

CITY OF HICKORY NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR YEAR ENDED JUNE 30, 2014

**Post Office Box 398
76 North Center Street
Hickory, North Carolina 28603**



CITY OF HICKORY, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For Fiscal Year Ended June 30, 2014

Prepared by the Administrative Services Department - Finance Division

CITY OF HICKORY, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

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Introductory Section





City of Hickory
Finance
PO Box 398
Hickory, NC 28603
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September 29, 2014

The Honorable Mayor Rudy Wright,
City Council, City Manager, and the Citizens
of the City of Hickory, North Carolina

The Comprehensive Annual Financial Report (CAFR) for the City of Hickory, North Carolina, for the fiscal year ended June 30, 2014, 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 of 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, 2014, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent 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, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The Comprehensive Annual Financial Report (CAFR) has been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 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 seventh 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, transportation management 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 at June 30, 2014, 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 City of Hickory continues to hold steady and even though the national economy is currently in flux, the City of Hickory remains financially sound. The City remains committed to policies and practices that will keep Hickory and the local economy on the best and safest road to economic security. Commercial construction activity included 325 permits with a value of over \$62 million and 257 additional residential permits with a value of over \$15 million. This is a substantial increase compared to the activity from the previous year, and shows that the economy in Hickory is improving, and people and businesses are locating here.

Economic development initiatives and activities completed or underway include:

- The City of Hickory completed a number of major renovations at L. P. Frans Stadium, home of the Hickory Crawdads. Improvements included replacing the stadium seating, upgrading the field lights to comply with professional baseball standards, installation of club level seating, installation of a terraced group picnic area, front entrance improvements, stadium suite renovations, HVAC replacement, field dugout improvements and resealing/restriping of the stadium parking lot. The overall project for the stadium improvements totaled \$1.2 million.

- The Zahra Baker All Children’s Playground at Kiwanis Park was upgraded with the construction of a new treehouse, picnic shelter and accessible restrooms. The new treehouse, which is accessible to children of all abilities, was built with remaining funds from the playground construction and additional donations from the community, local businesses, and organizations. The picnic shelter and restrooms, constructed at a cost of \$244,000, provide citizens a covered recreational area and wheelchair accessible restroom facilities.
- Inspiring Spaces continues to be a focus to promote growth within the City of Hickory by improving the appearance and functionality of streets, parks, and public areas of Hickory. In addition, the City will provide land and improvements suitable for industrial and commercial purposes. A Bond Referendum including \$25 million for the construction and improvement to streets, roads and intersections and \$15 million for land and improvements for industrial and commercial purposes has been proposed to fund these necessary projects.
- New soccer field lights were purchased and installed at the Henry Fork River Regional Recreation Park. The Catawba Valley Youth Soccer Association (CVYSA) committed funds of \$125,000 to assist the City with the project cost. The association will utilize the soccer fields at Henry Fork Cost for all CVYSA functions. The project cost was \$700,000.

The City is continuing its commitment to “Quality of Life” issues through the implementation of the City’s 22 master plans that have been developed to retain and 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	2010-2011	2011-2012	2012-2013
Police Services			
Cost per call dispatched	\$153	\$148	\$155
Calls dispatched	64,668	66,707	67,930
Uniform Crime Reporting Part I crimes reported	2,547	3,037	2,598
Uniform Crime Reporting Part I crimes per 1,000 population	64	76	64.9

Function / Program	2010-2011	2011-2012	2012-2013
Uniform Crime Reporting Part II crimes reported	3,392	3,618	3,462
Traffic Accidents Reported	1,937	2,053	3,276
Sworn Officers	118	118	118
Calls dispatched per sworn officer	548	565	576
Calls dispatched per 1,000 population	1,613	1,664	1,697
Response time to priority calls (minutes)	4	3	4.4
Emergency Communications			
Total calls per 1,000 population	2,947	--- *	2,291
Calls answered per telecommunicator	9,086	--- *	6,553
Seconds from initial ring to answer	n/a	--- *	n/a
Calls answered within three rings	n/a	--- *	n/a
E911 calls answered within 20 seconds**			99.8%
Fire Services			
Cost per response	\$1,629	\$1,635	\$1,638
Actual fires per 1,000 population	5	5	5
Responses per 1,000 population	133	136	135
Fire inspections completed per 1,000 population	114	123	116
Inspections completed per Full Time Employee (FTE)	2,054	2,215	2,086
Average response time to priority 1 calls (minutes)	4.5	4.6	4.6
Fires confined to room(s) involved on arrival	54%	51%	55%
Fires for which cause is determined	95%	91%	97%
Transportation			
Asphalt Maintenance and Repair			
Cost per ton of asphalt for contract resurfacing	\$83	\$83	\$76
Lane miles maintained per 1,000 population	18	18	18
Potholes repaired within 24 hours	96%	94%	95%
Street segments rated 85% or better (ITRE)	39%	39%	39%
Recycling			
Cost per ton collected	\$209	\$256	\$359
Cost per collection point	\$31	\$32	\$44
Tons recyclables per 1,000 population	45	37	37
Tons Solid Waste Landfilled per 1,000 population	232	212	224
Set Out rate	80%	76%	78%
Diversion Rate	16%	15%	14%
Sanitation			
Refuse Collection			
Cost per ton collected	\$61	\$72	\$65
Cost per ton collection point	\$47	\$50	\$49
Tons per 1,000 population	232	212	224
Tons per collection point	769	702	742
Tons collected per F.T.E.	2,190	2,264	2,395

Function / Program	2010-2011	2011-2012	2012-2013
Yard Waste / Leaf Collection			
Cost per ton collected	\$140	\$131	\$143
Cost per collection point	\$74	\$71	\$81
Tons per 1,000 population	160	164	171
Tons collected per F.T.E	1,606	1,646	1,709

* During FY 2011-2012, the Emergency Communications software malfunctioned, and the data for calls could not be recovered for the entire year.

**New Measure for FY 2012-2013

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 Sanitation Division is considering the use of single stream recycling for future curbside collection of recyclable waste materials. The change will result in automated collection of recycling and provide more efficient service to the City’s collection routes. The new trucks will allow all recycled materials to be combined without sorting into separate bins which will promote greater citizen participation in the recycling program. The projected cost of new recycling trucks and curbside roll out containers is \$1.5 million.
- The Hickory-Conover Tourism Development Authority (TDA) and the City of Hickory entered into an Interlocal Agreement to finance and construct a new parking deck in the existing Hickory Metro Convention Center parking lot along Interstate 40. The proposed parking deck plans include an additional 157 spaces and revisions to the existing traffic flow pattern. An additional drop off lane will be constructed at the front building entrance and will include a covered area with enhanced lighting features. The City of Hickory will obtain financing in the amount of \$3 million, and the TDA agrees to reimburse the City of Hickory for costs associated with the project. Construction of the new parking deck will begin in October 2014.
- The City’s Utilities Division will replace an emergency generator at the water treatment facility due to the age and continued failures of the current equipment. The generator is critical to the continued operation of the water treatment facility during energy interruptions. Cost will be \$2.4 million. Two new elevated water storage tanks will be added to the existing system in the City’s northeast section due to increased customer demand and the need for additional water storage. Total cost for the two storage tanks will be \$3.5 million.

- Construction continues on the Hickory Catawba Wastewater Treatment Facility project. The City of Hickory, in partnership with Catawba County, agreed to jointly upgrade and expand the existing Hickory Catawba Wastewater Treatment Facility. The upgrade will replace the current aged facility with a new treatment process to accommodate the proposed growth development and enable the City and the County to meet tighter impending environmental regulations. The facility services Sherrills Ford, Town of Catawba, Highway 150 and Claremont areas.

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 comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the eighteenth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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,



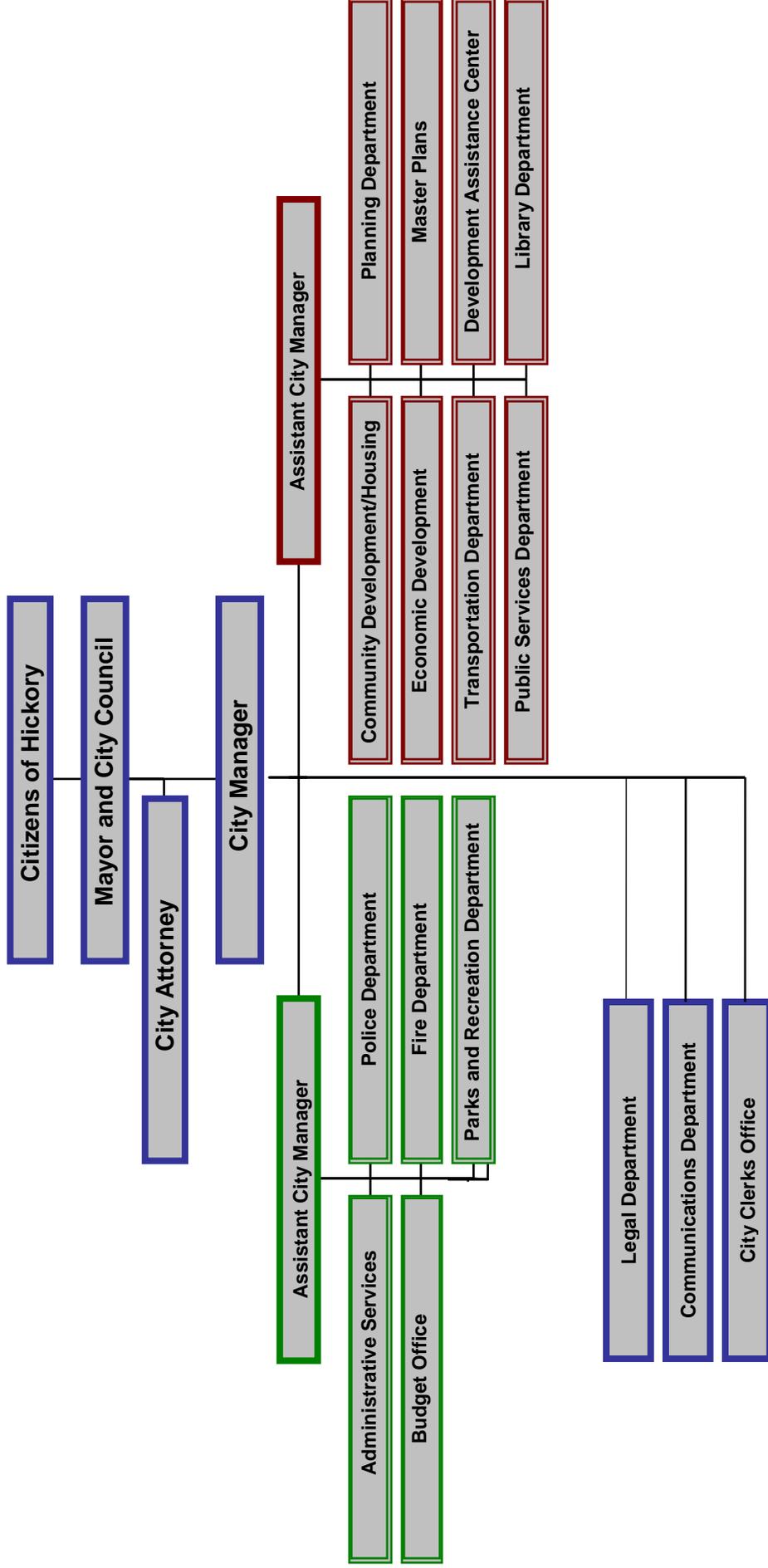
Warren Wood
Assistant City Manager/CFO



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 Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

CITY OF HICKORY, NORTH CAROLINA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2014

City Council

G. Rudy Wright
Mayor

Brad Lail
Ward I

Bruce E. Meisner
Ward II

Danny Seaver
Ward III

Hank Guess
Ward IV

David Zagaroli
Ward V

Jill Patton
Ward VI
Mayor Pro Tem

City Administration

Mick Berry
City Manager

Warren Wood
Assistant City Manager/CFO

Andrea Surratt
Assistant City Manager

John W. Crone, III
City Attorney

Michael Bennett
Administrative Services Director

Tom Adkins
Chief of Police

Fred Hollar
Fire Chief

Mandy Pitts
Communications Director

Louise Humphrey
Library Director

Arnita Dula
Deputy City Attorney

Brian Frazier
Planning Director

Chuck Hansen
Public Services Director

Mack McLeod
Parks and Recreation Director



Hickory's Mission

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

Financial Section



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
Members of the City Council
City of Hickory
Hickory, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance, and the Other Post-Employment Benefits' Schedules of Funding Progress and Employer Contributions be presented to supplement the basic financial statements. Such information, 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 assurance.

Other 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 introductory section, combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, other schedules, statistical section, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, other schedules, and the accompanying Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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, and the accompanying Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2014 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 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 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, NC
September 29, 2014



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, 2014. 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 1-7 of this report.

Financial Highlights for Fiscal Year 2014

- The assets of the City of Hickory exceeded its liabilities at the close of the most recent fiscal year by \$206,607,874 (net position). Of this amount, \$50,432,099 (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 \$744,274.
- As of the close of the current fiscal year, the City of Hickory's governmental funds reported combined ending fund balances of \$33,990,348, an increase of \$1,604,210, in comparison with the prior fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$13,515,066, or 32.8%, of the total General Fund expenditures for the fiscal year.
- The City of Hickory's total debt decreased by \$2,623,718, which includes unfunded law enforcement officers' pension, other post-employment benefits (OPEB) and compensated absences liabilities. The City's total indebtedness is \$53,949,552.
- The City's legal debt limit is \$383,754,992 (8 percent of assessed valuation), and the City's legal debt margin is \$342,387,747. The total legal indebtedness of the City is \$41,367,245, which represents 0.86% of assessed valuation.

Using the Financial Section of this Comprehensive Annual Financial Report

The Comprehensive Annual Financial Report (CAFR) 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 CAFR 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 the 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 on pages 27-29 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 nonmajor governmental funds is provided in the form of combining statements located on pages 90-98 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 on pages 30-34 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 on pages 108-119 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 on pages 35-39 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 are located on pages 40-77 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. Required supplementary information is located on pages 78-79 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 \$206,607,874 for the fiscal year ended June 30, 2014.

The largest portion of the City of Hickory's net position, 73.49 percent, 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	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 46,546,605	\$ 44,141,057	\$ 31,415,366	\$ 36,780,096	\$ 77,961,971	\$ 80,921,153
Notes receivable	2,482,600	2,985,400	-	-	2,482,600	2,985,400
Capital assets	51,240,244	53,325,095	135,845,731	132,557,215	187,085,975	185,882,310
Total assets	100,269,449	100,451,552	167,261,097	169,337,311	267,530,546	269,788,863
Long-term liabilities outstanding	14,765,406	14,411,067	39,184,146	42,162,203	53,949,552	56,573,270
Other liabilities	4,470,695	4,171,280	2,500,685	3,125,764	6,971,380	7,297,044
Deferred inflows of resources	1,740	54,949	-	-	1,740	54,949
Total liabilities and deferred inflows of resources	19,237,841	18,637,296	41,684,831	45,287,967	60,922,672	63,925,263
Net position:						
Net investment in capital assets	49,614,181	51,209,146	102,229,159	102,454,796	151,843,340	153,663,942
Restricted	4,332,435	3,850,331	-	-	4,332,435	3,850,331
Unrestricted	27,084,992	26,754,779	23,347,107	21,594,548	50,432,099	48,349,327
Total net position	\$ 81,031,608	\$ 81,814,256	\$ 125,576,266	\$ 124,049,344	\$ 206,607,874	\$ 205,863,600

An additional portion of the City of Hickory's net position, \$4,332,435, represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position, \$50,432,099, 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 \$65,355,712, which consists of \$39,905,965 from governmental activities, and \$25,449,747 from business-type activities. Working capital decreased by \$5,002,561 for the fiscal year ended June 30, 2014.

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 6.18 on a City-wide basis, 7.00 for governmental activities, and 5.27 for business-type activities. More simply stated, the City has \$6.78 of current assets for each \$1.00 of current liabilities on a City-wide basis. The City-wide current ratio decreased by 0.70 during FY 2014.

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 6.04 on a City-wide basis, 6.98 for governmental activities, and 4.99 for business-type activities. Or more simply stated, the City has \$6.04 of “quick” assets for each \$1.00 of current liabilities on a City-wide basis. The City-wide quick ratio decreased by \$0.51 during FY 2014.

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 275 days on a City-wide basis, 275 days for governmental activities and 275 days for business-type activities. This measure decreased by 14 days in FY 2014.

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 are 29% on a City-wide basis, 24% for governmental activities, and 33% for business-type activities. The City-wide ratio decreased 3% during FY2014.

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 23% on a City-wide basis, 19% for governmental activities, and 25% for business-type activities. This ratio decreased 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 18% on a city-wide basis, 13% for governmental activities and 21% for business-type activities. This ratio decreased 1% 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 are 38 days for the City of Hickory. Days receivable decreased by 1 day during FY 2014.

Change in Net Position - The government’s net position increased by \$744,274 during the current fiscal year. 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

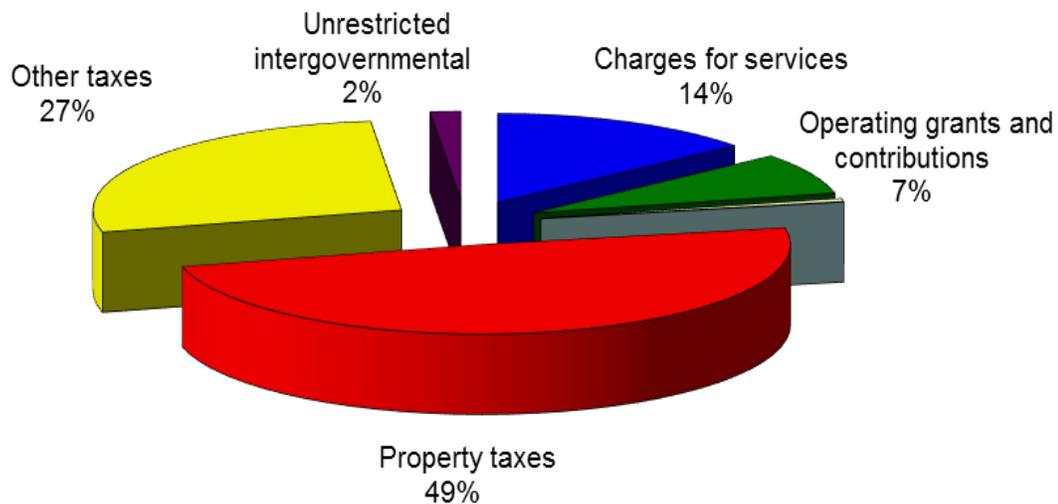
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 6,851,270	\$ 6,317,640	\$ 28,672,428	\$ 27,796,524	\$ 35,523,698	\$ 34,114,164
Operating grants and contributions	3,683,027	3,604,537	2,069,562	1,777,298	5,752,589	5,381,835
Capital grants and contributions	269,944	1,044	260,319	1,322,552	530,263	1,323,596
General revenues:						
Property taxes	24,073,395	23,579,201	-	-	24,073,395	23,579,201
Other taxes	13,452,396	12,940,229	-	-	13,452,396	12,940,229
Unrestricted intergovernmental	787,532	772,566	-	-	787,532	772,566
Unrestricted investment earnings	174,060	(38,998)	116,397	4,809	290,457	(34,189)
Miscellaneous	-	-	-	-	-	-
Total revenues	49,291,624	47,176,219	31,118,706	30,901,183	80,410,330	78,077,402
Expenses:						
General government	9,709,451	10,073,852	-	-	9,709,451	10,073,852
Public safety	21,616,699	21,240,572	-	-	21,616,699	21,240,572
Transportation	7,990,209	6,974,527	-	-	7,990,209	6,974,527
Economic and physical development	3,152,928	3,145,584	-	-	3,152,928	3,145,584
Culture and recreation	6,986,803	6,349,079	-	-	6,986,803	6,349,079
Water	-	-	8,148,870	8,116,095	8,148,870	8,116,095
Sewer	-	-	11,911,880	9,799,731	11,911,880	9,799,731
Sludge composting	-	-	1,894,229	1,850,556	1,894,229	1,850,556
Stormwater	-	-	752,443	503,152	752,443	503,152
Airport	-	-	2,615,292	2,872,189	2,615,292	2,872,189
Recycling	-	-	3,014,427	2,652,882	3,014,427	2,652,882
Sanitation	-	-	1,773,653	1,953,736	1,773,653	1,953,736
Interest on long-term debt	99,172	119,963	-	-	99,172	119,963
Total expenses	49,555,262	47,903,577	30,110,794	27,748,341	79,666,056	75,651,918
Change in net position before transfers	(263,638)	(727,358)	1,007,912	3,152,842	744,274	2,425,484
Transfers	(519,010)	(1,581,311)	519,010	1,581,311	-	-
Change in net position	(782,648)	(2,308,669)	1,526,922	4,734,153	744,274	2,425,484
Net position-beginning of the year	81,814,256	84,122,925	124,049,344	119,315,191	205,863,600	203,438,116
Net position - end of the year	\$ 81,031,608	\$ 81,814,256	\$ 125,576,266	\$ 124,049,344	\$ 206,607,874	\$ 205,863,600

Governmental Activities - Governmental activities decreased the City of Hickory's net position by \$782,648.

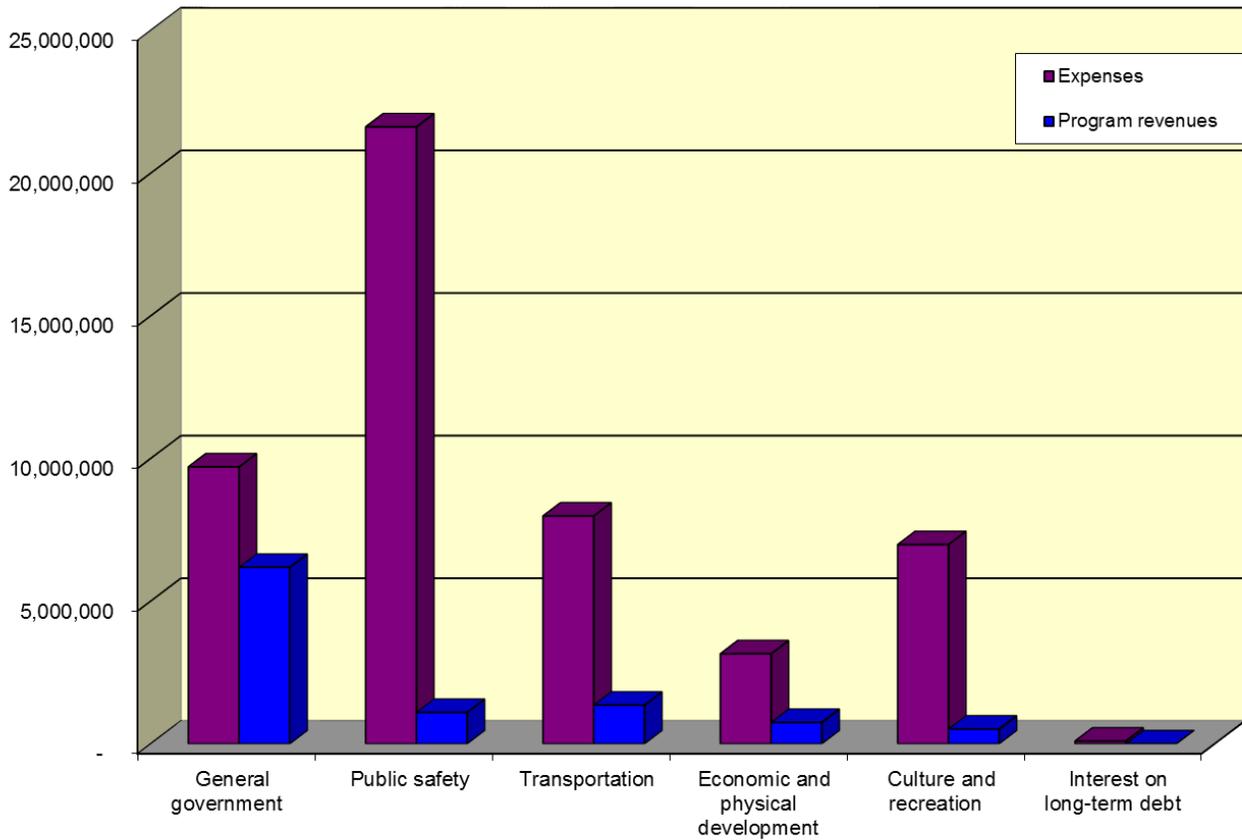
Key elements of this decrease are:

- Transportation expenses increased \$1,015,682, or 14.56%, and culture and recreation expenses increased \$637,724, or 10.01%, for fiscal year 2014.
- Revenues showed slight increases with program revenues increasing \$881,020, or 8.88%, and general revenues increasing \$1,234,385, or 3.31%.
- Operating grants and contributions for governmental activities totaled \$3,683,027. The grant awards furnished resources to support of the following functions: general government (\$859,519), police and fire (\$717,949), Powell Bill and street maintenance (\$1,388,245), economic and physical development (\$419,405), and culture and recreation (\$297,909).

2014 Governmental Activities Revenues - \$49,291,624



Expenses and Program Revenues - Governmental Activities

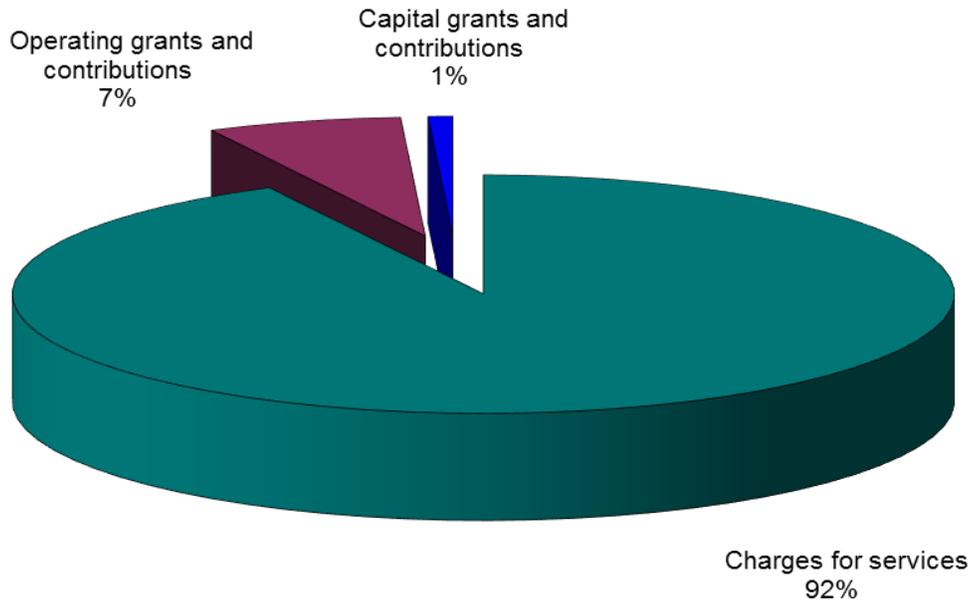


Business-Type Activities - Business-type activities increased the City of Hickory’s net position by \$1,526,922.

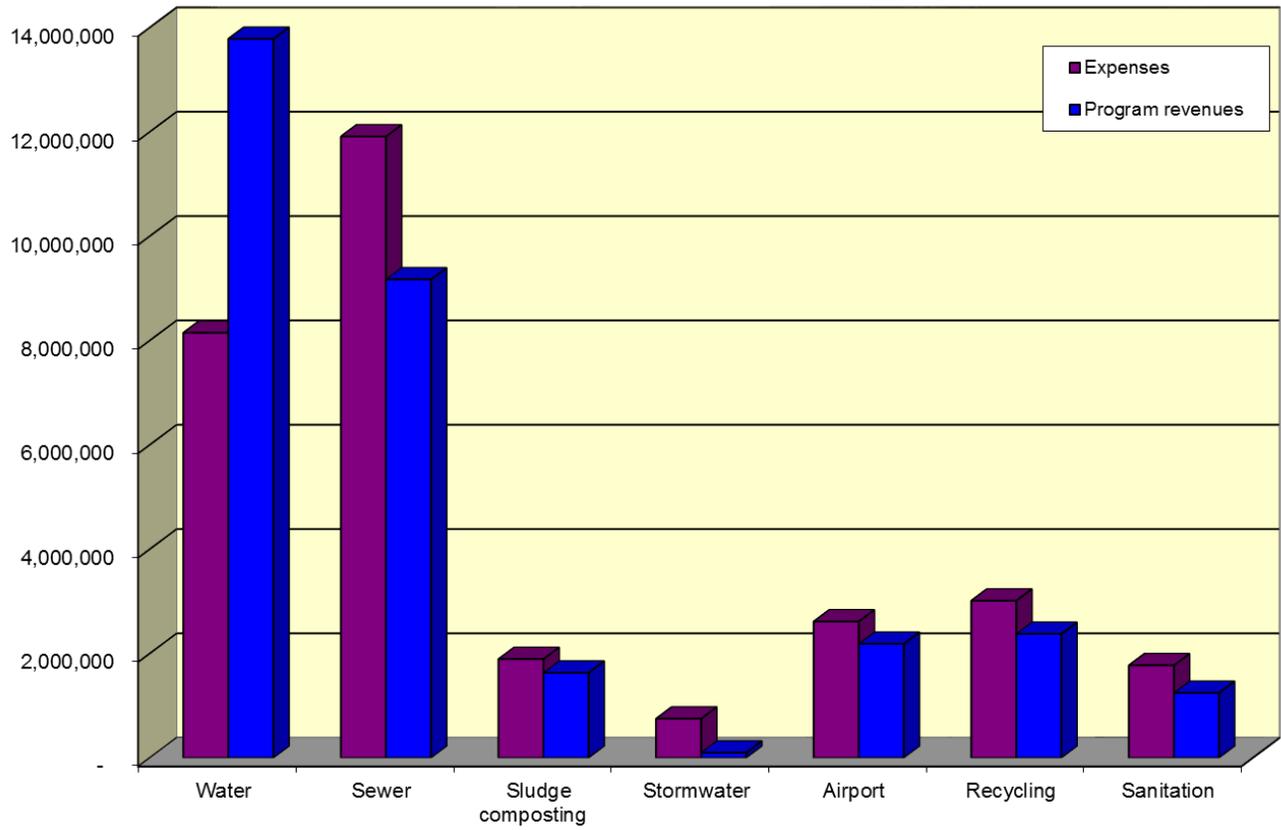
Key elements of this increase are:

- Charges for services revenues increased \$875,904.
- Capital grants and contributions for business-type activities totaled \$260,319. The grant awards and contributions furnished resources to support the following activities: water \$23,838, sewer \$78,823, stormwater \$100,117, and airport \$57,541.

2014 Business-type Activities Revenues - \$31,118,706



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 \$33,990,348, an increase of \$1,604,210 in comparison with the prior year. Of this total amount, \$12,788,927 constitutes *unassigned fund balance*, and has no constraints on its use. The remainder of fund balance is broken down as follows:

- *Non-spendable*: \$410,057 - resources not in spendable form, for example, inventories and prepaid items.
- *Restricted*: \$4,332,435 - resources specifically restricted by provider.
- *Committed*: \$13,393,268 - resources committed by formal action of governing body.
- *Assigned*: \$3,065,661 - 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 \$30,185,116. Total fund balance reached \$34,366,115. 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 68.14 percent of total General Fund expenditures, while total fund balance represents 77.6 percent to that same amount.

The fund balance of the City of Hickory's General Fund increased by \$2,255,052 during the current fiscal year.

Key factors of this increase are:

- Revenues for other taxes increased by \$534,167.
- Investment earnings for the City of Hickory increased by \$180,574.
- The remaining difference was the result of spending reductions throughout various departments.

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 \$19,464,584. The total growth in net position was \$2,095,579. The Transportation Fund had an unrestricted net position of \$764,010, with a decrease in net position of \$265,238. Unrestricted net position of the Solid Waste Fund amounted to \$1,576,885, with total net position reflecting a decrease of \$212,522. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Hickory's business-type activities.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$2,230,834 and can be briefly summarized as follows:

- \$257,231 in increases allocated to general governmental activities.
- \$476,227 in increases allocated to public safety.
- \$252,189 in increases allocated to transportation.
- \$228,126 in increases allocated to economic and physical development.
- \$696,836 in increases allocated to culture and recreation.
- \$399,157 in decreases for contingency.
- \$719,382 in increases allocated to transfers out of General Fund to other funds.

The General Fund recognized a positive variance of \$3,154,393 between the final amended budget and the total actual expenditures. This variance can be summarized as follows:

- Approximately \$1,165,900 of the variance is due to reduced costs of salary and benefits because of retirements, vacancies, and elimination of positions.
- Approximately \$680,000 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.

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, 2014 amounts to \$187,085,975 (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:

- Upgrade and expansion of Hickory-Catawba Wastewater Treatment Facility.
- Purchase of new vehicles for police.
- Installation of new lighting at Henry Fork Soccer Field.
- Construction of new picnic shelter, restrooms, and tree house at Zahra Baker All Children's Playground at Kiwanis Park.
- Replacement of stadium seating, field light upgrade, along with entrance improvements at L.P. Frans Stadium.

**Capital Assets
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 12,168,206	\$ 12,394,229	\$ 4,755,162	\$ 4,638,073	\$ 16,923,368	\$ 17,032,302
Land improvements	-	-	7,068,587	7,068,587	7,068,587	7,068,587
Buildings and improvements	17,441,874	16,525,234	37,927,134	15,191,712	55,369,008	31,716,946
Equipment	2,861,732	1,389,445	814,570	948,311	3,676,302	2,337,756
Vehicles	1,472,462	1,438,191	2,335,035	2,296,778	3,807,497	3,734,969
Road network	15,619,839	18,419,715	2,561,772	2,515,724	18,181,611	20,935,439
Operating plants	-	-	10,637,708	11,484,998	10,637,708	11,484,998
Waterlines	-	-	21,990,471	22,141,200	21,990,471	22,141,200
Sewerlines	-	-	38,122,009	38,893,340	38,122,009	38,893,340
Construction in progress	1,676,131	3,158,281	9,633,283	27,378,492	11,309,414	30,536,773
Total net assets	<u>\$ 51,240,244</u>	<u>\$ 53,325,095</u>	<u>\$ 135,845,731</u>	<u>\$ 132,557,215</u>	<u>\$ 187,085,975</u>	<u>\$ 185,882,310</u>

Additional information on the City of Hickory's capital assets can be found in Note 6 on pages 57-59 of this report.

Debt

The City's bond rating is Aa3 and AA by Moody's Investors Service and Standard and Poors, respectively. Gross debt obligations of the City are \$41,367,245 as of June 30, 2014. Gross debt consists of installment purchase agreements of \$22,153,750 and notes payable of \$19,213,495.

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, 2014 was \$342,387,747.

Installment purchase agreements related to the radio system upgrade, Ridgeview Recreation Center, Stanford Park, and the convention center amount to \$4,108,664 and are obligations of the General Fund. Water and sewer line extensions related to Annexation Area II, the Maiden area and Henry River Basin sewer, along with upgrades to the Hickory-Catawba Wastewater Treatment Plant, amount to \$18,045,086 and are obligations of the Water and Sewer Fund. Notes payable amounting to \$19,179,915 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 2.65 percent of expenditures of the General Fund, and 21.45 percent of the Water and Sewer Fund.



Basic Financial Statements



CITY OF HICKORY, NORTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2014

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Assets:			
Cash and cash equivalents	\$ 39,820,587	\$ 22,416,191	\$ 62,236,778
Taxes receivable, net	1,199,926	-	1,199,926
Accounts receivable, net	1,941,042	2,977,716	4,918,758
Note receivable	2,482,600	-	2,482,600
Due from other governments	3,084,011	660,354	3,744,365
Investment in joint venture	494,000	-	494,000
Internal balances	(1,197,673)	1,197,673	-
Inventories	227,565	421,896	649,461
Prepaid items	586,481	35,827	622,308
Cash and cash equivalents, restricted	390,666	3,705,709	4,096,375
Land and construction in progress	13,844,337	21,457,032	35,301,369
Other capital assets, net of depreciation	37,395,907	114,388,699	151,784,606
Total assets	<u>100,269,449</u>	<u>167,261,097</u>	<u>267,530,546</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	4,050,818	1,898,957	5,949,775
Prepaid fees	29,211	44,028	73,239
Payable from restricted assets:			
Customer deposits	390,666	557,700	948,366
Non-current liabilities:			
Due within one year	2,177,005	3,464,934	5,641,939
Due in more than one year	12,588,401	35,719,212	48,307,613
Total liabilities	<u>19,236,101</u>	<u>41,684,831</u>	<u>60,920,932</u>
Deferred Inflows of Resources:			
Prepaid taxes	<u>1,740</u>	<u>-</u>	<u>1,740</u>
Net Position:			
Net investment in capital assets	49,614,181	102,229,159	151,843,340
Restricted for:			
Stabilization for State statute	4,108,140	-	4,108,140
Public safety	222,630	-	222,630
Economic and development	1,665	-	1,665
Unrestricted	<u>27,084,992</u>	<u>23,347,107</u>	<u>50,432,099</u>
Total net position	<u>\$ 81,031,608</u>	<u>\$ 125,576,266</u>	<u>\$ 206,607,874</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, 2014**

Functions/Programs:	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General government	\$ 9,709,451	\$ 5,988,830	\$ 859,519	\$ -
Public safety	21,616,699	367,312	717,949	-
Transportation	7,990,209	21,031	1,388,245	269,944
Economic and physical development	3,152,928	234,406	419,405	-
Culture and recreation	6,986,803	239,691	297,909	-
Interest on long-term debt	99,172	-	-	-
Total governmental activities	<u>49,555,262</u>	<u>6,851,270</u>	<u>3,683,027</u>	<u>269,944</u>
Business-Type Activities:				
Water	8,148,870	13,517,990	156,705	23,838
Sewer	11,911,880	9,172,139	291,024	78,823
Sludge composting	1,894,229	38,197	1,594,004	-
Stormwater	752,443	58,207	-	100,117
Airport	2,615,292	2,186,700	3,365	57,541
Recycling	3,014,427	2,463,873	24,464	-
Sanitation	1,773,653	1,235,322	-	-
Total business-type activities	<u>30,110,794</u>	<u>28,672,428</u>	<u>2,069,562</u>	<u>260,319</u>
Total primary government	<u>\$ 79,666,056</u>	<u>\$ 35,523,698</u>	<u>\$ 5,752,589</u>	<u>\$ 530,263</u>

General Revenues:

Ad valorem taxes
 Sales taxes
 Franchise taxes
 Telecommunication tax
 Motel/occupancy tax
 Vehicle tag tax
 Gross receipts tax
 Unrestricted intergovernmental
 Unrestricted investment earnings
 Total general revenues

Transfers

Total general revenues and transfers

Change in net position

Net Position:

Beginning of year - July 1

End of year - June 30

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

Exhibit B

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (2,861,102)	\$ -	\$ (2,861,102)
(20,531,438)	-	(20,531,438)
(6,310,989)	-	(6,310,989)
(2,499,117)	-	(2,499,117)
(6,449,203)	-	(6,449,203)
(99,172)	-	(99,172)
<u>(38,751,021)</u>	<u>-</u>	<u>(38,751,021)</u>
-	5,549,664	5,549,664
-	(2,369,895)	(2,369,895)
-	(262,028)	(262,028)
-	(594,119)	(594,119)
-	(367,686)	(367,686)
-	(526,090)	(526,090)
-	(538,331)	(538,331)
<u>-</u>	<u>891,515</u>	<u>891,515</u>
<u>(38,751,021)</u>	<u>891,515</u>	<u>(37,859,506)</u>
24,073,395	-	24,073,395
8,322,152	-	8,322,152
2,340,431	-	2,340,431
1,025,018	-	1,025,018
1,418,592	-	1,418,592
209,966	-	209,966
136,237	-	136,237
787,532	-	787,532
174,060	116,397	290,457
<u>38,487,383</u>	<u>116,397</u>	<u>38,603,780</u>
<u>(519,010)</u>	<u>519,010</u>	<u>-</u>
<u>37,968,373</u>	<u>635,407</u>	<u>38,603,780</u>
(782,648)	1,526,922	744,274
<u>81,814,256</u>	<u>124,049,344</u>	<u>205,863,600</u>
<u>\$ 81,031,608</u>	<u>\$ 125,576,266</u>	<u>\$ 206,607,874</u>

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

CITY OF HICKORY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	Major General Fund	Other Nonmajor Governmental Funds	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 33,184,361	\$ 18,860	\$ 33,203,221
Taxes receivable, net	1,199,926	-	1,199,926
Accounts receivable, net	40,920	1,528,334	1,569,254
Notes receivable	502,800	-	502,800
Due from other governmental agencies	2,070,532	124,142	2,194,674
Due from other funds	978,901	-	978,901
Inventory	133,300	-	133,300
Prepaid items	276,599	158	276,757
Restricted cash and equivalents	390,666	-	390,666
Total current assets	<u>38,778,005</u>	<u>1,671,494</u>	<u>40,449,499</u>
Notes receivable	<u>1,979,800</u>	<u>-</u>	<u>1,979,800</u>
Total assets	<u>\$ 40,757,805</u>	<u>\$ 1,671,494</u>	<u>\$ 42,429,299</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 2,295,564	\$ 111,655	\$ 2,407,219
Prepaid fees	21,194	-	21,194
Due to other funds	-	620,170	620,170
Liabilities to be paid from restricted assets:			
Customer deposits	<u>390,666</u>	<u>-</u>	<u>390,666</u>
Total liabilities	<u>2,707,424</u>	<u>731,825</u>	<u>3,439,249</u>
Deferred Inflows of Resources:			
Property taxes receivable	1,199,926	-	1,199,926
Prepaid taxes	1,740	-	1,740
Direct financing lease receivable	2,482,600	-	2,482,600
Economic development receivable	<u>-</u>	<u>1,315,436</u>	<u>1,315,436</u>
Total deferred inflows of resources	<u>3,684,266</u>	<u>1,315,436</u>	<u>4,999,702</u>
Fund Balances:			
Non-spendable	409,899	158	410,057
Restricted for:			
Stabilization for State statute	3,771,100	337,040	4,108,140
Restricted, all other	222,630	1,665	224,295
Committed	13,381,759	11,509	13,393,268
Assigned	3,065,661	-	3,065,661
Unassigned	<u>13,515,066</u>	<u>(726,139)</u>	<u>12,788,927</u>
Total fund balances	<u>34,366,115</u>	<u>(375,767)</u>	<u>33,990,348</u>
Total liabilities, deferred inflow of resources, and fund balances	<u>\$ 40,757,805</u>	<u>\$ 1,671,494</u>	<u>\$ 42,429,299</u>

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

CITY OF HICKORY, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014**

Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:

Total fund balances - modified accrual (see above)	\$ 33,990,348
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	51,234,421
Investment in a joint venture is not a financial resource and, therefore, is not reported in the funds.	494,000
Accrual of interest revenue on delinquent taxes does not represent current financial resources and, therefore, is not reported in the funds.	166,620
Low income housing loans are not available to represent current financial resources and, therefore, are not reported in the funds.	193,341
Certain intergovernmental revenues are not available to represent current financial resources and, therefore, are not reported in the funds.	838,000
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.	(5,026)
Other receivables are not available to pay for current period expenditures and are recognized as deferred inflows in the funds.	4,997,962
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.	3,692,798
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(14,570,856)</u>
Net position of governmental activities	<u>\$ 81,031,608</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, 2014

	Major General Fund	Other Nonmajor Governmental Funds	Total
Revenues:			
Ad valorem taxes	\$ 24,245,897	\$ -	\$ 24,245,897
Other taxes	13,439,396	-	13,439,396
Unrestricted intergovernmental revenues	787,532	-	787,532
Restricted intergovernmental revenues	2,165,377	815,565	2,980,942
Licenses and permits	1,144,090	-	1,144,090
Sales and services	1,569,254	-	1,569,254
Investment earnings	139,859	1,297	141,156
Miscellaneous	1,123,058	206,071	1,329,129
Total revenues	<u>44,614,463</u>	<u>1,022,933</u>	<u>45,637,396</u>
Expenditures:			
Current:			
General government	5,179,041	-	5,179,041
Public safety	20,765,417	155,255	20,920,672
Transportation	5,053,939	-	5,053,939
Economic and physical development	2,472,695	659,115	3,131,810
Culture and recreation	6,635,741	-	6,635,741
Capital outlay	-	1,484,787	1,484,787
Debt service:			
Principal retirement	992,686	-	992,686
Interest fees	100,500	-	100,500
Total expenditures	<u>41,200,019</u>	<u>2,299,157</u>	<u>43,499,176</u>
Revenues over (under) expenditures	<u>3,414,444</u>	<u>(1,276,224)</u>	<u>2,138,220</u>
Other Financing Sources (Uses):			
Transfers in	1,936,404	667,400	2,603,804
Transfers out	<u>(3,095,796)</u>	<u>(42,018)</u>	<u>(3,137,814)</u>
Total other financing sources (uses)	<u>(1,159,392)</u>	<u>625,382</u>	<u>(534,010)</u>
Net change in fund balances	2,255,052	(650,842)	1,604,210
Fund Balances:			
Beginning of year - July 1	<u>32,111,063</u>	<u>275,075</u>	<u>32,386,138</u>
End of year - June 30	<u>\$ 34,366,115</u>	<u>\$ (375,767)</u>	<u>\$ 33,990,348</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, 2014**

Net change in fund balances - total governmental funds per Exhibit D	\$ 1,604,210
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>	
Capitalized capital outlays	4,297,008
Depreciation expense	(5,360,951)
<p>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.</p>	
Disposal of capital assets	(1,013,384)
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.	(640,761)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	992,686
Accrual of unfunded Other Post-Employment Benefits reported in the Statement of Activities does not require the use of current financing resources and, therefore, is not reported as an expenditures in governmental funds.	(775,602)
Accrual of net pension obligation for Law Enforcement Officers' Special Separation Allowance 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.	10,750
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.	(71,940)
Accrual of interest expense for debt 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.	1,328
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 assets of certain internal service funds is reported with governmental activities.	<u>174,008</u>
Change in net position of governmental activities per Exhibit B	<u>\$ (782,648)</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, 2014

	General Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 23,332,325	\$ 23,332,325	\$ 24,245,897	\$ 913,572
Other taxes	12,894,761	12,979,761	13,439,396	459,635
Unrestricted intergovernmental revenues	777,000	777,000	787,532	10,532
Restricted intergovernmental revenues	1,960,617	2,065,167	2,165,377	100,210
Licenses and permits	1,107,272	1,107,272	1,144,090	36,818
Sales and services	1,529,637	1,539,204	1,569,254	30,050
Investment earnings	275,000	275,000	89,151	(185,849)
Miscellaneous	289,500	477,246	1,123,058	645,812
Total revenues	<u>42,166,112</u>	<u>42,552,975</u>	<u>44,563,755</u>	<u>2,010,780</u>
Expenditures:				
Current:				
General government	5,606,941	5,864,172	5,179,041	685,131
Public safety	21,108,838	21,585,065	20,765,417	819,648
Transportation	5,313,295	5,565,484	5,053,939	511,545
Economic and physical development	2,304,862	2,532,988	2,472,695	60,293
Culture and recreation	6,775,835	7,472,671	6,635,741	836,930
Debt service:				
Principal	992,688	992,688	992,686	2
Interest and fees	100,501	100,501	100,500	1
Contingency	640,000	240,843	-	240,843
Total expenditures	<u>42,842,960</u>	<u>44,354,412</u>	<u>41,200,019</u>	<u>3,154,393</u>
Revenues over (under) expenditures	<u>(676,848)</u>	<u>(1,801,437)</u>	<u>3,363,736</u>	<u>5,165,173</u>
Other Financing Sources (Uses):				
Transfers in	1,134,800	1,217,127	1,217,126	(1)
Transfers (out)	<u>(1,665,462)</u>	<u>(2,384,844)</u>	<u>(2,384,844)</u>	<u>-</u>
Total other financing sources (uses)	<u>(530,662)</u>	<u>(1,167,717)</u>	<u>(1,167,718)</u>	<u>(1)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(1,207,510)</u>	<u>(2,969,154)</u>	<u>2,196,018</u>	<u>5,165,172</u>
Appropriated fund balance	<u>1,207,510</u>	<u>2,969,154</u>	<u>-</u>	<u>(2,969,154)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>2,196,018</u>	<u>\$ 2,196,018</u>
Fund Balance:				
Beginning of year - July 1			<u>18,788,338</u>	
End of year - June 30			<u>\$ 20,984,356</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, 2014

	Business-Type Activities				Total	Governmental
	Water and Sewer Fund	Transportation Fund	Solid Waste Fund	Nonmajor Enterprise Funds		Internal Service Funds
Assets:						
Current assets:						
Cash and cash equivalents	\$ 18,980,767	\$ 736,961	\$ 2,163,977	\$ 534,486	\$ 22,416,191	\$ 6,617,366
Accounts receivable, net	2,673,393	127,604	158,657	18,062	2,977,716	11,827
Inventory	363,800	58,096	-	-	421,896	94,265
Due from other governments	568,508	23,536	6,642	61,668	660,354	51,337
Due from other funds	29,371	-	-	-	29,371	-
Prepaid items	31,272	3,324	157	1,074	35,827	309,724
Restricted cash	3,704,084	1,625	-	-	3,705,709	-
Total current assets	<u>26,351,195</u>	<u>951,146</u>	<u>2,329,433</u>	<u>615,290</u>	<u>30,247,064</u>	<u>7,084,519</u>
Non-current assets:						
Land and construction in progress	10,360,286	10,951,722	-	145,024	21,457,032	-
Other capital assets, net of depreciation	103,575,181	2,878,440	2,029,423	5,905,655	114,388,699	5,823
Total non-current assets	<u>113,935,467</u>	<u>13,830,162</u>	<u>2,029,423</u>	<u>6,050,679</u>	<u>135,845,731</u>	<u>5,823</u>
Total assets	<u>140,286,662</u>	<u>14,781,308</u>	<u>4,358,856</u>	<u>6,665,969</u>	<u>166,092,795</u>	<u>7,090,342</u>
Liabilities:						
Current liabilities:						
Accounts payable and accrued liabilities	1,474,792	53,211	155,359	215,595	1,898,957	1,638,573
Current portion of long-term debt	3,407,465	8,041	46,714	2,714	3,464,934	19,650
Due to other funds	-	-	-	29,371	29,371	358,731
Prepaid fees	44,028	-	-	-	44,028	8,017
Liabilities paid from restricted assets:						
Customer deposits	556,075	1,625	-	-	557,700	-
Total current liabilities	<u>5,482,360</u>	<u>62,877</u>	<u>202,073</u>	<u>247,680</u>	<u>5,994,990</u>	<u>2,024,971</u>
Non-current liabilities:						
Compensated absences payable	234,429	38,347	57,931	7,417	338,124	33,525
Non-current portion of long-term debt	34,786,394	85,912	492,544	16,238	35,381,088	141,375
Total non-current liabilities	<u>35,020,823</u>	<u>124,259</u>	<u>550,475</u>	<u>23,655</u>	<u>35,719,212</u>	<u>174,900</u>
Total liabilities	<u>40,503,183</u>	<u>187,136</u>	<u>752,548</u>	<u>271,335</u>	<u>41,714,202</u>	<u>2,199,871</u>
Net Position:						
Net investment in capital assets	80,318,895	13,830,162	2,029,423	6,050,679	102,229,159	5,823
Unrestricted	19,464,584	764,010	1,576,885	343,955	22,149,434	4,884,648
Total net position	<u>\$ 99,783,479</u>	<u>\$ 14,594,172</u>	<u>\$ 3,606,308</u>	<u>\$ 6,394,634</u>	<u>\$ 124,378,593</u>	<u>\$ 4,890,471</u>
Total net position - proprietary funds presentation					\$ 124,378,593	
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds					<u>1,197,673</u>	
Net position of business-type activities - government-wide					<u>\$ 125,576,266</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, 2014**

	<u>Business-Type Activities</u>				<u>Total</u>	<u>Governmental</u>
	<u>Water and Sewer Fund</u>	<u>Transportation Fund</u>	<u>Solid Waste Fund</u>	<u>Other Enterprise Funds</u>		<u>Internal Service Funds</u>
Operating Revenues:						
Other taxes	\$ -	\$ -	\$ 24,464	\$ -	\$ 24,464	\$ -
Restricted intergovernmental	-	3,365	-	1,594,004	1,597,369	-
Charges for services	22,483,696	2,181,921	3,597,753	95,621	28,358,991	9,577,993
Other operating revenues	472,589	-	24,693	-	497,282	-
Total operating revenues	<u>22,956,285</u>	<u>2,185,286</u>	<u>3,646,910</u>	<u>1,689,625</u>	<u>30,478,106</u>	<u>9,577,993</u>
Operating Expenses:						
Administration and engineering	6,011,230	-	-	122,777	6,134,007	-
Collection system	1,334,830	-	-	-	1,334,830	-
Henry Fork plant	932,861	-	-	-	932,861	-
Northeast plant	881,936	-	-	-	881,936	-
Water treatment plant	2,604,753	-	-	-	2,604,753	-
Pre-treatment and lab	511,061	-	-	-	511,061	-
Distribution	2,390,805	-	-	-	2,390,805	-
Sludge plant	-	-	-	1,568,743	1,568,743	-
Street	-	-	-	245,053	245,053	-
Drainage maintenance	-	-	-	43,904	43,904	-
Claremont sewer lines	226,865	-	-	-	226,865	-
Airport	-	521,074	-	-	521,074	-
Airport tower	-	16,961	-	-	16,961	-
Airport FBO	-	1,666,992	-	-	1,666,992	-
Recycling	-	-	2,663,484	-	2,663,484	-
Residential sanitation	-	-	747,206	-	747,206	-
Commercial sanitation	-	-	819,957	-	819,957	-
Health insurance	-	-	-	-	-	5,245,677
Property/casualty insurance	-	-	-	-	-	543,091
Workers' compensation	-	-	-	-	-	610,280
Fleet maintenance	-	-	-	-	-	2,963,473
Depreciation	3,610,472	410,265	557,433	666,195	5,244,365	7,524
Total operating expenses	<u>18,504,813</u>	<u>2,615,292</u>	<u>4,788,080</u>	<u>2,646,672</u>	<u>28,554,857</u>	<u>9,370,045</u>
Operating income (loss)	<u>4,451,472</u>	<u>(430,006)</u>	<u>(1,141,170)</u>	<u>(957,047)</u>	<u>1,923,249</u>	<u>207,948</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, 2014**

	<u>Business-Type Activities</u>				<u>Total</u>	<u>Governmental</u>
	<u>Water and Sewer Fund</u>	<u>Transportation Fund</u>	<u>Solid Waste Fund</u>	<u>Other Enterprise Funds</u>		<u>Internal Service Funds</u>
Non-Operating						
Revenues (Expenses):						
Federal and State grants	135,513	-	-	-	135,513	-
Investment earnings	103,605	2,245	9,175	1,372	116,397	32,904
Miscellaneous	-	-	3,401	-	3,401	-
Gain (loss) on disposal of capital assets	(378,238)	1,314	41,810	-	(335,114)	-
Interest on long-term debt	(1,177,699)	-	-	-	(1,177,699)	-
Total non-operating revenues (expenses)	<u>(1,316,819)</u>	<u>3,559</u>	<u>54,386</u>	<u>1,372</u>	<u>(1,257,502)</u>	<u>32,904</u>
Income (loss) before capital contributions and transfers	3,134,653	(426,447)	(1,086,784)	(955,675)	665,747	240,852
Capital Contributions:						
Capital contributions	102,661	57,541	-	100,117	260,319	-
Transfers:						
Transfers from other funds	885,000	103,668	874,262	682,815	2,545,745	15,000
Transfers (to) other funds	<u>(2,026,735)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,026,735)</u>	<u>-</u>
Change in net position	2,095,579	(265,238)	(212,522)	(172,743)	<u>\$ 1,445,076</u>	255,852
Net Position:						
Beginning of year - July 1	<u>97,687,900</u>	<u>14,859,410</u>	<u>3,818,830</u>	<u>6,567,377</u>		<u>4,634,619</u>
End of year - June 30	<u>\$ 99,783,479</u>	<u>\$ 14,594,172</u>	<u>\$ 3,606,308</u>	<u>\$ 6,394,634</u>		<u>\$ 4,890,471</u>

Reconciliation with Exhibit B - Change in

Net Position - Business-Type Activities:

Change in net position - fund perspective	\$ 1,445,076
Internal Service Fund profits allocated to business-type activities	<u>81,846</u>
Change in net position - entity-wide perspective - Exhibit B	<u>\$ 1,526,922</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, 2014

	Business-Type Activities				Total	Governmental
	Water and Sewer Fund	Transportation Fund	Solid Waste Fund	Nonmajor Enterprise Funds		Internal Service Funds
Cash Flows from Operating Activities:						
Cash received from customers and users	\$ 22,526,237	\$ 2,109,477	\$ 3,647,469	\$ 1,687,648	\$ 29,970,831	\$ 9,580,940
Cash paid to suppliers	(11,145,702)	(2,008,071)	(2,778,217)	(1,784,027)	(17,716,017)	(8,735,790)
Cash paid to employees	(4,428,252)	(155,453)	(1,383,918)	(104,712)	(6,072,335)	(577,104)
Net cash provided (used) by operating activities	6,952,283	(54,047)	(514,666)	(201,091)	6,182,479	268,046
Cash Flows from Non-Capital						
Financing Activities:						
Changes in due to/from other funds	(29,371)	55,936	-	29,371	55,936	(88,578)
Transfers from other funds	885,000	103,668	874,262	682,815	2,545,745	15,000
Transfers (to) other funds	(2,026,735)	-	-	-	(2,026,735)	-
Net cash provided (used) by non-capital financing activities	(1,171,106)	159,604	874,262	712,186	574,946	(73,578)
Cash Flows from Capital and Related Financing Activities:						
Acquisition and construction of capital assets	(7,799,581)	(63,937)	(623,335)	(333,365)	(8,820,218)	-
Proceeds from sale of assets	33,054	1,314	41,810	-	76,178	-
Principal paid on long-term debt	(3,237,838)	-	-	-	(3,237,838)	-
Interest paid on long-term debt	(1,097,850)	-	-	-	(1,097,850)	-
Federal and State grants	135,513	-	-	-	135,513	-
Donations/contributions	-	-	3,401	-	3,401	-
Capital contributions	78,823	57,541	-	-	136,364	-
Net cash provided (used) by capital and related financing activities	(11,887,879)	(5,082)	(578,124)	(333,365)	(12,804,450)	-
Cash Flows from Investing Activities:						
Interest on investments	103,605	2,245	9,175	1,372	116,397	32,904
Net cash provided (used) by investing activities	103,605	2,245	9,175	1,372	116,397	32,904
Net increase (decrease) in cash and cash equivalents	(6,003,097)	102,720	(209,353)	179,102	(5,930,628)	227,372
Cash and Cash Equivalents:						
Beginning of year - July 1	28,687,948	635,866	2,373,330	355,384	32,052,528	6,389,994
End of year - June 30	\$ 22,684,851	\$ 738,586	\$ 2,163,977	\$ 534,486	\$ 26,121,900	\$ 6,617,366

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, 2014

	Business-Type Activities				Total	Governmental
	Water and Sewer Fund	Transportation 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)	\$ 4,451,472	\$ (430,006)	\$ (1,141,170)	\$ (957,047)	\$ 1,923,249	\$ 207,948
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	3,610,472	410,265	557,433	666,195	5,244,365	7,524
Change in assets and liabilities:						
(Increase) decrease in accounts receivables	(456,483)	(77,434)	(4,605)	(5,059)	(543,581)	964
(Increase) decrease in prepaid items	(4,800)	(1,353)	96	751	(5,306)	(60,901)
(Increase) decrease in inventories	8,899	-	-	-	8,899	(9,741)
Increase (decrease) in accounts payable	(858,350)	14,698	19,383	91,281	(732,988)	108,879
Increase (decrease) in compensated absences	(1,709)	9,575	(3,777)	465	4,554	3,505
Increase (decrease) in other post-employment benefits	176,347	18,583	57,974	2,323	255,227	12,728
Increase (decrease) in customer deposits	25,011	1,625	-	-	26,636	-
Increase (decrease) in deferred revenues	1,424	-	-	-	1,424	(2,860)
Net cash provided (used) by operating activities	<u>\$ 6,952,283</u>	<u>\$ (54,047)</u>	<u>\$ (514,666)</u>	<u>\$ (201,091)</u>	<u>\$ 6,182,479</u>	<u>\$ 268,046</u>
Non-Cash Transactions:						
Contribution of assets from developers	<u>\$ 23,838</u>			<u>\$ 100,117</u>		

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

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the City of 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 fund:

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 and recreation, libraries, and general governmental services. Debt service payments of general long-term debt are accounted for in the General Fund. Additionally, the City

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

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.

Transportation Enterprise Fund – The Transportation 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 General Capital Projects Fund, Community Development Entitlement Block Grant Fund, Home Consortium Grant Fund, NCHFA Rental Rehabilitation Grant 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.

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.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt 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 is 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. Intergovernmental revenues, and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City’s policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 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. 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), a Securities Exchange Commission (SEC) registered mutual fund.

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 \$19,863,579 on June 30, 2014. The NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price.

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.

The unexpended debt proceeds in the Water and Sewer funds are classified as restricted because their use is completely restricted to the purpose for which the debt was issued. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Restricted cash balance of the City on June 30, 2014 are as follows:

Governmental Activities:

General Fund:

Customer deposits	\$ 390,666
Total governmental activities	<u>\$ 390,666</u>

Business-Type Activities:

Water and Sewer Fund:

Customer deposits	\$ 557,700
Unexpended bond proceeds	<u>3,148,009</u>
Total business-type activities	<u>\$ 3,705,709</u>

The City's equity interest in a joint venture for the ncDataCampus is carried at cost and adjusted annually for its proportional share of contributions, distributions, and operating results of the venture.

2. 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."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. 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, 2013.

4. 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.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

5. 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.

6. 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. General infrastructure assets acquired prior to July 1, 2001 consist of the road network, sidewalks, bridges, curb, and guttering that were acquired or that received substantial improvements subsequent to July 1, 1980. These assets 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.

Major outlays for capital assets and improvements are capitalized as the projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

7. 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 position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City does not have an item that meets this criterion. 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 position that applies to a future period and so will not be recognized as revenue until then. The City has four items that meet the criterion for this category – direct financing lease receivable, economic development receivable, prepaid taxes, and property taxes receivable.

8. 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.

9. 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.

10. 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.

CITY OF HICKORY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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>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.	\$ 133,300
<i>Prepays</i> – portion of fund balance that is not an available resource because it represents prepaid amounts, which are not spendable resources.	<u>276,599</u>
Total	<u><u>\$ 409,899</u></u>

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

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

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

Restricted for Economic Development – portion of fund balance restricted by revenue source for economic development.

Restricted fund balance at June 30, 2014 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted, all other:			
Economic development	\$ -	\$ 1,665	\$ 1,665
Public safety	<u>222,630</u>	<u>-</u>	<u>222,630</u>
Total	<u><u>\$ 222,630</u></u>	<u><u>\$ 1,665</u></u>	<u><u>\$ 224,295</u></u>

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.

CITY OF HICKORY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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

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, 2014 is as follows:

Purpose	General Fund	Other Governmental Funds	Total
Economic development	\$ -	\$ 11,509	\$ 11,509
Capital projects	13,381,759	-	13,381,759
Total	\$ 13,381,759	\$ 11,509	\$ 13,393,268

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 Manger 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, 2014 is as follows:

Purpose	General Fund	Governmental Funds	Total
Subsequent year's expenditures	\$ 2,395,986	\$ -	\$ 2,395,986
Fuel	669,675	-	669,675
Total	\$ 3,065,661	\$ -	\$ 3,065,661

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.

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.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

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	\$ 34,366,115
Less:	
Prepays	(276,599)
Inventory	(133,300)
Stabilization by State statute	(3,771,100)
Public safety	(222,630)
Capital projects	(13,381,759)
Appropriated fund balance in 2014 budget	(2,395,986)
Fuel	(669,675)
Fund balance policy - 25% of budgeted expenditures	<u>(11,088,603)</u>
 Remaining fund balance	 <u>\$ 2,426,463</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	<u>\$ 680,747</u>
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11. 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.

12. 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.

13. 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, 2014**

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	\$	20,984,356
Capital Reserve Fund:		
Investment earnings		50,708
Transfers in/out		8,326
Fund balance, beginning		13,322,725
Fund Balance, Ending Exhibit D	\$	34,366,115

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	\$	4,108,663
Notes payable		494,000
Unfunded obligation		6,515,304
Compensated absences		2,122,894
Net pension obligation - Law Enforcement		
Officers' Separation Allowance		1,329,995
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities		\$ 14,570,856

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.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

C. Deficit Fund Balance

For the fiscal year ended June 30, 2014, the Fleet Internal Service Fund had a deficit fund balance of \$443,909. This deficit was covered by the Insurance Internal Service Fund. The General Capital Projects Fund had a deficit fund balance of \$618,667 due to expenditures in advance of anticipated revenue sources. Management will review the operations of these funds to eliminate the deficit fund balances.

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, 2014

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 undercollateralization, 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, 2014, the carrying amount of the City's deposits with banks was \$23,867,808. Balances with banks equaled \$24,313,887. Of the bank balances, \$500,000 was covered by federal depository insurance, and \$23,813,887 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 \$19,014.

B. Investments

At June 30, 2014, the City's investments consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 6 Months</u>	<u>6-12 Months</u>	<u>1-3 Years</u>	<u>4-5 Years</u>
US Government Agencies	\$ 19,863,579	\$ 225,555	\$ 1,387,128	\$ 15,807,796	\$ 2,443,100
NC Capital Management Trust:					
Cash Portfolio	13,564,714	-	-	-	-
Term Portfolio	9,018,038	9,018,038	-	-	-
Total investments	<u>\$ 42,446,331</u>	<u>\$ 9,243,593</u>	<u>\$ 1,387,128</u>	<u>\$ 15,807,796</u>	<u>\$ 2,443,100</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 Cash Portfolio carried a rating of AAAM by Standard & Poor's as of June 30, 2014. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. 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 Loan Mortgage Corporation. All of the City of Hickory's investments in the United States Government are rated AA+ by Standard and Poor's.

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 5 percent of the City's investments are in Federal Home Loan Bank securities, Federal National Mortgage Association securities, and Federal Home Loan Mortgage Corporation securities. These investments are 10.8%, 18.1%, and 18.0%, respectively, of the City's total investments.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Note 5 – Receivables

A. Detail

Receivables at the government-wide level at June 30, 2014, were as follows:

	<u>Taxes</u>	<u>Accounts</u>	<u>Notes</u>	<u>Due From Other Governments</u>	<u>Total</u>
Governmental Activities:					
General	\$ 2,322,875	\$ 820,643	\$ 2,482,600	\$ 2,959,869	\$ 8,585,987
Other governmental	-	1,528,334	-	124,142	1,652,476
Total receivables	2,322,875	2,348,977	2,482,600	3,084,011	10,238,463
Allowance for doubtful accounts	(1,122,949)	(407,935)	-	-	(1,530,884)
Total governmental activities	<u>\$ 1,199,926</u>	<u>\$ 1,941,042</u>	<u>\$ 2,482,600</u>	<u>\$ 3,084,011</u>	<u>\$ 8,707,579</u>
Business-Type Activities:					
Water and sewer	\$ -	\$ 2,802,941	\$ -	\$ 568,508	\$ 3,371,449
Transportation	-	280,750	-	23,536	304,286
Solid waste	-	192,218	-	6,642	198,860
Other	-	18,062	-	61,668	79,730
Total receivables	-	3,293,971	-	660,354	3,954,325
Allowance for doubtful accounts	-	(316,255)	-	-	(316,255)
Total business-type activities	<u>\$ -</u>	<u>\$ 2,977,716</u>	<u>\$ -</u>	<u>\$ 660,354</u>	<u>\$ 3,638,070</u>

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

Local option sales tax	\$ 1,414,215
Utilities franchise tax	838,000
Street maintenance reimbursements	105,370
Traffic control	80,945
NC DOT	18,366
County tax collections	165,779
Sales tax reimbursement	723,419
State receivable	74,005
Water and sewer projects	154,153
Federal grants	86,571
Sludge operating reimbursements	53,785
Urgent repair program	29,757
Total due from other governmental agencies	<u>\$ 3,744,365</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

B. Hickory Metro Convention Center Purchase – Leaseback

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.

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%.

The future minimum lease payment to be received and the net present value of these minimum lease receipts as of June 30, 2014 were as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2015	\$ 548,454
2016	538,793
2017	529,133
2018	519,473
2019	368,413
2020	<u>111,150</u>
Total minimum lease receipts	2,615,416
Less amount representing interest	<u>(132,816)</u>
Present value of net minimum lease receipts	<u>\$ 2,482,600</u>

CITY OF HICKORY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

C. Deferred Outflows and Inflows of Resources

As discussed in the summary of Significant Accounting Policies (Note 1), ad valorem taxes receivable are not accrued as revenue because they are not considered both “measurable and available”. NCGA Statement 1 states that property taxes that are measurable, but not available, should be initially recorded as unavailable revenue.

Governments also defer revenue recognition in connection with resources that have been received, but not yet earned. Property taxes collected in advance of the fiscal year to which they apply are recorded as unearned revenue.

The balances in deferred inflows of resources at year-end are composed of the following elements:

	General Fund	Other Governmental Funds
	<u> </u>	<u> </u>
Unavailable Revenues:		
Taxes receivable	\$ 1,199,926	\$ -
Direct financing lease receivable	2,482,600	-
Economic development receivable	-	1,315,436
Total unavailable revenues	<u>3,682,526</u>	<u>1,315,436</u>
 Unearned Revenues:		
Prepaid taxes, not yet earned	<u>1,740</u>	-
Total unearned revenues	<u>1,740</u>	-
 Total	<u>\$ 3,684,266</u>	<u>\$ 1,315,436</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Note 6 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014 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	\$ 12,394,229	\$ -	\$ (226,023)	\$ -	\$ 12,168,206
Construction in progress	<u>3,158,281</u>	<u>1,484,786</u>	<u>(729,862)</u>	<u>(2,237,074)</u>	<u>1,676,131</u>
Total assets non-depreciable	<u>15,552,510</u>	<u>1,484,786</u>	<u>(955,885)</u>	<u>(2,237,074)</u>	<u>13,844,337</u>
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	39,956,001	1,524,102	-	484,574	41,964,677
Equipment	9,513,606	279,549	(616,270)	1,752,500	10,929,385
Vehicles	13,396,668	801,332	(1,108,421)	1,823	13,091,402
Road network	<u>60,196,956</u>	<u>207,239</u>	<u>-</u>	<u>-</u>	<u>60,404,195</u>
Total depreciable assets	<u>123,063,231</u>	<u>2,812,222</u>	<u>(1,724,691)</u>	<u>2,238,897</u>	<u>126,389,659</u>
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	23,430,767	1,092,036	-	-	24,522,803
Equipment	8,124,161	507,111	(563,619)	-	8,067,653
Vehicles	11,958,477	762,213	(1,103,573)	1,823	11,618,940
Road network	<u>41,777,241</u>	<u>3,007,115</u>	<u>-</u>	<u>-</u>	<u>44,784,356</u>
Total accumulated depreciation	<u>85,290,646</u>	<u>5,368,475</u>	<u>(1,667,192)</u>	<u>1,823</u>	<u>88,993,752</u>
Total depreciable assets, net	<u>37,772,585</u>	<u>(2,556,253)</u>	<u>(57,499)</u>	<u>2,237,074</u>	<u>37,395,907</u>
Governmental activities capital assets, net	<u>\$ 53,325,095</u>	<u>\$ (1,071,467)</u>	<u>\$ (1,013,384)</u>	<u>\$ -</u>	<u>\$ 51,240,244</u>
Business-Type Activities:					
Water and Sewer:					
<i>Non-Depreciable Capital Assets:</i>					
Land	\$ 703,683	\$ 85,836	\$ -	\$ 31,253	\$ 820,772
Construction in progress	<u>27,348,660</u>	<u>6,668,877</u>	<u>-</u>	<u>(24,478,023)</u>	<u>9,539,514</u>
Total non-depreciable assets	<u>28,052,343</u>	<u>6,754,713</u>	<u>-</u>	<u>(24,446,770)</u>	<u>10,360,286</u>
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	23,885,164	47,795	-	24,446,770	48,379,729
Equipment	1,963,816	102,738	(17,046)	-	2,049,508
Vehicles	2,426,182	173,264	(67,179)	-	2,532,267
Operating plants	31,726,438	-	(5,455,520)	-	26,270,918
Water lines	32,546,484	460,217	-	-	33,006,701
Sewer lines	<u>56,996,941</u>	<u>284,692</u>	<u>-</u>	<u>-</u>	<u>57,281,633</u>
Total depreciable assets	<u>149,545,025</u>	<u>1,068,706</u>	<u>(5,539,745)</u>	<u>24,446,770</u>	<u>169,520,756</u>
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	15,501,260	1,151,653	-	-	16,652,913
Equipment	1,472,432	130,238	(8,392)	-	1,594,278
Vehicles	1,739,539	214,655	(64,874)	-	1,889,320
Operating plants	20,241,440	446,957	(5,055,187)	-	15,633,210
Water lines	10,405,284	610,946	-	-	11,016,230
Sewer lines	<u>18,103,601</u>	<u>1,056,023</u>	<u>-</u>	<u>-</u>	<u>19,159,624</u>
Total accumulated depreciation	<u>67,463,556</u>	<u>3,610,472</u>	<u>(5,128,453)</u>	<u>-</u>	<u>65,945,575</u>
Total depreciable assets, net	<u>82,081,469</u>	<u>(2,541,766)</u>	<u>(411,292)</u>	<u>24,446,770</u>	<u>103,575,181</u>
Water and Sewer capital assets, net	<u>110,133,812</u>	<u>4,212,947</u>	<u>(411,292)</u>	<u>-</u>	<u>113,935,467</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Business-Type Activities (continued):					
Sludge composting:					
<i>Non-Depreciable Capital Assets:</i>					
Land	145,024	-	-	-	145,024
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	10,258,624	46,725	-	-	10,305,349
Equipment	51,945	-	-	-	51,945
Total depreciable assets	<u>10,310,569</u>	<u>46,725</u>	<u>-</u>	<u>-</u>	<u>10,357,294</u>
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	6,661,970	318,567	-	-	6,980,537
Equipment	25,955	6,919	-	-	32,874
Total accumulated depreciation	<u>6,687,925</u>	<u>325,486</u>	<u>-</u>	<u>-</u>	<u>7,013,411</u>
Total depreciable assets, net	<u>3,622,644</u>	<u>(278,761)</u>	<u>-</u>	<u>-</u>	<u>3,343,883</u>
Sludge composting capital assets, net	<u>3,767,668</u>	<u>(278,761)</u>	<u>-</u>	<u>-</u>	<u>3,488,907</u>
Stormwater:					
<i>Depreciable Capital Assets:</i>					
Curb and gutter	16,655,416	386,757	-	-	17,042,173
Total depreciable assets	<u>16,655,416</u>	<u>386,757</u>	<u>-</u>	<u>-</u>	<u>17,042,173</u>
<i>Less Accumulated Depreciation:</i>					
Curb and gutter	14,139,692	340,709	-	-	14,480,401
Total accumulated depreciation	<u>14,139,692</u>	<u>340,709</u>	<u>-</u>	<u>-</u>	<u>14,480,401</u>
Stormwater capital assets, net	<u>2,515,724</u>	<u>46,048</u>	<u>-</u>	<u>-</u>	<u>2,561,772</u>
Transportation:					
<i>Non-Depreciable Capital Assets:</i>					
Land	3,789,366	-	-	-	3,789,366
Land improvements	7,068,587	-	-	-	7,068,587
Construction in progress	29,832	63,937	-	-	93,769
Total non-depreciable assets	<u>10,887,785</u>	<u>63,937</u>	<u>-</u>	<u>-</u>	<u>10,951,722</u>
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	7,091,279	-	(6,968)	-	7,084,311
Equipment	2,060,806	-	-	-	2,060,806
Vehicles	205,653	-	(29,641)	19,592	195,604
Total depreciable assets	<u>9,357,738</u>	<u>-</u>	<u>(36,609)</u>	<u>19,592</u>	<u>9,340,721</u>
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	3,902,797	381,948	(6,968)	-	4,277,777
Equipment	1,960,583	28,317	-	-	1,988,900
Vehicles	205,653	-	(29,641)	19,592	195,604
Total accumulated depreciation	<u>6,069,033</u>	<u>410,265</u>	<u>(36,609)</u>	<u>19,592</u>	<u>6,462,281</u>
Total depreciable assets, net	<u>3,288,705</u>	<u>(410,265)</u>	<u>-</u>	<u>-</u>	<u>2,878,440</u>
Transportation capital assets, net	<u>14,176,490</u>	<u>(346,328)</u>	<u>-</u>	<u>-</u>	<u>13,830,162</u>

CITY OF HICKORY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Business-Type Activities (continued):					
Solid Waste:					
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	200,095	59,315	-	-	259,410
Equipment	1,066,836	-	-	-	1,066,836
Vehicles	4,843,007	564,020	(526,846)	(21,414)	4,858,767
Total depreciable assets	<u>6,109,938</u>	<u>623,335</u>	<u>(526,846)</u>	<u>(21,414)</u>	<u>6,185,013</u>
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	177,424	13,015	-	-	190,439
Equipment	736,122	62,351	-	-	798,473
Vehicles	3,232,871	482,067	(526,846)	(21,414)	3,166,678
Total accumulated depreciation	<u>4,146,417</u>	<u>557,433</u>	<u>(526,846)</u>	<u>(21,414)</u>	<u>4,155,590</u>
Solid waste capital assets, net	<u>1,963,521</u>	<u>65,902</u>	<u>-</u>	<u>-</u>	<u>2,029,423</u>
 Business-type activities capital assets, net	 <u>\$ 132,557,215</u>				 <u>\$ 135,845,731</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 289,865
Public safety	1,115,004
Transportation	3,247,167
Economic and physical development	10,581
Culture and recreation	698,334
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	<u>7,524</u>
Total depreciation expense - governmental activities	<u>\$ 5,368,475</u>

Business-Type Activities:

Water	\$ 1,414,642
Sewer	2,195,830
Sludge composting	325,486
Stormwater	340,709
Transportation	410,265
Solid waste	<u>557,433</u>
Total depreciation expense - business-type activities	<u>\$ 5,244,365</u>

CITY OF HICKORY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Construction Commitments

The City has active construction projects as of June 30, 2014. At year-end the outstanding commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
East Hickory Redevelopment Plan	\$ 631,975	\$ -
Bridge Replacement Windridge Subdivision	122,233	53,655
Culvert Replacement Pinecrest Dr	195,363	-
Misc. Storm Damage	293,112	32,642
Henry Fork Field Lighting	700,594	9,406
TDA Parking Deck	5,005	14,000
Catawba Wastewater Plant	9,074,581	2,402,211
Rock Quarry Sewer Outfall	54,307	-
Falling Creek Bridge	169,785	32,582
High Service Water Pump	54,000	-
Airport Improvements	93,769	-
Murray Basin Sewerlines	24,776	263,224
NE Sewer Grant Project	74,005	756,734
Total	<u>\$ 11,493,505</u>	<u>\$ 3,564,454</u>

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	\$ 51,240,244	\$ 135,845,731
Total debt, gross	(4,602,663)	(36,764,581)
Debt for assets not owned by the City	2,482,600	-
Debt for non-capital assets	494,000	-
Unexpended proceeds	-	3,148,009
Total capital debt	<u>(1,626,063)</u>	<u>(33,616,572)</u>
Net investment in capital assets	<u>\$ 49,614,181</u>	<u>\$ 102,229,159</u>

CITY OF HICKORY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Note 7 – Liabilities

A. Payables

Payables at the government-wide level at June 30, 2014, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:					
General	\$ 1,376,395	\$ 1,424,698	\$ 5,026	\$ 1,133,044	\$ 3,939,163
Other governmental	111,655	-	-	-	111,655
Total payables	<u>\$ 1,488,050</u>	<u>\$ 1,424,698</u>	<u>\$ 5,026</u>	<u>\$ 1,133,044</u>	<u>\$ 4,050,818</u>
Business-Type Activities:					
Water and sewer	\$ 1,250,752	\$ 97,175	\$ 117,510	\$ 9,355	\$ 1,474,792
Transportation	38,940	14,271	-	-	53,211
Solid waste	121,192	31,259	-	2,908	155,359
Other business-type	211,964	3,631	-	-	215,595
Total payables	<u>\$ 1,622,848</u>	<u>\$ 146,336</u>	<u>\$ 117,510</u>	<u>\$ 12,263</u>	<u>\$ 1,898,957</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

B. Long-Term Debt

1. 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.

<u>Installment Purchase Agreement</u>	<u>Principal Outstanding</u>	<u>Cumulative Fund Total</u>
Serviced by General Fund:		
\$3,300,000 2005 TDA/Hickory Metro Trade Center expansion installment purchase agreement due in semi-annual installments of \$110,000 principal through December 29, 2019; interest payable semi-annually at 3.91%; this is non-capital debt for the City of Hickory; refinanced in April 2012 and reduced interest rate to 2.09%.	\$ 1,210,000	
\$7,600,000 2002 Financing for Stanford Park and Ridgeview renovations installment agreement due in semi-annual installments of \$192,809 principal plus interest at 4.46% through April 12, 2017; refinanced in May 2006 and reduced interest rate at 3.69%;refinanced in April 2012 and reduced interest rate to 1.69%.	1,156,855	
\$5,600,000 1999 TDA/Hickory Metro Trade Center installment purchase agreement due in semi-annual installments of \$141,400 principal plus interest at 4.90% through December 18, 2018; refinanced in April 2012 and reduced interest rate to 1.79%; non-capital debt for the City of Hickory	1,272,600	
\$1,042,685 2008 Radio System Upgrade installment purchase agreement due in semi-annual installments of \$52,134 principal plus interest at 3.79% through December 10, 2018	469,208	\$ 4,108,663

CITY OF HICKORY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Principal Outstanding</u>	<u>Cumulative Total</u>
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.	5,225,000	
\$6,537,370 2003 Maiden Water Line installment purchase agreement due in semi-annual installments of \$184,523 principal plus interest at 4.19% through June 25, 2023; refinanced in May, 2006 and locked interest rate at 4.19% and reduced term through June 16, 2021; refinanced April 2012 and reduced interest rate to 2.17%.	2,583,315	
\$3,950,000 1999 Sewer line extensions installment purchase agreement due in semi-annual installments of \$99,738 principal plus interest at 4.90% through December 29, 2018; refinanced in July 2003 and reduced interest rate to 3.79%; refinanced April 2012 and reduced interest rate to 1.79%.	897,638	
\$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, 2021.	<u>9,339,133</u>	<u>18,045,086</u>
		<u>\$ 22,153,749</u>

2. Notes Payable

The City has entered into an interest-free agreement with Catawba County, whereby, the County will participate with the City in the construction of water and sewer lines outside the City's boundaries. This agreement requires the County to participate in 25% of the actual cost, after deducting for private contributions and State grants, and to advance the remaining amount to the City. The City shall be responsible to perpetually service, maintain, replace, and repair such lines. The City would then repay the County 75% of the net costs in equal annual installments. The first installment is due one year after the project is completed.

<u>Date of Agreement</u>	<u>Project</u>	<u>Agreement Commitment</u>
July 5, 1986	Mountain View Sewer Lines	20 annual payments of \$8,394

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

In this agreement, the lines and equipment would belong to the City after payment of the balances owed to the County under the terms of the agreement. Should the City annex any part or all of the area containing any section of the lines, the balance of the net cost due to the County shall become immediately payable for the portion annexed with the remaining balance payable in decreased annual installments. These amounts are reported as long-term debt in the Water and Sewer Fund. Principal requirements will be provided by appropriation in the year they become due. The balance outstanding on this contract is \$33,578.

On September 17, 2012, the City entered into an interlocal agreement with Catawba County, the City of Conover, the Town of Catawba, the Town of Maiden, and Catawba County Property Development Corporation, to cooperate in the acquisition, development, and operation of a business park, known as the ncDataCampus. Total development costs are estimated to be \$2,582,600. A loan in the amount of \$2,600,000 was secured by Catawba County from the North Carolina Department of Commerce to be used for costs of the development. The funds are provided in the form of a 2% simple interest loan with a seven year term with interest only payments in years one and two, with a one-fifth principal payment plus interest due each year in years three through seven. The City and other partners agree to reimburse the County annually for their respective shares of the debt service with respect to this loan. Contributions, revenues, and distributions shall be in accordance with the percentage shares of participation in the joint venture unless stated otherwise in the agreement. The City has recorded a note payable to Catawba County for \$494,000 for the City's share of the obligation.

On April 7, 1994, the City entered into an agreement with the State for a loan from the State Loan Pool for construction of the Henry Fork Plant. The approved amount was \$14,200,000, which requires twenty annual principal payments of \$710,000 and forty semi-annual interest payments at 2.89% beginning May 1, 1997. The City currently owes \$1,420,000 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.

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 City currently owes \$16,625,000 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.

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 \$640,917 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.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

3. Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

	Long-Term Debt			Long-Term Debt		Due Within
	June 30, 2013	Additions	Retirements	June 30, 2014	One Year	
Governmental Activities:						
Accrued liability law enforcement officers' unfunded retirement contribution	\$ 1,340,745	\$ 210,875	\$ 221,625	\$ 1,329,995	\$	-
Compensated absences	2,100,624	1,391,355	1,315,910	2,176,069		1,184,318
Unfunded OPEB obligation	5,868,349	1,173,034	384,704	6,656,679		-
Installment purchase agreements	5,101,349	-	992,686	4,108,663		992,687
Notes payable	-	494,000	-	494,000		-
Governmental activities long-term liabilities	<u>\$ 14,411,067</u>	<u>\$ 3,269,264</u>	<u>\$ 2,914,925</u>	<u>\$ 14,765,406</u>	<u>\$</u>	<u>2,177,005</u>
Business-Type Activities:						
Water and Sewer:						
Compensated absences	\$ 392,960	\$ 172,538	\$ 174,247	\$ 391,251	\$	156,822
Unfunded OPEB obligation	1,096,109	227,639	51,292	1,272,456		-
Installment purchase agreements	19,649,473	-	1,604,387	18,045,086		1,617,191
Notes payable	<u>20,352,946</u>	<u>-</u>	<u>1,633,451</u>	<u>18,719,495</u>		<u>1,633,452</u>
Water and Sewer long-term liabilities	<u>41,491,488</u>	<u>400,177</u>	<u>3,463,377</u>	<u>38,428,288</u>		<u>3,407,465</u>
Other Enterprise Funds:						
Compensated absences	154,900	70,117	63,853	161,164		57,469
Unfunded OPEB obligation	<u>515,815</u>	<u>104,527</u>	<u>25,648</u>	<u>594,694</u>		<u>-</u>
Other enterprise funds long-term liabilities	<u>670,715</u>	<u>174,644</u>	<u>89,501</u>	<u>755,858</u>		<u>57,469</u>
Business-type activities long-term liabilities	<u>\$ 42,162,203</u>	<u>\$ 574,821</u>	<u>\$ 3,552,878</u>	<u>\$ 39,184,146</u>	<u>\$</u>	<u>3,464,934</u>

Compensated absences and the law enforcement officers' pension liability have typically have been liquidated in the General Fund for governmental activities. At June 30, 2014, the City had a legal debt margin of \$342,387,747.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

4. 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):

	Notes Payable		Installment Purchase Agreements		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
Governmental						
Activities:						
2015	\$ -	\$ 9,880	\$ 992,687	\$ 80,370	\$ 992,687	\$ 90,250
2016	-	9,880	992,687	60,241	992,687	70,121
2017	94,926	9,880	992,687	40,112	1,087,613	49,992
2018	96,825	7,981	607,069	21,613	703,894	29,594
2019	98,761	6,045	413,533	8,001	512,294	14,046
Next 5 years	203,488	6,125	110,000	1,150	313,488	7,275
	<u>494,000</u>	<u>49,791</u>	<u>4,108,663</u>	<u>211,487</u>	<u>4,602,663</u>	<u>261,278</u>
Business-Type						
Activities:						
2015	1,633,452	453,338	1,617,191	440,881	3,250,643	894,219
2016	1,633,452	411,119	1,630,287	401,054	3,263,739	812,173
2017	923,452	368,900	1,643,683	360,927	2,567,135	729,827
2018	923,452	347,200	1,657,384	320,495	2,580,836	667,695
2019	915,057	325,500	1,571,660	279,750	2,486,717	605,250
Next 5 years	4,575,287	1,302,000	6,474,140	855,241	11,049,427	2,157,241
To Maturity	8,115,343	976,500	3,450,741	165,351	11,566,084	1,141,851
	<u>18,719,495</u>	<u>4,184,557</u>	<u>18,045,086</u>	<u>2,823,699</u>	<u>36,764,581</u>	<u>7,008,256</u>
Total	<u>\$ 19,213,495</u>	<u>\$ 4,234,348</u>	<u>\$ 22,153,749</u>	<u>\$ 3,035,186</u>	<u>\$ 41,367,244</u>	<u>\$ 7,269,534</u>

Note 8 – Pension Plan Obligations

A. Local Government Employees' Retirement System

1. Description

The City of Hickory contributes to the State-wide Local Governmental Employees' Retirement System (LGERS); a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. North Carolina G.S. 128-3 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement system is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

2. Funding Policy

Plan members are required to contribute 6 percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. The current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07 and 7.28 percent, respectively, of annual covered payroll. The contribution requirements of members and of the City of Hickory are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$1,819,354 \$1,694,559, and \$1,766,177, respectively. The amounts contributed by employees were \$1,535,168, \$1,507,196, and \$1,518,804, respectively. The contributions made by both the City and employees equaled the required contributions for each year.

B. Law Enforcement Officers' Special Separation Allowance

1. 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. The Separation Allowance is equal to 0.85 percent of the annual base rate of compensation multiplied by total creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. North Carolina G.S. 143-12D assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

The Separation Allowance covers all full-time law enforcement officers of the City. At December 31, 2013, the Separation Allowance's membership consisted of:

Retirees currently receiving benefits	18
Vested	-
Non-vested	<u>117</u>
Total	<u><u>135</u></u>

A separate report was not issued for the plan.

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.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

3. Contribution Requirements and Contributions Made

The City is required by North Carolina G.S. 143-12D to provide these retirement benefits and has chosen to fund benefit payments on a pay-as-you-go basis through appropriations in the General Fund operating budget. The City's obligation to contribute to this plan is established by statute and may be amended by the North Carolina General Assembly. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. There were no contributions made by employees. The current year obligations of \$221,625 were paid by the General Fund for the Separation Allowance.

The annual required contribution for the fiscal year ended June 30, 2014 was determined as part of the December 31, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00 percent investment rate of return and (b) projected salary increases ranging from 4.25 percent to 7.85 percent per year. The inflation component was 3 percent. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was market value. The remaining amortization period at December 31, 2012 was 18 years.

The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$	253,072
Interest on net pension obligation		67,037
Adjustment to annual required contribution		<u>(109,234)</u>
Annual pension cost		210,875
Employer contributions made for fiscal year		<u>(221,625)</u>
Increase (decrease) in net pension obligation		(10,750)
Net pension obligation beginning of fiscal year		<u>1,340,745</u>
Net pension obligation, end of fiscal year	\$	<u><u>1,329,995</u></u>

4. Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Trend information for years ended June 30, 2012, 2013, and 2014 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2012	\$ 219,808	55.34%	\$ 1,318,075
6/30/2013	226,440	89.99%	1,340,745
6/30/2014	210,875	105.10%	1,329,995

Historical trend information is being developed in the required supplemental financial data sub-section, following the notes to the financial statements.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

5. Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$2,366,484. The covered payroll (annual payroll of active employees covered by the plan) was \$4,881,664, and the ratio of the UAAL to the covered payroll was 48.48%.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing, over time, related to the actuarial accrued liability for benefits.

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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919)981-5454.

North Carolina G.S. 143-12E requires the City to contribute each month an amount equal to 5 percent 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, 2014 were \$331,333, which consisted of \$248,069 from the City and \$83,264 from the law enforcement officers.

Note 9 – Death Benefit Plan

The City provides 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 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; and effective July 1, 2004, the death benefit payments to beneficiaries must be between \$25,000 and \$50,000. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. 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. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

For the fiscal year ended June 30, 2014, the City made no contributions to the State for death benefits. Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established as follows:

<u>No. Years Contributing</u>	<u>Years Relief</u>	<u>Contributions Resume</u>
Less than 10	1	2014
10 - 20	2	2015
20 or more	3	2016

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

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. 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

Currently, 76 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2014, the City made contributions to the plan of \$461,645. The City self-funds health and dental coverage for retirees, which is administered by a third party administrator, along with coverage for employees.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Membership of the plan consisted of the following at December 31, 2012, the date of the latest actuarial valuation:

Retirees receiving benefits	76
Active law enforcement officers	74
Active firefighters	88
Active general employees	<u>279</u>
Total	<u><u>517</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 2014, the City chose to fund the plan benefits on a pay-as-you-go basis.

The current annual required contribution (ARC) rate is 8.62% of annual covered payroll. For the current year, the City contributed \$461,645, or 2.45%, of annual covered payroll. The City self-funds health and dental coverage for all retirees and employees. The City's obligation to contribute to the plan is established and may be amended by the City Council.

C. Summary of Significant Accounting Policies

The City has chosen to fund OPEB on a pay-as-you-go basis. Post-employment expenditures are made from the General Fund, Utility Enterprise Funds, and the Fleet Internal Service Fund, which is maintained on the modified accrual basis of accounting throughout the year and adjusted to full accrual where required for reporting purposes. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

D. Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare benefits:

Annual required contribution (ARC)	\$ 1,621,937
Interest on new OPEB obligation	299,211
Adjustment to ARC	<u>(415,947)</u>
Annual OPEB cost	1,505,201
Contributions made for fiscal year	<u>(461,645)</u>
Increase in net OPEB obligation	1,043,556
Net OPEB obligation, beginning of fiscal year	<u>7,480,273</u>
Net OPEB obligation end of fiscal year	<u><u>\$ 8,523,829</u></u>

The City's annual OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ 1,643,046	16.33%	\$ 6,149,636
6/30/2013	1,621,595	17.94%	7,480,273
6/30/2014	1,505,201	30.67%	8,523,829

E. Funding Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial liability (UAAL) was \$17,084,834. The covered payroll (annual payroll of active employees covered by the plan) was \$18,804,401, and the ratio of the UAAL to the covered payroll was 90.9%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing, over time, relative to the actuarial accrued liabilities for benefits.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

F. Actuarial Methods and Assumptions

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

In the December 31, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 8.5 to 5.00 percent annually. Both rates include a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level dollar amount on an open basis. The remaining amortization period at December 31, 2012 was thirty years.

As of June 30, 2014, management had decided to continue funding the liability on a pay-as-you-go basis going into the next fiscal year.

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.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 Midwest Employers Casualty Company. Compensation Claims Solution provides third-party claims administration. The City has recognized a provision of \$635,539 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 \$497,505 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 carries flood insurance through our insurance carrier, Trident Insurance. The City has purchased coverage of \$500,000 per incident.

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 is bonded for \$350,000. 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 \$117 million on buildings and contents, with a \$2,500 deductible and general liability coverage of \$2 million per occurrence with no deductible. 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, 2014</u>	<u>June 30, 2013</u>
Unpaid claims, beginning of fiscal year	\$ 1,117,809	\$ 1,515,416
Incurred claims (including IBNRs)	5,087,529	4,410,400
Claim payments	<u>(5,072,294)</u>	<u>(4,808,007)</u>
Unpaid claims, end of fiscal year	<u>\$ 1,133,044</u>	<u>\$ 1,117,809</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Note 13 – Interfund Activity

The transfers to/from other funds at June 30, 2014 consist of the following:

From General Fund to Transportation Fund	
for operational needs	\$ 101,763
From General Fund to Solid Waste Fund	
for operational needs	614,262
From Water and Sewer Fund to Stormwater Fund for operational needs	126,199
From General Fund to Multi-Year Grant Project Fund for operational needs, capital expenditures, and grant matching requirements	76,250
From General Fund to Capital Reserve Fund for future capital expenditures	1,019,048
From General Fund to Fleet Maintenance for operational needs	15,000
From General Capital Project Fund to Capital Reserve Fund for future capital expenditures	23,542
From Water and Sewer Capital Projects Fund to Capital Reserve Fund for future capital expenditures	1,008,536
From Water and Sewer Fund to Capital Reserve Fund for future capital expenditures	892,000
From General Fund to Stormwater Fund for operational needs	556,616
From Water and Sewer Fund to Water and Sewer Capital Project Fund for capital project expenditures	288,000
From General Fund to Transportation Capital Project Fund for grant matching requirements	1,905
From CDBG Fund to Multi-year Grants Project Fund for grant-related expenditures	6,150
From Multi-Year Grants Project Fund to General Fund for return of unspent project funding	12,326
From Capital Reserve Fund to General Fund for capital expenditures	1,204,800
From Capital Reserve Fund to Water and Sewer Fund for capital project expenditures	885,000
From Capital Reserve Fund to Solid Waste Fund for capital expenditures	260,000
From Capital Reserve Fund to General Capital Project Fund for capital project expenditures	585,000
Total interfund transfers	<u>\$ 7,676,397</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The due to/from other funds at June 30, 2014 consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fleet Management	\$ 358,731
General Fund	General Capital Projects Fund	568,390
General Fund	Multi-Year Grant Fund	51,036
General Fund	NCHFA Rental Rehab	744
Water and Sewer Fund	Sludge Composting Fund	29,371

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances also include the amount of working capital loans made to internal service funds that the General Fund expects to collect in the subsequent year.

Note 14 – Claims and Judgments

At June 30, 2014, the City was involved in several lawsuits involving damages and potential claims. The exact amount of any claim cannot at this time be determined. 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). The Board of the TDA consists of nine

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 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 twenty-four 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 \$39,773 during the fiscal year ended June 30, 2014.

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 percent ownership of the assets, under the Board's direction. The agreement between the parties requires the payment of 66 percent from the City of Hickory, 18.5 percent from Catawba County, and 15.5 percent from the City of Conover, for all costs of construction and operations of the facility. The City was required to pay \$1,052,042 for operations for the year ended June 30, 2014. The complete Sludge Facility financial statements are shown in the Financial Section under Combining and Individual Fund Financial Statements and Schedules.

D. Joint Venture in the ncDataCampus

On September 17, 2012, the City entered into an interlocal agreement with Catawba County, the City of Conover, the Town of Catawba, the Town of Maiden, and Catawba County Property Development Corporation, to cooperate in the acquisition, development, and operation of a business park, known as the ncDataCampus. The business park will be developed and operated by the managers of the governmental partners, and the title to the property will be held by the Catawba County Property Development Corporation. The governmental partners agree to pay their prorata share of the cost of improvements, an expected maximum contribution of \$490,694 for the City of Hickory. The initial funding was provided as a loan from the North Carolina Department of Commerce of \$2,600,000. Principal repayment will begin on this loan on July 1, 2016, and each partner has agreed to pay their share of the annual debt service, beginning July 1, 2014. No amounts were paid by the City during the year ended June 30, 2014. The City has recorded an asset, investment in joint venture, and a note payable in relation to this joint venture. Separate financial statements have not been issued.



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Required Supplemental Financial Data

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

Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance

Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance

Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance

Schedule of Funding Progress for the Other Post-Employment Benefits

Schedule of Employer Contributions for the Other Post-Employment Benefits

Notes to the Required Schedules for the Other Post-Employment Benefits

HICKORY



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CITY OF HICKORY, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL
SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit		Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
12/31/2008	\$ -	\$	1,746,116	\$ 1,746,116	0.00%	\$ 4,807,569	36.32%
12/31/2009	-	-	2,217,152	2,217,152	0.00%	4,957,622	44.72%
12/31/2010	-	-	2,162,961	2,162,961	0.00%	4,878,415	44.34%
12/31/2011	-	-	2,191,364	2,191,364	0.00%	4,969,038	44.10%
12/31/2012	-	-	2,376,327	2,376,327	0.00%	4,773,302	49.78%
12/31/2013	-	-	2,366,484	2,366,484	0.00%	4,881,664	48.48%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)		Percentage of ARC Contributed
2009	\$	162,934	64.87%
2010		187,631	63.70%
2011		235,552	55.46%
2012		231,586	52.52%
2013		242,561	84.01%
2014		253,072	87.57%

Notes to the Required Schedules:

The information presented above was determined as part of the actuarial valuation dates at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	17 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25-7.85%
Cost of living adjustments	None

*Includes inflation at 3.00%

CITY OF HICKORY, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS -
 RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED JUNE 30, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit		Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
12/31/2005	\$ -	\$	11,929,862	\$ 11,929,862	0.00%	\$ 22,989,572	51.89%
12/31/2008	-	-	16,785,617	16,785,617	0.00%	24,436,060	68.69%
12/31/2010	-	-	17,236,645	17,236,645	0.00%	21,886,452	78.80%
12/31/2012	-	-	17,084,834	17,084,834	0.00%	18,804,401	90.90%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)		Percentage of ARC Contributed
2009	\$	1,823,228	10.66%
2010		1,823,228	12.00%
2011		1,891,599	15.84%
2012		1,717,562	15.61%
2013		1,717,562	16.94%
2014		1,621,937	28.46%

Notes to the Required Schedules:

The information presented above was determined as part of the actuarial valuation dates at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	8.50% -5.00%
Year of Ultimate trend rate	2018

* Includes inflation at 3.00%

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

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CITY OF HICKORY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ACTUAL - GENERAL FUND CONSOLIDATED
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Eliminations</u>	<u>Total General Fund</u>
Revenues:				
Ad valorem taxes	\$ 24,245,897	\$ -	\$ -	\$ 24,245,897
Other taxes	13,439,396	-	-	13,439,396
Unrestricted intergovernmental revenues	787,532	-	-	787,532
Restricted intergovernmental revenues	2,165,377	-	-	2,165,377
Licenses and permits	1,144,090	-	-	1,144,090
Sales and services	1,569,254	-	-	1,569,254
Investment earnings	89,151	50,708	-	139,859
Miscellaneous	1,123,058	-	-	1,123,058
Total revenues	<u>44,563,755</u>	<u>50,708</u>	<u>-</u>	<u>44,614,463</u>
Expenditures:				
Current:				
General government	5,179,041	-	-	5,179,041
Public safety	20,765,417	-	-	20,765,417
Transportation	5,053,939	-	-	5,053,939
Economic and physical development	2,472,695	-	-	2,472,695
Culture and recreation	6,635,741	-	-	6,635,741
Debt service:				
Principal retirement	992,686	-	-	992,686
Interest fees	100,500	-	-	100,500
Total expenditures	<u>41,200,019</u>	<u>-</u>	<u>-</u>	<u>41,200,019</u>
Revenues over (under) expenditures	<u>3,363,736</u>	<u>50,708</u>	<u>-</u>	<u>3,414,444</u>
Other Financing Sources (Uses):				
Transfers in	1,217,126	2,943,126	(2,223,848)	1,936,404
Transfers out	(2,384,844)	(2,934,800)	2,223,848	(3,095,796)
Total other financing sources (uses)	<u>(1,167,718)</u>	<u>8,326</u>	<u>-</u>	<u>(1,159,392)</u>
Net change in fund balances	2,196,018	59,034	-	2,255,052
Fund Balances:				
Beginning of year - July 1	<u>18,788,338</u>	<u>13,322,725</u>	<u>-</u>	<u>32,111,063</u>
End of year - June 30	<u>\$ 20,984,356</u>	<u>\$ 13,381,759</u>	<u>\$ -</u>	<u>\$ 34,366,115</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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad Valorem Taxes:			
Current year	\$ 22,642,325	\$ 23,267,926	\$ 625,601
Prior years	585,000	755,701	170,701
Penalties and interest	115,000	222,270	107,270
Less refunds	(10,000)	-	10,000
Total	<u>23,332,325</u>	<u>24,245,897</u>	<u>913,572</u>
Other Taxes:			
Local option sales tax	8,047,800	8,322,152	274,352
Franchise tax	2,207,292	2,327,431	120,139
Telecommunication tax	1,079,669	1,025,018	(54,651)
Hickory-Conover motel/occupancy tax	1,385,000	1,418,592	33,592
Vehicle tag tax	150,000	209,966	59,966
Gross receipts tax	110,000	136,237	26,237
Total	<u>12,979,761</u>	<u>13,439,396</u>	<u>459,635</u>
Unrestricted Intergovernmental Revenues:			
Payments in lieu of taxes	29,000	55,805	26,805
Beer and wine	173,000	175,143	2,143
Traffic control	230,000	315,504	85,504
Hold-harmless reimbursement	255,000	151,080	(103,920)
Public school resource officer	90,000	90,000	-
Total	<u>777,000</u>	<u>787,532</u>	<u>10,532</u>
Restricted Intergovernmental Revenues:			
Federal grants	-	9,133	9,133
State grants	1,456,381	1,542,619	86,238
Local grants	-	17,867	17,867
Catawba County for library	205,000	207,500	2,500
Catawba County for police	-	(546)	(546)
Catawba County fire district tax	299,007	309,007	10,000
Catawba County for volunteer fire	9,900	10,150	250
Catawba County for convention center	94,879	69,647	(25,232)
Total	<u>2,065,167</u>	<u>2,165,377</u>	<u>100,210</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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Licenses and Permits:			
Privilege licenses	1,100,000	1,136,986	36,986
Beer and wine licenses	4,500	4,098	(402)
Building permits	2,100	1,848	(252)
Taxi permits	672	833	161
Miscellaneous permits	-	325	325
Total	<u>1,107,272</u>	<u>1,144,090</u>	<u>36,818</u>
Sales and Services:			
Recreation services	243,067	191,971	(51,096)
Fire department services	158,400	203,816	45,416
Police department services	22,500	39,153	16,653
Street paving	10,000	21,031	11,031
Franchise fees	93,000	108,131	15,131
Parking rentals	60,000	76,198	16,198
Library services	63,000	47,720	(15,280)
Rents and royalties	684,236	699,137	14,901
Cemetery plots	32,000	31,989	(11)
District court fees	155,000	122,495	(32,505)
Communications	-	486	486
Plan reviews	18,001	27,127	9,126
Total	<u>1,539,204</u>	<u>1,569,254</u>	<u>30,050</u>
Investment Earnings	<u>275,000</u>	<u>89,151</u>	<u>(185,849)</u>
Miscellaneous:			
Donations	84,412	99,614	15,202
Advertising fees	500	2,000	1,500
Insurance claims	116,956	806,897	689,941
Sale of properties	37,086	154,985	117,899
Other	238,292	59,562	(178,730)
Total	<u>477,246</u>	<u>1,123,058</u>	<u>645,812</u>
Total revenues	<u>42,552,975</u>	<u>44,563,755</u>	<u>2,010,780</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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Expenditures:			
General Government:			
Governing Body:			
Salaries and employee benefits	729,117	519,706	209,411
Operating expenditures	218,301	249,890	(31,589)
Administrative reimbursement	(174,195)	(174,195)	-
Total	<u>773,223</u>	<u>595,401</u>	<u>177,822</u>
Administration:			
Salaries and employee benefits	891,489	895,232	(3,743)
Operating expenditures	94,285	90,160	4,125
Capital outlay	1,710	1,710	-
Administrative reimbursement	(223,614)	(223,614)	-
Total	<u>763,870</u>	<u>763,488</u>	<u>382</u>
Budget and Administration:			
Salaries and employee benefits	483,002	478,054	4,948
Operating expenditures	136,250	113,269	22,981
Capital outlay	1,500	1,489	11
Administrative reimbursement	(247,965)	(247,965)	-
Total	<u>372,787</u>	<u>344,847</u>	<u>27,940</u>
Finance:			
Salaries and employee benefits	1,064,702	1,047,471	17,231
Operating expenditures	343,040	345,488	(2,448)
Capital outlay	5,400	5,120	280
Administrative reimbursement	(1,244,662)	(1,244,662)	-
Total	<u>168,480</u>	<u>153,417</u>	<u>15,063</u>
Information Technology:			
Salaries and employee benefits	466,500	428,261	38,239
Operating expenditures	570,789	485,137	85,652
Capital outlay	23,312	22,673	639
Administrative reimbursement	(114,490)	(114,490)	-
Total	<u>946,111</u>	<u>821,581</u>	<u>124,530</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, 2014**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
City Clerk:			
Salaries and employee benefits	74,701	76,002	(1,301)
Operating expenditures	44,630	22,445	22,185
Administrative reimbursement	(54,684)	(54,684)	-
Total	<u>64,647</u>	<u>43,763</u>	<u>20,884</u>
Legal:			
Salaries and employee benefits	163,962	166,826	(2,864)
Operating expenditures	92,275	81,163	11,112
Administrative reimbursement	(55,629)	(55,629)	-
Total	<u>200,608</u>	<u>192,360</u>	<u>8,248</u>
Engineering:			
Salaries and employee benefits	443,011	432,230	10,781
Operating expenditures	48,874	38,759	10,115
Capital outlay	4,200	4,174	26
Administrative reimbursement	(114,706)	(114,706)	-
Total	<u>381,379</u>	<u>360,457</u>	<u>20,922</u>
Building Services:			
Salaries and employee benefits	309,708	299,272	10,436
Operating expenditures	62,650	57,258	5,392
Capital outlay	1,170	1,170	-
Administrative reimbursement	(283,540)	(283,540)	-
Total	<u>89,988</u>	<u>74,160</u>	<u>15,828</u>
Central Services:			
Salaries and employee benefits	465,748	469,015	(3,267)
Operating expenditures	149,370	129,160	20,210
Capital outlay	1,300	1,170	130
Administrative reimbursement	(240,263)	(240,263)	-
Total	<u>376,155</u>	<u>359,082</u>	<u>17,073</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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Public Buildings:			
Salaries and employee benefits	25,723	26,227	(504)
Operating expenditures	434,804	442,342	(7,538)
Capital outlay	158,750	-	158,750
Administrative reimbursement	(7,613)	(7,613)	-
Total	<u>611,664</u>	<u>460,956</u>	<u>150,708</u>
Landscape Services:			
Salaries and employee benefits	792,287	696,601	95,686
Operating expenditures	286,591	297,522	(10,931)
Capital outlay	83,584	75,455	8,129
Administrative reimbursement	(113,365)	(113,365)	-
Total	<u>1,049,097</u>	<u>956,213</u>	<u>92,884</u>
District Court:			
Operating expenditures	64,452	51,605	12,847
Administrative reimbursement	1,711	1,711	-
Total	<u>66,163</u>	<u>53,316</u>	<u>12,847</u>
Total general government	<u>5,864,172</u>	<u>5,179,041</u>	<u>685,131</u>
Public Safety:			
Police:			
Salaries and employee benefits	8,624,889	8,390,555	234,334
Operating expenditures	2,215,858	2,111,793	104,065
Capital outlay	548,359	544,616	3,743
Administrative reimbursement	2,412	2,412	-
Total	<u>11,391,518</u>	<u>11,049,376</u>	<u>342,142</u>
Department of Justice:			
Operating expenditures	7,500	7,371	129
Capital outlay	21,000	-	21,000
Total	<u>28,500</u>	<u>7,371</u>	<u>21,129</u>
Department of Treasury:			
Capital outlay	44,280	36,237	8,043
Total	<u>44,280</u>	<u>36,237</u>	<u>8,043</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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
NC Unauthorized Substance Tax:			
Operating expenditures	16,710	12,180	4,530
Capital outlay	118,636	106,582	12,054
Total	<u>135,346</u>	<u>118,762</u>	<u>16,584</u>
Fire:			
Salaries and employee benefits	7,880,276	7,815,892	64,384
Operating expenditures	1,253,126	1,131,149	121,977
Capital outlay	516,904	357,199	159,705
Administrative reimbursement	(32,452)	(32,452)	-
Total	<u>9,617,854</u>	<u>9,271,788</u>	<u>346,066</u>
Code Enforcement:			
Salaries and employee benefits	294,214	236,182	58,032
Operating expenditures	64,326	45,701	18,625
Capital outlay	9,027	-	9,027
Total	<u>367,567</u>	<u>281,883</u>	<u>85,684</u>
Total public safety	<u>21,585,065</u>	<u>20,765,417</u>	<u>819,648</u>
Transportation:			
Traffic:			
Salaries and employee benefits	551,714	517,738	33,976
Operating expenditures	1,296,063	1,266,468	29,595
Capital outlay	100,624	99,253	1,371
Administrative reimbursement	(13,339)	(13,339)	-
Total	<u>1,935,062</u>	<u>1,870,120</u>	<u>64,942</u>
Street:			
Salaries and employee benefits	1,984,855	1,760,771	224,084
Operating expenditures	1,355,020	1,312,502	42,518
Capital outlay	344,165	164,164	180,001
Administrative reimbursement	(53,618)	(53,618)	-
Total	<u>3,630,422</u>	<u>3,183,819</u>	<u>446,603</u>
Total transportation	<u>5,565,484</u>	<u>5,053,939</u>	<u>511,545</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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Economic and Physical Development:			
Planning:			
Salaries and employee benefits	525,793	524,476	1,317
Operating expenditures	102,510	83,775	18,735
Administrative reimbursement	(28,056)	(28,056)	-
Total	<u>600,247</u>	<u>580,195</u>	<u>20,052</u>
Economic Development:			
Operating expenditures	<u>1,932,741</u>	<u>1,892,500</u>	<u>40,241</u>
Total	<u>1,932,741</u>	<u>1,892,500</u>	<u>40,241</u>
Total economic and physical development	<u>2,532,988</u>	<u>2,472,695</u>	<u>60,293</u>
Culture and Recreation:			
Recreation:			
Salaries and employee benefits	2,233,901	2,192,398	41,503
Operating expenditures	1,112,545	1,043,984	68,561
Capital outlay	1,667,797	1,331,292	336,505
Administrative reimbursement	39,772	39,772	-
Total	<u>5,054,015</u>	<u>4,607,446</u>	<u>446,569</u>
Library:			
Salaries and employee benefits	1,280,487	1,147,263	133,224
Operating expenditures	1,093,701	837,919	255,782
Capital outlay	42,885	41,530	1,355
Administrative reimbursement	1,583	1,583	-
Total	<u>2,418,656</u>	<u>2,028,295</u>	<u>390,361</u>
Total culture and recreation	<u>7,472,671</u>	<u>6,635,741</u>	<u>836,930</u>
Debt Service:			
Principal	992,688	992,686	2
Interest	100,501	100,500	1
Total	<u>1,093,189</u>	<u>1,093,186</u>	<u>3</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, 2014**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Contingency	240,843	-	240,843
Total expenditures	<u>44,354,412</u>	<u>41,200,019</u>	<u>3,154,393</u>
Revenues over (under) expenditures	<u>(1,801,437)</u>	<u>3,363,736</u>	<u>5,165,173</u>
Other Financing Sources (Uses):			
Transfers in (out):			
Capital Reserve Fund	1,204,800	1,204,800	-
Multi-Year Grant Projects Fund	12,327	12,326	(1)
Multi-Year Grant Projects Fund	(76,250)	(76,250)	-
Capital Reserve Fund	(1,019,048)	(1,019,048)	-
Stormwater Fund	(556,616)	(556,616)	-
Transportation Fund	(101,763)	(101,763)	-
Transportation Capital Projects Fund	(1,905)	(1,905)	-
Solid Waste Fund	(614,262)	(614,262)	-
Fleet Maintenance Fund	(15,000)	(15,000)	-
Total other financing sources (uses)	<u>(1,167,717)</u>	<u>(1,167,718)</u>	<u>(1)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(2,969,154)	2,196,018	5,165,172
Appropriated fund balance	<u>2,969,154</u>	-	<u>(2,969,154)</u>
Net change in fund balance	<u>\$ -</u>	2,196,018	<u>\$ 2,196,018</u>
Fund Balance:			
Beginning of year - July 1		<u>18,788,338</u>	
End of year - June 30		<u>\$ 20,984,356</u>	

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, 2014

	Capital Reserve Fund		
	Budgeted		Variance with
	Amounts		Final Budget
	Final	Actual	Over/Under
Revenues:			
Investment earnings	\$ 46,000	\$ 50,708	\$ 4,708
Total revenues	<u>46,000</u>	<u>50,708</u>	<u>4,708</u>
Expenditures:			
Current:			
General government	963,313	-	963,313
Transportation	55,735	-	55,735
Environmental protection	892,000	-	892,000
Total expenditures	<u>1,911,048</u>	<u>-</u>	<u>1,911,048</u>
Revenues over (under) expenditures	<u>(1,865,048)</u>	<u>50,708</u>	<u>1,915,756</u>
Other Financing Sources (Uses):			
Transfers out	(2,934,800)	(2,934,800)	-
Transfers in	2,943,128	2,943,126	(2)
Total other financing sources (uses)	<u>8,328</u>	<u>8,326</u>	<u>(2)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(1,856,720)</u>	<u>59,034</u>	<u>1,915,754</u>
Appropriated fund balance	<u>1,856,720</u>	<u>-</u>	<u>(1,856,720)</u>
Net change in fund balance	<u>\$ -</u>	<u>59,034</u>	<u>\$ 59,034</u>
Fund Balance:			
Beginning of year - July 1		<u>13,322,725</u>	
End of year - June 30		<u>\$ 13,381,759</u>	

Nonmajor Governmental Funds

CITY OF HICKORY, NORTH CAROLINA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General Capital Projects</u>	<u>Community Development Entitlement Block Grant</u>	<u>Home Consortium Grant</u>
Assets:			
Cash and cash equivalents	\$ -	\$ 7,351	\$ 11,509
Accounts receivable, net	30,824	1,454,931	9,215
Due from other governmental agencies	6,048	-	-
Prepaid	<u>-</u>	<u>158</u>	<u>-</u>
Total assets	<u>\$ 36,872</u>	<u>\$ 1,462,440</u>	<u>\$ 20,724</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 87,149	\$ 5,686	\$ -
Due to other funds	<u>568,390</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>655,539</u>	<u>5,686</u>	<u>-</u>
Deferred Inflows of Resources:			
Economic development receivable	<u>-</u>	<u>1,273,823</u>	<u>8,249</u>
Fund Balances:			
Non-spendable	-	158	-
Restricted for stabilization for State statute	36,872	181,108	966
Restricted for economic development	-	1,665	-
Committed for economic development	-	-	11,509
Unassigned	<u>(655,539)</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>(618,667)</u>	<u>182,931</u>	<u>12,475</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 36,872</u>	<u>\$ 1,462,440</u>	<u>\$ 20,724</u>

Schedule C-1

NCHFA Rental Rehabilitation Grant	Multi-Year Grant Projects	Total
\$ -	\$ -	\$ 18,860
33,364	-	1,528,334
29,759	88,335	124,142
-	-	158
\$ 63,123	\$ 88,335	\$ 1,671,494
\$ 70	\$ 18,750	\$ 111,655
744	51,036	620,170
814	69,786	731,825
33,364	-	1,315,436
-	-	158
29,759	88,335	337,040
-	-	1,665
-	-	11,509
(814)	(69,786)	(726,139)
28,945	18,549	(375,767)
\$ 63,123	\$ 88,335	\$ 1,671,494

CITY OF HICKORY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2014

	<u>General Capital Projects</u>	<u>Community Development Entitlement Block Grant</u>	<u>Home Consortium Grant</u>
Revenues:			
Restricted intergovernmental	\$ 269,944	\$ 257,356	\$ -
Investment earnings	1,264	(65)	43
Miscellaneous	-	175,548	2,707
Total revenues	<u>271,208</u>	<u>432,839</u>	<u>2,750</u>
Expenditures:			
Public safety	-	-	-
Economic and physical development	-	458,291	-
Capital outlay	1,484,787	-	-
Total expenditures	<u>1,484,787</u>	<u>458,291</u>	<u>-</u>
Revenues over (under) expenditures	<u>(1,213,579)</u>	<u>(25,452)</u>	<u>2,750</u>
Other Financing Sources (Uses):			
Transfers in	585,000	-	-
Transfers (out)	(23,542)	(6,150)	-
Total other financing sources (uses)	<u>561,458</u>	<u>(6,150)</u>	<u>-</u>
Net change in fund balances	(652,121)	(31,602)	2,750
Fund Balances:			
Beginning of year - July 1	<u>33,454</u>	<u>214,533</u>	<u>9,725</u>
End of year - June 30	<u>\$ (618,667)</u>	<u>\$ 182,931</u>	<u>\$ 12,475</u>

Schedule C-2

NCHFA Rental Rehabilitation Grant	Multi-Year Grant Projects	Total
\$ 33,158	\$ 255,107	\$ 815,565
37	18	1,297
<u>21,816</u>	<u>6,000</u>	<u>206,071</u>
<u>55,011</u>	<u>261,125</u>	<u>1,022,933</u>
-	155,255	155,255
37,123	163,701	659,115
-	-	<u>1,484,787</u>
<u>37,123</u>	<u>318,956</u>	<u>2,299,157</u>
<u>17,888</u>	<u>(57,831)</u>	<u>(1,276,224)</u>
-	82,400	667,400
<u>-</u>	<u>(12,326)</u>	<u>(42,018)</u>
<u>-</u>	<u>70,074</u>	<u>625,382</u>
17,888	12,243	(650,842)
<u>11,057</u>	<u>6,306</u>	<u>275,075</u>
<u>\$ 28,945</u>	<u>18,549</u>	<u>\$ (375,767)</u>

HICKORY



North Carolina

Capital Project Funds

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

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, 2014

	<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:					
Federal grants	\$ 1,747,522	\$ 1,044	\$ 236,154	\$ 237,198	\$ (1,510,324)
State grants	523,841	-	33,790	33,790	(490,051)
Investment earnings	157,731	21,057	1,264	22,321	(135,410)
Miscellaneous	<u>776,400</u>	<u>108,422</u>	<u>-</u>	<u>108,422</u>	<u>(667,978)</u>
Total revenues	<u>3,205,494</u>	<u>130,523</u>	<u>271,208</u>	<u>401,731</u>	<u>(2,803,763)</u>
Expenditures:					
Capital outlay:					
General government:					
Canopy project	411,104	411,105	-	411,105	(1)
Parking deck	197,000	-	5,005	5,005	191,995
Public safety:					
Radio system upgrade	1,752,500	1,752,500	-	1,752,500	-
Transportation:					
Storm damage repairs	2,095,363	-	610,708	610,708	1,484,655
Falling Creek Bridge	220,000	1,305	168,480	169,785	50,215
Economic and physical development:					
East Hickory Redevelopment Plan	1,205,800	631,975	-	631,975	573,825
Culture and recreation:					
Henry Fork Regional Park	<u>710,000</u>	<u>-</u>	<u>700,594</u>	<u>700,594</u>	<u>9,406</u>
Total expenditures	<u>6,591,767</u>	<u>2,796,885</u>	<u>1,484,787</u>	<u>4,281,672</u>	<u>2,310,095</u>
Revenues over (under) expenditures	<u>(3,386,273)</u>	<u>(2,666,362)</u>	<u>(1,213,579)</u>	<u>(3,879,941)</u>	<u>(493,668)</u>
Other Financing Sources (Uses):					
Transfers in	2,317,131	1,732,131	585,000	2,317,131	-
Transfers (out)	(98,543)	(75,000)	(23,542)	(98,542)	1
Issuance of debt	<u>1,167,685</u>	<u>1,042,685</u>	<u>-</u>	<u>1,042,685</u>	<u>(125,000)</u>
Total other financing sources (uses)	<u>3,386,273</u>	<u>2,699,816</u>	<u>561,458</u>	<u>3,261,274</u>	<u>(124,999)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 33,454</u>	<u>\$ (652,121)</u>	<u>\$ (618,667)</u>	<u>\$ (618,667)</u>

HICKORY



North Carolina

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.

Multi-Year Grant Project 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, 2014

	<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:					
2010 Entitlement Block Grant	\$ 345,255	\$ 345,255	\$ -	\$ 345,255	\$ -
2011 Entitlement Block Grant	287,688	255,414	32,274	287,688	-
2012 Entitlement Block Grant	303,218	-	225,082	225,082	(78,136)
2013 Entitlement Block Grant	301,142	-	-	-	(301,142)
Investment earnings	-	-	(65)	(65)	(65)
Miscellaneous	586,400	672,563	175,548	848,111	261,711
Total revenues	<u>1,823,703</u>	<u>1,273,232</u>	<u>432,839</u>	<u>1,706,071</u>	<u>(117,632)</u>
Expenditures:					
Economic and physical development	<u>1,817,553</u>	<u>1,058,699</u>	<u>458,291</u>	<u>1,516,990</u>	<u>300,563</u>
Total expenditures	<u>1,817,553</u>	<u>1,058,699</u>	<u>458,291</u>	<u>1,516,990</u>	<u>300,563</u>
Other Financing Sources (Uses):					
Transfers (out)	<u>(6,150)</u>	<u>-</u>	<u>(6,150)</u>	<u>(6,150)</u>	<u>-</u>
Total other financing sources (uses)	<u>(6,150)</u>	<u>-</u>	<u>(6,150)</u>	<u>(6,150)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 214,533</u>	<u>\$ (31,602)</u>	<u>\$ 182,931</u>	<u>\$ 182,931</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, 2014

	<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	\$ 8,177	\$ 8,307	\$ 43	\$ 8,350	\$ 173
Miscellaneous	120,873	122,028	2,707	124,735	3,862
Total revenues	<u>129,050</u>	<u>130,335</u>	<u>2,750</u>	<u>133,085</u>	<u>4,035</u>
Expenditures:					
Economic and physical development	<u>121,550</u>	<u>113,110</u>	<u>-</u>	<u>113,110</u>	<u>8,440</u>
Revenues over (under) expenditures	<u>7,500</u>	<u>17,225</u>	<u>2,750</u>	<u>19,975</u>	<u>12,475</u>
Other Financing Sources (Uses):					
Transfers (out)	<u>(7,500)</u>	<u>(7,500)</u>	<u>-</u>	<u>(7,500)</u>	<u>-</u>
Total other financing sources (uses)	<u>(7,500)</u>	<u>(7,500)</u>	<u>-</u>	<u>(7,500)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 9,725</u>	<u>\$ 2,750</u>	<u>\$ 12,475</u>	<u>\$ 12,475</u>

CITY OF HICKORY, NORTH CAROLINA

NCHF A 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, 2014

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
State grants	\$ 75,000	\$ 34,099	\$ 33,158	\$ 67,257	\$ (7,743)
Total	<u>75,000</u>	<u>34,099</u>	<u>33,158</u>	<u>67,257</u>	<u>(7,743)</u>
Sales and service	35,456	35,457	-	35,457	1
Investment earnings	51,535	51,644	37	51,681	146
Miscellaneous	<u>1,292,146</u>	<u>1,286,673</u>	<u>21,816</u>	<u>1,308,489</u>	<u>16,343</u>
Total revenues	<u>1,454,137</u>	<u>1,407,873</u>	<u>55,011</u>	<u>1,462,884</u>	<u>8,747</u>
Expenditures:					
Economic and physical development	<u>1,451,093</u>	<u>1,393,773</u>	<u>37,123</u>	<u>1,430,896</u>	<u>20,197</u>
Revenues over (under) expenditures	<u>3,044</u>	<u>14,100</u>	<u>17,888</u>	<u>31,988</u>	<u>28,944</u>
Other Financing Sources (Uses):					
Transfers (out)	(6,794)	(6,794)	-	(6,794)	-
Transfers in	<u>3,750</u>	<u>3,751</u>	-	<u>3,751</u>	<u>(1)</u>
Total other financing sources (uses)	<u>(3,044)</u>	<u>(3,043)</u>	-	<u>(3,043)</u>	<u>(1)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 11,057</u>	<u>\$ 17,888</u>	<u>\$ 28,945</u>	<u>\$ 28,945</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, 2014

	<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	\$ 568,374	\$ 103,124	\$ 255,107	\$ 358,231	\$ (210,143)
Donations	6,000	-	6,000	6,000	-
Investment earnings	-	-	18	18	18
Total revenues	<u>574,374</u>	<u>103,124</u>	<u>261,125</u>	<u>364,249</u>	<u>(210,125)</u>
Expenditures:					
Economic and physical development:					
Ridgeview Library Rehabilitation	21,150	-	-	-	21,150
Brownfields	400,000	48,580	163,701	212,281	187,719
Public safety:					
Bulletproof Vest Partnership	48,000	34,770	13,369	48,139	(139)
Bulletproof Vest Partnership	25,200	-	17,565	17,565	7,635
FY14 Edward Byrne Memorial Justice Assistance Grant (JAG)	23,860	-	23,845	23,845	15
FY13 Edward Byrne Memorial Justice Assistance Grant (JAG)	42,364	37,268	5,096	42,364	-
Governor's Highway Safety Program	<u>107,673</u>	-	<u>95,380</u>	<u>95,380</u>	<u>12,293</u>
Total expenditures	<u>668,247</u>	<u>120,618</u>	<u>318,956</u>	<u>439,574</u>	<u>228,673</u>
Revenue over (under) expenditures	<u>(93,873)</u>	<u>(17,494)</u>	<u>(57,831)</u>	<u>(75,325)</u>	<u>18,548</u>
Other Financing Sources (Uses):					
Transfers (out)	(12,327)	-	(12,326)	(12,326)	1
Transfers in	<u>106,200</u>	<u>23,800</u>	<u>82,400</u>	<u>106,200</u>	<u>-</u>
Total other financing sources (uses)	<u>93,873</u>	<u>23,800</u>	<u>70,074</u>	<u>93,874</u>	<u>1</u>
Net change in fund balance	<u>\$ -</u>	<u>6,306</u>	<u>\$ 12,243</u>	<u>\$ 18,549</u>	<u>\$ 18,549</u>

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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services:			
Water charges	\$ 13,058,449	\$ 13,342,443	\$ 283,994
Sewer charges	<u>8,690,535</u>	<u>9,141,253</u>	<u>450,718</u>
Total	<u>21,748,984</u>	<u>22,483,696</u>	<u>734,712</u>
Water taps	115,000	129,487	14,487
Sewer taps	20,000	30,886	10,886
Other operating revenues	<u>205,168</u>	<u>312,216</u>	<u>107,048</u>
Total operating revenues	<u>340,168</u>	<u>472,589</u>	<u>132,421</u>
Non-operating revenues:			
Federal and State grants	49,354	135,513	86,159
Interest earned on investments	<u>101,876</u>	<u>88,012</u>	<u>(13,864)</u>
Total non-operating revenues	<u>151,230</u>	<u>223,525</u>	<u>72,295</u>
Total revenues	<u>22,240,382</u>	<u>23,179,810</u>	<u>939,428</u>
Expenditures:			
Environmental protection:			
Administration:			
Salaries and employee benefits	654,149	437,539	216,610
Other operating expenditures	2,304,125	2,216,204	87,921
Capital outlay	124,933	89,559	35,374
Administrative reimbursement	<u>3,232,985</u>	<u>3,182,849</u>	<u>50,136</u>
Total	<u>6,316,192</u>	<u>5,926,151</u>	<u>390,041</u>
Collection system:			
Salaries and employee benefits	702,917	665,567	37,350
Other operating expenditures	732,582	669,263	63,319
Capital outlay	<u>100,000</u>	<u>53,331</u>	<u>46,669</u>
Total	<u>1,535,499</u>	<u>1,388,161</u>	<u>147,338</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, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Henry Fork plant:			
Salaries and employee benefits	493,771	473,585	20,186
Other operating expenditures	575,991	459,276	116,715
Capital outlay	21,300	20,522	778
Total	<u>1,091,062</u>	<u>953,383</u>	<u>137,679</u>
Northeast plant:			
Salaries and employee benefits	523,060	489,158	33,902
Other operating expenditures	529,188	392,778	136,410
Capital outlay	9,500	4,782	4,718
Total	<u>1,061,748</u>	<u>886,718</u>	<u>175,030</u>
Water treatment plant:			
Salaries and employee benefits	599,421	548,260	51,161
Other operating expenditures	2,442,116	2,056,493	385,623
Capital outlay	80,532	76,121	4,411
Total	<u>3,122,069</u>	<u>2,680,874</u>	<u>441,195</u>
Pre-treatment and lab:			
Salaries and employee benefits	365,002	369,846	(4,844)
Other operating expenditures	182,934	141,215	41,719
Capital outlay	13,300	5,729	7,571
Total	<u>561,236</u>	<u>516,790</u>	<u>44,446</u>
Claremont sewer lines:			
Salaries and employee benefits	114,413	111,763	2,650
Other operating expenditures	294,863	115,102	179,761
Total	<u>409,276</u>	<u>226,865</u>	<u>182,411</u>
Distribution:			
Salaries and employee benefits	1,631,726	1,507,172	124,554
Other operating expenditures	978,477	883,633	94,844
Capital outlay	1,775,913	880,660	895,253
Total	<u>4,386,116</u>	<u>3,271,465</u>	<u>1,114,651</u>
Total environmental protection	<u>18,483,198</u>	<u>15,850,407</u>	<u>2,632,791</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Debt service:			
Principal retirement	3,237,842	3,237,838	4
Interest on long-term debt	1,084,471	1,097,850	(13,379)
Total	<u>4,322,313</u>	<u>4,335,688</u>	<u>(13,375)</u>
Contingency	<u>41,000</u>	<u>-</u>	<u>41,000</u>
Total expenditures	<u>22,846,511</u>	<u>20,186,095</u>	<u>2,660,416</u>
Revenues over (under) expenditures	<u>(606,129)</u>	<u>2,993,715</u>	<u>3,599,844</u>
Other Financing Sources (Uses):			
Transfers from other funds	885,000	885,000	-
Transfers (to) other funds	(1,306,199)	(1,306,199)	-
Appropriated fund balance	<u>1,027,328</u>	<u>-</u>	<u>(1,027,328)</u>
Total other financing sources (uses)	<u>606,129</u>	<u>(421,199)</u>	<u>(1,027,328)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 2,572,516</u>	<u>\$ 2,572,516</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 2,572,516	
Reconciling items:			
Depreciation and amortization		(3,610,472)	
Long-term debt principal repayments		3,237,838	
Gain on sale of assets		(378,238)	
Capital project revenues		94,416	
Capital projects - transfers from (to) other funds		(720,536)	
Capital assets purchased/capitalized		1,130,704	
Contributed capital - developers		23,838	
Change in accrued vacation pay		1,709	
Change in accrued interest payable		(79,849)	
Other post-employment benefits		<u>(176,347)</u>	
Change in net position		<u>\$ 2,095,579</u>	

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, 2014

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
Federal grants	\$ 40,730	\$ -	\$ 40,780	\$ 40,780	\$ 50
State grants	2,959,620	49,555	38,043	87,598	(2,872,022)
Local grants	1,243,194	285,400	-	285,400	(957,794)
Total	4,243,544	334,955	78,823	413,778	(3,829,766)
Miscellaneous:					
Facilities fees	292,500	292,500	-	292,500	-
Investment earnings	69,865	86,760	15,593	102,353	32,488
Total revenues	4,605,909	714,215	94,416	808,631	(3,797,278)
Expenditures:					
Capital outlay:					
High capacity water pump	54,000	54,000	-	54,000	-
Catawba wastewater treatment plant	12,428,889	2,509,235	6,565,344	9,074,579	3,354,310
Northeast Sewer Grant project	2,946,043	49,555	24,450	74,005	2,872,038
Rock quarry	54,307	-	54,307	54,307	-
Northeast wastewater treatment plant	24,478,024	24,478,024	-	24,478,024	-
Murray Basin sewer project	288,000	-	24,776	24,776	263,224
Total expenditures	40,249,263	27,090,814	6,668,877	33,759,691	6,489,572
Revenues over (under) expenditures	(35,643,354)	(26,376,599)	(6,574,461)	(32,951,060)	2,692,294
Other Financing Sources (Uses):					
Transfers from other funds	9,251,891	8,963,891	288,000	9,251,891	-
Transfers (to) other funds	(1,008,537)	-	(1,008,536)	(1,008,536)	1
Issuance of long-term debt	27,400,000	27,400,000	-	27,400,000	-
Total other financing sources (uses)	35,643,354	36,363,891	(720,536)	35,643,355	1
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 9,987,292	\$ (7,294,997)	\$ 2,692,295	\$ 2,692,295

CITY OF HICKORY, NORTH CAROLINA

**TRANSPORTATION FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Restricted intergovernmental:			
Airport	\$ -	\$ 3,365	\$ 3,365
Airport services	<u>2,218,360</u>	<u>2,181,921</u>	<u>(36,439)</u>
Total operating revenues	<u>2,218,360</u>	<u>2,185,286</u>	<u>(33,074)</u>
Non-operating revenues:			
Investment earnings	<u>7,000</u>	<u>2,215</u>	<u>(4,785)</u>
Total revenues	<u>2,225,360</u>	<u>2,187,501</u>	<u>(37,859)</u>
Expenditures:			
Airport:			
Salaries and employee benefits	200,335	183,611	16,724
Other operating expenditures	199,907	198,899	1,008
Administrative reimbursement	<u>110,406</u>	<u>110,406</u>	<u>-</u>
Total airport	<u>510,648</u>	<u>492,916</u>	<u>17,732</u>
Airport tower:			
Other operating expenditures	<u>14,523</u>	<u>16,961</u>	<u>(2,438)</u>
Total airport tower	<u>14,523</u>	<u>16,961</u>	<u>(2,438)</u>
Airport FBO:			
Salaries and employee benefits	289,606	283,185	6,421
Other operating expenditures	<u>1,517,846</u>	<u>1,383,807</u>	<u>134,039</u>
Total airport FBO	<u>1,807,452</u>	<u>1,666,992</u>	<u>140,460</u>
Total transportation	<u>2,332,623</u>	<u>2,176,869</u>	<u>155,754</u>
Revenues over (under) expenditures	<u>(107,263)</u>	<u>10,632</u>	<u>117,895</u>

CITY OF HICKORY, NORTH CAROLINA

TRANSPORTATION FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Other Financing Sources (Uses):			
Transfers from other funds	101,763	101,763	-
Appropriated fund balance	5,500	-	(5,500)
Total other financing sources (uses)	<u>107,263</u>	<u>101,763</u>	<u>(5,500)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 112,395</u>	<u>\$ 112,395</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 112,395	
Reconciling items:			
Depreciation		(410,265)	
Gain on disposal of capital assets		1,314	
Capital project revenues		57,541	
Capital project interest		30	
Capital projects - transfers from (to) other funds		1,905	
Change in accrued vacation pay		(9,575)	
Change in other post-employment benefits		<u>(18,583)</u>	
Change in net position		<u>\$ (265,238)</u>	

CITY OF HICKORY, NORTH CAROLINA

TRANSPORTATION CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<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	\$ 97,080	\$ 26,851	\$ 57,541	\$ 84,392	\$ (12,688)
Total	<u>97,080</u>	<u>26,851</u>	<u>57,541</u>	<u>84,392</u>	<u>(12,688)</u>
Investment earnings	<u>-</u>	<u>-</u>	<u>30</u>	<u>30</u>	<u>30</u>
Total revenues	<u>97,080</u>	<u>26,851</u>	<u>57,571</u>	<u>84,422</u>	<u>(12,658)</u>
Expenditures:					
Capital outlay:					
Transportation:					
Airport improvements	<u>107,867</u>	<u>29,832</u>	<u>63,937</u>	<u>93,769</u>	<u>14,098</u>
Total expenditures	<u>107,867</u>	<u>29,832</u>	<u>63,937</u>	<u>93,769</u>	<u>14,098</u>
Revenues over (under) expenditures	<u>(10,787)</u>	<u>(2,981)</u>	<u>(6,366)</u>	<u>(9,347)</u>	<u>1,440</u>
Other Financing Sources (Uses):					
Intrafund transfer in	<u>10,787</u>	<u>8,882</u>	<u>1,905</u>	<u>10,787</u>	<u>-</u>
Total other financing sources (uses)	<u>10,787</u>	<u>8,882</u>	<u>1,905</u>	<u>10,787</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 5,901</u>	<u>\$ (4,461)</u>	<u>\$ 1,440</u>	<u>\$ 1,440</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, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Solid waste excise tax	\$ 27,000	\$ 24,464	\$ (2,536)
Charges for services:			
Recycling fees	2,345,600	2,377,064	31,464
Dumpster rentals	396,000	383,978	(12,022)
Refuse fees	854,000	836,711	(17,289)
Total	<u>3,595,600</u>	<u>3,597,753</u>	<u>2,153</u>
Other operating revenues	4,000	24,693	20,693
Total operating revenues	<u>3,626,600</u>	<u>3,646,910</u>	<u>20,310</u>
Non-operating revenues:			
Investment earnings	25,000	9,175	(15,825)
Miscellaneous	-	3,401	3,401
Total non-operating revenues	<u>25,000</u>	<u>12,576</u>	<u>(12,424)</u>
Total revenues	<u>3,651,600</u>	<u>3,659,486</u>	<u>7,886</u>
Expenditures:			
Environmental protection:			
Recycling services:			
Salaries and employee benefits	650,410	604,548	45,862
Other operating expenditures	1,501,481	1,562,854	(61,373)
Capital outlay	231,762	230,173	1,589
Administrative reimbursement	441,885	441,885	-
Total	<u>2,825,538</u>	<u>2,839,460</u>	<u>(13,922)</u>
Residential sanitation:			
Salaries and employee benefits	355,778	347,855	7,923
Other operating expenditures	418,941	399,351	19,590
Capital outlay	260,000	257,270	2,730
Total	<u>1,034,719</u>	<u>1,004,476</u>	<u>30,243</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Commercial sanitation:			
Salaries and employee benefits	551,312	485,712	65,600
Other operating expenditures	391,028	412,109	(21,081)
Capital outlay	216,049	135,892	80,157
Administrative reimbursement	(77,864)	(77,864)	-
Total	<u>1,080,525</u>	<u>955,849</u>	<u>124,676</u>
 Total environmental protection	 <u>4,940,782</u>	 <u>4,799,785</u>	 <u>140,997</u>
 Revenues over (under) expenditures	 <u>(1,289,182)</u>	 <u>(1,140,299)</u>	 <u>148,883</u>
 Other Financing Sources (Uses):			
Transfers from other funds	874,262	874,262	-
Appropriated fund balance	414,920	-	(414,920)
Total other financing sources (uses)	<u>1,289,182</u>	<u>874,262</u>	<u>(414,920)</u>
 Revenues and other financing sources over (under) expenditures and other financing uses	 <u>\$ -</u>	 <u>\$ (266,037)</u>	 <u>\$ (266,037)</u>
 Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ (266,037)	
Reconciling items:			
Depreciation		(557,433)	
Capital assets purchased/capitalized		623,335	
Change in accrued vacation pay		3,777	
Gain on disposal of assets		41,810	
Change in other post-employment benefits		<u>(57,974)</u>	
 Change in net position		 <u>\$ (212,522)</u>	

HICKORY

A decorative graphic featuring a blue wave-like shape with a white outline. Overlaid on the wave are several green leaves of varying shades, some overlapping the wave and others extending above it.

North Carolina

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, 2014

	Sludge Composting Fund	Stormwater Fund	Total Nonmajor Enterprise Funds
Assets:			
Current assets:			
Cash and cash equivalents	\$ -	\$ 534,486	\$ 534,486
Accounts receivable, net	17,478	584	18,062
Due from other governments	55,415	6,253	61,668
Prepaid items	1,074	-	1,074
Total current assets	<u>73,967</u>	<u>541,323</u>	<u>615,290</u>
Non-current assets:			
Land and construction in progress	145,024	-	145,024
Other capital assets, net of depreciation	3,343,883	2,561,772	5,905,655
Total non-current assets	<u>3,488,907</u>	<u>2,561,772</u>	<u>6,050,679</u>
Total assets	<u>3,562,874</u>	<u>3,103,095</u>	<u>6,665,969</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	28,248	187,347	215,595
Due to other funds	29,371	-	29,371
Current portion of long-term debt	-	2,714	2,714
Total current liabilities	<u>57,619</u>	<u>190,061</u>	<u>247,680</u>
Non-current liabilities:			
Compensated absences payable	-	7,417	7,417
Non-current portion of long-term debt	-	16,238	16,238
Total non-current liabilities	<u>-</u>	<u>23,655</u>	<u>23,655</u>
Total liabilities	<u>57,619</u>	<u>213,716</u>	<u>271,335</u>
Net Position:			
Net investment in capital assets	3,488,907	2,561,772	6,050,679
Unrestricted	16,348	327,607	343,955
Total net position	<u>\$ 3,505,255</u>	<u>\$ 2,889,379</u>	<u>\$ 6,394,634</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, 2014**

	Sludge Composting Fund	Stormwater Fund	Total Nonmajor Enterprise Funds
Operating Revenues:			
Restricted intergovernmental	\$ 1,594,004	\$ -	\$ 1,594,004
Sludge charges	37,809	-	37,809
Stormwater charges	-	57,812	57,812
Total operating revenues	<u>1,631,813</u>	<u>57,812</u>	<u>1,689,625</u>
Operating Expenses:			
Administration and engineering	-	122,777	122,777
Sludge plant	1,568,743	-	1,568,743
Street	-	245,053	245,053
Drainage maintenance	-	43,904	43,904
Depreciation	325,486	340,709	666,195
Total operating expenses	<u>1,894,229</u>	<u>752,443</u>	<u>2,646,672</u>
Operating income (loss)	<u>(262,416)</u>	<u>(694,631)</u>	<u>(957,047)</u>
Non-operating revenues (expenses):			
Interest earned on investments	-	1,372	1,372
Total non-operating revenues (expenses)	<u>-</u>	<u>1,372</u>	<u>1,372</u>
Income (loss) before capital contributions and transfers	(262,416)	(693,259)	(955,675)
Capital Contributions:			
Capital contributions	-	100,117	100,117
Transfers:			
Transfers in	-	682,815	682,815
Change in net position	(262,416)	89,673	(172,743)
Net Position:			
Beginning of year - July 1	<u>3,767,671</u>	<u>2,799,706</u>	<u>6,567,377</u>
End of year - June 30	<u>\$ 3,505,255</u>	<u>\$ 2,889,379</u>	<u>\$ 6,394,634</u>

CITY OF HICKORY, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

	Sludge Composting Fund	Stormwater Fund	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 1,629,883	\$ 57,765	\$ 1,687,648
Cash paid to suppliers	(1,656,893)	(127,134)	(1,784,027)
Cash paid to employees	-	(104,712)	(104,712)
Net cash provided (used) by operating activities	<u>(27,010)</u>	<u>(174,081)</u>	<u>(201,091)</u>
Cash Flows from Non-Capital Financing Activities:			
Changes in due to/from other funds	29,371	-	29,371
Transfers from other funds	-	682,815	682,815
Net cash provided (used) by non-capital financing activities	<u>29,371</u>	<u>682,815</u>	<u>712,186</u>
Cash Flows from Capital And Related Financing Activities:			
Acquisition and construction of capital assets	<u>(46,725)</u>	<u>(286,640)</u>	<u>(333,365)</u>
Net cash provided (used) by capital and related financing activities	<u>(46,725)</u>	<u>(286,640)</u>	<u>(333,365)</u>
Cash Flows from Investing Activities:			
Interest on investments	-	1,372	1,372
Net cash provided (used) by investing activities	<u>-</u>	<u>1,372</u>	<u>1,372</u>
Net increase (decrease) in cash and cash equivalents	(44,364)	223,466	179,102
Cash and Cash Equivalents:			
Beginning of year - July 1	<u>44,364</u>	<u>311,020</u>	<u>355,384</u>
End of year - June 30	<u>\$ -</u>	<u>\$ 534,486</u>	<u>\$ 534,486</u>

CITY OF HICKORY, NORTH CAROLINA

**NONMAJOR ENTERPRISE FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Sludge Composting Fund</u>	<u>Stormwater Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
Reconciliation of Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (262,416)	\$ (694,631)	\$ (957,047)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	325,486	340,709	666,195
Change in assets and liabilities:			
(Increase) decrease in accounts receivables	(1,930)	(3,129)	(5,059)
(Increase) decrease in prepaid items	(109)	860	751
Increase (decrease) in accounts payable	(88,041)	179,322	91,281
Increase (decrease) in compensated absences	-	465	465
Increase (decrease) in other post-employment benefits	-	2,323	2,323
Net cash provided (used) by operating activities	<u>\$ (27,010)</u>	<u>\$ (174,081)</u>	<u>\$ (201,091)</u>
Non-Cash Transactions:			
Contributed assets		<u>\$ 100,117</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Restricted intergovernmental:			
Local grants	\$ 1,669,966	\$ 1,594,004	\$ (75,962)
Charges for services:			
Sludge charges	-	37,809	37,809
Total revenues	<u>1,669,966</u>	<u>1,631,813</u>	<u>(38,153)</u>
Expenditures:			
Environmental protection:			
Other operating expenditures	1,507,909	1,456,686	51,223
Capital outlay	50,000	46,725	3,275
Administrative reimbursement	<u>112,057</u>	<u>112,057</u>	<u>-</u>
Total expenditures	<u>1,669,966</u>	<u>1,615,468</u>	<u>54,498</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 16,345</u>	<u>\$ 16,345</u>
Reconciliation from Budgetary Basis (Modified Accrual)			
to Full Accrual Basis:			
Revenues over (under) expenditures		<u>\$ 16,345</u>	
Reconciling items:			
Capital outlay		46,725	
Depreciation		<u>(325,486)</u>	
Total reconciling items		<u>(278,761)</u>	
Change in net position		<u>\$ (262,416)</u>	

CITY OF HICKORY, NORTH CAROLINA

STORMWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Stormwater charges	\$ -	\$ 57,812	\$ 57,812
Non-operating revenues:			
Interest earned on investments	-	1,372	1,372
Donations/contributions	82,670	-	82,670
Total non-operating revenues	<u>82,670</u>	<u>1,372</u>	<u>84,042</u>
Total revenues	<u>82,670</u>	<u>59,184</u>	<u>141,854</u>
Expenditures:			
Environmental protection:			
Engineering:			
Salaries and benefits	106,237	107,500	(1,263)
Other operating expenditures	40,432	10,812	29,620
Capital outlay	1,730	1,677	53
Total	<u>148,399</u>	<u>119,989</u>	<u>28,410</u>
Street:			
Other operating expenditures	238,000	245,053	(7,053)
Capital outlay	319,086	286,640	32,446
Total	<u>557,086</u>	<u>531,693</u>	<u>25,393</u>
Drainage maintenance:			
Other operating expenditures	<u>60,000</u>	<u>43,904</u>	<u>16,096</u>
Total environmental protection	<u>765,485</u>	<u>695,586</u>	<u>69,899</u>
Revenues over (under) expenditures	<u>(682,815)</u>	<u>(636,402)</u>	<u>46,413</u>
Other Financing Sources (Uses):			
Transfers in	<u>682,815</u>	<u>682,815</u>	<u>-</u>
Total other financing sources (uses)	<u>682,815</u>	<u>682,815</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 46,413</u>	<u>\$ 46,413</u>

CITY OF HICKORY, NORTH CAROLINA

**STORMWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 46,413	
Reconciling items:			
Depreciation		(340,709)	
Capital assets purchased/capitalized		286,640	
Capital contributions		100,117	
Change in accrued vacation pay		(465)	
Other post-employment benefits		<u>(2,323)</u>	
Change in net position		<u>\$ 89,673</u>	



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, 2014

	<u>Insurance Fund</u>	<u>Fleet Maintenance Fund</u>	<u>Total</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 6,617,366	\$ -	\$ 6,617,366
Accounts receivable, net	11,827	-	11,827
Due from other governments	-	51,337	51,337
Inventory	-	94,265	94,265
Prepaid items	309,371	353	309,724
Total current assets	<u>6,938,564</u>	<u>145,955</u>	<u>7,084,519</u>
Non-current assets:			
Depreciable capital assets, net	-	5,823	5,823
Total assets	<u>6,938,564</u>	<u>151,778</u>	<u>7,090,342</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	1,596,167	42,406	1,638,573
Due to other funds	-	358,731	358,731
Prepaid fees	8,017	-	8,017
Current portion of long-term debt	-	19,650	19,650
Total current liabilities	<u>1,604,184</u>	<u>420,787</u>	<u>2,024,971</u>
Non-current liabilities:			
Compensated absences, noncurrent	-	33,525	33,525
Non-current portion of long-term debt	-	141,375	141,375
Total non-current liabilities	<u>-</u>	<u>174,900</u>	<u>174,900</u>
Total liabilities	<u>1,604,184</u>	<u>595,687</u>	<u>2,199,871</u>
Net Position:			
Net investment in capital assets	-	5,823	5,823
Unrestricted	5,334,380	(449,732)	4,884,648
Total net position	<u>\$ 5,334,380</u>	<u>\$ (443,909)</u>	<u>\$ 4,890,471</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, 2014**

	Insurance Fund	Fleet Maintenance Fund	Total
Operating Revenues:			
Charges for services	\$ 6,547,450	\$ 3,030,543	\$ 9,577,993
Total operating revenues	<u>6,547,450</u>	<u>3,030,543</u>	<u>9,577,993</u>
Operating Expenses:			
Health insurance	5,245,677	-	5,245,677
Property/casualty insurance	543,091	-	543,091
Workers' compensation	610,280	-	610,280
Fleet maintenance	-	2,963,473	2,963,473
Depreciation	-	7,524	7,524
Total operating expenses	<u>6,399,048</u>	<u>2,970,997</u>	<u>9,370,045</u>
Operating income (loss)	<u>148,402</u>	<u>59,546</u>	<u>207,948</u>
Non-Operating Revenues (Expenses):			
Investment earnings	32,904	-	32,904
Transfers from other funds	-	15,000	15,000
Total non-operating revenues (expenses)	<u>32,904</u>	<u>15,000</u>	<u>47,904</u>
Change in net position	181,306	74,546	255,852
Net Position:			
Beginning of year - July 1	<u>5,153,074</u>	<u>(518,455)</u>	<u>4,634,619</u>
End of year - June 30	<u>\$ 5,334,380</u>	<u>\$ (443,909)</u>	<u>\$ 4,890,471</u>

CITY OF HICKORY, NORTH CAROLINA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Insurance Fund	Fleet Maintenance Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 6,550,397	\$ 3,030,543	\$ 9,580,940
Cash paid to suppliers	(6,355,929)	(2,379,861)	(8,735,790)
Cash paid to employees	-	(577,104)	(577,104)
Net cash provided (used) by operating activities	<u>194,468</u>	<u>73,578</u>	<u>268,046</u>
Cash Flows from Non-Capital Financing Activities:			
Changes in due to/from other funds	-	(88,578)	(88,578)
Transfers from other funds	-	15,000	15,000
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>(73,578)</u>	<u>(73,578)</u>
Cash Flows from Investing Activities:			
Interest on investments	32,904	-	32,904
Net cash provided (used) by investing activities	<u>32,904</u>	<u>-</u>	<u>32,904</u>
Net increase (decrease) in cash and cash equivalents	227,372	-	227,372
Cash and Cash Equivalents:			
Beginning of year - July 1	<u>6,389,994</u>	<u>-</u>	<u>6,389,994</u>
End of year - June 30	<u>\$ 6,617,366</u>	<u>\$ -</u>	<u>\$ 6,617,366</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 148,402	\$ 59,546	\$ 207,948
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	7,524	7,524
Change in assets and liabilities:			
(Increase) decrease in accounts receivables	5,807	(4,843)	964
(Increase) decrease in prepaid items	(62,175)	1,274	(60,901)
(Increase) decrease in inventories	-	(9,741)	(9,741)
Increase (decrease) in accounts payable	105,294	3,585	108,879
Increase (decrease) in deferred revenues	(2,860)	-	(2,860)
Increase (decrease) in compensated absences	-	3,505	3,505
Increase (decrease) in other post-employment benefits	-	12,728	12,728
Net cash provided (used) by operating activities	<u>\$ 194,468</u>	<u>\$ 73,578</u>	<u>\$ 268,046</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, 2014

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Operating Revenues:			
Charges for services	\$ 6,322,946	\$ 6,547,450	\$ 224,504
Total operating revenues	<u>6,322,946</u>	<u>6,547,450</u>	<u>224,504</u>
Non-Operating Revenues:			
Investment earnings	<u>40,000</u>	<u>32,904</u>	<u>(7,096)</u>
Total non-operating revenues	<u>40,000</u>	<u>32,904</u>	<u>(7,096)</u>
Total revenues	<u>6,362,946</u>	<u>6,580,354</u>	<u>217,408</u>
Expenditures:			
General government:			
Health insurance	4,805,608	5,245,677	(440,069)
Property/casualty insurance	660,433	543,091	117,342
Workers' compensation	<u>896,905</u>	<u>610,280</u>	<u>286,625</u>
Total expenditures	<u>6,362,946</u>	<u>6,399,048</u>	<u>(36,102)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 181,306</u>	<u>\$ 181,306</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, 2014

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Operating Revenues:			
Charges for services	\$ 2,828,261	\$ 3,030,543	\$ 202,282
Total operating revenues	<u>2,828,261</u>	<u>3,030,543</u>	<u>202,282</u>
Expenditures:			
General government			
Salaries and benefits	593,337	593,337	-
Other operating expenditures	2,009,202	2,113,311	(104,109)
Capital outlay	1,300	1,170	130
Administrative reimbursement	<u>239,422</u>	<u>239,422</u>	<u>-</u>
Total expenditures	<u>2,843,261</u>	<u>2,947,240</u>	<u>(103,979)</u>
Revenues over (under) expenditures	<u>(15,000)</u>	<u>83,303</u>	<u>98,303</u>
Other Financing Sources (Uses):			
Transfers from other funds	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Total other financing sources (uses)	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 98,303</u>	<u>\$ 98,303</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Revenues over (under) expenditures		\$ 98,303	
Reconciling items:			
Depreciation and amortization		(7,524)	
Change in accrued vacation pay		(3,505)	
Change in other post-employment benefits		<u>(12,728)</u>	
Change in net position		<u>\$ 74,546</u>	

HICKORY



North Carolina

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

CITY OF HICKORY, NORTH CAROLINA

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

JUNE 30, 2014

Governmental Funds Capital Assets:

Land	\$ 12,168,206
Buildings	31,387,523
Other improvements	10,241,044
Equipment	10,384,675
Vehicles and motorized equipment	12,948,925
Streets	45,134,382
Traffic signals	7,572,732
Bridges	853,304
Sidewalks	6,843,776
Construction in progress	<u>1,676,131</u>
Total governmental funds capital assets	<u>\$ 139,210,698</u>

Investments in Governmental Funds Capital Assets by Source:

General Fund	\$ 79,318,955
Special revenue funds	1,907,370
Capital project funds	50,435,971
Donations received	5,640,404
Foreclosures	146,651
Court awarded	40,773
Discoveries	<u>1,720,574</u>
Total governmental funds capital assets	<u>\$ 139,210,698</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, 2014

By Function and Activity	Governmental Funds Capital Assets June 30, 2013	Additions	Deductions	Governmental Funds Capital Assets June 30, 2014
General Government:				
Administration	\$ 54,375	\$ -	\$ -	\$ 54,375
Budget and administration	23,465	-	-	23,465
Finance	76,665	-	-	76,665
Technology services	894,288	7,850	(75,044)	827,094
Engineering	195,783	-	-	195,783
Building services	178,201	-	-	178,201
Central services	2,446,928	-	-	2,446,928
Public buildings	6,506,118	496,057	-	7,002,175
Buildings and grounds	1,131,798	115,950	(37,050)	1,210,698
District court	728,810	-	-	728,810
Total general government	<u>12,236,431</u>	<u>619,857</u>	<u>(112,094)</u>	<u>12,744,194</u>
Public Safety:				
Police	12,314,064	2,515,567	(1,198,262)	13,631,369
Code Enforcement	92,408	-	-	92,408
Fire	10,893,249	147,885	(131,251)	10,909,883
Total public safety	<u>23,299,721</u>	<u>2,663,452</u>	<u>(1,329,513)</u>	<u>24,633,660</u>
Transportation:				
Traffic	8,274,125	120,631	(58,983)	8,335,773
Street	57,504,540	304,655	(342,894)	57,466,301
Total transportation	<u>65,778,665</u>	<u>425,286</u>	<u>(401,877)</u>	<u>65,802,074</u>
Economic and Physical Development:				
Planning and development	2,593,766	-	(11,738)	2,582,028
Economic and community	2,929,178	-	-	2,929,178
Total economic and physical development	<u>5,522,944</u>	<u>-</u>	<u>(11,738)</u>	<u>5,511,206</u>
Culture and Recreation:				
Recreation	21,563,106	1,416,454	(41,786)	22,937,774
Library	6,033,293	23,687	(151,321)	5,905,659
Total culture and recreation	<u>27,596,399</u>	<u>1,440,141</u>	<u>(193,107)</u>	<u>28,843,433</u>
Construction in Progress	<u>3,158,283</u>	<u>1,484,786</u>	<u>(2,966,938)</u>	<u>1,676,131</u>
Total government funds capital assets	<u>\$ 137,592,443</u>	<u>\$ 6,633,522</u>	<u>\$ (5,015,267)</u>	<u>\$ 139,210,698</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, 2014**

By Function and Activity	Land	Buildings	Other Improvements	Equipment
General Government:				
Administration	\$ -	\$ -	\$ -	\$ -
Budget and administration	-	-	-	-
Finance	-	-	21,344	39,613
Technology services	-	-	-	809,835
Engineering	-	-	-	115,236
Building services	-	-	-	6,575
Central services	582,349	1,801,592	506	50,377
Public buildings	2,664,880	3,227,939	799,589	309,767
Building and grounds	413,573	176,975	-	331,329
District court	28,000	693,531	-	7,279
Total general government	<u>3,688,802</u>	<u>5,900,037</u>	<u>821,439</u>	<u>1,670,011</u>
Public Safety:				
Police	133,615	4,992,371	311,598	4,121,324
Code Enforcement	-	-	-	-
Fire	177,879	3,240,366	1,332,666	923,325
Total public safety	<u>311,494</u>	<u>8,232,737</u>	<u>1,644,264</u>	<u>5,044,649</u>
Transportation:				
Traffic	13,036	82,805	-	289,879
Street	615,674	-	589,222	1,595,601
Total transportation	<u>628,710</u>	<u>82,805</u>	<u>589,222</u>	<u>1,885,480</u>
Economic and Physical Development:				
Planning and development	4,658,581	420,636	-	-
Economic and community	393,412	-	-	-
Total economic and physical development	<u>5,051,993</u>	<u>420,636</u>	<u>-</u>	<u>-</u>
Culture and Recreation:				
Recreation	2,487,207	11,733,969	7,132,934	989,427
Library	-	5,017,339	53,185	795,108
Total culture and recreation	<u>2,487,207</u>	<u>16,751,308</u>	<u>7,186,119</u>	<u>1,784,535</u>
Construction in Progress				
	-	-	-	-
Total governmental funds capital assets	<u>\$ 12,168,206</u>	<u>\$ 31,387,523</u>	<u>\$ 10,241,044</u>	<u>\$ 10,384,675</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.

Vehicles and Motorized Equipment	Streets	Traffic Signals	Bridges	Sidewalks	Construction in Progress	Total
\$ 54,375	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,375
23,465	-	-	-	-	-	23,465
15,708	-	-	-	-	-	76,665
17,259	-	-	-	-	-	827,094
80,547	-	-	-	-	-	195,783
171,626	-	-	-	-	-	178,201
12,104	-	-	-	-	-	2,446,928
-	-	-	-	-	-	7,002,175
288,821	-	-	-	-	-	1,210,698
-	-	-	-	-	-	728,810
<u>663,905</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,744,194</u>
4,072,461	-	-	-	-	-	13,631,369
92,408	-	-	-	-	-	92,408
<u>5,235,647</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,909,883</u>
<u>9,400,516</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,633,660</u>
387,321	-	7,562,732	-	-	-	8,335,773
<u>1,824,342</u>	<u>45,134,382</u>	<u>10,000</u>	<u>853,304</u>	<u>6,843,776</u>	<u>-</u>	<u>57,466,301</u>
<u>2,211,663</u>	<u>45,134,382</u>	<u>7,572,732</u>	<u>853,304</u>	<u>6,843,776</u>	<u>-</u>	<u>65,802,074</u>
38,577	-	-	-	-	-	5,117,794
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>393,412</u>
<u>38,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,511,206</u>
594,237	-	-	-	-	-	22,937,774
<u>40,027</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,905,659</u>
<u>634,264</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,843,433</u>
-	-	-	-	-	1,676,131	1,676,131
<u>\$ 12,948,925</u>	<u>\$ 45,134,382</u>	<u>\$ 7,572,732</u>	<u>\$ 853,304</u>	<u>\$ 6,843,776</u>	<u>\$ 1,676,131</u>	<u>\$ 139,210,698</u>



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, 2014

Fiscal Year	Uncollected Balance July 1, 2013	Additions	Collections and Credits	Uncollected Balance June 30, 2014
2014	\$ -	\$ 24,011,730	\$ 23,267,926	\$ 743,804
2013	892,393	-	489,190	403,203
2012	512,770	-	197,165	315,605
2011	260,780	-	54,845	205,935
2010	222,868	-	36,848	186,020
2009	171,079	-	18,455	152,624
2008	144,002	-	8,123	135,879
2007	96,032	-	6,444	89,588
2006	94,933	-	4,716	90,217
2005	87,861	-	87,861	-
Total	<u>\$ 2,482,718</u>	<u>\$ 24,011,730</u>	<u>\$ 24,171,573</u>	2,322,875
Less allowance for uncollectible ad valorem taxes receivable				<u>(1,122,949)</u>
Ad valorem taxes receivable, net				<u>\$ 1,199,926</u>
Reconciliation of Collections and Credits with Revenues:				
Ad valorem taxes				\$ 24,245,897
Reconciling items:				
Interest and penalties collected				(222,270)
Prior year releases/adjustments				71,651
Collections of prior year writeoffs				(4,310)
Amounts written off per Statute of Limitations				<u>80,605</u>
Total collections and credits				<u>\$ 24,171,573</u>

CITY OF HICKORY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY

CITY-WIDE LEVY

FOR THE YEAR ENDED JUNE 30, 2014

	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	\$4,759,805,520	\$ 0.500	\$ 23,799,028	\$ 21,999,794	\$ 1,799,234
Penalties	-		15,701	15,701	-
Total original levy	<u>4,759,805,520</u>		<u>23,814,729</u>	<u>22,015,495</u>	<u>1,799,234</u>
Discoveries:					
Current year's taxes	629,267,634	0.500	3,146,338	2,989,665	156,673
Penalties	-		11,342	11,342	-
Total	<u>629,267,634</u>		<u>3,157,680</u>	<u>3,001,007</u>	<u>156,673</u>
Abatements	<u>(592,135,750)</u>		<u>(2,960,679)</u>	<u>(2,936,990)</u>	<u>(23,689)</u>
Total property valuation	<u>\$4,796,937,404</u>				
Net Levy			24,011,730	22,079,512	1,932,218
Uncollected taxes at June 30, 2014			<u>(743,804)</u>	<u>(600,069)</u>	<u>(143,735)</u>
Current Year's Taxes Collected			<u>\$ 23,267,926</u>	<u>\$ 21,479,443</u>	<u>\$ 1,788,483</u>
Current Levy Collection Percentage			<u>96.90%</u>	<u>97.28%</u>	<u>92.56%</u>

Statistical Section

This part of the City of Hickory's comprehensive annual 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 comprehensive annual 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)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ 61,968,718	\$ 60,616,199	\$ 60,254,012	\$ 54,909,172	\$ 53,408,824	\$ 54,325,934	\$ 54,657,990	\$ 53,280,737	\$ 51,209,146	\$ 49,614,181
Restricted	324,625	322,312	396,392	435,833	412,565	410,152	6,113,772	4,635,971	3,850,331	4,332,435
Unrestricted	15,052,791	19,034,164	23,057,628	28,615,507	31,839,201	26,223,301	21,910,602	26,206,217	26,754,779	27,084,992
Total governmental activities net position	77,346,134	79,972,675	83,708,032	83,960,512	85,660,590	80,959,387	82,682,364	84,122,925	81,814,256	81,031,608
Business-type activities										
Net investment in capital assets	81,228,304	87,173,244	88,422,995	93,641,203	92,677,148	94,116,138	96,335,895	98,927,587	102,454,796	102,229,159
Unrestricted	12,421,386	9,247,903	11,103,115	12,561,025	13,574,036	20,962,089	22,320,452	20,387,604	21,594,548	23,347,107
Total business-type activities net position	93,649,690	96,421,147	99,526,110	106,202,228	106,251,184	115,078,227	118,656,347	119,315,191	124,049,344	125,576,266
Primary government										
Net investment in capital assets	143,197,022	147,789,443	148,677,007	148,550,375	146,085,972	148,442,072	150,993,885	152,208,324	153,663,942	151,843,340
Restricted	324,625	322,312	396,392	435,833	412,565	410,152	6,113,772	4,635,971	3,850,331	4,332,435
Unrestricted	27,474,177	28,282,067	34,160,743	41,176,532	45,413,237	47,185,390	44,231,054	46,593,821	48,349,327	50,432,099
Total primary government net position	\$ 170,995,824	\$ 176,393,822	\$ 183,234,142	\$ 190,162,740	\$ 191,911,774	\$ 196,037,614	\$ 201,338,711	\$ 203,438,116	\$ 205,863,600	\$ 206,607,874

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities										
General government	\$ 14,064,160	\$ 13,150,800	\$ 13,554,361	\$ 14,926,318	\$ 14,244,097	\$ 9,679,405	\$ 8,746,016	\$ 9,413,598	\$ 10,073,852	\$ 9,709,451
Public safety	17,109,554	17,472,074	17,457,422	18,796,944	20,499,613	21,873,778	21,664,475	21,760,119	21,240,572	21,616,699
Transportation	5,971,219	5,818,938	5,494,038	5,984,759	6,258,522	6,715,050	7,433,400	7,250,223	6,974,527	7,990,209
Economic and physical development	2,414,645	2,557,547	3,007,257	4,884,174	2,928,116	2,772,484	3,361,684	3,382,527	3,145,584	3,152,928
Culture and recreation	5,930,207	6,219,287	6,373,268	6,541,223	6,541,146	6,203,497	6,191,485	6,379,277	6,349,079	6,986,803
Interest on long-term debt	647,008	567,314	494,043	441,297	411,980	376,028	320,309	241,951	119,963	99,172
Total governmental activities expenses	46,136,793	45,785,960	46,380,389	51,177,715	50,883,474	47,620,242	47,717,369	48,427,495	47,903,577	49,555,262
Business-type activities										
Water	5,797,423	6,318,694	6,978,202	7,814,512	7,665,575	8,091,931	8,317,021	9,315,408	8,116,096	8,148,870
Sewer	9,354,357	8,819,837	8,576,591	8,962,951	8,854,502	8,890,205	8,912,147	8,824,971	9,799,731	11,911,880
Sludge composting	1,827,997	1,808,727	1,774,007	1,821,209	1,874,931	1,886,629	1,909,927	1,920,662	1,850,556	1,894,229
Stormwater	-	-	-	646,166	765,923	779,361	471,708	477,389	503,152	752,443
Public transit	1,722,814	2,094,735	2,286,689	2,560,293	1,167,841	1,162,141	929,123	2,509,770	2,872,189	2,615,292
Airport	1,338,622	1,596,743	1,279,869	1,320,324	1,280,587	1,570,174	2,638,473	2,785,282	2,652,882	3,014,427
Recycling	2,299,921	2,531,780	2,561,364	2,482,950	2,590,436	2,570,174	2,638,473	2,785,282	2,652,882	3,014,427
Sanitation	1,470,199	1,586,601	1,599,070	1,669,688	1,769,863	1,665,465	1,621,112	1,621,112	1,953,736	1,773,653
Total business-type activities expenses	23,811,333	24,757,117	25,055,792	27,278,093	25,069,658	25,045,906	24,799,511	27,454,594	27,748,342	30,110,794
Total primary government expenses	69,948,126	70,543,077	71,436,181	78,455,808	76,853,132	72,666,148	72,516,880	75,882,089	75,651,919	79,666,056
Program revenues										
Governmental activities										
Charges for services	9,068,882	9,300,337	9,231,179	11,151,086	9,782,034	4,357,042	5,215,920	5,221,780	5,570,929	5,988,830
General government	329,083	321,592	356,776	379,426	372,838	288,203	344,906	367,049	305,427	367,312
Public safety	16,187	17,072	74,722	37,056	39,070	1,630	10,331	26,884	9,906	21,031
Transportation	338,715	271,729	120,508	66,920	234,707	837,914	232,608	477,567	157,944	234,406
Economic and physical development	517,611	530,840	498,731	434,832	304,826	277,887	295,039	306,901	273,434	239,691
Culture and recreation	2,503,608	2,416,388	2,662,450	2,752,118	2,602,450	3,901,213	4,673,239	3,604,537	3,683,027	3,683,027
Operating grants and contributions	1,369,428	1,355,928	873,357	1,652,695	431,894	80,000	-	5,526,174	1,044	269,944
Capital grants and contributions	14,143,514	14,213,886	13,817,723	16,474,133	13,767,419	9,743,989	10,772,043	11,926,155	9,923,221	10,804,241
Total governmental activities program revenues	10,445,716	10,722,298	11,114,089	12,059,270	11,803,580	12,491,081	12,719,899	12,747,416	13,080,132	13,517,990
Business-type activities										
Charges for services	5,905,876	6,190,784	6,690,594	7,387,796	7,734,699	8,291,528	8,520,966	8,520,966	8,734,523	9,172,139
Water	33,575	20,653	20,940	18,192	44,384	51,416	48,640	59,332	60,681	38,197
Sewer	-	-	-	5,184	4,566	5,616	1,947	844	1,773	58,207
Sludge composting	139,453	148,269	187,151	212,930	6,680	-	-	-	-	-
Stormwater	301,105	375,842	316,929	311,251	369,371	364,004	294,912	1,293,487	2,376,811	2,186,700
Public transit	924,428	1,118,519	1,307,194	1,516,451	1,620,322	1,744,308	2,204,665	2,202,781	2,249,802	2,463,873
Airport	1,221,033	1,223,295	1,223,225	1,371,565	1,350,867	1,211,928	1,290,053	1,290,053	1,292,802	1,235,322
Recycling	2,779,455	4,104,946	3,051,695	3,058,899	1,558,200	1,467,185	1,494,618	1,555,849	1,777,298	2,069,562
Sanitation	3,563,942	2,341,905	2,871,047	2,869,062	1,616,976	2,545,390	1,809,218	740,890	1,322,552	2,600,319
Operating grants and contributions	25,314,583	26,246,511	26,782,864	28,810,600	26,109,645	28,172,456	28,384,918	28,411,618	30,896,374	31,002,309
Capital grants and contributions	39,458,097	40,460,397	40,600,587	45,284,733	39,877,064	37,916,445	39,156,961	40,337,773	40,819,595	41,806,550
Total business-type activities program revenues	(31,993,279)	(31,572,074)	(32,562,666)	(34,703,582)	(37,116,055)	(37,876,253)	(36,945,326)	(36,501,340)	(37,980,356)	(38,751,021)
Net (expense)/revenue	1,503,250	1,489,394	1,727,072	1,532,507	139,987	3,126,550	3,385,407	957,024	3,148,033	891,515
Governmental activities										
Business-type activities	(30,490,029)	(30,082,680)	(30,835,594)	(33,171,075)	(36,976,068)	(34,749,703)	(33,359,919)	(35,544,316)	(34,832,323)	(37,859,506)
Total primary government net expense										

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General revenues and other changes in net position										
Governmental activities										
Taxes										
Ad valorem property taxes	21,341,039	21,622,508	22,125,816	23,363,102	23,791,041	23,848,615	23,697,141	23,403,514	23,579,201	24,073,395
Local option sales tax	7,605,395	7,922,097	8,671,927	9,036,936	7,929,817	7,528,976	7,640,291	7,930,115	8,016,018	8,322,152
Franchise tax	1,834,410	1,900,224	2,077,886	2,108,438	2,002,163	2,051,722	2,162,776	2,002,971	2,290,781	2,340,431
Telecommunication tax	674,252	664,222	816,897	1,154,963	1,252,936	1,220,040	1,137,974	1,158,209	1,033,987	1,025,018
Motel/Occupancy tax	893,350	1,012,157	1,105,845	1,132,798	937,504	1,067,127	1,231,459	1,302,526	1,322,744	1,418,592
Vehicle tag tax	148,358	149,143	153,193	157,152	150,895	151,761	153,545	157,362	161,025	209,966
Gross receipts tax	70,160	81,271	75,421	83,474	73,527	82,397	103,676	110,711	115,674	136,237
Unrestricted intergovernmental	773,561	699,375	589,345	539,870	594,141	804,822	934,256	948,165	772,566	787,532
Unrestricted investment earnings	442,687	645,815	1,309,089	1,567,773	1,169,208	778,780	382,329	413,155	(38,998)	174,060
Miscellaneous	82,639	484,573	245,204	354,237	396,230	1,000,761	989,278	-	-	-
Transfers	(2,621,634)	(982,770)	(872,600)	(4,542,681)	518,671	(5,359,951)	235,578	515,173	(1,581,311)	(519,010)
Total governmental activities	31,244,217	34,198,615	36,298,023	34,956,062	38,816,133	33,175,050	38,668,303	37,941,901	35,671,687	37,968,373
Business-type activities										
Unrestricted investment earnings	203,489	299,293	505,291	600,930	427,640	340,542	228,291	216,993	4,809	116,397
Transfers	2,621,634	982,770	872,600	4,542,681	(518,671)	5,359,951	(235,578)	(515,173)	1,581,311	519,010
Total business-type activities	2,825,123	1,282,063	1,377,891	5,143,611	(91,031)	5,700,493	(7,287)	(298,180)	1,586,120	635,407
Change in Net Position										
Governmental activities	(749,062)	2,626,541	3,735,357	252,480	1,700,078	(4,701,203)	1,722,977	1,440,561	(2,308,669)	(782,648)
Business-type activities	4,328,373	2,771,457	3,104,963	6,676,118	48,956	8,827,043	3,578,120	658,844	4,734,153	1,526,922
Total primary government	\$ 3,579,311	\$ 5,397,998	\$ 6,840,320	\$ 6,928,598	\$ 1,749,034	\$ 4,125,840	\$ 5,301,097	\$ 2,099,405	\$ 2,425,484	\$ 744,274

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

	2005	2006	2007	2008	2009	2010
General Fund						
Reserved	\$ 3,182,792	\$ 3,207,286	\$ 3,803,095	\$ 4,803,407	\$ 3,106,380	\$ 4,351,129
Unreserved	8,077,348	9,888,320	11,959,052	14,917,158	13,714,939	13,337,503
Total General Fund	\$ 11,260,140	\$ 13,095,606	\$ 15,762,147	\$ 19,720,565	\$ 16,821,319	\$ 17,688,632
All other governmental funds						
Reserved	\$ 409,273	\$ 85,050	\$ 863,312	\$ 974,938	\$ 1,628,642	\$ 3,069,226
Unreserved, reported in:						
Special revenue funds	2,425,815	4,155,837	5,825,979	7,746,081	10,416,107	5,724,561
Capital project funds	(622,279)	58,121	(854,161)	(537,254)	2,021,725	201,552
Total all other governmental funds	\$ 2,212,809	\$ 4,299,008	\$ 5,835,130	\$ 8,183,765	\$ 14,066,474	\$ 8,995,339
General Fund						
Nonspendable	\$ 363,066	\$ 296,769	\$ 295,503	\$ 409,899		
Restricted	4,265,397	3,799,206	3,542,867	3,993,730		
Committed	9,785,643	11,995,937	13,322,724	13,381,759		
Assigned	2,167,510	3,856,360	1,877,185	3,065,661		
Unassigned	11,646,163	11,934,342	13,072,784	13,515,066		
Total General Fund	\$ 28,227,779	\$ 31,882,614	\$ 32,111,063	\$ 34,366,115		
All other governmental funds						
Nonspendable	\$ -	\$ -	\$ 158	\$ 158		
Restricted	1,848,375	836,765	307,464	338,705		
Committed	254,972	256,491	39,683	11,509		
Assigned	-	-	-	-		
Unassigned	(1,609,530)	(677,129)	(72,230)	(726,139)		
Total all other governmental funds	\$ 493,817	\$ 416,127	\$ 275,075	\$ (375,767)		

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Ad valorem taxes	\$ 21,296,620	\$ 21,628,919	\$ 22,051,829	\$ 23,356,678	\$ 23,572,789	\$ 23,700,135	\$ 23,584,753	\$ 23,228,814	\$ 23,531,983	\$ 24,245,897
Other taxes	11,301,389	11,664,812	12,752,598	13,664,822	12,359,880	12,097,736	12,394,721	12,656,894	12,905,229	13,439,396
Unrestricted intergovernmental	773,561	699,375	589,345	539,870	594,141	804,822	934,256	948,165	772,566	787,532
Restricted intergovernmental	3,455,431	3,303,085	2,761,109	3,592,957	2,937,513	3,899,074	4,649,251	4,197,464	2,854,565	2,980,942
Licenses and permits	1,136,889	1,067,942	1,116,972	1,181,779	1,170,947	1,122,381	1,077,254	1,123,968	1,142,332	1,144,090
Sales and services	2,099,313	2,272,783	2,157,759	1,893,383	1,768,104	1,601,557	1,630,917	1,670,625	1,557,362	1,569,254
Investment earnings	371,206	543,869	1,117,193	1,394,085	1,040,634	676,256	312,993	343,425	(39,814)	141,156
Miscellaneous	822,099	1,128,397	654,822	1,902,549	777,926	1,330,532	1,250,377	1,373,150	988,144	1,329,129
Total revenues	41,256,508	42,309,182	43,201,627	47,526,123	44,221,934	45,232,493	45,834,522	45,542,505	\$ 43,712,367	\$ 45,637,396
Expenditures										
Current										
General government	6,005,244	5,639,724	5,461,927	5,864,823	6,398,804	5,931,541	5,212,701	5,273,012	5,478,568	5,179,041
Public safety	16,629,993	16,428,022	16,924,533	18,297,811	19,164,456	20,546,766	20,852,112	20,444,511	21,504,472	20,920,672
Transportation	4,140,333	4,190,983	4,370,239	4,769,302	5,225,400	5,134,617	6,011,353	5,834,329	4,785,962	5,053,939
Economic and physical development	2,471,844	2,690,366	3,379,458	3,548,583	3,068,595	3,042,362	3,082,902	3,350,335	3,138,492	3,131,810
Culture and recreation	5,150,126	5,500,257	5,673,114	5,673,547	5,620,186	5,192,157	5,250,988	5,657,529	5,676,519	6,635,741
Capital outlay	4,892,126	2,12,386	500,036	653,127	1,313,280	2,290,889	1,556,918	422,028	346,333	1,484,787
Debt Service										
Principal retirement	3,504,583	2,165,347	1,431,240	1,536,179	1,593,259	1,556,359	1,739,020	1,280,343	992,687	992,686
Interest and fees	653,800	577,662	500,859	446,883	415,847	381,674	326,481	252,784	120,628	100,500
Total expenditures	43,448,049	37,404,747	38,241,406	40,790,255	42,799,827	44,076,365	44,032,475	42,514,871	42,043,661	43,499,176
Excess(deficiency) of revenues over(under) expenditures	(2,191,541)	4,904,435	4,960,221	6,735,868	1,422,107	1,156,128	1,802,047	3,027,634	1,668,706	2,138,220
Other financing sources(uses)										
Transfers - in	4,040,043	3,123,439	3,103,153	4,390,265	7,669,363	5,526,647	3,558,790	3,885,679	3,095,433	2,603,804
Transfers - (out)	(6,662,031)	(4,106,209)	(4,055,378)	(4,819,080)	(7,150,692)	(10,886,598)	(3,323,212)	(3,336,168)	(4,676,744)	(3,137,814)
Issuance of debt	3,300,000	-	194,667	-	1,042,685	-	-	-	-	-
Payment to escrow agent	-	-	-	-	-	-	-	-	-	-
Total other financing sources(uses)	678,012	(982,770)	(757,558)	(428,815)	1,561,356	(5,359,951)	235,578	549,511	(1,581,311)	(534,010)
Net change in fund balance	\$ (1,513,529)	\$ 3,921,665	\$ 4,202,663	\$ 6,307,053	\$ 2,983,463	\$ (4,203,823)	\$ 2,037,625	\$ 3,577,145	\$ 87,395	\$ 1,604,210
Debt service as a percentage of noncapital expenditures	10.50%	7.74%	5.50%	5.32%	5.16%	4.82%	5.08%	3.77%	2.77%	2.79%

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	Other	Motor Vehicles	Other	Other		Assessed Value	Value			
2005	\$ 3,356,858,501	\$ 610,484,315	\$ 321,843,668			\$ 11,792,221	\$ 4,277,394,263	0.50	\$ 4,312,850,139	99.45%	
2006	3,409,949,098		320,244,758	608,842,965		12,346,154	4,326,690,667	0.50	4,463,812,609	97.20%	
2007	3,469,665,144		331,820,024	645,827,644		12,433,080	4,434,879,732	0.50	4,646,145,388	95.72%	
2008	3,699,382,545		324,896,860	658,268,066		13,312,576	4,669,234,895	0.50	4,768,473,987	98.20%	
2009	3,778,036,878		317,495,416	682,628,436		15,318,070	4,762,842,660	0.50	4,857,625,259	98.36%	
2010	3,819,968,446		283,621,280	693,651,039		18,200,924	4,779,039,841	0.50	4,898,808,553	97.93%	
2011	3,855,686,658		279,239,278	623,496,806		20,101,992	4,738,320,750	0.50	4,843,141,458	98.25%	
2012	3,790,411,397		311,559,034	614,099,219		21,319,299	4,694,750,351	0.50	4,716,069,650	100.00%	
2013	3,803,628,864		315,317,864	625,109,058		24,293,068	4,719,762,718	0.50	4,724,755,709	100.41%	
2014	3,814,819,160		386,443,638	620,300,997		24,626,391	4,796,937,404	0.50	4,705,425,224	102.47%	

Notes: Property is reassessed once every four years. The county assesses property at approximately 103.14 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		
2005	\$ 0.5000	\$ 0.5900	\$ 0.5839	\$ 0.4800	\$ 1.0900	
2006	0.5000	0.5900	0.5839	0.4900	1.0900	
2007	0.5000	0.5900	0.5399	0.4900	1.0900	
2008	0.5000	0.5200	0.6599	0.5350	1.1599	
2009	0.5000	0.5200	0.6599	0.5350	1.1599	
2010	0.5000	0.5200	0.6599	0.5350	1.1599	
2011	0.5000	0.5200	0.6599	0.5350	1.1599	
2012	0.5000	0.5200	0.6599	0.5300	1.1599	
2013	0.5000	0.5200	0.6299	0.5300	1.1299	
2014	0.5000	0.6800	0.6000	0.5300	1.1800	

Source: North Carolina Department of Revenue

¹ Tax levy rates are based on operating costs

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

Taxpayer	2014			2005		
	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	\$ 113,610,712	1	2.37%	\$ 98,472,252	2	2.30%
Corning Cable Systems LLC	67,793,169	2	1.41%	106,234,298	1	2.48%
Valley Hills Mall LLC	45,872,276	3	0.96%	47,970,600	3	1.12%
American Med International	37,326,464	4	0.78%	27,010,311	7	0.63%
Duke Energy Corp	36,590,679	5	0.76%	33,727,982	5	0.79%
Tate Boulevard LLC	32,276,000	6	0.67%	-	-	0.00%
Amireit (Frye) Inc	27,951,200	7	0.58%	37,153,900	4	0.87%
Inland Western Hickory-Catawba LLC	26,753,200	8	0.56%	-	-	0.00%
Hickory Springs Manufacturing Co Inc	26,096,382	9	0.54%	22,422,582	10	0.52%
Shurtape Technologies	25,092,238	10	0.52%	-	-	0.00%
Central Telephone Company	-	-	0.00%	33,012,429	6	0.77%
Hickory Ridge Associates	-	-	0.00%	24,978,200	8	0.58%
Forest Hills Limited Partnership	-	-	0.00%	23,698,060	9	0.55%
Total	\$ 439,362,320		9.15%	\$ 454,680,614		10.61%

Source: 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
2005	\$ 21,409,819	\$ 20,908,159	97.66%	\$ 329,169	\$ 21,237,328	99.19%
2006	21,655,448	21,150,668	97.67%	405,070	21,555,738	99.54%
2007	22,205,136	21,613,709	97.34%	354,480	21,968,189	98.93%
2008	23,366,813	22,744,264	97.34%	511,160	23,255,424	99.52%
2009	23,857,103	23,054,865	96.64%	418,664	23,473,529	98.39%
2010	23,925,484	23,094,371	96.53%	491,189	23,585,560	98.58%
2011	23,723,429	22,894,329	96.51%	583,326	23,477,655	98.96%
2012	23,496,357	22,532,242	95.90%	591,461	23,123,703	98.41%
2013	23,630,561	22,738,168	96.22%	658,459	23,396,627	99.01%
2014	24,011,730	23,267,926	96.90%	755,701	24,023,627	100.05%

Source: City of Hickory Administrative Services

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	Capitalized Leases	General Obligation Bonds	Installment Purchase Agreements	Notes Payable			
2005	\$ 1,515,000	\$ 14,643,431	\$ -	\$ -	\$ 6,085,000	\$ 18,076,546	\$ 8,131,241	\$ 48,451,218	4.67%	\$ 1,243
2006	1,296,000	12,697,084	-	-	4,984,000	17,054,114	7,370,986	43,402,184	4.07%	1,112
2007	1,083,000	11,478,843	194,667	-	3,902,000	16,010,594	6,611,336	39,280,440	3.43%	977
2008	873,000	10,249,998	97,334	-	2,842,000	14,967,074	5,863,646	34,893,052	2.92%	861
2009	669,000	10,000,757	-	-	1,801,000	13,923,554	5,115,955	31,510,266	2.63%	773
2010	468,000	8,645,399	-	-	782,000	12,880,033	5,039,568	27,815,000	2.24%	676
2011	96,000	7,278,379	-	-	64,000	11,836,513	18,450,731	37,725,623	2.84%	914
2012	-	6,094,036	-	-	-	10,792,993	21,111,398	37,998,427	2.75%	949
2013	-	5,101,349	-	-	-	9,749,473	30,252,946	45,103,768	3.65%	1,126
2014	-	4,108,664	494,000	-	-	18,045,086	18,719,495	41,367,245	3.18%	1,025

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

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	Percentage of		Percentage of Personal Income	Per Capita ²
		Estimated Actual Taxable Value ¹ of Property	Estimated Actual Taxable Value ¹ of Property		
2005	\$ 7,600,000	0.16%	0.73%	\$ 195	
2006	6,280,000	0.13%	0.59%	161	
2007	4,985,000	0.10%	0.43%	124	
2008	3,715,000	0.08%	0.31%	92	
2009	2,470,000	0.05%	0.21%	61	
2010	1,250,000	0.03%	0.10%	30	
2011	160,000	0.00%	0.01%	4	
2012	-	0.00%	0.00%	-	
2013	-	0.00%	0.00%	-	
2014	-	0.00%	0.00%	-	

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, 2014

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable ¹	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
Burke County	\$ 48,908,643	0.61%	\$ 298,343
Caldwell County	46,590,720	1.83%	852,610
Catawba County	166,987,317	29.65%	49,511,739
Subtotal, overlapping debt			<u>50,364,349</u>
City direct debt			<u>4,602,664</u>
Total direct and overlapping debt			<u>\$ 54,967,013</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 with 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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$ 342,191,541	\$ 346,135,253	\$ 354,790,379	\$ 373,538,792	\$ 381,027,413	\$ 382,323,187	\$ 379,065,660	\$ 375,580,028	\$ 377,581,017	\$ 383,754,992
Total net debt applicable to limit	42,654,825	38,665,072	35,584,752	32,217,358	29,736,186	27,109,306	37,650,123	37,998,427	45,103,768	41,367,245
Legal debt margin	\$ 299,536,716	\$ 307,470,181	\$ 319,205,627	\$ 341,321,434	\$ 351,291,227	\$ 355,213,881	\$ 341,415,537	\$ 337,581,601	\$ 332,477,249	\$ 342,387,747
Total net debt applicable to the limit as a percentage of debt limit	12.47%	11.17%	10.03%	8.62%	7.80%	7.09%	9.93%	10.12%	11.95%	10.78%

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed value of taxable property	\$ 4,796,937,404
Debt limit - 8 percent of assessed value	383,754,992
Debt applicable to limit:	
Gross debt	41,367,245
Less - water bonds	-
Total net debt applicable to limit	41,367,245
Legal debt margin	\$ 342,387,747

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

Fiscal Year Ended June 30	Population ¹	Personal Income (<i>thousands of dollars</i>)	Per Capita Personal Income ²	Median Age ³	School Enrollment ⁴	Unemployment Rate ⁵
2005	38,973	\$ 1,036,760	\$ 26,602	36.4	4,540	5.8%
2006	39,018	1,067,103	27,349	36.1	4,500	4.8%
2007	40,212	1,146,766	28,518	37.2	4,524	5.1%
2008	40,520	1,196,231	29,522	35.6	4,550	7.4%
2009	40,761	1,197,762	29,385	36.5	4,466	12.8%
2010	41,149	1,243,934	30,230	N/A	4,438	11.3%
2011	41,284	1,326,034	29,840	37.1	4,317	11.4%
2012	40,053	1,383,053	29,743	37.4	4,537	10.6%
2013	40,039	1,235,483	30,857	37.7	4,403	10.1%
2014	40,361	1,301,360	32,243	38.2	4,303	6.9%

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⁾	2014			2005		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Merchant Distributors Inc. ⁽²⁾	1000+	1	2.90%	N/A	N/A	N/A
Catawba County Schools	1000+	2	1.50%	N/A	N/A	N/A
Catawba Valley Medical Center	1000+	3	1.50%	N/A	N/A	N/A
Frye Regional Medical Center	1000+	4	1.50%	N/A	N/A	N/A
Heritage Home Group, LLC	1000+	5	1.50%	N/A	N/A	N/A
Commscope	1000+	6	1.50%	N/A	N/A	N/A
Catawba County	1000+	7	1.50%	N/A	N/A	N/A
Hickory Springs Mfg. Co.	1000+	8	1.50%	N/A	N/A	N/A
Corning Cable Systems LLC	1000+	9	1.50%	N/A	N/A	N/A
Wal-Mart Associates Inc.	500-999	10	0.75%-1.50%	N/A	N/A	N/A

Note: N/A - not available

¹ Based on Catawba Co. workforce.

² Based on Caldwell Co. workforce.

Source: Employment Security Commission

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

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
Administration	8	7	7	7	8	6	7	8	8	8
Budget, administration, and HR	9	9	9	9	9	7	7	7	7	7
Finance	20	19	17	18	21	20	20	21	20	20
Information technology	10	10	10	10	9	9	9	8	5	7
City clerk	2	2	2	2	2	2	1	0	1	1
Legal	3	-	1	2	2	2	2	2	2	2
Engineering	12	12	11	10	10	9	9	8	7	6
Building services	9	8	8	6	6	6	5	6	6	5
Central services	5	5	4	6	7	7	7	7	7	6
Buildings and grounds	17	16	15	17	16	12	12	13	14	15
Fleet Maintenance	14	12	10	11	11	10	10	11	11	12
Public Safety										
Police	134	130	129	133	144	141	145	143	142	141
Fire	127	122	125	123	118	132	136	135	134	134
Building inspections	-	-	-	-	-	-	-	-	-	-
Code enforcement	4	4	-	-	-	-	-	-	-	5
Development assistance center	5	5	-	-	-	-	-	-	-	-
Transportation										
Traffic	10	9	11	10	11	10	9	9	9	10
Street	48	42	42	44	41	40	38	40	39	36
Planning and development	8	6	14	13	13	9	9	8	7	7
Culture and recreation										
Recreation	45	41	45	43	39	42	39	40	40	40
Library	24	21	21	21	20	18	17	17	17	17
Water/Sewer	96	88	85	90	92	93	93	93	90	88
Stormwater	-	-	-	1	1	1	1	1	1	1
Public Transit	22	22	21	23	-	-	-	-	-	-
Airport	5	4	4	4	4	3	2	7	7	8
Recycling	15	15	14	14	16	12	13	13	13	14
Sanitation - commercial	11	11	11	11	11	9	11	10	10	10
Sanitation - residential	8	8	8	8	8	6	7	8	8	7
Total	671	628	624	636	619	606	609	615	605	607

Source: City Human Resource Department

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	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Public Safety										
Police Services										
Cost per call dispatched	\$ 89	\$ 91	\$ 92	\$ 96	\$ 135	\$ 140	\$ 139	\$ 153	\$ 148	\$ 155
Calls dispatched	92,923	89,063	89,771	93,249	71,510	72,048	72,099	64,668	66,707	67,930
Uniform Crime Reporting Part I crimes reported	3,377	3,760	3,550	3,678	3,723	3,287	3,197	2,547	3,037	2,598
Uniform Crime Reporting Part I crimes per 1,000 pop.	87	97	91	91.5	91.9	80.6	78	64	76	64.9
Uniform Crime Reporting Part II crimes reported	2,132	3,293	3,343	3,821	3,937	3,840	3,937	3,392	3,618	3,462
Uniform Crime Reporting Part II crimes per 1,000 pop.	3,939	2,440	2,292	2,294	2,189	2,023	1,939	1,937	2,053	3,276
Traffic accidents reported	106	105	105	108	118	118	118	118	118	118
Sworn Officers	877	848	855	863	606	611	611	548	565	576
Calls dispatched per 1,000 population	2,390	2,285	2,301	2,319	1,765	1,767	1,752	1,613	1,664	1,697
Response time to priority calls (minutes)	3.2	4.4	4.7	4.2	4.1	4.2	4	4	3	4.4
Emergency Communications										
Total calls per 1,000 population	2,958	3,051	3,162	3,436	3,726	3,411	2,670	2,947	---	2,291
Calls answered per telecommunicator	9,583	9,910	10,280	11,515	12,583	11,587	8,450	9,086	---	6,553
Seconds from initial ring to answer	6	6	6	6	12	12	n/a	n/a	---	n/a
Calls answered within three rings	99%	98%	98%	98%	99%	97%	n/a	n/a	---	n/a
E911 calls answered within 20 seconds**	---	---	---	---	---	---	---	---	---	99.8%
Fire Services										
Cost per response	\$ 1,832	\$ 1,690	\$ 1,645	\$ 1,642	\$ 1,491	\$ 1,597	\$ 1,639	\$ 1,629	\$ 1,635	\$ 1,638
Actual fires per 1,000 population	5	4	6	6	6	5	5	5	5	5
Responses per 1,000 population	105	111	116	118	130	127	131	133	136	135
Fire inspections completed per 1,000 population	108	109	107	126	116	122	104	114	123	116
Inspections completed per Full Time Employee(FTE)	1,315	1,681	1,322	1,215	1,512	1,593	1,863	2,054	2,215	2,086
Average response time to priority 1 calls (minutes)	4.4	4.3	4.4	4.4	4.2	4.4	4.5	4.5	4.6	4.6
Fires confined to room(s) involved on arrival	78%	77%	75%	74%	67%	61%	68%	54%	51%	55%
Fires for which cause is determined	95.0%	94.0%	98.0%	100%	100%	98%	98%	95%	91%	97%
Transportation										
Asphalt Maintenance and Repair										
Cost per ton of asphalt for contract resurfacing	\$ 33	\$ 39	\$ 47	\$ 58	\$ 62	\$ 65	\$ 81	\$ 83	\$ 83	\$ 76
Lane miles maintained per 1,000 population	22.9	22.8	22.9	17.6	17.7	17.6	18.0	17.9	18.0	18.0
Potholes repaired within 24 hours	95%	96%	95%	95%	97%	96%	94%	96%	94%	95%
Street segments rated 85% or better (ITRE)	76%	76%	76%	76%	46%	46%	46%	39%	39%	39%

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

Function/Program	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Recycling										
Cost per ton collected	\$ 153	\$ 172	\$ 162	\$ 183	\$ 195	\$ 199	\$ 232	\$ 209	\$ 256	\$ 359
Cost per collection point	\$ 26	\$ 26	\$ 26	\$ 31	\$ 32	\$ 34	\$ 30	\$ 31	\$ 32	\$ 44
Tons recyclables per 1,000 population	51	43	46	47	47	49	36	45	37	37
Tons Solid Waste Landfilled per 1,000 population	254	247	251	234	233	237	236	232	212	224
Set out Rate	64%	64%	68%	66%	65%	65%	77%	80%	76%	78%
Diversion Rate	17%	15%	16%	17%	17%	17%	13%	16%	15%	14%
Sanitation										
Refuse Collection										
Cost per ton collected	\$ 69	\$ 66	\$ 78	\$ 61	\$ 64	\$ 54	\$ 57	\$ 61	\$ 72	\$ 65
Cost per collection point	\$ 60	\$ 58	\$ 65	\$ 50	\$ 53	\$ 45	\$ 48	\$ 47	\$ 50	\$ 49
Tons per 1,000 population	254	247	252	234	233	237	236	232	212	224
Tons per collection point	859	881	832	812	816	833	839	769	702	742
Tons collected per F.T.E.	1,648	1,605	1,635	2,217	2,226	2,273	1,946	2,190	2,264	2,395
Yard Waste/Leaf Collection										
Cost per ton collected	\$ 42	\$ 68	\$ 39	\$ 87	\$ 113	\$ 116	\$ 134	\$ 140	\$ 131	\$ 143
Cost per collection point	\$ 30	\$ 37	\$ 36	\$ 57	\$ 61	\$ 63	\$ 72	\$ 74	\$ 71	\$ 81
Tons collected per 1,000 population	214	151	262	188	155	154	151	160	164	171
Tons collected per F.T.E.	794	561	975	656	628	749	957	1,606	1,646	1,709

* During FY 2011-2012, the Emergency Communications software malfunctioned, and the data for calls could not be recovered for the entire year.

**New Measure for FY 2012-2013

Source: City Budget Office

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

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	155	156	156	156	170	170	175	152	153	153
Fire										
Stations	7	7	7	7	7	7	7	7	7	7
Transportation										
Traffic										
Traffic signals	25	25	25	26	26	27	196	196	196	196
Street										
Miles of paved streets	229.80	231.92	233.27	236.44	235.11	236.04	235.89	235.89	235.89	235.82
Miles of unpaved streets	2.53	1.68	1.68	1.53	1.33	1.33	1.33	1.19	1.19	1.24
Culture and recreation										
Recreation										
Park acreage	473	473	473	473	473	416	416	428	428	428
Parks	19	19	19	19	18	18	18	23	23	23
Recreation centers	5	5	5	5	5	5	5	6	6	6
Senior citizen centers	2	2	2	2	2	2	2	2	2	2
Swimming pools	3	3	2	2	2	2	0	0	0	0
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	735	907	857	869	890	893	903	921	925	926
Fire hydrants	3,118	4,535	4,625	5,720	5,804	5,824	9,500	9,566	9,576	9,583
Maximum daily capacity in MGD ¹	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00
Sewer										
Miles of sewer mains	488	494	485	495	497	499	511	490	492	492
Maximum daily treatment capacity in MGD ¹	15.25	15.25	15.25	15.23	15.23	15.00	15.23	15.25	15.25	15.25
Public Transit										
Buses	4	6	7	7	-	-	-	-	-	-
Vans	2	2	2	3	-	-	-	-	-	-
Recycling										
Collection trucks	14	14	14	14	14	14	14	15	15	15
Sanitation										
Refuse trucks	13	14	17	18	18	20	20	27	29	29

Sources: Various city departments

¹ MGD - Million gallons per day.



HICKORY

North Carolina

Single Audit Section



HICKORY

North Carolina

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Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Hickory
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, 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 29, 2014.

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) to determine the 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. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 determination of financial statement amounts., However, providing an opinion on compliance with those provisions was not an objective of our audit and; accordingly, we do not express such an opinion. The results of our tests disclosed an instance of non-compliance or other matters, which is described as 2014-001 in the Schedule of Findings, Responses, and Questioned Costs, that is required to be reported under *Government Auditing Standards*.

Response to Findings

The City of Hickory's response to the finding identified in our audit is described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The City of Hickory's response was not subjected to the auditing procedures applied in the audit of the financial statements and; accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide and opinion on the effectiveness of the entity's internal control or 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, NC
September 29, 2014

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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

Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133; And the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Hickory's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Hickory's major federal programs for the year ended June 30, 2014. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Hickory's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Hickory's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Hickory's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Hickory complied, in all material respects, with the 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, 2014.

Report on Internal Control Over Compliance

Management of the City of Hickory is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Hickory's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Hickory's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
Hickory, NC
September 29, 2014

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the City of Hickory's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Hickory's major State programs for the year ended June 30, 2014. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Hickory's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and in applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City of Hickory's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State program. However, our audit does not provide a legal determination of the City of Hickory's compliance.

Opinion on Each Major State Program

In our opinion, the City of Hickory complied, in all material respects, with the 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, 2014.

Report on Internal Control Over Compliance

Management of the City of Hickory is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Hickory's internal control over compliance with the requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Hickory's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, 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.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
Hickory, NC
September 29, 2014

CITY OF HICKORY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(s) identified that are not considered to be material weaknesses?	None reported
Non-compliance material to financial statements noted?	Yes

Federal Awards

Internal control over major federal programs:	
• Material weakness (es) identified?	No
• Significant deficiency(s) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major federal programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA#</u>
CDBG Entitlement Grants Cluster	14.218
Public Assistance-July 2013 Storms	97.036

Dollar threshold used to distinguish between Type A and Type B Programs	<u>\$300,000</u>
---	------------------

Auditee qualified as low-risk auditee?	Yes
--	-----

CITY OF HICKORY, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

State Awards

Internal control over major State programs:

- Material weakness(es) identified? No
- Significant deficiency(s) identified that are not considered to be material weaknesses? None reported

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? No

Identification of major State programs:

Program Name

Powell Bill

CITY OF HICKORY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

2. Financial Statements Findings

Finding 2014-001 – Deficit Fund Equity

Criteria: North Carolina General Statutes preclude units from having funds that operate in a deficit.

Condition: In the current year, there were violations of the General Statutes regarding deficit fund equity.

Effect: The City was in violation of North Carolina General Statutes.

Cause: The City adopted a balance budget; however, revenues were insufficient to cover the cost of operations. Capital project expenditures were made in advance of anticipated project revenues.

Context: During our review of the drafted financial statements, we noted that the City had deficit fund equities in two funds.

Recommendation: The City should reevaluate the cost of providing services and adjust charges to insure that revenues cover all related cost. The City should provide funding through interfund transfers or other sources to cover the cost of capital projects until other revenue sources become available.

Contact Person: Melissa Miller, Finance Officer

Views of Responsible Officials and Planned Corrective Actions: Management evaluated the current Fleet service rates and adjusted the rates for fiscal year 2014. The service rates will continue to increase on an annual incremental basis to assist with the Fleet deficit reduction. Management will make interfund transfers to insure capital projects are sufficiently capitalized in the future.

3. Federal Award Findings and Questioned Costs

None reported

4. State Award Findings and Questioned Costs

None reported

CITY OF HICKORY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

2013-001 repeated as 2014-001

CITY OF HICKORY, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grant Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>	<u>State Expenditures</u>
Federal Assistance:				
Federal Aviation Administration:				
Passed-through North Carolina Department of Transportation Taxiway(s) "B", "S" and North Apron Pavement Rehabilitation-Design/Bid	20.106	36237.66.4.2	\$ 57,544	\$ -
Total Federal Aviation Administration			<u>57,544</u>	<u>-</u>
United States Department of Transportation:				
Highway Planning and Construction Cluster:				
Federal Highway Administration - Falling Creek Bridge	20.205	BRSTP-1216(21)	134,784	-
Total Highway Planning and Construction Cluster			<u>134,784</u>	<u>-</u>
Passed-through North Carolina Department of Transportation Highway Safety Cluster:				
Governor's Highway Safety Program	20.601	K8-14-02-01	47,690	-
Total Highway Safety Cluster			<u>47,690</u>	<u>-</u>
Total United States Department of Transportation			<u>182,474</u>	<u>-</u>
United States Department of Homeland Security:				
Passed-through North Carolina Department of Public Safety Public Assistance - July 2013 Storms	97.036		522,663	-
Total United States Department of Homeland Security			<u>522,663</u>	<u>-</u>
United States Department of Housing and Urban Development:				
CDBG Entitlement Grants Cluster:				
Community Development Block Grant Entitlement Program	14.218	B-12-MC-37-0013	225,082	-
Community Development Block Grant Entitlement Program	14.218	B-11-MC-37-0013	32,274	-
Total CDBG Entitlement Grants Cluster			<u>257,356</u>	<u>-</u>
Total United States Department of Housing and Urban Development			<u>257,356</u>	<u>-</u>
United States Department of Justice Direct Program:				
JAG Program Cluster:				
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738	2013-DJ-BX-0443	23,845	-
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738	2012-DJ-BX-0943	5,096	-
Total JAG Program Cluster			<u>28,941</u>	<u>-</u>
Equitable Sharing Program	16.922		7,371	-
Bulletproof Vest Partnership	16.607	2011	14,775	-
Total United States Department of Justice			<u>51,087</u>	<u>-</u>
United States Department of Treasury:				
Treasury Forfeiture Fund Program	21.000		36,237	-
Total United States Department of Treasury			<u>36,237</u>	<u>-</u>
United States Environmental Protection Agency:				
Brownfields Assessment and Cleanup Cooperative Agreement	66.818	BF-95499212-0	163,701	-
Total United States Environmental Protection Agency			<u>163,701</u>	<u>-</u>
Total Federal Assistance			<u>\$ 1,271,062</u>	

CITY OF HICKORY, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grant Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>	<u>State Expenditures</u>
State Assistance:				
North Carolina Department of Administration:				
Youth Advocacy and Involvement Office Mini Grant Program		MG20145		550
Total North Carolina Department of Administration				<u>550</u>
North Carolina Department of Commerce:				
One North Carolina Fund - Turbocoating Corp - Note 2		N/A		27,500
One North Carolina Fund - Turbotec Products, Inc. - Note 2		N/A		76,500
Total North Carolina Department of Commerce				<u>104,000</u>
North Carolina Department of Cultural Resources:				
Aid to Public Libraries		N/A		25,776
Total North Carolina Department of Cultural Resources				<u>25,776</u>
North Carolina Department of Environment and Natural Resources:				
Division of Water Quality				
High Unit Cost Grant - Sanitary Sewer Service to Eastwood, Random Woods and Sherwood I		N/A		24,450
Total North Carolina Department of Environment and Natural Resources				<u>24,450</u>
North Carolina Department of Public Safety:				
Public Assistance - July 2013 Storms		N/A		174,221
Total North Carolina Department of Public Safety				<u>174,221</u>
North Carolina Department of Revenue:				
Unauthorized Substances Tax		N/A		118,762
Total North Carolina Department of Revenue				<u>118,762</u>
North Carolina Department of Transportation:				
Powell Bill		N/A		1,239,111
Street Maintenance Reimbursement		N/A		172,536
Special Project - Highway 321 Storm Drainage and Sanitary Sewer Line Repair/Replacement		N/A		107,060
Total North Carolina Department of Transportation				<u>1,518,707</u>
North Carolina Housing Finance Agency:				
Urgent Repair Program-North Carolina Housing Trust Funds		URP1317		29,757
Urgent Repair Program-North Carolina Housing Trust Funds		URP1221		3,401
Total North Carolina Housing Finance Agency				<u>33,158</u>
Total State Assistance				<u>\$ 1,999,624</u>

CITY OF HICKORY, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the Federal and State grant activity of the City and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Note 2 - Subrecipients

Of the Federal and State expenditures presented in the schedule, the City of Hickory provided Federal and State awards to subrecipients as follows:

Program Title	CFDA Number	Pass-through Grant Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures
One North Carolina Fund - Turbocoating Corp.	N/A	O-2010-6635	\$ -	\$ 27,500
One North Carolina Fund - Turbotec Products, Inc.	N/A	O-2010-5966	-	76,500

