



Annual Comprehensive Financial Report



FOR FISCAL YEAR ENDED JUNE 30, 2023
CITY OF HICKORY, NORTH CAROLINA



**CITY OF HICKORY
NORTH CAROLINA**

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

FOR THE YEAR ENDED JUNE 30, 2023

CITY OF HICKORY, NORTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2023

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Introductory Section

HICKORY



North Carolina



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December 15, 2023

The Honorable Mayor Hank Guess,
City Council, City Manager, and the Citizens
of the City of Hickory, North Carolina

The Annual Comprehensive Financial Report (ACFR) for the City of Hickory, North Carolina, for the fiscal year ended June 30, 2023, is hereby submitted. This report consists of management's representations concerning the finances of the City of Hickory. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Hickory has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile reliable information for the preparation of the City of Hickory's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The cost of internal controls should not outweigh their benefits. The City of Hickory's internal controls have been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Hickory's financial statements have been audited by Martin Starnes & Associates CPAs, P.A. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Hickory for the fiscal year ended June 30, 2023, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Hickory's financial statements for the fiscal year ended June 30, 2023, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The Annual Comprehensive Financial Report (ACFR) has been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments*. Additionally, the financial statements have been prepared in compliance with applicable requirements of the General Statutes of North Carolina and are consistent with the standards and guidelines recognized for governmental accounting and financial reporting contained in both *Audits of State and Local Governmental Units*, an audit guide prepared by the Committee

of Governmental Accounting of the American Institute of Certified Public Accountants (AICPA), and *Government Auditing Standards*, issued by the Comptroller General of the United States. Among the other resources used in the preparation of the financial statements, the Finance Department Staff has given particular attention to *Governmental Accounting, Auditing, and Financial Reporting* (GAAFR) issued by the Government Finance Officers Association of the United States and Canada (GFOA), and Governmental Accounting Standards Board (GASB) pronouncements.

The Single Audit Act of 1984 established requirements for state and local governments that receive federal assistance. The audit requirements have also been adopted by the State of North Carolina for state grants. Information related to this single audit, including the schedule of federal and state financial awards, schedule of findings and questioned costs, auditor's report on internal control and compliance with laws and regulations, and other schedules and exhibits necessary to satisfy the requirements of the single audit, are included in the single audit section.

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

Profile of the Government

The City of Hickory is located in North Carolina's Piedmont region, 50 miles northwest of the City of Charlotte and 80 miles east of Asheville. Hickory was incorporated in 1870 and is the geographic and economic center of North Carolina's eighth largest Metropolitan Statistical Area (MSA). The City spans approximately 29 square miles and is intersected by Interstate 40, US Highway 321, and US Highway 70. The City is sited primarily in Catawba County, but its borders extend into portions of Burke and Caldwell Counties.

The City has operated under the council/manager form of government since 1913 and was the third jurisdiction in the United States to adopt this method of government. The City Council is comprised of a mayor and six council members representing area wards who are elected to staggered terms on a nonpartisan basis in a city-wide election. The City Council is the policy-making and legislative authority of the City. They are responsible for adopting the annual budget, approving zoning and planning issues and other matters related to the health and welfare of the City. The Council makes appointments to various boards and commissions and appoints the City Manager. The City Manager is the Chief Executive Officer and is responsible for enforcement of laws and ordinances, delivery of services, implementing policies, managing daily operations, and appointing department heads.

The City provides a full range of services including police and fire protection, emergency management, street maintenance and construction, community development, planning and zoning, engineering, library, cemeteries, sanitation services, airport services, and parks and recreation. Additionally, the City owns and operates a water and sewer system providing services to residents of the City and its environs. The City also extends financial support to certain boards, agencies, and commissions. There are no legally separate entities included in this report.

In government, much more than business, the budget is an integral part of a unit's accounting system and daily operations. An annual or project budget ordinance, as amended by the governing body, creates a legal limit on spending authorizations. For the City of Hickory, annual budgets are adopted for the General, Special Revenue - Capital Reserve, and Enterprise Funds. Financial plans are adopted for the Internal Service Funds. Appropriations are made at the functional cost category level (i.e. general government, public safety, transportation, environmental protection, etc.) for the annually budgeted funds. Project and grant ordinances (multi-year budgets) are adopted for all Special Revenue funds excluding the Capital Reserve Fund, and all Capital Project Funds. The Capital Reserve Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54 it is consolidated in the General Fund. Encumbrances outstanding on June 30, 2023, are reported separately in the notes to the financial statements.

In accordance with state law, the City's budget is prepared on the modified accrual basis, and its accounting records are also maintained on that basis. Under modified accrual accounting, revenues are recorded when they are both measurable and available. Expenditures are recorded when a fund liability is incurred, except for unmatured principal and interest on long-term debt and certain compensated absences. Governmental Fund types, such as the City's General Fund, Special Revenue Funds and Capital Project Funds are reported on the modified accrual basis in the fund financial statements. The City's Proprietary Funds are reported on the full accrual basis in the fund financial statements, under which revenues are recorded when earned and expenses are recorded when incurred.

Local Economy

The City of Hickory is the economic hub of the "Greater Hickory Metro". Economic activity in the region continues to grow, and the City remains financially sound. The City's continued commitment to policies and practices will keep Hickory and the local economy on the best and safest road to economic security. Commercial construction activity included 330 permits with a value of over \$199 million and 456 additional residential permits with a value of over \$40 million in fiscal year 2022-2023.

The City remains financially sound with property tax and sales tax revenue growth over the past year. The City's continued commitment to conservative financial policies and practices has served Hickory well and puts it in the best position to lead the region to economic strength and security.

Economic development initiatives and activities completed or underway include:

- Renovations are underway at the new Hickory campus of Appalachian State University located in the former Corning corporate headquarters building along U.S. 321. The App State Hickory Campus will represent the first public four-year institution in the City of Hickory with more than 100 undergraduate majors available at the Hickory campus. Classes are scheduled to begin in August 2023.
- The City of Hickory approved a joint economic development agreement with Southeast Industrial Solutions (SEIS) to construct two industrial buildings in the Fairgrove Business Park which will create at least 25 jobs and \$16,500,000 in private investment.

- The City of Hickory approved a joint economic development agreement with Delco Partners for the redevelopment of the former District Court and Soup Kitchen properties. These projects will create over 100 new residential units and additional commercial space downtown. The project will result in private investment of at least \$20,000,000.

- The City is partnering with the Sabre Society of North Carolina/Hickory Aviation Museum and Catawba Valley Community College (CVCC) to construct a building to house the museum's vintage military aircraft, preserve aviation history, and provide STEM education and workforce development opportunities. The expanded Hickory Aviation Museum will feature a hangar to preserve and display aircraft and will also serve as the site of CVCC's Workforce Innovation Center, a regional educational campus with flexible use space providing high-tech equipment, classrooms, and virtual simulators for training. The new museum and educational center will be located at Hickory Regional Airport, just off Runway 6/24 in Catawba County and Burke County. The \$22 million project will be funded by a \$15 million allocation from the North Carolina State Legislature for CVCC's Workforce Innovation Center and by public and private donations for Hickory Aviation Museum. The Sabre Society continues to pursue funding for the \$7 million goal for the project. The building is currently under design with construction starting in Fall of 2023.

- A strong residential building effort is underway. Current projects include:
 - Bear Park Townhomes - \$15,000,000
 - Stonebrook Subdivision - \$16,000,000
 - Estates at Legends Phase III - \$16,000,000
 - One Eleven Main - \$20,000,000
 - Bella Age Senior Living - \$26,000,000

- The City continues its partnership with JRN Construction to develop affordable housing on City owned property. In September 2022, the first six homes were completed and sold to qualified homebuyers earning less than 80 percent of the area median income. The City has contracted with JRN Construction to produce an additional 10 homes which are scheduled to be finished in fiscal year 2023-2024.

- The City is planning to construct a third new artificial turf field at Henry Fork Soccer Complex at an estimated cost of \$1,000,000. The field will be utilized by the Catawba Valley Youth Soccer Association (CVYSA) and various organizations and high schools for soccer and lacrosse tournaments in the region.

- Improvements to Civitan Park included new play equipment, a picnic shelter, accessibility improvements, benches, picnic tables, and trash receptacles. Total project cost was \$212,141.

- A groundbreaking ceremony for the 46,000 square foot expansion and renovation of the Hickory Metro Convention Center was held on May 1, 2023. The new space will consist of 30-foot-high ceilings to attract new athletic events such as basketball, volleyball, gymnastics, and cheerleading. Total cost for the project is approximately \$14,000,000 with an expected construction period of 18 months.

The City is continuing its commitment to “Quality of Life” amenities through the implementation of the City’s Master Plans and Initiatives that have been developed to attract new residents to the City of Hickory.

Performance Measurement Program

The City of Hickory has been a participant in the North Carolina Performance Measurement Project of the Institute of Government, University of North Carolina-Chapel Hill, since 1996. During that time, members of the program have developed and refined a uniform list of performance indicators for various municipal service activities. The measures set out below display the results of these activities for the City of Hickory over the last three fiscal years. These measurements can assist the reader in understanding how these services affect the equity position of the City from both a cost and efficiency perspective. A decrease in the cost of a particular service would result in an increase in equity. The converse is also true. The measures set out below are provided as an additional presentation of the City's financial strength.

Function/Program	2020-21	2021-22	2022-23
Public Safety			
Police Services			
Calls dispatched	98,159	107,438	103,837
Self-initiated dispatches	53,431	59,935	58,016
High-priority calls	2,351	2,454	2,262
High-priority calls with response times of 10 minutes or more	13	23	5
Sworn Officers	116	122	122
Personal expense	\$9,012,183	\$9,107,067	\$10,228,940
Operational expense	\$1,921,066	\$1,937,651	\$2,166,237
Emergency Communications			
Total 911 Calls	15,042	-	16,271
911 calls answered within 20 seconds	14,937	-	16,249
Personal expense	\$764,540	\$880,842	\$101,780
Operational expense	\$162,972	\$187,432	\$212,152
Fire Services			
Incidents	5,442	4,757	6,558
Fires reported	217	224	309
Turnout for 90th percentile (in seconds)	130	140	131
Dispatch time for 90th percentile (in seconds)	240	285	270
Travel time for 90th percentile (in seconds)	301	306	334
Response time for the 90th percentile (in seconds)	577	631	627
Fires confined to rooms or objects involved on arrival	60	76	55
Personal expense	\$8,889,742	\$9,192,340	\$9,920,348
Operational expense	\$1,319,741	\$1,574,877	\$1,446,415
Transportation			
Asphalt Maintenance and Repair			
Lane miles	481	481	481
Lane miles rated 85 or better	178	178	178
Potholes reported on municipal roads	372	348	363
Potholes addressed within 24 hours	342	327	341
Personal expense	\$297,870	\$295,822	\$249,093
Operational expense	\$975,982	\$1,047,949	\$842,615

Recycling			
Residential recycling collections in tons	2,680	2,663	2,389
Collection points receiving curbside recycling service	12,200	12,200	12,200
Collection points participating in curbside recycling service	8,406	8,845	9,077
Personal expense	\$40,251	\$42,873	\$43,841
Operational expense	\$57,861	\$59,938	\$60,985
Sanitation			
Refuse Collection			
Residential refuse in tons	13,279	14,390	13,813
Collection points	12,200	12,200	12,200
Routes (runs per week)	37	37	37
Route mileage	1,075	1,075	1,075
Personal expense	\$239,971	\$255,606	\$261,373
Operational expense	\$344,962	\$357,347	\$363,584
Yard Waste/Leaf Collection			
Tons of residential yard waste collected	11,331	11,049	7,339
Collection points	12,200	12,200	12,200
Routes	17.5	17.5	17.5
Route mileage	54,600	54,600	54,600
Personal expense	\$547,027	\$582,666	\$595,814
Operational expense	\$786,359	\$814,592	\$828,808

Source: City Budget Office

Long-Term Financial Planning – The City of Hickory is addressing long-term improvements for its residents through cooperative efforts with other regional governments related to economic development and the expansion of the City’s utility network as a catalyst for growth.

- The City’s Hickory Trail System is currently under construction that will provide residents and visitors with a 10-mile multi-use path to walk, run and bike throughout the city. It is made up of the following segments: Citywalk, Riverwalk, Aviation Walk, Historic Ridgeview Walk, and OLLE Art Walk. These projects, along with the development of Trivium Corporate Center, a 270-acre Class A Business Park, were the major projects included in the City of Hickory’s \$40 million Transportation & Economic Development Bond Referendum passed in 2014. The third and final bond issue occurred in September 2021 and triggered additional private investment of more than \$50 million to supplement the bond funds.
- The Public Utilities Biosolids facility is continuing construction. This facility will replace the aging composting facility to ensure continued sludge management practices for the City of Hickory and ensure an economic solution for the future. Up to \$30,000,000 in State Revolving Loan Funds have been approved for this project at 0.1%

interest. The project construction began in fall of 2022 and is scheduled to be completed at the end of 2024.

- The Deidra Lackey Memorial Park is a planned \$10-\$12 million investment by the Robert Lackey family to honor Robert's late wife. The project will include the addition of a Lake House event center, which will include a wedding venue, corporate retreat destination, entertainment amenities, and an outdoor gathering location complete with a full-service restaurant. It will also include an event space with an amphitheater and seating for approximately 1,000 people. The second phase will include a Conservatory with extensive landscaping and gardens that will provide a scenic resting place for visitors. The City will complement this investment with a \$3 million project at Geitner Park consisting of a new boat dock, canoe/kayak launch, group picnic shelter, fishing pier, and restroom facility. Design development of the park is expected to be completed by the end of 2023, with construction to start in 2024.
- The Historic Ridgeview Walk construction contract has been awarded to create a new segment of the Hickory Trail system. The path will provide connectivity within the Ridgeview area by linking the Ridgeview community to downtown Hickory and US 70. Construction includes a 102 mile, 10-foot-wide multiuse path for pedestrians and bicyclists of all ages and abilities. The project is scheduled to begin September 2023 at a cost of \$6,462,000.
- The City of Hickory is continuing work on the Murray Basin Sanitary Sewer Project. The project will renew existing infrastructure, return flow to existing City of Hickory facilities, and reduce costs of wastewater treatment by a contracted source. Construction was awarded in May 2021 for \$5,624,051.11. State Revolving Funds (SRF) loan funding for construction has been obtained in the amount of \$5,182,700 at 1.04% interest. The project is approximately 85% complete.
- In July 2023, construction began on twelve new T-hangars at Hickory Regional Airport. Each T-hangar will store one individual aircraft. The project will be located on the airport's North Ramp off Taxiway B. Total cost of the new T-hangars is estimated at \$1,500,000.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hickory for its Annual Comprehensive Financial Report for the fiscal year ending June 30, 2022. This was the twenty-seventh consecutive year that the City has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

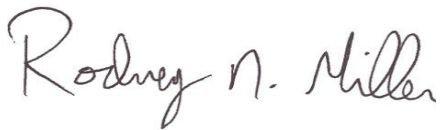
A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

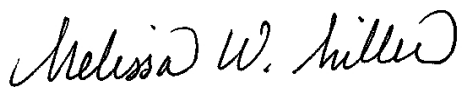
Preparation of this report could not have been accomplished without the professional, efficient, and dedicated efforts of the entire staff of Finance, the Budget Office, the various department heads, budget managers and coworkers who assisted and contributed to its preparation, and our independent auditors, Martin Starnes & Associates, CPAs, P.A. Each of them has our sincerest thanks.

In closing, appreciation is extended to the Mayor, City Council and City Manager for the encouragement, assistance, and stewardship they have provided. It is a distinct pleasure to be associated with these individuals who appreciate and respect the principles of financial and budgetary restraint that prevail in the City of Hickory.

Respectfully submitted,

A handwritten signature in cursive script that reads "Rodney N. Miller".

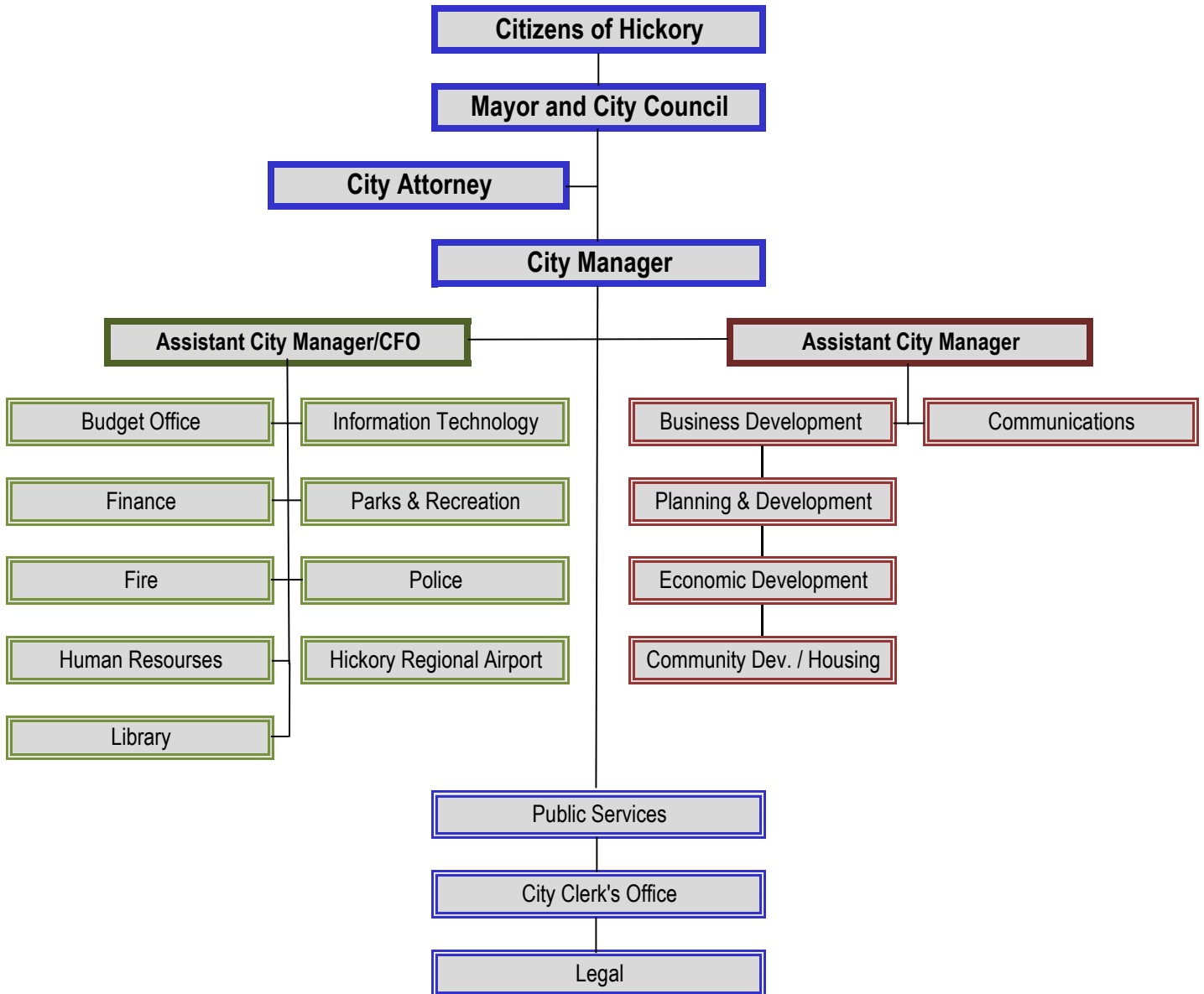
Rodney N. Miller
Deputy City Manager/CFO

A handwritten signature in cursive script that reads "Melissa W. Miller".

Melissa W. Miller
Finance Officer

City of Hickory

Department Organizational Chart





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Hickory
North Carolina**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

CITY OF HICKORY, NORTH CAROLINA

CITY COUNCIL

FISCAL YEAR JULY 1, 2022 - JUNE 30, 2023

City Council

Hank Guess	Mayor
Tony Wood	Ward I
Charlotte Williams	Ward II
Danny Seaver	Ward III
Anthony Freeman	Ward IV
David Zagaroli	Ward V
Jill Patton	Ward VI



CITY OF HICKORY, NORTH CAROLINA

CITY ADMINISTRATION

FISCAL YEAR JULY 1, 2022 - JUNE 30, 2023

City Administration

City Manager	Warren Wood
Deputy City Manager/CFO	Rodney Miller
Assistant City Manager	Rick Beasley
Executive Assistant Manager	Yaidee Fox
Airport Manager	Terry Clark
City Attorney	John W. Crone, III
Communications and Marketing Manager	Dana Kaminske
Deputy City Attorney	Arnita Dula
Finance Officer	Melissa Miller
Fire Chief	Matthew Hutchinson
Human Resources Director	Mitchell Friar
Information Technology Manager	Eric Rucker
Library Director	Sarah Greene
Parks, Recreation & Sports Tourism Director	Mark Seaman
Planning Director	Brian Frazier
Police Chief	David R. Baer III
Public Utilities Director	Shawn Pennell
Public Works Director	Steve Miller



Hickory's Mission

To deliver high quality services through excellent and ethical coworkers focused on innovation, communication and customer service.

HICKORY



North Carolina

Financial Section

HICKORY



North Carolina

MARTIN STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Independent Auditor's Report

To the Honorable Mayor and
City Council
City of Hickory, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hickory, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hickory, North Carolina, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 (*Government Auditing Standards*). 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, and to meet our other 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, 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 is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for 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 judgment made by a reasonable user based on the financial statements.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement 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'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 a substantial doubt about the City'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 identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Employee Payroll, the Other Post-Employment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, and the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by 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 opinions on the financial statements that collectively comprise the City of Hickory's basic financial statements. The combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations 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 basis 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 the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section 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 statements, 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 December 15, 2023, on our consideration of the City of Hickory's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of the City of Hickory's 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 the City of Hickory's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
December 15, 2023

HICKORY



North Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Hickory, we offer readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2023. We encourage readers to consider the information here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-9 of this report.

Financial Highlights for Fiscal Year 2023

- The assets and deferred outflows of the City of Hickory exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$335,707,574 (net position). Of this amount, \$44,156,506 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$41,315,495.
- As of the close of the current fiscal year, the City of Hickory's governmental funds reported combined ending fund balances of \$87,740,996 an increase of \$17,570,513, in comparison with the prior fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$24,225,924, or 35.3%, of the General Fund budget for the fiscal year 2023-2024.
- The City of Hickory's total debt increased by \$25,460,637 which includes compensated absences, net pension liabilities, total pension liabilities, leases, subscriptions, installment purchase agreements and notes payable. The City's total indebtedness is \$134,041,256.
- The City's legal debt limit is \$455,347,201 (8% of assessed valuation), and the City's legal debt margin is \$369,560,830. The total legal indebtedness of the City is \$85,786,371, which represents 1.5% of assessed valuation.

Using the Financial Section of this Annual Comprehensive Financial Report

The Annual Comprehensive Financial Report consists of four sections: introductory, financial, statistical, and single audit. The financial section of the report has three components: management's discussion and analysis, the basic financial statements, and required supplementary information.

The City of Hickory's ACFR has been prepared in accordance with Governmental Accounting Standards Board Statement 34 (GASB 34) and presents two types of statements, each with a different picture of the City's financial operations. These statements focus on the City as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the City's overall financial health. The fund financial statements focus on the individual components of City government and report the City's operations in greater detail than the government-wide presentations.

Government-Wide Financial Statements – These statements present financial information about the City as a whole. When evaluating the City's overall financial health, it is appropriate to present information to determine "Is the City as a whole better or worse off as a result of the current year's activities?" The Statement of Net Position and the Statement of Activities provide a response to this question. These statements, prepared under the full-accrual basis of accounting, present information about all assets and liabilities of the City in a manner similar to the consolidated business statements of private companies. Under this basis, all of the current year's revenues and expenses are included regardless of when cash is received or paid.

The Statement of Net Position reflects the City's net position at the end of the fiscal year. The net position of the City is the difference between assets: what the citizens own, and liabilities: what the citizens owe. Over time, increases or decreases in the City's net position become an indicator in determining if the City's financial health is improving or declining. However, a comprehensive evaluation of the City's financial health should also include other non-financial information such as changes in the City's property tax base and the condition of the City's capital assets (roads, buildings, water/sewer lines, etc.).

The Statement of Activities reflects the changes in the City's net position that occurred during the fiscal year. These changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Accordingly, revenues and expenses are reported for some items that will only result in cash flows in future fiscal years (i.e. uncollected property taxes and earned but unused vacation leave).

The government-wide financial statements are divided into two types of activities:

Governmental Activities – These activities of the City of Hickory include general government, public safety, highways and streets, economic and physical development and culture and recreation. These activities are principally supported by property taxes, sales taxes, and intergovernmental revenues.

Business-Type Activities – The City of Hickory charges fees to recover all or some of the costs associated with providing certain services. The City's water and sewer, sludge, stormwater, transportation and solid waste services are reported here.

There are no component units of the City of Hickory included in this report.

The government-wide financial statements are located in Exhibits A and B under the *Basic Financial Statements* section of this report.

Fund Financial Statements – Experienced readers of governmental financial statements will find these financial statements most familiar. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City of Hickory uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Hickory are divided into two categories: governmental funds and proprietary funds.

Governmental funds – Most of the City's basic services are reported in governmental funds that focus on how money flows in/out of the fund and balances remaining at year-end that are available for spending in future years. The narrower focus of the governmental funds allows the reader to compare the information presented for each fund with similar information presented for governmental activities in the government-wide financial statements. This comparison allows the reader to better understand the long-term impact of the City's near-term financing decisions. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City of Hickory maintains seven individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance for the General Fund, which is the only major fund. Individual fund data for all non-major governmental funds is provided in the form of combining statements beginning with Schedule C-1 under the *Nonmajor Governmental Funds* section of this report.

The City of Hickory adopts an annual operating budget for its governmental funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements are located within Exhibits C through F under the *Basic Financial Statements* section of this report.

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

Enterprise funds are used to report those functions presented as business-type activities in the government-wide financial statements. The City of Hickory accounts for its water/sewer services, solid waste services, sludge composting, stormwater system and transportation services in enterprise funds.

Internal service funds are an accounting mechanism used to accumulate and allocate costs internally among the City's various functions. The City of Hickory accounts for its fleet maintenance services and insurance services in internal service funds.

Proprietary funds provide in greater detail the information presented in the government-wide financial statements. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, Transportation Fund and the Solid Waste Services Fund, which are considered major funds. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for nonmajor enterprise funds and internal service funds is provided in the form of combining statements located within Schedule F under the *Nonmajor Enterprise Funds* section of this report.

The City of Hickory adopts an annual operating budget for its proprietary funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The proprietary fund financial statements are located within Exhibits G through I under the *Basic Financial Statements* section of this report.

Notes to the financial statements – The notes contain additional essential information necessary for the reader to gain a more complete understanding of the information presented in the government-wide and fund financial statements. The notes to the financial statements comprise the final portion of the *Basic Financial Statements* section of this report.

Other information – Along with the basic financial statements and accompanying notes, this report also contains certain required supplementary information related to the City of Hickory's progress in funding the Law Enforcement Officers' Special Separation Allowance and OPEB. This information is found within the *Required Supplementary Financial Data* section of this report.

Government-Wide Financial Analysis

Net Position - As noted earlier, net position may serve, over time, as a useful indicator of a government's financial status. In the case of the City of Hickory, assets exceeded liabilities by \$335,707,574 for the fiscal year ended June 30, 2023.

The largest portion of the City of Hickory's net position, 82.1%, reflect its investments in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Hickory uses its capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City of Hickory's

investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 119,780,780	\$ 95,799,350	\$ 40,949,941	\$ 44,263,210	\$ 160,730,721	\$ 140,062,560
Notes receivable	1,344,000	1,544,000	-	-	1,344,000	1,544,000
Capital assets	157,048,687	129,339,990	170,262,726	156,830,380	327,311,413	286,170,370
Total assets	<u>278,173,467</u>	<u>226,683,340</u>	<u>211,212,667</u>	<u>201,093,590</u>	<u>489,386,134</u>	<u>427,776,930</u>
Deferred outflows of resources	<u>15,779,722</u>	<u>12,071,692</u>	<u>3,591,798</u>	<u>2,673,512</u>	<u>19,371,520</u>	<u>14,745,204</u>
Long-term liabilities outstanding	67,881,623	52,469,394	22,451,461	22,200,635	90,333,084	74,670,029
Other liabilities	59,641,633	48,612,690	15,295,108	10,341,614	74,936,741	58,954,304
Total liabilities	<u>127,523,256</u>	<u>101,082,084</u>	<u>37,746,569</u>	<u>32,542,249</u>	<u>165,269,825</u>	<u>133,624,333</u>
Deferred inflows of resources	<u>6,286,050</u>	<u>11,634,710</u>	<u>1,494,205</u>	<u>2,871,012</u>	<u>7,780,255</u>	<u>14,505,722</u>
Net position:						
Net investment in capital assets	126,850,916	104,673,435	148,681,881	135,192,955	275,532,797	239,866,390
Restricted	16,018,271	13,744,450	-	-	16,018,271	13,744,450
Unrestricted	17,274,696	7,620,353	26,881,810	33,160,886	44,156,506	40,781,239
Total net position	<u>\$ 160,143,883</u>	<u>\$ 126,038,238</u>	<u>\$ 175,563,691</u>	<u>\$ 168,353,841</u>	<u>\$ 335,707,574</u>	<u>\$ 294,392,079</u>

An additional portion of the City of Hickory's net position, \$16,018,271 represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position, \$44,156,506, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Hickory is able to report positive balances in all three categories of net position: the government as a whole, governmental-type activities and business-type activities.

Financial Indicators and Ratios

The following financial indicators and ratios can be used to assist the reader in assessing the financial strength of the City of Hickory. When used in conjunction with other financial information contained in this report, the City's financial strength becomes apparent.

Working Capital – is the difference between current assets and current liabilities. Sources of working capital are income from operating activities, sale of non-current assets or the issuance of long-term debt. Uses of working capital include losses from operating activities, purchase of non-current assets or retirement of long-term debt. The working capital of the City of Hickory is \$128,527,507, which consists of \$98,086,671 from governmental activities and \$30,440,836 from business-type activities. Working capital increased by \$20,510,769 for the fiscal year ended June 30, 2023.

Current Ratio – is the ratio of total current assets to current liabilities. This ratio is an indicator of the City's ability to meet its short-term obligations and is expressed as coverage of so many dollars of current assets/current liabilities. The City of Hickory's current ratio is 5.68 on a Citywide basis, 6.76 for

governmental activities, and 3.91 for business-type activities. More simply stated, the City has \$5.68 of current assets for each \$1.00 of current liabilities on a Citywide basis. The Citywide current ratio increased by 1.14 during FY 2023.

Acid Test or Quick Ratio – relates total current liabilities to cash, marketable securities and accounts receivable: “quick assets”. This is an additional short-term liquidity measure providing an additional comparison with the current ratio. This is also expressed on a coverage basis. The City of Hickory’s quick ratio is 5.60 on a Citywide basis, 6.58 for governmental activities and 4.01 for business-type activities. Or, more simply stated the City has \$5.60 of “quick” assets for each \$1.00 of current liabilities on a Citywide basis. The Citywide quick ratio increased by \$1.13 during FY 2023.

Days Cash and Investments in Reserve – represents the number of days that normal operations of the City of Hickory could continue with no revenue collections. The results of this ratio indicate that the City of Hickory could operate 257 days on a Citywide basis, 229 days for governmental activities and 332 days for business-type activities. This measure increased by 21 days in FY 2023.

Total Liabilities to Net Position – this ratio, expressed as a percentage, compares the total obligations (liabilities) of the City of Hickory to current equity (net position). It represents the extent to which borrowing has been used to finance short-term operations. The total liabilities to net position for the City of Hickory is 49% on a Citywide basis, 80% for governmental activities and 22% for business-type activities. The Citywide ratio increased by 4% during FY2023.

Total Liabilities to Total Assets – this ratio compares the total obligations of the City of Hickory to total assets. It is an indicator of the level of borrowing that has been used to finance operations of the City on a long-term basis. Total liabilities to total assets for the City of Hickory is 34% on a Citywide basis, 46% for governmental activities and 18% for business-type activities. This ratio increased 1% from the previous fiscal year.

Non-Current Liabilities to Total Assets – this ratio compares the long-term debt of the City of Hickory to total assets. It is another indicator of the long-term financial strength of the City. Non-current liabilities to total assets for the City of Hickory is 16% on a Citywide basis, 22% for governmental activities and 9% for business-type activities. This ratio remained the same from the previous fiscal year.

Days Receivable – represents the number of days on average it took to collect accounts receivable. This number demonstrates the extent to which current operations are impacted by the collection of accounts receivable. This ratio is provided only for the business-type activities of the City of Hickory, which consist primarily of utility accounts. Days receivable for business-type activities is 37 days for the City of Hickory. Days receivable remained the same during FY 2023.

Change in Net Position - The government's net position increased by \$41,315,495 during the current fiscal year. The governmental activities net position increased \$34,105,645 and the business type activities increased \$7,209,850. This increase represents the degree to which increases in ongoing revenues have exceeded increases in ongoing expenses. A summary of the changes follows:

Changes in Net Position

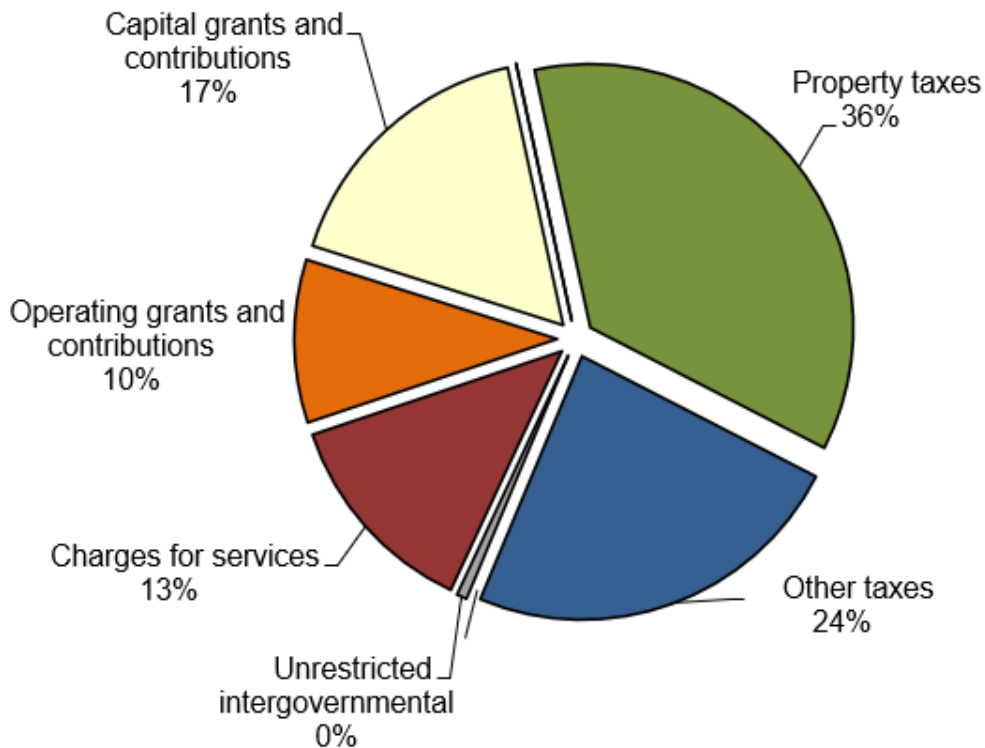
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	12,981,467	10,414,468	\$ 42,431,470	\$ 40,235,012	\$ 55,412,937	\$ 50,649,480
Operating grants and contributions	10,055,445	4,039,900	3,206,236	2,675,772	13,261,681	6,715,672
Capital grants and contributions	16,814,025	14,427,256	714,301	636,420	17,528,326	15,063,676
General revenues:						
Property taxes	36,117,756	34,229,436	-	-	36,117,756	34,229,436
Other taxes	23,892,580	22,042,292	-	-	23,892,580	22,042,292
Unrestricted intergovernmental	624,384	680,548	-	-	624,384	680,548
Unrestricted investment earnings	1,072,640	(1,685,966)	376,289	(733,380)	1,448,929	(2,419,346)
Miscellaneous			468,092	556,788	468,092	556,788
Total revenues	101,558,297	84,147,934	47,196,388	43,370,612	148,754,685	127,518,546
Expenses:						
General government	21,733,946	18,828,486	-	-	21,733,946	18,828,486
Public safety	28,398,569	28,459,052	-	-	28,398,569	28,459,052
Transportation	6,273,665	6,334,891	-	-	6,273,665	6,334,891
Economic and physical development	4,897,722	7,544,337	-	-	4,897,722	7,544,337
Culture and recreation	5,442,288	3,009,781	-	-	5,442,288	3,009,781
Water			11,293,785	10,924,060	11,293,785	10,924,060
Sewer			16,702,588	15,467,510	16,702,588	15,467,510
Sludge composting			2,238,438	2,104,319	2,238,438	2,104,319
Stormwater			489,282	499,042	489,282	499,042
Airport			2,051,030	1,790,246	2,051,030	1,790,246
Recycling			3,987,615	3,743,794	3,987,615	3,743,794
Sanitation			2,602,898	2,408,760	2,602,898	2,408,760
Interest on long-term debt	1,327,364	1,852,799	-	-	1,327,364	1,852,799
Total expenses	68,073,554	66,029,346	39,365,636	36,937,731	107,439,190	102,967,077
Change in net position before transfers	33,484,743	18,118,588	7,830,752	6,432,881	41,315,495	24,551,469
Transfers	620,902	2,250,614	(620,902)	(2,250,614)	-	-
Change in net position	34,105,645	20,369,202	7,209,850	4,182,267	41,315,495	24,551,469
Net position, beginning of the year	126,038,238	105,669,036	168,353,841	164,171,574	294,392,079	269,840,610
Net position, end of the year	160,143,883	126,038,238	175,563,691	168,353,841	335,707,574	294,392,079

Governmental Activities - Governmental activities increased the City of Hickory's net position by \$34,105,645.

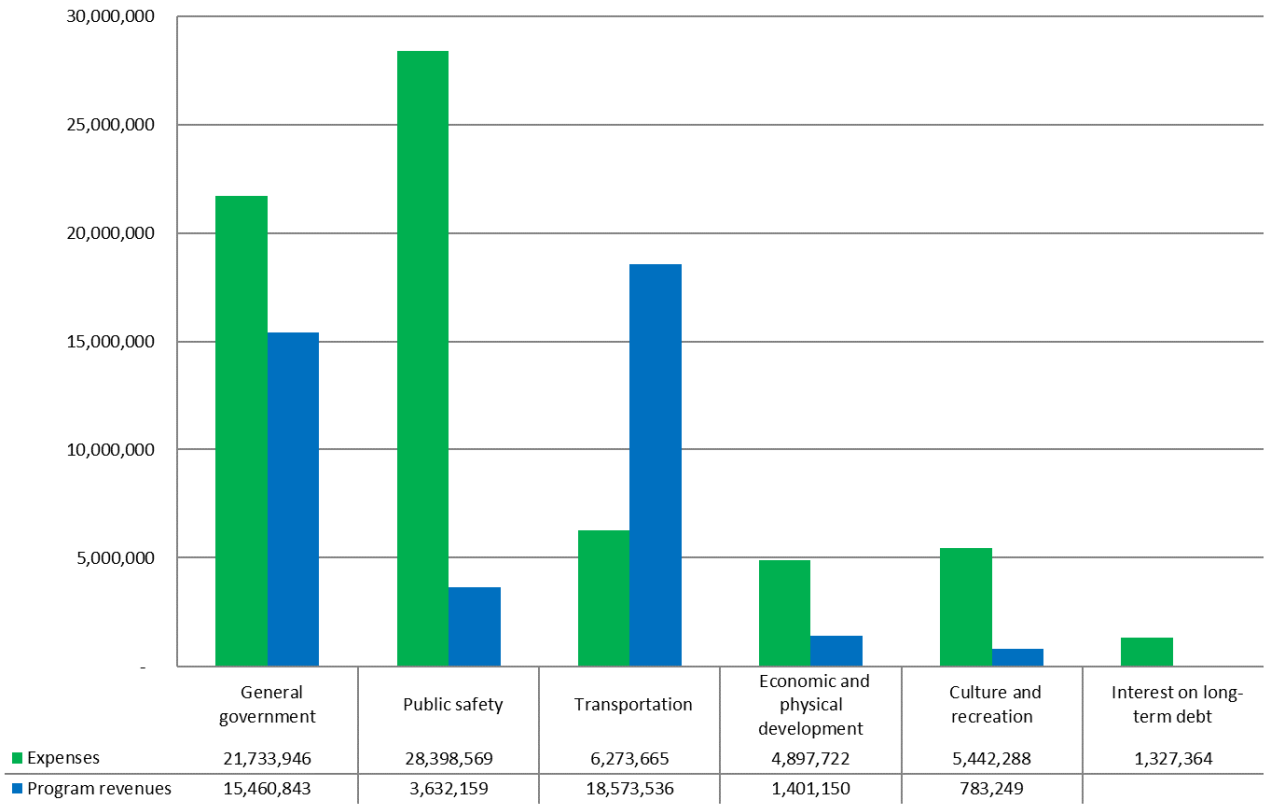
Summaries of these include:

- Total expenses increased \$2,056,384, or 1.03%, for fiscal year 2023.
- Overall revenues increased, with program revenues increasing \$10,981,489, or 0.72%, and general revenues increasing \$6,441,050 or 8.58%.
- Operating grants and contributions for governmental activities totaled \$10,055,445. The grant awards furnished resources to support the following functions: general government (\$4,278,915), police and fire (\$2,348,349), Powell Bill and street maintenance (\$1,729,949), economic and physical development (\$1,324,965), and culture and recreation (\$373,267).

2023 Governmental Activities Revenues - \$101,558,297



2023
Expenses and Program Revenues - Governmental Activities

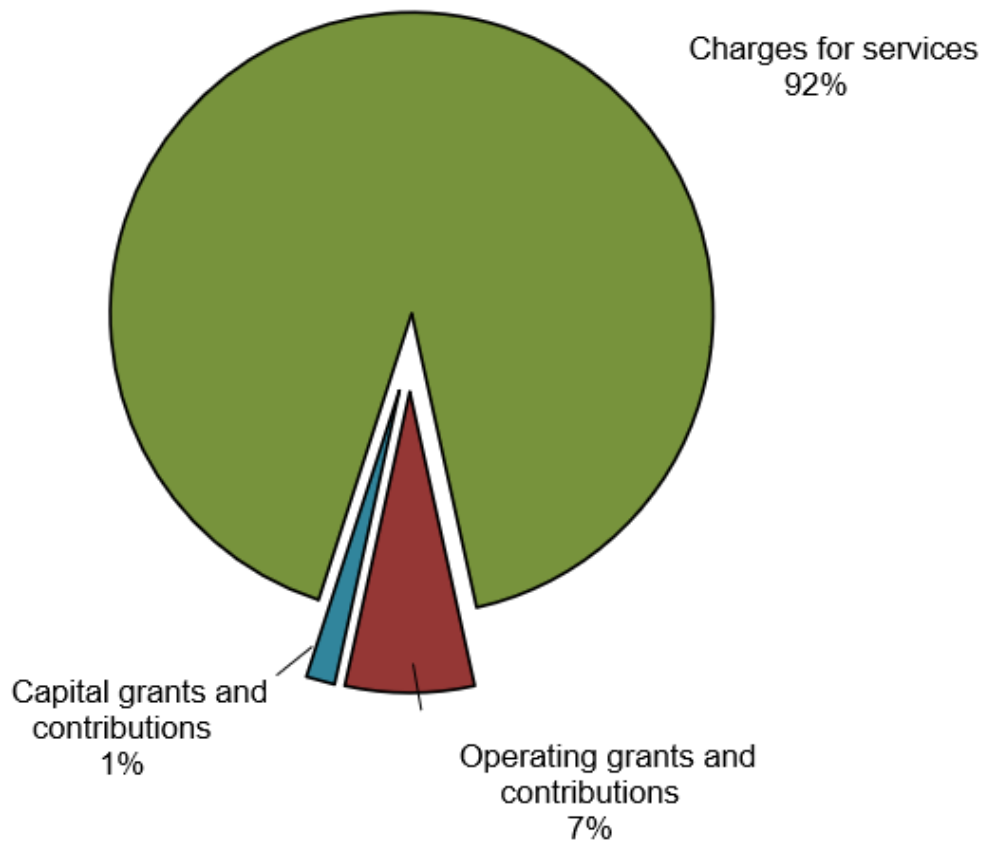


Business-Type Activities - Business-type activities increased the City of Hickory's net position by \$7,209,850.

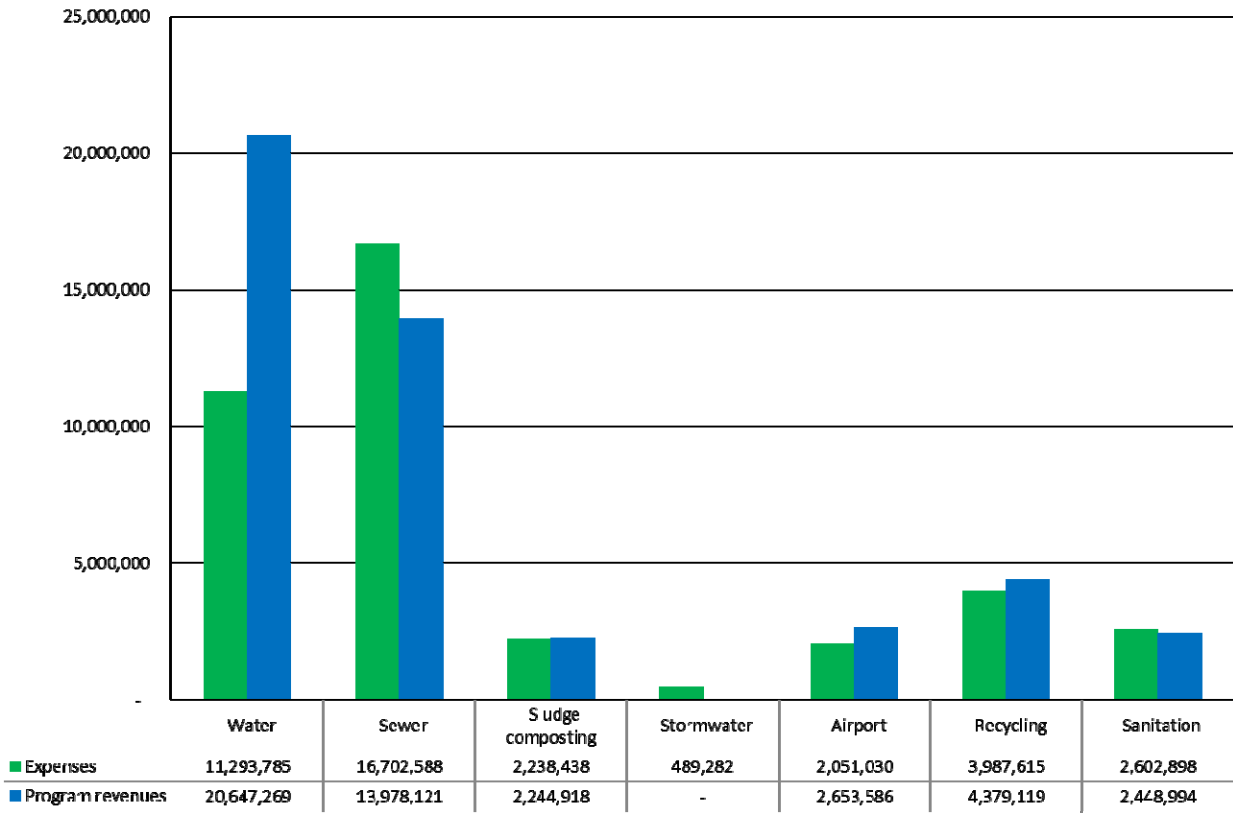
Summaries of these include:

- Programs revenues decreased by \$3,027,583, or 15.31%.
- Capital grants and contributions for business-type activities totaled \$714,301. The grant awards and contributions furnished resources to support the following activities: water \$0, sewer \$271,632, and airport \$442,669.
- Transfers to business type activities were \$620,902 to fund capital projects.

2023 Business-type Activities Revenues - \$47,196,388



2023 Expenses and Program Revenues - Business-type Activities



Financial Analysis of the Funds

As noted earlier, the City of Hickory uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Hickory’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 Hickory’s financing requirements.

As of the end of the current fiscal year, the City of Hickory’s governmental funds reported combined ending fund balances of \$87,740,996, this increased by \$17,570,513 in comparison with the prior year. Of this total amount, \$24,117,786 constitutes *unassigned fund balance*, has no constraints on its use. The remainder of fund balance is broken down as follows:

- Non-Spendable: \$2,098,251 - resources not in spendable form, for example, inventories and prepaid items.
- Restricted: \$30,277,489 - resources specifically restricted by provider.
- Committed: \$30,064,470 - resources committed by formal action of governing body.
- Assigned: \$1,183,000 - resources assigned by the intent of use, not by formal enactment.

General Fund. The General Fund is the chief operating fund of the City of Hickory. At the end of the fiscal year, fund balance available in the General Fund was \$35,030,029. Total fund balance overall was \$52,938,215. As a measure of the fund's liquidity, it may be useful to compare both *available* fund balance and *total* fund balance to total fund expenditures. Available fund balance represents 37% of total General Fund expenditures, while total fund balance represents 67% to that same amount.

The fund balance of the City of Hickory's General Fund increased by \$11,618,044 during the current fiscal year.

Summaries of these include:

- General government expenditures increased \$7,731,832 largely due to inflationary cost pressures in the overall economy as well as annual debt service payments on the 2018, 2019, and 2021 General Obligation Bond issues.
- American Rescue Plan Act (ARPA) funds were established in a new fund this year. Total amount received during FY 2023 was \$4,118,501. The City used these monies to reimburse public safety salary expenses incurred by the city during FY 2023.

Proprietary Funds. The City of Hickory's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$23,275,544. The total increase in net position was \$5,131,462. The Transportation Fund had an unrestricted net position of \$1,623,666, with an increase in net position of \$2,171,119. Unrestricted net position of the Solid Waste Fund amounted to \$914,685, with total net position reflecting an increase of \$337,469. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Hickory's business-type activities.

Budgetary Highlights

General Fund. The difference between the original budget and the final amended budget was \$22,895,326 and can be briefly summarized as follows:

- \$14,059,157 in increases allocated to general governmental activities.
- \$2,190,676 in increases allocated to public safety.
- \$1,8488,529 in increases allocated to transportation.
- \$875,631 in increases allocated to economic and physical development.
- \$670,778 in increases allocated to culture and recreation.
- \$1,000,000 in decreases for contingency.
- \$208,833 in increases for debt service.
- \$4,401,722 in increases for Other Financing Uses.

The General Fund recognized a positive variance of \$10,902,311 between the final amended budget and the total actual expenditures. This variance can be summarized as follows:

- Approximately \$2 million of the variance is due to reduced costs of salary and benefits because of retirements, vacancies, and elimination of positions.
- Approximately \$5,076,386 remained encumbered for capital equipment and vehicles, which were not delivered before June 30.
- The remaining variance is the result of a variety of activities and is individually insignificant.

General Capital Projects Fund. The General Capital Projects Fund saw a total of \$8,334,509 in additional budgeted expenditures for the fiscal year ending June 30, 2023. The following general capital projects contributed to key increases:

- The establishment of the Northeast Wastewater Treatment Facility FEMA Project in the amount of \$1,156,200. Funding for this project comes from Federal Emergency Management Agency (FEMA) Grant revenues.
- The establishment of the Henry River Pump Station Project in the amount of \$254,200. Funding sources include Federal Emergency Management Agency (FEMA) Grants and Water & Sewer Fund revenues.
- The establishment of Project Star in the amount of \$1,181,000. Funding sources include Catawba County revenues and City of Hickory revenues.
- The establishment of the US 70-4th St Dr SW Project in the amount of \$39,566.
- The establishment of the 2022 Justice Assistance Grant Project in the amount of \$48,295. Funding sources include Police Justice Assistance Grants, City of Hickory, and Catawba County Revenues.
- The establishment of the 2022 Bulletproof Vest Partnership Grant Project \$36,120
- The establishment of the 2022 Non-Federal Reimbursable Agreement (EMAS) Grant Project in the amount of \$48,295
- The following appropriations were made to facilitate continued developments for several existing bond projects:
 - Riverwalk \$199,927
 - Riverwalk NCDOT \$5,200,000
 - Aviation Walk \$3,882,845
 - Trivium Corporate Center East \$11,936

Capital Asset and Debt Administration

Capital Assets. The City of Hickory's investment in capital assets for its governmental and business type activities as of June 30, 2023, amounts to \$331,715,230 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways and bridges. Major capital asset events during the current fiscal year included the following:

- Construction of the Henry Fork Solids Handling Facility.
- Construction of the Murray Basin Sewer Project.
- Purchase of equipment and supplies to improve library services.
- Purchase of specialized equipment for Hickory Police Department.
- Purchase of two tracts of land adjacent to Henry Fork River Park.
- Purchase of property adjacent to the Airport.
- Purchase of playground equipment for Bruce Meisner Park.
- Purchase of property located between Appalachian State University Hickory campus and Hickory Regional Airport.
- Purchase of swift water rescue equipment for the Fire Department.
- Improvements to park properties.
- Improvement to the council chambers.

Additional information on the City of Hickory's capital assets can be found within the *Notes to the Financial Statements* contained in this report.

**Capital Assets
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 19,037,300	\$ 14,536,815	\$ 6,060,520	\$ 6,015,790	\$ 25,097,820	\$ 20,552,605
Land improvements	-	-	7,068,587	7,068,587	7,068,587	7,068,587
Buildings and improvements	17,179,056	18,443,417	24,219,607	25,263,767	\$ 41,398,663	43,707,184
Equipment	3,574,881	3,063,246	6,197,486	6,266,492	9,772,367	9,329,738
Vehicles	4,355,576	3,719,776	3,182,263	3,561,607	\$ 7,537,839	7,281,383
Road network	7,679,148	8,371,961	3,431,308	3,681,824	11,110,456	12,053,785
Operating plants	-	-	17,359,657	17,930,791	\$ 17,359,657	17,930,791
Waterlines	-	-	28,829,823	29,768,104	28,829,823	29,768,104
Sewerlines	-	-	33,951,318	34,084,489	\$ 33,951,318	34,084,489
Construction in progress	105,222,725	81,204,775	39,962,157	23,188,929	145,184,882	104,393,704
Right to use leased/subscription	4,399,050	-	4,767	-	\$ 4,403,817	104,393,704
Total Capital Assets	<u>\$ 161,447,737</u>	<u>\$ 129,339,990</u>	<u>\$ 170,267,493</u>	<u>\$ 156,830,380</u>	<u>\$ 331,715,230</u>	<u>\$ 286,170,370</u>

Debt

The City's bond rating is Aa1 and AA+ by Moody's Investors Service and S&P Global Ratings, respectively. Gross debt obligations of the City are \$85,786,371 as of June 30, 2023. Gross debt consists of installment purchase agreements of \$26,394,130, notes payable of \$16,838,794, general obligation bonds \$34,250,000, unamortized bond discount/premium \$4,055,460, leases of \$3,186,891 and subscriptions of \$1,061,096.

The City's legal debt cannot exceed 8% of the assessed value of taxable property. The legal debt margin of the City at June 30, 2023 was \$369,560,830.

Installment purchase agreements related to the Airport Museum, Riverwalk, Hickory Metro Convention Center expansion, and Multiple General Funds amount to \$21,652,326 and are obligations of the General Fund. Water and sewer line extensions related to Annexation Area II, and Henry River Basin sewer, along with upgrades to the Hickory-Catawba Wastewater Treatment Plant amount to \$4,741,804 and are obligations of the Water and Sewer Fund. Notes payable amounting to \$16,838,794 for low interest loans related to water and sewer capital improvements are recorded as obligations of the Water and Sewer Fund.

Debt service costs comprise 8% of expenditures of the General Fund and 9.63% of the Water and Sewer Fund.

At the end of the current fiscal year, the City of Hickory had \$34,250,000 in bonded debt outstanding.

The City of Hickory's total debt increased by \$25,460,637 during the current fiscal year.

Additional information relating to debt service activity, intergovernmental agreements on repayment and historical information concerning the City’s debt position can be found within the *Notes to the Financial Statements* contained in this report.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Accrued law enforcement officer's unfunded retirement contribution	\$ 4,463,232	\$ 5,237,111	\$ -	\$ -	\$ 4,463,232	\$ 5,237,111
Compensated absences	2,653,048	2,569,507	609,740	559,723	3,262,788	3,129,230
Unfunded OPEB obligations	13,542,904	16,943,942	4,068,224	5,089,880	17,611,128	22,033,822
Net pension liability (LGERS)	18,563,128	5,253,148	4,354,609	1,236,570	22,917,737	6,489,718
Installment purchase agreements	21,652,326	8,383,553	4,741,804	6,073,764	26,394,130	14,457,317
Notes Payable	-	-	16,838,794	15,577,800	16,838,794	15,577,800
Bonds Payable	34,250,000	36,250,000	-	-	34,250,000	36,250,000
Unamortized Discount/Premium	4,055,460	4,288,700	-	-	4,055,460	4,288,700
Leases	3,186,891	1,113,427	-	3,494	3,186,891	1,116,921
Subscriptions	1,056,082	-	5,014	-	1,061,096	-
Total	\$ 103,423,071	\$ 80,039,388	\$ 30,618,185	\$ 28,541,231	\$ 134,041,256	\$ 108,580,619

Economic Factors and Next Year’s Budget and Rates

- Revenue estimates contained in the City of Hickory’s Fiscal Year 23-24 Annual Budget were developed conservatively in response to continued uncertain economic factors.
- The City of Hickory’s property tax was reduced from 62.75 cents to the revenue neutral property tax rate of 45.5 cents. This rate will provide \$36,600,000 in property tax revenue. The property tax base is estimated to be \$8,043,956,044.
- There will be slight increases to City charges and fees. Inflationary pressures continue impacting the municipal product and services market during 2023.

The original budget for Fiscal Year 2023 increased 8.6% over the previous fiscal year. This funding level provides for the continuation of all basic City services, appropriations for the City’s long range master plans, contingency appropriations to address unanticipated expenses, and continued appropriations to the Capital Reserve Fund for future capital needs.

Going into Fiscal Year 2024, the City of Hickory has appropriated \$1,251,232 of unassigned General Fund Balance to finance the general operations of the City.

Request for Information

This financial report is designed to provide a general overview of the City of Hickory’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Hickory, Finance Department, PO Box 398, Hickory, North Carolina 28603.

Basic Financial Statements

HICKORY



North Carolina

CITY OF HICKORY, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 65,845,958	\$ 35,775,130	\$ 101,621,088
Taxes receivable, net	376,636	-	376,636
Accounts receivable, net	11,221,898	4,325,543	15,547,441
Note receivable	1,344,000	-	1,344,000
Due from other governments	4,885,263	1,056,840	5,942,103
Lease receivable	466,209	54,119	520,328
Internal balances	1,701,632	(1,701,632)	-
Inventories	357,643	667,633	1,025,276
Prepaid items	871,989	29,706	901,695
Cash and cash equivalents, restricted	29,654,502	737,835	30,392,337
Capital assets:			
Right to use lease and subscription assets, net of amortization	4,399,050	4,767	4,403,817
Land and construction in progress	124,260,025	53,091,264	177,351,289
Other capital assets, net of depreciation	32,788,662	117,171,462	149,960,124
Total assets	<u>278,173,467</u>	<u>211,212,667</u>	<u>489,386,134</u>
Deferred Outflows of Resources:			
OPEB deferrals	2,475,802	743,720	3,219,522
Pension deferrals	13,303,920	2,848,078	16,151,998
Total deferred outflows of resources	<u>15,779,722</u>	<u>3,591,798</u>	<u>19,371,520</u>
Liabilities:			
Accounts payable and accrued liabilities	8,783,460	6,226,755	15,010,215
Prepaid fees	1,001	163,794	164,795
Liabilities to be paid from restricted assets:			
Customer deposits	106,794	737,835	844,629
Due within one year	6,823,138	3,237,406	10,060,544
Advance from grantor	15,208,930	-	15,208,930
Due in more than one year	61,058,485	19,214,055	80,272,540
Net pension liability - LGERS	18,563,128	4,354,609	22,917,737
Total pension liability - LEOWSA	4,287,990	-	4,287,990
Total OPEB liability	12,690,330	3,812,115	16,502,445
Total liabilities	<u>127,523,256</u>	<u>37,746,569</u>	<u>165,269,825</u>
Deferred Inflows of Resources:			
Pension deferrals	1,314,457	84,429	1,398,886
OPEB deferrals	4,514,103	1,356,015	5,870,118
Leases	453,203	53,761	506,964
Prepaid taxes	4,287	-	4,287
Total deferred inflows of resources	<u>6,286,050</u>	<u>1,494,205</u>	<u>7,780,255</u>
Net Position:			
Net investment in capital assets	126,850,916	148,681,881	275,532,797
Restricted for:			
Stabilization by state statute	15,809,935	-	15,809,935
Public safety	128,776	-	128,776
Economic and development	79,560	-	79,560
Unrestricted	17,274,696	26,881,810	44,156,506
Total net position	<u>\$ 160,143,883</u>	<u>\$ 175,563,691</u>	<u>\$ 335,707,574</u>

The accompanying notes are an integral part of the financial statements.

CITY OF HICKORY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 21,733,946	\$ 11,181,928	\$ 4,278,915	\$ -
Public safety	28,398,569	1,283,810	2,348,349	-
Transportation	6,273,665	29,562	1,729,949	16,814,025
Economic and physical development	4,799,265	76,185	1,226,508	-
Culture and recreation	5,442,288	409,982	373,267	-
Interest on long-term debt	1,327,364	-	-	-
Total governmental activities	<u>67,975,097</u>	<u>12,981,467</u>	<u>9,956,988</u>	<u>16,814,025</u>
Business-Type Activities:				
Water	11,293,785	20,463,944	183,325	-
Sewer	16,702,588	13,366,027	340,462	271,632
Sludge composting	2,238,438	16,571	2,228,347	-
Stormwater	489,282	-	-	-
Airport	2,051,030	1,790,242	420,675	442,669
Recycling	3,987,615	4,345,692	33,427	-
Sanitation	2,602,898	2,448,994	-	-
Total business-type activities	<u>39,365,636</u>	<u>42,431,470</u>	<u>3,206,236</u>	<u>714,301</u>
Total primary government	<u>\$ 107,340,733</u>	<u>\$ 55,412,937</u>	<u>\$ 13,163,224</u>	<u>\$ 17,528,326</u>

The accompanying notes are an integral part of the financial statements.

CITY OF HICKORY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Functions/Programs:			
Primary Government:			
Governmental Activities:			
General government	\$ (6,273,103)	\$ -	\$ (6,273,103)
Public safety	(24,766,410)	-	(24,766,410)
Transportation	12,299,871	-	12,299,871
Economic and physical development	(3,496,572)	-	(3,496,572)
Culture and recreation	(4,659,039)	-	(4,659,039)
Interest on long-term debt	(1,327,364)	-	(1,327,364)
Total governmental activities	<u>(28,222,617)</u>	<u>-</u>	<u>(28,222,617)</u>
Business-Type Activities:			
Water	-	9,353,484	9,353,484
Sewer	-	(2,724,467)	(2,724,467)
Sludge composting	-	6,480	6,480
Stormwater	-	(489,282)	(489,282)
Airport	-	602,556	602,556
Recycling	-	391,504	391,504
Sanitation	-	(153,904)	(153,904)
Total business-type activities	<u>-</u>	<u>6,986,371</u>	<u>6,986,371</u>
Total primary government	<u>(28,222,617)</u>	<u>6,986,371</u>	<u>(21,236,246)</u>
General Revenues:			
Ad valorem taxes	36,117,756	-	36,117,756
Sales taxes	16,729,817	-	16,729,817
Franchise taxes	3,641,468	-	3,641,468
Telecommunication tax	587,773	-	587,773
Motel/occupancy tax	2,494,794	-	2,494,794
Vehicle tag tax	156,766	-	156,766
Gross receipts tax	281,962	-	281,962
Unrestricted intergovernmental	624,384	-	624,384
Donations	-	468,092	468,092
Unrestricted investment earnings	1,072,640	376,289	1,448,929
Total general revenues, excluding transfers	61,707,360	844,381	62,551,741
Transfers	<u>620,902</u>	<u>(620,902)</u>	<u>-</u>
Total general revenues and transfers	<u>62,328,262</u>	<u>223,479</u>	<u>62,551,741</u>
Change in net position	34,105,645	7,209,850	41,315,495
Net Position:			
Beginning of year - July 1	<u>126,038,238</u>	<u>168,353,841</u>	<u>294,392,079</u>
End of year - June 30	<u>\$ 160,143,883</u>	<u>\$ 175,563,691</u>	<u>\$ 335,707,574</u>

The accompanying notes are an integral part of the financial statements.

CITY OF HICKORY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	Major			Nonmajor Governmental Funds	Total
	General Fund	Capital Projects Fund	American Rescue Plan Act Fund		
Assets:					
Current assets:					
Cash and cash equivalents	\$ 46,931,653	\$ 13,352,564	\$ -	\$ 64,805	\$ 60,349,022
Taxes receivable, net	376,636	-	-	-	376,636
Accounts receivable, net	993,254	8,826,623	-	657,998	10,477,875
Notes receivable	200,000	-	-	-	200,000
Lease receivable	148,546	-	-	-	148,546
Due from other governmental agencies	3,293,697	205,180	-	246,351	3,745,228
Due from other funds	3,423,039	-	-	-	3,423,039
Inventory	180,039	-	-	-	180,039
Prepaid items	561,206	307,824	-	-	869,030
Restricted cash and equivalents	106,794	29,468,148	-	79,560	29,654,502
Total current assets	<u>56,214,864</u>	<u>52,160,339</u>	<u>-</u>	<u>1,048,714</u>	<u>109,423,917</u>
Non-current assets:					
Other receivable	-	-	-	699,123	699,123
Lease receivable	317,663	-	-	-	317,663
Notes receivable	1,144,000	-	-	-	1,144,000
Total non-current assets	<u>1,461,663</u>	<u>-</u>	<u>-</u>	<u>699,123</u>	<u>2,160,786</u>
Total assets	<u>\$ 57,676,527</u>	<u>\$ 52,160,339</u>	<u>\$ -</u>	<u>\$ 1,747,837</u>	<u>\$ 111,584,703</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 3,710,093	\$ 2,285,001	\$ -	\$ 20,357	\$ 6,015,451
Prepaid fees	87,299	-	-	-	87,299
Due to other funds	-	-	-	483,724	483,724
Advance from grantor	-	15,208,930	-	-	15,208,930
Liabilities to be paid from restricted assets:					
Customer deposits	106,794	-	-	-	106,794
Total current liabilities	<u>3,904,186</u>	<u>17,493,931</u>	<u>-</u>	<u>504,081</u>	<u>21,902,198</u>
Deferred Inflows of Resources:					
Property taxes receivable	376,636	-	-	-	376,636
Unavailable revenues	-	-	-	819,917	819,917
Prepaid taxes	4,287	-	-	-	4,287
Lease	453,203	-	-	-	453,203
Economic development receivable	-	-	-	287,466	287,466
Total deferred inflows of resources	<u>834,126</u>	<u>-</u>	<u>-</u>	<u>1,107,383</u>	<u>1,941,509</u>
Fund Balances:					
Non-spendable	2,098,251	-	-	-	2,098,251
Restricted for:					
Stabilization by state statute	15,809,935	-	-	-	15,809,935
Restricted, all other	128,776	14,259,218	-	79,560	14,467,554
Committed	9,492,329	20,407,190	-	164,951	30,064,470
Assigned	1,183,000	-	-	-	1,183,000
Unassigned	24,225,924	-	-	(108,138)	24,117,786
Total fund balances	<u>52,938,215</u>	<u>34,666,408</u>	<u>-</u>	<u>136,373</u>	<u>87,740,996</u>
Total liabilities, deferred inflow of resources, and fund balances	<u>\$ 57,676,527</u>	<u>\$ 52,160,339</u>	<u>\$ -</u>	<u>\$ 1,747,837</u>	<u>\$ 111,584,703</u>

The accompanying notes are an integral part of the financial statements.

CITY OF HICKORY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	<u>Total</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Total fund balances - modified accrual (see above)	\$ 87,740,996
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	156,798,713
Right to use leased and subscription assets, net of amortization	4,399,050
Total pension liability - LEOSSA	(4,463,232)
Net pension liability - LGERS	(18,208,982)
Total OPEB liability	(13,221,729)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	3,461,986
OPEB related deferrals	(1,989,961)
Accrual of interest revenue on delinquent taxes does not represent current financial resources and, therefore, is not reported in the funds.	21,657
Low income housing loans are not available to represent current financial resources and, therefore, are not reported in the funds.	556
Accrual of interest payable for debt reported in the Statement of Net Position does not require the use of current financial resources and, therefore, is not reported in the funds.	(787,347)
Other receivables are not available to pay for current period expenditures and are recognized as deferred inflows in the funds.	2,621,237
Pension related deferrals	8,307,285
Internal services funds are used by management to charge the costs of insurance and fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position in the fund statements until collected.	2,280,919
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(66,817,265)</u>
Net position of governmental activities	<u>\$ 160,143,883</u>

The accompanying notes are an integral part of the financial statements.

CITY OF HICKORY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Major			Nonmajor Governmental Funds	Total
	General Fund	Capital Projects Fund	American Rescue Plan Act Fund		
Revenues:					
Ad valorem taxes	\$ 36,123,887	\$ -	\$ -	\$ -	\$ 36,123,887
Other taxes	23,867,018	-	-	-	23,867,018
Unrestricted intergovernmental revenues	624,384	-	-	-	624,384
Restricted intergovernmental revenues	4,919,587	16,485,423	4,118,501	626,091	26,149,602
Licenses and permits	4,755	-	-	-	4,755
Sales and services	1,428,329	-	-	-	1,428,329
Investment earnings	485,578	525,986	-	1,296	1,012,860
Miscellaneous	2,290,785	328,602	-	20,175	2,639,562
Total revenues	<u>69,744,323</u>	<u>17,340,011</u>	<u>4,118,501</u>	<u>647,562</u>	<u>91,850,397</u>
Expenditures:					
Current:					
General government	19,842,712	-	-	-	19,842,712
Public safety	28,139,026	-	-	30,245	28,169,271
Transportation	6,121,681	-	-	-	6,121,681
Economic and physical development	4,198,488	-	-	596,638	4,795,126
Culture and recreation	4,446,596	-	-	-	4,446,596
Capital outlay	-	24,363,115	-	-	24,363,115
Debt service:					
Principal retirement	2,866,227	-	-	-	2,866,227
Lease and subscription principal retirement	794,653	359,891	-	-	1,154,544
Interest and fees	1,551,106	9,498	-	-	1,560,604
Total expenditures	<u>67,960,489</u>	<u>24,732,504</u>	<u>-</u>	<u>626,883</u>	<u>93,319,876</u>
Revenues over (under) expenditures	<u>1,783,834</u>	<u>(7,392,493)</u>	<u>4,118,501</u>	<u>20,679</u>	<u>(1,469,479)</u>
Other Financing Sources (Uses):					
Transfers in	12,608,799	3,530,218	-	18,060	16,157,077
Transfers out	(6,337,295)	(5,080,371)	(4,118,501)	(8)	(15,536,175)
Lease and subscription liability issued	3,562,706	721,384	-	-	4,284,090
Issuance of long-term debt	-	14,135,000	-	-	14,135,000
Total other financing sources (uses)	<u>9,834,210</u>	<u>13,306,231</u>	<u>(4,118,501)</u>	<u>18,052</u>	<u>19,039,992</u>
Net change in fund balances	11,618,044	5,913,738	-	38,731	17,570,513
Fund Balances:					
Beginning of year - July 1	<u>41,320,171</u>	<u>28,752,670</u>	<u>-</u>	<u>97,642</u>	<u>70,170,483</u>
End of year - June 30	<u>\$ 52,938,215</u>	<u>\$ 34,666,408</u>	<u>\$ -</u>	<u>\$ 136,373</u>	<u>\$ 87,740,996</u>

The accompanying notes are an integral part of the financial statements.

CITY OF HICKORY, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Net change in fund balances - total governmental funds per Exhibit D	\$ 17,570,513
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 and amortization expense:	
Capitalized capital outlays	39,422,837
Depreciation and amortization expense	(7,574,775)
In the Statement of Activities, only the gain or loss on the reduction of capital assets is reported; whereas, in governmental funds, the proceeds of the sale increase the financial resources. Thus, the changes in net assets differs from the change in fund balance by the cost of the assets less any depreciation or amortization.	
Disposal of capital assets	(853,078)
Revenues in the Statement of Activities that do not provide current financial resources in the current year are not reported as revenues in the funds.	863,319
Pension expense - LGERS	3,286,744
Pension expense - LEOSSA	1,130,685
Debt proceeds provide current financial resources to governmental funds, but issuance of debt increases long-term liabilities in the Statement of Net Position.	(18,419,090)
Governmental funds report the effect of issuance cost, premium, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.	233,240
OPEB plan expense	2,417,088
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	4,020,771
Accrual of compensated absences reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.	(80,937)
Pension expenses reported in the Statement of Activities does not require the use of current financial resources, and, therefore is not reported as an expenditure in the governmental funds.	(7,041,470)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet maintenance, to individual funds. The change in net position of certain internal service funds is reported with governmental activities.	<u>(870,202)</u>
Change in net position of governmental activities per Exhibit B	<u>\$ 34,105,645</u>

The accompanying notes are an integral part of the financial statements.

CITY OF HICKORY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 34,321,707	\$ 34,321,707	\$ 36,123,887	\$ 1,802,180
Other taxes	20,605,321	21,155,321	23,867,018	2,711,697
Unrestricted intergovernmental revenues	752,250	752,250	624,384	(127,866)
Restricted intergovernmental revenues	2,591,725	4,419,388	4,919,587	500,199
Licenses and permits	4,500	4,500	4,755	255
Sales and services	1,251,607	1,461,568	1,428,329	(33,239)
Investment earnings	100,000	100,000	383,868	283,868
Miscellaneous	381,000	2,097,917	2,490,785	392,868
Total revenues	<u>60,008,110</u>	<u>64,312,651</u>	<u>69,842,613</u>	<u>5,529,962</u>
Expenditures:				
Current:				
General government	12,073,561	28,884,526	19,842,712	9,041,814
Public safety	28,390,638	30,581,314	28,139,026	2,442,288
Transportation	6,957,872	8,446,401	6,121,681	2,324,720
Economic and physical development	4,115,737	4,491,368	4,198,488	292,880
Culture and recreation	4,400,488	5,071,266	4,446,596	624,670
Debt service:				
Principal	2,815,000	2,866,333	2,866,227	106
Lease principal	-	794,653	794,653	-
Interest and fees	1,377,361	1,551,106	1,551,106	-
Contingency	1,000,000	-	-	-
Total expenditures	<u>61,130,657</u>	<u>82,686,967</u>	<u>67,960,489</u>	<u>14,726,478</u>
Revenues over (under) expenditures	<u>(1,122,547)</u>	<u>(18,374,316)</u>	<u>1,882,124</u>	<u>20,256,440</u>
Other Financing Sources (Uses):				
Lease liability issued	-	3,562,706	3,562,706	-
Transfers in	1,000,000	11,400,353	11,153,125	(247,228)
Transfers (out)	<u>(2,010,778)</u>	<u>(6,412,500)</u>	<u>(6,337,295)</u>	<u>75,205</u>
Total other financing sources (uses)	<u>(1,010,778)</u>	<u>8,550,559</u>	<u>8,378,536</u>	<u>(172,023)</u>

The accompanying notes are an integral part of the financial statements.

CITY OF HICKORY, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund			Variance with Final Budget Over/Under
	Budgeted Amounts		Actual	
	Original	Final		
Revenues and other financing sources over (under) expenditures and other financing uses	(2,133,325)	(9,823,757)	10,260,660	20,084,417
Appropriated fund balance	<u>2,133,325</u>	<u>9,823,757</u>	-	<u>(9,823,757)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	10,260,660	<u>\$ 10,260,660</u>
 Reconciliation from Budgetary Basis of Accounting to Modified Accrual Basis:				
Current year note receivable payments			<u>(200,000)</u>	
Net change in fund balance modified accrual			10,060,660	
 Fund Balance:				
Beginning of year - July 1			<u>33,385,226</u>	
End of year - June 30			<u>\$ 43,445,886</u>	
 A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Revenue			\$ 101,710	
Transfer to other funds			(1,508,326)	
Transfer from other funds			2,964,000	
Fund balance, beginning of year - Capital Reserve Fund			<u>7,934,945</u>	
Fund balance, end of year - Combined General Fund			<u>\$ 52,938,215</u>	

The accompanying notes are an integral part of the financial statements.

CITY OF HICKORY, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	Business-Type Activities				Total	Governmental
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	Nonmajor Enterprise Funds		Internal Service Funds
Assets:						
Current assets:						
Cash and cash equivalents	\$ 28,016,950	\$ 2,761,281	\$ 2,841,067	\$ 2,155,832	\$ 35,775,130	\$ 5,496,936
Accounts receivable, net	3,981,315	78,385	263,688	2,155	4,325,543	22,687
Lease receivable	-	54,119	-	-	54,119	-
Inventory	540,061	127,572	-	-	667,633	177,604
Due from other governments	930,846	33,908	30,931	61,155	1,056,840	89,115
Prepaid items	27,396	502	75	1,733	29,706	2,959
Restricted cash	737,835	-	-	-	737,835	-
Total current assets	<u>34,234,403</u>	<u>3,055,767</u>	<u>3,135,761</u>	<u>2,220,875</u>	<u>42,646,806</u>	<u>5,789,301</u>
Non-current assets:						
Right to use assets, net of amortization	4,767	-	-	-	4,767	-
Land and construction in progress	36,116,924	16,829,316	-	145,024	53,091,264	-
Other capital assets, net of depreciation	107,096,235	3,224,896	2,570,590	4,279,741	117,171,462	249,974
Total non-current assets	<u>143,217,926</u>	<u>20,054,212</u>	<u>2,570,590</u>	<u>4,424,765</u>	<u>170,267,493</u>	<u>249,974</u>
Total assets	<u>177,452,329</u>	<u>23,109,979</u>	<u>5,706,351</u>	<u>6,645,640</u>	<u>212,914,299</u>	<u>6,039,275</u>
Deferred Outflows of Resources:						
OPEB deferrals	513,754	48,929	176,144	4,893	743,720	58,714
Pension deferrals	1,972,821	214,681	614,321	46,255	2,848,078	236,408
Total deferred outflows of resources	<u>2,486,575</u>	<u>263,610</u>	<u>790,465</u>	<u>51,148</u>	<u>3,591,798</u>	<u>295,122</u>
Liabilities:						
Current liabilities:						
Accounts payable and accrued liabilities	5,416,891	103,580	511,882	194,402	6,226,755	1,980,662
Current portion of long-term debt	2,782,656	30,665	167,976	-	2,981,297	21,954
Current portion of total OPEB liability	176,918	16,849	60,657	1,685	256,109	38,495
Due to other funds	-	20,555	-	-	20,555	2,138,708
Prepaid fees	163,794	-	-	-	163,794	-
Liabilities to be paid from restricted assets:						
Customer deposits	737,835	-	-	-	737,835	-
Total current liabilities	<u>9,278,094</u>	<u>171,649</u>	<u>740,515</u>	<u>196,087</u>	<u>10,386,345</u>	<u>4,179,819</u>
Non-current liabilities due in more than one year:						
Net pension liability	3,022,446	327,925	932,688	71,550	4,354,609	354,146
Total OPEB liability	2,633,368	250,795	902,871	25,081	3,812,115	282,680
Compensated absences payable	236,446	15,557	87,805	1,113	340,921	14,588
Due to other funds	-	780,052	-	-	780,052	-
Non-current portion of long-term debt	18,873,134	-	-	-	18,873,134	-
Total non-current liabilities	<u>24,765,394</u>	<u>1,374,329</u>	<u>1,923,364</u>	<u>97,744</u>	<u>28,160,831</u>	<u>651,414</u>
Total liabilities	<u>34,043,488</u>	<u>1,545,978</u>	<u>2,663,879</u>	<u>293,831</u>	<u>38,547,176</u>	<u>4,831,233</u>

The accompanying notes are an integral part of the financial statements.

CITY OF HICKORY, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	Business-Type Activities				Total	Governmental
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	Nonmajor Enterprise Funds		Internal Service Funds
Deferred Inflows of Resources:						
Leases	-	53,761	-	-	53,761	-
OPEB deferrals	936,721	89,212	321,161	8,921	1,356,015	107,054
Pension deferrals	50,837	6,760	26,501	331	84,429	16,216
Total deferred inflows of resources	<u>987,558</u>	<u>149,733</u>	<u>347,662</u>	<u>9,252</u>	<u>1,494,205</u>	<u>123,270</u>
Net Position:						
Net investment in capital assets	121,632,314	20,054,212	2,570,590	4,424,765	148,681,881	249,974
Unrestricted	<u>23,275,544</u>	<u>1,623,666</u>	<u>914,685</u>	<u>1,968,940</u>	<u>27,782,835</u>	<u>1,129,920</u>
Total net position	<u>\$ 144,907,858</u>	<u>\$ 21,677,878</u>	<u>\$ 3,485,275</u>	<u>\$ 6,393,705</u>	<u>\$ 176,464,716</u>	<u>\$ 1,379,894</u>
Total net position - proprietary funds presentation					\$ 176,464,716	
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds					(901,025)	
Net position of business-type activities - government-wide					<u>\$ 175,563,691</u>	

The accompanying notes are an integral part of the financial statements.

CITY OF HICKORY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities				Total	Governmental
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	Nonmajor Enterprise Funds		Internal Service Funds
Operating Revenues:						
Other taxes	\$ -	\$ -	\$ 33,427	\$ -	\$ 33,427	\$ -
Restricted intergovernmental	-	294,413	-	2,228,347	2,522,760	-
Charges for services	33,526,920	1,795,820	6,760,394	19,007	42,102,141	10,301,940
Other operating revenues	1,013,392	-	1,776	-	1,015,168	30,096
Total operating revenues	34,540,312	2,090,233	6,795,597	2,247,354	45,673,496	10,332,036
Operating Expenses:						
Administration and engineering	9,917,534	-	-	124,635	10,042,169	-
Collection system	1,750,094	-	-	-	1,750,094	-
Henry Fork plant	1,155,001	-	-	-	1,155,001	-
Northeast plant	1,193,935	-	-	-	1,193,935	-
Water treatment plant	3,025,849	-	-	-	3,025,849	-
Pre-treatment and lab	646,057	-	-	-	646,057	-
Distribution	3,287,033	-	-	-	3,287,033	-
Sludge plant	-	-	-	1,888,263	1,888,263	-
Street	-	-	-	36,649	36,649	-
Drainage maintenance	-	-	-	77,300	77,300	-
Claremont sewer lines	370,232	-	-	-	370,232	-
Hickory-Catawba wastewater treatment plant	537,883	-	-	-	537,883	-
Airport	-	741,496	-	-	741,496	-
Airport tower	-	17,009	-	-	17,009	-
Airport FBO	-	894,625	-	-	894,625	-
Recycling	-	-	3,448,890	-	3,448,890	-
Residential sanitation	-	-	1,154,474	-	1,154,474	-
Commercial sanitation	-	-	1,096,774	-	1,096,774	-
Health insurance	-	-	-	-	-	5,263,178
Property/casualty insurance	-	-	-	-	-	927,700
Workers' compensation	-	-	-	-	-	1,064,408
Dental insurance	-	-	-	-	-	455,051
Other insurance	-	-	-	-	-	90,345
Fleet maintenance	-	-	-	-	-	3,645,075
Depreciation and amortization	5,766,256	397,858	890,375	600,691	7,655,180	47,230
Total operating expenses	27,649,874	2,050,988	6,590,513	2,727,538	39,018,913	11,492,987
Operating income (loss)	6,890,438	39,245	205,084	(480,184)	6,654,583	(1,160,951)
Non-Operating Revenues (Expenses):						
Federal and State grants	-	126,262	-	-	126,262	-
Donations	468,092	-	-	-	468,092	-
Investment earnings	337,052	7,037	24,803	7,397	376,289	59,780
Miscellaneous	-	48	142	-	190	-
Gain (loss) on disposal of capital assets	3,225	-	68,545	-	71,770	-
Interest on long-term debt	(349,724)	(42)	-	-	(349,766)	-
Total non-operating revenues (expenses)	458,645	133,305	93,490	7,397	692,837	59,780

The accompanying notes are an integral part of the financial statements.

CITY OF HICKORY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities				Total	Governmental
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	Nonmajor Enterprise Funds		Internal Service Funds
Income (loss) before capital contributions and transfers	7,349,083	172,550	298,574	(472,787)	7,347,420	(1,101,171)
Capital Contributions:						
Capital contributions	271,632	442,669	-	-	714,301	-
Transfers:						
Transfers from other funds	899,087	1,617,713	38,895	273,556	2,829,251	-
Transfers (to) other funds	(3,388,340)	(61,813)	-	-	(3,450,153)	-
Change in net position	5,131,462	2,171,119	337,469	(199,231)	<u>\$ 7,440,819</u>	(1,101,171)
Net Position:						
Beginning of year - July 1	<u>139,776,396</u>	<u>19,506,759</u>	<u>3,147,806</u>	<u>6,592,936</u>		<u>2,481,065</u>
End of year - June 30	<u>\$ 144,907,858</u>	<u>\$ 21,677,878</u>	<u>\$ 3,485,275</u>	<u>\$ 6,393,705</u>		<u>\$ 1,379,894</u>
Reconciliation with Exhibit B - Change in Net Position - Business-Type Activities:						
Change in net position - fund perspective					\$ 7,440,819	
Internal Service Fund profits allocated to business-type activities					<u>(230,969)</u>	
Change in net position - entity-wide perspective - Exhibit B					<u>\$ 7,209,850</u>	

The accompanying notes are an integral part of the financial statements.

CITY OF HICKORY, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities				Total	Governmental
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	Nonmajor Enterprise Funds		Internal Service Funds
Cash Flows from Operating Activities:						
Cash received from customers and users	\$ 35,831,789	\$ 2,186,376	\$ 6,802,502	\$ 2,280,307	\$ 47,100,974	\$ 10,319,499
Cash paid to suppliers	(12,363,575)	(1,124,530)	(3,265,513)	(2,006,226)	(18,759,844)	(10,128,460)
Cash paid to employees	(6,594,497)	(843,471)	(2,101,615)	(101,316)	(9,640,899)	(711,010)
Net cash provided (used) by operating activities	<u>16,873,717</u>	<u>218,375</u>	<u>1,435,374</u>	<u>172,765</u>	<u>18,700,231</u>	<u>(519,971)</u>
Cash Flows from Non-Capital Financing Activities:						
Donations	468,092	48	-	-	468,140	-
Changes in due to/from other funds	-	115,536	-	-	115,536	216,862
Transfers from other funds	899,087	1,617,713	38,895	273,556	2,829,251	-
Transfers (to) other funds	(3,388,340)	(61,813)	-	-	(3,450,153)	-
Net cash provided (used) by non-capital financing activities	<u>(2,021,161)</u>	<u>1,671,484</u>	<u>38,895</u>	<u>273,556</u>	<u>(37,226)</u>	<u>216,862</u>
Cash Flows from Capital and Related Financing Activities:						
Acquisition and construction of capital assets	(19,268,143)	(1,049,152)	(554,624)	(220,112)	(21,092,031)	(45,780)
Proceeds from sale of assets	-	-	68,545	-	68,545	-
Principal paid on long-term debt	(2,329,485)	(3,494)	(169,755)	-	(2,502,734)	-
Interest paid on long-term debt	(344,398)	(42)	-	-	(344,440)	-
Proceeds from debt issued	2,428,274	-	-	-	2,428,274	-
Federal and State grants	-	126,262	-	-	126,262	-
Capital contributions	271,632	442,669	-	-	714,301	-
Net cash provided (used) by capital and related financing activities	<u>(19,242,120)</u>	<u>(483,757)</u>	<u>(655,834)</u>	<u>(220,112)</u>	<u>(20,601,823)</u>	<u>(45,780)</u>
Cash Flows from Investing Activities:						
Interest on investments	<u>337,052</u>	<u>7,037</u>	<u>24,803</u>	<u>7,397</u>	<u>376,289</u>	<u>59,780</u>
Net increase (decrease) in cash and cash equivalents	(4,052,512)	1,413,139	843,238	233,606	(1,562,529)	(289,109)
Cash and Cash Equivalents:						
Beginning of year - July 1	<u>32,807,297</u>	<u>1,348,142</u>	<u>1,997,829</u>	<u>1,922,226</u>	<u>38,075,494</u>	<u>5,786,045</u>
End of year - June 30	<u>\$ 28,754,785</u>	<u>\$ 2,761,281</u>	<u>\$ 2,841,067</u>	<u>\$ 2,155,832</u>	<u>\$ 36,512,965</u>	<u>\$ 5,496,936</u>

The accompanying notes are an integral part of the financial statements.

CITY OF HICKORY, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities				Total	Governmental
	Water and Sewer Fund	Airport Fund	Solid Waste Fund	Nonmajor Enterprise Funds		Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ 6,890,438	\$ 39,245	\$ 205,084	\$ (480,184)	\$ 6,654,583	\$ (1,160,951)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	5,766,256	397,858	890,375	600,691	7,655,180	47,230
Change in net pension liability	2,161,927	234,922	670,263	50,927	3,118,039	256,277
Change in assets and liabilities:						
(Increase) decrease in accounts receivables	1,227,040	183,082	9,045	32,720	1,451,887	(14,539)
(Increase) decrease in right to use assets	(4,767)	3,487	-	-	(1,280)	-
(Increase) decrease in prepaid items	(2,591)	1,052	(75)	-	(1,614)	(1,181)
(Increase) decrease in inventories	(56,227)	11,611	-	-	(44,616)	(6,930)
Change in deferred outflows for pensions	(735,935)	(79,969)	(228,162)	(17,336)	(1,061,402)	(87,238)
Change in deferred inflows for pensions	98,862	9,416	(374,951)	942	(265,731)	(143,364)
Change in deferred outflows for OPEB	(1,209,402)	(131,417)	33,896	(28,489)	(1,335,412)	11,299
Change in deferred inflows for OPEB	317,495	30,238	108,855	3,024	459,612	36,285
Increase (decrease) in accounts payable	3,048,404	(315,230)	326,687	16,792	3,076,653	621,193
Increase (decrease) in compensated absences	13,529	(238)	36,327	399	50,017	2,605
Change in total OPEB liability	(705,749)	(67,215)	(241,970)	(6,721)	(1,021,655)	(80,657)
Change in deferred inflow leases	-	(92,160)	-	-	(92,160)	-
Increase (decrease) in customer deposits	42,560	(6,307)	-	-	36,253	-
Increase (decrease) in prepaid fees	21,877	-	-	-	21,877	-
Net cash provided (used) by operating activities	<u>\$ 16,873,717</u>	<u>\$ 218,375</u>	<u>\$ 1,435,374</u>	<u>\$ 172,765</u>	<u>\$ 18,700,231</u>	<u>\$ (519,971)</u>
Non-Cash Transactions:						
Right-to-use asset acquired in exchange for lease liability	<u>\$ 5,014</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,014</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

HICKORY



North Carolina

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the City of Hickory (the "City") conform to generally accepted accounting principles (GAAP) as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City is governed by an elected Mayor and a six-member City Council and is a municipal corporation established under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements include all funds, agencies, boards, commissions, and authorities for which the City is financially responsible. There are no component units within the City of Hickory, North Carolina.

B. Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government. Eliminations have been made to minimize the double counting of internal activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Business-type activities are financed in whole by fees charged to external parties.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor 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 and investment earnings, result from non-exchange transactions or ancillary activities.

The government reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, sales taxes, federal and state grants, and user fees. The primary expenditures are for public safety, streets and highways, parks, recreation and sports tourism, libraries, and general governmental

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

services. Debt service payments of general long-term debt are accounted for in the General Fund. Additionally, the City has legally adopted a Capital Reserve Fund under North Carolina General Statutes. However, for statement presentation in accordance with GASB Statement No. 54, the Capital Reserve Fund is consolidated in the General Fund. The budgetary comparison for the Capital Reserve Fund has been included in the supplemental information.

General Capital Projects Fund – The General Capital Projects Fund is used to account for and report financial resources used for the acquisition or construction of major capital facilities and capital assets. The primary revenue and expenditure sources are related to the City’s General Fund activities. The General Capital Projects Fund allows the City to manage General Fund capital related projects over a multi-year period.

American Rescue Plan Act Fund –The American Rescue Plan Act Fund is used to account for the receipt of federal grant funds distributed through the Federal American Rescue Plan (ARP). This program was designed in response to the negative economic impacts suffered by local governments due to the COVID-19 pandemic.

The government reports the following major proprietary funds:

Water and Sewer Enterprise Fund – The Water and Sewer Enterprise Fund accounts for financial resources to be used in operating the water distribution system, the sewage treatment plant, sewage pumping stations, and collection systems.

Airport Enterprise Fund – The Airport Enterprise Fund accounts for financial resources to be used for providing public transportation activities within and around the City limits.

Solid Waste Enterprise Fund – The Solid Waste Enterprise Fund accounts for financial resources to be used for providing residential sanitation, commercial bulk sanitation, and recycling activities of the City.

Additionally, the government reports the following fund type:

Internal Service Funds – Internal service funds account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The City of Hickory has two internal service funds: Insurance Fund and Fleet Maintenance Fund.

Nonmajor Funds – The City maintains the Community Development Entitlement Block Grant Fund, Home Consortium Grant Fund, NCHFA Rental Rehabilitation Grant Fund, Opioid Settlement Fund and the Multi-Year Grants Project Fund. These funds are reported as nonmajor governmental funds. The Capital Reserve Fund is consolidated into the General Fund for GASB Statement 54 reporting. The City also maintains the Sludge Composting Fund and the Stormwater Fund, which are reported as nonmajor enterprise funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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, property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual on the government-wide financial statements and have been recognized as revenues of the current fiscal period.

Governmental fund financial statements are reported using the current financial resources measurement focus. Under this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets. Basis of accounting determines when revenues and expenditures or expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements, as well as, relates to the timing of the measurements made, regardless of the measurement focus applied. The governmental fund types use the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized in the accounting period when they become susceptible to accrual (i.e., when they are “measurable” and “available”) to pay liabilities of the current period. Expenditures are recognized in the accounting period in which a fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt which are recognized when due, and certain compensated absences and claims and judgments, which are recognized when they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under leases and IT subscriptions are reported as other financing sources.

The City generally considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem property taxes receivable are not accrued as revenues in the governmental fund statements 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, on 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 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 Hickory because the tax is levied by Catawba County and then remitted to and distributed by the state. 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,

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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. 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's enterprise funds and of the internal service 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 system. Operating expenses for the enterprise funds and internal service funds include the costs of sales and services, administrative expenses, and depreciation/amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first and then unrestricted resources as they are needed.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position, or Fund Equity

1. Deposits and Investments

All deposits of the City with banks and savings associations are made in Board-designated official depositories and are secured as required by North Carolina 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] 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 generally reported at fair value. The North Carolina Capital Management Trust (NCCMT), which consists of an SEC-registered money market mutual fund is reported at fair value. Governmental Portfolio is a 2a-7 fund, which invests in treasuries and government agencies and is rated AAAM by S&P and AAA-mf by Moody Investor Services.

The City's investments with a maturity of more than one year at time of issuance are reported at fair value as determined by quoted market prices. These investments consist of certain U.S. Government Agency obligations with a market value of \$79,558,628 on June 30, 2023.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

A central cash depository is maintained by the City to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

2. *Restricted Assets*

Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Unexpended Opioid Settlement proceeds are classified as restricted cash because they must be expended in accordance with their agreement.

Advance from grantor in the General Capital Projects Fund are classified as restricted assets because its use is restricted to the purpose for which the grant was issued.

Unspent debt proceeds in the General Capital Projects Fund are classified as restricted assets because its use is restricted to the purpose for which the debt was issued.

Advance from grantor in the American Rescue Plan Act Fund is classified as restricted assets because its use is restricted to the purpose for which the grant was issued.

Restricted cash balance of the City on June 30, 2023 are as follows:

Governmental Activities:

General Fund:

Customer deposits	\$	106,794
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General Capital Projects Fund:

Advance from grantor		15,208,930
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Unspent debt proceeds		14,259,218
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Nonmajor Governmental Funds:

Unexpended Opioid settlement proceeds		79,560
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Total governmental activities	\$	<u>29,654,502</u>
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Business-Type Activities:

Water and Sewer Fund:

Customer deposits	\$	<u>737,835</u>
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Total business-type activities	\$	<u>737,835</u>
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3. *Accounts Receivable and Payable*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

4. Ad Valorem Taxes Receivable

In accordance with North Carolina G.S. 105.347 and G.S. 159-13(a), the City levies ad valorem taxes on all real and personal property sited within the corporate limits.

Other than taxes on motor vehicles, taxes are levied on July 1 of the fiscal year and are due and payable without penalty until January 6, when property taxes become enforceable as liens. These taxes are based on the assessed values as of January 1, 2022.

5. Allowances for Doubtful Accounts

All receivables are shown net of an allowance for doubtful accounts. Estimation of the amount appropriate to each class of receivable is based on analysis of historical data and current conditions.

6. Leases Receivable

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

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

7. Inventories and Prepaid Items

The inventories of the City are valued at a weighted average cost. The inventories consist primarily of materials and supplies held for consumption. Inventories are accounted for under the consumption method of accounting.

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.

8. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$5,000, or infrastructure with an initial individual cost of more than \$100,000, and an estimated useful life in excess of one year. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement after June 30, 2015 are recorded at acquisition value. All other purchased or constructed assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003 consist of the road network, sidewalks, bridges, curb, and guttering that were acquired or that received substantial improvements subsequent to July 1, 1980 and are reported at estimated historical cost using deflated replacement cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Major outlays for capital assets and improvements are capitalized as the projects are constructed.

The City's capital assets also include certain right-to-use lease assets. The 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 prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

The right-to-use subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus payments made to the SBITA vendor before commencement of the subscription term, plus capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The right-to-use subscription assets are amortized on a straight-line basis over the life of the related SBITA.

Property, plant, and equipment of the government are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	10-30
Equipment	5-10
Medium and heavy motor vehicles	6
Automobiles and light trucks	3
Streets and roads	30
Computer software	5
Sidewalks	15
Curb and gutter	20
Bridges	30-50
Operating plants	25-50
Water and sewer lines	25-80

9. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net 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 assets that applies to future periods and so will not be recognized as an expense or expenditure until then. The City has two items that meet this criteria, pension and OPEB related deferrals. In addition to liabilities, the Statement of Net 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 assets that applies to future periods and so will not be recognized as revenue until then. The City has several items that meet the criteria for this category – economic development receivable, leases, prepaid taxes, property taxes receivable, unavailable revenues and pension and OPEB related deferrals.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

10. 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Issuance of debt related to general obligation bonds are reported as other financing sources.

11. Compensated Absences

The vacation policy of the City provides for the accumulation of up to sixty (60) days earned vacation leave, with such leave being fully vested when earned. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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 has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

12. Net Position/Fund Balances

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

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:

Non-Spendable 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.

	<u>General Fund</u>
<i>Notes Receivable</i> – portion of fund balance that is not an available resource because it represents the year-end balance of notes receivable, which are not spendable resources.	\$ 1,344,000
<i>Inventories</i> – portion of fund balance that is <u>not</u> an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.	180,039
<i>Leases</i> – portion of fund balance that is <u>not</u> an available resource because it represents the year-end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource.	13,006
<i>Prepays</i> – portion of fund balance that is not an available resource because it represents prepaid amounts, which are not spendable resources.	561,206
Total	<u>\$ 2,098,251</u>

CITY OF HICKORY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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 legislation.” RSS is reduced by inventories and prepaids as they are classified as non-spendable. 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 Economic Development – portion of fund balance restricted for economic development.

Restricted for Public Safety – portion of fund balance restricted by revenue source for public safety related activities, such as police and fire.

Restricted fund balance at June 30, 2023 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted, all other:				
Economic development	\$ -	\$ 14,259,218	\$ 79,560	\$ 14,338,778
Public safety	<u>128,776</u>	<u>-</u>	<u>-</u>	<u>128,776</u>
Total	<u>\$ 128,776</u>	<u>\$ 14,259,218</u>	<u>\$ 79,560</u>	<u>\$ 14,467,554</u>

Restricted net position on Exhibit A varies from restricted fund balance on Exhibit C by the amount of unspent bond proceeds of \$14,259,218 at June 30, 2023.

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

Committed for Economic Development – portion of fund balance that can only be used for economic development.

CITY OF HICKORY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Committed for Capital Projects – represents the portion of fund balance committed by the governing body for future capital related activities and projects.

Committed fund balance at June 30, 2023 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Economic development	\$ -	\$ -	\$ 164,951	\$ 164,951
Capital projects	9,492,329	20,407,190	-	29,899,519
Total	<u>\$ 9,492,329</u>	<u>\$ 20,407,190</u>	<u>\$ 164,951</u>	<u>\$ 30,064,470</u>

Assigned Fund Balance – portion of fund balance that the City intends to use for specific purposes. The City’s governing body has the authority to assign fund balance. The City Manager and Finance Officer, as granted in the officially adopted budget ordinance, have been granted limited authority to assign fund balance.

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 the appropriations by function or appropriation within funds up to \$1,000.

Assigned for Fuel – portion of fund balance budgeted by the board for higher than anticipated fuel cost.

Assigned fund balance at June 30, 2023 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Total</u>
Subsequent year's expenditures	\$ 513,325	\$ 513,325
Fuel	669,675	669,675
Total	<u>\$ 1,183,000</u>	<u>\$ 1,183,000</u>

Unassigned Fund Balance – represents the portion of fund balance that has not been assigned to another fund or is not restricted, committed, or assigned to specific purposes within the General Fund. Only the General Fund may report a positive unassigned fund balance.

The City of Hickory has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following order: federal funds, state funds, local non-City funds, and 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 has also adopted a minimum fund balance policy for the General Fund, which instructs management to conduct the business of the City in such a manner that available fund balance is at least equal to or greater than 25% of budgeted expenditures.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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	\$ 52,938,215
Less:	
Prepays	(561,206)
Inventory	(180,039)
Notes receivable	(1,344,000)
Leases	(13,006)
Stabilization by state statute	(15,809,935)
Public safety	(128,776)
Capital projects	(9,492,329)
Appropriated fund balance in 2024 budget	(513,325)
Fuel	(669,675)
Fund balance policy - 25% of budgeted expenditures	<u>(20,671,742)</u>
Remaining fund balance	<u>\$ 3,554,182</u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

General Fund encumbrances \$ 8,099,945

13. Other Resources

The General Fund provides the basis of local resources for other governmental funds. These transactions are recorded as "Transfers - out" in the General Fund and "Transfers - in" in the receiving fund.

14. Administrative Reimbursement

Administrative reimbursements are used to reimburse a fund for services it provides to another fund. They are also associated with specific services and are either charged or credited to individual departments of City government depending upon which department is receiving or providing the service. Hickory has hired MGT of America, Inc. to develop a "Cost Allocation Plan". This plan identifies indirect costs associated with one department providing services to another department. The City's "Cost Allocation Plan" is utilized in determining the reimbursements to be made between funds. This plan is updated regularly to keep it current.

15. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

16. 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 (LERS) and additions to/deductions from LERS' fiduciary net position have been determined on the same basis as they are reported by LERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Hickory's employer contributions are recognized when due and the City of Hickory has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LERS. Investments are reported at fair value.

Note 2 – Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (Exhibit D). Fund balance for the General Fund is reconciled as follows:

Fund Balance, Ending Exhibit F	\$ 43,445,886
Capital Reserve Fund:	
Investment earnings	101,710
Transfers in/out	1,455,674
Fund balance, beginning, previously reported	7,934,945
Fund Balance, Ending Exhibit D	\$ 52,938,215

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds”.

The details of this difference are as follows:

Installment purchase payable	\$ 21,652,326
General obligation bonds	34,250,000
Unamortized premium	4,055,460
Leases	3,186,891
Subscriptions	1,056,082
Compensated absences	2,653,048
Less: effect of Internal Service Fund	(36,542)
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	\$ 66,817,265

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Note 3 – Stewardship, Compliance, and Accountability

A. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget ordinance is adopted for the General Fund and enterprise funds. All unencumbered annual appropriations lapse at fiscal year-end. However, encumbered appropriations are reappropriated in the ensuing year's budget. Project ordinances are adopted for the capital projects and all other special revenue funds. All budgets are prepared using the modified accrual basis of accounting, which is consistent with the accounting system used to record transactions.

Expenditures may not legally exceed appropriations at the functional level for the General Fund, special revenue funds, and enterprise funds and at the object level for the capital project funds. A function is a group of related activities aimed at accomplishing a major service, such as public safety. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000. The governing board must approve all amendments. During the year, several amendments to the original budget were necessary. The City Manager may transfer up to \$1,000 between functional areas including contingency appropriations within the same fund. Such transfers must be reported at the next regular meeting of the City Council.

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.

Also, as required by state law, the City's Insurance Fund and Fleet Maintenance Fund, intragovernmental service funds operate under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved. The financial plan also was entered into the minutes of the governing board. During the year, several changes to the original financial plan were necessary.

B. Encumbrances

As required by North Carolina 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 process at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities.

Note 4 – Deposits and Investments

A. Deposits

The City pools cash resources into a centralized cash account (Central Depository) to facilitate the management of cash. The Central Depository is used by all funds. Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments maturing within three months from the date of acquisition. Each fund owns a prorata share of the cash and cash equivalents, and the amount applicable to a particular fund is readily identifiable. Allocation of investment income is made to each fund based on its prorata share. On the Statement of Cash Flows for enterprise funds, cash and investments are essentially demand deposits and are considered cash and cash equivalents, due to the fact that the City pools monies from several funds.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

All of the City's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage are collateralized with securities held by the City's agent in the City's name. Under the Pooling Method, a collateral pool was created, and 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 City's name. 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 amount of collateral pledged for the City under the Pooling Method, the potential exists for under collateralization, and 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 risk 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, 2023, the carrying amount of the City's deposits with banks was \$35,380,265. Balances with banks equaled \$36,861,302. Of the bank balances, \$500,000 was covered by federal depository insurance, and \$36,361,302 was covered by collateral held by authorized escrow agents in the name of the State Treasurer. The total amount of cash on-hand and petty cash was \$12,967.

B. Investments

At June 30, 2023, the City's investments consisted of the following:

<u>Investment Type</u>	Valuation	<u>Book Value</u>	Less Than			
	<u>Measurement Method</u>		<u>6 Months</u>	<u>6-12 Months</u>	<u>1-3 Years</u>	<u>4-5 Years</u>
US government agencies	Fair Value-Level 1	\$ 79,558,628	\$ 8,507,640	\$ 10,812,490	\$ 54,292,003	\$ 5,946,495
NC Capital Management Trust:						
Government Portfolio	Fair Value-Level 1	17,061,565	17,061,565	-	-	-
Total investments		<u>\$ 96,620,193</u>	<u>\$ 25,569,205</u>	<u>\$ 10,812,490</u>	<u>\$ 54,292,003</u>	<u>\$ 5,946,495</u>

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

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

Interest Rate Risk. The City of Hickory does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The City has no policy regarding credit risk. The City's investment in the NC Capital Management Trust Government Portfolio carried a rating of AAAM by Standard & Poor's and AAA-mf by Moody's Investors Service as of June 30, 2023. The U.S. Government Agencies are a mixture of Fannie Mae and investments in the Federal Home Loan Bank, as well as investments in the Federal Home

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Loan Mortgage Corporation. All the City of Hickory's investments are rated A-1, P-1, and F-1 by Standard and Poor's, Moody's, and Fitch Ratings.

Custodial Credit Risk. The City has no policy regarding custodial credit risk. For an investment, the custodial risk is the risk that in the event of a 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.

Concentration of Credit Risk. The City places no limit on the amount that the City may invest in any one issuer. More than 64% of the City's investments are in Federal Home Loan Bank securities, Federal National Mortgage Association securities, Federal Home Loan Mortgage Corporation, and Federal Farm Credit Bank securities. These investments are 18%, 17%, 16%, and 13%, respectively, of the City's total investments.

Note 5 – Receivables

A. Detail

Receivables at the government-wide level at June 30, 2023 were as follows:

	<u>Taxes</u>	<u>Accounts</u>	<u>Notes</u>	<u>Due From Other Governments</u>	<u>Total</u>
Governmental Activities:					
General	\$ 630,749	\$ 1,121,737	\$ 1,344,000	\$ 4,433,732	\$ 7,530,218
General capital projects	-	8,826,623	-	205,180	9,031,803
Other governmental	-	1,357,121	-	246,351	1,603,472
Total receivables	<u>630,749</u>	<u>11,305,481</u>	<u>1,344,000</u>	<u>4,885,263</u>	<u>18,165,493</u>
Allowance for doubtful accounts	(254,113)	(83,583)	-	-	(337,696)
Total governmental activities	<u>\$ 376,636</u>	<u>\$ 11,221,898</u>	<u>\$ 1,344,000</u>	<u>\$ 4,885,263</u>	<u>\$ 17,827,797</u>
Business-Type Activities:					
Water and sewer	\$ -	\$ 4,094,246	\$ -	\$ 930,846	\$ 5,025,092
Airport	-	78,385	-	33,908	112,293
Solid waste	-	295,982	-	30,931	326,913
Other	-	2,155	-	61,155	63,310
Total receivables	-	<u>4,470,768</u>	-	<u>1,056,840</u>	<u>5,527,608</u>
Allowance for doubtful accounts	-	(145,225)	-	-	(145,225)
Total business-type activities	<u>\$ -</u>	<u>\$ 4,325,543</u>	<u>\$ -</u>	<u>\$ 1,056,840</u>	<u>\$ 5,382,383</u>

The total due from other governmental agencies consists of the following:

Governmental activities	\$ 4,885,263
Business-type activities	<u>1,056,840</u>
Total due from other governmental agencies	<u>\$ 5,942,103</u>
Local option sales tax	\$ 2,582,756
Utilities franchise tax	1,050,920
Town of Maiden	121,620
Federal grants	2,408
Other	2,184,399
Total due from other governmental agencies	<u>\$ 5,942,103</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

B. Lease Receivable

On 06/20/2023, City of Hickory, North Carolina, entered into a 60-month lease as Lessor for the use of 400 17th St SW-Catawba County Council on Aging. An initial lease receivable was recorded in the amount of \$10. As of 06/30/2023, the value of the lease receivable is \$8. The lessee is required to make annual fixed payments of \$2. The lease has an interest rate of 0.0000%. The value of the deferred inflow of resources as of 06/30/2023 was \$10, and City of Hickory, North Carolina, recognized lease revenue of \$0 during the fiscal year.

On 07/01/2021, City of Hickory, North Carolina, entered into a 80-month lease as Lessor for the use of 1515 12th ST DR NW. An initial lease receivable was recorded in the amount of \$8. As of 06/30/2023, the value of the lease receivable is \$5. The lessee is required to make annual fixed payments of \$1. The lease has an interest rate of 0.0000%. The value of the deferred inflow of resources as of 06/30/2023 was \$6, and City of Hickory, North Carolina, recognized lease revenue of \$1 during the fiscal year.

On 01/01/2023, City of Hickory, North Carolina, entered into a 120-month lease as Lessor for the use of Skybox- Alex Lee. An initial lease receivable was recorded in the amount of \$18,875. As of 06/30/2023, the value of the lease receivable is \$17,125. The lessee is required to make annual fixed payments of \$1,750. The lease has an interest rate of 0.0000%. The value of the deferred inflow of resources as of 06/30/2023 was \$17,931, and City of Hickory, North Carolina, recognized lease revenue of \$944 during the fiscal year. The lessee has 1 extension option(s), each for 120 months.

On 01/01/2023, City of Hickory, North Carolina, entered into a 119-month lease as Lessor for the use of Skybox. An initial lease receivable was recorded in the amount of \$15,000. As of 06/30/2023, the value of the lease receivable is \$13,500. The lessee is required to make annual fixed payments of \$1,500. The lease has an interest rate of 0.0000%. The value of the deferred inflow of resources as of 06/30/2023 was \$14,244, and City of Hickory, North Carolina, recognized lease revenue of \$756 during the fiscal year. The lessee has 1 extension option(s), each for 120 months.

On 07/01/2022, City of Hickory, North Carolina, entered into a 240-month lease as Lessor for the use of VFW Ground Lease Agreement. An initial lease receivable was recorded in the amount of \$20. As of 06/30/2023, the value of the lease receivable is \$19. The lessee is required to make annual fixed payments of \$1.00. The lease has an interest rate of 0.0000%. The value of the deferred inflow of resources as of 06/30/2023 was \$19, and City of Hickory, North Carolina, recognized lease revenue of \$1 during the fiscal year.

On 07/01/2021, City of Hickory, North Carolina, entered into a 61-month lease as Lessor for the use of Property - Burke County. An initial lease receivable was recorded in the amount of \$261,853. As of 06/30/2023, the value of the lease receivable is \$166,807. The lessee is required to make monthly fixed payments of \$3,980. The lease has an interest rate of 1.0590%. The value of the deferred inflow of resources as of 06/30/2023 was \$159,860, and City of Hickory, North Carolina, recognized lease revenue of \$50,983 during the fiscal year. The lessee has 5 extension option(s), each for 60 months.

On 07/01/2021, City of Hickory, North Carolina, entered into a 60-month lease as Lessor for the use of Land - Right-Of-Way. An initial lease receivable was recorded in the amount of \$280,316. As of 06/30/2023, the value of the lease receivable is \$175,105. The lessee is required to make monthly fixed payments of \$4,479. The lease has an interest rate of 1.0590%. The value of the deferred inflow of resources as of 06/30/2023 was \$168,252, and City of Hickory, North Carolina, recognized lease revenue of \$56,032 during the fiscal year. The lessee has 4 extension option(s), each for 60 months.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

On 07/01/2021, City of Hickory, North Carolina, entered into a 31-month lease as Lessor for the use of Hangar W-2 - Forest Service. An initial lease receivable was recorded in the amount of \$238,081 in the Airport Fund. As of 06/30/2023, the value of the lease receivable is \$54,119. The lessee is required to make monthly fixed payments of \$7,750. The lease has an interest rate of 0.7270%. The value of the deferred inflow of resources as of 06/30/2023 was \$53,761, and City of Hickory, North Carolina, recognized lease revenue of \$92,160 during the fiscal year.

On 07/01/2021, City of Hickory, North Carolina, entered into a 52-month lease as Lessor for the use of 1441 9th Avenue. An initial lease receivable was recorded in the amount of \$172,494. As of 06/30/2023, the value of the lease receivable is \$93,640. The lessee is required to make monthly fixed payments of \$3,381. The lease has an interest rate of 0.8930%. The value of the deferred inflow of resources as of 06/30/2023 was \$92,881, and City of Hickory, North Carolina, recognized lease revenue of \$39,806 during the fiscal year. The lessee has 5 extension option(s), each for 60 months.

Principal and Interest Expected to Maturity

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 148,546	\$ 3,786	\$ 54,119	\$ 131
2025	152,728	2,294	-	-
2026	130,034	828	-	-
2027	17,536	17	-	-
2028	3,377	-	-	-
2029 - 2033	13,988	-	-	-
Total	<u>\$ 466,209</u>	<u>\$ 6,925</u>	<u>\$ 54,119</u>	<u>\$ 131</u>

C. Note Receivable

Hickory Metro Convention Center Purchase

In December 1998, the City entered into a transaction with the Hickory-Conover Tourism Development Authority (TDA) to acquire the Hickory Metro Convention Center (Center). To fund this acquisition, the City entered into a financing arrangement to borrow \$5,600,000. This installment agreement required the City to pay semi-annual installments of \$140,000, plus interest at 4.9% through December 2018. In April 2012, the City renegotiated the debt with the lender, and reduced the interest rate to 1.79%. Semi-annual principal payments are \$141,400, and the term of the debt remained the same. In connection with the purchase, the City also entered into a leasing arrangement to lease the Center back to the TDA. Terms of the lease are for the City to receive monthly amounts equal to one-sixth of the next due installment on the City's financing arrangement mentioned above. The terms of the lease agreement are such that the transaction qualifies as a direct financing lease for accounting purposes and accordingly, a receivable has been recorded at the present value of the future minimum lease payments to be received.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

In May 2005, the City entered into another transaction with the Hickory-Conover Tourism Development Authority (TDA) to increase the size of the Hickory Metro Convention Center (Center). To fund the expansion, the City entered into a financing agreement to borrow \$3,300,000. This installment agreement requires the City to pay semi-annual installments of \$110,000, plus interest at 3.91% through December 2019. In April 2012, the City renegotiated the debt with the lender, and reduced the interest rate to 2.09%.

In October 2014, the City entered into another transaction with the Hickory-Conover Tourism Development Authority and Catawba County to build a parking deck to increase parking at the Hickory Metro Convention Center (Center). To fund the parking deck, the City entered into a financing agreement to borrow \$3,000,000. This installment agreement requires the City to pay semi-annual installments of \$100,000, plus interest at 2.94% through October 2029.

Catawba Valley Youth Soccer Association

In July 2013, the City entered into an agreement with the Catawba Valley Youth Soccer Association (CVYSA) for development of soccer fields at Henry Fork River Regional Recreation Park, including the installation of lights on Field #1. The CVYSA agreed to contribute \$125,000 towards the lighting of the additional soccer fields. The CVYSA made contributions of \$11,000 in the current year leaving an outstanding balance of \$33,000 on the note as of June 30, 2023. The CVYSA will pay the remaining \$33,000 balance in annual installments ending June 30, 2024.

The future minimum lease payment to be received and the net present value of these minimum lease receipts as of June 30, 2023 were as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2024	\$ 232,587
2025	232,587
2026	232,587
2027	232,587
2028	232,587
2029-2030	<u>335,360</u>
Total minimum lease receipts	1,498,295
Less amount representing interest	<u>(154,295)</u>
Present value of net minimum lease receipts	<u>\$ 1,344,000</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

D. Deferred Outflows and Inflows of Resources

Deferred outflows of resources are comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 4,135,226
Benefit payments and administrative expenses for LEOSSA and OPEB	1,283,925
Differences between expected and actual experience	1,278,497
Changes of assumptions	5,061,965
Changes in proportion and differences between City contributions and proportionate share of contributions	37,355
Net difference between projected and actual changes in proportion and differences between employer contributions and proportionate share of contributions	<u>7,574,552</u>
Total	<u>\$ 19,371,520</u>

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

Prepaid taxes (General Fund)	\$ 4,287
Taxes receivable, less penalties (General Fund)	376,636
Economic development receivable (Special Revenue Funds)	287,466
Leases	506,964
Changes of assumptions	2,248,100
Differences between expected and actual experience	4,610,323
Unavailable revenues	819,917
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>410,581</u>
Total	<u>\$ 9,264,274</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Note 6 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2023 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Governmental Activities:					
<i>Non-Depreciable Capital Assets:</i>					
Land	\$ 14,536,815	\$ 4,936,261	\$ (435,776)	\$ -	\$ 19,037,300
Construction in progress	81,204,775	24,017,950	-	-	105,222,725
Total assets non-depreciable	<u>95,741,590</u>	<u>28,954,211</u>	<u>(435,776)</u>	<u>-</u>	<u>124,260,025</u>
<i>Depreciable and Amortizable Capital Assets:</i>					
Buildings and improvements	53,668,629	850,614	(1,190,785)	-	53,328,458
Equipment	13,686,681	1,704,950	(274,156)	(109,781)	15,007,694
Vehicles	18,930,870	2,376,437	(827,410)	-	20,479,897
Road network	58,793,638	212,712	-	-	59,006,350
Right-to-use leased assets	1,312,241	2,898,710	(1,063)	-	4,209,888
Right-to-use subscription assets	-	2,425,203	-	-	2,425,203
Total depreciable and amortizable assets	<u>146,392,059</u>	<u>10,468,626</u>	<u>(2,293,414)</u>	<u>(109,781)</u>	<u>154,457,490</u>
<i>Less Accumulated Depreciation and Amortization:</i>					
Buildings and improvements	35,225,212	1,683,649	(759,460)	-	36,149,401
Equipment	10,623,435	1,156,990	(237,831)	(109,781)	11,432,813
Vehicles	15,211,094	1,785,088	(871,861)	-	16,124,321
Road network	50,421,677	905,525	-	-	51,327,202
Right-to-use leased assets	193,581	1,162,922	(1,063)	-	1,355,440
Right-to-use subscription assets	-	880,601	-	-	880,601
Total accumulated depreciation and amortization	<u>111,674,999</u>	<u>7,574,775</u>	<u>(1,870,215)</u>	<u>(109,781)</u>	<u>117,269,778</u>
Total depreciable assets, net	<u>34,717,060</u>	<u>2,893,851</u>	<u>(423,199)</u>	<u>-</u>	<u>37,187,712</u>
Governmental activities capital assets, net	<u>\$ 130,458,650</u>	<u>\$ 31,848,062</u>	<u>\$ (858,975)</u>	<u>\$ -</u>	<u>\$ 161,447,737</u>
Business-Type Activities:					
Water and Sewer:					
<i>Non-Depreciable Capital Assets:</i>					
Land	\$ 2,070,924	\$ 44,730	\$ -	\$ -	\$ 2,115,654
Construction in progress	17,866,220	16,135,050	-	-	34,001,270
Total non-depreciable assets	<u>19,937,144</u>	<u>16,179,780</u>	<u>-</u>	<u>-</u>	<u>36,116,924</u>
<i>Depreciable and Amortizable Capital Assets:</i>					
Buildings and improvements	47,809,850	379,362	-	-	48,189,212
Equipment	12,297,643	1,081,177	(22,925)	5,109	13,361,004
Vehicles	3,681,085	360,087	(181,921)	-	3,859,251
Operating plants	37,777,978	-	(26,039)	-	37,751,939
Water lines	47,025,466	147,649	-	-	47,173,115
Sewer lines	62,565,149	1,115,074	(55,386)	-	63,624,837
Right-to-use subscription assets	-	5,014	-	-	5,014
Total depreciable assets	<u>211,157,171</u>	<u>3,088,363</u>	<u>(286,271)</u>	<u>5,109</u>	<u>213,964,372</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Business-Type Activities (continued):					
Water and Sewer (continued):					
<i>Less Accumulated Depreciation and Amortization:</i>					
Buildings and improvements	26,496,136	1,383,817	-	-	27,879,953
Equipment	6,384,885	1,201,167	(22,925)	5,109	7,568,236
Vehicles	2,908,821	278,941	(181,921)	-	3,005,841
Operating plants	19,847,187	571,134	(26,039)	-	20,392,282
Water lines	17,257,362	1,085,930	-	-	18,343,292
Sewer lines	28,480,660	1,245,020	(52,161)	-	29,673,519
Right-to-use subscription assets	-	247	-	-	247
Total accumulated depreciation	<u>101,375,051</u>	<u>5,766,256</u>	<u>(283,046)</u>	<u>5,109</u>	<u>106,863,370</u>
Total depreciable assets, net	<u>109,782,120</u>	<u>(2,677,893)</u>	<u>(3,225)</u>	<u>-</u>	<u>107,101,002</u>
Water and Sewer capital assets, net	<u>129,719,264</u>	<u>13,501,887</u>	<u>(3,225)</u>	<u>-</u>	<u>143,217,926</u>
Sludge Composting:					
<i>Non-Depreciable Capital Assets:</i>					
Land	145,024	-	-	-	145,024
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	10,620,470	220,112	-	-	10,840,582
Equipment	93,873	-	(41,928)	-	51,945
Total depreciable assets	<u>10,714,343</u>	<u>220,112</u>	<u>(41,928)</u>	<u>-</u>	<u>10,892,527</u>
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	9,641,974	350,175	-	-	9,992,149
Equipment	93,873	-	(41,928)	-	51,945
Total accumulated depreciation	<u>9,735,847</u>	<u>350,175</u>	<u>(41,928)</u>	<u>-</u>	<u>10,044,094</u>
Total depreciable assets, net	<u>978,496</u>	<u>(130,063)</u>	<u>-</u>	<u>-</u>	<u>848,433</u>
Sludge composting capital assets, net	<u>1,123,520</u>	<u>(130,063)</u>	<u>-</u>	<u>-</u>	<u>993,457</u>
Stormwater:					
<i>Depreciable Capital Assets:</i>					
Curb and gutter	17,268,263	-	-	-	17,268,263
Improvements	3,200,427	-	-	-	3,200,427
Total depreciable assets	<u>20,468,690</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,468,690</u>
<i>Less Accumulated Depreciation:</i>					
Curb and gutter	16,358,467	143,005	-	-	16,501,472
Improvements	428,399	107,511	-	-	535,910
Total accumulated depreciation	<u>16,786,866</u>	<u>250,516</u>	<u>-</u>	<u>-</u>	<u>17,037,382</u>
Stormwater capital assets, net	<u>3,681,824</u>	<u>(250,516)</u>	<u>-</u>	<u>-</u>	<u>3,431,308</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Airport:					
<i>Non-Depreciable Capital Assets:</i>					
Land	3,799,842	-	-	-	3,799,842
Land improvements	7,068,587	-	-	-	7,068,587
Construction in progress	5,322,709	638,178	-	-	5,960,887
Total non-depreciable assets	<u>16,191,138</u>	<u>638,178</u>	<u>-</u>	<u>-</u>	<u>16,829,316</u>
<i>Depreciable and Amortizable Capital Assets:</i>					
Buildings and improvements	9,296,275	373,770	-	-	9,670,045
Equipment	2,345,259	37,204	(5,000)	7,383	2,384,846
Vehicles	573,922	-	(13,748)	-	560,174
Right-to-use leased assets	9,464	-	(9,464)	-	-
Total depreciable and amortizable assets	<u>12,224,920</u>	<u>410,974</u>	<u>(28,212)</u>	<u>7,383</u>	<u>12,615,065</u>
<i>Less Accumulated Depreciation and Amortization:</i>					
Buildings and improvements	6,370,096	279,843	-	-	6,649,939
Equipment	2,174,090	48,116	(5,000)	7,383	2,224,589
Vehicles	462,977	66,412	(13,748)	-	515,641
Right-to-use leased assets	5,977	3,487	(9,464)	-	-
Total accumulated depreciation and amortization	<u>9,013,140</u>	<u>397,858</u>	<u>(28,212)</u>	<u>7,383</u>	<u>9,390,169</u>
Total depreciable assets, net	<u>3,211,780</u>	<u>13,116</u>	<u>-</u>	<u>-</u>	<u>3,224,896</u>
Airport capital assets, net	<u>19,402,918</u>	<u>651,294</u>	<u>-</u>	<u>-</u>	<u>20,054,212</u>
Solid Waste:					
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	267,437	-	-	-	267,437
Equipment	1,131,370	107,915	(33,070)	97,289	1,303,504
Vehicles	7,664,734	446,709	(443,978)	-	7,667,465
Total depreciable assets	<u>9,063,541</u>	<u>554,624</u>	<u>(477,048)</u>	<u>97,289</u>	<u>9,238,406</u>
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	222,059	3,569	-	-	225,628
Equipment	948,805	46,019	(33,070)	97,289	1,059,043
Vehicles	4,986,336	840,787	(443,978)	-	5,383,145
Total accumulated depreciation	<u>6,157,200</u>	<u>890,375</u>	<u>(477,048)</u>	<u>97,289</u>	<u>6,667,816</u>
Solid waste capital assets, net	<u>2,906,341</u>	<u>\$ (335,751)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,570,590</u>
Business-type activities capital assets, net	<u>\$ 156,833,867</u>				<u>\$ 170,267,493</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 2,940,129
Public safety	2,050,565
Transportation	1,401,399
Culture and recreation	1,135,452
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	47,230
Total depreciation expense - governmental activities	<u>\$ 7,574,775</u>

Business-Type Activities:

Water	\$ 2,309,168
Sewer	3,457,088
Sludge composting	350,175
Stormwater	250,516
Airport	397,858
Solid waste	890,375
Total depreciation expense - business-type activities	<u>\$ 7,655,180</u>

Construction Commitments

The City has active construction projects as of June 30, 2023. At year-end, the outstanding commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
AMERICAN RESCUE PLAN PROJ	\$ 8,237,002	\$ -
MUNIS TYLER TECHNOLOGIES	605,005	1,402,820
Falling Creek Bridge	1,982,056	-
Pedestrian Signal Upgrade	92,528	-
ARC Grant 9th Ave Dr NW	2,360,094	619,733
17TH ST NW EXT HL-0004	365,398	-
US70/4TH ST DR SW HL-0002	-	39,565
Lackey Park	528,399	116,880
Bruce Meisner Park	1,249,682	-
Ridgeview Library Expansion	1,665,047	-
Land Acq/Obst Rem RW 6-24	669,549	101,761
ALP/Master Plan Update	379,750	7,168
North Ramp Reconstuction	83,163	-
Airport Hangar Replacement	2,647,321	24,822
TAXIWAY INTERSECT RECONFG	167,807	13,527
Airport EMAS	435,793	149,119
Public Safety Building	254,494	13,210
City Hall 2nd Floor Renovations	411,022	-
Convention Center Renovations	3,517,163	12,036,884
One North Center	3,500,000	-

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
AVIATION MUS/CVCC INNOVAT	877,459	424,129
Catawba Wastewater Plt	12,029,170	-
NE Sewer Grant Project	2,733,407	-
Murray Basin Sewerlines	5,616,889	896,394
Central Business District	4,894,673	-
Geitner Basin	3,371,953	-
Short Road Sewer	443,050	-
McLin & Lyle Creek WW out	3,218,740	4,329,193
Bio Solids Project	11,733,920	28,662,832
SHORT ROAD WATER PROJECT	545,235	11,120
NW SEWER EXT/ARC GRANT	211,777	181,283
NE WW TREATMENT FAC FEMA	363,476	827,824
HENRY RIVER PUMPSTATION	140,100	114,100
PROJECT STAR	461,642	719,358
AIRPORT HANGAR W3	3,398	-
AIRPORT HANGAR W3	1,584,573	21,514
Bond Program - Administration Cost	494,313	-
Trivium Corporate Center (Business Park 1764)	16,336,034	585,432
Robinwood Access Road	2,729,500	23,984
Enzyme Roadway Infrastructure	4,462,001	32,092
Trivium East	3,044,254	108,052
City Walk	18,026,880	951,718
Union Square	5,913,272	31,179
DOWNTOWN CAMERA SYSTEM	244,990	-
Hwy 321/70 Gateway	678,972	-
Lenoir Rhyne Blvd Gateway	429,847	7,000
Bookwalk	167,673	193,978
Bookwalk South	17,613	20,167
Bookwalk NCDOT EB 5937	577,040	308,377
Bookwalk STH NCDOT EB5938	402,623	288,396
Freese and Nichols	2,682,815	13,656
Build 9th/11th St/Bikeped	19,695,940	9,424,072
Old Lenoir Rd MUTRL EB5911	2,718,346	-
9th St StrrtScapes EB5977	320,083	4,453
River Walk	8,153,009	724,249
River Walk NCDOT EB 5939	8,715,301	271,808
Wayfinding	468,744	-
Riding The Rails Bldg ReUse	3,384	-
JAG 2021	33,850	-
NC GOV CRIME COMMISSION	24,216	-
JAG 2022	11,573	24,547
Total	<u>\$ 173,733,006</u>	<u>\$ 63,726,399</u>

CITY OF HICKORY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Net Investment in Capital Assets

The net investment in capital assets is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets, net	\$ 161,447,737	\$ 170,267,493
Total debt, gross	(64,200,759)	(21,585,612)
Debt for non-capital assets	15,344,720	-
Unexpended proceeds	<u>14,259,218</u>	<u>-</u>
Total capital debt	<u>(34,596,821)</u>	<u>(21,585,612)</u>
Net investment in capital assets	<u>\$ 126,850,916</u>	<u>\$ 148,681,881</u>

Note 7 – Liabilities

A. Payables

Payables at the government-wide level at June 30, 2023 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:					
General	\$ 3,305,337	\$ 565,138	\$ 787,347	\$ 1,820,280	\$ 6,478,102
General Capital Projects Fund	2,285,001	-	-	-	2,285,001
Other governmental	<u>20,357</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,357</u>
Total payables	<u>\$ 5,610,695</u>	<u>\$ 565,138</u>	<u>\$ 787,347</u>	<u>\$ 1,820,280</u>	<u>\$ 8,783,460</u>
Business-Type Activities:					
Water and sewer	\$ 5,214,977	\$ 98,398	\$ 102,699	\$ 817	\$ 5,416,891
Airport	92,826	10,754	-	-	103,580
Solid waste	479,027	29,247	-	3,608	511,882
Other business-type	<u>192,795</u>	<u>1,607</u>	<u>-</u>	<u>-</u>	<u>194,402</u>
Total payables	<u>\$ 5,979,625</u>	<u>\$ 140,006</u>	<u>\$ 102,699</u>	<u>\$ 4,425</u>	<u>\$ 6,226,755</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

B. Long-Term Debt

1. Leases

The City has entered into agreements to lease certain buildings and 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 Hickory, North Carolina, entered into a 39-month lease as Lessee for the use of Dell Laptop Computers-HPD. An initial lease liability was recorded in the amount of \$177,370. As of 06/30/2023, the value of the lease liability is \$59,124. City of Hickory, North Carolina, is required to make annual fixed payments of \$59,123. The lease has an interest rate of 0.3807%. The value of the right-to-use asset as of 06/30/2023 was \$177,370 with accumulated amortization of \$109,150. The City of Hickory, North Carolina, has the option to purchase the Computer Equipment for \$1.

On 05/23/2022, City of Hickory, North Carolina, entered into a 48-month lease as Lessee for the use of Ricoh Copiers-Multiple-Fire. An initial lease liability was recorded in the amount of \$17,919. As of 06/30/2023, the value of the lease liability is \$13,066. City of Hickory, North Carolina, is required to make monthly fixed payments of \$373. The lease has an interest rate of 2.5321%. The value of the right-to-use asset as of 06/30/2023 was \$17,919 with accumulated amortization of \$4,953.

On 10/03/2022, City of Hickory, North Carolina, entered into a 27-month lease as Lessee for the use of 1978 8th Ave NW- Union Square Investors. An initial lease liability was recorded in the amount of \$2,540,000. As of 06/30/2023, the value of the lease liability is \$2,270,000. City of Hickory, North Carolina, is required to make monthly fixed payments of \$30,000. The lease has an interest rate of 0.0000%. The value of the right-to-use asset as of 06/30/2023 was \$2,890,000 with accumulated amortization of \$956,198. City of Hickory, North Carolina, has the option to purchase the Buildings for \$1,700,000.

On 09/06/2022, City of Hickory, North Carolina, entered into a 300-month lease as Lessee for the use of Fire Training Facility with CVCC. An initial lease liability was recorded in the amount of \$25. As of 06/30/2023, the value of the lease liability is \$24. City of Hickory, North Carolina, is required to make annual fixed payments of \$1. The lease has an interest rate of 4.1551%. The value of the right-to-use asset as of 06/30/2023 was \$25 with accumulated amortization of \$1 is included with Land on the Lease Class activities table found below. City of Hickory, North Carolina, has 1 extension option(s), each for 60 months. City of Hickory, North Carolina, had a termination period of 6 months as of the lease commencement. The Lessor had a termination period of 12 months as of the lease commencement.

On 05/23/2022, City of Hickory, North Carolina, entered into a 48-month lease as Lessee for the use of Ricoh C6004ex. An initial lease liability was recorded in the amount of \$15,590. As of 06/30/2023, the value of the lease liability is \$11,278. City of Hickory, North Carolina, is required to make monthly fixed payments of \$332. The lease has an interest rate of 2.5321%. The value of the right-to-use asset as of 06/30/2023 was \$15,590 with accumulated amortization of \$4,309.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

On 07/01/2021, City of Hickory, North Carolina, entered into a 28-month lease as Lessee for the use of Ricoh Copier - IM C3500. An initial lease liability was recorded in the amount of \$26,573. As of 06/30/2023, the value of the lease liability is \$3,814. City of Hickory, North Carolina, is required to make monthly fixed payments of \$1,021. The lease has an interest rate of 0.5140%. The value of the right-to-use asset as of 06/30/2023 was \$26,573 with accumulated amortization of \$22,669.

On 11/24/2021, City of Hickory, North Carolina, entered into a 48-month lease as Lessee for the use of Ricoh Copier - IM C2500. An initial lease liability was recorded in the amount of \$10,122. As of 06/30/2023, the value of the lease liability is \$5,950. City of Hickory, North Carolina, is required to make monthly fixed payments of \$230. The lease has an interest rate of 1.0270%. The value of the right-to-use asset as of 06/30/2023 was \$10,122 with accumulated amortization of \$4,056.

On 11/24/2021, City of Hickory, North Carolina, entered into a 60-month lease as Lessee for the use of Ricoh Copier - C8003. An initial lease liability was recorded in the amount of \$62,979. As of 06/30/2023, the value of the lease liability is \$42,355. City of Hickory, North Carolina, is required to make monthly fixed payments of \$1,156. The lease has an interest rate of 1.1770%. The value of the right-to-use asset as of 06/30/2023 was \$62,979 with accumulated amortization of \$20,188.

On 07/01/2021, City of Hickory, North Carolina, entered into a 37-month lease as Lessee for the use of Ricoh Copier - C079C6000042. An initial lease liability was recorded in the amount of \$10,390. As of 06/30/2023, the value of the lease liability is \$3,676. City of Hickory, North Carolina, is required to make monthly fixed payments of \$304. The lease has an interest rate of 0.7270%. The value of the right-to-use asset as of 06/30/2023 was \$10,390 with accumulated amortization of \$6,632.

On 07/01/2021, City of Hickory, North Carolina, entered into a 36-month lease as Lessee for the use of Ricoh Copier - 7503. An initial lease liability was recorded in the amount of \$62,330. As of 06/30/2023, the value of the lease liability is \$20,928. City of Hickory, North Carolina, is required to make monthly fixed payments of \$1,873. The lease has an interest rate of 0.7270%. The value of the right-to-use asset as of 06/30/2023 was \$62,330 with accumulated amortization of \$41,554.

On 07/01/2021, City of Hickory, North Carolina, entered into a 120-month lease as Lessee for the use of HPS Athletic Facilities. An initial lease liability was recorded in the amount of \$927,905. As of 06/30/2023, the value of the lease liability is \$747,991. City of Hickory, North Carolina, is required to make semi-annual fixed payments of \$50,000. The lease has an interest rate of 1.6040%. The value of the right-to-use asset as of 06/30/2023 was \$927,905 with accumulated amortization of \$185,581.

On 06/06/2023, City of Hickory, North Carolina, entered into a 48-month lease as Lessee for the use of Ricoh P C600 (2) Model No 4737 & 4724. An initial lease liability was recorded in the amount of \$8,685. As of 06/30/2023, the value of the lease liability is \$8,685. City of Hickory, North Carolina, is required to make monthly fixed payments of \$190. The lease has an interest rate of 2.3270%. The value of the right-to-use asset as of 06/30/2023 was \$8,685 with accumulated amortization of \$149.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, were as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2024	\$ 561,237	\$ 12,404
2025	2,025,908	10,658
2026	114,533	8,991
2027	99,251	7,346
2028	94,187	5,814
2029 - 2033	291,775	8,244
Total	<u>\$ 3,186,891</u>	<u>\$ 53,457</u>

2. Subscriptions

The City has entered into subscription-based information technology arrangements (SBITAs). The SBITAs 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 08/01/2022, Hickory, North Carolina, entered into a 120-month subscription for the use of Axon Cloud Service. An initial subscription liability was recorded in the amount of \$11,872. As of 06/30/2023, the value of the subscription liability is \$7,982. Hickory, North Carolina, is required to make annual fixed payments of \$3,890. The subscription has an interest rate of 2.3657%. The value of the right-to-use asset as of 06/30/2023 was \$11,872 with accumulated amortization of \$1,088. Hickory, North Carolina, has 1 extension option(s), each for 60 months.

On 07/01/2022, Hickory, North Carolina, entered into a 30-month subscription for the use of ESRI-Enterprise License. An initial subscription liability was recorded in the amount of \$75,304. As of 06/30/2023, the value of the subscription liability is \$37,677. Hickory, North Carolina, is required to make annual fixed payments of \$41,195. The subscription has an interest rate of 2.1843%. The value of the right-to-use asset as of 06/30/2023 was \$75,304 with accumulated amortization of \$29,758.

On 07/01/2022, Hickory, North Carolina, entered into a 23-month subscription for the use of Cisco Secure Endpoint Cloud Subscription. An initial subscription liability was recorded in the amount of \$60,429. As of 06/30/2023, the value of the subscription liability is \$29,942. Hickory, North Carolina, is required to make annual fixed payments of \$30,548. The subscription has an interest rate of 2.0237%. The value of the right-to-use asset as of 06/30/2023 was \$60,429 with accumulated amortization of \$30,727.

On 10/19/2022, Hickory, North Carolina, entered into a 36-month subscription for the use of KnowBe4 Security Awareness Training. An initial subscription liability was recorded in the amount of \$62,549. As of 06/30/2023, the value of the subscription liability is \$41,032. Hickory, North Carolina, is required to make annual fixed payments of \$23,024. The subscription has an interest rate of 3.2380%. The value of the right-to-use asset as of 06/30/2023 was \$62,549 with accumulated amortization of \$14,595.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

On 07/01/2022, Hickory, North Carolina, entered into a 52-month subscription for the use of Soma Subscription. An initial subscription liability was recorded in the amount of \$380,061. As of 06/30/2023, the value of the subscription liability is \$351,261. Hickory, North Carolina, is required to make annual fixed payments of \$28,800. The subscription has an interest rate of 2.2750%. The value of the right-to-use asset as of 06/30/2023 was \$427,311 with accumulated amortization of \$98,610.

On 07/01/2022, Hickory, North Carolina, entered into a 41-month subscription for the use of Segra Standard DDoS. An initial subscription liability was recorded in the amount of \$49,352. As of 06/30/2023, the value of the subscription liability is \$35,250. Hickory, North Carolina, is required to make monthly fixed payments of \$1,249. The subscription has an interest rate of 2.1843%. The value of the right-to-use asset as of 06/30/2023 was \$49,352 with accumulated amortization of \$14,294.

On 07/01/2022, Hickory, North Carolina, entered into a 31-month subscription for the use of Tyler Software. An initial subscription liability was recorded in the amount of \$721,384. As of 06/30/2023, the value of the subscription liability is \$361,493. Hickory, North Carolina, is required to make annual fixed payments of \$386,129. The subscription has an interest rate of 2.1843%. The value of the right-to-use asset as of 06/30/2023 was \$1,313,657 with accumulated amortization of \$504,713.

On 07/01/2022, Hickory, North Carolina, entered into a 20-month subscription for the use of Corus 360. An initial subscription liability was recorded in the amount of \$5,802. As of 06/30/2023, the value of the subscription liability is \$2,342. Hickory, North Carolina, is required to make monthly fixed payments of \$295. The subscription has an interest rate of 2.0237%. The value of the right-to-use asset as of 06/30/2023 was \$6,802 with accumulated amortization of \$3,988.

On 07/01/2022, Hickory, North Carolina, entered into a 21-month subscription for the use of ECATS Subscription. An initial subscription liability was recorded in the amount of \$4,480. As of 06/30/2023, the value of the subscription liability is \$0. Hickory, North Carolina, is required to make annual fixed payments of \$4,555. The subscription has an interest rate of 2.0237%. The value of the right-to-use asset as of 06/30/2023 was \$8,780 with accumulated amortization of \$4,804.

On 03/31/2023, Hickory, North Carolina, entered into a 24-month subscription for the use of DebtBook. An initial subscription liability was recorded in the amount of \$49,209. As of 06/30/2023, the value of the subscription liability is \$29,209. Hickory, North Carolina, is required to make annual fixed payments of \$20,000. The subscription has an interest rate of 2.7070%. The value of the right-to-use asset as of 06/30/2023 was \$49,209 with accumulated amortization of \$6,481.

On 07/01/2022, Hickory, North Carolina, entered into a 21-month subscription for the use of Uni4MetroNet. An initial subscription liability was recorded in the amount of \$89,823. As of 06/30/2023, the value of the subscription liability is \$38,822. Hickory, North Carolina, is required to make monthly fixed payments of \$4,350. The subscription has an interest rate of 2.0237%. The value of the right-to-use asset as of 06/30/2023 was \$89,823 with accumulated amortization of \$51,328.

On 07/01/2022, Hickory, North Carolina, entered into a 24-month subscription for the use of NUTANIX Software. An initial subscription liability was recorded in the amount of \$169,226. As of 06/30/2023, the value of the subscription liability is \$83,888. Hickory, North Carolina, is required to make annual fixed payments of \$85,586. The subscription has an interest rate of 2.0237%. The value of the right-to-use asset as of 06/30/2023 was \$214,226 with accumulated amortization of \$103,380.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

On 07/01/2022, Hickory, North Carolina, entered into a 13-month subscription for the use of NuWav Information Services. An initial subscription liability was recorded in the amount of \$549. As of 06/30/2023, the value of the subscription liability is \$0. Hickory, North Carolina, is required to make annual fixed payments of \$550. The subscription has an interest rate of 1.7103%. The value of the right-to-use asset as of 06/30/2023 was \$549 with accumulated amortization of \$488. Hickory, North Carolina, has 5 extension option(s), each for 12 months.

On 03/14/2023, Hickory, North Carolina, entered into a 16-month subscription for the use of PDQ Deploy & Inventory. An initial subscription liability was recorded in the amount of \$6,101. As of 06/30/2023, the value of the subscription liability is \$3,007. Hickory, North Carolina, is required to make annual fixed payments of \$3,310. The subscription has an interest rate of 2.8943%. The value of the right-to-use asset as of 06/30/2023 was \$6,101 with accumulated amortization of \$1,360. Hickory, North Carolina, has 1 extension option(s), each for 12 months.

On 07/01/2022, Hickory, North Carolina, entered into a 36-month subscription for the use of Fortinet Service. An initial subscription liability was recorded in the amount of \$44,224. As of 06/30/2023, the value of the subscription liability is \$29,163. Hickory, North Carolina, is required to make annual fixed payments of \$15,061. The subscription has an interest rate of 2.1843%. The value of the right-to-use asset as of 06/30/2023 was \$44,224 with accumulated amortization of \$14,741.

On 05/08/2023, Hickory, North Carolina, entered into a 36-month subscription for the use of 811 Locate Ticket Management System. An initial subscription liability was recorded in the amount of \$10,029. As of 06/30/2023, the value of the subscription liability is \$10,029. Hickory, North Carolina, is required to make annual fixed payments of \$3,440. The subscription has an interest rate of 2.3630%. The value of the right-to-use asset as of 06/30/2023 was \$10,028 with accumulated amortization of \$493.

The future minimum subscription obligations and the net present value of these minimum subscription payments as of June 30, 2023, were as follows:

Year Ending	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 658,662	\$ 23,046	\$ 1,693	\$ 27
2025	160,409	9,073	1,642	79
2026	118,868	5,292	1,679	40
2027	113,502	2,693	-	-
2028	885	110	-	-
2029 - 2033	3,756	225	-	-
Total	<u>\$ 1,056,082</u>	<u>\$ 40,439</u>	<u>\$ 5,014</u>	<u>\$ 146</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

3. *Installment Purchase Agreements*

The installment purchase agreements are collateralized by the asset financed and do not carry the taxing power of the City. These agreements include providing insurance certificates, budget data, and financial information on an annual basis.

Installment Purchase Agreement	Principal Outstanding	Cumulative Fund Total
Serviced by General Fund:		
\$14,135,000 2023 TDA/Hickory Metro Convention Center expansion installment purchase agreement due in annual installments ranging from \$760,000 to \$765,000 principal through April 1, 2043; interest payable semi-annually at 3.83%; this is non-capital debt for the City of Hickory.	\$ 14,135,000	
\$3,000,000 TDA parking deck installment purchase agreement due in semi-annual installments of \$100,000 principal plus interest at 2.94% through October 22, 2029; non-capital debt for the City of Hickory	1,158,387	
\$575,000 2018 radio system upgrade installment purchase agreement due in semi-annual installments of \$57,500 principal plus interest at 2.92% through September 19, 2023.	57,606	
\$7,500,000 2020 Financing for Various City Projects installment agreement due in semi-annual installments of \$250,000 principal plus interest at 1.69% through December 16, 2035.	6,250,000	
\$205,331 2020 Equipment installment purchase agreement due in annual installments of \$54,999 principal plus interest at 4.8% through September 1, 2024; non-capital debt for the City of Hickory	51,333	\$ 21,652,326
Serviced by the Water and Sewer Fund:		
\$9,500,000 2005 Henry River basin sewer line installment purchase agreement due in semi-annual installments of \$237,500 principal plus interest at 3.55% through May 19, 2015; rate will reset on May 20, 2015 for another 10-year period; refinanced in April 2012 and reduced interest rate to 3.19% through May 19, 2025	950,000	
\$9,900,000 Hickory-Catawba wastewater treatment facility installment purchase agreement due in semi-annual installments of \$391,216 including interest at 2.27% through February 12, 2028	3,678,635	4,628,635
Serviced by the Solid Waste Fund:		
\$509,264 Equipment installment purchase agreement due in monthly installments of \$14,146 principal plus interest through 2023	113,169	113,169
Total		\$ 26,394,130

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The City's outstanding note from direct placements related to governmental activities of \$14,135,000 is secured by a deed of trust on the TDA Tract 1 containing 9.07 acres located at street dedication for 19th St Dr. SE. Upon failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and accrued interest are due. Default on the loan could result in one of the following after a 15-day notice: a) The unpaid principal components immediately due and payable, b) Court action to enforce the City's performance of the applicable covenants of the agreement, c) Escrow Agent could be required to pay over any balance remaining in the Project Fund to be applied against outstanding required payments, d) Execution and foreclosure and recovery of attorney's fees and other expenses.

The City's outstanding note from direct placements related to governmental activities of \$1,158,387 is secured by a deed of trust on the TDA parking deck located at 1960 13th Ave Dr SE. Upon failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and accrued interest are due. Default on the loan could result in one of the following after a 15-day notice: a) The unpaid principal components immediately due and payable, b) Court action to enforce the City's performance of the applicable covenants of the agreement, c) Escrow Agent could be required to pay over any balance remaining in the Project Fund to be applied against outstanding required payments, d) Execution and foreclosure and recovery of attorney's fees and other expenses.

The City's outstanding note from direct placements related to governmental activities of \$57,606 is an unsecured loan agreement with First National Bank of Pennsylvania on the radio system upgrade located at Hickory Police Department 347 2nd Ave SW. Upon failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and accrued interest are due. In the event of a default the lender refers the note to an attorney for collection or enforcements. The borrower would pay all expenses and costs incurred.

The City's outstanding note from direct placements related to governmental activities of \$6,250,000 is secured by a deed of trust loan agreement with Truist Bank for various City projects. Upon failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and accrued interest are due. In the event of a default the lender refers the note to an attorney for collection or enforcements. The borrower would pay all expenses and costs incurred.

The City's outstanding note from direct placements related to governmental activities of \$51,333 is a secured loan agreement with Dell Financial for police laptops. Upon failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and accrued interest are due.

The City's outstanding note from direct placements related to governmental activities of \$950,000 is secured by a deed of trust on the Henry River basin sewer line located on Robinwood road located in Catawba County. Upon failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and accrued interest are due. Default on the loan could result in one of the following: a) The unpaid principal components immediately due and payable, b) Court action to enforce the City's performance of the applicable covenants of the agreement, c) Escrow Agent could be required to pay over any balance remaining in the Project Fund to be applied against outstanding required payments, d) Execution and foreclosure and recovery of attorney's fees and other expenses.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The City's outstanding note from direct placements related to governmental activities of \$3,678,635 is secured by a deed of trust on the Hickory-Catawba wastewater treatment facility located at 104 6th Ave NE. Default on the loan could result in one of the following: a) The unpaid principal components immediately due and payable, b) Court action to enforce the City's performance of the applicable covenants of the agreement, c) Execution and foreclosure and recovery of attorney's fees and other expenses.

The City's outstanding note from direct placements related to governmental activities of \$113,169 is secured by a loan agreement with DeLage Landen Financial for equipment. Upon failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and accrued interest are due.

4. Notes Payable

On December 3, 2010, the City entered into an agreement with the state for a loan from the State Loan Pool for construction of the Northeast wastewater treatment plant. The approved amount was \$17,500,000, which requires twenty annual principal payments of \$875,000 and forty semi-annual interest payments at 2.48% beginning six months after completion of the project. The amount was refinanced on June 15, 2021, at a rate of 1.75%. The City currently owes \$8,785,000 on this debt. Principal and interest requirements will be provided by appropriation in the year that they become due. The long-term debt is recorded in the Water and Sewer Fund. The City's outstanding note from direct borrowings related to business-type activities of \$8,785,000 is not secured by a pledge of the faith and credit of the state of North Carolina or of the City but is payable solely from the revenues of the project or benefited systems, or other available funds. The note contains provisions that an event of default would result in (1) any other monies due to the City from the state may be withheld by the state and applied to the payment of the outstanding debt.

On February 24, 2011, the City entered into an agreement with the state for a loan for Cripple Creek sewer line. The approved amount was \$801,145, which requires twenty annual principal payments of \$40,057 with no interest. The City currently owes \$280,402 on this debt. Principal and interest requirements will be provided by appropriation in the year that they become due. The long-term debt is recorded in the Water and Sewer Fund. The City's outstanding note from direct borrowings related to business-type activities of \$280,402 is not secured by a pledge of the faith and credit of the state of North Carolina or of the City but is payable solely from the revenues of the project or benefited systems, or other available funds. The note contains provisions that an event of default would result in (1) any other monies due to the City from the state may be withheld by the state and applied to the payment of the outstanding debt.

On May 3, 2016, the City entered into an agreement for a \$1,364,100 note payable in bi-annual installments of \$68,205, through May 2038, and interest at 1.66% per year for the Central Business District. The City currently owes \$1,023,075 on this debt. Principal and interest requirements will be provided by appropriation in the year that they become due. The long-term debt is recorded in the Water and Sewer Fund. The City's outstanding note from direct borrowings related to business-type activities of \$1,023,075 is not secured by a pledge of the faith and credit of the state of North Carolina or of the City but is payable solely from the revenues of the project or benefited systems, or other available funds. The note contains provisions that an event of default would result in (1) any other monies due to the City from the state may be withheld by the state and applied to the payment of the outstanding debt.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

On May 3, 2016, the City entered into an agreement for a \$3,272,322 note payable in bi-annual installments of \$163,616, through May 2038, and interest at 1.66% per year for Geitner Basin. The City currently owes \$2,235,263 on this debt. Principal and interest requirements will be provided by appropriation in the year that they become due. The long-term debt is recorded in the Water and Sewer Fund. The City's outstanding note from direct borrowings related to business-type activities of \$2,235,263 is not secured by a pledge of the faith and credit of the state of North Carolina or of the City but is payable solely from the revenues of the project or benefited systems, or other available funds. The note contains provisions that an event of default would result in (1) any other monies due to the City from the state may be withheld by the state and applied to the payment of the outstanding debt.

On May 3, 2016, the City entered into an agreement for a \$4,515,054 note payable in bi-annual installments of \$52,170, through May 2042, and interest at 1.89% per year for Murray Basin. The City currently owes \$4,515,054 on this debt. Principal and interest requirements will be provided by appropriation in the year that they become due. The long-term debt is recorded in the Water and Sewer Fund. The City's outstanding note from direct borrowings related to business-type activities of \$4,515,054 is not secured by a pledge of the faith and credit of the state of North Carolina or of the City but is payable solely from the revenues of the project or benefited systems, or other available funds. The note contains provisions that an event of default would result in (1) any other monies due to the City from the state may be withheld by the state and applied to the payment of the outstanding debt.

5. General Obligation Indebtedness

General obligation bonds are collateralized by the full faith, credit, and taxing power of the County. Principal and interest requirements will be provided by appropriation in the year in which they become due.

General Obligation Indebtedness	Principal Outstanding	Cumulative Fund Total
Serviced by General Fund:		
\$15,000,000 general obligation bonds, Series 2018: Principal due in annual installments of \$750,000 through June 30, 2039. Interest payable semi-annually (March and September) ranges from 3.0% to 5.0% issued March 2019.	\$ 12,000,000	
\$15,000,000 general obligation bonds, Series 2019: Principal due in annual installments of \$750,000 through June 30, 2040. Interest payable semi-annually (March and September) ranges from 2.65% to 5.0% issued March 2020.	12,750,000	
\$10,000,000 general obligation bonds, Series 2021: Principal due in annual installments of \$500,000 through June 30, 2042. Interest payable semi-annually (March and September) ranges from 2.0% to 5.0% issued September 2021.	9,500,000	\$ 34,250,000

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

6. Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2023:

	Long-Term Debt			Long-Term Debt		Due Within
	June 30, 2022	Additions	Retirements	June 30, 2023	One Year	
Governmental Activities:						
Accrued liability law enforcement officers'						
Total pension liability (LEOSSA)	\$ 5,237,111	\$ -	\$ 773,879	\$ 4,463,232	\$	175,242
Compensated absences	2,569,507	1,787,263	1,703,722	2,653,048	1,533,350	
Total OPEB liability	16,943,942	-	3,401,038	13,542,904	852,574	
Leases	1,113,427	2,548,710	475,246	3,186,891	561,237	
Subscriptions	-	1,735,380	679,298	1,056,082	658,662	
Bonds payable:						
General obligation bonds	36,250,000	-	2,000,000	34,250,000	2,000,000	
Issuance discount/premium	4,288,700	-	233,240	4,055,460	233,240	
Net pension liability (LRS)	5,253,148	13,309,980	-	18,563,128	-	
Direct placement installment purchase	8,383,553	14,135,000	866,227	21,652,326	808,833	
Governmental activities long-term liabilities	<u>\$ 80,039,388</u>	<u>\$ 33,516,333</u>	<u>\$10,132,650</u>	<u>\$ 103,423,071</u>	<u>\$ 6,823,138</u>	
Business-Type Activities:						
Water and Sewer:						
Compensated absences	\$ 406,264	\$ 217,248	\$ 203,719	\$ 419,793	\$	183,347
Net pension liability (LRS)	860,519	2,161,927	-	3,022,446	-	
Total OPEB liability	3,516,035	-	705,749	2,810,286	176,918	
Subscriptions	-	5,014	-	5,014	-	
Direct placement installment purchase	5,790,840	-	1,162,205	4,628,635	1,177,894	
Notes from direct borrowings	15,577,800	2,428,274	1,167,280	16,838,794	1,421,415	
Water and sewer long-term liabilities	<u>26,151,458</u>	<u>4,812,463</u>	<u>3,238,953</u>	<u>27,724,968</u>	<u>2,959,574</u>	
Other Enterprise Funds:						
Compensated absences	153,459	131,457	94,969	189,947	85,472	
Net pension liability (LRS)	376,051	956,112	-	1,332,163	-	
Total OPEB liability	1,573,845	-	315,907	1,257,938	79,191	
Leases	3,494	-	3,494	-	-	
Direct placement installment purchase	282,924	-	169,755	113,169	113,169	
Other enterprise funds long-term liabilities	<u>2,389,773</u>	<u>1,087,569</u>	<u>584,125</u>	<u>2,893,217</u>	<u>277,832</u>	
Business-type activities long-term liabilities	<u>\$ 28,541,231</u>	<u>\$ 5,900,032</u>	<u>\$ 3,823,078</u>	<u>\$ 30,618,185</u>	<u>\$ 3,237,406</u>	

Compensated absences, OPEB liability, LRS liability and the law enforcement officers' pension liability have typically been liquidated in the General Fund for governmental activities. At June 30, 2023, the City had a legal debt margin of \$369,560,830.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

7. Future Maturities for Long-Term Indebtedness

The following table summarizes the annual requirements to amortize all long-term debt outstanding (excluding compensated absences and law enforcement officers' unfunded retirement contribution):

	General Obligation Bonds		Note from Direct Borrowings		Direct Placement Installment Purchase Agreements		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental								
Activities:								
2024	\$ 2,000,000	\$ 1,289,125	\$ -	\$ -	\$ 808,833	\$ 695,397	\$ 2,808,833	\$ 1,984,522
2025	2,000,000	1,189,125	-	-	1,100,000	654,419	3,100,000	1,843,544
2026	2,000,000	1,089,125	-	-	1,460,000	626,689	3,460,000	1,715,814
2027	2,000,000	989,125	-	-	1,460,000	585,171	3,460,000	1,574,296
2028	2,000,000	889,125	-	-	1,460,000	543,653	3,460,000	1,432,778
2029-2033	10,000,000	5,445,625	-	-	6,463,388	2,126,511	16,463,388	7,572,136
2034-2038	9,250,000	1,193,624	-	-	5,055,000	1,643,160	14,305,000	2,836,784
2039-2043	5,000,000	568,626	-	-	3,845,105	-	8,845,105	568,626
	<u>34,250,000</u>	<u>12,653,500</u>	<u>-</u>	<u>-</u>	<u>21,652,326</u>	<u>6,875,000</u>	<u>55,902,326</u>	<u>19,528,500</u>
Business-Type								
Activities:								
2024	-	-	1,421,415	207,826	1,291,063	93,420	2,712,478	301,246
2025	-	-	1,416,415	188,382	956,440	69,442	2,372,855	257,824
2026	-	-	1,411,415	169,027	972,852	47,079	2,384,267	216,106
2027	-	-	1,406,815	149,758	752,140	30,293	2,158,955	180,051
2028	-	-	1,396,815	130,577	769,309	13,122	2,166,124	143,699
2029-2033	-	-	6,776,903	626,510	-	-	6,776,903	626,510
2034-2038	-	-	2,381,788	186,044	-	-	2,381,788	186,044
2039-2043	-	-	627,228	-	-	-	627,228	-
	<u>-</u>	<u>-</u>	<u>16,838,794</u>	<u>1,658,124</u>	<u>4,741,804</u>	<u>253,356</u>	<u>21,580,598</u>	<u>1,911,480</u>
Total	<u>\$ 34,250,000</u>	<u>\$ 12,653,500</u>	<u>\$ 16,838,794</u>	<u>\$ 1,658,124</u>	<u>\$ 26,394,130</u>	<u>\$ 7,128,356</u>	<u>\$ 77,482,924</u>	<u>\$ 21,439,980</u>

Note 8 – Pension Plan Obligations

A. Local Governmental Employees' Retirement System

1. Description

The City of Hickory 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.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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 (ACFR) for the state of North Carolina. The state's ACFR 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.

2. 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.

3. Contributions

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Hickory 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 Hickory's contractually required contribution rate for the year ended June 30, 2023, was 13.10% of compensation for law enforcement officers and 12.10% 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 Hickory were \$4,135,226 for the year ended June 30, 2023.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

4. Refunds of Contributions

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

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

At June 30, 2023, the City reported a liability of \$22,917,737 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2022 (measurement date), the City's proportion was 0.406%, which was a decrease of 0.017% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City recognized pension expense of \$5,781,050. At June 30, 2023, 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	\$ 987,504	\$ 96,819
Changes of assumptions	2,286,676	-
Net difference between projected and actual earnings on pension plan investments	7,574,552	-
Changes in proportion and differences between City contributions and proportionate share of contributions	37,355	410,581
City contributions subsequent to the measurement date	4,135,226	-
Total	\$ 15,021,313	\$ 507,400

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

\$4,135,226 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Amount
2024	\$ 3,226,065
2025	2,748,670
2026	795,295
2027	3,608,657
2028	-
Thereafter	-
Total	<u>\$ 10,378,687</u>

5. Actuarial Assumptions

The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increase	3.25 to 8.25 percent, including 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.

The actuarial assumptions used in the December 31, 2021, actuarial valuation were based on the results of an actuarial experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021.

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 returns 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

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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, 2022 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%	0.9%
Global equity	38.0%	6.5%
Real estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Opportunistic fixed income	7.0%	5.0%
Inflation sensitive	<u>6.0%</u>	2.7%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. 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%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.

6. 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.

7. Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate.

The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.50%, as well as what the City's proportionate share of the net pension liability or net pension asset would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
City's proportionate share of the net pension liability (asset)	<u>\$ 41,363,564</u>	<u>\$ 22,917,737</u>	<u>\$ 7,717,305</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

8. 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 (ACFR) for the state of North Carolina.

B. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

The City of Hickory 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 credible service or have attained 55 years of age and have completed five or more years of credible service. The Separation Allowance is equal to 0.85% 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. A separate report was not issued for the plan.

The Separation Allowance covers all full-time law enforcement officers of the City. At December 31, 2021, the Separation Allowance's membership consisted of:

Retirees currently receiving benefits	13
Active members	<u>113</u>
Total	<u><u>126</u></u>

2. 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 and refunds are recognized when due and payable in accordance with the terms of the plan.

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

3. Actuarial Assumptions

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

Inflation	2.5 percent
Projected salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.31 percent

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The discount rate used to measure the TPL is the S&P Municipal Bond 20-Year High Grade Rate Index.

The actuarial assumptions used in the December 31, 2021, valuation was based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ended December 31, 2019.

Mortality Assumption: All mortality rates use Pub-2010 amount-weighted tables.

Mortality Projection: All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

Deaths After Retirement (Healthy): Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

Deaths After Retirement (Disabled Members at Retirement): Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are Set Back 3 years for all ages.

Deaths After Retirement (Survivors of Deceased Members): Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are Set Forward 3 years. Rates for female members are Set Forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

Deaths Prior To Retirements: Mortality rates are based on the Safety Mortality Table for Employees.

4. 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 \$273,997 as 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, 2023, the City reported a total pension liability of \$4,463,232. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the City recognized pension expense of \$563,569.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Benefit payments and administrative costs subsequent to measurement date	\$ 175,242	\$ -
Changes of assumptions and other inputs	699,504	812,999
Differences between expected and actual experience	255,939	78,487
Total	<u>\$ 1,130,685</u>	<u>\$ 891,486</u>

CITY OF HICKORY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

\$175,242 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2024	\$ 103,488
2025	103,394
2026	97,382
2027	(79,976)
2028	(144,200)
Thereafter	<u>(16,131)</u>
Total	<u>\$ 63,957</u>

5. *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 4.31%, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.31%) or 1-percentage-point higher (5.31%) than the current rate:

	1% Decrease (3.31)	Discount Rate (4.31%)	1% Increase (5.31%)
Total pension liability	\$ <u>4,846,308</u>	\$ <u>4,463,232</u>	\$ <u>4,115,842</u>

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

Beginning balance	\$ <u>5,237,111</u>
Service cost	281,246
Interest on the total pension liability	114,753
Difference between expected and actual experience	(64,913)
Changes of assumptions and other inputs	(830,968)
Benefit payments made	<u>(273,997)</u>
Net change in total pension liability	<u>(773,879)</u>
Ending balance of the total pension liability	\$ <u>4,463,232</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.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

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

	LGERS	LEOSSA	Total
Pension expense	\$ 5,781,050	\$ 563,569	\$ 6,344,619
Pension liability	22,917,737	4,463,232	27,380,969
Proportion of the net pension liability (asset)	0.40624%	N/A	-
 <u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$ 987,504	\$ 255,939	\$ 1,243,443
Changes of assumptions	2,286,676	699,504	2,986,180
Net difference between projected and actual earnings on pension plan investments	7,574,552	-	7,574,552
Changes in proportion and differences between employer contributions and proportionate share of contributions	37,355	-	37,355
Employer contributions (LGERS) and benefit payments and administration costs (LEOSSA) subsequent to the measurement date	4,135,226	175,242	4,310,468
	\$ 15,021,313	\$ 1,130,685	\$ 16,151,998
 <u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ 96,819	\$ 78,487	\$ 175,306
Changes of assumptions	-	812,999	812,999
Changes in proportion and differences between employer contributions and proportionate share of contributions	410,581	-	410,581
	\$ 507,400	\$ 891,486	\$ 1,398,886

C. Supplemental Retirement Income Plan for Law Enforcement Officers

The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. North Carolina G.S. 135-5 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 (ACFR) for the state of North Carolina. The state's ACFR includes the Pension Trust Fund financial statements for the Internal Revenue Code Section 401(k) plan that includes

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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.

North Carolina G.S. 143-12E requires the City to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. In addition, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2023 were \$591,257, which consisted of \$317,004 from the City and \$274,253 from the law enforcement officers. No amounts were forfeited.

Note 9 – Death Benefit Plan

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.

Note 10 – Other Post-Employment Benefits (OPEB)

A. Description

The City administers a single-employer defined benefit healthcare plan (“the health plan”), which provides post-retirement healthcare benefits to retirees of the City, provided they meet any of the retirement options available through the North Carolina Local Governmental Employees' Retirement System (LGERS) and reach the 15-year service level of creditable service with the City and were hired prior to July 1, 2008. Upon reaching the 15-year service level, the City will allow employees to participate in the City's health insurance program at the retiree's expense. The City will pay 25% of the individual premiums for retirees who retire from the City and have 20 to 29.99 years of service with the City of Hickory. For employees who attain 30 years of service with the City of Hickory, the City will pay 100% of the individual premium. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

CITY OF HICKORY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Dependent or spouse coverage in the health plan must be paid in full by the retiree. Eligibility for coverage ceases when the retiree and/or dependents become Medicare eligible. Persons hired on or after July 1, 2008, are not eligible for this benefit.

<u>Retired Employees' Years of Creditable Service</u>	<u>Date Hired</u>	
	<u>Pre-July 1, 2008</u>	<u>On or After July 1, 2008</u>
Less than 15 years	Not eligible	Not eligible
15 to 20 years	Full coverage paid by the retiree	Not eligible
20 to 30 years	25% of the cost of coverage paid by the City	Not eligible
At least 30 years	100% of the cost of coverage paid by the City	Not eligible

Membership of the plan consisted of the following at June 30, 2022, the date of the latest actuarial valuation:

Retirees receiving benefits	91
Active members	<u>176</u>
Total	<u><u>267</u></u>

B. Funding Policy

The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees as authorized by the approved personnel ordinance. In addition, the budget for these expenditures is approved, along with other healthcare expenditures as part of the annual budget process. In addition to coverage for employees, the City's members can elect to pay for spouse, dependent, or family coverage. For fiscal year 2023, the City chose to fund the plan benefits on a pay-as-you-go basis.

Total OPEB Liability

The City's total OPEB liability of \$17,611,128 was measured as of June 30, 2022, and was determined by an actuarial valuation as June 30, 2022.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Real wage growth	0.75 percent
Wage inflation	3.25 percent
Salary increases, including wage inflation:	
General employees	3.25 to 8.41 percent
Firefighters	3.25 to 8.15 percent
Law enforcement officers	3.25 to 7.90 percent
Municipal Bond Index Rate:	
Prior measurement date	2.16 percent
Measurement date	3.54 percent
Healthcare cost trend rates:	
Pre-Medicare	7.00 percent for 2022 decreasing to an ultimate rate of 4.50 percent by 2031
Dental	3.50 percent

The discount rate is based on the June average of the Bond Buyer General Obligation 20-Year Municipal Bond Index published weekly by The Bond Buyer.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2021	\$ 22,033,822
Changes for the year:	
Service cost	524,811
Interest	479,955
Differences between expected and actual experience	(3,258,016)
Changes of assumptions or other inputs	(1,488,836)
Benefit payments	(680,608)
Net changes	(4,422,694)
Balance at June 30, 2022	\$ 17,611,128

Changes in assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 2.16% to 3.54%.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increase used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019, adopted by LGERS.

The remaining actuarial assumptions (e.g., initial per capita costs, healthcare cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2022, valuation were based on a review of recent plan experience done concurrently with the June 30, 2022 valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54%) or 1-percentage-point higher (4.54 %) than the current discount rate:

	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB liability	\$ 19,090,715	\$ 17,611,128	\$ 16,269,453

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 16,151,219	\$ 17,611,128	\$ 19,255,036

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the City recognized OPEB income of \$823,981. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 35,054	\$ 4,435,017
Changes of assumptions	2,075,785	1,435,101
Benefit payments and plan administrative expense made subsequent to the measurement date	1,108,683	-
Total	\$ 3,219,522	\$ 5,870,118

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

\$1,108,683 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	Total
2024	\$ (1,609,251)
2025	(1,294,152)
2026	(855,876)
2027	-
2028	-
Thereafter	-
Total	<u>\$ (3,759,279)</u>

Note 11 – Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

The City has complied with changes in the laws that govern the City’s Deferred Compensation Plan, requiring all assets of the plan to be held in trust for the exclusive benefit of the participants and their beneficiaries. Formerly, the undistributed amounts that had been deferred by the plan participants were required to be reported as assets of the City. In accordance with GASB Statement 32, “Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans”, the City’s Deferred Compensation Plan is no longer reported within the City’s agency funds.

Note 12 – Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and/or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured for workers’ compensation coverage for all employees. Funding is provided by charges to the various funds of the City based upon submitted claims. Aggregate and specific stop loss insurance coverage is provided annually by Arch Insurance Company. Specialized Contract Administrators provides third-party claims administration. The City has recognized a provision of \$620,122 for claims incurred, but not reported, in the accompanying financial statements. This provision is estimated based upon analysis of historical claims experience reviewed by the City’s third-party administrator.

The City is self-insured for health and dental coverage for all full-time employees. Funding is provided by employee contributions and charges to the various funds of the City based upon estimated claims and employee participation. The claims administrator determines estimated claims annually. Aggregate and specific stop loss insurance coverage is provided annually by Blue Cross and Blue Shield of North Carolina, who also provides contracted third-party claims administration. The City has recognized a provision of \$1,200,158 for claims incurred, but not reported, in the accompanying financial statements. This provision is estimated based upon analysis of historical claims experience reviewed by the City’s third-party administrator.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The City carries flood insurance in designated areas through our insurance carrier, Travelers Insurance. The City has purchased coverage of \$1,000,000 limit with a \$50,000 deductible.

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 (crime bond) bonded through a commercial surety bond. The Finance Officer, Deputy Finance Officer, and Tax Collector are bonded for \$1,000,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

The City carries commercial coverage for all other risks of loss. This coverage includes property insurance coverage with a blanket limit of \$250 million on buildings and contents, general, public entity management and law enforcement liability coverage of \$1 million per occurrence and \$3 million aggregate, \$25,000 on employment practice liability, and \$1 million with a \$3 million aggregate and \$8 million excess coverage per occurrence with a \$10,000 deductible on the excess policy. Settled claims have not exceeded coverage in any of the last three years.

Changes in the balances of claims liabilities during the past two years are as follows:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Unpaid claims, beginning of fiscal year	\$ 1,197,586	\$ 1,223,974
Incurred claims (including IBNRs)	4,587,694	3,272,897
Claim payments	<u>(3,965,000)</u>	<u>(3,299,285)</u>
Unpaid claims, end of fiscal year	<u>\$ 1,820,280</u>	<u>\$ 1,197,586</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Note 13 – Interfund Activity

The transfers to/from other funds during the year ended June 30, 2023 consist of the following:

From General Fund to Airport Fund for future capital expenditures	\$ 1,555,900
From General Fund to General Capital Project Fund for capital needs to close projects	2,930,218
From General Fund to Water Sewer Fund for capital expenditures	33,444
From General Fund to Solid Waste Fund for capital expenditures	38,895
From General Fund to Stormwater Fund for capital expenditures	136,778
From Water and Sewer Fund to Water and Sewer Capital Reserve Fund for future capital expenditures	865,643
From Water and Sewer Fund to General Capital Projects Fund for for capital project expenditures	600,000
From Water Sewer Capital Reserve Fund to Water and Sewer Fund for future capital expenditures	865,643
From Water Sewer Capital Reserve Fund to Water and Sewer Capital Project Fund for future capital expenditures	127,100
From General Fund to Multi-Year Grant Project Fund for grant matching requirements	18,060
From General Fund to Capital Reserve Fund for future capital expenditures	1,624,000
From American Rescue Plan Fund to General Fund to appropriate ARPA salaries	4,118,501
From General Capital Project Fund to General Fund to close projects	5,080,371
From Water and Sewer Fund to Capital Reserve Fund for future capital expenditures	1,340,000
From Water and Sewer Fund to Water and Sewer Capital Project Fund for capital project expenditures	5,670,801
From Airport Fund to Airport Capital Project Fund for capital project expenditures	61,813
From Water and Sewer Fund to General Fund for capital expenditures	445,919
From Multi-Year Grants Project Fund to General Fund for return of unspent project funding	8
From Capital Reserve Fund to General Fund for capital expenditures	1,508,326
From Water and Sewer Fund to Stormwater Fund for operational needs	<u>136,778</u>
Total interfund transfers	<u>\$ 27,158,198</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The due to/from other funds at June 30, 2023 consist of the following:

Receivable Fund	Payable Fund	Amount
General Fund	Fleet management	\$ 2,138,708
General Fund	Multi-year grant projects	16,528
General Fund	Community Development Entitlement Block Grant	467,196
General Fund	Airport Fund	800,607
		\$ 3,423,039

These balances include the amount of working capital loans made to internal service funds that the General Fund expects to collect in the subsequent year. The Airport Fund is reimbursing the General Fund for a loan that was paid by the General Fund.

Note 14 – Claims and Judgments

At June 30, 2023, the City was involved in several lawsuits involving damages and potential claims. The exact amount of any claim cannot be determined at this time. It is the opinion of the City Attorney and City management that none of these lawsuits would have any adverse financial impact upon the City or its financial position.

Note 15 – Summary Disclosure of Significant Contingencies

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 monies 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 monies.

Note 16 – Related Organization

The Mayor and Council of the City of Hickory appoint the seven-member Board of the City of Hickory Housing Authority. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority. The City of Hickory is also disclosed as a related organization in the notes to the financial statements for the City of Hickory Housing Authority.

Note 17 – Agreements with Other Organizations

A. Hickory-Conover Tourism Development Authority

The City of Hickory, the City of Conover, and the Catawba County Chamber of Commerce established the Hickory-Conover Tourism Development Authority (TDA) under session law SL 2009-45, Sec.29. The Board of the TDA consists of nine members - three appointed by the Hickory City Council, two by the Conover City Council, and one by the Chamber of Commerce. In addition, three ex-officio members are appointed: the City Managers of Hickory and Conover, along with the Executive Vice-President of the Catawba County Chamber of Commerce. The TDA was formed to promote tourism and economic development. The TDA is funded by an occupancy tax approved by the North Carolina State

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Legislature. The City of Hickory collects the tax and passes it directly to the TDA. No City funds are used to support the TDA. The Authority approves its own budget, is entitled to any surpluses, or must finance any deficits, is legally responsible for its own debts, and designates its own management. Complete financial statements for the TDA may be obtained from the TDA's administrative offices at 470 Highway 70, SW, Hickory, North Carolina, or by writing P.O. Box 1828, Hickory, North Carolina 28603.

B. Western Piedmont Council of Governments

The Western Piedmont Council of Governments is a voluntary association of four counties and 24 municipalities. The Council was established by the participating governments to coordinate funding from federal and state agencies. Each county or municipality appoints one member to the Council's governing board, whose responsibilities include approving the budget and designating the management of the Council. The City paid membership dues of \$53,571 during the fiscal year ended June 30, 2023.

C. Sludge Facility Consortium

The City, in conjunction with the City of Conover and Catawba County, established the Sludge Facility Consortium to operate the Sludge Compost Facility. The City and County managers of all participating units serve on the three-member Board. However, the City of Hickory provides all administrative and managerial services for the facility due to 100% ownership of the assets, under the Board's direction. The agreement between the parties requires the payment of 84.5% from the City of Hickory and 15.5% from the City of Conover, for all costs of construction and operations of the facility. The City was required to pay \$1,665,621 for operations for the year ended June 30, 2023. The complete sludge facility financial statements are shown in the financial section under combining and individual fund financial statements and schedules.

Note 18 – Opioid Settlement Funds

In April 2022, drug manufacturer Johnson & Johnson, and three drug distributors, McKesson, AmerisourceBergen, and Cardinal Health, finalized a \$26 billion-dollar nationwide settlement related to multiple opioid lawsuits. These funds will be disbursed to each participating state over an 18-year period according to an allocation agreement reached with all participating states. The majority of these funds are intended for opioid abatement and the distribution of the funds will be front loaded.

North Carolina's Memorandum of Agreement (MOA) between the state and local governments for the settlement funds allocates the funds as follows:

- 15% directly to the state ("State Abatement Fund")
- 80% to abatement funds established by Local Governments ("local abatement funds")
- 5% to a County Incentive Fund

The City received \$79,216 as part of this settlement. Per the terms of the MOA, the City created a special revenue fund, the Opioid Settlement Fund, to account for these funds. All funds are to be used for opioid abatement and remediation activities. Funds are restricted until expended. No funds have been expended as of June 30, 2023. The MOA offered the City two options of expending the funds. The City opted for Option A, which allows a wide array of strategies to address the impact of the opioid epidemic.

HICKORY



North Carolina

Required Supplemental Financial Data

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

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

Schedule of Total Pension Liability as a Percentage of Covered Employee Payroll for the Law Enforcement Officers' Special Separation Allowance

Schedule of Changes in the Total OPEB Liability and Related Ratios

Schedule of Proportionate Share of Net Pension Liability (Asset) for the Local Governmental Employees' Retirement System

Schedule of Pension Contributions for the Local Governmental Employees' Retirement System

CITY OF HICKORY, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAST SEVEN FISCAL YEARS***

Law Enforcement Officers' Special Separation Allowance				
	2023	2022	2021	2020
Beginning balance	\$ 5,237,111	\$ 4,897,373	\$ 3,582,170	\$ 3,544,975
Service cost	281,246	299,050	175,313	151,450
Interest on the total pension liability	114,753	92,241	112,056	124,028
Difference between expected and actual experience	(64,913)	328,689	27,272	(72,110)
Changes in assumptions or other inputs	(830,968)	(144,200)	1,290,279	109,036
Benefit payments	(273,997)	(236,042)	(289,717)	(275,209)
Ending balance of the total pension liability	<u>\$ 4,463,232</u>	<u>\$ 5,237,111</u>	<u>\$ 4,897,373</u>	<u>\$ 3,582,170</u>

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

*Pension schedules are intended to show information for ten years, additional years' information will be displayed as it comes available.

CITY OF HICKORY, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAST SEVEN FISCAL YEARS***

Law Enforcement Officers' Special Separation Allowance			
	2019	2018	2017
Beginning balance	\$ 3,559,244	\$ 3,190,102	\$ 3,299,125
Service cost	164,385	135,028	146,016
Interest on the total pension liability	107,935	117,164	112,568
Difference between expected and actual experience	138,715	224,590	-
Changes in assumptions or other inputs	(138,126)	201,909	(75,701)
Benefit payments	(287,178)	(309,549)	(291,906)
Ending balance of the total pension liability	<u>\$ 3,544,975</u>	<u>\$ 3,559,244</u>	<u>\$ 3,190,102</u>

CITY OF HICKORY, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF
COVERED EMPLOYEE PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST SEVEN FISCAL YEARS**

Law Enforcement Officers' Special Separation Allowance				
	2023	2022	2021	2020
Total pension liability	\$ 4,463,232	\$ 5,237,111	\$ 4,897,373	\$ 3,582,170
Covered employee payroll*	6,444,992	6,403,670	5,855,795	5,431,591
Total pension liability as a percentage of covered employee payroll	69.25%	81.78%	83.63%	65.95%

*Valuation payroll

Notes to Schedules:

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

CITY OF HICKORY, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF
COVERED EMPLOYEE PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST SEVEN FISCAL YEARS**

Law Enforcement Officers' Special Separation Allowance			
	2019	2018	2017
Total pension liability	\$ 3,544,975	\$ 3,559,244	\$ 3,190,102
Covered employee payroll*	5,441,525	5,231,012	5,373,660
Total pension liability as a percentage of covered employee payroll	65.15%	68.04%	59.37%

CITY OF HICKORY, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST SIX FISCAL YEARS

Other Post-Employment Benefits			
	2023	2022	2021
Service cost	\$ 524,811	\$ 533,937	\$ 509,332
Interest	479,955	450,019	775,704
Differences between expected and actual experience	(3,258,016)	26,487	(4,728,608)
Changes of assumptions or other inputs	(1,488,836)	1,485,929	2,338,485
Benefit payments	(680,608)	(579,726)	(855,389)
Net change in total OPEB liability	(4,422,694)	1,916,646	(1,960,476)
Total OPEB liability - beginning	22,033,822	20,117,176	22,077,652
Total OPEB liability - ending	<u>\$ 17,611,128</u>	<u>\$ 22,033,822</u>	<u>\$ 20,117,176</u>
Covered employee payroll	\$ 10,583,434	\$ 11,959,233	\$ 11,959,233
Total OPEB liability as a percentage of covered employee payroll	166.40%	184.24%	168.21%

Notes to the Required Schedules:

Changes of Assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

Fiscal Year	Rate
2023	3.54%
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

Note: The OPEB schedules in the required supplementary information are intended to show information for ten years. Additional information will be displayed as it becomes available.

Note: The City of Hickory has no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the OPEB plan.

CITY OF HICKORY, NORTH CAROLINA

**OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST SIX FISCAL YEARS**

Other Post-Employment Benefits			
	2020	2019	2018
Service cost	\$ 467,682	\$ 661,419	\$ 718,706
Interest	799,322	803,208	698,414
Differences between expected and actual experience	28,634	(303,316)	166,419
Changes of assumptions or other inputs	722,147	(2,119,216)	(1,196,267)
Benefit payments	<u>(967,287)</u>	<u>(1,143,915)</u>	<u>(916,075)</u>
Net change in total OPEB liability	1,050,498	(2,101,820)	(528,803)
Total OPEB liability - beginning	<u>21,027,154</u>	<u>23,128,974</u>	<u>23,657,777</u>
Total OPEB liability - ending	<u><u>\$ 22,077,652</u></u>	<u><u>\$ 21,027,154</u></u>	<u><u>\$ 23,128,974</u></u>
Covered employee payroll	\$ 13,499,380	\$ 13,499,380	\$ 15,733,224
Total OPEB liability as a percentage of covered employee payroll	163.55%	155.76%	147.01%

CITY OF HICKORY, NORTH CAROLINA

**CITY OF HICKORY'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS***

	Local Governmental Employees' Retirement System				
	2023	2022	2021	2020	2019
Hickory's proportion of the net pension liability (asset) (%)	0.40624%	0.42317%	0.43679%	0.42429%	0.44414%
Hickory's proportion of the net pension liability (asset) (\$)	\$ 22,917,737	\$ 6,489,718	\$ 15,608,367	\$ 11,587,029	\$ 10,536,521
Hickory's covered payroll	28,003,714	29,742,913	29,488,169	28,267,776	27,019,564
Hickory's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	81.84%	21.82%	52.93%	40.99%	39.00%
Plan fiduciary net position as a percentage of the total pension liability**	84.14%	95.51%	88.61%	90.86%	91.63%

* 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 HICKORY, NORTH CAROLINA

**CITY OF HICKORY'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS***

	Local Governmental Employees' Retirement System				
	2018	2017	2016	2015	2014
Hickory's proportion of the net pension liability (asset) (%)	0.45556%	0.46454%	0.50266%	0.50893%	0.50100%
Hickory's proportion of the net pension liability (asset) (\$)	\$ 6,959,696	\$ 9,394,282	\$ 2,255,905	\$ (3,001,397)	\$ 6,038,974
Hickory's covered payroll	26,694,921	26,213,071	25,900,959	25,586,063	23,581,414
Hickory's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	26.07%	35.84%	8.71%	11.73%	25.61%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

CITY OF HICKORY, NORTH CAROLINA

**CITY OF HICKORY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS**

Local Governmental Employees' Retirement System					
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 4,135,226	\$ 3,212,579	\$ 3,061,176	\$ 2,686,246	\$ 2,235,832
Contributions in relation to the contractually required contribution	<u>4,135,226</u>	<u>3,212,579</u>	<u>3,061,176</u>	<u>2,686,246</u>	<u>2,235,832</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hickory's covered payroll	\$ 33,814,589	\$ 28,003,714	\$ 29,742,913	\$ 29,488,169	\$ 28,267,776
Contributions as a percentage of covered payroll	12.23%	11.47%	10.29%	9.11%	7.91%

CITY OF HICKORY, NORTH CAROLINA

**CITY OF HICKORY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS**

Local Governmental Employees' Retirement System					
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,079,421	\$ 1,991,269	\$ 1,571,948	\$ 1,848,000	\$ 1,819,354
Contributions in relation to the contractually required contribution	<u>2,079,421</u>	<u>1,991,269</u>	<u>1,571,948</u>	<u>1,848,000</u>	<u>1,819,354</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hickory's covered payroll	\$ 27,019,564	\$ 26,694,921	\$ 26,213,071	\$ 25,900,959	\$ 25,586,063
Contributions as a percentage of covered payroll	7.70%	7.46%	6.00%	7.13%	7.11%

HICKORY



North Carolina

General Fund

The General Fund accounts for all financial resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

HICKORY



North Carolina

CITY OF HICKORY, NORTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ACTUAL - GENERAL FUND CONSOLIDATED
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Eliminations</u>	<u>Total General Fund</u>
Revenues:				
Ad valorem taxes	\$ 36,123,887	\$ -	\$ -	\$ 36,123,887
Other taxes	23,867,018	-	-	23,867,018
Unrestricted intergovernmental revenues	624,384	-	-	624,384
Restricted intergovernmental revenues	4,919,587	-	-	4,919,587
Licenses and permits	4,755	-	-	4,755
Sales and services	1,428,329	-	-	1,428,329
Investment earnings	383,868	101,710	-	485,578
Miscellaneous	2,490,785	-	-	2,490,785
Total revenues	<u>69,842,613</u>	<u>101,710</u>	<u>-</u>	<u>69,944,323</u>
Expenditures:				
Current:				
General government	19,842,712	-	-	19,842,712
Public safety	28,139,026	-	-	28,139,026
Transportation	6,121,681	-	-	6,121,681
Economic and physical development	4,198,488	-	-	4,198,488
Culture and recreation	4,446,596	-	-	4,446,596
Debt service:				
Principal retirement	2,866,227	-	-	2,866,227
Lease and subscription principal retirement	794,653	-	-	794,653
Interest fees	1,551,106	-	-	1,551,106
Total expenditures	<u>67,960,489</u>	<u>-</u>	<u>-</u>	<u>67,960,489</u>
Revenues over (under) expenditures	<u>1,882,124</u>	<u>101,710</u>	<u>-</u>	<u>1,983,834</u>
Other Financing Sources (Uses):				
Transfers in	11,153,125	2,964,000	(1,508,326)	12,608,799
Transfers out	(6,337,295)	(1,508,326)	1,508,326	(6,337,295)
Lease and subscription liability issued	3,562,706	-	-	3,562,706
Total other financing sources (uses)	<u>8,378,536</u>	<u>1,455,674</u>	<u>-</u>	<u>9,834,210</u>
Net change in fund balances	10,260,660	1,557,384	-	11,818,044
Reconciliation from Budgetary Basis of Accounting to Modified Accrual Basis:				
Current year note receivable payments	(200,000)	-	-	(200,000)
Net change in fund balance modified accrual	10,060,660	1,557,384	-	11,618,044
Fund Balance:				
Beginning of year - July 1	<u>33,385,226</u>	<u>7,934,945</u>	<u>-</u>	<u>41,320,171</u>
End of year - June 30	<u>\$ 43,445,886</u>	<u>\$ 9,492,329</u>	<u>\$ -</u>	<u>\$ 52,938,215</u>

CITY OF HICKORY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			2022
	Final Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Current year	\$ 33,700,000	\$ 35,626,525	\$ 1,926,525	\$ 33,740,046
Prior years	441,412	306,387	(135,025)	342,713
Penalties and interest	180,295	190,975	10,680	207,311
Total	<u>34,321,707</u>	<u>36,123,887</u>	<u>1,802,180</u>	<u>34,290,070</u>
Other Taxes:				
Local option sales tax	14,350,000	16,729,817	2,379,817	15,413,340
Franchise tax	3,292,272	3,615,906	323,634	3,365,456
Telecommunication tax	625,000	587,773	(37,227)	602,294
Hickory-Conover motel/occupancy tax	2,433,049	2,494,794	61,745	2,191,229
Vehicle tag tax	180,000	156,766	(23,234)	195,532
Gross receipts tax	275,000	281,962	6,962	301,072
Total	<u>21,155,321</u>	<u>23,867,018</u>	<u>2,711,697</u>	<u>22,068,923</u>
Unrestricted Intergovernmental Revenues:				
Beer and wine	175,000	199,754	24,754	172,952
Traffic control	457,250	301,030	(156,220)	387,596
Public school resource officer	120,000	123,600	3,600	120,000
Total	<u>752,250</u>	<u>624,384</u>	<u>(127,866)</u>	<u>680,548</u>
Restricted Intergovernmental Revenues:				
Federal grants	-	191,447	191,447	59,756
State grants	2,514,752	2,758,130	243,378	1,473,141
Local grants	-	32,953	32,953	50,850
Catawba County for library	220,000	230,000	10,000	225,289
Catawba County for police	115,608	123,231	7,623	34,301
Catawba County fire district tax	700,000	723,198	23,198	700,419
Catawba County for volunteer fire	219,028	210,628	(8,400)	9,400
Catawba County for public safety center	650,000	650,000	-	-
Total	<u>4,419,388</u>	<u>4,919,587</u>	<u>500,199</u>	<u>2,553,156</u>
Licenses and Permits:				
Beer and wine licenses	4,500	4,730	230	4,590
Miscellaneous permits	-	25	25	-
Total	<u>4,500</u>	<u>4,755</u>	<u>255</u>	<u>4,590</u>

CITY OF HICKORY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			2022
	Final Budget	Actual	Variance Over/Under	Actual
Sales and Services:				
Recreation services	316,190	394,290	78,100	334,407
Fire department services	224,000	248,199	24,199	221,662
Police department services	318,871	208,582	(110,289)	248,433
Street paving	20,000	29,562	9,562	44,129
Parking rentals	40,000	41,357	1,357	39,687
Library services	15,000	15,692	692	14,072
Rents and royalties	457,507	407,835	(49,672)	422,474
Cemetery plots	40,000	46,916	6,916	71,242
District court fees	-	7,112	7,112	7,433
Plan reviews	30,000	28,784	(1,216)	31,712
Total	1,461,568	1,428,329	(33,239)	1,435,251
Investment Earnings	100,000	383,868	283,868	(652,438)
Miscellaneous:				
Donations	52,699	90,285	37,586	72,389
Advertising fees	-	2,400	2,400	-
Insurance claims	223,263	127,161	(96,102)	230,055
Sale of properties	1,013,316	1,530,148	516,832	595,281
Other	808,639	740,791	(67,848)	232,349
Total	2,097,917	2,490,785	392,868	1,130,074
Total revenues	64,312,651	69,842,613	5,529,962	61,510,174
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits	563,922	558,855	5,067	502,132
Operating expenditures	188,794	185,867	2,927	155,536
Administrative reimbursement	(212,274)	(212,274)	-	(208,112)
Total	540,442	532,448	7,994	449,556
Administration:				
Salaries and employee benefits	1,552,504	1,577,110	(24,606)	1,518,480
Operating expenditures	418,846	354,918	63,928	238,308
Capital outlay	52,466	45,440	7,026	9,078
Administrative reimbursement	(272,501)	(272,501)	-	(267,159)
Total	1,751,315	1,704,967	46,348	1,498,707

CITY OF HICKORY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			2022
	Final Budget	Actual	Variance Over/Under	Actual
Budget and Administration:				
Salaries and employee benefits	792,507	752,442	40,065	831,468
Operating expenditures	187,566	139,135	48,431	118,371
Capital outlay	3,001	2,677	324	9,209
Administrative reimbursement	(301,980)	(301,980)	-	(296,059)
Total	<u>681,094</u>	<u>592,274</u>	<u>88,820</u>	<u>662,989</u>
Finance:				
Salaries and employee benefits	1,182,323	1,180,542	1,781	1,107,833
Operating expenditures	519,592	447,018	72,574	441,521
Capital outlay	7,664	7,663	1	13,341
Administrative reimbursement	(1,516,788)	(1,514,157)	(2,631)	(1,484,466)
Total	<u>192,791</u>	<u>121,066</u>	<u>71,725</u>	<u>78,229</u>
Information Technology:				
Salaries and employee benefits	794,636	743,141	51,495	747,243
Operating expenditures	919,689	753,880	165,809	769,564
Capital outlay	584,419	483,772	100,647	538,746
Administrative reimbursement	(139,515)	(139,515)	-	(136,780)
Total	<u>2,159,229</u>	<u>1,841,278</u>	<u>317,951</u>	<u>1,918,773</u>
City Clerk:				
Salaries and employee benefits	114,313	115,625	(1,312)	107,379
Operating expenditures	29,743	24,340	5,403	16,268
Capital outlay	-	-	-	2,135
Administrative reimbursement	(66,640)	(66,640)	-	(65,333)
Total	<u>77,416</u>	<u>73,325</u>	<u>4,091</u>	<u>60,449</u>
Legal:				
Salaries and employee benefits	236,247	238,362	(2,115)	226,876
Operating expenditures	193,644	199,865	(6,221)	185,963
Capital outlay	1,933	1,932	1	3,411
Administrative reimbursement	(67,788)	(67,788)	-	(66,459)
Total	<u>364,036</u>	<u>372,371</u>	<u>(8,335)</u>	<u>349,791</u>
Engineering:				
Salaries and employee benefits	428,608	401,328	27,280	362,946
Operating expenditures	57,029	44,003	13,026	34,109
Capital outlay	13,200	10,953	2,247	30,686
Administrative reimbursement	(139,786)	(139,786)	-	(137,045)
Total	<u>359,051</u>	<u>316,498</u>	<u>42,553</u>	<u>290,696</u>

CITY OF HICKORY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			2022
	Final Budget	Actual	Variance Over/Under	Actual
Building Services:				
Salaries and employee benefits	592,953	500,707	92,246	466,868
Operating expenditures	90,539	84,383	6,156	70,650
Capital outlay	265,609	234,529	31,080	91,687
Administrative reimbursement	(345,531)	(345,531)	-	(333,312)
Total	603,570	474,088	129,482	295,893
Central Services:				
Salaries and employee benefits	627,528	637,404	(9,876)	565,197
Operating expenditures	287,397	226,226	61,171	145,331
Capital outlay	232,120	108,152	123,968	8,015
Administrative reimbursement	(292,790)	(288,326)	(4,464)	(283,144)
Total	854,255	683,456	170,799	435,399
Public Buildings:				
Salaries and employee benefits	30,997	31,017	(20)	27,455
Operating expenditures	594,466	451,622	142,844	458,100
Capital outlay	14,205,838	8,415,460	5,790,378	170,000
Administrative reimbursement	(9,277)	(9,277)	-	(9,095)
Total	14,822,024	8,888,822	5,933,202	646,460
Landscape Services:				
Salaries and employee benefits	1,986,109	1,842,589	143,520	1,765,682
Operating expenditures	1,632,378	1,441,130	191,248	1,386,519
Capital outlay	2,987,594	1,085,204	1,902,390	2,383,829
Administrative reimbursement	(138,148)	(138,148)	-	(135,439)
Total	6,467,933	4,230,775	2,237,158	5,400,591
District Court:				
Operating expenditures	9,286	9,260	26	21,304
Administrative reimbursement	2,084	2,084	-	2,043
Total	11,370	11,344	26	23,347
Total general government	28,884,526	19,842,712	9,041,814	12,110,880
Public Safety:				
Police:				
Salaries and employee benefits	11,930,006	11,764,305	165,701	11,536,422
Operating expenditures	2,641,328	2,365,029	276,299	2,342,480
Capital outlay	1,224,549	479,431	745,118	618,479
Administrative reimbursement	(2,938)	(2,938)	-	(2,880)
Total	15,792,945	14,605,827	1,187,118	14,494,501

CITY OF HICKORY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			2022
	Final Budget	Actual	Variance Over/Under	Actual
Department of Treasury:				
Operating expenditures	39,204	9,587	29,617	-
Capital outlay	57,000	57,000	-	-
Total	96,204	66,587	29,617	-
NC Unauthorized Substance Tax:				
Operating expenditures	12,789	12,789	-	20,284
Capital outlay	64,006	64,006	-	-
Total	76,795	76,795	-	20,284
Police - Secondary PSAP:				
Operating expenditures	124,296	53,921	70,375	74,800
Capital outlay	95,916	6,789	89,127	-
Total	220,212	60,710	159,502	74,800
Police - HPD Community Navigator:				
Operating expenditures	3,310	1,343	1,967	1,565
Fire:				
Salaries and employee benefits	10,123,406	10,131,677	(8,271)	9,955,770
Operating expenditures	2,512,304	1,934,366	577,938	1,410,993
Capital outlay	1,823,122	1,328,705	494,417	1,556,801
Administrative reimbursement	(66,984)	(66,984)	-	(65,671)
Total	14,391,848	13,327,764	1,064,084	12,857,893
Total public safety	30,581,314	28,139,026	2,442,288	27,449,043
Transportation:				
Traffic:				
Salaries and employee benefits	774,324	763,441	10,883	607,612
Operating expenditures	1,376,431	1,245,022	131,409	937,838
Capital outlay	554,821	400,680	154,141	121,621
Administrative reimbursement	(10,613)	(10,613)	-	(15,934)
Total	2,694,963	2,398,530	296,433	1,651,137
Street:				
Salaries and employee benefits	1,950,935	1,570,650	380,285	1,665,874
Operating expenditures	2,297,281	1,371,425	925,856	1,879,952
Capital outlay	1,568,561	846,415	722,146	1,274,582
Administrative reimbursement	(65,339)	(65,339)	-	(64,058)
Total	5,751,438	3,723,151	2,028,287	4,756,350
Total transportation	8,446,401	6,121,681	2,324,720	6,407,487

CITY OF HICKORY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023		Variance Over/Under	2022
	Final Budget	Actual		Actual
Economic and Physical Development:				
Planning:				
Salaries and employee benefits	1,014,561	1,028,204	(13,643)	899,638
Operating expenditures	89,355	49,328	40,027	74,160
Capital outlay	5,000	4,728	272	6,539
Administrative reimbursement	(34,223)	(34,223)	-	(33,520)
Total	<u>1,074,693</u>	<u>1,048,037</u>	<u>26,656</u>	<u>946,817</u>
Economic and Business Development:				
Operating expenditures	3,404,963	3,150,451	254,512	5,316,697
Capital outlay	11,712	-	11,712	-
Total	<u>3,416,675</u>	<u>3,150,451</u>	<u>266,224</u>	<u>5,316,697</u>
Total economic and physical development	<u>4,491,368</u>	<u>4,198,488</u>	<u>292,880</u>	<u>6,263,514</u>
Culture and Recreation:				
Recreation:				
Salaries and employee benefits	1,440,164	1,359,032	81,132	1,252,173
Operating expenditures	710,969	577,703	133,266	474,141
Capital outlay	264,392	156,149	108,243	314,847
Administrative reimbursement	48,467	48,467	-	47,517
Total	<u>2,463,992</u>	<u>2,141,351</u>	<u>322,641</u>	<u>2,088,678</u>
Library:				
Salaries and employee benefits	1,521,836	1,498,303	23,533	1,438,417
Operating expenditures	1,025,585	782,761	242,824	807,806
Capital outlay	57,925	22,253	35,672	115,305
Administrative reimbursement	1,928	1,928	-	1,890
Total	<u>2,607,274</u>	<u>2,305,245</u>	<u>302,029</u>	<u>2,363,418</u>
Total culture and recreation	<u>5,071,266</u>	<u>4,446,596</u>	<u>624,670</u>	<u>4,452,096</u>
Debt Service:				
Principal	2,866,333	2,866,227	106	2,426,421
Lease and subscription principal	794,653	794,653	-	139,319
Interest	1,551,106	1,551,106	-	1,431,369
Total	<u>5,212,092</u>	<u>5,211,986</u>	<u>106</u>	<u>3,997,109</u>
Total expenditures	<u>82,686,967</u>	<u>67,960,489</u>	<u>14,726,478</u>	<u>60,680,129</u>

CITY OF HICKORY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			2022
	Final Budget	Actual	Variance Over/Under	Actual
Revenues over (under) expenditures	(18,374,316)	1,882,124	20,256,440	830,045
Other Financing Sources (Uses):				
Lease and subscription liability issued	3,562,706	3,562,706	-	88,692
Transfers in (out):				
Capital Reserve Fund	1,508,326	1,508,326	-	1,000,000
Multi-Year Grant Projects Fund	127,607	8	(127,599)	3,216
Water and Sewer Fund	445,919	445,919	-	-
General Capital Projects Fund	5,200,000	5,080,371	(119,629)	2,535,696
American Rescue Plan Fund	4,118,501	4,118,501	-	4,118,501
Fleet Maintenance Fund	-	-	-	494
General Capital Projects Fund	(2,930,218)	(2,930,218)	-	(3,466,390)
Multi-Year Grant Projects Fund	(93,265)	(18,060)	75,205	(22,370)
Capital Reserve Fund	(1,624,000)	(1,624,000)	-	(1,678,602)
Stormwater Fund	(136,778)	(136,778)	-	(136,031)
Airport Fund	(1,555,900)	(1,555,900)	-	(750,326)
Water and Sewer Fund	(33,444)	(33,444)	-	(188,373)
Solid Waste Fund	(38,895)	(38,895)	-	(55,940)
Fleet Maintenance Fund	-	-	-	(22,960)
Total other financing sources (uses)	8,550,559	8,378,536	(172,023)	1,425,607
Revenues and other financing sources over (under) expenditures and other financing uses	(9,823,757)	10,260,660	20,084,417	2,255,652
Appropriated fund balance	9,823,757	-	(9,823,757)	-
Net change in fund balance	\$ -	10,260,660	\$ 10,260,660	2,255,652
Reconciliation from Budgetary Basis of Accounting to Modified Accrual Basis:				
Current year note receivable payments		(200,000)		(200,000)
Net change in fund balance modified accrual		10,060,660		2,055,652
Fund Balance:				
Beginning of year - July 1		33,385,226		31,329,574
End of year - June 30		\$ 43,445,886		\$ 33,385,226

CITY OF HICKORY, NORTH CAROLINA

CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Capital Reserve Fund</u>			Variance with Final Budget Over/Under
	<u>Original</u>	<u>Budget</u>	<u>Actual</u>	
Revenues:				
Investment earnings	\$ -	\$ -	\$ 101,710	\$ 101,710
Expenditures:				
Current:				
General government	1,624,000	1,624,000	-	1,624,000
Environmental protection	1,340,000	1,340,000	-	1,340,000
Total expenditures	<u>2,964,000</u>	<u>2,964,000</u>	-	<u>2,964,000</u>
Revenues over (under) expenditures	<u>(2,964,000)</u>	<u>(2,964,000)</u>	101,710	<u>3,065,710</u>
Other Financing Sources (Uses):				
Transfers out	(1,000,000)	(1,508,326)	(1,508,326)	-
Transfers in	<u>2,964,000</u>	<u>2,964,000</u>	<u>2,964,000</u>	-
Total other financing sources (uses)	<u>1,964,000</u>	<u>1,455,674</u>	<u>1,455,674</u>	-
Revenues and other financing sources over (under) expenditures and other financing uses	(1,000,000)	(1,508,326)	1,557,384	3,065,710
Appropriated fund balance	<u>1,000,000</u>	<u>1,508,326</u>	-	<u>(1,508,326)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,557,384	<u>\$ 1,557,384</u>
Fund Balance:				
Beginning of year - July 1			<u>7,934,945</u>	
End of year - June 30			<u>\$ 9,492,329</u>	

HICKORY



North Carolina

Major Capital Projects Fund

Capital Project Funds are used to account for the acquisition or construction of major capital projects other than those financed by Proprietary Funds and Trust Funds.

Individual Fund Description:

General Capital Projects Fund - used to account for financial resources to be used for the acquisition or construction of general capital projects not accounted for by an individual fund.

HICKORY



North Carolina

CITY OF HICKORY, NORTH CAROLINA

MAJOR GENERAL CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
Revenues:					
Federal grants	\$ 60,919,665	\$ 21,141,579	\$ 14,899,843	\$ 36,041,422	\$ (24,878,243)
State grants	20,353,295	896,920	991,070	1,887,990	(18,465,305)
County contributions	7,338,305	7,831,868	594,510	8,426,378	1,088,073
Investment earnings	419,921	16,107	525,986	542,093	122,172
Miscellaneous	5,015,517	5,253,794	328,602	5,582,396	566,879
Total revenues	94,046,703	35,140,268	17,340,011	52,480,279	(41,566,424)
Expenditures:					
Capital outlay:					
General government:					
City Hall 2 nd floor renovations	385,413	411,022	-	411,022	(25,609)
Convention center renovations	15,550,161	1,234,955	2,282,208	3,517,163	12,032,998
Munis software	1,330,611	63,786	893,214	957,000	373,611
One North Center	3,500,000	3,500,000	-	3,500,000	-
CVCC & Aviation Museum design	17,700,000	9,800	867,659	877,459	16,822,541
Public safety:					
Radio system upgrade	255,207	245,894	8,600	254,494	713
Transportation:					
Clement Boulevard extension	63,784	-	22,662	22,662	41,122
Sandy Ridge intersection	7,312,500	-	-	-	7,312,500
17th St NW extension	504,586	158,429	206,969	365,398	139,188
Downtown lighting	402,500	92,528	-	92,528	309,972
Falling Creek bridge	2,133,055	1,982,056	-	1,982,056	150,999
Economic and physical development:					
ARC Grant-9th Av Dr NW	3,336,216	-	1,176,216	1,176,216	2,160,000
Bond projects:					
Management	2,601,950	1,964,328	1,300	1,965,628	636,322
Citywalk	24,155,354	22,507,221	582,771	23,089,992	1,065,362
Riverwalk	17,118,563	9,860,292	6,209,454	16,069,746	1,048,817
Trivium Corporate Center	25,589,977	21,924,553	924,184	22,848,737	2,741,240
Wayfinding	523,000	468,744	-	468,744	54,256
Gateways	810,661	767,657	8,480	776,137	34,524
Streetscapes	16,336,137	2,441,819	596,610	3,038,429	13,297,708
Bookwalk	6,247,453	1,013,613	151,337	1,164,950	5,082,503
Build Grant	28,963,665	9,288,462	10,431,251	19,719,713	9,243,952
Culture and recreation:					
Lackey Park	4,284,957	1,481,681	200	1,481,881	2,803,076
Ridgeview Library expansion	1,426,314	1,424,911	-	1,424,911	1,403
Debt service:					
Lease principal	359,891	-	359,891	359,891	-
Lease interest	9,498	-	9,498	9,498	-
Total expenditures	180,901,453	80,841,751	24,732,504	105,574,255	75,327,198

CITY OF HICKORY, NORTH CAROLINA

MAJOR GENERAL CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues over (under) expenditures	<u>(86,854,750)</u>	<u>(45,701,483)</u>	<u>(7,392,493)</u>	<u>(53,093,976)</u>	<u>33,760,774</u>
Other Financing Sources (Uses):					
Transfers in	35,893,464	32,363,246	3,530,218	35,893,464	-
Transfers (out)	(13,254,272)	(8,173,901)	(5,080,371)	(13,254,272)	-
Subscription liability issued	-	-	721,384	721,384	721,384
Issuance of debt	59,597,500	45,600,000	14,135,000	59,735,000	137,500
Premium on bond issuance	<u>4,618,058</u>	<u>4,664,808</u>	<u>-</u>	<u>4,664,808</u>	<u>46,750</u>
Total other financing sources (uses)	<u>86,854,750</u>	<u>74,454,153</u>	<u>13,306,231</u>	<u>87,760,384</u>	<u>905,634</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 28,752,670</u>	<u>\$ 5,913,738</u>	<u>\$ 34,666,408</u>	<u>\$ 34,666,408</u>

Major Special Revenue Fund

Special Revenue Funds are used to account for specific revenues that legally restrict expenditures for particular purposes.

Individual Fund Description:

American Rescue Plan Act Fund - used to account for the receipt of federal grant funds distributed through American Rescue Plan (ARP) program.



CITY OF HICKORY, NORTH CAROLINA

MAJOR - AMERICAN RESCUE PLAN ACT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	Project Authorization	Actual			Variance Over/Under
	Prior Years	Current Year	Total to Date		
Revenues:					
Restricted intergovernmental:					
Federal grants	\$ 8,237,002	\$ 4,118,501	\$ 4,118,501	\$ 8,237,002	\$ -
Other Financing Sources (Uses):					
Transfers (out)	(8,237,002)	(4,118,501)	(4,118,501)	(8,237,002)	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



Nonmajor Governmental Funds

HICKORY



North Carolina

CITY OF HICKORY, NORTH CAROLINA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

	Community Development Entitlement Block Grant	Home Consortium Grant	NCHFA Rental Rehabilitation Grant	Opioid Settlement Fund	Multi-Year Grant Projects	Total
Assets:						
Cash and cash equivalents	\$ -	\$ 16,666	\$ 40,168	\$ -	\$ 7,971	\$ 64,805
Accounts receivable, net	483,272	878	53,054	819,917	-	1,357,121
Due from other governmental agencies	132,887	-	110,626	-	2,838	246,351
Restricted cash and cash equivalents	-	-	-	79,560	-	79,560
Total assets	<u>\$ 616,159</u>	<u>\$ 17,544</u>	<u>\$ 203,848</u>	<u>\$ 899,477</u>	<u>\$ 10,809</u>	<u>\$ 1,747,837</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:						
Liabilities:						
Accounts payable and accrued liabilities	\$ 15,784	\$ -	\$ 3,510	\$ -	\$ 1,063	\$ 20,357
Due to other funds	467,196	-	-	-	16,528	483,724
Total liabilities	<u>482,980</u>	<u>-</u>	<u>3,510</u>	<u>-</u>	<u>17,591</u>	<u>504,081</u>
Deferred Inflows of Resources:						
Unavailable revenues	-	-	-	819,917	-	819,917
Economic development receivable	234,535	-	52,931	-	-	287,466
Total deferred inflows of resources	<u>234,535</u>	<u>-</u>	<u>52,931</u>	<u>819,917</u>	<u>-</u>	<u>1,107,383</u>
Fund Balances:						
Restricted for economic development	-	-	-	79,560	-	79,560
Committed for economic development	-	17,544	147,407	-	-	164,951
Unassigned	(101,356)	-	-	-	(6,782)	(108,138)
Total fund balances	<u>(101,356)</u>	<u>17,544</u>	<u>147,407</u>	<u>79,560</u>	<u>(6,782)</u>	<u>136,373</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 616,159</u>	<u>\$ 17,544</u>	<u>\$ 203,848</u>	<u>\$ 899,477</u>	<u>\$ 10,809</u>	<u>\$ 1,747,837</u>

CITY OF HICKORY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Community Development Entitlement Block Grant	Home Consortium Grant	NCHFA Rental Rehabilitation Grant	Opioid Settlement Fund	Multi-Year Grant Projects	Total
Revenues:						
Restricted intergovernmental	\$ 430,476	\$ -	\$ 148,126	\$ 79,216	\$ 66,730	\$ 724,548
Investment earnings	-	153	782	344	17	1,296
Miscellaneous	10,532	-	9,643	-	-	20,175
Total revenues	<u>441,008</u>	<u>153</u>	<u>158,551</u>	<u>79,560</u>	<u>66,747</u>	<u>746,019</u>
Expenditures:						
Public safety	-	-	-	-	30,245	30,245
Economic and physical development	548,784	-	95,197	-	51,114	695,095
Total expenditures	<u>548,784</u>	<u>-</u>	<u>95,197</u>	<u>-</u>	<u>81,359</u>	<u>725,340</u>
Revenues over (under) expenditures	<u>(107,776)</u>	<u>153</u>	<u>63,354</u>	<u>79,560</u>	<u>(14,612)</u>	<u>20,679</u>
Other Financing Sources (Uses):						
Transfers in	-	-	-	-	18,060	18,060
Transfers (out)	-	-	-	-	(8)	(8)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,052</u>	<u>18,052</u>
Net change in fund balances	(107,776)	153	63,354	79,560	3,440	38,731
Fund Balances:						
Beginning of year - July 1	6,420	17,391	84,053	-	(10,222)	97,642
End of year - June 30	<u>\$ (101,356)</u>	<u>\$ 17,544</u>	<u>\$ 147,407</u>	<u>\$ 79,560</u>	<u>\$ (6,782)</u>	<u>\$ 136,373</u>

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that legally restrict expenditures for particular purposes.

Individual Fund Descriptions:

Community Development Entitlement Block Grant Fund - used to provide housing rehabilitation, to fund curb and gutter street projects, and to provide assistance with down payments for first time home buyers; funded with housing urban development grant funds.

Home Consortium Grant Fund - used to provide down payment assistance and housing rehabilitation for citizens.

NCHFA Rental Rehabilitation Grant Fund – assists with down payment and closing costs for new construction homes.

Opioid Settlement Fund – used to account for funds received from a nationwide settlement related to multiple opioid lawsuits.

Multi-Year Grant Projects Fund – used to account for financial resources of various federal, state and local grants that span more than one fiscal year and are not accounted for by an individual fund.

HICKORY



North Carolina

CITY OF HICKORY, NORTH CAROLINA

COMMUNITY DEVELOPMENT ENTITLEMENT BLOCK GRANT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Restricted intergovernmental:					
Federal grants					
2018 Entitlement Block grant	\$ 307,542	\$ 307,542	\$ -	\$ 307,542	\$ -
2019 Entitlement Block grant	316,023	325,336	-	325,336	9,313
2020 Entitlement Block grant	330,758	310,068	20,690	330,758	-
2021 Entitlement Block grant	329,318	125,028	204,290	329,318	-
2022 Entitlement Block grant	332,633	-	107,039	107,039	(225,594)
CDBG Coronavirus Relief funds	468,830	468,833	-	468,833	3
Miscellaneous	<u>615,000</u>	<u>424,867</u>	<u>10,532</u>	<u>435,399</u>	<u>(179,601)</u>
Total revenues	<u>2,700,104</u>	<u>1,961,674</u>	<u>342,551</u>	<u>2,304,225</u>	<u>(395,879)</u>
Expenditures:					
Economic and physical development	<u>2,700,104</u>	<u>1,955,254</u>	<u>450,327</u>	<u>2,405,581</u>	<u>294,523</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 6,420</u>	<u>\$ (107,776)</u>	<u>\$ (101,356)</u>	<u>\$ (101,356)</u>

CITY OF HICKORY, NORTH CAROLINA

HOME CONSORTIUM GRANT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Investment earnings	\$ 1,527	\$ 1,206	\$ 153	\$ 1,359	\$ (168)
Miscellaneous	<u>250,083</u>	<u>252,071</u>	<u>-</u>	<u>252,071</u>	<u>1,988</u>
Total revenues	<u>251,610</u>	<u>253,277</u>	<u>153</u>	<u>253,430</u>	<u>1,820</u>
Expenditures:					
Economic and physical development	<u>251,610</u>	<u>235,886</u>	<u>-</u>	<u>235,886</u>	<u>15,724</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 17,391</u>	<u>\$ 153</u>	<u>\$ 17,544</u>	<u>\$ 17,544</u>

CITY OF HICKORY, NORTH CAROLINA

NCHFA RENTAL REHABILITATION GRANT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Restricted intergovernmental:					
State grants	\$ 351,358	\$ 228,858	\$ 148,126	\$ 376,984	\$ 25,626
Investment earnings	6,593	5,609	782	6,391	(202)
Miscellaneous	<u>201,508</u>	<u>203,419</u>	<u>9,643</u>	<u>213,062</u>	<u>11,554</u>
Total revenues	<u>559,459</u>	<u>437,886</u>	<u>158,551</u>	<u>596,437</u>	<u>36,978</u>
Expenditures:					
Economic and physical development	<u>564,459</u>	<u>358,833</u>	<u>95,197</u>	<u>454,030</u>	<u>110,429</u>
Revenues over (under) expenditures	(5,000)	79,053	63,354	142,407	147,407
Other Financing Sources (Uses):					
Transfers in	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 84,053</u>	<u>\$ 63,354</u>	<u>\$ 147,407</u>	<u>\$ 147,407</u>

CITY OF HICKORY, NORTH CAROLINA

OPIOID SETTLEMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
Revenues:			
Restricted intergovernmental:			
Federal grants	\$ 79,216	\$ 79,216	\$ -
Investment earnings	-	344	344
Total revenues	<u>79,216</u>	<u>79,560</u>	<u>344</u>
Expenditures:			
General government	<u>79,216</u>	-	<u>79,216</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 79,560</u>	<u>\$ 79,560</u>

CITY OF HICKORY, NORTH CAROLINA

MULTI-YEAR GRANT PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
Federal grants	\$ 655,917	\$ 3,679	\$ 42,514	\$ 46,193	\$ (609,724)
State grants	24,216	-	24,216	24,216	-
Total	<u>680,133</u>	<u>3,679</u>	<u>66,730</u>	<u>70,409</u>	<u>(609,724)</u>
Miscellaneous:					
Investment earnings	464	464	17	481	17
Total revenues	<u>680,597</u>	<u>4,143</u>	<u>66,747</u>	<u>70,890</u>	<u>(609,707)</u>
Expenditures:					
Economic and physical development:					
NC Gov Crime Comission	24,215	24,216	-	24,216	(1)
Miscellaneous	78,750	14,489	51,114	65,603	13,147
Hickory Motor Speedway	568,254	-	-	-	568,254
Public safety:					
Bulletproof Vest Partnership 2021	28,800	27,074	1,726	28,800	-
Bulletproof Vest Partnership 2022	18,060	-	12,335	12,335	5,725
Justice Assistance Grant (JAG) 2021	17,910	17,666	-	17,666	244
Justice Assistance Grant (JAG) 2022	16,903	-	16,184	16,184	719
Total expenditures	<u>752,892</u>	<u>83,445</u>	<u>81,359</u>	<u>164,804</u>	<u>588,088</u>
Revenues over (under) expenditures	<u>(72,295)</u>	<u>(79,302)</u>	<u>(14,612)</u>	<u>(93,914)</u>	<u>(21,619)</u>
Other Financing Sources (Uses):					
Transfers (out)	(3,727)	(3,719)	(8)	(3,727)	-
Transfers in	76,022	72,799	18,060	90,859	14,837
Total other financing sources (uses)	<u>72,295</u>	<u>69,080</u>	<u>18,052</u>	<u>87,132</u>	<u>14,837</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (10,222)</u>	<u>\$ 3,440</u>	<u>\$ (6,782)</u>	<u>\$ (6,782)</u>

HICKORY



North Carolina

Major Enterprise Funds

Enterprise Funds 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 and services to the general 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.

Enterprise Funds have been broken down between major and nonmajor funds.

Individual Major Fund Descriptions:

Water and Sewer Fund - accounts for the City's water and sewer operations. It also includes all public utilities and utility construction activities which consist of response to citizen concerns/complaints, negotiating with other governmental units on water and sewer matters, educating citizen groups, and contacting state agencies concerning permit and loan needs.

Transportation Fund – accounts for the City's regional airport operations.

Solid Waste Fund - accounts for the City's recycling operations, as well as commercial and residential sanitation.

HICKORY



North Carolina

CITY OF HICKORY, NORTH CAROLINA

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			2022
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Charges for services:				
Water charges	\$ 16,892,298	\$ 20,303,465	\$ 3,411,167	\$ 19,444,151
Sewer charges	11,040,071	13,223,455	2,183,384	12,188,719
Total	<u>27,932,369</u>	<u>33,526,920</u>	<u>5,594,551</u>	<u>31,632,870</u>
Water taps	180,250	347,033	166,783	346,370
Sewer taps	77,250	142,572	65,322	133,698
Other operating revenues	179,515	523,787	344,272	498,992
Total operating revenues	<u>437,015</u>	<u>1,013,392</u>	<u>576,377</u>	<u>979,060</u>
Non-operating revenues:				
Donations/contributions	-	468,092	468,092	507,051
Interest earned on investments	60,000	293,974	233,974	(574,847)
Total non-operating revenues	<u>60,000</u>	<u>762,066</u>	<u>702,066</u>	<u>(67,796)</u>
Total revenues	<u>28,429,384</u>	<u>35,302,378</u>	<u>6,872,994</u>	<u>32,544,134</u>
Expenditures:				
Environmental protection:				
Administration:				
Salaries and employee benefits	1,234,152	1,079,103	155,049	902,823
Other operating expenditures	4,831,193	4,828,134	3,059	4,474,108
Capital outlay	324,915	273,711	51,204	25,323
Administrative reimbursement	4,205,604	4,262,094	(56,490)	4,137,000
Total	<u>10,595,864</u>	<u>10,443,042</u>	<u>152,822</u>	<u>9,539,254</u>
Collection system:				
Salaries and employee benefits	1,093,680	956,129	137,551	879,690
Other operating expenditures	1,056,980	769,899	287,081	805,780
Capital outlay	228,847	101,343	127,504	1,069,806
Total	<u>2,379,507</u>	<u>1,827,371</u>	<u>552,136</u>	<u>2,755,276</u>
Henry Fork plant:				
Salaries and employee benefits	673,674	560,202	113,472	623,362
Other operating expenditures	688,119	570,733	117,386	494,997
Capital outlay	173,035	121,260	51,775	41,444
Total	<u>1,534,828</u>	<u>1,252,195</u>	<u>282,633</u>	<u>1,159,803</u>

CITY OF HICKORY, NORTH CAROLINA

**WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022**

	2023			2022
	Budget	Actual	Variance Over/Under	Actual
Northeast plant:				
Salaries and employee benefits	728,869	677,721	51,148	645,136
Other operating expenditures	555,128	492,148	62,980	437,485
Capital outlay	127,000	83,992	43,008	119,744
Total	1,410,997	1,253,861	157,136	1,202,365
Water treatment plant:				
Salaries and employee benefits	771,467	600,798	170,669	620,277
Other operating expenditures	2,926,430	2,400,985	525,445	1,889,037
Capital outlay	1,361,435	464,283	897,152	1,114,698
Total	5,059,332	3,466,066	1,593,266	3,624,012
Pre-treatment and lab:				
Salaries and employee benefits	491,737	450,978	40,759	463,687
Other operating expenditures	199,615	171,013	28,602	154,353
Capital outlay	7,500	6,156	1,344	2,056
Total	698,852	628,147	70,705	620,096
Claremont sewer lines:				
Salaries and employee benefits	195,583	165,907	29,676	159,431
Other operating expenditures	244,358	180,259	64,099	144,422
Capital outlay	10,500	-	10,500	7,956
Total	450,441	346,166	104,275	311,809
Distribution:				
Salaries and employee benefits	2,251,685	1,838,127	413,558	1,785,171
Other operating expenditures	1,492,727	1,405,065	87,662	1,449,255
Capital outlay	8,129,338	2,102,127	6,027,211	1,232,385
Total	11,873,750	5,345,319	6,528,431	4,466,811
Hickory-Catawba wastewater treatment plant:				
Salaries and employee benefits	218,263	206,259	12,004	186,825
Other operating expenditures	345,183	307,558	37,625	258,557
Total	563,446	513,817	49,629	445,382
Total environmental protection	34,567,017	25,075,984	9,491,033	24,124,808
Debt service:				
Principal retirement	2,619,086	2,329,485	289,601	2,344,146
Interest on long-term debt	344,400	344,398	2	364,983
Total	2,963,486	2,673,883	289,603	2,709,129

CITY OF HICKORY, NORTH CAROLINA

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			2022
	Budget	Actual	Variance Over/Under	Actual
Contingency	105,000	-	105,000	-
Total expenditures	37,635,503	27,749,867	9,885,636	26,833,937
Revenues over (under) expenditures	(9,206,119)	7,552,511	(16,758,630)	5,710,197
Other Financing Sources (Uses):				
Lease liability issued	-	5,014	(5,014)	-
Transfers from other funds	899,087	899,087	-	894,313
Transfers (to) other funds	(9,059,141)	(9,059,141)	-	(9,276,901)
Appropriated net position	17,366,173	-	17,366,173	-
Total other financing sources (uses)	9,206,119	(8,155,040)	17,361,159	(8,382,588)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (602,529)	\$ (602,529)	\$ (2,672,391)

**Reconciliation from Budgetary Basis (Modified Accrual)
to Full Accrual Basis:**

Revenues and other financing sources over (under) expenditures and other financing uses	\$ (602,529)
Reconciling items:	
Depreciation and amortization	(5,766,256)
Lease liability issued	(5,014)
Long-term debt principal repayments	2,329,485
Gain (loss) on sale of assets	3,225
Capital project revenues	314,710
Capital projects - transfers from (to) other funds	5,670,801
Change in net pension liability	(2,161,927)
Change in deferred outflows of resources for pensions	735,935
Change in deferred inflows of resources for pensions	1,209,402
Change in deferred outflows of resources for OPEB	(98,862)
Change in deferred inflows of resources for OPEB	(317,495)
Capital assets purchased/capitalized	3,133,093
Change in accrued vacation pay	(13,529)
Change in accrued interest payable	(5,326)
Change in total OPEB liability	705,749
Change in net position	\$ 5,131,462

CITY OF HICKORY, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	Project Authorization	Actual		Total to Date	Variance Over/Under
		Prior Years	Current Year		
Revenues:					
Restricted intergovernmental:					
Federal grants	\$ 5,407,285	\$ -	\$ 271,632	\$ 271,632	\$ (5,135,653)
State grants	3,025,023	2,759,590	-	2,759,590	(265,433)
Local grants	16,608,100	-	-	-	(16,608,100)
Total	25,040,408	2,759,590	271,632	3,031,222	(22,009,186)
Miscellaneous:					
Investment earnings	-	(63,786)	43,078	(20,708)	(20,708)
Total revenues	25,040,408	2,695,804	314,710	3,010,514	(22,029,894)
Expenditures:					
Capital outlay:					
Northeast sewer grant project	2,946,043	2,733,886	-	2,733,886	212,157
Geitner basin	3,867,715	3,371,952	-	3,371,952	495,763
Central business district	5,361,176	4,894,673	-	4,894,673	466,503
Northwest sewer extension	430,485	55,497	156,280	211,777	218,708
Short road sewer project	976,843	477,487	510,798	988,285	(11,442)
McLin and Lyle Creek	7,704,899	252,903	2,966,357	3,219,260	4,485,639
Murray basin sewer project	6,513,162	3,433,785	2,183,104	5,616,889	896,273
Bio Solids project	40,336,624	2,380,700	9,353,292	11,733,992	28,602,632
NE WW Treatment facility FEMA	7,186,898	-	363,476	363,476	6,823,422
Henry River pump station	254,200	-	140,100	140,100	114,100
Microsoft sewer extension	11,481,000	-	461,643	461,643	11,019,357
Total expenditures	87,059,045	17,600,883	16,135,050	33,735,933	53,323,112
Revenues over (under) expenditures	(62,018,637)	(14,905,079)	(15,820,340)	(30,725,419)	31,293,218
Other Financing Sources (Uses):					
Transfers from other funds	18,952,362	13,154,461	5,797,901	18,952,362	-
Issuance of long-term debt	43,066,275	6,431,232	2,428,274	8,859,506	(34,206,769)
Total other financing sources (uses)	62,018,637	19,585,693	8,226,175	27,811,868	(34,206,769)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 4,680,614	\$ (7,594,165)	\$ (2,913,551)	\$ (2,913,551)

CITY OF HICKORY, NORTH CAROLINA

WATER AND SEWER CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2023

	<u>Capital Reserve Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
Expenditures:			
Current:			
Future capital projects	\$ 865,643	\$ -	\$ 865,643
Revenues over (under) expenditures	<u>(865,643)</u>	<u>-</u>	<u>865,643</u>
Other Financing Sources (Uses):			
Transfers out	(992,743)	(992,743)	-
Transfers in	<u>865,643</u>	<u>865,643</u>	<u>-</u>
Total other financing sources (uses)	<u>(127,100)</u>	<u>(127,100)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(992,743)	(127,100)	865,643
Appropriated fund balance	<u>992,743</u>	<u>-</u>	<u>(992,743)</u>
Net change in fund balance	<u>\$ -</u>	<u>(127,100)</u>	<u>\$ (127,100)</u>
Fund Balance:			
Beginning of year - July 1		<u>1,137,465</u>	
End of year - June 30		<u>\$ 1,010,365</u>	

CITY OF HICKORY, NORTH CAROLINA

AIRPORT FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2023

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			2022
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Restricted intergovernmental:				
Airport	\$ 268,010	\$ 420,675	\$ 152,665	\$ 10,400
Airport services	1,606,720	1,795,820	189,100	1,817,228
Other operating revenues	-	-	-	527
Total operating revenues	<u>1,874,730</u>	<u>2,216,495</u>	<u>341,765</u>	<u>1,828,155</u>
Non-operating revenues:				
Donations/contributions	-	48	48	292
Investment earnings	2,500	(2,796)	(5,296)	157
Total non-operating revenues	<u>2,500</u>	<u>(2,748)</u>	<u>(5,248)</u>	<u>449</u>
Total revenues	<u>1,877,230</u>	<u>2,213,747</u>	<u>336,517</u>	<u>1,828,604</u>
Expenditures:				
Airport:				
Salaries and employee benefits	271,177	273,783	(2,606)	266,178
Other operating expenditures	522,961	346,072	176,889	211,529
Capital outlay	245,115	37,204	207,911	68,990
Administrative reimbursement	134,539	134,539	-	131,901
Total airport	<u>1,173,792</u>	<u>791,598</u>	<u>382,194</u>	<u>678,598</u>
Airport tower:				
Other operating expenditures	16,669	17,009	(340)	14,191
Capital outlay	-	-	-	75,629
Total airport tower	<u>16,669</u>	<u>17,009</u>	<u>(340)</u>	<u>89,820</u>
Airport FBO:				
Salaries and employee benefits	528,562	473,265	55,297	504,875
Other operating expenditures	362,032	412,725	(50,693)	310,522
Capital outlay	1,830,780	373,770	1,457,010	142,574
Total airport FBO	<u>2,721,374</u>	<u>1,259,760</u>	<u>1,461,614</u>	<u>957,971</u>
Debt service:				
Principal retirement	5,970	3,494	2,476	5,970
Interest on long-term debt	-	42	(42)	1
Total	<u>5,970</u>	<u>3,536</u>	<u>2,434</u>	<u>5,971</u>
Total expenditures	<u>3,917,805</u>	<u>2,071,903</u>	<u>1,845,902</u>	<u>1,732,360</u>

CITY OF HICKORY, NORTH CAROLINA

AIRPORT FUND

SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2023

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			2022
	Budget	Actual	Variance Over/Under	Actual
Revenues over (under) expenditures	(2,040,575)	141,844	2,182,419	96,244
Other Financing Sources (Uses):				
Transfers to other funds	(61,812)	(61,813)	(1)	(1,475,160)
Transfers from other funds	1,555,900	1,555,900	-	750,326
Appropriated net position	546,487	-	(546,487)	-
Total other financing sources (uses)	2,040,575	1,494,087	(546,488)	(724,834)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 1,635,931	\$ 1,635,931	\$ (628,590)

Reconciliation from Budgetary Basis (Modified Accrual)

to Full Accrual Basis:

Revenues and other financing sources over (under) expenditures and other financing uses	\$ 1,635,931
Reconciling items:	
Depreciation and amortization	(397,858)
Lease principal repayments	3,494
Change in net pension liability	(234,922)
Change in deferred outflows for pensions	79,969
Change in deferred inflows for pensions	131,417
Change in deferred outflows for OPEB	(9,416)
Change in deferred inflows for OPEB	(30,238)
Capital project revenues	442,669
Capital project interest	9,833
Capital projects - transfers from (to) other funds	61,813
Capital assets purchased/capitalized	410,974
Change in accrued vacation pay	238
Change in total OPEB liability	67,215
Change in net position	\$ 2,171,119

CITY OF HICKORY, NORTH CAROLINA

AIRPORT CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	Project Authorization	Actual		Total to Date	Variance Over/Under
		Prior Years	Current Year		
Revenues:					
Restricted intergovernmental:					
Federal grants	\$ 279,449	\$ 396,710	\$ 442,084	\$ 838,794	\$ 559,345
State grants	3,004,145	1,404,009	585	1,404,594	(1,599,551)
Total	<u>3,283,594</u>	<u>1,800,719</u>	<u>442,669</u>	<u>2,243,388</u>	<u>(1,040,206)</u>
Investment earnings	-	(14,085)	9,833	(4,252)	(4,252)
Total revenues	<u>3,283,594</u>	<u>1,786,634</u>	<u>452,502</u>	<u>2,239,136</u>	<u>(1,044,458)</u>
Expenditures:					
Capital outlay:					
Airport improvements	8,081,132	5,333,176	638,178	5,971,354	2,109,778
Revenues over (under) expenditures	(4,797,538)	(3,546,542)	(185,676)	(3,732,218)	1,065,320
Other Financing Sources (Uses):					
Intrafund transfer in	<u>4,797,538</u>	<u>4,735,725</u>	<u>61,813</u>	<u>4,797,538</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,189,183</u>	<u>\$ (123,863)</u>	<u>\$ 1,065,320</u>	<u>\$ 1,065,320</u>

CITY OF HICKORY, NORTH CAROLINA

**SOLID WASTE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022**

	2023		Variance Over/Under	2022
	Budget	Actual		Actual
Revenues:				
Operating revenues:				
Other taxes:				
Solid excise tax	\$ 30,000	\$ 33,427	\$ 3,427	\$ 33,673
Charges for services:				
Recycling fees	4,166,000	4,335,391	169,391	4,243,552
Dumpster rentals	650,000	759,098	109,098	687,347
Refuse fees	1,420,000	1,665,905	245,905	1,474,778
Total	6,236,000	6,760,394	524,394	6,405,677
Other operating revenues	2,000	1,776	(224)	1,706
Total operating revenues	6,268,000	6,795,597	527,597	6,441,056
Non-operating revenues:				
Investment earnings	5,000	24,803	19,803	(44,015)
Miscellaneous	2,500	142	(2,358)	3,023
Total non-operating revenues	7,500	24,945	17,445	(40,992)
Total revenues	6,275,500	6,820,542	545,042	6,400,064
Expenditures:				
Environmental protection:				
Recycling services:				
Salaries and employee benefits	888,905	831,830	57,075	881,519
Other operating expenditures	2,109,783	2,074,313	35,470	1,906,222
Capital outlay	102,808	102,792	16	696,399
Administrative reimbursement	538,491	538,491	-	527,932
Total	3,639,987	3,547,426	92,561	4,012,072
Residential sanitation:				
Salaries and employee benefits	743,238	711,317	31,921	610,214
Other operating expenditures	433,814	443,157	(9,343)	465,687
Capital outlay	310,646	211,104	99,542	581,178
Total	1,487,698	1,365,578	122,120	1,657,079
Commercial sanitation:				
Salaries and employee benefits	644,264	562,726	81,538	584,948
Other operating expenditures	613,091	628,887	(15,796)	511,164
Capital outlay	388,814	240,728	148,086	301,989
Administrative reimbursement	(94,838)	(94,839)	1	(65,760)
Total	1,551,331	1,337,502	213,829	1,332,341
Total environmental protection	6,679,016	6,250,506	428,510	7,001,492

CITY OF HICKORY, NORTH CAROLINA

SOLID WASTE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			2022
	Budget	Actual	Variance Over/Under	Actual
Debt service:				
Principal	169,755	169,755	-	169,755
Interest	-	(2)	2	-
Total	<u>169,755</u>	<u>169,753</u>	<u>2</u>	<u>169,755</u>
Revenues over (under) expenditures	<u>(573,271)</u>	<u>400,283</u>	<u>(973,554)</u>	<u>(771,183)</u>
Other Financing Sources (Uses):				
Transfers from other funds	38,895	38,895	-	-
Appropriated net position	<u>534,376</u>	<u>-</u>	<u>(534,376)</u>	<u>-</u>
Total other financing sources (uses)	<u>573,271</u>	<u>38,895</u>	<u>(534,376)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 439,178</u>	<u>\$ 439,178</u>	<u>\$ (771,183)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 439,178		
Reconciling items:				
Depreciation		(890,375)		
Change in net pension liability		(670,263)		
Change in deferred outflows for pensions		228,162		
Change in deferred inflows for pensions		374,951		
Change in deferred outflows for OPEB		(33,896)		
Change in deferred inflows for OPEB		(108,855)		
Capital assets purchased/capitalized		554,624		
Long-term debt principal repayments		169,755		
Change in accrued vacation pay		(36,327)		
Gain on disposal of assets		68,545		
Change in total OPEB liability		<u>241,970</u>		
Change in net position		<u>\$ 337,469</u>		

Nonmajor Enterprise Funds

Enterprise Funds 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 and services to the general 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.

Enterprise Funds have been broken down between major and nonmajor funds.

Individual Nonmajor Fund Descriptions:

Sludge Composting Fund - accounts for the City's sewer and wastewater operations. This includes converting sludge into a usable product and operating the facility without odor problems.

Stormwater Fund – accounts for the City's stormwater system maintenance and construction activities

HICKORY



North Carolina

CITY OF HICKORY, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2023

	Sludge Composting Fund	Stormwater Fund	Total Nonmajor Enterprise Funds
Assets:			
Current assets:			
Cash and cash equivalents	\$ 1,448,446	\$ 707,386	\$ 2,155,832
Accounts receivable, net	-	2,155	2,155
Due from other governments	59,544	1,611	61,155
Prepaid items	873	860	1,733
Total current assets	<u>1,508,863</u>	<u>712,012</u>	<u>2,220,875</u>
Non-current assets:			
Land and construction in progress	145,024	-	145,024
Other capital assets, net of depreciation	848,433	3,431,308	4,279,741
Total non-current assets	<u>993,457</u>	<u>3,431,308</u>	<u>4,424,765</u>
Total assets	<u>2,502,320</u>	<u>4,143,320</u>	<u>6,645,640</u>
Deferred Outflows of Resources:			
OPEB deferrals	-	4,893	4,893
Pension deferrals	-	46,255	46,255
Total deferred outflows of resources	<u>-</u>	<u>51,148</u>	<u>51,148</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	<u>175,857</u>	<u>18,545</u>	<u>194,402</u>
Non-current liabilities:			
Net pension liability	-	71,550	71,550
Compensated absences payable	-	1,113	1,113
Total OPEB liability	<u>-</u>	<u>26,766</u>	<u>26,766</u>
Total non-current liabilities	<u>-</u>	<u>99,429</u>	<u>99,429</u>
Total liabilities	<u>175,857</u>	<u>117,974</u>	<u>293,831</u>
Deferred Inflows of Resources:			
OPEB deferrals	-	8,921	8,921
Pension deferrals	-	331	331
Total deferred inflows of resources	<u>-</u>	<u>9,252</u>	<u>9,252</u>
Net Position:			
Net investment in capital assets	993,457	3,431,308	4,424,765
Unrestricted	<u>1,333,006</u>	<u>635,934</u>	<u>1,968,940</u>
Total net position	<u>\$ 2,326,463</u>	<u>\$ 4,067,242</u>	<u>\$ 6,393,705</u>

CITY OF HICKORY, NORTH CAROLINA

**NONMAJOR ENTERPRISE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2023**

	Sludge Composting Fund	Stormwater Fund	Total Nonmajor Enterprise Funds
Operating Revenues:			
Restricted intergovernmental	\$ 2,228,347	\$ -	\$ 2,228,347
Sludge charges	18,872	-	18,872
Stormwater charges	-	135	135
Total operating revenues	<u>2,247,219</u>	<u>135</u>	<u>2,247,354</u>
Operating Expenses:			
Administration and engineering	-	124,635	124,635
Sludge plant	1,888,263	-	1,888,263
Street	-	36,649	36,649
Drainage maintenance	-	77,300	77,300
Depreciation	350,175	250,516	600,691
Total operating expenses	<u>2,238,438</u>	<u>489,100</u>	<u>2,727,538</u>
Operating income (loss)	8,781	(488,965)	(480,184)
Non-operating revenues (expenses):			
Interest earned on investments	-	7,397	7,397
Income (loss) before transfers	8,781	(481,568)	(472,787)
Transfers:			
Transfers in	-	273,556	273,556
Change in net position	8,781	(208,012)	(199,231)
Net Position:			
Beginning of year - July 1	<u>2,317,682</u>	<u>4,275,254</u>	<u>6,592,936</u>
End of year - June 30	<u>\$ 2,326,463</u>	<u>\$ 4,067,242</u>	<u>\$ 6,393,705</u>

CITY OF HICKORY, NORTH CAROLINA

**NONMAJOR ENTERPRISE FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2023**

	Sludge Composting Fund	Stormwater Fund	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 2,280,307	\$ -	\$ 2,280,307
Cash paid to suppliers	(1,880,489)	(125,737)	(2,006,226)
Cash paid to employees	-	(101,316)	(101,316)
Net cash provided (used) by operating activities	<u>399,818</u>	<u>(227,053)</u>	<u>172,765</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers from other funds	-	273,556	273,556
Cash Flows from Capital And Related Financing Activities:			
Acquisition and construction of capital assets	(220,112)	-	(220,112)
Cash Flows from Investing Activities:			
Interest on investments	-	7,397	7,397
Net increase (decrease) in cash and cash equivalents	179,706	53,900	233,606
Cash and Cash Equivalents:			
Beginning of year - July 1	<u>1,268,740</u>	<u>653,486</u>	<u>1,922,226</u>
End of year - June 30	<u>\$ 1,448,446</u>	<u>\$ 707,386</u>	<u>\$ 2,155,832</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 8,781	\$ (488,965)	\$ (480,184)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	350,175	250,516	600,691
Change in net pension liability	-	50,927	50,927
Change in assets and liabilities:			
(Increase) decrease in accounts receivables	33,088	(368)	32,720
(Increase) decrease in prepaid items	-	-	-
Change in deferred outflows for pensions	-	(17,336)	(17,336)
Change in deferred inflows for pensions	-	942	942
Change in deferred outflows for OPEB	-	(28,489)	(28,489)
Change in deferred inflows for OPEB	-	3,024	3,024
Increase (decrease) in accounts payable	7,774	9,018	16,792
Increase (decrease) in compensated absences	-	399	399
Change in total OPEB liability	-	(6,721)	(6,721)
Net cash provided (used) by operating activities	<u>\$ 399,818</u>	<u>\$ (227,053)</u>	<u>\$ 172,765</u>

CITY OF HICKORY, NORTH CAROLINA

SLUDGE COMPOSTING FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			2022
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Restricted intergovernmental:				
Local grants	\$ 2,141,323	\$ 2,228,347	\$ 87,024	\$ 2,132,180
Charges for services:				
Sludge charges	-	18,872	18,872	9,861
Total revenues	<u>2,141,323</u>	<u>2,247,219</u>	<u>105,896</u>	<u>2,142,041</u>
Expenditures:				
Environmental protection:				
Other operating expenditures	1,796,443	1,754,383	42,060	1,640,725
Capital outlay	240,000	220,112	19,888	24,424
Administrative reimbursement	133,880	133,880	-	131,253
Total expenditures	<u>2,170,323</u>	<u>2,108,375</u>	<u>61,948</u>	<u>1,796,402</u>
Revenues over (under) expenditures	(29,000)	138,844	167,844	345,639
Other Financing Sources (Uses):				
Appropriated fund balance	<u>29,000</u>	<u>-</u>	<u>(29,000)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 138,844</u>	<u>\$ 138,844</u>	<u>\$ 345,639</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 138,844		
Reconciling items:				
Capital outlay		220,112		
Depreciation		<u>(350,175)</u>		
Total reconciling items		<u>(130,063)</u>		
Change in net position		<u>\$ 8,781</u>		

CITY OF HICKORY, NORTH CAROLINA

STORMWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023		2022	
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Charges for services				
Stormwater charges	\$ -	\$ 135	\$ 135	\$ -
Non-operating revenues:				
Interest earned on investments	-	7,397	7,397	(13,798)
Total revenues	-	7,532	7,532	(13,798)
Expenditures:				
Environmental protection:				
Engineering:				
Salaries and benefits	113,023	104,062	8,961	112,292
Other operating expenditures	20,532	17,827	2,705	16,087
Total	133,555	121,889	11,666	128,379
Street:				
Other operating expenditures	56,500	36,649	19,851	35,716
Drainage maintenance:				
Other operating expenditures	85,001	77,300	7,701	85,000
Total expenditures	275,056	235,838	39,218	249,095
Revenues over (under) expenditures	(275,056)	(228,306)	46,750	(262,893)
Other Financing Sources (Uses):				
Transfers in	273,556	273,556	-	268,962
Appropriated net position	1,500	-	(1,500)	-
Total other financing sources (uses)	275,056	273,556	(1,500)	268,962
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 45,250	\$ 45,250	\$ 6,069
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 45,250		
Reconciling items:				
Depreciation		(250,516)		
Change in net pension liability		(50,927)		
Change in deferred outflows of resources for pensions		17,336		
Change in deferred inflows of resources for pensions		28,489		
Change in deferred outflows of resources for OPEB		(942)		
Change in deferred inflows of resources for OPEB		(3,024)		
Change in accrued vacation pay		(399)		
Change in total OPEB liability		6,721		
Change in net position		\$ (208,012)		

HICKORY



North Carolina

Internal Service Funds

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

Individual Fund Descriptions:

Insurance Fund – accounts for the cost associated with insurance provided for health, property/casualty, and workers' compensation.

Fleet Maintenance Fund – accounts for the cost associated with the City's vehicle and equipment maintenance needs.

HICKORY



North Carolina

CITY OF HICKORY, NORTH CAROLINA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2023

	Insurance Fund	Fleet Maintenance Fund	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 5,496,936	\$ -	\$ 5,496,936
Accounts receivable, net	22,687	-	22,687
Due from other governments	-	89,115	89,115
Inventory	-	177,604	177,604
Prepaid items	2,119	840	2,959
Total current assets	<u>5,521,742</u>	<u>267,559</u>	<u>5,789,301</u>
Non-current assets:			
Depreciable capital assets, net	-	249,974	249,974
Total assets	<u>5,521,742</u>	<u>517,533</u>	<u>6,039,275</u>
Deferred Outflows of Resources:			
OPEB deferrals	-	58,714	58,714
Pension deferrals	-	236,408	236,408
Total deferred outflows of resources	<u>-</u>	<u>295,122</u>	<u>295,122</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	1,898,278	82,384	1,980,662
Due to other funds	-	2,138,708	2,138,708
Current portion of long-term debt	-	21,954	21,954
Current portion of total OPEB liability	-	38,495	38,495
Total current liabilities	<u>1,898,278</u>	<u>2,281,541</u>	<u>4,179,819</u>
Non-current liabilities:			
Net pension liability	-	354,146	354,146
Compensated absences, noncurrent	-	14,588	14,588
Total OPEB liability	-	282,680	282,680
Total non-current liabilities	<u>-</u>	<u>651,414</u>	<u>651,414</u>
Total liabilities	<u>1,898,278</u>	<u>2,932,955</u>	<u>4,831,233</u>
Deferred Inflows of Resources:			
OPEB deferrals	-	107,054	107,054
Pension deferrals	-	16,216	16,216
Total deferred inflows of resources	<u>-</u>	<u>123,270</u>	<u>123,270</u>
Net Position:			
Net investment in capital assets	-	249,974	249,974
Unrestricted	3,623,464	(2,493,544)	1,129,920
Total net position	<u>\$ 3,623,464</u>	<u>\$ (2,243,570)</u>	<u>\$ 1,379,894</u>

CITY OF HICKORY, NORTH CAROLINA

**INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2023**

	Insurance Fund	Fleet Maintenance Fund	Total
Operating Revenues:			
Charges for services	\$ 6,803,997	\$ 3,497,943	\$ 10,301,940
Other operating revenues	560	29,536	30,096
Total operating revenues	<u>6,804,557</u>	<u>3,527,479</u>	<u>10,332,036</u>
Operating Expenses:			
Health insurance	5,263,178	-	5,263,178
Property/casualty insurance	927,700	-	927,700
Workers' compensation	1,064,408	-	1,064,408
Dental insurance	455,051	-	455,051
Other insurance	90,345	-	90,345
Fleet maintenance	-	3,645,075	3,645,075
Depreciation	-	47,230	47,230
Total operating expenses	<u>7,800,682</u>	<u>3,692,305</u>	<u>11,492,987</u>
Operating income (loss)	(996,125)	(164,826)	(1,160,951)
Non-Operating Revenues (Expenses):			
Investment earnings	<u>59,780</u>	-	<u>59,780</u>
Change in net position	(936,345)	(164,826)	(1,101,171)
Net Position:			
Beginning of year - July 1	<u>4,559,809</u>	<u>(2,078,744)</u>	<u>2,481,065</u>
End of year - June 30	<u>\$ 3,623,464</u>	<u>\$ (2,243,570)</u>	<u>\$ 1,379,894</u>

CITY OF HICKORY, NORTH CAROLINA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Insurance Fund</u>	<u>Fleet Maintenance Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 6,792,020	\$ 3,527,479	\$ 10,319,499
Cash paid to suppliers	(7,140,909)	(2,987,551)	(10,128,460)
Cash paid to employees	<u>-</u>	<u>(711,010)</u>	<u>(711,010)</u>
Net cash provided (used) by operating activities	<u>(348,889)</u>	<u>(171,082)</u>	<u>(519,971)</u>
Cash Flows from Non-Capital Financing Activities:			
Changes in due to/from other funds	<u>-</u>	<u>216,862</u>	<u>216,862</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	<u>-</u>	<u>(45,780)</u>	<u>(45,780)</u>
Cash Flows from Investing Activities:			
Interest on investments	<u>59,780</u>	<u>-</u>	<u>59,780</u>
Net increase (decrease) in cash and cash equivalents	(289,109)	-	(289,109)
Cash and Cash Equivalents:			
Beginning of year - July 1	<u>5,786,045</u>	<u>-</u>	<u>5,786,045</u>
End of year - June 30	<u>\$ 5,496,936</u>	<u>\$ -</u>	<u>\$ 5,496,936</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (996,125)	\$ (164,826)	\$ (1,160,951)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	47,230	47,230
Change in net pension liability	-	256,277	256,277
Change in assets and liabilities:			
(Increase) decrease in accounts receivables	(12,537)	(2,002)	(14,539)
(Increase) decrease in prepaid items	(1,181)	-	(1,181)
(Increase) decrease in inventories	-	(6,930)	(6,930)
Increase (decrease) in accounts payable	660,954	(39,761)	621,193
Change in deferred outflows of resources for pensions	-	(87,238)	(87,238)
Change in deferred inflows of resources for pensions	-	(143,364)	(143,364)
Change in deferred outflows of resources for OPEB	-	11,299	11,299
Change in deferred inflows of resources for OPEB	-	36,285	36,285
Increase (decrease) in compensated absences	-	2,605	2,605
Change in total OPEB liability	<u>-</u>	<u>(80,657)</u>	<u>(80,657)</u>
Net cash provided (used) by operating activities	<u>\$ (348,889)</u>	<u>\$ (171,082)</u>	<u>\$ (519,971)</u>

CITY OF HICKORY, NORTH CAROLINA

INSURANCE FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

FINANCIAL PLAN AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2023

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			2022
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services	\$ 7,293,419	\$ 6,803,997	\$ (489,422)	\$ 6,780,354
Other operating revenues	558	560	2	-
Total operating revenues	<u>7,293,977</u>	<u>6,804,557</u>	<u>(489,420)</u>	<u>6,780,354</u>
Non-Operating Revenues:				
Investment earnings	<u>20,000</u>	<u>59,780</u>	<u>39,780</u>	<u>(130,182)</u>
Total revenues	<u>7,313,977</u>	<u>6,864,337</u>	<u>(449,640)</u>	<u>6,650,172</u>
Expenditures:				
General government:				
Health insurance	5,150,000	5,263,178	(113,178)	4,680,248
Property/casualty insurance	941,069	927,700	13,369	843,642
Dental insurance	440,000	455,051	(15,051)	419,958
Other insurance	84,000	90,345	(6,345)	96,149
Workers' compensation	762,902	1,064,408	(301,506)	649,976
Total expenditures	<u>7,377,971</u>	<u>7,800,682</u>	<u>(422,711)</u>	<u>6,689,973</u>
Revenues over (under) expenditures	(63,994)	(936,345)	(872,351)	(39,801)
Other Financing Sources (Uses):				
Appropriated net position	<u>63,994</u>	<u>-</u>	<u>(63,994)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (936,345)</u>	<u>\$ (936,345)</u>	<u>\$ (39,801)</u>

CITY OF HICKORY, NORTH CAROLINA

FLEET MAINTENANCE FUND

SCHEDULE OF REVENUES AND EXPENDITURES

FINANCIAL PLAN AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2023

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			2022
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services	\$ 3,020,962	\$ 3,497,943	\$ 476,981	\$ 3,256,217
Other operating revenues	-	29,536	29,536	10,636
Total operating revenues	<u>3,020,962</u>	<u>3,527,479</u>	<u>506,517</u>	<u>3,266,853</u>
Non-Operating Revenues:				
Investment earnings	-	-	-	211
Total revenues	<u>3,020,962</u>	<u>3,527,479</u>	<u>506,517</u>	<u>3,267,064</u>
Expenditures:				
General government				
Salaries and benefits	744,592	706,217	38,375	686,394
Other operating expenditures	1,933,603	2,616,801	(683,198)	2,578,370
Capital outlay	81,123	80,874	249	198,605
Administrative reimbursement	291,756	291,756	-	286,034
Total expenditures	<u>3,051,074</u>	<u>3,695,648</u>	<u>(644,574)</u>	<u>3,749,403</u>
Revenues over (under) expenditures	<u>(30,112)</u>	<u>(168,169)</u>	<u>(138,057)</u>	<u>(482,339)</u>
Other Financing Sources (Uses):				
Transfers from other funds	-	-	-	49,295
Transfers to other funds	-	-	-	(494)
Appropriated fund balance	30,112	-	(30,112)	-
Total other financing sources (uses)	<u>30,112</u>	<u>-</u>	<u>(30,112)</u>	<u>48,801</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (168,169)</u>	<u>\$ (168,169)</u>	<u>\$ (433,538)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ (168,169)		
Reconciling items:				
Depreciation and amortization		(47,230)		
Change in net pension liability		(256,277)		
Change in deferred outflows of resources for pensions		87,238		
Change in deferred inflows of resources for pensions		143,364		
Capital assets purchased/capitalized		45,780		
Change in deferred outflows of resources for OPEB		(11,299)		
Change in deferred inflows of resources for OPEB		(36,285)		
Change in accrued vacation pay		(2,605)		
Change in total OPEB liability		<u>80,657</u>		
Change in net position		<u>\$ (164,826)</u>		

HICKORY



North Carolina

**Capital Assets Used In The
Operation of Governmental Funds**

HICKORY



North Carolina

CITY OF HICKORY, NORTH CAROLINA

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE¹

JUNE 30, 2023

Governmental Funds Capital Assets:

Land	\$ 19,037,300
Buildings	31,113,630
Other improvements	21,741,622
Equipment	14,789,168
Vehicles and motorized equipment	20,193,182
Streets	45,968,312
Traffic signals	2,490,199
Bridges	2,184,024
Curb and Gutter	74,927
Sidewalks	8,288,888
Right-to-use leased assets	4,209,888
Right-to-use subscription assets	2,425,203
Construction in progress	105,222,725
Total governmental funds capital assets	<u>\$ 277,739,068</u>

Investments in Governmental Funds Capital Assets by Source:

General Fund	\$ 132,651,649
Special revenue funds	1,944,258
Capital project funds	135,594,759
Donations received	5,640,404
Foreclosures	146,651
Court awarded	40,773
Discoveries	1,720,574
Total governmental funds capital assets	<u>\$ 277,739,068</u>

¹ This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the Statement of Net Position.

CITY OF HICKORY, NORTH CAROLINA

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY¹
FOR THE YEAR ENDED JUNE 30, 2023

By Function and Activity	Governmental Funds Capital Assets June 30, 2022	Additions	Deductions	Governmental Funds Capital Assets June 30, 2023
General Government:				
Administration	\$ 54,870	\$ 64,125	\$ (16,918)	\$ 102,077
Budget and administration	27,263	-	-	27,263
Finance	12,195	276,944	-	289,139
Technology services	1,716,292	137,556	(9,625)	1,844,223
Engineering	211,815	-	-	211,815
Building services	398,899	5,556,812	-	5,955,711
Central services	2,628,242	101,105	(14,536)	2,714,811
Public buildings	11,008,980	4,975,074	(526,814)	15,457,240
Buildings and grounds	5,635,150	1,125,030	(114,936)	6,645,244
District court	728,810	-	(700,810)	28,000
Total general government	<u>22,422,516</u>	<u>12,236,646</u>	<u>(1,383,639)</u>	<u>33,275,523</u>
Public Safety:				
Police	15,225,148	601,662	(392,886)	15,433,924
Code enforcement	139,148	-	-	139,148
Fire	14,782,404	1,129,864	(83,269)	15,828,999
Total public safety	<u>30,146,700</u>	<u>1,731,526</u>	<u>(476,155)</u>	<u>31,402,071</u>
Transportation:				
Traffic	3,348,813	415,153	(97,893)	3,666,073
Street	62,720,163	876,266	(489,517)	63,106,912
Total transportation	<u>66,068,976</u>	<u>1,291,419</u>	<u>(587,410)</u>	<u>66,772,985</u>
Economic and Physical Development:				
Planning and development	1,727,258	-	(295,291)	1,431,967
Economic and community	2,861,105	-	-	2,861,105
Total economic and physical development	<u>4,588,363</u>	<u>-</u>	<u>(295,291)</u>	<u>4,293,072</u>
Culture and Recreation:				
Recreation	30,335,025	137,421	(116,135)	30,356,311
Library	6,440,978	7,875	(32,472)	6,416,381
Total culture and recreation	<u>36,776,003</u>	<u>145,296</u>	<u>(148,607)</u>	<u>36,772,692</u>
Construction in Progress	<u>81,204,775</u>	<u>24,017,950</u>	<u>-</u>	<u>105,222,725</u>
Total government funds capital assets	<u>\$ 241,207,333</u>	<u>\$ 39,422,837</u>	<u>\$ (2,891,102)</u>	<u>\$ 277,739,068</u>

¹ This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the Statement of Net Position.

HICKORY



North Carolina

CITY OF HICKORY, NORTH CAROLINA

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY¹
JUNE 30, 2023

<u>By Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Other Improvements</u>	<u>Equipment</u>	<u>Vehicles and Motorized Equipment</u>
General Government:					
Governing body	\$ -	\$ -	\$ -	\$ 21,433	\$ 80,644
Risk	-	-	-	-	62,289
Finance	-	-	-	289,139	-
Technology services	-	-	-	1,826,964	17,259
Engineering	-	-	-	131,269	80,546
Building services	10,500	-	75,000	104,444	441,853
Central services	789,511	1,801,592	54,181	28,737	38,092
Public buildings	7,748,484	9,807,527	2,747,493	422,147	-
Building and grounds	1,766,322	257,374	2,597,332	1,204,950	842,441
District court	28,000	-	-	-	-
Total general government	<u>10,342,817</u>	<u>11,866,493</u>	<u>5,474,006</u>	<u>4,029,083</u>	<u>1,563,124</u>
Public Safety:					
Police	133,615	4,993,050	519,582	3,931,632	5,856,043
Code enforcement	-	-	1,620	-	137,528
Fire	239,692	3,741,975	1,880,791	1,232,188	8,734,355
Total public safety	<u>373,307</u>	<u>8,735,025</u>	<u>2,401,993</u>	<u>5,163,820</u>	<u>14,727,926</u>
Transportation:					
Traffic	13,036	42,405	-	483,569	606,465
Street	1,034,636	-	939,993	2,007,142	2,639,387
Total transportation	<u>1,047,672</u>	<u>42,405</u>	<u>939,993</u>	<u>2,490,711</u>	<u>3,245,852</u>
Economic and Physical Development:					
Planning and development	948,520	420,636	-	-	62,811
Economic and community	2,861,105	-	-	-	-
Total economic and physical development	<u>3,809,625</u>	<u>420,636</u>	<u>-</u>	<u>-</u>	<u>62,811</u>
Culture and Recreation:					
Recreation	3,463,882	12,016,380	12,039,917	2,241,135	594,997
Library	-	5,085,484	409,807	869,593	51,497
Total culture and recreation	<u>3,463,882</u>	<u>17,101,864</u>	<u>12,449,724</u>	<u>3,110,728</u>	<u>646,494</u>
Construction in Progress					
	-	-	-	-	-
Total governmental funds capital assets	<u>\$ 19,037,303</u>	<u>\$ 38,166,423</u>	<u>\$ 21,265,716</u>	<u>\$ 14,794,342</u>	<u>\$ 20,246,207</u>

¹ This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the Statement of Net Position.

CITY OF HICKORY, NORTH CAROLINA

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY¹
JUNE 30, 2023

<u>By Function and Activity</u>	<u>Streets</u>	<u>Curb and Gutter</u>	<u>Traffic Signals</u>	<u>Bridges</u>	<u>Sidewalks</u>	<u>Construction in Progress</u>	<u>Total</u>
General Government:							
Governing body	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 102,077
Risk	-	-	-	-	-	-	62,289
Finance	-	-	-	-	-	-	289,139
Technology services	-	-	-	-	-	-	1,844,223
Engineering	-	-	-	-	-	-	211,815
Building services	-	-	-	-	-	-	631,797
Central services	-	-	-	-	-	-	2,712,113
Public buildings	-	-	-	-	-	-	20,725,651
Building and grounds	-	-	-	-	-	-	6,668,419
District court	-	-	-	-	-	-	28,000
Total general government	-	-	-	-	-	-	33,275,523
Public Safety:							
Police	-	-	-	-	-	-	15,433,922
Code enforcement	-	-	-	-	-	-	139,148
Fire	-	-	-	-	-	-	15,829,001
Total public safety	-	-	-	-	-	-	31,402,071
Transportation:							
Traffic	-	74,927	2,480,199	-	-	-	3,700,601
Street	46,032,773	-	10,000	2,184,024	8,224,429	-	63,072,384
Total transportation	46,032,773	74,927	2,490,199	2,184,024	8,224,429	-	66,772,985
Economic and Physical Development:							
Planning and development	-	-	-	-	-	-	1,431,967
Economic and community	-	-	-	-	-	-	2,861,105
Total economic and physical development	-	-	-	-	-	-	4,293,072
Culture and Recreation:							
Recreation	-	-	-	-	-	-	30,356,311
Library	-	-	-	-	-	-	6,416,381
Total culture and recreation	-	-	-	-	-	-	36,772,692
Construction in Progress	-	-	-	-	-	105,222,725	105,222,725
Total governmental funds capital assets	\$ 46,032,773	\$ 74,927	\$ 2,490,199	\$ 2,184,024	\$ 8,224,429	\$ 105,222,725	\$ 277,739,068

¹ This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the Statement of Net Position.

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North Carolina

Supplemental Financial Data

This section contains supplemental information on property taxes.

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

HICKORY



North Carolina

CITY OF HICKORY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

JUNE 30, 2023

Fiscal Year	Uncollected Balance July 1, 2022	Additions	Collections and Credits	Uncollected Balance June 30, 2023
2022-2023	\$ -	\$ 35,924,988	\$ 35,626,525	\$ 298,463
2021-2022	290,371	-	169,876	120,495
2020-2021	111,196	-	55,297	55,899
2019-2020	68,852	-	27,863	40,989
2018-2019	59,238	-	12,439	46,799
2017-2018	32,788	-	8,417	24,371
2016-2017	26,455	-	8,063	18,392
2015-2016	16,966	-	7,601	9,365
2014-2015	23,843	-	7,867	15,976
2013-2014	75,495	-	75,495	-
Total	\$ 705,204	\$ 35,924,988	\$ 35,999,443	630,749
Less allowance for uncollectible ad valorem taxes receivable				(254,113)
Ad valorem taxes receivable, net				\$ 376,636
Reconciliation of Collections and Credits with Revenues:				
Ad valorem taxes				\$ 36,123,887
Reconciling items:				
Interest and penalties collected				(190,975)
Prior year releases/adjustments				749
Amounts written off per Statute of Limitations				65,782
Total collections and credits				\$ 35,999,443

CITY OF HICKORY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
CITY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2023

	City-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
County-wide:					
Property taxed at current year's rate	\$ 5,684,104,402	\$ 0.6275	\$ 35,667,755	\$ 32,076,596	\$ 3,591,159
Total original levy	<u>5,684,104,402</u>		<u>35,667,755</u>	<u>32,076,596</u>	<u>3,591,159</u>
Discoveries:					
Current year's taxes	25,577,294	0.6275	160,498	160,498	-
Penalties	-		208,692	208,692	-
Total	<u>25,577,294</u>		<u>369,190</u>	<u>369,190</u>	<u>-</u>
Releases	<u>(17,841,688)</u>	0.6275	<u>(111,957)</u>	<u>(111,957)</u>	<u>-</u>
Total property valuation	<u>\$ 5,691,840,009</u>				
Net Levy			35,924,988	32,333,829	3,591,159
Uncollected taxes at June 30, 2023			<u>(298,463)</u>	<u>(298,463)</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 35,626,525</u>	<u>\$ 32,035,366</u>	<u>\$ 3,591,159</u>
Current Levy Collection Percentage			<u>99.17%</u>	<u>99.08%</u>	<u>100.00%</u>

CITY OF HICKORY, NORTH CAROLINA

**ANALYSIS OF CURRENT TAX LEVY
CITY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2023**

Secondary Market Disclosures:

Assessed Valuation:

Assessment ratio	<u>100.00%</u>
Real property	\$ 4,085,582,826
Personal property	1,423,034,965
Public service companies	<u>183,222,218</u>
Total assessed valuation	<u>\$ 5,691,840,009</u>
Tax rate per \$100	0.6275
Levy (includes discoveries, releases, penalties and abatements)	<u>\$ 35,924,988</u>

HICKORY



North Carolina

Statistical Section

This part of the City of Hickory's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

HICKORY



North Carolina

CITY OF HICKORY, NORTH CAROLINA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities										
Net investment in capital assets	\$ 49,614,181	\$ 50,663,986	\$ 49,943,126	\$ 46,859,734	\$ 55,745,847	\$ 53,510,932	\$ 64,346,936	\$ 72,725,989	\$ 104,673,435	\$ 126,850,916
Restricted	4,332,435	7,269,145	8,742,074	10,627,844	9,204,898	14,173,415	17,368,210	18,261,697	13,744,450	16,018,271
Unrestricted	27,084,992	24,833,580	16,629,980	16,787,495	5,976,821	5,909,646	4,273,434	1,001,932	7,620,353	17,274,696
Total governmental activities net position	\$ 81,031,608	\$ 82,766,711	\$ 75,315,180	\$ 74,275,073	\$ 70,927,566	\$ 73,593,993	\$ 85,988,580	\$ 91,989,618	\$ 126,038,238	\$ 160,143,883
Business-type activities										
Net investment in capital assets	102,229,159	102,857,014	106,538,651	112,695,429	116,724,413	119,304,991	124,337,832	130,596,390	135,192,955	148,681,881
Unrestricted	23,347,107	27,199,498	36,224,946	34,403,513	31,979,839	35,653,416	38,343,825	33,575,184	33,160,886	26,881,810
Total business-type activities net position	\$ 125,576,266	\$ 130,056,512	\$ 142,763,597	\$ 147,098,942	\$ 148,704,252	\$ 154,958,407	\$ 162,681,657	\$ 164,171,574	\$ 168,353,841	\$ 175,563,691
Primary government										
Net investment in capital assets	151,843,340	153,521,000	156,481,777	159,555,163	172,470,260	172,815,923	188,684,768	203,322,379	239,866,390	275,532,797
Restricted	4,332,435	7,269,145	8,742,074	10,627,844	9,204,898	14,173,415	17,368,210	18,261,697	13,744,450	16,018,271
Unrestricted	50,432,099	52,033,078	52,854,926	51,191,008	37,956,660	41,563,062	42,617,259	34,577,116	40,781,239	44,156,506
Total primary government net position	\$ 206,607,874	\$ 212,823,223	\$ 218,078,777	\$ 221,374,015	\$ 219,631,818	\$ 228,552,400	\$ 248,670,237	\$ 269,840,610	\$ 294,392,079	\$ 335,707,574

CITY OF HICKORY, NORTH CAROLINA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses										
Governmental activities										
General government										
Public safety	\$ 9,709,451	\$ 10,714,412	\$ 17,241,713	\$ 15,600,080	\$ 12,767,254	\$ 13,828,049	\$ 13,870,372	\$ 20,621,801	\$ 18,828,486	\$ 21,733,946
Transportation	21,616,699	20,325,286	21,590,589	22,866,317	23,107,639	24,295,446	25,986,157	27,046,269	28,459,082	28,398,569
Economic and physical development	7,990,209	7,728,201	5,434,930	6,085,304	6,258,370	6,993,677	6,273,958	6,131,073	6,334,891	6,273,665
Culture and recreation	3,152,928	3,982,537	4,046,041	3,569,329	3,737,258	4,301,391	4,232,839	4,226,519	7,544,337	4,799,265
Interest on long-term debt	6,986,803	5,975,527	6,355,499	6,391,994	6,742,733	7,069,437	7,084,150	2,120,038	3,009,781	5,442,288
Total governmental activities expenses	99,172	148,214	151,691	99,067	88,128	579,073	1,001,619	913,247	1,852,799	1,327,364
Business-type activities										
Water	8,148,870	7,583,247	8,206,452	8,383,437	8,346,934	9,384,793	10,480,158	10,991,533	10,924,060	11,293,785
Sewer	11,911,880	11,499,020	11,709,085	12,077,346	12,765,273	14,062,054	14,727,277	15,168,416	15,467,510	16,702,588
Sludge composting	1,894,229	1,911,962	2,010,155	1,944,219	1,980,531	2,033,150	2,300,787	2,066,217	2,104,319	2,238,438
Stormwater	752,443	604,777	526,080	533,405	457,877	541,921	895,861	525,297	499,042	489,282
Airport	2,615,292	2,297,924	1,419,481	1,431,740	1,523,461	1,620,372	1,697,583	1,771,127	1,790,246	2,051,030
Recycling	3,014,427	3,591,441	2,817,888	2,815,271	2,917,593	3,026,079	3,442,487	4,144,494	3,743,794	3,987,615
Sanitation	1,773,653	1,638,769	1,774,541	1,878,024	1,822,792	1,947,621	2,114,046	2,185,919	2,408,760	2,602,898
Total business-type activities expenses	30,110,794	29,127,140	28,463,682	29,063,442	29,814,461	32,615,990	35,658,199	36,853,003	36,937,731	39,365,636
Total primary government expenses	79,666,056	78,001,317	83,284,145	83,675,533	82,515,843	89,683,063	94,557,294	97,911,950	102,967,077	107,340,733
Program revenues										
Governmental activities										
Charges for services										
General government	5,988,830	5,733,999	7,771,103	7,713,582	8,079,589	8,842,670	8,601,182	8,668,186	9,342,616	11,181,928
Public safety	367,312	235,616	309,458	268,252	258,389	215,595	224,072	392,968	477,528	1,283,810
Transportation	21,031	18,332	5,388	43,276	11,787	34,405	59,900	26,250	44,129	29,562
Economic and physical development	234,406	142,090	286,811	242,930	190,794	396,661	358,137	433,839	201,716	76,185
Culture and recreation	239,691	257,226	257,945	232,728	254,501	279,033	192,511	135,336	348,479	409,982
Operating grants and contributions	3,683,027	4,362,347	3,229,321	2,925,291	3,172,997	2,989,668	4,456,558	3,087,628	4,039,900	9,956,988
Capital grants and contributions	269,944	5,894,084	80,679	29,051	2,113,962	797,726	8,921,931	12,994,689	14,427,256	16,814,025
Total governmental activities program revenues	10,804,241	16,643,694	11,940,705	11,455,110	14,082,019	13,555,558	22,814,291	25,738,896	28,881,624	39,752,480
Business-type activities										
Charges for services										
Water	13,517,990	13,946,763	14,301,744	14,963,171	16,008,741	16,328,976	17,136,577	17,374,297	19,569,132	20,463,944
Sewer	9,172,139	9,293,174	9,628,631	9,628,631	9,876,273	10,542,569	11,155,934	11,664,910	12,322,417	13,366,027
Sludge composting	38,197	25,237	39,910	61,251	65,308	96,243	30,003	3,043	9,763	16,571
Stormwater	58,207	(3,318)	(1,987)	249,345	251	319	494	(153)	(13)	-
Airport	2,186,700	1,145,669	1,318,045	1,338,980	1,281,618	1,182,435	1,873,396	2,752,582	1,815,704	1,790,242
Sanitation	2,463,873	2,541,569	2,762,756	3,076,527	3,310,288	3,644,212	3,613,633	4,466,122	4,306,610	4,345,692
Recycling	1,235,322	1,203,656	1,238,614	1,297,285	1,317,459	1,454,124	1,630,709	1,951,676	2,211,399	2,448,994
Operating grants and contributions	2,069,562	2,107,589	2,136,861	2,004,532	1,987,390	2,579,212	2,762,227	2,444,703	2,675,772	3,206,236
Capital grants and contributions	260,319	2,318,933	2,735,512	464,582	760,895	308,520	1,006,074	1,363,076	636,420	714,301
Total business-type activities program revenues	31,002,309	32,579,272	34,160,086	33,084,304	34,608,223	36,136,610	39,209,047	42,020,256	43,547,204	46,352,007
Total primary government program revenues	41,806,550	49,222,966	46,100,791	44,539,414	48,690,242	49,692,168	62,023,338	67,759,152	72,428,828	86,104,487

CITY OF HICKORY, NORTH CAROLINA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net (expense)/revenue										
Governmental activities	(38,751,021)	(32,230,483)	(42,879,758)	(43,156,981)	(38,619,363)	(43,511,515)	(36,084,804)	(35,320,051)	(37,147,722)	(28,222,617)
Business-type activities	891,515	3,452,132	54,696,404	4,074,667	4,793,762	3,520,620	3,610,848	5,167,253	6,609,473	6,986,371
Total primary government net expense	(37,859,506)	(28,778,351)	(11,816,646)	(39,082,314)	(33,825,601)	(39,990,895)	(32,473,956)	(30,152,798)	(30,538,249)	(21,236,246)
General revenues and other changes in net position										
Governmental activities										
Taxes										
Ad valorem property taxes	24,073,395	23,854,614	25,801,419	26,705,834	27,222,941	28,019,929	30,367,046	31,544,287	34,229,436	36,117,756
Local option sales tax	8,322,152	8,950,747	9,698,345	10,189,172	10,380,928	11,016,777	11,190,418	13,118,310	15,413,340	16,729,817
Franchise tax	2,340,431	2,057,565	3,072,413	3,152,989	3,234,684	3,349,937	4,304,961	3,315,897	3,338,825	3,641,468
Telecommunication tax	1,025,018	1,010,313	894,621	896,481	839,810	793,021	720,318	653,165	602,294	587,773
Motel/occupancy tax	1,418,592	1,616,179	1,888,878	1,927,878	2,050,198	2,177,957	1,603,690	1,472,285	2,191,229	2,494,794
Vehicle tag tax	209,966	170,479	174,458	193,001	184,709	185,639	171,728	198,239	195,532	156,766
Gross receipts tax	136,237	131,412	149,050	161,557	163,224	168,716	209,394	272,852	301,072	281,962
Unrestricted intergovernmental	787,532	675,846	595,737	650,281	660,473	641,027	641,067	536,222	680,548	624,384
Unrestricted investment earnings	174,060	150,105	326,559	85,599	195,769	1,403,393	1,237,157	28,974	(1,685,966)	1,072,640
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Transfers	(519,010)	(1,720,158)	(6,679,253)	(169,567)	494,163	(1,578,454)	(1,966,388)	3,860,276	2,250,614	620,902
Total governmental activities	37,968,373	36,897,102	35,922,227	43,793,225	45,426,899	46,177,942	48,479,391	55,000,507	57,516,924	62,328,262
Business-type activities										
Unrestricted investment earnings	116,397	92,491	329,538	91,111	173,555	1,155,081	996,940	(5,460)	(733,380)	376,289
Donations	-	9,570	1,890	-	-	-	1,149,074	618,757	556,788	468,092
Transfers	519,010	1,720,158	6,679,253	169,567	(494,163)	1,578,454	1,966,388	(3,860,276)	(2,250,614)	(620,902)
Total business-type activities	635,407	1,822,219	7,010,681	260,678	(320,608)	2,733,535	4,112,402	(3,246,979)	(2,427,206)	223,479
Change in Net Position										
Governmental activities	(782,648)	4,666,619	5,160,619	636,244	6,807,536	2,666,427	12,394,587	19,680,456	20,369,202	34,105,645
Business-type activities	1,526,922	5,274,351	61,707,085	4,335,345	4,473,154	6,254,155	7,723,250	1,489,917	4,182,267	7,209,850
Total primary government	\$ 744,274	\$ 9,940,970	\$ 66,867,704	\$ 4,971,589	\$ 11,280,690	\$ 8,920,582	\$ 20,117,837	\$ 21,170,373	\$ 24,551,469	\$ 41,315,495

CITY OF HICKORY, NORTH CAROLINA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund										
Nonspendable	\$ 409,899	\$ 5,402,181	\$ 4,885,591	\$ 4,274,339	\$ 3,294,920	\$ 2,757,181	\$ 2,546,535	\$ 2,733,563	\$ 2,137,857	\$ 2,098,251
Restricted	3,993,730	6,977,246	6,934,665	7,639,419	7,483,180	8,426,110	9,375,212	10,739,363	13,744,450	15,938,711
Committed	13,381,759	11,437,451	4,810,507	5,835,895	6,666,331	5,584,238	4,925,613	6,083,068	7,934,945	9,492,329
Assigned	3,065,661	2,811,908	2,620,872	2,383,687	2,462,028	1,409,675	3,758,676	2,241,760	2,241,760	1,183,000
Unassigned	13,515,066	14,031,436	14,133,964	15,948,786	17,872,210	20,116,901	16,495,086	15,614,888	15,261,159	24,225,924
Total General Fund	\$ 34,366,115	\$ 40,660,222	\$ 33,385,599	\$ 36,082,126	\$ 37,778,669	\$ 38,294,105	\$ 37,101,122	\$ 37,412,642	\$ 41,320,171	\$ 52,938,215
Capital Projects Fund										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ 1,447,185	\$ 13,768,376	\$ 20,629,511	\$ 21,140,143	\$ 28,752,670	\$ 14,259,218
Committed	-	-	-	-	-	-	-	-	-	20,407,190
Total Capital Projects Fund	\$ -	\$ -	\$ -	\$ -	\$ 1,447,185	\$ 13,768,376	\$ 20,629,511	\$ 21,140,143	\$ 28,752,670	\$ 34,666,408
All other governmental funds										
Nonspendable	\$ 158	\$ 879	\$ 330	\$ 321	\$ 158	\$ 228	\$ 1,400	\$ -	\$ -	\$ -
Restricted	338,705	1,973,118	1,978,451	3,558,664	274,533	384,795	488,672	258,260	-	79,560
Committed	11,509	30,398	168,731	138,565	133,743	116,851	92,320	108,484	107,864	164,951
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	(726,139)	(43,256)	(140,933)	(43,249)	(20,896)	(99,109)	(113,563)	(188,913)	(10,222)	(108,138)
Total all other governmental funds	\$ (375,767)	\$ 1,961,139	\$ 2,006,579	\$ 3,654,301	\$ 387,538	\$ 402,765	\$ 468,829	\$ 177,831	\$ 97,642	\$ 136,373

CITY OF HICKORY, NORTH CAROLINA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues										
Ad valorem taxes	\$ 24,245,897	\$ 24,206,333	\$ 25,913,125	\$ 26,857,749	\$ 27,349,367	\$ 28,100,944	\$ 30,360,326	\$ 31,629,716	\$ 34,290,070	\$ 36,123,887
Other taxes	13,439,396	14,774,695	15,877,765	16,521,078	16,853,553	17,692,047	17,195,453	18,983,815	22,068,923	23,867,018
Unrestricted intergovernmental	787,532	675,846	595,737	650,281	660,473	641,027	641,067	536,222	680,548	624,384
Restricted intergovernmental	2,980,942	5,999,698	3,122,710	2,753,943	5,060,098	3,653,856	11,291,376	14,118,782	16,392,812	26,149,602
Licenses and permits	1,144,090	1,116,114	7,886	5,912	4,852	4,882	4,480	4,882	4,590	4,755
Sales and services	1,569,254	1,670,000	1,845,522	1,719,587	1,674,129	1,438,198	1,141,092	1,155,955	1,435,251	1,428,329
Investment earnings	141,156	126,225	280,702	74,610	177,560	1,282,879	1,143,041	(12,526)	(1,555,995)	1,012,860
Miscellaneous	1,329,129	4,413,948	875,945	742,840	37,221	704,871	2,306,510	2,483,772	2,750,695	2,639,562
Total revenues	45,637,396	52,982,859	48,519,392	49,326,000	51,817,253	53,518,654	64,083,345	68,900,618	76,066,894	91,850,397
Expenditures										
Current										
General government	5,179,041	5,432,152	8,032,108	4,818,329	5,503,444	6,134,644	6,782,961	9,712,789	12,110,880	19,842,712
Public safety	20,920,672	21,040,948	22,807,712	21,714,028	22,909,192	24,911,874	23,942,352	24,833,498	28,526,717	28,169,271
Transportation	5,053,939	5,273,526	5,223,283	5,423,885	5,364,681	6,039,048	5,928,785	5,705,133	6,407,487	6,121,681
Economic and physical development	3,131,810	4,001,342	4,045,630	3,542,887	3,747,416	4,324,497	4,183,880	4,182,875	7,545,299	4,795,126
Culture and recreation	6,635,741	5,867,815	5,789,241	6,060,612	7,657,917	6,547,202	7,551,932	4,724,393	4,452,096	4,446,596
Capital outlay	1,484,787	5,271,468	1,121,950	1,113,055	6,355,253	6,648,150	22,683,179	27,281,104	16,397,995	24,363,115
Debt Service										
Principal retirement	992,686	1,092,687	1,895,487	2,037,099	807,069	671,034	1,195,175	2,176,421	2,426,421	2,866,227
Lease and subscription principal retirement	-	-	-	-	-	-	-	-	139,319	1,154,544
Interest and fees	100,500	134,350	153,911	102,289	89,479	76,984	864,353	1,288,858	1,431,369	1,560,604
Bond issuance cost	-	-	-	-	-	286,032	-	-	-	-
Total expenditures	43,499,176	48,114,288	49,069,322	44,812,184	52,434,451	55,639,465	73,132,617	79,905,071	79,437,583	93,319,876
Excess(deficiency) of revenues over(under) expenditures	2,138,220	4,868,571	(549,930)	4,513,816	(617,198)	(2,120,811)	(9,049,272)	(11,004,453)	(3,370,689)	(1,469,479)
Other financing sources(uses)										
Transfers - in	2,603,804	3,734,816	2,151,863	4,449,778	4,201,904	3,722,588	13,611,952	14,997,958	15,180,218	16,157,077
Transfers - (out)	(3,137,814)	(5,454,974)	(8,831,116)	(4,619,345)	(3,707,741)	(5,501,042)	(15,965,715)	(11,167,682)	(12,978,405)	(15,536,175)
Lease Liability Issued	-	-	-	-	-	-	-	-	1,116,953	4,284,090
Issuance of debt	-	3,000,000.00	-	-	-	15,575,000	15,140,352	7,705,331	10,000,000	14,135,000
Premium from issuance of bond	-	-	-	-	-	1,176,119	1,996,899	-	1,491,790	-
Total other financing sources(uses)	(534,010)	1,279,842	(6,679,253)	(169,567)	494,163	14,972,665	14,783,488	11,535,607	14,810,556	19,039,992
Net change in fund balance	\$ 1,604,210	\$ 6,148,413	\$ (7,229,183)	\$ 4,344,249	\$ (123,035)	\$ 12,851,854	\$ 5,734,216	\$ 531,154	\$ 11,439,867	\$ 17,570,513
Debt service as a percentage of noncapital expenditures	2.60%	2.86%	4.27%	4.90%	1.95%	1.53%	4.08%	6.58%	6.12%	6.42%

CITY OF HICKORY, NORTH CAROLINA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Real Property		Personal Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value ¹ as a Percentage of Actual Value
	Residential/Commercial Property		Motor Vehicles	Other					
2014	\$ 3,814,819,160		\$ 386,443,638	\$ 620,300,997	\$ 24,626,391	\$ 4,796,937,404	\$ 0.5000	\$ 4,705,425,224	102.47%
2015	3,826,489,617		301,795,798	641,556,576	25,741,643	4,744,100,348	0.5000	4,680,523,599	101.91%
2016	3,583,001,465		340,432,404	643,068,861	26,813,693	4,539,689,037	0.5665	4,603,791,722	99.19%
2017	3,644,085,950		367,246,598	676,481,117	27,943,665	4,659,870,000	0.5665	4,721,279,385	99.29%
2018	3,671,663,581		405,627,891	736,064,765	36,880,357	4,776,475,880	0.5665	4,975,927,807	96.73%
2019	3,760,989,527		416,093,733	757,397,508	37,395,702	4,897,085,066	0.5665	5,240,744,974	94.16%
2020	3,894,880,455		415,741,707	848,061,680	37,951,252	5,120,732,590	0.5875	5,235,739,401	98.53%
2021	3,905,067,959		481,312,841	955,190,793	39,247,955	5,302,323,638	0.5875	5,689,000,595	93.89%
2022	4,020,882,510		490,382,865	922,456,657	40,465,941	5,393,256,091	0.6275	6,176,353,928	87.98%
2023	4,085,582,826		572,296,269	1,103,398,651	69,437,737	5,691,840,009	0.6275	7,534,841,379	76.46%

Notes: Property is reassessed once every four years. The county assesses property at approximately 95.76 percent of actual value for real property and 100 percent for personal property. Estimated actual taxable value is calculated by dividing assessed values by those percentages.

Source: Catawba County, Burke County, and Caldwell County Tax Offices and North Carolina Department of Revenue

¹ Includes tax-exempt property

CITY OF HICKORY, NORTH CAROLINA
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(rate per \$100 of assessed value)

Fiscal Year Ended June 30	Name of Government					Maximum Overlapping Rate
	City of Hickory ¹	Burke County	Caldwell County	Catawba County		
2014	\$ 0.5000	\$ 0.6800	\$ 0.6000	\$ 0.5300	\$	1.1800
2015	0.5000	0.6800	0.6000	0.5300		1.1800
2016	0.5665	0.6800	0.6000	0.5750		1.2465
2017	0.5665	0.6800	0.6300	0.5750		1.2465
2018	0.5665	0.6950	0.6300	0.5750		1.2615
2019	0.5665	0.6950	0.6300	0.5750		1.2615
2020	0.5875	0.6950	0.6300	0.5750		1.2825
2021	0.5875	0.6950	0.6300	0.5750		1.2825
2022	0.6275	0.6950	0.6300	0.5750		1.3225
2023	0.6275	0.6950	0.6300	0.5750		1.3225

Source: North Carolina Department of Revenue

¹ There are no components to the direct rate. The entire tax is dedicated to operating costs.

CITY OF HICKORY, NORTH CAROLINA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2023			2014		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Merchants Distributors Inc	\$ 158,435,601	1	2.78%	\$ 113,610,712	1	2.37%
Corning Cable Systems	152,164,398	2	2.87%	67,793,169	2	1.41%
Duke Energy Carolinas LLC	69,766,817	3	1.32%	36,590,679	5	0.76%
Shurtape Technologies Inc	64,417,078	4	1.21%	25,092,238	10	0.52%
DLP - Frye Regional Medical Center	49,440,785	5	0.93%	27,951,200	7	0.58%
Valley Hills Mall LLC	38,943,865	6	0.73%	45,872,276	3	0.96%
Hickory Ridge Owner LLC	26,348,600	7	0.50%	-	-	-
HICLOGI LLC	24,797,000	8	0.47%	-	-	-
Health Care Property Investors Inc	23,925,700	9	0.45%	-	-	-
Tailored Chemical Products Inc	23,654,681	10	0.45%	-	-	-
American Med International	-	-	-	37,326,464	4	0.78%
Tate Boulevard, LLC	-	-	-	32,276,000	6	0.67%
Inland Western Hickory-Catawba LLC	-	-	-	26,753,200	8	0.56%
Hickory Springs Manufacturing Co Inc	-	-	-	26,096,382	9	0.54%
Total	\$ 631,894,525		11.71%	\$ 439,362,320		9.15%

Source: Catawba County, Caldwell County and City of Hickory Administrative Services

CITY OF HICKORY, NORTH CAROLINA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2014	\$ 24,011,730	\$ 23,267,926	1	\$ 755,701	\$ 24,023,627	100.05% *
2015	23,742,884	23,305,797	98.16%	715,067	24,020,864	101.17% *
2016	25,717,338	25,344,512	98.55%	421,503	25,766,015	100.19% *
2017	24,057,786	23,875,391	99.24%	528,881	24,404,272	101.44% *
2018	27,122,956	26,760,607	98.66%	567,083	27,327,690	100.75% *
2019	27,881,005	27,524,478	98.72%	557,267	28,081,745	100.72% *
2020	30,248,713	29,858,536	98.71%	444,288	30,302,824	100.18% *
2021	31,399,452	31,110,448	99.08%	388,575	31,499,023	100.32% *
2022	34,030,417	33,740,046	99.15%	509,208	34,249,254	100.64% *
2023	35,924,988	35,626,525	99.17%	298,463	35,924,988	100.00% *

* Percentage of Levy Collected is greater than 100% due to excess subsequent year collections.

Source: City of Hickory Finance Department

CITY OF HICKORY, NORTH CAROLINA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Governmental Activities					Business-type Activities					Total	Percentage of Personal Income ¹	Per Capita ¹	
	General Obligation Bonds	Installment Purchase Agreements	Notes Payable	Unamortized Discount/Premium	Leases	Subscriptions	General Obligation Bonds	Installment Purchase Agreements	Notes Payable	Leases				Subscriptions
2014	\$ -	\$ 4,108,664	\$ 494,000	-	\$ -	\$ -	\$ 18,045,086	\$ 18,719,495	\$ -	\$ -	\$ -	\$ 41,367,245	3.15%	1,025
2015	-	6,015,976	-	-	-	-	16,427,895	17,086,042	-	-	-	39,529,913	3.36%	985
2016	-	4,823,290	-	-	-	-	14,797,607	15,452,591	-	-	-	35,073,488	3.87%	869
2017	-	3,488,990	-	-	-	-	13,153,925	14,529,139	-	-	-	31,172,054	4.61%	768
2018	-	2,681,921	-	-	-	-	11,496,541	1,662,111	-	-	-	15,840,573	9.36%	390
2019	15,000,000	2,585,887	-	-	-	-	9,924,882	15,515,234	-	-	-	43,026,003	3.65%	1,051
2020	29,250,000	2,281,064	-	-	-	-	8,438,626	15,507,365	-	-	-	55,477,055	2.96%	1,347
2021	27,750,000	9,309,974	-	-	-	-	7,376,239	14,688,300	-	-	-	59,124,513	2.87%	1,423
2022	36,250,000	8,383,553	-	-	4,288,700	1,113,427	6,059,618	15,577,800	3,494	-	-	71,676,592	2.41%	1,648
2023	34,250,000	21,652,326	-	-	4,055,460	3,186,891	4,741,804	16,838,794	-	5,014	-	85,786,371	2.49%	1,946

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Look for Future Maturities for Long-Term Indebtedness.

¹ See Schedule 13 for personal income and population data. These ratios are calculated using personal income and population.

CITY OF HICKORY, NORTH CAROLINA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	General Obligation Bonds & Discounts/ Premiums	Percentage of Estimated Actual Taxable Value ¹ of Property		Percentage of Personal Income	Per Capita ²
		\$			
2014	-	0.00%	0.00%	0.00%	-
2015	-	0.00%	0.00%	0.00%	-
2016	-	0.00%	0.00%	0.00%	-
2017	-	0.00%	0.00%	0.00%	-
2018	-	0.00%	0.00%	0.00%	-
2019	15,000,000	0.29%	0.96%	0.96%	367
2020	29,250,000	0.56%	1.78%	1.78%	734
2021	27,750,000	0.49%	1.64%	1.64%	668
2022	40,538,700	0.66%	2.34%	2.34%	859
2023	38,305,460	0.51%	1.79%	1.79%	869

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

¹ See Schedule 5 for property value data.

² See Schedule 13 for personal income and population data. These ratios are calculated using personal income and population.

CITY OF HICKORY, NORTH CAROLINA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2023

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable ¹	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
Burke County	\$ 38,815,000	1.16%	\$ 450,834
Caldwell County	32,199,833	2.80%	901,937
Catawba County	177,944,614	38.14%	67,870,884
Subtotal, overlapping debt			69,223,655
City direct debt			64,200,759
Total direct and overlapping debt			<u>\$ 133,424,414</u>

Sources:

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

¹ For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

CITY OF HICKORY, NORTH CAROLINA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Debt limit	\$ 383,754,992	\$ 379,528,028	\$ 363,175,123	\$ 372,328,057	\$ 382,118,070	\$ 391,766,805	\$ 409,658,607	\$ 424,185,891	\$ 431,460,490	\$ 455,347,201
Total net debt applicable to limit	41,367,245	39,529,913	35,073,488	31,172,054	30,840,573	43,026,003	58,591,268	62,080,074	70,559,671	85,786,371
Legal debt margin	\$ 342,387,747	\$ 339,998,115	\$ 328,101,635	\$ 341,156,003	\$ 351,277,497	\$ 348,740,802	\$ 351,067,339	\$ 362,105,817	\$ 360,900,819	\$ 369,560,830
Total net debt applicable to the limit as a percentage of debt limit	10.78%	10.42%	9.66%	8.37%	8.07%	10.98%	14.30%	14.64%	16.35%	18.84%

Legal Debt Margin Calculation for Fiscal Year 2023

Assessed value of taxable property	\$ 5,691,840,009
Debt limit - 8 percent of assessed value	\$ 455,347,201
Debt applicable to limit:	
Gross debt	85,786,371
Less - water bonds	-
Total net debt applicable to limit	85,786,371
Legal debt margin	\$ 369,560,830

CITY OF HICKORY, NORTH CAROLINA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Population ¹	Personal Income (thousands of dollars)	Per Capita Personal Income ²	Median Age ³	School Enrollment ⁴	Unemployment Rate ⁵
2014	40,361	1,301,360	32,243	38.2	4,303	6.9%
2015	40,143	1,330,178	33,136	37.7	4,281	6.2%
2016	40,374	1,358,464	33,647	37.7	4,526	5.0%
2017	40,567	1,436,315	35,406	38.3	4,290	4.3%
2018	40,611	1,483,357	36,526	37.6	4,239	3.7%
2019	40,925	1,570,661	38,379	38.2	4,267	4.2%
2020	41,171	1,640,623	39,849	38.2	3,912	8.2%
2021	41,547	1,696,198	40,826	38.1	4,218	4.7%
2022	43,490	1,729,945	47,209	38.2	3,774	3.6%
2023	44,084	2,139,352	48,529	38.3	3,775	3.5%

Note: N/A - not available

Sources:

¹ North Carolina State Data Center. Estimates are as of beginning of fiscal year.

² US Bureau of Economic Analysis. Estimates are for Hickory-Lenoir-Morganton MSA.

³ US Census Bureau

⁴ Hickory City Schools

⁵ Employment Security Commission, North Carolina

Note: School enrollment only indicates Hickory City Schools. Children may also attend Catawba, Burke or Caldwell County school districts, private schools or be home schooled.

CITY OF HICKORY, NORTH CAROLINA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Employer ⁽¹⁾	2023			2014		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Catawba County Schools	1000+	1	2.90%	1000+	2	1.50%
Corning Optical Comm	1000+	2	2.75%	1000+	9	1.50%
Target Stores Div	1000+	3	2.50%	-	-	-
Catawba Valley Medical Center	1000+	4	2.50%	1000+	3	1.50%
Commscope	1000+	5	1.90%	1000+	6	1.50%
Wal-Mart Associates Inc	1000+	6	1.50%	500-999	10	.75-1.50%
Catawba County	1000+	7	1.50%	1000+	7	1.50%
Dlp Partner Frye LLC	1000+	8	1.50%	1000+	4	1.50%
Century Link Furniture LLC	500-999	9	.75%-1.50%	-	-	-
Gkn Driveline Newton LLC	500-999	10	.75%-1.50%	-	-	-
Merchant Distributors Inc	-	-	-	1000+	1	2.90%
Hickory Springs Mfg. Co.	-	-	-	1000+	8	1.50%
Heritage Home Group, LLC	-	-	-	1000+	5	1.50%

Sources: Catawba County Chamber of Commerce and Western Piedmont Council of Governments and various area employers

CITY OF HICKORY, NORTH CAROLINA
FULL-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Government										
Administration	8	8	8	9	10	9	9	10	10	8
Budget, administration, and HR	7	7	8	8	9	9	9	9	9	9
Finance	20	21	17	15	17	17	17	15	15	19
Information technology	7	8	6	7	7	7	7	7	8	8
City clerk	1	1	1	1	1	1	1	1	1	1
Legal	2	2	2	2	2	2	2	2	2	2
Engineering	6	8	5	3	5	5	5	4	5	5
Building services	5	6	5	5	5	5	5	9	7	9
Central services	6	7	7	6	7	7	6	7	7	7
Buildings and grounds	15	17	16	13	14	16	15	31	31	33
Fleet Maintenance	12	11	10	10	10	11	10	11	10	11
Public Safety										
Police	141	147	134	133	137	140	144	142	142	139
Fire	134	135	133	130	131	131	138	139	131	132
Building inspections	-	-	-	-	-	-	-	-	-	-
Code enforcement	5	5	-	-	-	-	-	-	-	-
Development assistance center	-	-	-	-	-	-	-	-	-	-
Transportation										
Traffic	10	11	10	10	9	11	10	9	10	11
Street	36	43	36	32	31	35	33	31	25	24
Planning and development	7	8	7	8	10	10	10	9	10	12
Culture and recreation										
Recreation	40	42	40	40	38	38	38	16	18	18
Library	17	18	16	17	17	17	17	15	18	20
Water/Sewer	88	98	89	91	93	99	100	101	91	95
Stormwater	1	1	1	1	-	1	1	1	1	1
Public Transit	-	-	-	-	-	-	-	-	-	-
Airport	8	8	8	8	10	11	11	12	11	11
Recycling	14	16	13	13	10	12	11	12	12	10
Sanitation - commercial	10	12	10	11	11	11	10	10	7	10
Sanitation - residential	7	8	10	9	12	10	10	10	9	11
Total	607	648	592	582	596	615	619	613	589	606

Source: City human resource department/ Bessie B

Note: This schedule represents number of persons employed as of June 30 of each year. Vacant positions are not included in the above numbers.

CITY OF HICKORY, NORTH CAROLINA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Public Safety										
Police Services										
Calls dispatched	\$ 67,930	\$ 73,396	\$ 72,796	\$ 90,929	\$ 88,167	\$ 90,058	\$ 90,024	\$ 98,159	\$ 107,438	\$ 103,837
Self-initiated dispatches	-	-	-	-	-	-	-	53,431	59,935	58,016
High-priority calls	-	-	-	-	-	-	-	2,351	2,454	2,262
High-priority calls with response times of 10 minutes or more	-	-	-	-	-	-	-	13	23	5
Sworn Officers	118	117	117	116	116	116	116	116	122	122
Personnel expense	-	-	-	-	-	-	-	\$ 9,012,183	\$ 9,107,067	\$ 10,228,940
Operational expense	-	-	-	-	-	-	-	\$ 1,921,066	\$ 1,937,651	\$ 2,166,237
Emergency Communications										
Total 911 Calls	-	-	-	-	-	-	-	15,042	-	16,271
911 calls answered within 20 seconds	-	-	-	-	-	-	-	14,937	-	16,249
Personnel expense	-	-	-	-	-	-	-	\$ 764,540	\$ 880,842	\$ 101,780
Operational expense	-	-	-	-	-	-	-	\$ 162,972	\$ 187,432	\$ 212,152
Fire Services										
Incidents	-	-	-	-	-	-	-	5,442	4,757	6,558
Fires reported	-	-	-	-	-	-	-	217	224	309
Turnout for 90th percentile (in seconds)	-	-	-	-	-	-	-	130	140	131
Dispatch time for 90th percentile (in seconds)	-	-	-	-	-	-	-	240	285	270
Travel time for 90th percentile (in seconds)	-	-	-	-	-	-	-	301	306	334
Response time for the 90th percentile (in seconds)	-	-	-	-	-	-	-	577	631	627
Fires confined to rooms or objects involved on arrival	-	-	-	-	-	-	-	60	76	55
Personnel expense	-	-	-	-	-	-	-	\$ 8,889,742	\$ 9,192,340	\$ 9,920,348
Operational expense	-	-	-	-	-	-	-	\$ 1,319,741	\$ 1,574,877	\$ 1,446,415
Transportation										
Asphalt Maintenance and Repair										
Lane miles	-	-	-	-	-	-	-	481	481	481
Lane miles rated 85 or better	-	-	-	-	-	-	-	178	178	178
Potholes reported on municipal roads	-	-	-	-	-	-	-	372	348	363
Potholes addressed within 24 hours	-	-	-	-	-	-	-	342	327	341
Personnel expense	-	-	-	-	-	-	-	\$ 297,870	\$ 295,822	\$ 249,093
Operational expense	-	-	-	-	-	-	-	\$ 975,982	\$ 1,047,949	\$ 842,615
Recycling										
Residential recycling collections in tons	-	-	-	-	-	-	-	2,680	2,663	2,389
Collection points receiving curbside recycling service	-	-	-	-	-	-	-	12,200	12,200	12,200
Collection points participating in curbside recycling service	-	-	-	-	-	-	-	8,406	8,845	9,077
Personnel expense	-	-	-	-	-	-	-	\$ 40,251	\$ 42,873	\$ 43,841
Operational expense	-	-	-	-	-	-	-	\$ 57,861	\$ 59,938	\$ 60,985

CITY OF HICKORY, NORTH CAROLINA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Sanitation										
Refuse Collection										
Residential refuse in tons	-	-	-	-	-	-	-	13,279	14,390	13,813
Collection points	-	-	-	-	-	-	-	12,200	12,200	12,200
Routes (runs per week)	-	-	-	-	-	-	-	37	37	37
Route mileage	-	-	-	-	-	-	-	1,075	1,075	1,075
Personnel expense	-	-	-	-	-	-	-	\$ 239,971	\$ 255,606	\$ 261,373
Operational expense	-	-	-	-	-	-	-	\$ 344,962	\$ 357,347	\$ 363,584
Yard Waste/Leaf Collection										
Tons of residential yard waste collected	-	-	-	-	-	-	-	11,331	11,049	7,339
Collection points	-	-	-	-	-	-	-	12,200	12,200	12,200
Routes	-	-	-	-	-	-	-	18	18	18
Route mileage	-	-	-	-	-	-	-	54,600	54,600	54,600
Personnel expense	-	-	-	-	-	-	-	\$ 547,027	\$ 582,666	\$ 595,814
Operational expense	-	-	-	-	-	-	-	\$ 786,359	\$ 814,592	\$ 828,808

Source: City Budget Office

CITY OF HICKORY, NORTH CAROLINA
CAPITAL ASSET AND INFRASTRUCTURE STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	153	153	152	151	149	156	164	163	160	149
Fire										
Stations	7	7	7	7	7	7	7	7	7	7
Transportation										
Traffic										
Traffic signals	196	196	196	196	196	196	195	195	194	193
Street										
Miles of paved streets	235.82	238.39	239.74	239.74	239.74	239.74	239.63	239.73	240.25	240.14
Miles of unpaved streets	1.24	1.24	2.10	2.10	2.10	2.10	1.08	1.08	1.04	1.01
Culture and recreation										
Recreation										
Park acreage	428	428	428	429	450	450	448	451	524	524
Parks	23	23	23	24	24	24	24	26	26	26
Recreation centers	6	6	6	6	6	6	5	5	5	5
Senior citizen centers	2	2	2	2	2	2	2	2	2	2
Swimming pools	-	-	-	-	-	-	-	-	-	-
Museums	1	1	1	1	1	1	1	1	1	1
Library										
Libraries	2	2	2	2	2	2	2	2	2	2
Water										
Miles of water mains	926	932	937	942	945	947	947	954	954	960
Fire hydrants	9,583	9,625	9,649	9,675	9,691	9,699	4,826	4,826	4,826	5,041
Maximum daily capacity in MGD ¹	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32	32
Sewer										
Miles of sewer mains	492	493.5	499	499	540	541	501	541	541	544
Maximum daily treatment capacity in MGD ¹	15.25	16.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5
Recycling										
Collection trucks	15	15	15	15	15	15	15	16	16	19
Sanitation										
Refuse trucks	29	29	29	29	29	35	35	37	37	30

Sources: Various city departments

¹ MGD - Million gallons per day

HICKORY



North Carolina

Single Audit Section

HICKORY



North Carolina

MARTIN STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

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

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Hickory, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hickory, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 15, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Hickory'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 the City of Hickory's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Hickory's internal control.

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings, Responses, and Questioned Costs as items 2023-001 and 2023-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hickory's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Hickory's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Hickory's responses to the findings identified in our audit and described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
Hickory, North Carolina
December 15, 2023

MARTIN STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Hickory, North Carolina's compliance with the types of compliance requirements identified as subject to audit 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 Hickory's major federal programs for the year ended June 30, 2023. The City of Hickory's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

In our opinion, the City of Hickory complied, in all material respects, with the 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, 2023.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 the City of Hickory 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 provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Hickory'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 the City of Hickory's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material non-compliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Hickory'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*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material non-compliance when it exists. The risk of not detecting material non-compliance 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. Non-compliance 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 judgement made by a reasonable user of the report on compliance about the City of Hickory's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material non-compliance, 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 City of Hickory'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 the City of Hickory'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 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of the City of Hickory'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, non-compliance 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 combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material non-compliance 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 the 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.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
Hickory, North Carolina
December 15, 2023

HICKORY



North Carolina

MARTIN STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Report on Compliance for Each Major State Program and Report on Internal Control over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the City of Hickory, North Carolina's compliance with the types of compliance requirements identified as subject to audit 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 Hickory's major state programs for the year ended June 30, 2023. The City of Hickory's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

In our opinion, the City of Hickory complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2023.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 the City of Hickory 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 provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of the City of Hickory'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 the City of Hickory's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material non-compliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Hickory'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*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material non-compliance when it exists. The risk of not detecting material non-compliance 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. Non-compliance 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 judgement made by a reasonable user of the report on compliance about the City of Hickory's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material non-compliance, 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 City of Hickory'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 the City of Hickory'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 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of the City of Hickory'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.

Other Matters

The results of our auditing procedures disclosed an instance of non-compliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2023-003. Our opinion on each major state program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the non-compliance finding identified in our audit described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the 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 and therefore, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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, non-compliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material non-compliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2023-003 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance finding identified in our compliance audit described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
Hickory, North Carolina
December 15, 2023

HICKORY



North Carolina

CITY OF HICKORY, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

1. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiency(s) identified? None reported

Non-compliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

- Material weakness (es) identified? No
- Significant deficiency(s) identified? None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

<u>Program Name</u>	<u>AL #</u>
National Infrastructure Investments	20.933
COVID-19 State and Local Fiscal Recovery Funds	21.027
Flood Mitigation Assistance	97.029
Clean Water State Revolving Funds (CWSRF) Cluster	66.458

Dollar threshold used to distinguish between Type A and Type B programs \$ 931,857

Auditee qualified as low-risk auditee? No

CITY OF HICKORY, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

1. Summary of Auditor's Results (continued):

State Awards

Internal control over major state programs:

• Material weakness(es) identified? No

• Significant deficiency(s) identified? Yes

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

Any audit findings disclosed that are required
to be reported in accordance with the State Single
Audit Implementation Act? Yes

Identification of major state programs:

Program Name

State Capital Infrastructure Fund

Rural Transformation Grant

Auditee qualified as low-risk auditee? No

CITY OF HICKORY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2023

2. Financial Statements Findings

Material Weakness

Finding 2023-001

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: A significant audit adjustment is a proposed correction of the basic financial statements that, in our judgement, may not have been detected except through our auditing procedures. The existence of such material adjustments indicated that the City's system of controls did not detect and prevent such errors. We have provided management with a report of these adjustments.

Effect: There were several full accrual journal entries that had to be corrected.

Cause: The general ledger was not reconciled to subsidiary ledgers timely for external financial reporting. Fund balance, transfers, debt and asset journal entries were not booked properly.

Identification of Repeat Finding: This is a modified and repeat finding from the immediate previous audit, 2022-001.

Recommendation: Management should reconcile the subsidiary ledgers timely and full accrual entries, along with any adjusting entries, should be posted as needed to the final trial balance, to prevent material audit adjustments in the future.

Name of Contact Person: Melissa Miller, Finance Officer

Views of Responsible Officials and Planned Corrective Actions: See Corrective Action Plan submitted with this report.

CITY OF HICKORY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2023

2. Financial Statements Findings (continued)

Material Weakness

Finding 2023-002

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting and to safeguard assets. Bank account reconciliations are one of the most important internal controls. The reconciliation should be completed as soon as reasonably possible after month end.

Condition: During our audit testing, we noted that cash reconciliations were being prepared throughout the year but were not properly reconciled to the general ledger. Several client provided entries had to be booked after the trial balance import causing delays in the audit process and issuance of the financial statements.

Effect: Lack of timely balancing of the reconciliations greatly increases the risk of improper financial reporting. Accounting errors, misstatements and/or unauthorized activities may not be identified or corrected in a timely manner.

Cause: The City did not agree bank reconciliations to the general ledger for all months of the fiscal year.

Recommendation: Management should evaluate the internal controls over cash reconciliations and require the reconciliations to be balanced to the general ledger accounts on a monthly basis.

Name of Contact Person: Melissa Miller, Finance Officer

Views of Responsible Officials and Planned Corrective Actions: See Corrective Action Plan submitted with this report.

CITY OF HICKORY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2023

3. Federal Award Findings and Questioned Costs

None reported.

4. State Award Findings and Questioned Costs

Significant Deficiency

Nonmaterial Non-Compliance

Finding 2023-003

Criteria: In accordance with Contract #10172, the City should request from the NC Department of Revenue a refund of all sales and use taxes paid by them in the performance of the contract and exclude all refundable sales and use taxes from all reportable expenditures before the expenses are entered in the quarterly project status reports.

Condition: Quarterly reports completed and submitted during the fiscal year incorrectly included sales tax with reportable expenditures.

Context: Three of the 12 quarterly reports that were submitted included sales tax expenditures that should have been excluded.

Effect: Reports submitted to the grantor included \$8,163 of sales tax expenditures that should have been excluded.

Cause: Lack of controls and review over reporting.

Questioned Costs: Reports submitted to the grantor included \$8,163 of sales tax expenditures that are questioned costs.

Recommendation: Implement stronger review procedures over the reporting process to ensure reporting is in compliance with grant agreement.

Name of Contact Person: Melissa Miller, Finance Officer

Views of Responsible Officials and Planned Corrective Actions: See Corrective Action Plan submitted with this report.

HICKORY



North Carolina



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Finance Department

Corrective Action Plan

Financial Statement Findings

Finding 2023-001

Name of Contact Person: Melissa Miller, Finance Officer

Corrective Action: Multiple journal entries were recorded to the prior fiscal year after Finance Department staff were required to roll budget and balance sheet into the new fiscal year. The City's current financial software program does not allow any current year data to be keyed until the prior year has rolled. The additional journal entries completed after the roll caused several accounts to be inaccurate at the end of the current fiscal year. New journal entries were recorded to correct the discrepancies upon discovery of the inaccuracies.

Proposed Completion Date: Finance Department staff notified management of the balance sheet issues and decided to discontinue the prior roll procedures for the current fiscal year. All prior year journal entries have been keyed, and the balance sheet will be rolled at the conclusion of the audit. The City's new financial system software, Enterprise ERP by Tyler Technologies, addresses and rectifies these issues in their accounting programs. The City will go live with Enterprise ERP effective July 1, 2024.



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Finding 2023-002

Name of Contact Person: Melissa Miller, Finance Officer

Corrective Action: The City's Airport changed accounting software after the beginning of the fiscal year. Revenue reports in the new system created recording issues with multiple journal entries. New journal entries were created to properly reconcile the airport revenues after the issues were discovered. Staffing issues caused a delay in discovering the discrepancies with the revenue reports. Bank reconciliations for the majority of the fiscal year had to be recreated due to the revenue issues. This caused a significant delay in reconciling each monthly statement. In addition, the City continues to have ongoing issues with the online utility payment system, Paymentus. Payments flow through the portal and are not properly time stamped with the daily download reports.

Proposed Completion Date: Finance Department staff have adjusted how the new software reports will be used to reconcile with the bank. Finance and Airport staff will meet each month to review outstanding reconciling items to ensure discrepancies are addressed in a more timely manner. A new Airport Accountant has recently been hired to assist with recognizing Airport revenues. With the Enterprise ERP conversion, the City will discontinue its relationship with Paymentus and add Tyler Payments as the source for all online payments.

Finding 2023-003

Name of Contact Person: Melissa Miller, Finance Officer

Corrective Action: The City received invoices from a local vendor that combined additional construction services with conduit charges. Funds were received by the State Capital Infrastructure Fund (SCIF) grant after the grant was awarded to the City. As funds were expended, they were reported to the State in the Quarterly Performance Review report.

Proposed Completion Date: Training sessions attended by Finance Department staff did not disclose that sales tax should not be reported in the total expenditures from the vendor invoice. In addition, the contract provided to the Finance Department did not address sales tax. Sales tax was reported on the Quarterly Performance Report in addition to the annual North Carolina Department of Revenue (NCDOR) E-585 which resulted in reporting duplication. City staff is now aware of the requirements and will ensure that sales tax is not duplicated in future reports.

CITY OF HICKORY, NORTH CAROLINA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

Finding: 2022-001

Status: Modified and repeated as 2023-001.

Finding: 2022-002

Status: Corrected.

HICKORY



North Carolina

CITY OF HICKORY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Grant Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Pass-through to subrecipients
Federal Assistance					
United States Department of Housing and Urban Development CDBG Entitlement Grants Cluster: Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-37-0013	\$ 332,019	\$ -	\$ -
Total CDBG Entitlement Grants Cluster			<u>332,019</u>	<u>-</u>	<u>-</u>
Total United States Department of Housing and Urban Development			<u>332,019</u>	<u>-</u>	<u>-</u>
United States Department of Homeland Security Flood Mitigation Assistance	97.029	EMA-2020-BR-100-0017	330,630	-	-
Total United States Department of Homeland Security			<u>330,630</u>	<u>-</u>	<u>-</u>
United States Environmental Protection Agency Clean Water State Revolving Funds (CWSRF) Cluster Passed through North Carolina Department of Environmental Quality Capitalization Grants for Clean Water State Revolving Funds Henry Forks WWTF Solids Handling Facilities Upgrade Bio-Solids Murray Basin	66.458 66.458	CS370389-23 CS370389-22	9,353,292 2,183,104	- -	- -
Total Clean Water State Revolving Funds (CWSRF) Cluster			<u>11,536,396</u>	<u>-</u>	<u>-</u>
Total United States Environmental Protection Agency			<u>11,536,396</u>	<u>-</u>	<u>-</u>
United States Treasury Department Direct Program Equitable Sharing Program COVID 19 - Coronavirus State and Local Fiscal Recovery Funds	21.016 21.027		47,674 4,118,501	- -	- -
Total United States Treasury			<u>4,166,175</u>	<u>-</u>	<u>-</u>
United States Department of Justice Direct Program Edward Byrne Memorial Justice Assistance Grant (JAG) Program Bulletproof Vest Partnership Program	16.738 16.607		17,910 6,639	- -	- -
Total United States Department of Justice			<u>24,549</u>	<u>-</u>	<u>-</u>
United States Department of Transportation Passed-through North Carolina Department of Transportation Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Aid Programs Airport Improvement Program - Master Plan Update Airport Improvement Program - Taxiway Intersection COVID-19 CARES Funding Runway 24 EMAS	20.106 20.106 20.106 20.106	36237.66.6.2 36237.66.8.1 26237.66.7.3 26237.66.9.2	312 47,934 116,162 393,837	- - - -	- - - -
Total Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Aid Programs			<u>558,245</u>	<u>-</u>	<u>-</u>
National Infrastructure Investments 9th St NW & 11th St NE and US 321 Multi Use Trail Highway Planning, Research and Construction Cluster (Note 4) Highway Planning and Construction Citywalk Bookwalk Bookwalk South 17th Street NW Extension 9th St Streetscapes Riverwalk Old Lenoir Road	20.933 20.205 20.205 20.205 20.205 20.205 20.205	1143024 TAP-1216 STBGDA-1143(016) STBGDA-1143(015) BGDA - HL0004 BGDA-1143(021) STBGDA-1143(016) TAANY	6,830,611 1,934,146 149,893 51,318 165,575 48,049 4,767,900 166,426	- - - - - - - -	- - - - - - - -
Total Highway Planning, Research and Construction Cluster (Note 4)			<u>7,283,307</u>	<u>-</u>	<u>-</u>
Total United States Department of Transportation			<u>14,113,918</u>	<u>-</u>	<u>-</u>
Total Federal Assistance			<u>\$ 31,061,932</u>	<u>\$ -</u>	<u>\$ -</u>
State Assistance					
North Carolina Department of Cultural and Natural Resources Aid to Public Libraries		N/A		\$ 96,008	\$ -
Total North Carolina Department of Cultural and Natural Resources				<u>96,008</u>	<u>-</u>
North Carolina Department of Commerce Rural Transformation Grant		N/A		900,000	-
Total North Carolina Department of Commerce				<u>900,000</u>	<u>-</u>

CITY OF HICKORY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Grant Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Pass-through to subrecipients
North Carolina Department of Transportation					
Direct Program:					
Powell Bill		N/A		1,398,910	-
Division of Aviation					
Master Plan Update		36237.66.6.2		585	-
Total North Carolina Department of Transportation				<u>1,399,495</u>	<u>-</u>
North Carolina Office of State Budget and Management					
State Capital Infrastructure Fund Conduit for Broadband				127,199	-
State Capital Infrastructure Fund Aviation Museum					
CVCC Workforce Innovation Center				863,871	-
Total North Carolina Office of State Budget and Management				<u>991,070</u>	<u>-</u>
North Carolina Housing Finance Agency					
Urgent Repair Program-North Carolina Housing Trust Funds		N/A		110,625	-
Total North Carolina Housing Finance Agency				<u>110,625</u>	<u>-</u>
North Carolina Office of Information Technology Services					
Passed-through Catawba County					
Public Safety Answering Point		N/A		113,597	-
Total North Carolina Office of Information Technology Services				<u>113,597</u>	<u>-</u>
Total State Assistance				<u>\$ 3,610,795</u>	<u>\$ -</u>

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 Hickory under the programs of the federal government and the state of North Carolina for the period ended June 30, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. 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 Hickory, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Hickory.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Loans Outstanding

City of Hickory has the following loan balances outstanding at June 30, 2023 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2023 consist of:

<u>Program Name</u>	<u>AL Number</u>	<u>Amount Outstanding</u>
Geitner Basin Sewer System Rehab	66.458 ³	\$ 2,235,263
Central Business District Infrastructure Rehabilitation	66.458 ³	1,023,075
Murray Basin	66.458 ³	4,515,054

Note 4 - Cluster of Programs

The following is clustered by the NC Department of Transportation and is treated separately for state audit requirement purposes: Highway Planning, Research and Construction