1,360,838)</u>	<u>1,360,838</u>	<u>-</u>
Total general revenues, and transfers					<u>12,433,073</u>	<u>2,119,821</u>	<u>14,552,894</u>
Change in net position					1,295,007	3,712,164	5,007,171
Net position-beginning					<u>60,948,236</u>	<u>38,913,472</u>	<u>99,861,708</u>
Net position-ending					<u>\$ 62,243,243</u>	<u>\$ 42,625,636</u>	<u>\$ 104,868,879</u>

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

CITY OF CONOVER, NORTH CAROLINA
Balance Sheet
Governmental Funds
June 30, 2024

	Major		Non-Major	Total Governmental Funds
	General Fund	General Capital Project Fund	Other Governmental Funds	
ASSETS				
Cash and cash equivalents	\$ 12,558,868	\$ 93,511	\$ 4,214,573	\$ 16,866,952
Restricted cash	368,010	-	-	368,010
Receivables, net:				
Taxes	63,339	-	-	63,339
Accounts	59,730	-	-	59,730
Leases	-	-	608,183	608,183
Due from other funds	21,907	-	-	21,907
Due from other governments	1,345,850	58,250	32,923	1,437,023
Prepaid items	93,828	-	-	93,828
Total assets	\$ 14,511,532	\$ 151,761	\$ 4,855,679	\$ 19,518,972
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 493,919	\$ 30,550	\$ 26,567	\$ 551,036
Due to other funds	-	-	21,907	21,907
Total liabilities	493,919	30,550	48,474	572,943
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	63,339	-	-	63,339
Leases	-	-	580,726	580,726
Prepaid Taxes	2,202	-	-	2,202
Unavailable revenues	435	-	-	435
Total deferred inflows of resources	65,976	-	580,726	646,702
Fund balances:				
Nonspendable:				
Prepaid expenses	93,828	-	-	93,828
Leases	-	-	27,457	27,457
Restricted:				
Stabilization of State Statute	1,832,284	58,250	32,923	1,923,457
Streets	322,199	-	-	322,199
Public safety	45,811	-	-	45,811
Capital development	-	-	599,620	599,620
Committed:				
LEO Special Separation Allowance	169,025	-	-	169,025
Capital development	-	62,961	2,714,779	2,777,740
Facilities maintenance	-	-	851,700	851,700
Assigned:				
Subsequent year's expenditures	578,498	-	-	578,498
Unassigned:	10,909,992	-	-	10,909,992
Total fund balances	13,951,637	121,211	4,226,479	18,299,327
Total liabilities, deferred inflows of resources, and fund balances	\$ 14,511,532	\$ 151,761	\$ 4,855,679	\$ 19,518,972

CITY OF CONOVER, NORTH CAROLINA
Balance Sheet
Governmental Funds
June 30, 2024

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total Fund Balance - Governmental Funds	\$ 18,299,327
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Gross capital assets at historical cost	71,290,700
Accumulated depreciation	<u>(21,630,677)</u>
	49,660,023
Right to use assets used in governmental activities are not financial resources and therefore are not reported in the funds.	234,945
Contributions to the pensions plan in the current fiscal year are deferred outflow of resources on the Statement of Net Position	659,666
Deferred outflows of resources related to pensions are not reported in the funds.	1,742,282
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.	4,662
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	63,774
Total pension liability (LEOSSA)	(938,004)
Net Pension liability (LGERS)	(3,344,185)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds	(49,512)
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Installment purchases	(3,108,478)
Lease liability	(59,558)
IT subscription liability	(131,732)
Compensated absences	(629,365)
Deferred inflows of resources related to pensions are not reported in the funds.	<u>(160,602)</u>
Net position of governmental activities	<u><u>\$ 62,243,243</u></u>

CITY OF CONOVER, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2024

	<u>Major Funds</u>		<u>Non-Major</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>Other Governmental Funds</u>	
REVENUES				
Ad valorem taxes	\$ 7,965,307	\$ -	\$ -	\$ 7,965,307
Other taxes and licenses	263,558	-	-	263,558
Unrestricted intergovernmental	4,369,147	-	-	4,369,147
Restricted intergovernmental	1,059,846	58,250	290,935	1,409,031
Permits and fees	611,433	-	26,898	638,331
Sales and services	56,170	-	-	56,170
Investment earnings	605,585	-	160,566	766,151
Rental Income	10,575	-	208,549	219,124
Miscellaneous	420,331	-	-	420,331
Total revenues	<u>15,361,952</u>	<u>58,250</u>	<u>686,948</u>	<u>16,107,150</u>
EXPENDITURES				
Current:				
General government	3,569,782	-	314,928	3,884,710
Public safety	5,799,536	-	-	5,799,536
Transportation	1,553,010	-	-	1,553,010
Economic and physical development	-	-	2,053	2,053
Environmental Protection	1,032,661	-	-	1,032,661
Debt service:				
Principal	438,528	-	-	438,528
Interest and other charges	80,524	-	-	80,524
Capital Outlay	-	1,606,995	572,451	2,179,446
Total expenditures	<u>12,474,041</u>	<u>1,606,995</u>	<u>889,432</u>	<u>14,970,468</u>
Excess (deficiency) of revenues over expenditures	<u>2,887,911</u>	<u>(1,548,745)</u>	<u>(202,484)</u>	<u>1,136,682</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	38,251	38,251
Transfers from other funds	140,000	1,899,666	1,195,000	3,234,666
Transfers to other funds	(2,645,504)	(400,000)	(1,550,000)	(4,595,504)
IT subscription liabilities issued	70,613	-	-	70,613
Total other financing sources and uses	<u>(2,434,891)</u>	<u>1,499,666</u>	<u>(316,749)</u>	<u>(1,251,974)</u>
Net change in fund balance	453,020	(49,079)	(519,233)	(115,292)
Fund balances-beginning	<u>13,498,617</u>	<u>170,290</u>	<u>4,745,712</u>	<u>18,414,619</u>
Fund balances-ending	<u>\$ 13,951,637</u>	<u>\$ 121,211</u>	<u>\$ 4,226,479</u>	<u>\$ 18,299,327</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, 2024

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$	(115,292)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	2,618,941	
Depreciation expense for governmental assets	<u>(1,912,449)</u>	706,492
Right to use asset expenditures which were capitalized	76,613	
Amortization expense for governmental assets	<u>(176,363)</u>	(99,750)
Gain/(Loss) on disposal of capital assets		(182,664)
Contributions to the pension plan in the current fiscal year are not included on the statement of activities.		635,886
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities.		23,780
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds</p>		
Amount of donated assets	1,091,790	
Change in accrued interest receivable on taxes	(1,161)	
Change in unavailable revenue for tax revenues	(27,673)	
Change in unavailable revenue	<u>(8,341)</u>	1,054,615
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
New long-term debt issued	(70,613)	
Principal payments on long-term debt	595,231	
Decrease in accrued interest payable	<u>4,952</u>	529,570
<p>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.</p>		
Compensated absences	(184,964)	
Pension expense	(988,127)	
LEOSSA expense	<u>(84,539)</u>	(1,257,630)
Total changes in net position of governmental activities	\$	<u><u>1,295,007</u></u>

CITY OF CONOVER, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund
For the Year Ended June 30, 2024

	General Fund			Variance With Final Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Ad valorem taxes	\$ 7,584,500	\$ 7,584,500	\$ 7,965,307	\$ 380,807
Other taxes and licenses	258,700	258,700	263,558	4,858
Unrestricted intergovernmental	4,007,500	4,007,500	4,369,147	361,647
Restricted intergovernmental	537,030	983,797	1,059,846	76,049
Sales and services	607,250	607,250	611,433	4,183
Permits and fees	33,750	33,750	56,170	22,420
Investment earnings	10,500	10,500	605,585	595,085
Rental income	16,500	16,500	10,575	(5,925)
Miscellaneous	128,040	397,821	420,331	22,510
Total revenues	<u>13,183,770</u>	<u>13,900,318</u>	<u>15,361,952</u>	<u>1,461,634</u>
Expenditures				
Current:				
General government	3,866,353	4,077,966	3,569,782	508,184
Public safety	5,835,205	6,403,534	5,799,536	603,998
Transportation	1,626,349	1,642,049	1,553,010	89,039
Environmental protection	1,093,468	1,094,468	1,032,661	61,807
Debt service:				
Principal retirement	519,500	438,528	438,528	-
Interest and other charges	-	80,972	80,524	448
Total expenditures	<u>12,940,875</u>	<u>13,737,517</u>	<u>12,474,041</u>	<u>1,263,476</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>242,895</u>	<u>162,801</u>	<u>2,887,911</u>	<u>2,725,110</u>
Other financing sources (uses):				
Transfers from other funds	100,000	140,000	140,000	-
Transfers to other funds	(795,000)	(2,645,504)	(2,645,504)	-
IT subscription liabilities issued	-	-	70,613	70,613
Fund balance appropriated	452,105	2,342,703	-	(2,342,703)
Total other financing sources (uses)	<u>(242,895)</u>	<u>(162,801)</u>	<u>(2,434,891)</u>	<u>(2,272,090)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	453,020	<u>\$ 453,020</u>
Fund balances:				
Beginning of year, July 1			<u>13,498,617</u>	
End of year, June 30			<u>\$ 13,951,637</u>	

CITY OF CONOVER, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Capital Project Fund
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues:				
FEMA Grant	\$ -	\$ 688,824	\$ -	\$ (688,824)
NC DEQ Grant	-	400,000	58,250	(341,750)
Total revenues	<u>-</u>	<u>1,088,824</u>	<u>58,250</u>	<u>(1,030,574)</u>
Expenditures:				
Capital outlay	725,000	2,734,648	1,606,995	1,127,653
Total expenditures	<u>725,000</u>	<u>2,734,648</u>	<u>1,606,995</u>	<u>1,127,653</u>
Revenues over (under) expenditures	<u>(725,000)</u>	<u>(1,645,824)</u>	<u>(1,548,745)</u>	<u>97,079</u>
Other Financing Sources (Uses):				
Transfer to:				
Capital Project Fund - City Hall Downstairs	(400,000)	(400,000)	(400,000)	-
Transfers from:				
General Fund	-	489,666	489,666	-
Capital Project Fund - General Capital	690,000	1,000,000	1,000,000	-
Capital Project Fund - Solid Waste	410,000	410,000	410,000	-
Total other financing sources	<u>700,000</u>	<u>1,499,666</u>	<u>1,499,666</u>	<u>-</u>
Fund balance appropriated	<u>25,000</u>	<u>146,158</u>	<u>-</u>	<u>(146,158)</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>(49,079)</u>	<u>\$ (49,079)</u>
Fund balance, beginning			<u>170,290</u>	
Fund balance, ending			<u>\$ 121,211</u>	

CITY OF CONOVER, NORTH CAROLINA
Statement of Fund Net Position
Proprietary Funds
June 30, 2024

	Major Enterprise Fund
	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 12,969,935
Accounts receivables (net)	1,458,271
Due from government agencies	19,424
Accounts receivable - other	655,000
Prepaid items	466
Restricted cash	4,981,831
Total current assets	20,084,927
Noncurrent assets:	
Capital assets:	
Land, improvements and construction in progress	2,189,336
Other capital assets, net of depreciation	29,009,051
Right to use assets, net of amortization	51,702
Total capital assets	31,250,089
Total noncurrent assets	31,250,089
Total assets	51,335,016
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pension	747,907
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	646,167
Due to other governments	90,359
Deposits	146,845
Accrued interest payable	166
Compensated absences - current	44,353
IT subscription liabilities - current	29,772
Loans payable - current	200,133
Installment purchase payable - current	152,777
Total current liabilities	1,310,572
Noncurrent liabilities:	
Compensated absences	44,353
Net pension liability	1,150,573
Loans payable - noncurrent	2,261,832
Installment purchases payable - noncurrent	4,673,553
Total noncurrent liabilities	8,130,311
Total liabilities	9,440,882
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions	16,405
NET POSITION	
Net investment in capital assets	23,932,022
Unrestricted	18,693,614
Total net position	\$ 42,625,636

CITY OF CONOVER, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Net Position
Proprietary Funds
For The Year Ended June 30, 2024

	Major Enterprise Fund
	Water and Sewer Fund
Operating Revenues:	
Charges for Services	\$ 5,585,641
Operating Expenses:	
Water	1,873,775
Sewer	1,744,262
Non-Departmental	524,891
Depreciation and amortization	1,391,547
Total operating expenses	5,534,475
Operating income (loss)	51,166
Nonoperating Revenues (Expenses)	
Investment earnings	709,930
Interest expense	(121,664)
Total Nonoperating Revenues (Expenses)	588,266
Income (Loss) before contributions and transfers	639,432
Transfers from/(to) other funds	1,360,838
Restricted intergovernmental grant	393,334
Capital contributions	1,269,507
Gain (loss) on sale of capital assets	49,053
Change in net position	3,712,164
Total net position, beginning	38,913,472
Total net position, ending	\$ 42,625,636

CITY OF CONOVER, NORTH CAROLINA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2024

	Major Enterprise Fund Water and Sewer Fund
Cash flows from operating activities:	
Cash received from customers	\$ 5,047,845
Cash paid for goods and services	(1,752,136)
Cash paid to employees	(1,955,074)
Change in deposits from customers	3,845
Net cash provided (used) by operating activities	1,344,480
Cash flows from noncapital financing activities	
Transfer(to) from other funds	1,360,838
Net cash provided (used) by noncapital financial activities	1,360,838
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(1,537,591)
Proceeds from the issuance of new debt	5,336,715
Principal paid on bonds and equipment contracts	(273,635)
Interest paid	(121,678)
Capital grant revenue	393,334
Proceeds from the sale of capital assets	53,744
Net cash provided (used) by capital and related financing activities	3,850,889
Cash flows from investing activities:	
Interest on investments	709,930
Net increase (decrease) in cash and cash equivalents	7,266,137
Balances, beginning in cash and cash equivalents	10,685,629
Balances, ending in cash and cash equivalents	\$ 17,951,766

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 Year Ended June 30, 2024

	Major Enterprise Fund
	Water and Sewer Fund
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ 51,166
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	1,391,547
Changes in assets, deferred outflows, liabilities, and deferred inflows:	
(Increase) decrease in accounts receivable and due from other governments	(537,796)
(Increase) decrease in prepaid expenses	3,390
Increase (decrease) in accounts payable, accrued liabilities, and due to other governments	354,717
Increase (decrease) in IT subscription liabilities	(52,535)
(Increase) decrease in deferred outflows - pensions	(130,018)
Increase (decrease) in deposits	3,845
Increase (decrease) in deferred inflows - pensions	742
Increase (decrease) in net pension liability	250,466
Increase (decrease) in compensated absences	8,956
Total adjustments	1,293,314
Net cash provided (used) by operating activities	\$ 1,344,480

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.

NOTE I: 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 – Basis of Accounting

Basis of Presentation, Measurement Focus - Basis of Accounting

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

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

Fund Financial Statements : The fund financial statements provide information about the City's funds. Separate statements for each fund category - *governmental and proprietary* - are presented. The City has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The City reports the following major governmental funds:

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

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

CITY OF CONOVER, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2024

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

The City reports the following non-major governmental funds:

Facilities Maintenance Special Revenue Fund. Rental income collected for City facility leases to outside parties and citizens of Conover are reserved to provide funding for maintenance and repairs to City facilities as needed. These rental income collections are to be used specifically for maintenance on buildings where rent was collected.

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

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

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

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

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

EDA Grant for MSCII PPE Equipment. This fund provides for an Economic Development Administration grant and local match to be used to purchase machinery and equipment to be used by the Manufacturing Solutions Center (MSC) for the manufacture of PPE.

NC Commerce Rural Transformation Grant - This fund provides for an NC Department of Commerce Grant to expand access for pedestrian in the downtown area and surrounding locations.

City Hall Downstairs Renovations Capital Project Fund. This fund provides for the renovation of the basement at City Hall.

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

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

CITY OF CONOVER, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2024

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, General Capital Reserve Fund, Facilities Maintenance Special Revenue Fund, Priority Sidewalk Capital Project Fund, Solid Waste Capital Reserve Capital Project Fund, and the General Capital Project Fund. An annual budget is also adopted for the Enterprise Operating Fund, Enterprise Fund Water and Sewer Capital Reserve Fund, Enterprise Fund Water and Sewer Capital Project Fund, and Enterprise Fund Water and Sewer Improvement Fund, which are consolidated with the operating funds for reporting purposes. Project ordinances are adopted for the MSC Phase II Expansion Capital Project Fund, Neighborhood Revitalization Scattered Site Housing Project Special Revenue Fund, City Hall Downstairs Project Capital Project Fund, Nufabrx PPE Manufacturing Economic Development Capital Project Fund, EDA Grant for MSCII PPE Equipment Capital Project Fund, and NC Commerce Rural Transformation Grant Capital Project Fund. Project ordinances are also adopted for the Enterprise Fund NC WWTP Expansion Capital Project Fund, which are consolidated with the water and sewer operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the line item level for the multi-year funds. All amendments must be approved by the governing board.

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

Budget transfers are ordained by the City Council as follows:

- (1) In accordance with G. S. 159-13(b)(3), each expenditure to be charged against a contingency appropriation shall be authorized only by the City Council. In an emergency situation, the City Manager may approve an expenditure to be charged to a contingency account provided that such emergency expenditure is reported to the City Council at its next
- (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.

CITY OF CONOVER, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2024

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

Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The City's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

Restricted Assets

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4. Federal and State seizure funds are also classified as restricted cash because its use is restricted to law enforcement expenditures. The unexpended proceeds of debt are classified as restricted assets because their use is restricted to future payments of expenses for the project that the debt was acquired for.

City of Conover Restricted Cash

Governmental Activities

General Fund

Powell Bill	\$ 322,199
Fines & Forfeitures	45,811
Total Governmental Activities	<u>\$ 368,010</u>

Business-Type Activities

Water Fund

Unexpended Debt Proceeds	\$ 4,834,986
Customer Deposits	146,845
Total Business-Type Activities	<u>\$ 4,981,831</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, 2023.

Allowance 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.

Lease Receivable

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the City may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflows of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Prepaid Items

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

Capital Assets

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

The City's capital assets also include certain right to use assets. These right to use assets arise in association with agreements where the City reports a lease (only applies when the City is the lessee) or agreements where the City reports an Information Technology (IT) Subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

The right to use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made at or prior to the start of the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right to use lease assets are amortized on a straight-line basis over the life of the related lease.

The right to use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. Subscription payments, as well as payments for capitalizable implementation costs made before the start of the subscription term should be reported as a prepayment (asset). Such prepayments should be reduced by any incentives received from the same vendor before the start of the subscription term at which time the amount should be included in the initial measurement of the subscription asset. The right to use subscription assets should be amortized on a straight-line basis over the subscription term.

CITY OF CONOVER, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2024

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

<u>Asset Class</u>	<u>Years</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 current fiscal year and changes in proportion and differences between City contributions and proportionate share of contributions. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category – prepaid taxes, property taxes receivable, lease deferrals and pension deferrals.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

Compensated Absences

The vacation policy of the City provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the City’s government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a last-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Leases – portion of fund balance that is not an available resource because it represents the year-end balance of the lease receivable in excess of the deferred inflow of resources for the leases receivable, which is not a spendable resource.

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

Restricted for Stabilization by State Statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget*. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislature." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

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

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

CITY OF CONOVER, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2024

Restricted for Capital Development – portion of fund balance that is restricted by revenue source for PARTF Grant funds to be used for the construction of a thread trail as well as funds remaining that are loan proceeds for the construction of Fire Station #2.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of City of Conover’s governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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

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

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

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

Unassigned Fund Balance - portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The General Fund is the only fund that reports a positive unassigned fund balance.

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

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

Defined Benefit Cost Sharing Plans

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

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

CITY OF CONOVER, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2024

NOTE II: Stewardship, Compliance and Accountability

None reported.

NOTE III: Detail Notes on All Funds

A. Assets

Deposits

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

At June 30, 2024, the City's deposits had a carrying amount of \$7,548,214 and a bank balance of \$7,908,022. Of the City's bank balances, \$252,500 was covered by FDIC, and the remaining, \$7,655,522 was covered by the pooling fund. At June 30, 2024, the City's petty cash fund totaled \$490.

Investments

At June 30, 2024, the City's investment balances were as follows:

Investment Type	Valuation Measurement Method	Book Value	Maturity	Rating
NC Capital Management Trust - Government Portfolio	FairValue-Level I	\$ 27,638,024	N/A	AAAm

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

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

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

CITY OF CONOVER, NORTH CAROLINA

Notes to the Financial Statements
 For the Year Ended June 30, 2024

Credit Risk. The City has no formal policy regarding credit risk, but has internal management procedures that limits the City’s investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City’s investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor’s and AAA-mf by Moody’s Investors Service as of June 30, 2024.

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

Receivables - Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and Statement of Net Position for the year ended June 30, 2024 are net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>6/30/2024</u>
General Fund	
Taxes receivable	\$ 77,842
Landfill fee	3,144
Total General Fund	<u>80,986</u>
Enterprise Fund	<u>32,578</u>
Total	<u><u>\$ 113,564</u></u>

Lease Receivable

On 07/01/2021, City of Conover, NC entered into a 99 month lease as Lessor for the use of American Cell Tower. An initial lease receivable was recorded in the amount of \$322,493. As of 06/30/2024, the value of the lease receivable is \$216,546. The lessee is required to make monthly fixed payments of \$2,946. The lease has an interest rate of 0.7270%. The value of the deferred inflow of resources as of 06/30/2024 was \$205,420, and City of Conover recognized lease revenue of \$39,024 during the fiscal year. The lessee has 1 extension option(s), each for 60 months.

On 07/01/2021, City of Conover, NC entered into a 53 month lease as Lessor for the use of NC Works @ Conover Station. An initial lease receivable was recorded in the amount of \$432,009. As of 06/30/2024, the value of the lease receivable is \$140,345. The lessee is required to make monthly fixed payments of \$8,311. The lease has an interest rate of 0.8930%. The value of the deferred inflow of resources as of 06/30/2024 was \$139,672, and City of Conover recognized lease revenue of \$97,446 during the fiscal year.

On 07/01/2021, City of Conover, NC entered into a 93 month lease as Lessor for the use of T Mobile Cell Tower. An initial lease receivable was recorded in the amount of \$384,457. As of 06/30/2024, the value of the lease receivable is \$251,292. The lessee is required to make monthly fixed payments of \$3,925. The lease has an interest rate of 1.4510%. The value of the deferred inflow of resources as of 06/30/2024 was \$235,635, and City of Conover recognized lease revenue of \$49,607 during the fiscal year. The lessee has 1 extension option(s), each for 60 months.

Fiscal Year	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 185,458	\$ 5,624	\$ 191,082
2026	131,783	3,867	135,650
2027	94,191	2,729	96,920
2028	98,186	1,638	99,824
2029	87,386	518	87,904
2030	11,181	14	11,195
Total	<u><u>\$ 608,185</u></u>	<u><u>\$ 14,390</u></u>	<u><u>\$ 622,575</u></u>

CITY OF CONOVER, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2024

Capital Assets

Primary Government:

Capital asset activity for the Primary Government for the year ended June 30, 2024, was as follows:

<u>Governmental Activities:</u>	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land & improvements	\$ 3,812,177	\$ -	\$ (22,268)	\$ 3,789,909
Construction in Progress	1,170,017	486,205	(1,148,516)	507,706
Total capital assets not being depreciated	<u>4,982,194</u>	<u>486,205</u>	<u>(1,170,784)</u>	<u>4,297,615</u>
Capital assets being depreciated:				
Buildings & Improvements	27,274,916	1,202,129	-	28,477,045
Equipment	4,873,395	264,339	(33,587)	5,104,147
Vehicles	7,950,939	1,774,952	(520,541)	9,205,350
Computer equipment	105,071	8,132	-	113,203
Infrastructure	22,969,850	1,123,490	-	24,093,340
Total capital assets being depreciated	<u>63,174,171</u>	<u>4,373,042</u>	<u>(554,128)</u>	<u>66,993,085</u>
Less accumulated depreciation for:				
Buildings & Improvements	5,160,611	633,123	-	5,793,734
Equipment	2,690,909	315,738	(33,587)	2,973,060
Vehicles	4,744,287	556,648	(360,145)	4,940,790
Computer equipment	105,070	1,581	-	106,651
Infrastructure	7,411,083	405,359	-	7,816,442
Total accumulated depreciation	<u>20,111,960</u>	<u>1,912,449</u>	<u>(393,732)</u>	<u>21,630,677</u>
Total capital assets being depreciated, net	<u>43,062,211</u>			<u>45,362,408</u>
Capital assets being amortized:				
Right to use assets				
Equipment	\$ 226,094	\$ -	\$ 74,254	\$ 151,840
IT subscriptions	308,723	76,613	-	385,336
Total right to use assets	<u>534,817</u>	<u>76,613</u>	<u>74,254</u>	<u>537,176</u>
Less accumulated amortization for:				
Equipment	104,864	59,522	74,254	90,132
IT subscriptions	95,258	116,841	-	212,099
Total accumulated amortization	<u>200,122</u>	<u>176,363</u>	<u>74,254</u>	<u>302,231</u>
Right to use assets, net	<u>\$ 334,695</u>	<u>\$ (99,750)</u>	<u>\$ -</u>	<u>\$ 234,945</u>
Governmental activities capital assets, net	<u>\$ 48,379,100</u>			<u>\$ 49,894,968</u>

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

General government	\$ 507,740
Public Safety	474,571
Transportation	507,876
Enviromental protection	194,703
Economic & physical development	403,922
	<u>\$ 2,088,812</u>

CITY OF CONOVER, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2024

Business-type activities:

	Beginning Balances	Increases	Decreases	Ending Balances
Water and Sewer Fund				
Capital assets not being depreciated:				
Land & improvements	\$ 305,061	\$ -	\$ -	\$ 305,061
Construction in Progress	812,542	1,071,733	-	1,884,275
Total capital assets not being depreciated	1,117,603	1,071,733	-	2,189,336
Capital assets being depreciated:				
Buildings & improvements	8,522,954	12,000	(901)	8,534,053
Equipment	3,953,404	193,038	(105,951)	4,040,491
Vehicles	1,528,200	162,803	(137,376)	1,553,627
Computer equipment	25,200	-	-	25,200
Infrastructure	39,275,649	1,367,524	-	40,643,173
Total capital assets being depreciated	53,305,407	1,735,365	(244,228)	54,796,544
Less accumulated depreciation for:				
Buildings & improvements	3,819,488	173,008	(901)	3,991,595
Equipment	3,028,107	105,982	(105,951)	3,028,138
Vehicles	688,481	132,882	(132,685)	688,678
Computer equipment	5,180	1,680	-	6,860
Infrastructure	17,170,674	901,548	-	18,072,222
Total accumulated depreciation	24,711,930	\$ 1,315,100	\$ (239,537)	25,787,493
Total capital assets being depreciated, net	28,593,477			29,009,051
Capital assets being amortized:				
Right to use assets				
IT subscriptions	\$ 204,598	\$ -	\$ (57,449)	147,149
Total right to use assets	204,598	-	(57,449)	147,149
Less accumulated amortization for:				
IT subscriptions	76,448	76,448	(57,449)	95,447
Total accumulated amortization	76,448	76,448	(57,449)	95,447
Right to use assets, net	128,150	(76,448)	-	51,702
Business-type activities capital assets, net	\$ 29,839,230			\$ 31,250,089

Construction Commitments

The government has active construction projects as of June 30, 2024. At year end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining commitment
NEWWTP - Headworks	\$ 457,597	\$ 1,355,403
NEWWTP - Aeration System	146,065	4,703,935
Total	\$ 603,662	\$ 6,059,338

B. Liabilities

Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Conover employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Conover contractually required contribution rate for the year ended June 30, 2024, was 14.04% of compensation for law enforcement officers and 12.91% 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 \$854,664 for the year ended June 30, 2024.

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.

CITY OF CONOVER, NORTH CAROLINA

Notes to the Financial Statements
 For the Year Ended June 30, 2024

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

At June 30, 2024, the City reported a liability of \$4,494,758 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023 utilizing update procedures incorporating the actuarial assumptions. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2023, the City’s proportion was .0679%, which was an increase of .0055% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the City recognized pension expense of \$1,328,095. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 500,849	\$ 10,782
Changes of assumptions	191,001	-
Net difference between projected and actual earnings on pension plan investments	1,202,994	-
Changes in proportion and differences between City Contributions and proportionate share of contributions	172,222	53,308
City contributions subsequent to the measurement date	854,664	-
Total	<u>\$ 2,921,730</u>	<u>\$ 64,090</u>

\$854,664 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2025	\$ 724,448
2026	377,076
2027	850,583
2028	50,869
2029	-
Thereafter	-
Total	<u>\$ 2,002,976</u>

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary Increases	3.25% to 8.25%, which includes a 3.25% inflation and productivity factor
Investment Rate of Return	6.5 percent, net of pension plan investment expense, including inflation

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

CITY OF CONOVER, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2024

The actuarial assumptions used in the December 31, 2021 valuations were based on the results of an actuarial experience review for LGERS for the period January 1, 2015 through December 31, 2019.

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, 2023 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	33%	0.9%
Global Equity	38%	6.5%
Real Estate	8%	5.9%
Alternatives	8%	8.2%
Credit	7%	5.0%
Inflation Protection	6%	2.7%
	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2022 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 2.25%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.50%. 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 liability calculated using the discount rate of 6.50 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 (7.50 percent) or one percentage point higher (5.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
City's proportionate share of the net pension liability (asset)	\$ 7,786,992	\$ 4,494,758	\$ 1,784,283

CITY OF CONOVER, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2024

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

b. Law Enforcement Officers' Special Separation Allowance

Plan Description

The City of Conover administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time City law enforcement officers are covered by the Separation Allowance. At December 31, 2021, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Active plan members	26
Total	<u>26</u>

Summary of Significant Accounting Policies:

Basis of Accounting

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

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2021 valuation. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent including inflation and productivity factor
Discount rate	4.00 percent

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

Mortality rates are based on the Pub-2010 Mortality tables with adjustments for mortality improvements based on Scale MP-2019.

CITY OF CONOVER, NORTH CAROLINA

Notes to the Financial Statements
 For the Year Ended June 30, 2024

Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$23,780 as no benefits came due for the reporting period.

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

At June 30, 2024, the City reported a total pension liability of \$938,004. The total pension liability was measured as of December 31, 2023 based on a December 31, 2022 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2023 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2024, the City recognized pension expense of \$84,539.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 88,815	\$ 26,317
Changes of assumptions	115,530	86,600
City benefit payments and plan administrative expense made subsequent to the measurement date	23,780	-
Total	<u>\$ 228,125</u>	<u>\$ 112,917</u>

\$23,780 paid as benefits came due and \$675 of administrative expenses subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2025	\$ 30,725
2026	35,734
2027	26,987
2028	(9,030)
2029	7,012
Thereafter	-

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City’s total pension liability calculated using the discount rate of 4.00 percent, as well as what the City’s total pension liability would be if it were calculated using a discount rate that is one percentage point lower (3.00 percent) or one percentage point higher (5.00 percent) than the current rate:

	1% Decrease (3.00%)	Discount Rate (4.00%)	1% Increase (5.00%)
Total pension liability	\$ 996,908	\$ 938,004	\$ 883,347

CITY OF CONOVER, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2024

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

	<u>2024</u>
Beginning balance	\$ 818,617
Service Cost	38,129
Interest on the total pension liability	34,872
Differences between expected and actual experience	49,352
Changes in assumptions or other inputs	16,078
Benefit payments	<u>(19,044)</u>
Ending balance of the total pension liability	<u>\$ 938,004</u>

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

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 1,328,095	\$ 84,539	\$ 1,412,634
Pension Liability	4,494,758	938,004	5,432,762
Proportionate share of the net pension liability	0.068%	n/a	

Deferred Outflows of Resources

Differences between expected and actual experience	500,849	88,815	589,664
Changes of assumptions	191,001	115,530	306,531
Net difference between project and actual earnings on plan investments	1,202,994	-	1,202,994
Changes in proportion and differences between contributions and proportionate share of contributions	172,222	-	172,222
Benefit payments and administrative costs paid subsequent to the measurement date	854,664	23,780	878,444

Deferred Inflows of Resources

Difference between expected and actual experience	10,782	26,317	37,099
Changes of assumptions	-	86,600	86,600
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	53,308	-	53,308

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

Plan Description - The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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

Funding Policy

Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2024 were \$106,716, which consisted of \$84,020 from the City and \$22,696 from the law enforcement officers. Contributions for the year ended June 30, 2024 for general employees were \$310,995, which consisted of \$237,894 from the City and \$73,101 from the general employees.

d. Firefighters' and Rescue Squad Workers' Pension Fund

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

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

Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2024, the State contributed \$19,702,208 to the plan. The City of Conover's proportionate share of the State's contribution is \$20,035.

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

CITY OF CONOVER, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2024

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

At June 30, 2024, 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 (asset) that was associated with the City and supported by the State was \$9,467. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023 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, 2024 and at June 30, 2023 was 0%.

For the year ended June 30, 2024, the City recognized pension expense of \$9,817 and revenue of \$9,817 for support provided by the State. At June 30, 2024, 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, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	Not applicable
Discount rate	6.50 percent

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 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

CITY OF CONOVER, NORTH CAROLINA

Notes to the Financial Statements
 For the Year Ended June 30, 2024

e. Other Employment Benefits

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

At termination of employment, all employees have the option to purchase basic medical insurance at the City's group COBRA rate for 18 months. The entire cost of this insurance is borne by the employees.

The City of Conover provides additional group term life insurance of \$15,000 through the City's insurance provider.

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

Deferred Outflows and Inflows of Resources

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

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 878,444
Differences between expected and actual experience	589,664
Changes of assumptions	306,531
Net difference between projected and actual	1,202,994
Changes in proportion and differences between employer contributions and proportionate share of contributions	172,222
Total	<u>\$ 3,149,855</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Prepaid taxes (General Fund)	\$ 2,202	\$ 2,202
Taxes receivable, less penalties (General Fund)	-	63,339
Deferred inflows for leases	580,726	580,726
Unavailable revenues	-	435
Changes in assumptions	86,600	-
Difference between expected and actual experience	37,099	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	53,308	-
Total	<u>\$ 759,935</u>	<u>\$ 646,702</u>

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City has the following coverages: General liability of \$5,000,000, Employee Benefit liability of \$5,000,000, Public Officials liability of \$5,000,000, all with an annual aggregate of \$5,000,000. Employment Practices of \$5,000,000 with an annual aggregate of \$5,000,000, Police Professional Liability of \$5,000,000, as well as coverages for Governmental Crime and Inland Marine. Auto liability coverage of \$5,000,000. Real and personal property coverage has been purchased to cover current values scheduled. Worker's compensation coverage is up to \$1,000,000 per occurrence. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

Cybercrime directed toward municipal government has increased over the past several years. As a result, the City has purchased cyber liability insurance. This policy provides Security and Privacy Insurance, Network Interruption Insurance, Event Management Insurance, Cyber Extortion Insurance and Reputation Guard Insurance. This insurance provides an annual aggregate of \$2,000,000 with a \$5,000 deductible per claim.

The City does not hold any flood insurance. No building or facility is located in a designated flood plain.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through the League of Municipalities. The tax collector and finance officer are individually bonded for \$50,000 and \$1,000,000, respectively, and the remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

Claims and Judgements

Fun Arcade, LLC and Barracuda Ventures, LLC v. City of Conover and Eric Loftin, in his official capacity as Chief of Police, City of Hickory and Thurman Whistnant, in his official capacity as Chief of Police, Superior Court, Catawba County. This matter involves a declaratory judgment action against the City and its Chief of Police regarding enforcement of the North Carolina gambling statutes against a business in Conover known as the "Skill House" and a business known as "BV" or "Barracuda Ventures". This action was filed September 20, 2018, and on that date, the Superior Court Judge Nathan Poovey entered a temporary restraining order restraining the City from enforcing the gambling statutes against the Plaintiffs. On April 26, 2019, Judge George C. Bell of the Superior Court entered a preliminary injunction finding that some of the games Plaintiffs were operating were most likely in violation of the gambling statutes and others-most particularly the fish games-were games of skill and thus did not run counter to the gambling statutes. Judge Bell's order though is not binding on a final trial to the merits of the matter, and that is whether or not the games being run or operated by the Plaintiffs are in violation of the North Carolina gambling statutes. This is an action for a declaratory judgment and makes no monetary claim nor even a claim for attorney's fees. In the attorney's opinion, the outcome of this litigation is uncertain, but potential pecuniary liability to the City is remote. The City if responding vigorously to the litigation and its liability insurance carrier has agreed to assist with providing the defense of the claim as well as a willingness to pay certain costs in defending the claim. According to the City's Attorney, this is not a money claim. The City's Attorney, along with the co-defendant, has engaged in significant discovery, and moved for summary judgment. The motion was granted in favor of the Defendants by the Superior Court, and the North Carolina Court of Appeals, however, the Plaintiffs could still file a writ with the North Carolina Supreme Court, if they choose to do so.

CITY OF CONOVER, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2024

Long-Term Obligations

Leases:

The City has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

On 07/01/2021, City of Conover, NC entered into a 45 month lease as Lessee for the use of Ricoh Copiers - Multifunctional Printers. An initial lease liability was recorded in the amount of \$40,156. As of 06/30/2024, the value of the lease liability is \$8,137. City of Conover is required to make monthly fixed payments of \$971. The lease has an interest rate of 0.8930%. The value of the right to use asset as of 06/30/2024 of \$40,156 with accumulated amortization of \$31,633 is included with Equipment on the Lease Class activities table.

On 07/01/2021, City of Conover, NC entered into a 37 month lease as Lessee for the use of HP - Postscript Multifunctional Printer. An initial lease liability was recorded in the amount of \$24,129. As of 06/30/2024, the value of the lease liability is \$659. City of Conover is required to make monthly fixed payments of \$709. The lease has an interest rate of 0.7270%. The value of the right to use asset as of 06/30/2024 of \$24,129 with accumulated amortization of \$22,960 is included with Equipment on the Lease Class activities table.

On 07/01/2021, City of Conover, NC entered into a 29 month lease as Lessee for the use of Mitel Phone System. An initial lease liability was recorded in the amount of \$74,253. As of 06/30/2024, the value of the lease liability is \$0. City of Conover is required to make monthly fixed payments of \$2,575. The lease has an interest rate of 0.5140%. The value of the right to use asset as of 06/30/2024 of \$74,253 with accumulated amortization of \$74,254 was deleted from Equipment on the Lease Class activities table.

On 06/15/2023, City of Conover, NC entered into a 48 month lease as Lessee for the use of Ricoh Copiers - Finance Dept. An initial lease liability was recorded in the amount of \$7,937. As of 06/30/2024, the value of the lease liability is \$5,849. City of Conover is required to make monthly fixed payments of \$173. The lease has an interest rate of 2.3270%. The value of the right to use asset as of 06/30/2024 of \$7,937 with accumulated amortization of \$2,073 is included with Equipment on the Lease Class activities table.

On 03/27/2023, City of Conover, NC entered into a 36 month lease as Lessee for the use of Ring Central Phone Service. An initial lease liability was recorded in the amount of \$79,617. As of 06/30/2024, the value of the lease liability is \$44,914. City of Conover is required to make monthly fixed payments of \$2,298. The lease has an interest rate of 2.6560%. The value of the right to use asset as of 06/30/2024 of \$79,617 with accumulated amortization of \$33,469 is included with Equipment on the Lease Class activities table.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2024, were as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2025	\$ 37,467	\$ 1,015	\$ 38,482
2026	20,211	251	20,462
2027	1,881	22	1,903
	<u>\$ 59,559</u>	<u>\$ 1,288</u>	<u>\$ 60,847</u>

CITY OF CONOVER, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2024

Installment Purchase:

Serviced by General Fund

The current refunding was issued on August 6, 2020 as a new installment purchase obligation at an interest rate of 2.24% in the amount of \$2,897,132. Annual principal of \$193,143 plus interest will be paid annually on August 6 for 15 years. The proceeds from the installment paid off the USDA installment debt of \$1,193,804 on Fire Station #3 at an interest rate of 4.125%, USDA installment debt of \$1,033,256 on the Police Facility at an interest rate of 4.375%, USDA installment debt of \$662,784 for renovations to the public works facility at an interest rate of 4.25%, and \$7,288 for closing expenses. The current refunding was undertaken to reduce total future debt service costs by reducing interest rates and terms, and will result in an economic gain of \$747,597. \$ 2,317,706

Conover Station "NC Works" Construction Renovation - The City entered into an installment purchase agreement with BB&T Government Finance for the construction renovation of the second floor of Conover Station to provide finished space to lease. The City received installment proceeds of \$453,860 at 2.85% annual interest. The City will pay ten (10) annual installments beginning December 10, 2016. 90,772

Fire Station #2 - The City entered into an installment purchase agreement with BB&T Governmental Finance for the demolition and rebuilding of Fire Station #2. The City received installment proceeds of \$2,000,000 at 2.400% annual interest. The City will pay 11 annual installments beginning May 23, 2018. 700,000

Total Installment Purchase Agreements serviced by General Fund \$ 3,108,478

Serviced by Water Sewer Funds

Aeration System Upgrades- The City entered into an installment purchase agreement with Truist Bank for the upgrade of the NEWWTP Aeration System. The City received installment proceeds of \$4,900,000 at 4.880% annual interest. The City will pay 40 annual installments beginning March 15, 2024. 4,826,330

Minimum future installment payments are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2025	\$ 438,528	\$ 70,104	\$ 152,777	\$ 233,683
2026	438,528	59,684	160,324	226,137
2027	393,142	49,264	168,243	218,218
2028	293,142	40,137	176,554	209,907
2029	193,142	34,611	185,274	201,186
2030-2034	965,712	108,160	1,073,028	859,274
2035-2039	386,284	12,979	1,365,548	566,755
2040-2044	-	-	1,544,582	194,491
	<u>\$ 3,108,478</u>	<u>\$ 374,939</u>	<u>\$ 4,826,330</u>	<u>\$ 2,709,651</u>

CITY OF CONOVER, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2024

Long-Term Debt

Loans Payable:

The loans payable for water and sewer funds are Catawba County loans, an American Recovery and Reinvestment Act (ARRA) loan, and four State Revolving Loans. The County loans financed construction of a sewer line in the Oxford School area and construction of a waterline to the Farmfield Subdivision, both outside the Conover city limits. The ARRA loan funded sewer system construction and rehabilitation in various areas of the City. State Revolving Loans include the Water Tank Loan, a project to construct a second water tank to improve water distribution and service, the NE/SW and the Hwy 16 N loans for water line improvements, and the SW Sewer Rehabilitation loan funding sewer line improvements and replacements in the SW area of the City where the City's oldest sewer lines were in service.

Loans payable at June 30, 2024 are comprised of the following:

The City of Conover constructed a water line to serve Farmfield Subdivision located outside the city limits, part of which was paid for with a loan from Catawba County in the amount of \$260,985. The loan will be repaid to Catawba County in annual installments of \$18,823 per year for 15 years at a 1% interest rate beginning on August 1, 2020. \$ 195,152

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, 2021 of \$43,176 for 20 years. 259,054

The City received \$724,928 from the Department of Environment and Natural Resources for improvements to the NE/SW water line. Annual payments of \$36,247 began on May, 2015 for 20 years at 0% interest. 362,464

The City received \$374,843 from the Department of Environment and Natural Resources for improvements to the Highway 16 North water line. Annual payments of \$18,875 began on May, 2015 for 20 years at 0% interest. 187,422

The City received \$1,701,930 from the Department of Environment and Natural Resources for improvements to SW Sewer Rehabilitation Project. An annual payment of \$85,097 began on May 1, 2017 for 20 years at 0% interest. 1,021,158

The City entered into an agreement for \$1,232,000 from the Department of Environment Quality - Division of Water Infrastructure for improvements to NEWWTP. As of June 30, 2024 the City has received \$436,715. Annual principal payments of \$61,600 are due beginning May 1, 2026 with semi annual interest payments at 1.13% are due beginning November 1, 2025. 436,715

Total long-term debt \$ 2,461,965

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

Year Ending June 30	Business-type Activities	
	Principal	Interest
2025	\$ 200,133	\$ 1,952
2026	261,902	6,746
2027	262,072	5,890
2028	262,244	5,035
2029	262,412	4,150
2030-2034	1,024,372	8,032
2035-2039	188,830	186
Total	<u><u>\$ 2,461,965</u></u>	<u><u>\$ 31,991</u></u>

CITY OF CONOVER, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2024

At June 30, 2024 the City of Conover had no bonds authorized but unissued, a legal debt limit of \$159,968,700, which is 8% of assessed value, and a legal debt margin of \$149,350,865.

Subscriptions:

The City entered into agreements for certain Subscription-Based Information Technology Arrangements (SBITAs). The subscriptions qualify as other than short-term SBITAs under GASB 96 and therefore, have been recorded at the present value of the future minimum subscription payments as of the date of their inception.

On 07/01/2022, City of Conover, NC entered into a 24 month subscription for the use of Cartegraph OMS. An initial subscription liability was recorded in the amount of \$47,269. As of 06/30/2024, the value of the subscription liability is \$0. City of Conover, NC is required to make annual fixed payments of \$23,871. The subscription has an interest rate of 2.0240%. The value of the right to use asset as of 06/30/2024 of \$57,449 with accumulated amortization of \$57,449 was removed from the Software on the Subscription Class activities table found below.

On 07/01/2022, City of Conover, NC entered into a 32 month subscription for the use of Microsoft Office Professional Plus. An initial subscription liability was recorded in the amount of \$49,481. As of 06/30/2024, the value of the subscription liability is \$0. City of Conover, NC is required to make annual fixed payments of \$25,407. The subscription has an interest rate of 2.1840%. The value of the right to use asset as of 06/30/2024 of \$49,481 with accumulated amortization of \$36,242 is included with Software on the Subscription Class activities table found below. City of Conover, NC has 1 extension option(s), each for 36 months.

On 07/01/2022, City of Conover, NC entered into a 60 month subscription for the use of TargetSolutions Premier Membership Platform. An initial subscription liability was recorded in the amount of \$22,737. As of 06/30/2024, the value of the subscription liability is \$27,300. City of Conover, NC is required to make annual fixed payments of \$8,967. The subscription has an interest rate of 3.0670%. The value of the right to use asset as of 06/30/2024 of \$50,038 with accumulated amortization of \$22,446 is included with Software on the Subscription Class activities table found below.

As of 07/01/2022, City of Conover, NC was in a 37 month subscription for the use of Tyler Tech ERP Software (Governmental Activities). An initial subscription liability was recorded in the amount of \$89,168. As of 6/30/24, the value of the subscription liability is \$29,772. The City is required to make annual fixed payments of \$30,423 with an interest rate of 2.1840%. The value of the right to use asset as of 6/30/23 of \$147,148 with accumulated amortization of \$95,448 is included with Software on the Subscription Class activities table found below.

As of 07/01/2022, City of Conover, NC was in a 37 month subscription for the use of Tyler Tech ERP Software (Water and Sewer Fund). An initial subscription liability was recorded in the amount of \$89,168. As of 6/30/24, the value of the subscription liability as of is \$29,772. The City is required to make annual fixed payments of \$30,423 with an interest rate of 2.1840%. The value of the right to use asset as of 6/30/24 of \$147,148 with accumulated amortization of \$95,448 is included with Software on the Subscription Class activities table found below.

On 08/01/2022, City of Conover, NC entered into a 60 month subscription for the use of SOMA Police record management software. An initial subscription liability was recorded in the amount of \$70,659. As of 6/30/24, the value of the subscription liability is \$41,606. City of Conover is required to make annual fixed payments of \$16,913. The subscription has an interest rate of 2.3660%. The value of the right to use asset as of 6/30/24 of \$70,659 with accumulated amortization of \$27,086 is included on the Subscriptions Class activities table found below.

On 12/15/2022, City of Conover, NC entered into a 24 month subscription for the use of DebtBook Platform. An initial subscription liability was recorded in the amount of \$16,697. As of 6/30/24, the value of the subscription liability is \$0. City of Conover is required to make annual fixed payments of \$7,250. The subscription has an interest rate of 3.2070%. The value of the right to use asset as of 6/30/24 of \$18,697 with accumulated amortization of \$18,697 was removed from the Subscriptions Class activities table found below.

CITY OF CONOVER, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2024

During the current year the City entered into 1 new subscriptions as described below.

On 7/01/2023, City of Conover, NC entered into a 36 month subscription for the use of Neogov HR Software. An initial subscription liability was recorded in the amount of \$43,313. As of 6/30/2024, the value of the subscription liability was \$33,053, and the value of the short-term subscription liability is \$13,997. City of Conover is required to make annual fixed payments of \$10,266. The subscription has an interest rate of 2.8480%. The value of the right to use asset as of 6/30/2024 of \$49,313 with accumulated amortization of \$16,438 is included with Software on the Subscriptions Class activities table found below.

The future minimum subscription obligations and the net present value of these minimum payments as of June 30, 2024, were as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2025	\$ 65,604	\$ 2,678	\$ 29,772	\$ 6,500
2026	41,759	1,786	-	650
2027	24,368	644	-	-
Total	<u>\$ 131,731</u>	<u>\$ 5,108</u>	<u>\$ 29,772</u>	<u>\$ 7,150</u>

Changes in General Long-Term Liabilities

	Balance July 1, 2023	Additions	Retirements	Balance June 30, 2024	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 3,547,006	\$ -	\$ 438,528	\$ 3,108,478	\$ 438,528
Lease liabilities	118,992	-	59,434	59,558	37,467
IT Subscription liabilities	158,388	70,613	97,269	131,732	65,604
Net pension liability (LGERS)	2,616,195	727,990	-	3,344,185	-
Total pension liability (LEOSSA)	818,617	119,387	-	938,004	-
Compensated absences	444,401	184,964	-	629,365	314,683
Governmental activity long-term liabilities	<u>\$ 7,703,599</u>	<u>\$ 1,102,954</u>	<u>\$ 595,231</u>	<u>\$ 8,211,322</u>	<u>\$ 856,282</u>
Business-Type activities:					
<u>Water and Sewer Fund</u>					
Loans payable	\$ 2,225,215	\$ 436,715	\$ 199,965	\$ 2,461,965	\$ 200,133
Installment purchases	-	4,900,000	73,670	4,826,330	152,777
IT Subscription liabilities	82,307	-	52,535	29,772	29,772
Net pension liability (LGERS)	900,107	250,466	-	1,150,573	-
Compensated absences	79,749	8,956	-	88,705	44,353
Business-type activity long-term liabilities	<u>\$ 3,287,378</u>	<u>\$ 5,596,137</u>	<u>\$ 326,170</u>	<u>\$ 8,557,345</u>	<u>\$ 427,035</u>

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

CITY OF CONOVER, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2024

C. Interfund Balances and Activity

Transfers from Other Funds	
Transfer from General Fund to Solid Waste Capital Reserve Fund to increase reserves for future sanitation or recycling capital purchases from landfill fees collected in the General Fund	\$ 225,000
Transfer from General Fund to General Capital Reserve Fund to increase reserves for future capital purchases	570,000
Transfer from Solid Waste Capital Reserve Fund to General Fund to provide for purchase of sanitation equipment	410,000
Transfer from the General Fund to General Capital Project Fund for the purchase of new fire truck	489,666
Transfer from General Capital Reserve Fund to General Capital Project Fund to finance purchases for equipment and projects	1,000,000
Transfer from Facilities Maintenance Special Revenue Fund to General Fund to pay for maintenance of leased properties	100,000
Transfer from General Capital Reserve Fund to the General Fund to fund the purchase of police equipment	40,000
Transfer From the General Capital Projects Fund to City Hall Downstairs CPO Fund to fund the ongoing renovation of City Hall.	400,000
Transfer from General Fund to Police Special Separation Allowance Fund to fund reserves for police special separation allowance	35,000
Transfer from Water/Sewer Operating Fund to the Water/Sewer Capital Reserve Fund to increase reserves for future capital needs.	1,405,685
Transfer from Water/Sewer Capital Reserve Fund to the Water/Sewer Capital Projects Fund to fund capital outlay expenses for equipment and projects.	205,000
Transfer from General Fund to NEWWTP Renovation Capital Project Fund to fund the wastewater treatment plant renovation	1,360,838
	\$ 6,241,189
Total Transfers	\$ 6,241,189

D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
Capital assets (including right to use assets)	\$ 49,894,968	\$ 31,250,089	\$ 81,145,057
less: long-term debt	(3,299,768)	(7,318,067)	(10,617,835)
add: unexpended debt proceeds	-	-	-
Net investment in capital assets	\$ 46,595,200	\$ 23,932,022	\$ 70,527,222

CITY OF CONOVER, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2024

E. Fund Balance

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

Total Fund Balance - General Fund	\$ 13,951,637
Less:	
Prepaid Expenses	93,828
Stabilization by State Statute	1,832,284
Streets - Powell Bill	322,199
Public Safety - Law Enforcement	45,811
LEO Special Separation Allowance	169,025
Appropriated Fund Balance in 2024-2025 Balance	578,498
Remaining Fund Balance	<u>\$ 10,909,992</u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Of the \$1,403,103 outstanding encumbrances in non-major funds as of June 30, 2024, \$341,980 represents commitments in capital project ordinances.

Encumbrances	General Fund	Non-major funds
	\$ 404,797	\$ 1,403,103

NOTE IV: 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 V: 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 \$7,383 during the fiscal year ended June 30, 2024.

CITY OF CONOVER, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2024

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 VI: Subsequent Events

Subsequent events were tested through October 18, 2024. None were noted.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

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

- ♦ Schedule of City's Proportionate Share of Net Pension Liability (LGERS)
- ♦ Schedule of City Contributions (LGERS)
- ♦ Schedule of City's Proportionate Share of Net Pension Liability for Firefighters' and Rescue Squad Workers' Pension Fund
- ♦ Schedule of Changes in Total Pension Liability for Law Enforcement Officers' Special Separation Allowance
- ♦ Schedule of Total Pension Liability as a Percentage of Covered Payroll for Law Enforcement Officers' Special Separation Allowance

CITY OF CONOVER, NORTH CAROLINA
Schedule of Proportionate Share of Net Pension Liability (Asset)
Local Government Employees' Retirement System
Last Ten Fiscal Years

	<u>2023</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Conover's proportion of the net pension liability (asset) (%)	0.06787%	0.06233%	0.06702%	0.06743%	0.07004%
Conover's proportion of the net pension liability (asset) (\$)	\$ 4,494,758	\$ 3,516,302	\$ 1,027,816	\$ 2,409,561	\$ 1,912,738
Conover's covered payroll	\$ 5,965,735	\$ 5,232,116	\$ 5,129,224	\$ 5,024,829	\$ 4,807,164
Conover's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	75.34%	67.21%	20.04%	47.95%	39.79%
Plan fiduciary net position as a percentage of the total pension liability**	82.49%	84.14%	95.51%	91.63%	94.18%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Conover's proportion of the net pension liability (asset) (%)	0.07304%	0.07491%	0.07206%	0.07841%	0.07977%
Conover's proportion of the net pension liability (asset) (\$)	\$ 1,732,759	\$ 1,144,417	\$ 1,529,354	\$ 351,900	\$ (470,440)
Conover's covered payroll	\$ 4,631,308	\$ 4,423,464	\$ 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 payroll	37.41%	25.87%	35.66%	8.54%	-11.64%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	99.07%	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, NORTH CAROLINA
Schedule of City Contributions
Local Government Employees' Retirement System
Last Ten Fiscal Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 854,664	\$ 738,975	\$ 606,768	\$ 533,146	\$ 462,486
Contributions in relation to the contractually required contribution	854,664	738,975	606,768	533,146	462,486
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Conover's covered payroll	\$ 6,472,632	\$ 5,965,735	\$ 5,232,116	\$ 5,129,224	\$ 5,024,829
Contributions as a percentage of covered payroll	13.20%	12.39%	11.60%	10.39%	9.20%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 384,574	\$ 367,424	\$ 332,133	\$ 294,302	\$ 293,980
Contributions in relation to the contractually required contribution	384,574	367,424	332,133	294,302	293,980
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Conover's covered payroll	\$ 4,807,164	\$ 4,631,308	\$ 4,423,464	\$ 4,288,783	\$ 4,122,834
Contributions as a percentage of covered payroll	8.00%	7.93%	7.51%	6.86%	7.13%

CITY OF CONOVER, NORTH CAROLINA
Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)
Firefighter and Rescue Squad Workers' Pension Fund
Last Ten Fiscal Years*

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Conover's proportionate share of the net pension liability (asset) %	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Conover's proportionate share of the net pension liability (asset) \$	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the City of Conover	<u>31,535</u>	<u>32,965</u>	<u>33,963</u>	<u>44,085</u>	<u>44,377</u>
Total	<u>\$ 31,535</u>	<u>\$ 32,965</u>	<u>\$ 33,963</u>	<u>\$ 44,085</u>	<u>\$ 44,377</u>
Conover's covered payroll	1,126,486	1,058,244	894,291	907,782	863,343
Conover's proportionate share of the net pension liability as a percentage of its covered payroll	2.80%	3.12%	3.80%	4.86%	5.14%
Plan fiduciary net position as a percentage of the total pension liability	98.16%	96.07%	105.58%	92.58%	92.43%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Conover's proportionate share of the net pension liability (asset) %	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Conover's proportionate share of the net pension liability (asset) \$	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the City of Conover	<u>74,151</u>	<u>62,862</u>	<u>43,300</u>	<u>42,147</u>	<u>35,695</u>
Total	<u>\$ 74,151</u>	<u>\$ 62,862</u>	<u>\$ 43,300</u>	<u>\$ 42,147</u>	<u>\$ 35,695</u>
Conover's covered payroll	828,603	819,554	791,554	770,720	763,977
Conover's proportionate share of the net pension liability as a percentage of its covered payroll	8.95%	7.67%	5.47%	5.47%	4.67%
Plan fiduciary net position as a percentage of the total pension liability	89.69%	89.35%	84.94%	91.40%	93.42%

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

CITY OF CONOVER, NORTH CAROLINA
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Eight Fiscal Years

	2024	2023	2022	2021
Beginning Balance	\$ 818,617	\$ 886,769	\$ 769,736	\$ 460,720
Service Cost	38,129	50,424	49,372	27,167
Interest on the total pension liability	34,872	19,952	14,856	15,012
Change in benefit terms	-	-	-	-
Differences between expected and actuarial experience in the measurement of the total pension liability	49,352	(25,454)	71,912	22,600
Changes of assumptions and other inputs	16,078	(113,074)	(19,107)	244,721
Benefit payments	(19,044)	-	-	(484)
Other changes	-	-	-	-
Ending balance of total pension liability	<u>\$ 938,004</u>	<u>\$ 818,617</u>	<u>\$ 886,769</u>	<u>\$ 769,736</u>
	2020	2019	2018	2017
Beginning Balance	\$ 469,368	\$ 426,259	\$ 436,969	\$ 431,626
Service Cost	24,909	31,632	24,241	24,491
Interest on the total pension liability	16,856	13,271	16,624	15,004
Change in benefit terms	-	-	-	-
Differences between expected and actuarial experience in the measurement of the total pension liability	(50,477)	28,988	(64,407)	-
Changes of assumptions and other inputs	12,657	(18,189)	25,425	(11,478)
Benefit payments	(12,593)	(12,593)	(12,593)	(22,674)
Other changes	-	-	-	-
Ending balance of total pension liability	<u>\$ 460,720</u>	<u>\$ 469,368</u>	<u>\$ 426,259</u>	<u>\$ 436,969</u>

The amounts presented for each fiscal year were determined as of the prior December 31.

CITY OF CONOVER, NORTH CAROLINA
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Last Eight Fiscal Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total pension liability	\$ 938,004	\$ 818,617	\$ 886,769	\$ 769,736
Covered payroll	1,549,373	1,411,790	1,321,282	1,318,622
Total pension liability as a percentage of covered payroll	60.54%	57.98%	67.11%	58.37%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 460,720	\$ 469,368	\$ 426,259	\$ 436,969
Covered payroll	1,248,903	1,163,845	1,078,273	1,093,938
Total pension liability as a percentage of covered payroll	36.89%	40.33%	39.53%	39.95%

Notes to the schedules:

The City of Conover has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

GOVERNMENTAL FUNDS

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.

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

CITY OF CONOVER, NORTH CAROLINA
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2024

Revenues	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Ad valorem Taxes:			
Current and prior year	\$ 7,565,000	\$ 7,939,862	\$ 374,862
Penalties and interest	19,500	25,445	5,945
Total	<u>7,584,500</u>	<u>7,965,307</u>	<u>380,807</u>
Other Taxes and Licenses			
Gross receipts tax on short-term rental property	1,200	2,183	983
Licenses and permits	500	465	(35)
Motor vehicle tag tax	257,000	260,910	3,910
Total	<u>258,700</u>	<u>263,558</u>	<u>4,858</u>
Unrestricted Intergovernmental Revenues:			
Local option sales tax	3,025,000	3,294,515	269,515
Electricity sales tax	815,000	890,827	75,827
Piped natural gas sales tax	30,000	48,231	18,231
Telecommunications sales tax	50,000	48,733	(1,267)
Video program sales tax	50,000	44,993	(5,007)
Beer and wine tax	37,500	41,848	4,348
Total	<u>4,007,500</u>	<u>4,369,147</u>	<u>361,647</u>
Restricted Intergovernmental Revenues			
Powell Bill allocation	273,000	304,394	31,394
Investment earnings on Powell Bill allocation	1,000	3,875	2,875
Fines and forfeitures	2,500	9,261	6,761
Interest on federal forfeitures and seizures	40	12	(28)
Contribution- Catawa County On-behalf of payments-fire	539,767	539,917	150
On behalf of payments - fire	35,000	31,535	(3,465)
Solid waste disposal tax	7,000	6,703	(297)
FEMA-Fire Safer recruitment and retention	125,490	164,149	38,659
Total	<u>983,797</u>	<u>1,059,846</u>	<u>76,049</u>
Permits and Fees			
Development and inspection fees	33,750	56,170	22,420

CITY OF CONOVER, NORTH CAROLINA
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2024

	Budget	Actual	Variance Positive (Negative)
Sales and Services			
Court costs, fees and charges	1,500	4,311	2,811
Cemetery revenues	10,000	6,500	(3,500)
Solid waste disposal fees	592,500	597,626	5,126
Sales of recycled materials	2,250	2,516	266
ABC recycling fees	1,000	480	(520)
Total	<u>607,250</u>	<u>611,433</u>	<u>4,183</u>
Investment Earnings	<u>10,500</u>	<u>605,585</u>	<u>595,085</u>
Miscellaneous			
Rental income	16,500	10,575	(5,925)
Contributions	58,155	60,375	2,220
Miscellaneous - other	339,666	359,956	20,290
Total	<u>414,321</u>	<u>430,906</u>	<u>16,585</u>
Total Revenues	<u>13,900,318</u>	<u>15,361,952</u>	<u>1,461,634</u>
Expenditures			
General Government:			
Governing Body:			
Salaries and employee benefits	34,500	34,850	(350)
Other operating expenses	198,764	130,362	68,402
Total	<u>233,264</u>	<u>165,212</u>	<u>68,052</u>
Administration			
Salaries and employee benefits	490,608	469,155	21,453
Other operating expenses	217,635	184,749	32,886
Total	<u>708,243</u>	<u>653,904</u>	<u>54,339</u>
Planning department			
Salaries and employee benefits	301,205	303,496	(2,291)
Other operating expenses	303,367	82,150	221,217
Total	<u>604,572</u>	<u>385,646</u>	<u>218,926</u>

CITY OF CONOVER, NORTH CAROLINA
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2024

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Information technology			
Salaries and employee benefits	148,669	157,545	(8,876)
Other operating expenses	501,382	489,660	11,722
Capital outlay	15,000	8,132	6,868
Total	<u>665,051</u>	<u>655,337</u>	<u>9,714</u>
City Hall			
Other operating expenses	90,998	62,347	28,651
Capital outlay	22,200	11,474	10,726
Total	<u>113,198</u>	<u>73,821</u>	<u>39,377</u>
Conover Station:			
Other operating expenses	143,600	120,199	23,401
Total	<u>143,600</u>	<u>120,199</u>	<u>23,401</u>
Fleet maintenance:			
Salaries and employee benefits	256,780	257,175	(395)
Other operating expenses	48,850	36,142	12,708
Total	<u>305,630</u>	<u>293,317</u>	<u>12,313</u>
Public works department:			
Salaries and employee benefits	298,899	297,574	1,325
Other operating expense	99,650	89,396	10,254
Total	<u>398,549</u>	<u>386,970</u>	<u>11,579</u>
Grounds:			
Salaries and employee benefits	421,494	396,937	24,557
Other operating expenses	254,400	230,034	24,366
Total	<u>675,894</u>	<u>626,971</u>	<u>48,923</u>

CITY OF CONOVER, NORTH CAROLINA
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Nondepartmental:			
Other operating expenses	229,965	208,405	21,560
Total	<u>229,965</u>	<u>208,405</u>	<u>21,560</u>
Total General Government	<u>4,077,966</u>	<u>3,569,782</u>	<u>508,184</u>
Public safety:			
Police department:			
Salaries and employee benefits	2,731,091	2,609,903	121,188
Capital outlay	299,300	281,590	17,710
Other operating expenses	683,665	461,493	222,172
Total	<u>3,714,056</u>	<u>3,352,986</u>	<u>361,070</u>
Fire department:			
Salaries and employee benefits	1,610,592	1,632,917	(22,325)
Capital outlay	267,326	88,195	179,131
Other operating expenses	811,560	725,438	86,122
Total	<u>2,689,478</u>	<u>2,446,550</u>	<u>242,928</u>
Total Public Safety	<u>6,403,534</u>	<u>5,799,536</u>	<u>603,998</u>
Transportation:			
Street department:			
Salaries and employee benefits	505,054	451,933	53,121
Capital outlay	80,000	73,293	6,707
Other operating expenses	786,663	770,467	16,196
Total	<u>1,371,717</u>	<u>1,295,693</u>	<u>76,024</u>
Street department- Powell Bill:			
Salaries and employee benefits	58,332	53,231	5,101
Other operating expenses	212,000	204,086	7,914
Total	<u>270,332</u>	<u>257,317</u>	<u>13,015</u>
Total Transportation	<u>1,642,049</u>	<u>1,553,010</u>	<u>89,039</u>

CITY OF CONOVER, NORTH CAROLINA
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Environmental Protection:			
Sanitation and recycle			
Salaries and employee benefits	656,618	635,721	20,897
Other operating expenses	437,850	396,940	40,910
Total environmental protection	<u>1,094,468</u>	<u>1,032,661</u>	<u>61,807</u>
Debt Service:			
Principal retirement	438,528	438,528	-
Interest	80,972	80,524	448
Total debt service	<u>519,500</u>	<u>519,052</u>	<u>448</u>
Total expenditures	<u>13,737,517</u>	<u>12,474,041</u>	<u>1,263,476</u>
Revenue over (under) expenditures	<u>162,801</u>	<u>2,887,911</u>	<u>2,725,110</u>
Other financing sources (uses):			
IT subscription liabilities issued	-	70,613	70,613
Transfers to other funds:			
Solid Waste Capital Reserve Fund (CPF)	(225,000)	(225,000)	-
General Capital Reserve Fund (CPF)	(570,000)	(570,000)	-
NEWWTP Capital Project	(1,360,838)	(1,360,838)	-
General Fund Capital Project	(489,666)	(489,666)	-
Transfers from other funds:			
General Capital Reserve Fund (CPF)	40,000	40,000	-
Facilities Maintenance Fund (SRF)	100,000	100,000	-
Appropriated Fund Balance	2,342,703	-	(2,342,703)
Total other financing sources (uses)	<u>(162,801)</u>	<u>(2,434,891)</u>	<u>(2,272,090)</u>
Net change in fund balance	<u>\$ -</u>	<u>453,020</u>	<u>\$ 453,020</u>
Fund balance, beginning of year		<u>13,498,617</u>	
Fund balance, end of year		<u>\$ 13,951,637</u>	

CITY OF CONOVER, NORTH CAROLINA
Capital Project Fund - General Capital Project Fund Balance
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2024

	Budget	Actual	Variance Positive (Negative)
Revenues:			
FEMA Grant	\$ 688,824	\$ -	\$ (688,824)
NC DEQ Grant	400,000	58,250	(341,750)
Total revenues	<u>1,088,824</u>	<u>58,250</u>	<u>(1,030,574)</u>
Expenditures:			
Capital outlay	2,734,648	1,606,995	1,127,653
Total expenditures	<u>2,734,648</u>	<u>1,606,995</u>	<u>1,127,653</u>
Revenues over (under) expenditures	<u>(1,645,824)</u>	<u>(1,548,745)</u>	<u>97,079</u>
Other Financing Sources (Uses):			
Transfer to:			
Capital Project Fund - City Hall Downstairs	(400,000)	(400,000)	-
Transfers from:			
General Fund	489,666	489,666	-
Capital Project Fund - General Capital Reserve fund	1,000,000	1,000,000	-
Capital Project Fund - Solid Waste Capital Reserve Fund	410,000	410,000	-
Total other financing sources	<u>1,499,666</u>	<u>1,499,666</u>	<u>-</u>
Fund balance appropriated	<u>146,158</u>	<u>-</u>	<u>(146,158)</u>
Revenues and Other Financing Sources			
Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>(49,079)</u>	<u>\$ (49,079)</u>
Fund balance, beginning		<u>170,290</u>	
Fund balance, ending		<u>\$ 121,211</u>	

GOVERNMENTAL FUNDS

NON-MAJOR FUNDS

Special Revenue Funds

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

- ♦ **Facilities Maintenance Fund** - Rental income collected from facility leases are reserved to provide funding for maintenance for the respective properties.
- ♦ **Neighborhood Revitalization Scattered Site Housing Fund** - This fund provides for assistance with the rehabilitation of fifteen (15) deteriorated homes owned and occupied by low and moderate income households within the city limits of Conover.

Capital Project Funds

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

- ♦ **Priority Sidewalk Fund** - This fund is used to account for revenue received from developers in lieu of sidewalk construction for capital improvements within a priority sidewalk area as identified by the Conover Pedestrian Plan.
- ♦ **Solid Waste Capital Reserve Fund** - This fund sets aside excess revenues from sanitation and recycling fees to reserve for future replacement of sanitation and recycling equipment.
- ♦ **City Hall Downstairs Project Fund** – This fund provides for the renovation of the basement at City Hall.
- ♦ **MSC Phase II Expansion Fund** - This fund is used to account for the construction of a new building for Manufacturing Solutions Center (MSC) Phase II for the purpose of a PPE equipment and testing laboratory. The building is funded with North Carolina general fund appropriations.
- ♦ **Nufabrx PPE Manufacturing Economic Development Fund** – This fund provides for the purchase and renovation of an existing downtown building for the purpose of jobs creation and to increase the tax base.
- ♦ **EDA Grant for MSCII PPE Equipment Fund** – This fund provides for an Economic Development Administration grant and local match to be used to purchase machinery and equipment to be used by the Manufacturing Solutions Center (MSC) for the manufacture of PPE.
- ♦ **NC Commerce Rural Transformation Grant** - This fund provides for an NC Department of Commerce Grant to expand access for pedestrian in the downtown area and surrounding locations.
- ♦ **General Capital Reserve Fund** – This fund is used to collect and reserve funds to distribute, when needed, to other funds for capital equipment acquisitions and construction projects.

CITY OF CONOVER, NORTH CAROLINA

Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2024

Exhibit C-1

	Special Revenue Fund			Capital Project Funds		
	Facilities Maintenance Fund	Neighborhood Revitalization Scattered Site Housing Funds	Priority Sidewalk Funds	Solid Waste Capital Reserve Fund	City Hall Downstairs Renovation Project Fund	MSC Phase III Expansion Fund
ASSETS						
Cash and cash equivalents	\$ 91,198	\$ -	\$ 38,369	\$ 478,667	\$ 599,620	\$ 776,053
Lease receivable	140,345	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Total assets	<u>\$ 231,543</u>	<u>\$ -</u>	<u>\$ 38,369</u>	<u>\$ 478,667</u>	<u>\$ 599,620</u>	<u>\$ 776,053</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,551
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,551</u>
Deferred inflows of resources:						
Deferred inflows on leases	139,672	-	-	-	-	-
Total deferred inflows	<u>139,672</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:						
Nonspendable						
Leases	673	-	-	-	-	-
Restricted:						
Stabilization by State Statute	-	-	-	-	-	-
Capital development	-	-	-	-	599,620	-
Committed						
Capital development	-	-	38,369	478,667	-	-
Maintenance	91,198	-	-	-	-	760,502
Unassigned	-	-	-	-	-	-
Total fund balances	<u>91,871</u>	<u>-</u>	<u>38,369</u>	<u>478,667</u>	<u>599,620</u>	<u>760,502</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 231,543</u>	<u>\$ -</u>	<u>\$ 38,369</u>	<u>\$ 478,667</u>	<u>\$ 599,620</u>	<u>\$ 776,053</u>

CITY OF CONOVER, NORTH CAROLINA

Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2024

Exhibit C-1

	Capital Project Funds				Total
	Nufabrx PPE Mf. Economic Development Fund	EDA Grant for MSCII PPE Equipment Fund	NC Commerce Rural Transformation Grant Project Fund	General Capital Reserve Fund	
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 2,230,666	\$ 4,214,573
Lease receivable	-	-	-	467,838	608,183
Due from other governments	-	-	32,923	-	32,923
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,923</u>	<u>\$ 2,698,504</u>	<u>\$ 4,855,679</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 11,016	\$ -	\$ 26,567
Due to other funds	-	-	21,907	-	21,907
Total liabilities	<u>-</u>	<u>-</u>	<u>32,923</u>	<u>-</u>	<u>48,474</u>
Deferred inflows of resources:					
Deferred inflows on leases	-	-	-	441,054	580,726
Total deferred inflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>441,054</u>	<u>580,726</u>
Fund balances:					
Nonspendable					
Leases	-	-	-	26,784	27,457
Restricted:					
Stabilization by State Statute	-	-	32,923	-	32,923
Capital development	-	-	-	-	599,620
Committed					
Capital development	-	-	(32,923)	2,230,666	2,714,779
Maintenance	-	-	-	-	851,700
Unassigned	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,257,450</u>	<u>4,226,479</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,923</u>	<u>\$ 2,698,504</u>	<u>\$ 4,855,679</u>

CITY OF CONOVER, NORTH CAROLINA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2024

	Special Revenue Fund		Capital Project Funds		
	Facilities Maintenance Fund	Neighborhood Revitalization Scattered Site Housing Funds	Priority Sidewalk Funds	Solid Waste Capital Reserve Fund	City Hall Downstairs Project Fund
Revenues:					
Restricted intergovernmental	\$ -	\$ 175,854	\$ -	\$ -	\$ -
Permits and fees	-	-	26,898	-	-
Investment earnings	4,903	-	1,043	26,398	22,743
Rental Income	115,100	-	-	-	-
Total revenues	<u>120,003</u>	<u>175,854</u>	<u>27,941</u>	<u>26,398</u>	<u>22,743</u>
Expenditures:					
General Government	-	175,854	-	-	80,396
Capital outlay	-	-	-	-	-
Economic development	-	-	-	-	-
Total expenditures	<u>-</u>	<u>175,854</u>	<u>-</u>	<u>-</u>	<u>80,396</u>
Revenues over (under) expenditures	<u>120,003</u>	<u>-</u>	<u>27,941</u>	<u>26,398</u>	<u>(57,653)</u>
Other financing sources (uses):					
Sale of capital assets	-	-	-	-	-
Transfer from other funds	-	-	-	225,000	400,000
Transfer to other funds	(100,000)	-	-	(410,000)	-
Total other financing sources (uses)	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>(185,000)</u>	<u>400,000</u>
Net change in fund balance	20,003	-	27,941	(158,602)	342,347
Fund balances, beginning	<u>71,868</u>	<u>-</u>	<u>10,428</u>	<u>637,269</u>	<u>257,273</u>
Fund balances, ending	<u>\$ 91,871</u>	<u>\$ -</u>	<u>\$ 38,369</u>	<u>\$ 478,667</u>	<u>\$ 599,620</u>

CITY OF CONOVER, NORTH CAROLINA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2024

Exhibit C-2

	Capital Project Funds					Total
	MSC Phase III Expansion Fund	Nufabrx PPE Mf. Economic Development Fund	EDA Grant for MSCII PPE Equipment Fund	NC Commerce Rural Transformation Grant Project Fund	General Capital Reserve Fund	
Revenues:						
Restricted intergovernmental	\$ -	\$ 2,053	\$ 54,350	\$ 58,678	\$ -	\$ 290,935
Permits and fees	-	-	-	-	-	26,898
Investment earnings	-	-	-	-	105,479	160,566
Rental Income	-	-	-	-	93,449	208,549
Total revenues	<u>-</u>	<u>2,053</u>	<u>54,350</u>	<u>58,678</u>	<u>198,928</u>	<u>686,948</u>
Expenditures:						
General Government	-	-	-	58,678	-	314,928
Capital outlay	506,721	-	65,730	-	-	572,451
Economic development	-	2,053	-	-	-	2,053
Total expenditures	<u>506,721</u>	<u>2,053</u>	<u>65,730</u>	<u>58,678</u>	<u>-</u>	<u>889,432</u>
Revenues over (under) expenditures	<u>(506,721)</u>	<u>-</u>	<u>(11,380)</u>	<u>-</u>	<u>198,928</u>	<u>(202,484)</u>
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	38,251	38,251
Transfer from other funds	-	-	-	-	570,000	1,195,000
Transfer to other funds	-	-	-	-	(1,040,000)	(1,550,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(431,749)</u>	<u>(316,749)</u>
Net change in fund balance	(506,721)	-	(11,380)	-	(232,821)	(519,233)
Fund balances, beginning	<u>1,267,223</u>	<u>-</u>	<u>11,380</u>	<u>-</u>	<u>2,490,271</u>	<u>4,745,712</u>
Fund balances, ending	<u>\$ 760,502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,257,450</u>	<u>\$ 4,226,479</u>

CITY OF CONOVER, NORTH CAROLINA
Special Revenue Fund- Facilities Maintenance Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2024

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Rental income	\$ 105,000	\$ 115,100	\$ 10,100
Interest income	15	4,903	4,888
Total revenues	<u>105,015</u>	<u>120,003</u>	<u>14,988</u>
Revenues over (under) expenditures	<u>105,015</u>	<u>120,003</u>	<u>14,988</u>
Other financing sources (uses):			
Transfer to General Fund	(100,000)	(100,000)	-
Reserved for future projects	(5,015)	-	5,015
Total other financing sources (uses)	<u>(105,015)</u>	<u>(100,000)</u>	<u>5,015</u>
Net change in fund balance	<u>\$ -</u>	20,003	<u>\$ 20,003</u>
Fund balance, beginning		<u>71,868</u>	
Fund balance, ending		<u>\$ 91,871</u>	

CITY OF CONOVER, NORTH CAROLINA
Special Revenue Fund - Neighborhood Revitalization Scattered Site Housing Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2024

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
CDBG Grant	\$ 615,607	\$ 439,753	\$ 175,854	\$ 615,607	\$ -
Expenditures:					
Rehabilitation	555,918	381,380	174,538	555,918	-
Contracted services - WPCOG	59,474	58,158	1,316	59,474	-
Administration	215	215	-	215	-
Total expenditures	<u>615,607</u>	<u>439,753</u>	<u>175,854</u>	<u>615,607</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</u>		

CITY OF CONOVER, NORTH CAROLINA
Capital Project Fund- Priority Sidewalk Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2024

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Permits and fees	\$ 100	\$ 26,898	\$ 26,798
Interest income	50	1,043	993
Total revenues	<u>150</u>	<u>27,941</u>	<u>27,791</u>
Other financing sources (uses):			
Reserve for future project	<u>(150)</u>	-	<u>150</u>
Total other financing sources (uses)	<u>(150)</u>	<u>-</u>	<u>150</u>
Net Change in Fund Balance	<u>\$ -</u>	27,941	<u>\$ 27,941</u>
Fund balance, beginning		<u>10,428</u>	
Fund balance, ending		<u>\$ 38,369</u>	

CITY OF CONOVER, NORTH CAROLINA
Capital Project Fund- Solid Waste Capital Reserve Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2024

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment Earnings	\$ 4,000	\$ 26,398	\$ 22,398
Total revenues	<u>4,000</u>	<u>26,398</u>	<u>22,398</u>
Other financing sources (uses):			
Transfer from:			
General Fund	225,000	225,000	-
Transfer to:			
Capital Project Fund - General Capital project fund	(410,000)	(410,000)	-
Reserved for:			
Sanitation/recycling equipment	(100,000)	-	100,000
Recycling/material handling	(16,000)	-	16,000
Total other financing sources (uses)	<u>(301,000)</u>	<u>(185,000)</u>	<u>116,000</u>
Fund balance appropriated	<u>297,000</u>	<u>-</u>	<u>(297,000)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>(158,602)</u>	<u>\$ (158,602)</u>
Fund balance, beginning		<u>637,269</u>	
Fund balance, ending		<u>\$ 478,667</u>	

CITY OF CONOVER, NORTH CAROLINA
Capital Project Fund - City Hall Downstairs Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2024

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Interest income	\$ 25,100	\$ 26,888	\$ 22,743	\$ 49,631	\$ 24,531
NC-SCIF Grant	250,000	250,000	-	250,000	-
Total revenues	<u>275,100</u>	<u>276,888</u>	<u>22,743</u>	<u>299,631</u>	<u>24,531</u>
Expenditures:					
Professional Services	100,100	38,789	12,100	50,889	49,211
Construction	850,000	298,506	38,900	337,406	512,594
Equipment	125,000	82,320	29,396	111,716	13,284
Total expenditures	<u>1,075,100</u>	<u>419,615</u>	<u>80,396</u>	<u>500,011</u>	<u>575,089</u>
Revenues over (under) expenditures	<u>(800,000)</u>	<u>(142,727)</u>	<u>(57,653)</u>	<u>(200,380)</u>	<u>599,620</u>
Other Financing Sources (Uses):					
Transfers from:					
General Capital Projects Fund	200,000	200,000	-	200,000	-
Water and Sewer Fund	600,000	200,000	400,000	600,000	-
Total Other Financing Sources (Uses)	<u>800,000</u>	<u>400,000</u>	<u>400,000</u>	<u>800,000</u>	<u>-</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 257,273</u>	342,347	<u>\$ 599,620</u>	<u>\$ 599,620</u>
Fund balance, beginning			<u>257,273</u>		
Fund balance, ending			<u>\$ 599,620</u>		

CITY OF CONOVER, NORTH CAROLINA
Capital Project Fund - MSC Phase II Expansion Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2024

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total to Date	
Revenues:					
Interest income	\$ 1,000	\$ 1,073	\$ -	\$ 1,073	\$ 73
Developer contribution	3,353,946	3,353,946	-	3,353,946	-
NC State appropriation	9,000,000	9,000,000	-	9,000,000	-
Total revenues	<u>12,354,946</u>	<u>12,355,019</u>	<u>-</u>	<u>12,355,019</u>	<u>73</u>
Expenditures					
Construction	9,000,000	9,000,000	-	9,000,000	-
Site improvements	3,354,946	2,087,796	506,721	2,594,517	760,429
Total expenditures	<u>12,354,946</u>	<u>11,087,796</u>	<u>506,721</u>	<u>11,594,517</u>	<u>760,429</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,267,223</u>	<u>(506,721)</u>	<u>\$ 760,502</u>	<u>\$ 760,502</u>
Fund balance, beginning			<u>1,267,223</u>		
Fund balance, ending			<u>\$ 760,502</u>		

CITY OF CONOVER, NORTH CAROLINA
Capital Project Fund - Nufabrx PPE Manufacturing Economic Development Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2024

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
CDBG Grant	\$ 850,000	\$ 464,134	\$ 2,053	\$ 466,187	\$ (383,813)
Expenditures:					
Administration	1,000	-	-	-	1,000
WPCOG - contracted services	49,000	47,447	2,053	49,500	(500)
Construction	800,000	416,687	-	416,687	383,313
Total expenditures	<u>850,000</u>	<u>464,134</u>	<u>2,053</u>	<u>466,187</u>	<u>383,813</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ -</u>		

CITY OF CONOVER, NORTH CAROLINA
Capital Project Fund - EDA Grant for MSCII PPE Equipment
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2024

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
EDA Grant	\$ 599,383	\$ 544,879	\$ 54,504	\$ 599,383	\$ -
Contributions	149,846	150,000	(154)	149,846	-
Total revenues	<u>749,229</u>	<u>694,879</u>	<u>54,350</u>	<u>749,229</u>	<u>-</u>
Expenditures:					
WPCOG Grant Admin	25,000	19,666	5,334	25,000	-
PPE Equipment	749,229	688,833	60,396	749,229	-
Total expenditures	<u>774,229</u>	<u>708,499</u>	<u>65,730</u>	<u>774,229</u>	<u>-</u>
Revenues over (under) expenditures	<u>(25,000)</u>	<u>(13,620)</u>	<u>(11,380)</u>	<u>(25,000)</u>	<u>-</u>
Other Financing Sources (Uses):					
Transfers from the General Fund	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 11,380</u>	<u>(11,380)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>11,380</u>		
Fund balance, ending			<u>\$ -</u>		

CITY OF CONOVER, NORTH CAROLINA
Capital Project Fund - NC Commerce Rural Transformation Grant Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2024

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
NC Commerce Rural Transformation Grant	\$ 640,000	\$ -	\$ 58,678	\$ 58,678	\$ (581,322)
Total revenues	<u>640,000</u>	<u>-</u>	<u>58,678</u>	<u>58,678</u>	<u>(581,322)</u>
Expenditures:					
Professional Services	175,300	-	58,678	58,678	116,622
Construction	464,700	-	-	-	464,700
Total expenditures	<u>640,000</u>	<u>-</u>	<u>58,678</u>	<u>58,678</u>	<u>581,322</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</u>		

CITY OF CONOVER, NORTH CAROLINA
Capital Project Fund - General Capital Reserve Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2024

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ 3,700	\$ 105,479	\$ 101,779
Lease agreements	105,600	93,449	(12,151)
Total revenues	<u>109,300</u>	<u>198,928</u>	<u>89,628</u>
Other Financing Sources (Uses):			
Proceeds from the sale of capital assets	5,000	38,251	33,251
Transfers from:			
General Fund	570,000	570,000	-
Transfers to:			
General Capital Project Fund	(1,000,000)	(1,000,000)	-
General Fund	(40,000)	(40,000)	-
Reserved for police technology	(260,000)	-	260,000
Reserved for fleet equipment	(10,000)	-	10,000
Reserved for police equipment	(35,000)	-	35,000
Reserved for fire equipment	(648,193)	-	648,193
Reserved for public works equipment	(42,000)	-	42,000
Reserved for grounds equipment	(20,000)	-	20,000
Reserved for streets	(85,000)	-	85,000
Reserved for technology	(105,000)	-	105,000
Total other financing sources (uses)	<u>(1,670,193)</u>	<u>(431,749)</u>	<u>1,238,444</u>
Revenues and Other Financing Sources			
Over (Under) Expenditures and Other Uses	<u>(1,560,893)</u>	<u>(232,821)</u>	<u>1,328,072</u>
Fund balance appropriated	<u>1,560,893</u>	<u>-</u>	<u>(1,560,893)</u>
Net change in fund balance	<u>\$ -</u>	<u>(232,821)</u>	<u>\$ (232,821)</u>
Fund balance, beginning		<u>2,490,271</u>	
Fund balance, ending		<u>\$ 2,257,450</u>	

ENTERPRISE FUND

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

- ♦ **Water and Sewer Operating Fund** - This fund is used to account for the activities associated with the production, purchase and distribution of water and sewer services to its customers.
- ♦ **Water and Sewer Capital Projects Fund** - This fund finances the construction of major utility capital projects associated with distribution projects.
- ♦ **Water and Sewer Capital Reserve Fund** - This fund is used to collect and reserve funds to distribute, when needed, to other enterprise funds to finance major utility capital projects.
- ♦ **Water and Sewer 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.

CITY OF CONOVER, NORTH CAROLINA
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non GAAP)
For the Year Ended June 30, 2024

Exhibit D-1

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating Revenues			
Water sales	\$ 3,226,050	\$ 3,094,203	\$ (131,847)
Sewer charges	2,297,762	2,213,943	(83,819)
Fire protection charges	46,000	46,375	375
Water connection fees	65,000	79,365	14,365
Sewer tap fees	25,000	29,330	4,330
Delinquent charges	70,000	70,359	359
Miscellaneous	3,500	17,767	14,267
Revenue SE Catawba County	18,050	19,424	1,374
Total operating revenues	<u>5,751,362</u>	<u>5,570,766</u>	<u>(180,596)</u>
Nonoperating revenues:			
Investment earnings	7,500	206,808	199,308
Proceeds on sale of assets	1,000	53,744	52,744
Total Nonoperating Revenues	<u>8,500</u>	<u>260,552</u>	<u>252,052</u>
 Total Revenues	 <u>5,759,862</u>	 <u>5,831,318</u>	 <u>71,456</u>
Expenditures:			
Water			
Salaries and employee benefits	863,762	793,279	70,483
Operating expenditures	1,281,450	1,044,949	236,501
Total	<u>2,145,212</u>	<u>1,838,228</u>	<u>306,984</u>
Sewer			
Salaries and employee benefits	768,060	687,213	80,847
Operating expenditures	1,246,275	1,017,623	228,652
Total	<u>2,014,335</u>	<u>1,704,836</u>	<u>309,499</u>
Non-Departmental			
Salaries and employee benefits	486,482	474,582	11,900
Operating expenditures	58,870	47,671	11,199
Total	<u>545,352</u>	<u>522,253</u>	<u>23,099</u>
 Total operating expenditures	 <u>4,704,899</u>	 <u>4,065,317</u>	 <u>639,582</u>
Debt Service:			
Interest and service charges	121,686	121,650	36
Debt principal	273,635	273,635	-
Total debt service	<u>395,321</u>	<u>395,285</u>	<u>36</u>
Capital Outlay			
Equipment	14,500	12,000	2,500
 Total Expenditures	 <u>5,114,720</u>	 <u>4,472,602</u>	 <u>642,118</u>
 Revenues over Expenditures	 <u>645,142</u>	 <u>1,358,716</u>	 <u>713,574</u>

CITY OF CONOVER, NORTH CAROLINA
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non GAAP)
For the Year Ended June 30, 2024

Exhibit D-1

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Other Financing Sources (Uses):			
Transfer to:			
Enterprise fund - Water and Sewer Capital Reserve Fund	(1,415,000)	(1,405,685)	9,315
Total Other Financing Sources (Uses)	<u>(1,415,000)</u>	<u>(1,405,685)</u>	<u>9,315</u>
Retained earnings appropriated	769,858	-	(769,858)
Revenues and other financing sources (uses) over expenditures	<u>\$ -</u>	(46,969)	<u>\$ (46,969)</u>
Reconciliation form budgetary basis (modified) accrual to full accrual:			
Revenues and othe financing sources over expenditures and other financing uses		<u>(46,969)</u>	
Reconciling items			
Principal retirement		273,635	
IT Subscription payments		52,535	
Proceeds from sale of fixed assets			
Gain (loss) on sale of fixed assets		(4,691)	
Capital Outlay		12,000	
Contributed Capital (Donated Assets)		1,269,507	
Depreciation and amortization		(1,391,547)	
Decrease (increase) in accrued vacation pay		(8,956)	
Decrease (increase) in interest payable		(14)	
Increase (decrease) in deferred outflows of resources - pensions		130,018	
Decrease (increase) in net pension liability		(250,466)	
Decrease (increase) in deferred inflows of resources - pensions		(742)	
Income from Water and Sewer Capital Project Grants and Other Income			
Investment earnings		503,122	
Capacity excess		14,875	
Restricted intergovernmental		393,334	
Noncapitalized expenses from Water and Sewer Capital Project Funds			
Transfer to Project Funds:			
From Water Operating Fund		1,405,685	
From Capital Reserve Fund		205,000	
From General Fund		1,360,838	
Transfer from Capital Reserve Fund To Water and Sewer Capital Projects		<u>(205,000)</u>	
Total reconciling items		<u>3,759,133</u>	
Change in net position		<u>\$ 3,712,164</u>	

CITY OF CONOVER, NORTH CAROLINA
Water and Sewer Capital Projects Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2024

	Budget	Actual	Variance Positive (Negative)
Revenues:			
NCDEQ Grant	\$ 400,000	\$ 393,334	\$ (6,666)
Total Revenues	<u>400,000</u>	<u>393,334</u>	<u>(6,666)</u>
Expenditures:			
Engineering	\$ 806,387	\$ 362,834	\$ 443,553
Engineering/inspection	35,000	-	35,000
Legal	20,000	15,150	4,850
Infrastructure improvement reimbursement	5,000	-	5,000
Right of way acquisition	5,000	-	5,000
Contracted construction	135,000	98,017	36,983
Capital outlay - equipment	540,267	355,842	184,425
Total Expenditures	<u>1,546,654</u>	<u>831,843</u>	<u>714,811</u>
Revenues Over (Under) Expenditures	<u>(1,146,654)</u>	<u>(438,509)</u>	<u>708,145</u>
Other Financing Sources (Uses):			
Transfer from:			
Water and Sewer Capital Reserve Fund	1,000,000	205,000	(795,000)
Total Other Financing Sources (Uses)	<u>1,000,000</u>	<u>205,000</u>	<u>(795,000)</u>
Fund balance appropriated	<u>146,654</u>	<u>-</u>	<u>(146,654)</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ (233,509)</u>	<u>\$ (233,509)</u>

CITY OF CONOVER, NORTH CAROLINA
Water and Sewer Capital Reserve Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non GAAP)
For The Year Ended June 30, 2024

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ 5,000	\$ 414,172	\$ 409,172
Excess sewer capacity charges	10,000	14,875	4,875
Total Revenues	<u>15,000</u>	<u>429,047</u>	<u>414,047</u>
Revenues over Expenditures	<u>15,000</u>	<u>429,047</u>	<u>414,047</u>
Other Financing Sources (Uses):			
Transfers from:			
Water and Sewer Fund	1,415,000	1,405,685	(9,315)
Transfer to:			
Water and Sewer Capital Projects Fund	(1,000,000)	(205,000)	795,000
Reserve for equipment	(20,000)	-	20,000
Reserve for utility relocations	(730,000)	-	730,000
Reserve for water/sewer infrastructure improvements	(2,621,435)	-	2,621,435
Reserve for plant improvements	(800,000)	-	800,000
Total other financing sources (uses)	<u>(3,756,435)</u>	<u>1,200,685</u>	<u>4,957,120</u>
Fund balance appropriated	<u>3,741,435</u>	<u>-</u>	<u>(3,741,435)</u>
Revenues and other financing sources (uses) over expenditures	<u>\$ -</u>	<u>\$ 1,629,732</u>	<u>\$ 1,629,732</u>

CITY OF CONOVER, NORTH CAROLINA
Water and Sewer Improvement Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non GAAP)
For The Year Ended June 30, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
Engineering	\$ 67,370	\$ 41,190	\$ 26,180
Total Expenditures	<u>67,370</u>	<u>41,190</u>	<u>26,180</u>
Revenues over (under) Expenditures	<u>(67,370)</u>	<u>(41,190)</u>	<u>26,180</u>
Other Financing Sources (Uses):			
Fund balance appropriated	<u>67,370</u>	<u>-</u>	<u>(67,370)</u>
Revenues and other financing sources (uses) over expenditures	<u>\$ -</u>	<u>\$ (41,190)</u>	<u>\$ (41,190)</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, 2024

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Investment Earnings	\$ 10,000	\$ -	\$ 88,950	\$ 88,950	\$ 78,950
Total Revenue	<u>10,000</u>	<u>-</u>	<u>88,950</u>	<u>88,950</u>	<u>78,950</u>
Expenditures:					
Engineering	525,000	-	71,460	71,460	453,540
Construction	8,338,676	-	581,099	581,099	7,757,577
Total Expenditures	<u>8,863,676</u>	<u>-</u>	<u>652,559</u>	<u>652,559</u>	<u>8,211,117</u>
Revenues Over (Under) Expenditures	<u>(8,853,676)</u>	<u>-</u>	<u>(563,609)</u>	<u>(563,609)</u>	<u>8,290,067</u>
Other Financing Sources (Uses):					
Proceeds from Issuance of Long-Term Debt	6,132,000	-	5,336,716	5,336,716	(795,284)
Transfer from General Fund	<u>2,721,676</u>	<u>1,360,838</u>	<u>1,360,838</u>	<u>2,721,676</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>8,853,676</u>	<u>1,360,838</u>	<u>6,697,554</u>	<u>8,058,392</u>	<u>(795,284)</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 1,360,838</u>	<u>\$ 6,133,945</u>	<u>\$ 7,494,783</u>	<u>\$ 7,494,783</u>

OTHER SCHEDULES

This section includes additional information on property taxes.

- ◆ Schedule of Ad Valorem Taxes Receivable
- ◆ Analysis of Current Tax Levy

CITY OF CONOVER, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
June 30, 2024

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2023</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2024</u>
2022-2023	\$ -	\$ 7,943,276	\$ 7,880,334	\$ 62,942
2021-2022	94,831	147	45,485	49,493
2020-2021	22,210	147	11,412	10,945
2019-2020	10,374	-	5,471	4,903
2018-2019	6,887	-	2,820	4,067
2017-2018	3,171	-	960	2,211
2016-2017	3,388	-	1,200	2,188
2015-2016	3,050	-	1,156	1,894
2014-2015	2,238	-	1,055	1,183
2013-2014	1,805	-	452	1,353
2012-2013	5,386	-	5,386	-
Totals	<u>\$ 153,340</u>	<u>\$ 7,943,570</u>	<u>\$ 7,955,731</u>	<u>141,179</u>
				<u>(77,842)</u>
				<u>\$ 63,337</u>
 <u>Reconciliation with revenues:</u>				
				\$ 7,965,307
				Reconciling items:
				Penalties and Interest 25,445
				Discounts, Releases, Refunds <u>(35,021)</u>
				<u>Total Collections and Credits \$ 7,955,731</u>

City of Conover, North Carolina
Analysis of Current Tax Levy
For the Year Ended June 30, 2024

	City - wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxed at current year's rate	\$ 1,968,154,937	0.395	\$ 7,774,212	\$ 7,402,396	\$ 371,816
Property taxed at prior year's rate	33,812,800	0.500	169,064	16,906	152,158
Releases, additions and adjustments	<u>(2,358,987)</u>	0.395	<u>(9,318)</u>	<u>(9,318)</u>	<u>-</u>
Total property valuation	<u><u>\$ 1,999,608,749</u></u>				
Net levy			7,933,958	7,409,984	523,974
Uncollected taxes at June 30, 2024			<u>62,942</u>	<u>62,942</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 7,871,016</u></u>	<u><u>\$ 7,347,042</u></u>	<u><u>\$ 523,974</u></u>
Current levy collection percentage			<u><u>99.21%</u></u>	<u><u>99.15%</u></u>	<u><u>100.00%</u></u>

COMPLIANCE SECTION



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**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 Auditors' Report

To the City Council
City of Conover, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Conover, North Carolina, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprises City of Conover's basic financial statements, and have issued our report thereon dated October 18, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Conover's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Conover's internal control. Accordingly, we 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 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.

Our 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Conover's financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our 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 our testing of internal control and compliance and the result 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.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, NC
October 18, 2024



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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 Auditors' Report

To the City Council
City of Conover, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited 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, 2024. City of Conover's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our 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 federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our 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. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of Example Entity and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Conover's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City of Conover federal programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Conover's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Conover's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Conover's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of City of Conover's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 City of Conover's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a 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.

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.

Whiteville, NC

October 18, 2024



City of Conover

Corrective Action Plan For the Year Ended June 30, 2024

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Question Costs

None reported.

**City of Conover, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2024**

None reported.

City of Conover, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2024

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal Assistance Listing No.</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-through to subrecipients</u>
Federal Grants:					
Cash Programs:					
<u>U.S. Department of Commerce</u>					
Economic Adjustment Assistance	11.307		\$ 60,396	\$ -	\$ -
<u>U.S. Department of Housing and Urban Development</u>					
Passed-through N.C. Department of Commerce:					
Community Development Block Grant, State's Program	14.228	18-C-3059	175,854	-	-
COVID 19 - Community Development Block Grant - CV	14.228	20-V-3500	2,053	-	-
Total Community Development Block Grant			177,907	-	-
<u>U.S. Department of Treasury</u>					
Passed-through N.C. Department of Environmental Quality					
Coronavirus State and Local Fiscal Recovery Funds - Stormwater Asset Inventory and Condition Assessment	21.027	SRP-SW-ARP-0043	58,250	-	-
Coronavirus State and Local Fiscal Recovery Funds	21.027	SRP-W-ARP-0259	393,334	-	-
<u>U.S. Department of Environmental Protection</u>					
Passed-through N.C. Department of Environmental Quality					
Clean Water State Revolving Fund	66.458	CS370436-06	436,716	-	-
<u>U.S. Department of Homeland Security</u>					
Federal Emergency Management Agency (FEMA):					
SAFER Grant	97.083		164,149	-	-
Total Federal Awards			1,290,752	-	-
State Grants:					
Cash Assistance:					
<u>N.C. Department of Transportation:</u>					
Powell Bill		DOT-4	\$ -	\$ 257,317	\$ -
<u>N.C. Department of Commerce</u>					
Rural Transformation Grant			-	58,678	-
Total State Awards			-	315,995	-
Total Federal and State Awards			\$ 1,290,752	\$ 315,995	\$ -

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the City of Conover under the programs of the federal government and the State of North Carolina for the year ended June 30, 2024. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Conover, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Conover.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

The City of Conover has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.