

CITY OF HICKORY NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR YEAR ENDED JUNE 30, 2015

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



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CITY OF HICKORY, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For Fiscal Year Ended June 30, 2015

Prepared by the Administrative Services Department - Finance Division

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FOR THE YEAR ENDED JUNE 30, 2015

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Introductory Section

HICKORY



North Carolina



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Finance Department
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October 5, 2015

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, 2015, 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, 2015, 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 unqualified opinion that the City of Hickory's financial statements for the fiscal year ended June 30, 2015, 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 eighth largest Metropolitan Statistical Area (MSA). The City spans approximately 29 square miles and is intersected by Interstate 40, US Highway 321, and US Highway 70. The City is sited primarily in Catawba County but its borders extend into portions of Burke and Caldwell Counties.

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

The City provides a full range of services including police and fire protection, emergency management, street maintenance and construction, community development, planning and zoning, engineering, library, cemeteries, sanitation services, airport services, and parks and recreation. Additionally, the City owns and operates a water and sewer system providing

services to residents of the City and its environs. The City also extends financial support to certain boards, agencies, and commissions. There are no legally separate entities included in this report.

In government, much more than business, the budget is an integral part of a unit's accounting system and daily operations. An annual or project budget ordinance, as amended by the governing body, creates a legal limit on spending authorizations. For the City of Hickory, annual budgets are adopted for the General, Special Revenue - Capital Reserve, and Enterprise Funds. Financial plans are adopted for the Internal Service Funds. Appropriations are made at the functional cost category level (i.e. general government, public safety, transportation, environmental protection, etc.) for the annually budgeted funds. Project and grant ordinances (multi-year budgets) are adopted for all Special Revenue funds excluding the Capital Reserve Fund, and all Capital Project Funds. The Capital Reserve Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54 it is consolidated in the General Fund. Encumbrances outstanding at June 30, 2015, 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 the City remains financially sound. The City's continued commitment to policies and practices will keep Hickory and the local economy on the best and safest road to economic security. Commercial construction activity included 427 permits with a value of over \$52 million and 285 additional residential permits with a value of over \$20 million.

Economic development initiatives and activities completed or underway include:

- In November 2014, Hickory voters approved the \$25 million Streets/Sidewalks and the \$15 million Economic Development Bond Referendum. The bonds will be used for projects including the Riverwalk, City Walk, Business Park 1764, and various improvements to major roads and gateways into Hickory. The City of Hickory contracted with Freese and Nichols Inc. of Raleigh, NC, for professional bond management services and to begin preliminary cost estimates for each project. The Freese and Nichols contract amount for Phase 1 was \$498,400.

- A major Data Center Upgrade to the City’s network was completed by Varrow Inc. The upgrade included replacement of the outdated Firewalls, Virtual Private Network (VPN) Services, Core Network Switches, network hard drives (SAN), Virtual Desktop (VPI) demands of the Library facilities, and expanded functionality and benefits to other departments in the City. The contract with Varrow Inc. was in the amount of \$367,115.
- A joint parking agreement was approved between the City of Hickory and OHM Holdings LLC to provide employee parking for OHM during business hours and public parking outside normal business hours. The City contracted with OHM to design, bid, and construct the parking lot. The City will reimburse OHM for the lot development and construction costs. Once construction is complete, OHM will donate the 1.84 acres of property purchased at a cost of \$650,000 to the City of Hickory. The City’s cost to construct the parking lot is \$639,620.
- A waterline replacement project was completed in the Kenworth area of 3rd Av SE and 5th St SE. The waterlines were constructed of cast iron and dated back to the 1940’s and 1950’s. Over the years, an increased number of residential complaints were received for discolored water which prompted the waterline replacement. A contract was awarded to Hickory Sand Company Inc. in the amount of \$316,752.
- The Hickory Optimist Park Phase 1 park improvement plan included a paved walking trail, outdoor gym, handicap accessibility to the existing playground, and replacement of the existing storm drain system. Phase 1 was completed at a cost of \$206,400 and was funded entirely by Community Development Block Grant funds.
- An additional parking lot will be constructed at Glenn C. Hilton Jr. Recreation Park to provide overflow parking spaces for the facility. The work will include clearing, grading, paving, curb/gutter, and fencing. Projected cost is \$121,000.

The City is continuing its commitment to “Quality of Life” issues through the implementation of the City’s Master Plans and Initiatives 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	2011-2012	2012-2013	2013-2014
Police Services			
Cost per call dispatched	\$148	\$155	\$152
Calls dispatched	66,707	67,930	73,396
Uniform Crime Reporting Part I crimes reported	3,037	2,598	2,415
Uniform Crime Reporting Part I crimes per 1,000 population	76	64.9	60
Uniform Crime Reporting Part II crimes reported	3,618	3,462	3,146
Traffic Accidents Reported	2,053	3,276	2,271
Sworn Officers	118	118	117
Calls dispatched per sworn officer	565	576	627
Calls dispatched per 1,000 population	1,664	1,697	1,825
Response time to priority calls (minutes)	3	4.4	3.3
Emergency Communications			
Total calls per 1,000 population	--- *	2,291	2,543
Calls answered per telecommunicator	--- *	6,553	7,306
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%	n/a
Fire Services			
Cost per response	\$1,635	\$1,638	\$1,565
Actual fires per 1,000 population	5	5	5
Responses per 1,000 population	136	135	137
Fire inspections completed per 1,000 population	123	116	123
Inspections completed per Full Time Employee (FTE)	2,215	2,086	1,918
Average response time to priority 1 calls (minutes)	4.6	4.6	4.5
Fires confined to room(s) involved on arrival	51%	55%	54%
Fires for which cause is determined	91%	97%	93%
Transportation			
Asphalt Maintenance and Repair			
Cost per ton of asphalt for contract resurfacing	\$83	\$76	\$77
Lane miles maintained per 1,000 population	18	18	17.9
Potholes repaired within 24 hours	94%	95%	94%
Street segments rated 85% or better (ITRE)	39%	39%	39%
Recycling			
Cost per ton collected	\$256	\$359	\$377
Cost per collection point	\$32	\$44	\$41
Tons recyclables per 1,000 population	37	37	33
Tons Solid Waste Landfilled per 1,000 population	212	224	215
Set Out rate	76%	78%	81%
Diversion Rate	15%	14%	13%
Sanitation			
Refuse Collection			
Cost per ton collected	\$72	\$65	\$72
Cost per ton collection point	\$50	\$49	\$51

Tons per 1,000 population	212	224	215
Tons per 1,000 collection points	702	742	708
Tons collected per F.T.E.	2,264	2,395	2,305
Yard Waste / Leaf Collection			
Cost per ton collected	\$131	\$143	\$131
Cost per collection point	\$71	\$81	\$72
Tons per 1,000 population	164	171	166
Tons collected per F.T.E.	1,646	1,709	1,667

* 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.

- Agreements were approved between the City of Hickory, Catawba County, and the Catawba County Economic Development Corporation regarding the Business Park 1764 Project. An Interlocal Agreement between the City of Hickory and Catawba County provides the ability to control park development including restrictive covenants and zoning requirements. The agreement between the City of Hickory, Catawba County, and the Catawba County Economic Development Corporation allows the EDC to exercise options or offers to purchase property associated with the 1764 Park Project.
- The Greater Hickory Tennis Association committed to providing funds towards the cost of tennis complex improvements at Hickory City Park through a public/private partnership with the City of Hickory. Total estimated project cost is \$574,200 with a minimum contribution of \$125,000 from GHTA over a five year period. The City of Hickory’s maximum financial commitment to the project would be approximately \$449,200.
- The Murray Basin Sanitary Sewer Project services the area located between Springs Road, Section House Road, and Highland Avenue. The purpose of this project is to collect all sanitary sewer created by the basin in central locations and pump to a City of Hickory Wastewater Treatment Facility for processing. Currently, the majority of the sanitary sewer is treated and processed by the City of Conover. The project will result in further utilization of City of Hickory facilities and a lower cost of treatment. Estimated cost of the project is \$3.7 million.

- The Deidra Lackey Memorial Park is a donation by Robert Lackey and family to honor Robert's late wife. It is the single largest donation in the City's history. The memorial park will honor Deidra's memory by incorporating her love of children, gardening, and flowers. The project, which includes 18.9 acres of Rotary-Geitner Park, will consist of a boat dock, group picnic shelter, canoe/kayak launch, children's playground, fishing dock, outdoor restrooms, boardwalk, Lake House with an amphitheater, and a canopy bridge leading to the Conservatory. Phase 1 of the park should be completed in 2017.
- North Carolina Outward Bound School (NCOBS) made a monetary donation of \$900,000 for the City of Hickory to develop the Cloninger Mill Property on Hwy 127 into a park. The school is a nonprofit organization which offers challenging outdoor adventure programs to participants of all ages. The City of Hickory will retain ownership of the property.
- The City of Hickory continues its partnership with the Town of Catawba, Town of Maiden, City of Conover, and Catawba County to develop the NC Data Campus Project. The multi-jurisdictional park will be located in Conover and is estimated to cost \$2,582,600 for total park development. The City of Hickory is a 19% ownership partner in the project and will contribute a maximum of \$490,694 to the project development costs. The City of Hickory will receive 19% of additional tax revenues generated from the park.
- The Regional Compost Facility Upgrade will include the complete replacement of the existing facility which was originally opened in 1992. The upgrade is necessary due to the existing facility approaching the end of its useful life. Estimated cost of the upgrade is \$19 million.

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, 2014. This was the nineteenth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

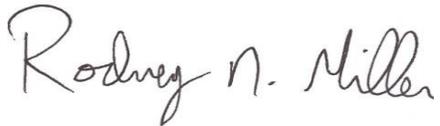
Acknowledgements

Preparation of this report could not have been accomplished without the professional, efficient, and dedicated efforts of the entire staff of Finance, the Budget Office, the various department heads, budget managers and coworkers who assisted and contributed to its preparation, and our

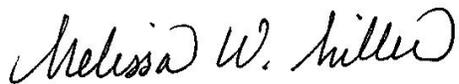
independent auditors, Martin Starnes & Associates, CPAs, P.A. Each of them has our sincerest thanks.

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

Respectfully submitted,

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

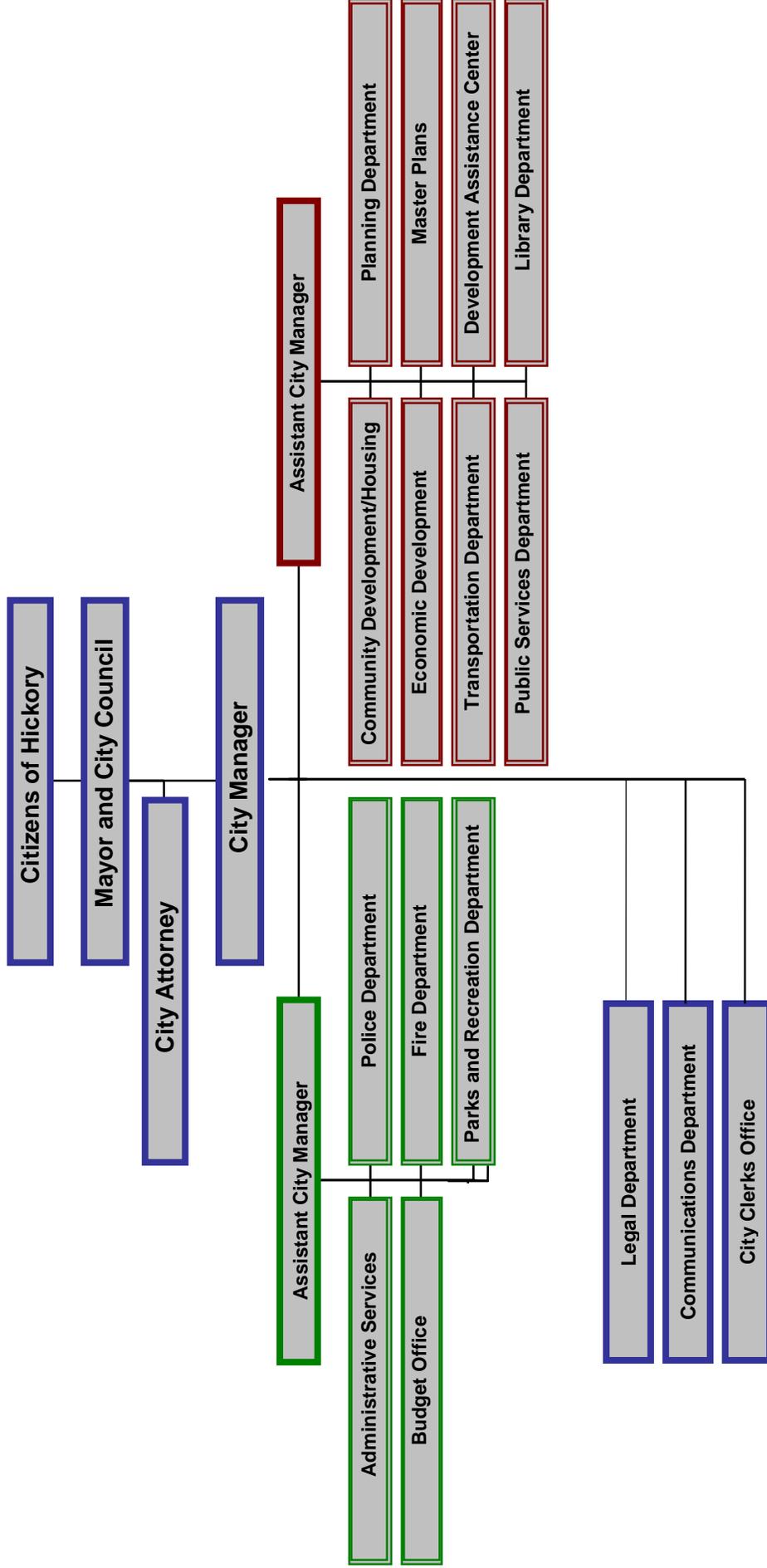
Rodney N. Miller
Assistant City Manager/CFO

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

Melissa W. Miller
Finance Officer

City of Hickory

Department Organizational Chart





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Hickory
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

CITY OF HICKORY, NORTH CAROLINA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2015

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
Mayor Pro Tem

Jill Patton
Ward VI

City Administration

Mick Berry
City Manager

Rodney Miller
Assistant City Manager/CFO

Andrea Surratt
Assistant City Manager

John W. Crone, III
City Attorney

Chuck Hansen
Public Services Director

Tom Adkins
Chief of Police

Fred Hollar
Fire Chief

Mack McLeod
Parks and Recreation Director

Brian Frazier
Planning Director

Sarah Greene
Library Director

Arnita Dula
Deputy City Attorney

Mandy Pitts
Communications Director

Terry Clark
Airport Manager

Melissa Miller
Finance Officer

Claudia Main
Human Resources Manager

Mike Woods
Information Technology Manager



Hickory's Mission

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

HICKORY



North Carolina

Financial Section

HICKORY



North Carolina

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

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

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
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, 2015, 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 financial statement 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, 2015, 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, the Other Post-Employment Benefits' Schedules of Funding Progress and Employer Contributions, and the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and 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 basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, other schedules and the 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 October 5, 2015 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
October 5, 2015

HICKORY



North Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Hickory, we offer readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2015. 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 1–8 of this report.

Financial Highlights for Fiscal Year 2015

- The assets of the City of Hickory exceeded its liabilities at the close of the most recent fiscal year by \$212,329,223 (net position). Of this amount, \$50,639,078 (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 \$9,940,970.
- As of the close of the current fiscal year, the City of Hickory's governmental funds reported combined ending fund balances of \$42,621,361 an increase of \$6,148,413, in comparison with the prior fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$14,031,436, or 33.33%, of the total General Fund expenditures for the fiscal year.
- The City of Hickory's total debt decreased by \$1,121,560, which includes unfunded law enforcement officers' pension, other post-employment benefits (OPEB) and compensated absences liabilities. The City's total indebtedness is \$52,827,992.
- The City's legal debt limit is \$379,528,028 (8 percent of assessed valuation) and the City's legal debt margin is \$339,998,115. The total legal indebtedness of the City is \$39,529,913 which represents 0.83% 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 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 30-32 of this report.

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

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

The City of Hickory maintains seven individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance for the General Fund, which is the only major fund. Individual fund data for all non-major governmental funds is provided in the form of combining statements located on pages 99-107 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 33-37 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 117-128 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 38-42 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 43-84 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 85-88 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 \$212,329,223 for the fiscal year ended June 30, 2015.

The largest portion of the City of Hickory’s net position, 72.30 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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 50,095,292	\$ 46,546,605	\$ 35,430,905	\$ 31,415,366	\$ 85,526,197	\$ 77,961,971
Notes receivable	4,978,800	2,482,600	-	-	4,978,800	2,482,600
Capital assets	53,416,143	51,240,244	136,370,951	135,845,731	189,787,094	187,085,975
Deferred Outflows of Resources	1,500,218	-	347,782	-	1,848,000	-
Total assets and deferred outflows of resources	<u>109,990,453</u>	<u>100,269,449</u>	<u>172,149,638</u>	<u>167,261,097</u>	<u>282,140,091</u>	<u>267,530,546</u>
Long-term liabilities outstanding	16,693,498	14,765,406	36,134,494	39,184,146	52,827,992	53,949,552
Other liabilities	5,022,014	4,470,695	4,567,821	2,500,685	9,589,835	6,971,380
Deferred inflows of resources	6,002,230	1,740	1,390,811	-	7,393,041	1,740
Total liabilities and deferred inflows of resources	<u>27,717,742</u>	<u>19,237,841</u>	<u>42,093,126</u>	<u>41,684,831</u>	<u>69,810,868</u>	<u>60,922,672</u>
Net position:						
Net investment in capital assets	50,663,986	49,614,181	102,857,014	102,229,159	153,521,000	151,843,340
Restricted	8,169,145	4,332,435	-	-	8,169,145	4,332,435
Unrestricted	23,439,580	27,084,992	27,199,498	23,347,107	50,639,078	50,432,099
Total net position	<u>\$ 82,272,711</u>	<u>\$ 81,031,608</u>	<u>\$ 130,056,512</u>	<u>\$ 125,576,266</u>	<u>\$ 212,329,223</u>	<u>\$ 206,607,874</u>

An additional portion of the City of Hickory's net position, \$8,169,145 represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position, \$50,639,078, 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.

Also, the City of Hickory implemented GASB Statement 68 this year. With the new reporting change, the City is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$4,219,621. Decision regarding the allocations are made by the administrators of the pension plan, not by the City of Hickory's management.

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 \$67,740,453, which consists of \$40,916,185 from governmental activities and \$26,824,268 from business-type activities. Working capital increased by \$2,384,741 for the fiscal year ended June 30, 2015.

Current Ratio – is the ratio of total current assets to current liabilities. This ratio is an indicator of the City's ability to meet its short-term obligations, and is expressed as coverage of so many dollars of current assets/current liabilities. The City of Hickory's current ratio is 5.37 on a citywide basis, 6.50 for governmental activities and 4.34 for business-type activities. More simply stated the City has \$5.37 of current assets for each \$1.00 of current liabilities on a citywide basis. The Citywide current ratio decreased by 0.81 during FY 2015.

Acid Test or Quick Ratio – relates total current liabilities to cash, marketable securities and accounts receivable: "quick assets". This is an additional short-term liquidity measure providing an additional comparison with the current ratio. This is also expressed on a coverage basis. The City of Hickory's quick ratio is 5.27 on a citywide basis, 6.44 for governmental activities and 4.18 for business-type activities. Or, more simply stated the City has \$5.27 of "quick" assets for each \$1.00 of current liabilities on a citywide basis. The Citywide quick ratio decreased by \$0.77 during FY 2015.

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 292 days on a citywide basis, 258 days for governmental activities and 353 days for business-type activities. This measure increased by 17 days in FY 2015.

Total Liabilities to Net Position – this ratio, expressed as a percentage, compares the total obligations (liabilities) of the City of Hickory to current equity (net position). It represents the extent to which borrowing has been used to finance short-term operations. The total liabilities to net position for the City of Hickory is 29% on a citywide basis, 26% for governmental activities and 31% for business-type activities. The citywide ratio did not change during FY 2015.

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 22% on a citywide basis, 20% for governmental activities and 24% 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 17% on a city-wide basis, 13% for governmental activities and 19% 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 is 40 days for the City of Hickory. Days receivable increased by 2 days during FY 2015.

Change in Net Position - The government's net position increased by \$9,940,970 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

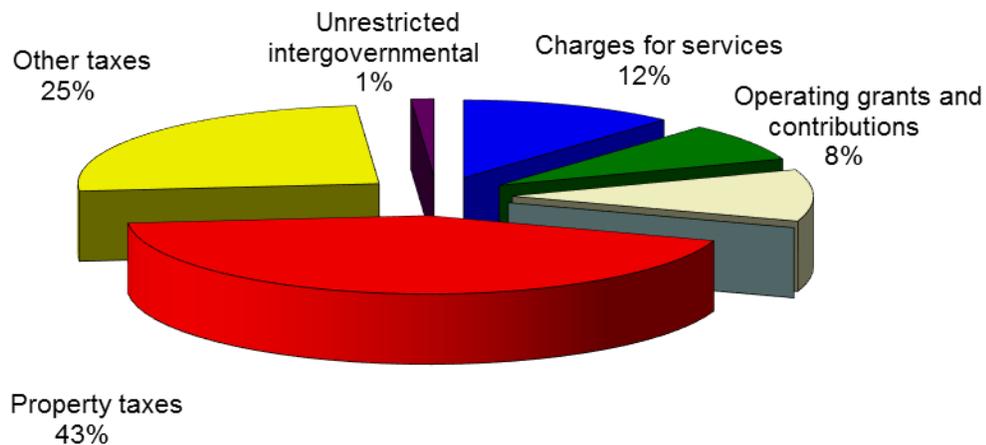
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 6,387,263	\$ 6,851,270	\$ 28,152,750	\$ 28,672,428	\$ 34,540,013	\$ 35,523,698
Operating grants and contributions	4,362,347	3,683,027	2,107,589	2,069,562	6,469,936	5,752,589
Capital grants and contributions	5,894,084	269,944	2,318,933	260,319	8,213,017	530,263
General revenues:						
Property taxes	23,854,614	24,073,395	-	-	23,854,614	24,073,395
Other taxes	13,936,695	13,452,396	-	-	13,936,695	13,452,396
Unrestricted intergovernmental	675,846	787,532	-	-	675,846	787,532
Unrestricted investment earnings	150,105	174,060	92,491	116,397	242,596	290,457
Miscellaneous	-	-	9,570	-	9,570	-
Total revenues	<u>55,260,954</u>	<u>49,291,624</u>	<u>32,681,333</u>	<u>31,118,706</u>	<u>87,942,287</u>	<u>80,410,330</u>
Expenses:						
General government	10,714,412	9,709,451	-	-	10,714,412	9,709,451
Public safety	20,325,286	21,616,699	-	-	20,325,286	21,616,699
Transportation	7,728,201	7,990,209	-	-	7,728,201	7,990,209
Economic and physical development	3,982,537	3,152,928	-	-	3,982,537	3,152,928
Culture and recreation	5,975,527	6,986,803	-	-	5,975,527	6,986,803
Water	-	-	7,583,247	8,148,870	7,583,247	8,148,870
Sewer	-	-	11,499,020	11,911,880	11,499,020	11,911,880
Sludge composting	-	-	1,911,962	1,894,229	1,911,962	1,894,229
Stormwater	-	-	604,777	752,443	604,777	752,443
Airport	-	-	2,297,924	2,615,292	2,297,924	2,615,292
Recycling	-	-	3,591,441	3,014,427	3,591,441	3,014,427
Sanitation	-	-	1,638,769	1,773,653	1,638,769	1,773,653
Interest on long-term debt	148,214	99,172	-	-	148,214	99,172
Total expenses	<u>48,874,177</u>	<u>49,555,262</u>	<u>29,127,140</u>	<u>30,110,794</u>	<u>78,001,317</u>	<u>79,666,056</u>
Change in net position before transfers	<u>6,386,777</u>	<u>(263,638)</u>	<u>3,554,193</u>	<u>1,007,912</u>	<u>9,940,970</u>	<u>744,274</u>
Transfers	<u>(1,720,158)</u>	<u>(519,010)</u>	<u>1,720,158</u>	<u>519,010</u>	<u>-</u>	<u>-</u>
Change in net position	<u>4,666,619</u>	<u>(782,648)</u>	<u>5,274,351</u>	<u>1,526,922</u>	<u>9,940,970</u>	<u>744,274</u>
Net position, previously reported	81,031,608	81,814,256	125,576,266	124,049,344	206,607,874	205,863,600
Restatement	<u>(3,425,516)</u>	<u>-</u>	<u>-794,105</u>	<u>-</u>	<u>(4,219,621)</u>	<u>-</u>
Net position, beginning, restated	<u>77,606,092</u>	<u>81,814,256</u>	<u>124,782,161</u>	<u>124,049,344</u>	<u>202,388,253</u>	<u>205,863,600</u>
Net position, end of the year	<u>82,272,711</u>	<u>81,031,608</u>	<u>130,056,512</u>	<u>125,576,266</u>	<u>212,329,223</u>	<u>206,607,874</u>

Governmental Activities - Governmental activities increased the City of Hickory's net position by \$4,666,619.

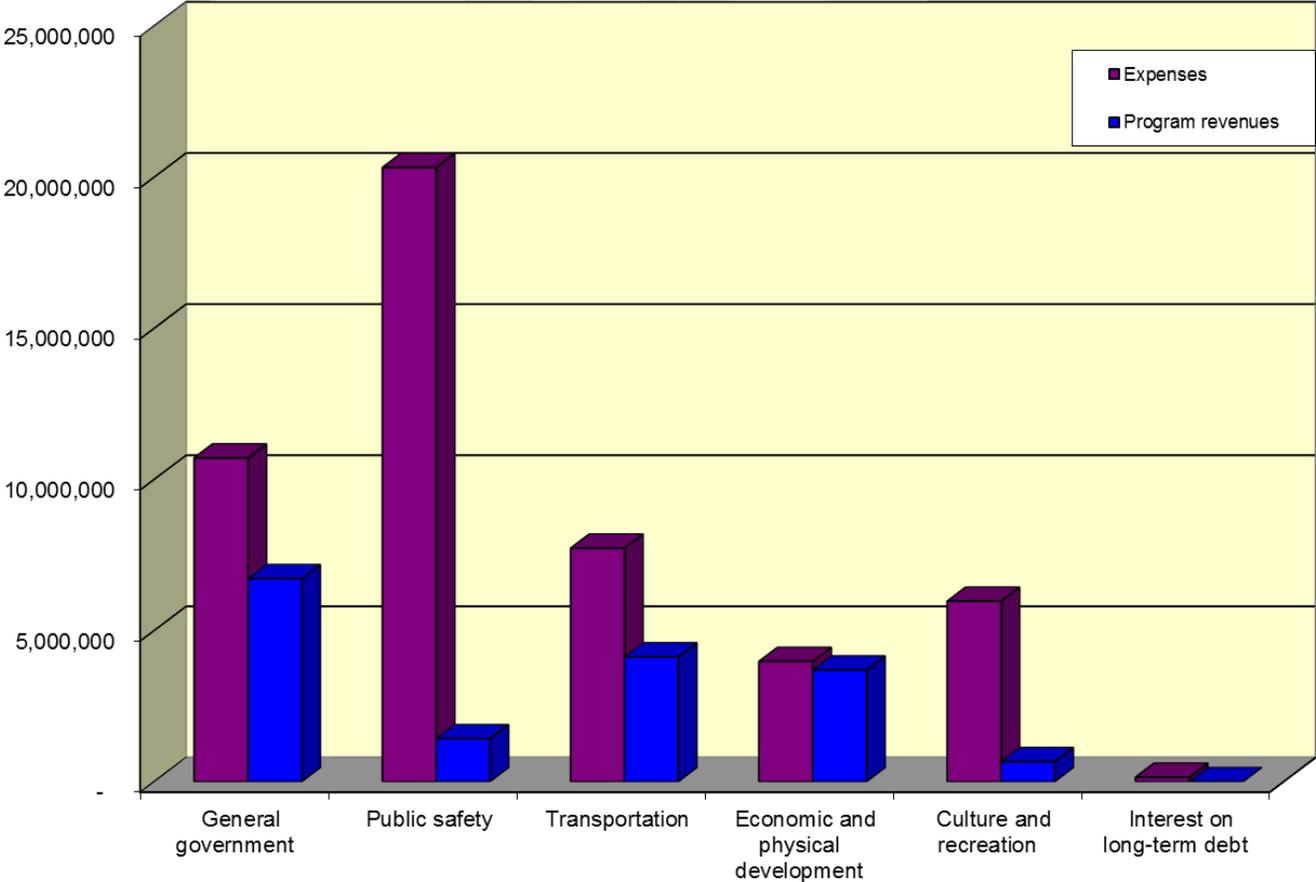
Key elements of this increase are:

- Total expenses decreased \$681,085 or 1.38% for fiscal year 2015.
- Revenues showed increases with program revenues increasing \$5,839,453 or 54.05% and general revenues increasing \$129,877 or 0.34%.
- Operating grants and contributions for governmental activities totaled \$4,362,347. The grant awards furnished resources to support of the following functions: general government (\$987,289), police and fire (\$1,189,681), Powell Bill and street maintenance (\$1,345,024), economic and physical development (\$429,406), and culture and recreation (\$410,947).

2015 Governmental Activities Revenues - \$55,260,954



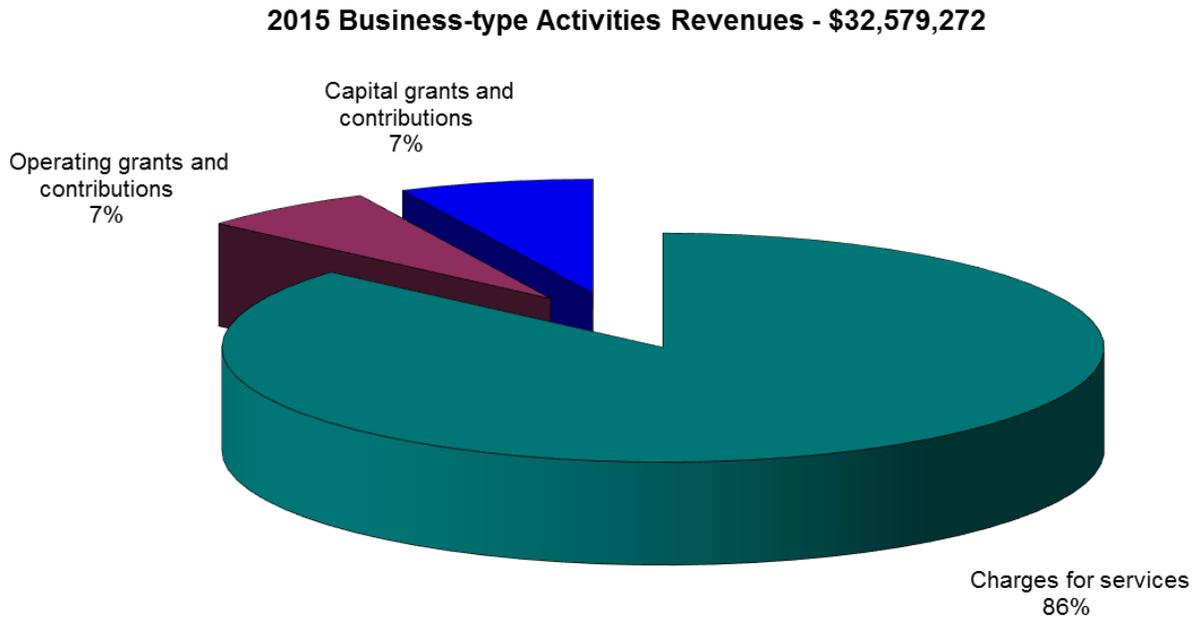
Expenses and Program Revenues - Governmental Activities



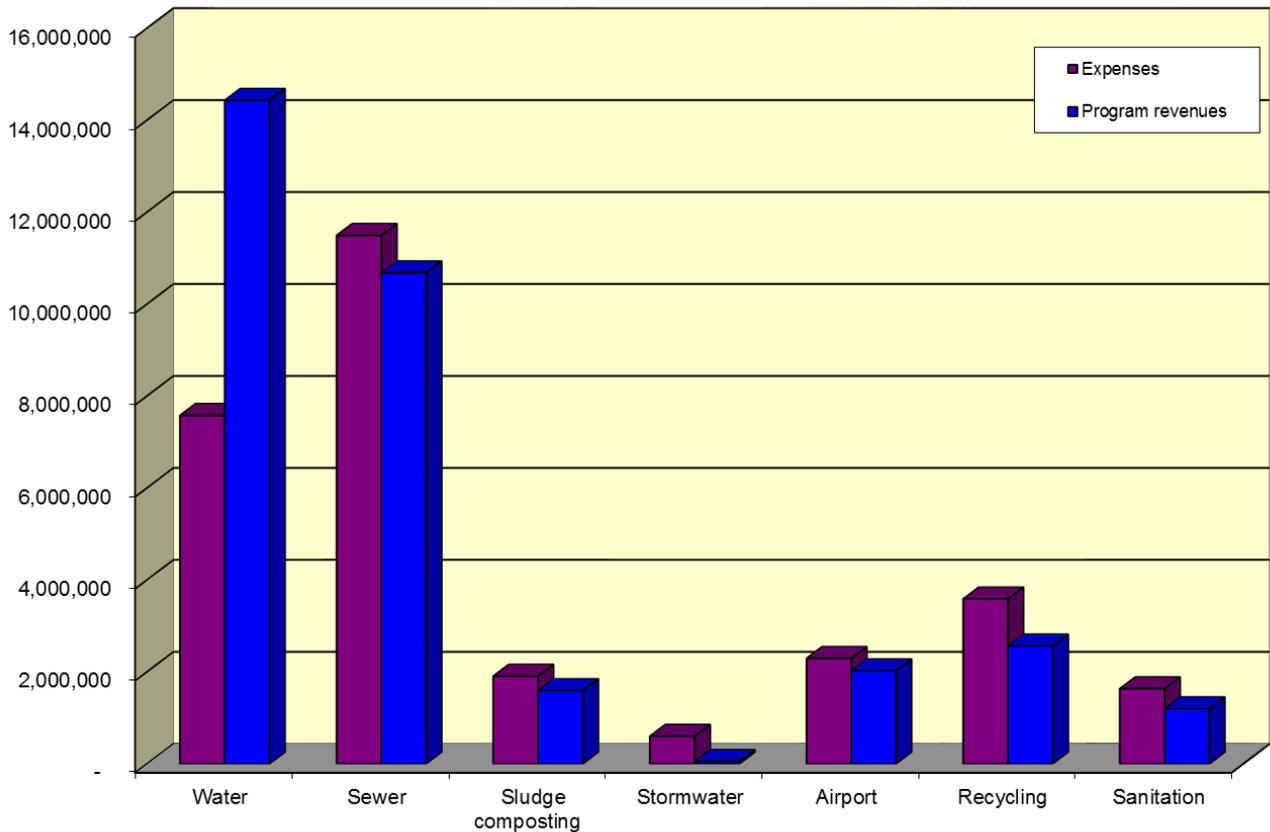
Business-Type Activities - Business-type activities increased the City of Hickory's net position by \$5,274,351.

Key elements of this increase are:

- Programs revenues increased \$1,576,963 or 5.09%.
- Capital grants and contributions for business-type activities totaled \$2,318,933. The grant awards and contributions furnished resources to support the following activities: water \$313,897, sewer \$1,064,768, stormwater \$58,564, and airport \$881,704.



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 \$42,621,361, an increase of \$6,148,413 in comparison with the prior year. Of this total amount, \$13,988,180 constitutes *unassigned fund balance*, has no constraints on its use. The remainder of fund balance is broken down as follows:

- *Non-spendable*: \$5,403,060 - resources not in spendable form, for example, inventories and prepaid items.
- *Restricted*: \$8,950,364 - resources specifically restricted by provider.
- *Committed*: \$11,467,849 - resources committed by formal action of governing body.
- *Assigned*: \$2,811,908 - 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 \$29,510,075. Total fund balance reached \$40,660,222. 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 70.10 percent of total General Fund expenditures, while total fund balance represents 96.59 percent to that same amount.

The fund balance of the City of Hickory's General Fund increased by \$3,811,507 during the current fiscal year.

Key factors of this increase are:

- Revenues for other taxes increased by \$1,335,299.
- Miscellaneous revenues increased significantly due to donations and an addition to the capital lease agreement with the Hickory-Conover Tourism Development Authority.
- 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 \$24,323,219. The total growth in net position was \$6,390,316. The Transportation Fund had an unrestricted net position of \$125,238, with an increase in net position of \$1,058,186. Unrestricted net position of the Solid Waste Fund amounted to \$1,551,585, with total net position reflecting a decrease of \$389,955. 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 \$5,742,731, and can be briefly summarized as follows:

- \$1,256,409 in increases allocated to general governmental activities.
- \$1,201,574 in increases allocated to public safety.
- \$186,689 in increases allocated to transportation.
- \$695,820 in increases allocated to economic and physical development.
- \$576,310 in increases allocated to culture and recreation.
- \$153,980 in increases allocated to debt service.
- \$473,038 in decreases for contingency.
- \$2,144,987 in increases allocated to transfers out of General Fund to other funds.

The General Fund recognized a positive variance of \$6,140,579 between the final amended budget and the total actual expenditures. This variance can be summarized as follows:

- Approximately \$1,751,600 of the variance is due to reduced costs of salary and benefits because of retirements, vacancies and elimination of positions.
- Approximately \$2,729,000 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.

General Capital Projects Fund. The General Capital Projects Fund saw an increase in authorized expenditures of \$5,640,693 for the fiscal year ending June 30, 2015. The following general capital projects contributed to key increases:

- A new parking deck is under construction at the Hickory Metro Convention Center. This project authorization increased \$2,803,000 during the year, with \$3,000,000 of debt issuance to cover construction costs.
- Project authorization for intersection improvements on Sandy Ridge Road totaled \$2,691,250.
- Repairs due to storm damage that occurred during the July 2013 flood event continued during the year, resulting in additional project authorization increases.

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, 2015, amounts to \$189,787,094 (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.
- Purchase of P25 compliant radio system for the fire department.
- Construction of new parking deck at the Hickory Metro Convention Center.

Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 12,238,619	\$ 12,168,206	\$ 4,759,688	\$ 4,755,162	\$ 16,998,307	\$ 16,923,368
Land improvements	-	-	7,068,587	7,068,587	7,068,587	7,068,587
Buildings and improvements	16,975,095	17,441,874	35,872,946	37,927,134	52,848,041	55,369,008
Equipment	3,827,568	2,861,732	921,168	814,570	4,748,736	3,676,302
Vehicles	1,650,318	1,472,462	1,895,729	2,335,035	3,546,047	3,807,497
Road network	12,477,538	15,619,839	2,347,206	2,561,772	14,824,744	18,181,611
Operating plants	-	-	10,295,800	10,637,708	10,295,800	10,637,708
Waterlines	-	-	21,749,218	21,990,471	21,749,218	21,990,471
Sewerlines	-	-	37,793,384	38,122,009	37,793,384	38,122,009
Construction in progress	6,247,005	1,676,131	13,667,225	9,633,283	19,914,230	11,309,414
Total net assets	\$ 53,416,143	\$ 51,240,244	\$ 136,370,951	\$ 135,845,731	\$ 189,787,094	\$ 187,085,975

Additional information on the City of Hickory's capital assets can be found in Note 6 on pages 60-62 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 \$39,529,913 as of June 30, 2015. Gross debt consists of installment purchase agreements of \$22,443,871; and notes payable of \$17,086,042.

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, 2015, was \$339,998,115.

Installment purchase agreements related to the radio system upgrade, Ridgeview Recreation Center, Stanford Park and the convention center amount to \$6,015,976 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 \$16,427,895 and are obligations of the Water and Sewer Fund. Notes payable amounting to \$17,086,042 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 2.91 percent of expenditures of the General Fund, and 20.90 percent of the Water and Sewer Fund.

At the end of the current fiscal year, the City of Hickory had no bonded debt outstanding.

The City of Hickory's total debt decreased by \$1,343,331, during the current fiscal year.

Additional information relating to debt service activity, intergovernmental agreements on repayment and historical information concerning the City's debt position can be found on pages 64-69 of this report.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Accrued law enforcement officer's unfunded retirement contribution	\$ 1,329,448	\$ 1,329,995	\$ -	\$ -	\$ 1,329,448	\$ 1,329,995
Compensated absences	2,193,563	2,176,069	550,640	552,415	2,744,203	2,728,484
Unfunded OPEB obligations	7,154,511	6,656,679	2,069,917	1,867,150	9,224,428	8,523,829
Installment purchase agreements	6,015,976	4,108,663	16,427,895	18,045,086	22,443,871	22,153,749
Notes Payable	-	494,000	17,086,042	18,719,495	17,086,042	19,213,495
Total	<u>\$ 16,693,498</u>	<u>\$ 14,765,406</u>	<u>\$ 36,134,494</u>	<u>\$ 39,184,146</u>	<u>\$ 52,827,992</u>	<u>\$ 53,949,552</u>

Economic Factors and Next Year's Budget and Rates

- Revenue estimates contained in the City of Hickory's Fiscal Year 2015-2016 Annual Budget were developed more conservatively in response to continued uncertain economic factors.
- The City of Hickory's property tax rate increased to \$0.5665 per \$100 valuation. This rate will provide approximately \$24,986,613 in property tax revenue. The property tax base is estimated to be \$4,415,178,221.
- The Fiscal Year 2016 budget maintains the current level of employee benefits.
- There will be slight increases to City charges and fees.

These factors were considered in preparation of the City of Hickory's budget for the Fiscal Year 2016.

In Fiscal Year 2016, the City of Hickory has appropriated \$2,574,233 of unassigned General Fund balance to finance the general operations of the City.

The original budget for Fiscal Year 2016 decreased 0.34 percent over the previous fiscal year. This funding level provides for the continuation of all basic City services, appropriations for the City's long-range and master plans, contingency appropriations to address unanticipated expenses and continued appropriations to the Capital Reserve Fund for future capital needs.

Request for Information

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

HICKORY



North Carolina

Basic Financial Statements

HICKORY



North Carolina

CITY OF HICKORY, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 41,216,141	\$ 27,992,464	\$ 69,208,605
Taxes receivable, net	877,970	-	877,970
Accounts receivable, net	2,024,407	3,128,010	5,152,417
Note receivable	4,978,800	-	4,978,800
Due from other governments	2,911,413	1,898,130	4,809,543
Internal balances	(805,077)	805,077	-
Inventories	177,383	411,635	589,018
Prepaid items	331,108	51,230	382,338
Cash and cash equivalents, restricted	925,393	579,516	1,504,909
Pension asset	2,436,554	564,843	3,001,397
Land and construction in progress	18,485,624	25,495,500	43,981,124
Other capital assets, net of depreciation	34,930,519	110,875,451	145,805,970
Total assets	<u>108,490,235</u>	<u>171,801,856</u>	<u>280,292,091</u>
Deferred Outflows of Resources:			
Contributions to pension plan	1,500,218	347,782	1,848,000
Total deferred outflows of resources	<u>1,500,218</u>	<u>347,782</u>	<u>1,848,000</u>
Liabilities:			
Accounts payable and accrued liabilities	4,856,093	3,941,891	8,797,984
Prepaid fees	21,747	46,414	68,161
Payable from restricted assets:			
Customer deposits	144,174	579,516	723,690
Non-current liabilities:			
Due within one year	2,420,638	3,473,973	5,894,611
Due in more than one year	14,272,860	32,660,521	46,933,381
Total liabilities	<u>21,715,512</u>	<u>40,702,315</u>	<u>62,417,827</u>
Deferred Inflows of Resources:			
Pension deferrals	5,999,529	1,390,811	7,390,340
Prepaid taxes	2,701	-	2,701
Total deferred inflows of resources	<u>6,002,230</u>	<u>1,390,811</u>	<u>7,393,041</u>
Net Position:			
Net investment in capital assets	50,663,986	102,857,014	153,521,000
Restricted for:			
Stabilization for State statute	6,633,870	-	6,633,870
Public safety	329,280	-	329,280
Economic and development	1,205,995	-	1,205,995
Unrestricted	23,439,580	27,199,498	50,639,078
Total net position	<u>\$ 82,272,711</u>	<u>\$ 130,056,512</u>	<u>\$ 212,329,223</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, 2015

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 10,714,412	\$ 5,733,999	\$ 987,289	\$ -
Public safety	20,325,286	235,616	1,189,681	-
Transportation	7,728,201	18,332	1,345,024	2,769,084
Economic and physical development	3,982,537	142,090	429,406	3,125,000
Culture and recreation	5,975,527	257,226	410,947	-
Interest on long-term debt	148,214	-	-	-
Total governmental activities	<u>48,874,177</u>	<u>6,387,263</u>	<u>4,362,347</u>	<u>5,894,084</u>
Business-Type Activities:				
Water	7,583,247	13,946,763	176,268	313,897
Sewer	11,499,020	9,293,174	327,354	1,064,768
Sludge composting	1,911,962	25,237	1,574,006	-
Stormwater	604,777	(3,318)	-	58,564
Airport	2,297,924	1,145,669	3,365	881,704
Recycling	3,591,441	2,541,569	26,596	-
Sanitation	1,638,769	1,203,656	-	-
Total business-type activities	<u>29,127,140</u>	<u>28,152,750</u>	<u>2,107,589</u>	<u>2,318,933</u>
Total primary government	<u>\$ 78,001,317</u>	<u>\$ 34,540,013</u>	<u>\$ 6,469,936</u>	<u>\$ 8,213,017</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, 2015

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Functions/Programs:			
Primary Government:			
Governmental Activities:			
General government	\$ (3,993,124)	\$ -	\$ (3,993,124)
Public safety	(18,899,989)	-	(18,899,989)
Transportation	(3,595,761)	-	(3,595,761)
Economic and physical development	(286,041)	-	(286,041)
Culture and recreation	(5,307,354)	-	(5,307,354)
Interest on long-term debt	(148,214)	-	(148,214)
Total governmental activities	<u>(32,230,483)</u>	<u>-</u>	<u>(32,230,483)</u>
Business-Type Activities:			
Water	-	6,853,681	6,853,681
Sewer	-	(813,724)	(813,724)
Sludge composting	-	(312,719)	(312,719)
Stormwater	-	(549,531)	(549,531)
Airport	-	(267,186)	(267,186)
Recycling	-	(1,023,276)	(1,023,276)
Sanitation	-	(435,113)	(435,113)
Total business-type activities	<u>-</u>	<u>3,452,132</u>	<u>3,452,132</u>
Total primary government	<u>(32,230,483)</u>	<u>3,452,132</u>	<u>(28,778,351)</u>
General Revenues:			
Ad valorem taxes	23,854,614	-	23,854,614
Sales taxes	8,950,747	-	8,950,747
Franchise taxes	2,057,565	-	2,057,565
Telecommunication tax	1,010,313	-	1,010,313
Motel/occupancy tax	1,616,179	-	1,616,179
Vehicle tag tax	170,479	-	170,479
Gross receipts tax	131,412	-	131,412
Unrestricted intergovernmental	675,846	-	675,846
Donations	-	9,570	9,570
Unrestricted investment earnings	150,105	92,491	242,596
Total general revenues	<u>38,617,260</u>	<u>102,061</u>	<u>38,719,321</u>
Transfers	<u>(1,720,158)</u>	<u>1,720,158</u>	<u>-</u>
Total general revenues and transfers	<u>36,897,102</u>	<u>1,822,219</u>	<u>38,719,321</u>
Change in net position	<u>4,666,619</u>	<u>5,274,351</u>	<u>9,940,970</u>
Net Position:			
Net position, beginning, previously reported	81,031,608	125,576,266	206,607,874
Restatement	<u>(3,425,516)</u>	<u>(794,105)</u>	<u>(4,219,621)</u>
Net position, beginning, restated	<u>77,606,092</u>	<u>124,782,161</u>	<u>202,388,253</u>
End of year - June 30	<u>\$ 82,272,711</u>	<u>\$ 130,056,512</u>	<u>\$ 212,329,223</u>

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

CITY OF HICKORY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	Major General Fund	General Capital Projects Fund	Other Nonmajor Governmental Funds	Total
Assets:				
Current assets:				
Cash and cash equivalents	\$ 34,866,884	\$ 562,622	\$ 36,936	\$ 35,466,442
Taxes receivable, net	877,970	-	-	877,970
Accounts receivable, net	357,018	52,277	1,447,339	1,856,634
Notes receivable	702,800	-	-	702,800
Due from other governmental agencies	2,236,860	528,788	96,229	2,861,877
Due from other funds	424,914	-	-	424,914
Inventory	102,424	-	-	102,424
Prepaid items	320,957	-	879	321,836
Restricted cash and equivalents	144,174	781,219	-	925,393
Total current assets	<u>40,034,001</u>	<u>1,924,906</u>	<u>1,581,383</u>	<u>43,540,290</u>
Notes receivable	<u>4,276,000</u>	<u>-</u>	<u>-</u>	<u>4,276,000</u>
Total assets	<u>\$ 44,310,001</u>	<u>\$ 1,924,906</u>	<u>\$ 1,581,383</u>	<u>\$ 47,816,290</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 2,610,662	\$ 256,627	\$ 46,704	\$ 2,913,993
Prepaid fees	14,272	-	-	14,272
Due to other funds	-	-	3,090	3,090
Liabilities to be paid from restricted assets:				
Customer deposits	<u>144,174</u>	<u>-</u>	<u>-</u>	<u>144,174</u>
Total current liabilities	<u>2,769,108</u>	<u>256,627</u>	<u>49,794</u>	<u>3,075,529</u>
Deferred Inflows of Resources:				
Property taxes receivable	877,970	-	-	877,970
Prepaid taxes	2,701	-	-	2,701
Economic development receivable	<u>-</u>	<u>-</u>	<u>1,238,729</u>	<u>1,238,729</u>
Total deferred inflows of resources	<u>880,671</u>	<u>-</u>	<u>1,238,729</u>	<u>2,119,400</u>
Fund Balances:				
Non-spendable	5,402,181	-	879	5,403,060
Restricted for:				
Stabilization for State statute	5,747,966	581,065	304,839	6,633,870
Restricted, all other	1,229,280	1,087,214	-	2,316,494
Committed	11,437,451	-	30,398	11,467,849
Assigned	2,811,908	-	-	2,811,908
Unassigned	<u>14,031,436</u>	<u>-</u>	<u>(43,256)</u>	<u>13,988,180</u>
Total fund balances	<u>40,660,222</u>	<u>1,668,279</u>	<u>292,860</u>	<u>42,621,361</u>
Total liabilities, deferred inflow of resources, and fund balances	<u>\$ 44,310,001</u>	<u>\$ 1,924,906</u>	<u>\$ 1,581,383</u>	<u>\$ 47,816,290</u>

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

CITY OF HICKORY, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015**

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

Total fund balances - modified accrual (see above)	\$ 42,621,361
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	53,383,500
Net pension asset	2,386,361
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	1,469,313
Accrual of interest revenue on delinquent taxes does not represent current financial resources and, therefore, is not reported in the funds.	136,859
Low income housing loans are not available to represent current financial resources and, therefore, are not reported in the funds.	21,818
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.	(18,890)
Other receivables are not available to pay for current period expenditures and are recognized as deferred inflows in the funds.	2,116,699
Pension related deferrals	(5,875,938)
Internal services funds are used by management to charge the costs of insurance and fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position in the fund statements until collected.	2,536,415
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(16,504,787)</u>
Net position of governmental activities	<u>\$ 82,272,711</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, 2015

	Major General Fund	General Capital Projects Fund	Other Nonmajor Governmental Funds	Total
Revenues:				
Ad valorem taxes	\$ 24,206,333	\$ -	\$ -	\$ 24,206,333
Other taxes	14,774,695	-	-	14,774,695
Unrestricted intergovernmental revenues	675,846	-	-	675,846
Restricted intergovernmental revenues	2,685,322	2,769,084	545,292	5,999,698
Licenses and permits	1,116,114	-	-	1,116,114
Sales and services	1,670,000	-	-	1,670,000
Investment earnings	125,892	156	177	126,225
Miscellaneous	4,186,360	-	227,588	4,413,948
Total revenues	<u>49,440,562</u>	<u>2,769,240</u>	<u>773,057</u>	<u>52,982,859</u>
Expenditures:				
Current:				
General government	5,432,152	-	-	5,432,152
Public safety	21,008,909	-	32,039	21,040,948
Transportation	5,273,526	-	-	5,273,526
Economic and physical development	3,285,945	-	715,397	4,001,342
Culture and recreation	5,867,815	-	-	5,867,815
Capital outlay	-	5,271,468	-	5,271,468
Debt service:				
Principal retirement	1,092,687	-	-	1,092,687
Interest fees	134,350	-	-	134,350
Total expenditures	<u>42,095,384</u>	<u>5,271,468</u>	<u>747,436</u>	<u>48,114,288</u>
Revenues over (under) expenditures	<u>7,345,178</u>	<u>(2,502,228)</u>	<u>25,621</u>	<u>4,868,571</u>
Other Financing Sources (Uses):				
Transfers in	1,911,896	1,798,581	24,339	3,734,816
Transfers out	(5,445,567)	(9,407)	-	(5,454,974)
Issuance of long-term debt	-	3,000,000	-	3,000,000
Total other financing sources (uses)	<u>(3,533,671)</u>	<u>4,789,174</u>	<u>24,339</u>	<u>1,279,842</u>
Net change in fund balances	<u>3,811,507</u>	<u>2,286,946</u>	<u>49,960</u>	<u>6,148,413</u>
Fund Balances:				
Fund balance, beginning, previously reported	34,366,115	(618,667)	242,900	33,990,348
Restatement	2,482,600	-	-	2,482,600
Fund balance, beginning, restated	<u>36,848,715</u>	<u>(618,667)</u>	<u>242,900</u>	<u>36,472,948</u>
End of year - June 30	<u>\$ 40,660,222</u>	<u>\$ 1,668,279</u>	<u>\$ 292,860</u>	<u>\$ 42,621,361</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, 2015**

Net change in fund balances - total governmental funds per Exhibit D	\$ 6,148,413
<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	8,268,637
Depreciation expense	(5,415,873)
<p>Governmental funds report low income housing loans as expenditures. However, in the Statement of Activities, the cost of those loans is recorded as long-term receivable.</p>	
<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	(703,685)
<p>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.</p>	
	(1,437,949)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.</p>	
	1,469,313
<p>Debt proceeds provide current financial resources to governmental funds, but issuance of debt increases long-term liabilities in the Statement of Net Position.</p>	
	(3,000,000)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>	
	1,092,687
<p>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.</p>	
	(492,452)
<p>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.</p>	
	547
<p>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.</p>	
	(28,713)
<p>Pension expenses reported in the Statement of Activities does not require the use of current financial resources, and, therefore is not reported as an expenditure in the governmental funds.</p>	
	(134,628)
<p>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.</p>	
	(13,864)
<p>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.</p>	
	<u>(1,085,814)</u>
Change in net position of governmental activities per Exhibit B	<u>\$ 4,666,619</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, 2015

	General Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 23,541,111	\$ 23,541,111	\$ 24,206,333	\$ 665,222
Other taxes	13,108,425	13,108,425	14,774,695	1,666,270
Unrestricted intergovernmental revenues	523,000	523,000	675,846	152,846
Restricted intergovernmental revenues	2,031,999	2,553,359	2,685,322	131,963
Licenses and permits	1,147,255	1,147,255	1,116,114	(31,141)
Sales and services	1,495,395	1,646,836	1,670,000	23,164
Investment earnings	200,000	200,000	84,471	(115,529)
Miscellaneous	267,877	450,259	1,690,160	1,239,901
Total revenues	<u>42,315,062</u>	<u>43,170,245</u>	<u>46,902,941</u>	<u>3,732,696</u>
Expenditures:				
Current:				
General government	6,244,939	7,501,348	5,432,152	2,069,196
Public safety	22,138,837	23,340,411	21,008,909	2,331,502
Transportation	6,307,762	6,494,451	5,273,526	1,220,925
Economic and physical development	2,354,332	3,050,152	3,285,945	(235,793)
Culture and recreation	5,879,288	6,455,598	5,867,815	587,783
Debt service:				
Principal	992,688	1,092,688	1,092,687	1
Interest and fees	80,373	134,353	134,350	3
Contingency	640,000	166,962	-	166,962
Total expenditures	<u>44,638,219</u>	<u>48,235,963</u>	<u>42,095,384</u>	<u>6,140,579</u>
Revenues over (under) expenditures	<u>(2,323,157)</u>	<u>(5,065,718)</u>	<u>4,807,557</u>	<u>9,873,275</u>
Other Financing Sources (Uses):				
Transfers in	1,545,100	2,214,975	2,214,974	(1)
Transfers (out)	<u>(1,617,929)</u>	<u>(3,762,916)</u>	<u>(3,762,916)</u>	<u>-</u>
Total other financing sources (uses)	<u>(72,829)</u>	<u>(1,547,941)</u>	<u>(1,547,942)</u>	<u>(1)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(2,395,986)</u>	<u>(6,613,659)</u>	<u>3,259,615</u>	<u>9,873,274</u>
Appropriated fund balance	<u>2,395,986</u>	<u>6,613,659</u>	<u>-</u>	<u>(6,613,659)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>3,259,615</u>	<u>\$ 3,259,615</u>
Reconciliation from Budgetary Basis of Accounting to Modified Accrual Basis:				
Contribution from CVYSA			125,000	
Contribution from TDA			3,000,000	
Current year note receivable payments			<u>(628,800)</u>	
Net change in fund balance modified accrual			<u>5,755,815</u>	
Fund Balance:				
Fund balance, beginning, previously reported			20,984,356	
Restatement			<u>2,482,600</u>	
Fund balance, beginning, restated			<u>23,466,956</u>	
End of year - June 30			<u>\$ 29,222,771</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, 2015

	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	\$ 23,957,576	\$ 526,699	\$ 2,977,835	\$ 530,354	\$ 27,992,464	\$ 5,749,699
Accounts receivable, net	2,827,781	130,229	169,401	599	3,128,010	9,096
Inventory	344,099	67,536	-	-	411,635	74,959
Due from other governments	1,034,404	753,533	54,231	55,962	1,898,130	49,536
Prepaid items	46,009	2,248	1,047	1,926	51,230	9,272
Restricted cash	579,019	497	-	-	579,516	-
Total current assets	<u>28,788,888</u>	<u>1,480,742</u>	<u>3,202,514</u>	<u>588,841</u>	<u>34,060,985</u>	<u>5,892,562</u>
Non-current assets:						
Pension asset	388,512	42,719	124,812	8,800	564,843	50,193
Land and construction in progress	13,414,557	11,935,919	-	145,024	25,495,500	-
Other capital assets, net of depreciation	<u>101,403,753</u>	<u>2,584,409</u>	<u>1,489,296</u>	<u>5,397,993</u>	<u>110,875,451</u>	<u>32,643</u>
Total non-current assets	<u>115,206,822</u>	<u>14,563,047</u>	<u>1,614,108</u>	<u>5,551,817</u>	<u>136,935,794</u>	<u>82,836</u>
Total assets	<u>143,995,710</u>	<u>16,043,789</u>	<u>4,816,622</u>	<u>6,140,658</u>	<u>170,996,779</u>	<u>5,975,398</u>
Deferred Outflows of Resources:						
Contributions to pension plan	<u>239,212</u>	<u>26,303</u>	<u>76,849</u>	<u>5,418</u>	<u>347,782</u>	<u>30,905</u>
Total deferred outflows of resources	<u>239,212</u>	<u>26,303</u>	<u>76,849</u>	<u>5,418</u>	<u>347,782</u>	<u>30,905</u>
Liabilities:						
Current liabilities:						
Accounts payable and accrued liabilities	1,698,865	1,164,434	919,934	158,658	3,941,891	1,923,210
Current portion of long-term debt	3,405,860	13,088	51,562	3,463	3,473,973	32,089
Due to other funds	-	-	-	-	-	421,824
Prepaid fees	46,414	-	-	-	46,414	7,475
Liabilities paid from restricted assets:						
Customer deposits	<u>579,019</u>	<u>497</u>	<u>-</u>	<u>-</u>	<u>579,516</u>	<u>-</u>
Total current liabilities	<u>5,730,158</u>	<u>1,178,019</u>	<u>971,496</u>	<u>162,121</u>	<u>8,041,794</u>	<u>2,384,598</u>
Non-current liabilities:						
Compensated absences payable	253,614	37,224	43,186	6,380	340,404	9,867
Non-current portion of long-term debt	<u>31,666,926</u>	<u>104,097</u>	<u>530,583</u>	<u>18,511</u>	<u>32,320,117</u>	<u>146,755</u>
Total non-current liabilities	<u>31,920,540</u>	<u>141,321</u>	<u>573,769</u>	<u>24,891</u>	<u>32,660,521</u>	<u>156,622</u>
Total liabilities	<u>37,650,698</u>	<u>1,319,340</u>	<u>1,545,265</u>	<u>187,012</u>	<u>40,702,315</u>	<u>2,541,220</u>
Deferred Inflows of Resources:						
Pension deferrals	<u>956,632</u>	<u>105,186</u>	<u>307,325</u>	<u>21,668</u>	<u>1,390,811</u>	<u>123,591</u>
Total deferred inflows of resources	<u>956,632</u>	<u>105,186</u>	<u>307,325</u>	<u>21,668</u>	<u>1,390,811</u>	<u>123,591</u>
Net Position:						
Net investment in capital assets	81,304,373	14,520,328	1,489,296	5,543,017	102,857,014	32,643
Unrestricted	<u>24,323,219</u>	<u>125,238</u>	<u>1,551,585</u>	<u>394,379</u>	<u>26,394,421</u>	<u>3,308,849</u>
Total net position	<u>\$ 105,627,592</u>	<u>\$ 14,645,566</u>	<u>\$ 3,040,881</u>	<u>\$ 5,937,396</u>	<u>\$ 129,251,435</u>	<u>\$ 3,341,492</u>
Total net position - proprietary funds presentation					\$ 129,251,435	
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds					<u>805,077</u>	
Net position of business-type activities - government-wide					<u>\$ 130,056,512</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, 2015

	Business-Type Activities				Total	Governmental
	Water and Sewer Fund	Transportation Fund	Solid Waste Fund	Other Enterprise Funds		Internal Service Funds
Operating Revenues:						
Other taxes	\$ -	\$ -	\$ 26,596	\$ -	\$ 26,596	\$ -
Restricted intergovernmental	-	3,365	-	1,574,006	1,577,371	-
Charges for services	23,308,319	1,167,976	3,809,331	28,512	28,314,138	8,790,159
Other operating revenues	711,633	-	2,968	-	714,601	2,325
Total operating revenues	<u>24,019,952</u>	<u>1,171,341</u>	<u>3,838,895</u>	<u>1,602,518</u>	<u>30,632,706</u>	<u>8,792,484</u>
Operating Expenses:						
Administration and engineering	5,939,589	-	-	117,089	6,056,678	-
Collection system	1,091,238	-	-	-	1,091,238	-
Henry Fork plant	1,000,363	-	-	-	1,000,363	-
Northeast plant	892,169	-	-	-	892,169	-
Water treatment plant	2,111,078	-	-	-	2,111,078	-
Pre-treatment and lab	514,069	-	-	-	514,069	-
Distribution	2,181,404	-	-	-	2,181,404	-
Sludge plant	-	-	-	1,582,131	1,582,131	-
Street	-	-	-	108,299	108,299	-
Drainage maintenance	-	-	-	39,387	39,387	-
Claremont sewer lines	181,904	-	-	-	181,904	-
Hickory Catawba wastewater treatment plant	262,796	-	-	-	262,796	-
Airport	-	464,229	-	-	464,229	-
Airport tower	-	13,091	-	-	13,091	-
Airport FBO	-	1,487,021	-	-	1,487,021	-
Recycling	-	-	3,220,551	-	3,220,551	-
Residential sanitation	-	-	755,799	-	755,799	-
Commercial sanitation	-	-	713,733	-	713,733	-
Health insurance	-	-	-	-	-	6,488,949
Property/casualty insurance	-	-	-	-	-	547,074
Workers' compensation	-	-	-	-	-	655,783
Fleet maintenance	-	-	-	-	-	2,595,772
Depreciation	3,756,715	333,583	540,127	669,833	5,300,258	7,199
Total operating expenses	<u>17,931,325</u>	<u>2,297,924</u>	<u>5,230,210</u>	<u>2,516,739</u>	<u>27,976,198</u>	<u>10,294,777</u>
Operating income (loss)	<u>6,088,627</u>	<u>(1,126,583)</u>	<u>(1,391,315)</u>	<u>(914,221)</u>	<u>2,656,508</u>	<u>(1,502,293)</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, 2015

	Business-Type Activities				Total	Governmental
	Water and Sewer Fund	Transportation Fund	Solid Waste Fund	Other Enterprise Funds		Internal Service Funds
Non-Operating						
Revenues (Expenses):						
Donations	9,570	-	-	-	9,570	-
Investment earnings	80,823	3,484	7,379	805	92,491	23,880
Miscellaneous	-	-	6,514	-	6,514	-
Gain (loss) on disposal of capital assets	(213,013)	-	13,715	-	(199,298)	-
Interest on long-term debt	(937,929)	-	-	-	(937,929)	-
Total non-operating revenues (expenses)	<u>(1,060,549)</u>	<u>3,484</u>	<u>27,608</u>	<u>805</u>	<u>(1,028,652)</u>	<u>23,880</u>
Income (loss) before capital contributions and transfers	5,028,078	(1,123,099)	(1,363,707)	(913,416)	1,627,856	(1,478,413)
Capital Contributions:						
Capital contributions	1,378,665	881,704	-	58,564	2,318,933	-
Transfers:						
Transfers from other funds	656,318	354,287	973,752	409,986	2,394,343	-
Transfers (to) other funds	(672,745)	(1,440)	-	-	(674,185)	-
Change in net position	<u>6,390,316</u>	<u>111,452</u>	<u>(389,955)</u>	<u>(444,866)</u>	<u>\$ 5,666,947</u>	<u>(1,478,413)</u>
Net Position:						
Net position beginning previously reported	99,783,479	14,594,172	3,606,308	6,394,634		4,890,471
Restatement	(546,203)	(60,058)	(175,472)	(12,372)		(70,566)
Net position beginning, restated	<u>99,237,276</u>	<u>14,534,114</u>	<u>3,430,836</u>	<u>6,382,262</u>		<u>4,819,905</u>
End of year - June 30	<u>\$ 105,627,592</u>	<u>\$ 14,645,566</u>	<u>\$ 3,040,881</u>	<u>\$ 5,937,396</u>		<u>\$ 3,341,492</u>
Reconciliation with Exhibit B - Change in Net Position - Business-Type Activities:						
Change in net position - fund perspective					\$ 5,666,947	
Internal Service Fund profits allocated to business-type activities					(392,596)	
Change in net position - entity-wide perspective - Exhibit B					<u>\$ 5,274,351</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, 2015

	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	\$ 23,424,998	\$ 1,158,150	\$ 3,828,151	\$ 1,622,286	\$ 30,033,585	\$ 8,794,673
Cash paid to suppliers	(9,598,768)	(656,098)	(2,459,495)	(1,794,518)	(14,508,879)	(9,055,172)
Cash paid to employees	(4,459,172)	(197,731)	(1,556,158)	(109,713)	(6,322,774)	(660,122)
Net cash provided (used) by operating activities	<u>9,367,058</u>	<u>304,321</u>	<u>(187,502)</u>	<u>(281,945)</u>	<u>9,201,932</u>	<u>(920,621)</u>
Cash Flows from Non-Capital						
Financing Activities:						
Changes in due to/from other funds	29,371	(729,997)	-	(29,371)	(729,997)	63,093
Transfers from other funds	656,318	354,287	973,752	409,986	2,394,343	-
Transfers (to) other funds	(672,745)	(1,440)	-	-	(674,185)	-
Net cash provided (used) by non-capital financing activities	<u>12,944</u>	<u>(377,150)</u>	<u>973,752</u>	<u>380,615</u>	<u>990,161</u>	<u>63,093</u>
Cash Flows from Capital and						
Related Financing Activities:						
Acquisition and construction of capital assets	(4,604,169)	(1,023,749)	-	(103,607)	(5,731,525)	(34,019)
Proceeds from sale of assets	65,614	-	13,715	-	79,329	-
Principal paid on long-term debt	(3,250,644)	-	-	-	(3,250,644)	-
Interest paid on long-term debt	(894,220)	-	-	-	(894,220)	-
Donations/contributions	9,570	-	6,514	-	16,084	-
Capital contributions	1,064,768	881,704	-	-	1,946,472	-
Net cash provided (used) by capital and related financing activities	<u>(7,609,081)</u>	<u>(142,045)</u>	<u>20,229</u>	<u>(103,607)</u>	<u>(7,834,504)</u>	<u>(34,019)</u>
Cash Flows from Investing Activities:						
Interest on investments	80,823	3,484	7,379	805	92,491	23,880
Net cash provided (used) by investing activities	<u>80,823</u>	<u>3,484</u>	<u>7,379</u>	<u>805</u>	<u>92,491</u>	<u>23,880</u>
Net increase (decrease) in cash and cash equivalents	1,851,744	(211,390)	813,858	(4,132)	2,450,080	(867,667)
Cash and Cash Equivalents:						
Beginning of year - July 1	<u>22,684,851</u>	<u>738,586</u>	<u>2,163,977</u>	<u>534,486</u>	<u>26,121,900</u>	<u>6,617,366</u>
End of year - June 30	<u>\$ 24,536,595</u>	<u>\$ 527,196</u>	<u>\$ 2,977,835</u>	<u>\$ 530,354</u>	<u>\$ 28,571,980</u>	<u>\$ 5,749,699</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, 2015

	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)	\$ 6,088,627	\$ (1,126,583)	\$ (1,391,315)	\$ (914,221)	\$ 2,656,508	\$ (1,502,293)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	3,756,715	333,583	540,127	669,833	5,300,258	7,199
Pension expense	21,917	2,409	7,041	496	31,863	2,832
Change in assets and liabilities:						
(Increase) decrease in accounts receivables	(620,284)	(12,065)	(58,333)	23,170	(667,512)	4,531
(Increase) decrease in prepaid items	(14,856)	1,076	(891)	(852)	(15,523)	300,452
(Increase) decrease in inventories	19,701	-	-	-	19,701	19,306
(Increase) decrease in deferred outflows of resources for pensions	(239,212)	(26,303)	(76,849)	(5,418)	(347,782)	(30,905)
Increase (decrease) in accounts payable	180,365	1,111,221	764,576	(56,938)	1,999,224	284,638
Increase (decrease) in compensated absences	4,484	3,924	(9,897)	(288)	(1,777)	(11,219)
Increase (decrease) in other post-employment benefits	144,271	18,185	38,039	2,273	202,768	5,380
Increase (decrease) in customer deposits	22,944	(1,126)	-	-	21,818	-
Increase (decrease) in prepaid fees	2,386	-	-	-	2,386	(542)
Net cash provided (used) by operating activities	<u>\$ 9,367,058</u>	<u>\$ 304,321</u>	<u>\$ (187,502)</u>	<u>\$ (281,945)</u>	<u>\$ 9,201,932</u>	<u>\$ (920,621)</u>
Non-Cash Transactions:						
Contribution of assets from developers	<u>\$ 313,897</u>			<u>\$ 58,564</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, 2015

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The government reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. It accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, sales taxes, federal and State grants, and user fees. The primary expenditures are for public safety, streets and highways, parks 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, 2015

has legally adopted a Capital Reserve Fund under North Carolina General Statutes. However, for statement presentation in accordance with GASB Statement No. 54, the Capital Reserve Fund is consolidated in the General Fund. The budgetary comparison for the Capital Reserve Fund has been included in the supplemental information.

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

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 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.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

Governmental fund financial statements are reported using the current financial resources measurement focus. Under this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets. Basis of accounting determines when revenues and expenditures or expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements, as well as, relates to the timing of the measurements made, regardless of the measurement focus applied. The governmental fund types use the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized in the accounting period when they become susceptible to accrual (i.e., when they are “measurable” and “available”) to pay liabilities of the current period. Expenditures are recognized in the accounting period in which a fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt which are recognized when due, and certain compensated absences and claims and judgments, which are recognized when they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. 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 are not accrued as revenues in the governmental fund statements because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, on September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Hickory because the tax is levied by Catawba County and then remitted to and distributed by the State. Intergovernmental revenues, and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, 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.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds and internal service funds include the costs of sales and services, administrative expenses, and depreciation 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 and commercial paper with a market value of \$19,737,819 and \$4,000,764 respectively on June 30, 2015. 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 General Capital Project Fund 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, 2015

Restricted cash balance of the City on June 30, 2015 are as follows:

Governmental Activities:

General Fund:

Customer deposits	\$	144,174
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General Capital Projects Fund:

Unexpended debt proceeds		781,219
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Total governmental activities	\$	<u>925,393</u>
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Business-Type Activities:

Water and Sewer Fund:

Customer deposits	\$	579,516
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Total business-type activities	\$	<u>579,516</u>
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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, 2014.

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, 2015

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, 2015

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 has one item that meets this criterion, contributions made to the pension plan in the 2015 fiscal year. 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 – economic development receivable, prepaid taxes, property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

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, 2015**

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>	<u>Other Governmental Funds</u>
<i>Notes Receivable</i> -- portion of fund balance that is not an available resource because it represents the year-end balance of notes receivable, which are not spendable resources.	\$ 4,978,800	\$ -
<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.	102,424	-
<i>Prepays</i> – portion of fund balance that is not an available resource because it represents prepaid amounts, which are not spendable resources.	<u>320,957</u>	<u>879</u>
Total	<u>\$ 5,402,181</u>	<u>\$ 879</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, 2015 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>Total</u>
Restricted, all other:			
Economic development	\$ 900,000	\$ 1,087,214	\$ 1,987,214
Public safety	<u>329,280</u>	<u>-</u>	<u>329,280</u>
Total	<u>\$ 1,229,280</u>	<u>\$ 1,087,214</u>	<u>\$ 2,316,494</u>

CITY OF HICKORY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Restricted net position on Exhibit A varies from restricted fund balance of Exhibit C by the amount of unspent bond proceeds of \$781,219, as of June 30, 2015.

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

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

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, 2015 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Economic development	\$ -	\$ 30,398	\$ 30,398
Capital projects	11,437,451	-	11,437,451
Total	<u>\$ 11,437,451</u>	<u>\$ 30,398</u>	<u>\$ 11,467,849</u>

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

Subsequent Year's Expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the Manager to modify the appropriations by function or appropriation within funds up to \$1,000.

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

Assigned fund balance at June 30, 2015 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Total</u>
Subsequent year's expenditures	\$ 2,142,233	\$ 2,142,233
Fuel	669,675	669,675
Total	<u>\$ 2,811,908</u>	<u>\$ 2,811,908</u>

CITY OF HICKORY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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.

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	\$ 40,660,222
Less:	
Prepays	(320,957)
Inventory	(102,424)
Notes receivable	(4,978,800)
Stabilization by State statute	(5,747,966)
Public safety	(329,280)
Economic development	(900,000)
Capital projects	(11,437,451)
Appropriated fund balance in 2015 budget	(2,142,233)
Fuel	(669,675)
Fund balance policy - 25% of budgeted expenditures	<u>(12,058,991)</u>
Remaining fund balance	<u>\$ 1,972,445</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>2,729,174</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.

CITY OF HICKORY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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.

14. Pensions

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

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

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

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

Fund Balance, Ending Exhibit F	\$ 29,222,771
Capital Reserve Fund:	
Investment earnings	41,421
Transfers in/out	(1,985,729)
Fund balance, beginning, previously reported	<u>13,381,759</u>
Fund Balance, Ending Exhibit D	<u>\$ 40,660,222</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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	\$ 6,015,976
Unfunded obligation	7,154,511
Compensated absences	2,193,563
Net pension obligation - Law Enforcement	
Officers' Separation Allowance	1,329,448
Less: effect of Internal Service Fund	<u>(188,711)</u>
Net adjustment to increase fund balance - total governmental	
funds to arrive at net position - governmental activities	<u>\$ 16,504,787</u>

Note 3 – Stewardship, Compliance, and Accountability

A. Budgetary Data

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

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

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

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

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 Net Position

For the fiscal year ended June 30, 2015, the Fleet Internal Service Fund had deficit net position of \$541,010. This deficit was covered by the Insurance Internal Service Fund. Management will review the operations of these funds to eliminate the deficit net position.

D. Excess Expenditures Over Appropriations

For the fiscal year ended June 30, 2015, the City made expenditures in excess of the approved budget in the General Fund.

The City will be more diligent in the future in monitoring the budget of the General Fund along with pre-auditing before approval.

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.

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

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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, 2015, the carrying amount of the City's deposits with banks was \$21,737,905. Balances with banks equaled \$21,859,179. Of the bank balances, \$500,000 was covered by federal depository insurance, and \$21,359,179 was covered by collateral held by authorized escrow agents in the name of the State Treasurer. The total amount of cash on-hand and petty cash was \$12,649.

B. Investments

At June 30, 2015, the City's investments consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than</u>			
		<u>6 Months</u>	<u>6-12 Months</u>	<u>1-3 Years</u>	<u>4-5 Years</u>
US Government Agencies	\$ 19,737,819	\$ -	\$ 1,049,952	\$ 11,295,728	\$ 7,392,139
Commercial Paper	4,000,764	-	999,387	3,001,377	-
NC Capital Management Trust:					
Cash Portfolio	9,026,230	-	-	-	-
Term Portfolio	16,198,147	16,198,147	-	-	-
Total investments	<u>\$ 48,962,960</u>	<u>\$ 16,198,147</u>	<u>\$ 2,049,339</u>	<u>\$ 14,297,105</u>	<u>\$ 7,392,139</u>

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, 2015. 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 54% 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 7.2%, 15.4%, and 15.3%, respectively, of the City's total investments.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Note 5 – Receivables

A. Detail

Receivables at the government-wide level at June 30, 2015 were as follows:

	Taxes	Accounts	Notes	Due From Other Governments	Total
Governmental Activities:					
General	\$ 1,944,216	\$ 593,748	\$ 4,978,800	\$ 2,286,396	\$ 9,803,160
General capital projects	-	52,277	-	528,788	581,065
Other governmental	-	1,447,339	-	96,229	1,543,568
Total receivables	1,944,216	2,093,364	4,978,800	2,911,413	11,927,793
Allowance for doubtful accounts	(1,066,246)	(68,957)	-	-	(1,135,203)
Total governmental activities	\$ 877,970	\$ 2,024,407	\$ 4,978,800	\$ 2,911,413	\$ 10,792,590
Business-Type Activities:					
Water and sewer	\$ -	\$ 2,948,831	\$ -	\$ 1,034,404	\$ 3,983,235
Transportation	-	312,507	-	753,533	1,066,040
Solid waste	-	201,656	-	54,231	255,887
Other	-	599	-	55,962	56,561
Total receivables	-	3,463,593	-	1,898,130	5,361,723
Allowance for doubtful accounts	-	(335,583)	-	-	(335,583)
Total business-type activities	\$ -	\$ 3,128,010	\$ -	\$ 1,898,130	\$ 5,026,140

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

Governmental activities	\$ 2,911,413
Business-type activities	1,898,130
Total due from other governmental agencies	\$ 4,809,543
Local option sales tax	\$ 1,511,634
Street maintenance reimbursements	86,330
Traffic control	81,525
NC DOT	1,139,119
County tax collections	179,205
Sales tax reimbursement	806,558
State receivable	639,844
Town of Maiden	113,144
State grants	8,087
Federal grants	70,645
Catawba County utility services	104,505
Urgent repair program	23,306
HUD grant	45,641
Total due from other governmental agencies	\$ 4,809,543

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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%.

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

The future minimum lease payment to be received and the net present value of these minimum lease receipts as of June 30, 2015 were as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2016	\$ 822,583
2017	807,043
2018	791,503
2019	634,563
2020	371,420
2021-2025	1,213,150
2026-2030	966,150
Total minimum lease receipts	5,606,412
Less amount representing interest	(726,612)
Present value of net minimum lease receipts	<u>\$ 4,879,800</u>

CITY OF HICKORY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

C. Catawba Valley Youth Soccer Association-- Note Receivable

In July 2013, the City entered into an agreement with the Catawba Valley Youth Soccer Association (CVYSA) for development of soccer fields at Henry Fork River Regional Recreation Park, including the installation of lights on Field #1. The CVYSA agreed to contribute \$125,000 towards the lighting of the additional soccer fields. The CVYSA made contributions of \$26,000 in the current year leaving an outstanding balance of \$99,000 on the note as of June 30, 2015. The CVYSA will pay the remaining \$99,000 balance in nine equal annual installments of \$11,000 beginning June 30, 2016 and ending June 30, 2024.

D. Deferred Outflows and Inflows of Resources

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

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 1,848,000

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

Prepaid taxes (General Fund)	\$ 2,701
Taxes receivable, less penalties (General Fund)	877,970
Economic development receivable (Community Development Entitlement Block Grant Fund)	1,238,729
Pension deferrals	<u>7,390,340</u>
Total	<u>\$ 9,509,740</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Note 6 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015 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	\$ 12,168,206	\$ 70,413	\$ -	\$ -	\$ 12,238,619
Construction in progress	<u>1,676,131</u>	<u>5,271,468</u>	<u>-</u>	<u>(700,594)</u>	<u>6,247,005</u>
Total assets non-depreciable	<u>13,844,337</u>	<u>5,341,881</u>	<u>-</u>	<u>(700,594)</u>	<u>18,485,624</u>
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	41,964,677	652,623			42,617,300
Equipment	10,929,385	920,580	(510,364)	700,594	12,040,195
Vehicles	13,091,402	1,006,381	(539,368)	(38,583)	13,519,832
Road network	<u>60,404,195</u>	<u>381,192</u>	<u>(5,139,700)</u>	<u>-</u>	<u>55,645,687</u>
Total depreciable assets	<u>126,389,659</u>	<u>2,960,776</u>	<u>(6,189,432)</u>	<u>662,011</u>	<u>123,823,014</u>
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	24,522,803	1,119,402	-	-	25,642,205
Equipment	8,067,653	646,555	(501,581)	-	8,212,627
Vehicles	11,618,940	787,403	(498,246)	(38,583)	11,869,514
Road network	<u>44,784,356</u>	<u>2,869,713</u>	<u>(4,485,920)</u>	<u>-</u>	<u>43,168,149</u>
Total accumulated depreciation	<u>88,993,752</u>	<u>5,423,073</u>	<u>(5,485,747)</u>	<u>(38,583)</u>	<u>88,892,495</u>
Total depreciable assets, net	<u>37,395,907</u>	<u>(2,462,297)</u>	<u>(703,685)</u>	<u>700,594</u>	<u>34,930,519</u>
Governmental activities capital assets, net	<u>\$ 51,240,244</u>	<u>\$ 2,879,584</u>	<u>\$ (703,685)</u>	<u>\$ -</u>	<u>\$ 53,416,143</u>
Business-Type Activities:					
Water and Sewer:					
<i>Non-Depreciable Capital Assets:</i>					
Land	\$ 820,772	\$ -	\$ -	\$ -	\$ 820,772
Construction in progress	<u>9,539,514</u>	<u>3,162,578</u>	<u>(108,307)</u>	<u>-</u>	<u>12,593,785</u>
Total non-depreciable assets	<u>10,360,286</u>	<u>3,162,578</u>	<u>(108,307)</u>	<u>-</u>	<u>13,414,557</u>
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	48,379,729	62,747	(370,414)	-	48,072,062
Equipment	2,049,508	324,760	(84,395)	(39,803)	2,250,070
Vehicles	2,532,267	245,434	(320,573)	-	2,457,128
Operating plants	26,270,918	-	-	-	26,270,918
Water lines	33,006,701	378,953	-	-	33,385,654
Sewer lines	<u>57,281,633</u>	<u>743,594</u>	<u>-</u>	<u>-</u>	<u>58,025,227</u>
Total depreciable assets	<u>169,520,756</u>	<u>1,755,488</u>	<u>(775,382)</u>	<u>(39,803)</u>	<u>170,461,059</u>
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	16,652,913	1,382,776	(203,726)	-	17,831,963
Equipment	1,594,278	125,141	(80,670)	(39,803)	1,598,946
Vehicles	1,889,320	214,253	(320,573)	-	1,783,000
Operating plants	15,633,210	341,908	-	-	15,975,118
Water lines	11,016,230	620,206	-	-	11,636,436
Sewer lines	<u>19,159,624</u>	<u>1,072,431</u>	<u>(212)</u>	<u>-</u>	<u>20,231,843</u>
Total accumulated depreciation	<u>65,945,575</u>	<u>3,756,715</u>	<u>(605,181)</u>	<u>(39,803)</u>	<u>69,057,306</u>
Total depreciable assets, net	<u>103,575,181</u>	<u>(2,001,227)</u>	<u>(170,201)</u>	<u>-</u>	<u>101,403,753</u>
Water and Sewer capital assets, net	<u>113,935,467</u>	<u>1,161,351</u>	<u>(278,508)</u>	<u>-</u>	<u>114,818,310</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	<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	10,305,349	36,735	-	-	10,342,084
Equipment	51,945	-	-	-	51,945
Total depreciable assets	10,357,294	36,735	-	-	10,394,029
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	6,980,537	323,322	-	-	7,303,859
Equipment	32,874	6,509	-	-	39,383
Total accumulated depreciation	7,013,411	329,831	-	-	7,343,242
Total depreciable assets, net	3,343,883	(293,096)	-	-	3,050,787
Sludge composting capital assets, net	3,488,907	(293,096)	-	-	3,195,811
Stormwater:					
<i>Depreciable Capital Assets:</i>					
Curb and gutter	17,042,173	125,436	-	-	17,167,609
Total depreciable assets	17,042,173	125,436	-	-	17,167,609
<i>Less Accumulated Depreciation:</i>					
Curb and gutter	14,480,401	340,002	-	-	14,820,403
Total accumulated depreciation	14,480,401	340,002	-	-	14,820,403
Stormwater capital assets, net	2,561,772	(214,566)	-	-	2,347,206
Transportation:					
<i>Non-Depreciable Capital Assets:</i>					
Land	3,789,366	4,526	-	-	3,793,892
Land improvements	7,068,587	-	-	-	7,068,587
Construction in progress	93,769	979,671	-	-	1,073,440
Total non-depreciable assets	10,951,722	984,197	-	-	11,935,919
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	7,084,311	39,552	-	-	7,123,863
Equipment	2,060,806	-	-	-	2,060,806
Vehicles	195,604	-	-	-	195,604
Total depreciable assets	9,340,721	39,552	-	-	9,380,273
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	4,277,777	307,219	-	-	4,584,996
Equipment	1,988,900	26,364	-	-	2,015,264
Vehicles	195,604	-	-	-	195,604
Total accumulated depreciation	6,462,281	333,583	-	-	6,795,864
Total depreciable assets, net	2,878,440	(294,031)	-	-	2,584,409
Transportation capital assets, net	13,830,162	690,166	-	-	14,520,328

CITY OF HICKORY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Business-Type Activities (continued):					
Solid Waste:					
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	259,410	-	-	-	259,410
Equipment	1,066,836	-	(37,077)	39,803	1,069,562
Vehicles	<u>4,858,767</u>	-	<u>(143,387)</u>	<u>38,583</u>	<u>4,753,963</u>
Total depreciable assets	<u>6,185,013</u>	-	<u>(180,464)</u>	<u>78,386</u>	<u>6,082,935</u>
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	190,439	13,216	-	-	203,655
Equipment	798,473	56,423	(37,077)	39,803	857,622
Vehicles	<u>3,166,678</u>	<u>470,488</u>	<u>(143,387)</u>	<u>38,583</u>	<u>3,532,362</u>
Total accumulated depreciation	<u>4,155,590</u>	<u>540,127</u>	<u>(180,464)</u>	<u>78,386</u>	<u>4,593,639</u>
Solid waste capital assets, net	<u>2,029,423</u>	<u>(540,127)</u>	-	-	<u>1,489,296</u>
 Business-type activities capital assets, net	 <u>\$ 135,845,731</u>				 <u>\$ 136,370,951</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 300,709
Public safety	1,225,502
Transportation	3,114,958
Economic and physical development	10,581
Culture and recreation	764,123
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	<u>7,200</u>
Total depreciation expense - governmental activities	<u>\$ 5,423,073</u>

Business-Type Activities:

Water	\$ 1,240,193
Sewer	2,516,522
Sludge composting	329,831
Stormwater	340,002
Transportation	333,583
Solid waste	<u>540,127</u>
Total depreciation expense - business-type activities	<u>\$ 5,300,258</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Construction Commitments

The City has active construction projects as of June 30, 2015. 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	1,105,642	102,859
Culvert Replacement Pinecrest Dr	85,004	413,396
Misc. Storm Damage	195,363	-
Henry Fork Field Lighting	359,998	-
TDA Parking Deck	1,671,352	-
Catawba Wastewater Plant	2,382,694	469,672
Rock Quarry Sewer Outfall	11,239,064	722,933
Falling Creek Bridge	256,912	36,699
Central Business District	-	268,000
Airport Improvements	1,075,438	90,774
Murray Basin Sewerlines	316,065	19,740
NE Sewer Grant Project	761,213	88,996
Total	<u>\$ 20,080,720</u>	<u>\$ 2,213,069</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	\$ 53,416,143	\$ 136,370,951
Total debt, gross	(6,015,976)	(33,513,937)
Debt for assets not owned by the City	2,482,600	-
Unexpended proceeds	781,219	-
Total capital debt	<u>(2,752,157)</u>	<u>(33,513,937)</u>
Net investment in capital assets	<u>\$ 50,663,986</u>	<u>\$ 102,857,014</u>

CITY OF HICKORY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 7 – Liabilities

A. Payables

Payables at the government-wide level at June 30, 2015 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:					
General	\$ 2,247,552	\$ 972,149	\$ 18,890	\$ 1,314,171	\$ 4,552,762
General Capital Projects Fund	256,627	-	-	-	256,627
Other governmental	<u>46,704</u>	-	-	-	<u>46,704</u>
Total payables	<u>\$ 2,550,883</u>	<u>\$ 972,149</u>	<u>\$ 18,890</u>	<u>\$ 1,314,171</u>	<u>\$ 4,856,093</u>
Business-Type Activities:					
Water and sewer	\$ 1,421,186	\$ 107,258	\$ 161,219	\$ 9,202	\$ 1,698,865
Transportation	1,148,588	15,846	-	-	1,164,434
Solid waste	879,956	36,908	-	3,070	919,934
Other business-type	<u>154,913</u>	<u>3,745</u>	-	-	<u>158,658</u>
Total payables	<u>\$ 3,604,643</u>	<u>\$ 163,757</u>	<u>\$ 161,219</u>	<u>\$ 12,272</u>	<u>\$ 3,941,891</u>

B. Long-Term Debt

1. Operating Leases

The City is committed under various operating leases for equipment. These operating leases are non-cancellable with terms extending through March 2019. Future minimum lease payments under the above leases as of June 30, 2015 are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2016	\$ 30,952
2017	35,474
2018	26,508
2019	<u>10,643</u>
Total minimum lease payments	<u>\$ 103,577</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

2. *Installment Purchase Agreements*

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

Installment Purchase Agreement	Principal Outstanding	Cumulative Fund Total
Serviced by General Fund:		
\$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%	\$ 990,000	
\$7,600,000 2002 Financing for Stanford Park and Ridgeview renovations installment agreement due in semi-annual installments of \$100,000 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%	771,236	
\$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	989,800	
\$3,000,000 TDA Parking Deck installment purchase agreement due in semi-annual installments of \$100,000 principal plus interest at 2.94% through October 22, 2029; non-capital debt for the City of Hickory	2,900,000	
\$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	364,940	\$ 6,015,976

CITY OF HICKORY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

	<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	4,750,000	
\$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%	2,214,270	
\$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%	698,163	
\$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>8,765,462</u>	<u>16,427,895</u>
Total		<u>\$ 22,443,871</u>

3. 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, 2015

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 \$25,182.

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 \$710,000 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 \$15,750,000 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 \$600,860 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, 2015

4. Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2015:

	Long-Term Debt			Long-Term Debt		Due Within
	June 30, 2014	Additions	Retirements	June 30, 2015	One Year	
Governmental Activities:						
Accrued liability law enforcement officers'						
unfunded retirement contribution	\$ 1,329,995	\$ 252,715	\$ 253,262	\$ 1,329,448	\$	-
Compensated absences	2,176,069	1,381,884	1,364,390	2,193,563	1,227,951	
Unfunded OPEB obligation	6,656,679	1,154,762	656,930	7,154,511	-	
Net pension liability (LGERS)	4,936,170	-	4,936,170	-	-	
Installment purchase agreements	4,108,663	3,000,000	1,092,687	6,015,976	1,192,687	
Governmental activities						
long-term liabilities	<u>\$ 14,271,406</u>	<u>\$ 5,789,361</u>	<u>\$ 3,367,269</u>	<u>\$ 16,693,498</u>	<u>\$ 2,420,638</u>	
Business-Type Activities:						
Water and Sewer:						
Compensated absences	\$ 391,251	\$ 162,398	\$ 157,913	\$ 395,736	\$ 142,121	
Net pension liability (LGERS)	749,690	-	749,690	-	-	
Unfunded OPEB obligation	1,272,456	231,862	87,591	1,416,727	-	
Installment purchase agreements	18,045,086	-	1,617,191	16,427,895	1,630,287	
Notes payable	18,719,495	-	1,633,453	17,086,042	1,633,452	
Water and Sewer long-term liabilities	<u>39,177,978</u>	<u>394,260</u>	<u>4,245,838</u>	<u>35,326,400</u>	<u>3,405,860</u>	
Other Enterprise Funds:						
Compensated absences	161,164	69,421	75,681	154,904	68,113	
Net pension liability (LGERS)	353,114	-	353,114	-	-	
Unfunded OPEB obligation	594,694	102,291	43,795	653,190	-	
Other enterprise funds long-term liabilities	<u>1,108,972</u>	<u>171,712</u>	<u>472,590</u>	<u>808,094</u>	<u>68,113</u>	
Business-type activities						
long-term liabilities	<u>\$ 40,286,950</u>	<u>\$ 565,972</u>	<u>\$ 4,718,428</u>	<u>\$ 36,134,494</u>	<u>\$ 3,473,973</u>	

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

Compensated absences and the law enforcement officers' pension liability have typically have been liquidated in the General Fund for governmental activities. At June 30, 2015, the City had a legal debt margin of \$339,998,115.

CITY OF HICKORY, NORTH CAROLINA

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FOR THE YEAR ENDED JUNE 30, 2015**

5. 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:						
2016	\$ -	\$ -	\$ 1,192,687	\$ 144,031	\$ 1,192,687	\$ 144,031
2017	-	-	1,192,687	118,022	1,192,687	118,022
2018	-	-	807,068	93,643	807,068	93,643
2019	-	-	613,534	74,151	613,534	74,151
2020	-	-	310,000	61,420	310,000	61,420
2021-2025	-	-	1,000,000	213,150	1,000,000	213,150
2026-2030	-	-	900,000	66,150	900,000	66,150
	<u>-</u>	<u>-</u>	<u>6,015,976</u>	<u>770,567</u>	<u>6,015,976</u>	<u>770,567</u>
Business-Type						
Activities:						
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
2020	915,057	303,800	1,486,256	241,363	2,401,313	545,163
2021-2025	4,575,287	1,193,500	6,181,823	688,736	10,757,110	1,882,236
2026-2030	4,575,287	651,000	2,256,802	90,495	6,832,089	741,495
2031-2035	2,624,998	130,200	-	-	2,624,998	130,200
	<u>17,086,042</u>	<u>3,731,219</u>	<u>16,427,895</u>	<u>2,382,820</u>	<u>33,513,937</u>	<u>6,114,039</u>
Total	\$ <u>17,086,042</u>	\$ <u>3,731,219</u>	\$ <u>22,443,871</u>	\$ <u>3,153,387</u>	\$ <u>39,529,913</u>	\$ <u>6,884,606</u>

Note 8 – Pension Plan Obligations

A. Local Government Employees' Retirement System

1. Description

The City of Hickory is a participating employer in 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 membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

2. Benefits Provided

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

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

3. Contributions

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Hickory employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Hickory's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Hickory were \$1,848,000 for the year ended June 30, 2015.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

4. Refunds of Contributions

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

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

At June 30, 2015, the City reported an asset of \$3,001,397 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the City's proportion was 0.509%, which was an increase of 0.008% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$169,324. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 327,955
Net difference between projected and actual earnings on pension plan investments	-	6,987,181
Changes in proportion and differences between City contributions and proportionate share of contributions	-	75,204
City contributions subsequent to the measurement date	1,848,000	-
Total	\$ 1,848,000	\$ 7,390,340

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

\$1,848,000 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ending June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Amount
2016	\$ (1,847,837)
2017	(1,847,837)
2018	(1,847,837)
2019	(1,846,829)
2020	-
Thereafter	-

5. Actuarial Assumptions

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

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

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	36.0%	2.5%
Global equity	40.5%	6.1%
Real estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation protection	4.5%	3.7%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed income 2.2%, global equity 5.8%, real estate 5.2%, alternatives 9.8%, credit 6.8% and inflation protection 3.4%.

6. Discount Rate

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

CITY OF HICKORY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

7. Sensitivity of the City’s Proportionate Share of the Net Pension Asset to Changes in the Discount Rate.

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

	1%	Discount	1%
	Decrease	Rate (7.25%)	Increase
	(6.25%)	Rate (7.25%)	(8.25%)
	<u> </u>	<u> </u>	<u> </u>
City's proportionate share of the net pension liability (asset)	<u>\$10,188,035</u>	<u>\$(3,001,394)</u>	<u>\$(14,106,469)</u>

8. Pension Plan Fiduciary Net Position

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

B. Law Enforcement Officers’ Special Separation Allowance

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% 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, 2014, the Separation Allowance’s membership consisted of:

Retirees currently receiving benefits	15
Vested	-
Non-vested	<u>115</u>
Total	<u><u>130</u></u>

A separate report was not issued for the plan.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

2. Summary of Significant Accounting Policies

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

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

- Contributions to the pension plan and earnings on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers, non-employer contributing entities, the plan administrator, and plan members.

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

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 \$253,262 were paid by the General Fund for the Separation Allowance.

The annual required contribution for the fiscal year ended June 30, 2015 was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increases ranging from 4.25% to 7.85% per year. The inflation component was 3%. The assumptions did not include post-retirement benefit increases. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The actuarial value of assets was market value. The remaining amortization period at December 31, 2013 was 17 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	\$ 298,567
Interest on net pension obligation	66,500
Adjustment to annual required contribution	<u>(112,352)</u>
Annual pension cost	252,715
Employer contributions made for fiscal year	<u>(253,262)</u>
Increase (decrease) in net pension obligation	(547)
Net pension obligation, beginning of fiscal year	<u>1,329,995</u>
Net pension obligation, end of fiscal year	<u>\$ 1,329,448</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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, 2013, 2014, and 2015 is as follows:

<u>Fiscal Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2013	\$ 226,440	89.99%	\$ 1,340,745
2014	210,875	105.10%	1,329,995
2015	252,715	100.22%	1,329,448

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

5. Funded Status and Funding Progress

As of December 31, 2014, 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 \$2,432,390. The covered payroll (annual payroll of active employees covered by the plan) was \$5,013,430, and the ratio of the UAAL to the covered payroll was 48.52%.

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% 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, 2015 were \$350,225, which consisted of \$247,151 from the City and \$103,074 from the law enforcement officers.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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.

For the fiscal year ended June 30, 2015, 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,

CITY OF HICKORY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
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2008 are not eligible for this benefit.

Retired Employees' Years of Creditable Service	Date Hired	
	Pre-July 1, 2008	On or After July 1, 2008
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, 80 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2015, the City made contributions to the plan of \$788,316. The City self-funds health and dental coverage for retirees, which is administered by a third party administrator, along with coverage for employees.

Membership of the plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

Retirees receiving benefits	80
Active law enforcement officers	63
Active firefighters	78
Active general employees	<u>250</u>
Total	<u><u>471</u></u>

A separate report was not issued for the plan.

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 2015, the City chose to fund the plan benefits on a pay-as-you-go basis.

The current annual required contribution (ARC) rate is 9.19% of annual covered payroll. For the current year, the City contributed \$788,316, or 4.47% 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.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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.

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	340,953
Adjustment to ARC	<u>(473,975)</u>
Annual OPEB cost	1,488,915
Contributions made for fiscal year	<u>(788,316)</u>
Increase in net OPEB obligation	700,599
Net OPEB obligation, beginning of fiscal year	<u>8,523,829</u>
Net OPEB obligation end of fiscal year	<u><u>\$ 9,224,428</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 2015 were as follows:

<u>Fiscal Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 1,621,595	17.94%	\$ 7,480,273
2014	1,505,201	30.67%	8,523,829
2015	1,488,915	52.90%	9,224,428

E. Funding Status and Funding Progress

As of December 31, 2014, 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 \$15,649,790. The covered payroll (annual payroll of active employees covered by the plan) was \$17,646,124, and the ratio of the UAAL to the covered payroll was 88.7%.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Actuarial valuations of an on-going 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.

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, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.5 to 5.00% annually. Both rates include a 3.00% 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, 2014 was thirty years.

As of June 30, 2015, 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, 2015

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 \$712,631 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 \$604,540 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 and tax collector are 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, 2015</u>	<u>June 30, 2014</u>
Unpaid claims, beginning of fiscal year	\$ 1,133,044	\$ 1,117,809
Incurred claims (including IBNRs)	6,589,598	5,087,529
Claim payments	<u>(6,405,471)</u>	<u>(5,072,294)</u>
Unpaid claims, end of fiscal year	<u>\$ 1,317,171</u>	<u>\$ 1,133,044</u>

CITY OF HICKORY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 13 – Interfund Activity

The transfers to/from other funds at June 30, 2015 consist of the following:

From General Fund to Transportation Fund for operational needs	\$ 95,186
From General Fund to Transportation Capital Project Fund for capital expenditures for grant matching	257,915
From General Fund to Solid Waste Fund for operational needs	973,752
From General Fund to General Capital Project Fund for operational needs for operational needs to close projects	1,101,630
From Water and Sewer Fund to Stormwater Fund for operational needs	132,128
From Water and Sewer Fund to General Fund for capital expenditures	130,000
From General Fund to Multi-Year Grant Project Fund for operational needs, capital expenditures, and grant matching requirements	24,339
From General Fund to Capital Reserve Fund for future capital expenditures	1,032,236
From General Capital Project Fund to Capital Reserve Fund for future capital expenditures	9,407
From Water and Sewer Capital Projects Fund to Capital Reserve Fund for future capital expenditures	329,446
From Water and Sewer Fund to Capital Reserve Fund for future capital expenditures	740,000
From General Fund to Stormwater Fund for operational needs	277,858
From Water and Sewer Fund to Water and Sewer Capital Project Fund for capital project expenditures	47,805
From Transportation Capital Project Fund to General Fund for capital project expenditures	254
From Capital Reserve Fund to General Fund for capital expenditures	2,084,720
From Water and Sewer Capital Projects to Water Fund for operational needs	67
From Capital Reserve Fund to Water and Sewer Fund for for capital project expenditures	656,250
From Capital Reserve Fund to Water and Sewer Capital Project Fund for capital project expenditures	268,000
From Capital Reserve Fund to General Capital Project Fund for capital project expenditures	696,951
Total interfund transfers	<u>\$ 8,857,944</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The due to/from other funds at June 30, 2015 consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fleet Management	\$ 421,824
General Fund	Multi-Year Grant Fund	3,090

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, 2015, 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) under session law SL 2009-45, Sec.29. The Board of the TDA consists of nine members - three appointed by the Hickory City Council, two by the Conover City Council, and one by the Chamber of Commerce. In addition, three ex-officio members are appointed: the City Managers of Hickory and Conover, along with the Executive Vice-President of the Catawba County Chamber of Commerce. The TDA was formed to promote tourism and economic

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 \$40,097 during the fiscal year ended June 30, 2015.

C. Sludge Facility Consortium

The City, in conjunction with the City of Conover and Catawba County, established the Sludge Facility Consortium to operate the Sludge Compost Facility. The City and County managers of all participating units serve on the three-member Board. However, the City of Hickory provides all administrative and managerial services for the facility due to 100% ownership of the assets, under the Board's direction. The agreement between the parties requires the payment of 66% from the City of Hickory, 18.5% from Catawba County, and 15.5% from the City of Conover, for all costs of construction and operations of the facility. The City was required to pay \$1,038,844 for operations for the year ended June 30, 2015. The complete Sludge Facility financial statements are shown in the Financial Section under Combining and Individual Fund Financial Statements and Schedules.

Note 18 – Subsequent Event

On July 31, 2015, the City settled a lawsuit for \$900,000 that was outstanding as of June 30, 2015. The liability and expense have been booked in the current year for the settlement.

Note 19 – Change in Accounting Principles/Restatement

The City implemented Governmental Account Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ended June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ended June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$3,425,516 and \$794,105 respectively.

General Fund balance was restated in the current year by \$2,482,600 due to notes receivable being classified as deferred inflows of resources in the prior year.



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

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

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

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CITY OF HICKORY, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL
SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued			Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
		Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)				
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%	
12/31/2014	-	2,432,390	2,432,390	0.00%	5,013,430	48.52%	

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%
2015		298,567	84.83%

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	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	16 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, 2015

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial 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%
12/31/2014	-	15,649,790	15,649,790	0.00%	17,646,124	88.70%

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%
2015	1,621,937	48.60%

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	12/31/2014
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	7.50% -5.00%
Year of ultimate trend rate	2020

* Includes inflation at 3.00%

CITY OF HICKORY, NORTH CAROLINA

**CITY OF HICKORY'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Hickory's proportion of the net pension liability (asset) (%)	0.50893%	0.50100%
Hickory's proportion of the net pension liability (asset) (\$)	\$ (3,001,397)	\$ 6,038,974
Hickory's covered-employee payroll	\$ 25,586,063	\$ 23,581,414
Hickory's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(11.73%)	25.61%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

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

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

CITY OF HICKORY, NORTH CAROLINA

CITY OF HICKORY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TWO FISCAL YEARSLocal Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,848,000	\$ 1,819,354
Contributions in relation to the contractually required contribution	<u>1,848,000</u>	<u>1,819,354</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Hickory's covered-employee payroll	\$ 25,900,959	\$ 25,586,063
Contributions as a percentage of covered-employee payroll	7.13%	7.11%

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.

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CITY OF HICKORY, NORTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ACTUAL - GENERAL FUND CONSOLIDATED
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Eliminations</u>	<u>Total General Fund</u>
Revenues:				
Ad valorem taxes	\$ 24,206,333	\$ -	\$ -	\$ 24,206,333
Other taxes	14,774,695	-	-	14,774,695
Unrestricted intergovernmental revenues	675,846	-	-	675,846
Restricted intergovernmental revenues	2,685,322	-	-	2,685,322
Licenses and permits	1,116,114	-	-	1,116,114
Sales and services	1,670,000	-	-	1,670,000
Investment earnings	84,471	41,421	-	125,892
Miscellaneous	1,690,160	-	-	1,690,160
Total revenues	<u>46,902,941</u>	<u>41,421</u>	<u>-</u>	<u>46,944,362</u>
Expenditures:				
Current:				
General government	5,432,152	-	-	5,432,152
Public safety	21,008,909	-	-	21,008,909
Transportation	5,273,526	-	-	5,273,526
Economic and physical development	3,285,945	-	-	3,285,945
Culture and recreation	5,867,815	-	-	5,867,815
Debt service:				
Principal retirement	1,092,687	-	-	1,092,687
Interest fees	134,350	-	-	134,350
Total expenditures	<u>42,095,384</u>	<u>-</u>	<u>-</u>	<u>42,095,384</u>
Revenues over (under) expenditures	<u>4,807,557</u>	<u>41,421</u>	<u>-</u>	<u>4,848,978</u>
Other Financing Sources (Uses):				
Transfers in	2,214,974	1,781,642	(2,084,720)	1,911,896
Transfers out	<u>(3,762,916)</u>	<u>(3,767,371)</u>	<u>2,084,720</u>	<u>(5,445,567)</u>
Total other financing sources (uses)	<u>(1,547,942)</u>	<u>(1,985,729)</u>	<u>-</u>	<u>(3,533,671)</u>
Net change in fund balances	3,259,615	(1,944,308)	-	1,315,307
Reconciliation from Budgetary Basis of Accounting to Modified Accrual Basis:				
Contribution from CVYSA	125,000	-	-	125,000
Contribution from TDA	3,000,000	-	-	3,000,000
Current year note receivable payments	<u>(628,800)</u>	<u>-</u>	<u>-</u>	<u>(628,800)</u>
Net change in fund balance modified accrual	<u>5,755,815</u>	<u>(1,944,308)</u>	<u>-</u>	<u>3,811,507</u>
Fund Balance:				
Fund balance, beginning, previously reported	20,984,356	13,381,759	-	34,366,115
Restatement	<u>2,482,600</u>	<u>-</u>	<u>-</u>	<u>2,482,600</u>
Fund balance, beginning, restated	<u>23,466,956</u>	<u>13,381,759</u>	<u>-</u>	<u>36,848,715</u>
End of year - June 30	<u>\$ 29,222,771</u>	<u>\$ 11,437,451</u>	<u>\$ -</u>	<u>\$ 40,660,222</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, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad Valorem Taxes:			
Current year	\$ 22,741,111	\$ 23,305,797	\$ 564,686
Prior years	675,000	715,067	40,067
Penalties and interest	135,000	185,469	50,469
Less refunds	(10,000)	-	10,000
Total	<u>23,541,111</u>	<u>24,206,333</u>	<u>665,222</u>
Other Taxes:			
Local option sales tax	8,208,756	8,950,747	741,991
Franchise tax	2,250,000	2,895,565	645,565
Telecommunication tax	1,079,669	1,010,313	(69,356)
Hickory-Conover motel/occupancy tax	1,300,000	1,616,179	316,179
Vehicle tag tax	160,000	170,479	10,479
Gross receipts tax	110,000	131,412	21,412
Total	<u>13,108,425</u>	<u>14,774,695</u>	<u>1,666,270</u>
Unrestricted Intergovernmental Revenues:			
Payments in lieu of taxes	30,000	21,310	(8,690)
Beer and wine	173,000	191,834	18,834
Traffic control	230,000	372,702	142,702
Public school resource officer	90,000	90,000	-
Total	<u>523,000</u>	<u>675,846</u>	<u>152,846</u>
Restricted Intergovernmental Revenues:			
Federal grants	21,360	80,493	59,133
State grants	1,867,056	1,930,197	63,141
Local grants	-	16,415	16,415
Catawba County for library	207,500	211,650	4,150
Catawba County for police	70,000	59,257	(10,743)
Catawba County fire district tax	309,183	309,051	(132)
Catawba County for volunteer fire	9,900	9,900	-
Catawba County for convention center	68,360	68,359	(1)
Total	<u>2,553,359</u>	<u>2,685,322</u>	<u>131,963</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, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Licenses and Permits:			
Privilege licenses	1,140,000	1,107,040	(32,960)
Beer and wine licenses	4,500	4,583	83
Building permits	2,100	3,387	1,287
Taxi permits	655	629	(26)
Miscellaneous permits	-	475	475
Total	<u>1,147,255</u>	<u>1,116,114</u>	<u>(31,141)</u>
Sales and Services:			
Recreation services	222,141	211,826	(10,315)
Fire department services	158,000	154,864	(3,136)
Police department services	22,500	(23,957)	(46,457)
Street paving	10,000	18,332	8,332
Franchise fees	100,000	113,385	13,385
Parking rentals	60,000	77,089	17,089
Library services	54,000	45,400	(8,600)
Rents and royalties	840,195	896,094	55,899
Cemetery plots	32,000	43,059	11,059
District court fees	130,000	101,323	(28,677)
Communications	-	391	391
Plan reviews	18,000	32,194	14,194
Total	<u>1,646,836</u>	<u>1,670,000</u>	<u>23,164</u>
Investment Earnings	<u>200,000</u>	<u>84,471</u>	<u>(115,529)</u>
Miscellaneous:			
Donations	144,992	1,089,949	944,957
Advertising fees	500	1,800	1,300
Insurance claims	83,527	53,670	(29,857)
Sale of properties	35,377	58,255	22,878
Other	185,863	486,486	300,623
Total	<u>450,259</u>	<u>1,690,160</u>	<u>1,239,901</u>
Total revenues	<u>43,170,245</u>	<u>46,902,941</u>	<u>3,732,696</u>

CITY OF HICKORY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Expenditures:			
General Government:			
Governing Body:			
Salaries and employee benefits	742,571	434,114	308,457
Operating expenditures	129,461	107,082	22,379
Administrative reimbursement	(179,418)	(179,418)	-
Total	<u>692,614</u>	<u>361,778</u>	<u>330,836</u>
Administration:			
Salaries and employee benefits	910,939	913,203	(2,264)
Operating expenditures	133,155	103,287	29,868
Capital outlay	2,350	1,597	753
Administrative reimbursement	(230,319)	(230,319)	-
Total	<u>816,125</u>	<u>787,768</u>	<u>28,357</u>
Budget and Administration:			
Salaries and employee benefits	493,691	535,134	(41,443)
Operating expenditures	142,958	113,993	28,965
Capital outlay	13,704	13,341	363
Administrative reimbursement	(255,400)	(255,400)	-
Total	<u>394,953</u>	<u>407,068</u>	<u>(12,115)</u>
Finance:			
Salaries and employee benefits	1,103,089	992,313	110,776
Operating expenditures	318,995	362,507	(43,512)
Capital outlay	15,700	10,486	5,214
Administrative reimbursement	(1,281,999)	(1,281,999)	-
Total	<u>155,785</u>	<u>83,307</u>	<u>72,478</u>
Information Technology:			
Salaries and employee benefits	562,440	490,101	72,339
Operating expenditures	702,169	616,826	85,343
Capital outlay	437,124	410,133	26,991
Administrative reimbursement	(117,924)	(117,924)	-
Total	<u>1,583,809</u>	<u>1,399,136</u>	<u>184,673</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, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
City Clerk:			
Salaries and employee benefits	77,959	78,310	(351)
Operating expenditures	41,686	28,081	13,605
Administrative reimbursement	<u>(56,323)</u>	<u>(56,323)</u>	-
Total	<u>63,322</u>	<u>50,068</u>	<u>13,254</u>
Legal:			
Salaries and employee benefits	167,569	167,844	(275)
Operating expenditures	121,925	96,510	25,415
Administrative reimbursement	<u>(57,296)</u>	<u>(57,296)</u>	-
Total	<u>232,198</u>	<u>207,058</u>	<u>25,140</u>
Engineering:			
Salaries and employee benefits	489,836	404,282	85,554
Operating expenditures	53,488	29,861	23,627
Capital outlay	3,086	3,086	-
Administrative reimbursement	<u>(118,146)</u>	<u>(118,146)</u>	-
Total	<u>428,264</u>	<u>319,083</u>	<u>109,181</u>
Building Services:			
Salaries and employee benefits	317,389	312,337	5,052
Operating expenditures	55,670	50,404	5,266
Capital outlay	2,000	-	2,000
Administrative reimbursement	<u>(292,045)</u>	<u>(292,045)</u>	-
Total	<u>83,014</u>	<u>70,696</u>	<u>12,318</u>
Central Services:			
Salaries and employee benefits	472,897	432,974	39,923
Operating expenditures	156,875	130,209	26,666
Capital outlay	101,300	1,135	100,165
Administrative reimbursement	<u>(247,469)</u>	<u>(247,469)</u>	-
Total	<u>483,603</u>	<u>316,849</u>	<u>166,754</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, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Public Buildings:			
Salaries and employee benefits	26,501	26,118	383
Operating expenditures	337,000	316,676	20,324
Capital outlay	1,167,624	230,326	937,298
Administrative reimbursement	(7,841)	(7,841)	-
Total	<u>1,523,284</u>	<u>565,279</u>	<u>958,005</u>
Landscape Services:			
Salaries and employee benefits	794,509	653,439	141,070
Operating expenditures	284,499	259,701	24,798
Capital outlay	27,919	18,651	9,268
Administrative reimbursement	(116,764)	(116,764)	-
Total	<u>990,163</u>	<u>815,027</u>	<u>175,136</u>
District Court:			
Operating expenditures	52,452	47,273	5,179
Administrative reimbursement	1,762	1,762	-
Total	<u>54,214</u>	<u>49,035</u>	<u>5,179</u>
Total general government	<u>7,501,348</u>	<u>5,432,152</u>	<u>2,069,196</u>
Public Safety:			
Police:			
Salaries and employee benefits	8,791,144	8,385,610	405,534
Operating expenditures	2,060,500	1,783,277	277,223
Capital outlay	939,065	806,320	132,745
Administrative reimbursement	2,484	2,484	-
Total	<u>11,793,193</u>	<u>10,977,691</u>	<u>815,502</u>
Department of Justice:			
Operating expenditures	10,431	5,634	4,797
Capital outlay	20,444	18,675	1,769
Total	<u>30,875</u>	<u>24,309</u>	<u>6,566</u>
Department of Treasury:			
Capital outlay	3,430	21,840	(18,410)
Total	<u>3,430</u>	<u>21,840</u>	<u>(18,410)</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, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
NC Unauthorized Substance Tax:			
Operating expenditures	54,550	37,776	16,774
Capital outlay	6,695	6,695	-
Total	<u>61,245</u>	<u>44,471</u>	<u>16,774</u>
Fire:			
Salaries and employee benefits	7,986,782	7,928,847	57,935
Operating expenditures	1,454,147	1,295,898	158,249
Capital outlay	1,619,921	400,857	1,219,064
Administrative reimbursement	(33,426)	(33,426)	-
Total	<u>11,027,424</u>	<u>9,592,176</u>	<u>1,435,248</u>
Code Enforcement:			
Salaries and employee benefits	300,351	277,022	23,329
Operating expenditures	86,193	36,482	49,711
Capital outlay	37,700	34,918	2,782
Total	<u>424,244</u>	<u>348,422</u>	<u>75,822</u>
Total public safety	<u>23,340,411</u>	<u>21,008,909</u>	<u>2,331,502</u>
Transportation:			
Traffic:			
Salaries and employee benefits	565,263	515,979	49,284
Operating expenditures	1,282,106	1,180,599	101,507
Capital outlay	61,500	59,058	2,442
Administrative reimbursement	(13,738)	(13,738)	-
Total	<u>1,895,131</u>	<u>1,741,898</u>	<u>153,233</u>
Street:			
Salaries and employee benefits	1,995,741	1,630,519	365,222
Operating expenditures	1,890,723	1,392,822	497,901
Capital outlay	768,082	563,513	204,569
Administrative reimbursement	(55,226)	(55,226)	-
Total	<u>4,599,320</u>	<u>3,531,628</u>	<u>1,067,692</u>
Total transportation	<u>6,494,451</u>	<u>5,273,526</u>	<u>1,220,925</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, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Economic and Physical Development:			
Planning:			
Salaries and employee benefits	538,069	533,167	4,902
Operating expenditures	103,210	75,377	27,833
Capital outlay	5,002	4,959	43
Administrative reimbursement	(28,897)	(28,897)	-
Total	<u>617,384</u>	<u>584,606</u>	<u>32,778</u>
Economic Development:			
Operating expenditures	<u>2,432,768</u>	<u>2,701,339</u>	<u>(268,571)</u>
Total	<u>2,432,768</u>	<u>2,701,339</u>	<u>(268,571)</u>
Total economic and physical development	<u>3,050,152</u>	<u>3,285,945</u>	<u>(235,793)</u>
Culture and Recreation:			
Recreation:			
Salaries and employee benefits	2,272,022	2,242,755	29,267
Operating expenditures	1,160,295	1,087,726	72,569
Capital outlay	449,035	273,295	175,740
Administrative reimbursement	40,965	40,965	-
Total	<u>3,922,317</u>	<u>3,644,741</u>	<u>277,576</u>
Library:			
Salaries and employee benefits	1,240,687	1,143,730	96,957
Operating expenditures	1,233,614	1,024,812	208,802
Capital outlay	57,350	52,902	4,448
Administrative reimbursement	1,630	1,630	-
Total	<u>2,533,281</u>	<u>2,223,074</u>	<u>310,207</u>
Total culture and recreation	<u>6,455,598</u>	<u>5,867,815</u>	<u>587,783</u>
Debt Service:			
Principal	1,092,688	1,092,687	1
Interest	<u>134,353</u>	<u>134,350</u>	<u>3</u>
Total	<u>1,227,041</u>	<u>1,227,037</u>	<u>4</u>
Contingency	<u>166,962</u>	<u>-</u>	<u>166,962</u>
Total expenditures	<u>48,235,963</u>	<u>42,095,384</u>	<u>6,140,579</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, 2015**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues over (under) expenditures	(5,065,718)	4,807,557	9,873,275
Other Financing Sources (Uses):			
Transfers in (out):			
Capital Reserve Fund	2,084,720	2,084,720	-
Water and Sewer Fund	130,000	130,000	-
Transportation Fund	255	254	(1)
General Capital Projects Fund	(1,101,630)	(1,101,630)	-
Multi-Year Grant Projects Fund	(24,339)	(24,339)	-
Capital Reserve Fund	(1,032,236)	(1,032,236)	-
Stormwater Fund	(277,858)	(277,858)	-
Transportation Fund	(95,186)	(95,186)	-
Transportation Capital Projects Fund	(257,915)	(257,915)	-
Solid Waste Fund	(973,752)	(973,752)	-
Total other financing sources (uses)	<u>(1,547,941)</u>	<u>(1,547,942)</u>	<u>(1)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(6,613,659)	3,259,615	9,873,274
Appropriated fund balance	<u>6,613,659</u>	<u>-</u>	<u>(6,613,659)</u>
Net change in fund balance	<u>\$ -</u>	3,259,615	<u>\$ 3,259,615</u>
Reconciliation from Budgetary Basis of Accounting to Modified Accrual Basis:			
Contribution from CVYSA		125,000	
Contribution from TDA		3,000,000	
Current year note receivable payments		<u>(628,800)</u>	
Net change in fund balance modified accrual		<u>5,755,815</u>	
Fund Balance:			
Fund balance, beginning, previously reported		20,984,356	
Restatement		<u>2,482,600</u>	
Fund balance, beginning, restated		<u>23,466,956</u>	
End of year - June 30		<u>\$ 29,222,771</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, 2015

	Capital Reserve Fund		
	Budgeted Amounts Final	Actual	Variance with Final Budget Over/Under
Revenues:			
Investment earnings	\$ -	\$ 41,421	\$ 41,421
Total revenues	<u>-</u>	<u>41,421</u>	<u>41,421</u>
Revenues over (under) expenditures	<u>-</u>	<u>41,421</u>	<u>41,421</u>
Other Financing Sources (Uses):			
Transfers out	(3,767,371)	(3,767,371)	-
Transfers in	<u>1,781,642</u>	<u>1,781,642</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,985,729)</u>	<u>(1,985,729)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(1,985,729)	(1,944,308)	41,421
Appropriated fund balance	<u>1,985,729</u>	<u>-</u>	<u>(1,985,729)</u>
Net change in fund balance	<u>\$ -</u>	<u>(1,944,308)</u>	<u>\$ (1,944,308)</u>
Fund Balance:			
Beginning of year - July 1		<u>13,381,759</u>	
End of year - June 30		<u>\$ 11,437,451</u>	

Nonmajor Governmental Funds

CITY OF HICKORY, NORTH CAROLINA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Community Development Entitlement Block Grant	Home Consortium Grant
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 6,462	\$ 13,550
Accounts receivable, net	1,409,780	7,128
Due from other governmental agencies	45,641	-
Prepaid	<u>350</u>	<u>-</u>
Total assets	<u>\$ 1,462,233</u>	<u>\$ 20,678</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 41,440	\$ -
Due to other funds	<u>-</u>	<u>-</u>
Total liabilities	<u>41,440</u>	<u>-</u>
Deferred Inflows of Resources:		
Economic development receivable	<u>1,202,160</u>	<u>6,167</u>
Fund Balances:		
Non-spendable	350	-
Restricted for stabilization for State statute	253,261	961
Committed for economic development	-	13,550
Unassigned	<u>(34,978)</u>	<u>-</u>
Total fund balances	<u>218,633</u>	<u>14,511</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,462,233</u>	<u>\$ 20,678</u>

CITY OF HICKORY, NORTH CAROLINA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	NCHFA Rental Rehabilitation Grant	Multi-Year Grant Projects	Total
Assets:			
Cash and cash equivalents	\$ 16,924	\$ -	\$ 36,936
Accounts receivable, net	30,431	-	1,447,339
Due from other governmental agencies	23,306	27,282	96,229
Prepaid	-	529	879
Total assets	<u>\$ 70,661</u>	<u>\$ 27,811</u>	<u>\$ 1,581,383</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 76	\$ 5,188	\$ 46,704
Due to other funds	-	3,090	3,090
Total liabilities	<u>76</u>	<u>8,278</u>	<u>49,794</u>
Deferred Inflows of Resources:			
Economic development receivable	<u>30,402</u>	<u>-</u>	<u>1,238,729</u>
Fund Balances:			
Non-spendable	-	529	879
Restricted for stabilization for State statute	23,335	27,282	304,839
Committed for economic development	16,848	-	30,398
Unassigned	-	(8,278)	(43,256)
Total fund balances	<u>40,183</u>	<u>19,533</u>	<u>292,860</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 70,661</u>	<u>\$ 27,811</u>	<u>\$ 1,581,383</u>

CITY OF HICKORY, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Community Development Entitlement Block Grant	Home Consortium Grant
Revenues:		
Restricted intergovernmental	\$ 321,769	\$ -
Investment earnings	(28)	60
Miscellaneous	<u>210,572</u>	<u>1,976</u>
Total revenues	<u>532,313</u>	<u>2,036</u>
Expenditures:		
Public safety	-	-
Economic and physical development	<u>496,611</u>	<u>-</u>
Total expenditures	<u>496,611</u>	<u>-</u>
Revenues over (under) expenditures	<u>35,702</u>	<u>2,036</u>
Other Financing Sources (Uses):		
Transfers in	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balances	35,702	2,036
Fund Balances:		
Beginning of year - July 1	<u>182,931</u>	<u>12,475</u>
End of year - June 30	<u>\$ 218,633</u>	<u>\$ 14,511</u>

CITY OF HICKORY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	NCHFA Rental Rehabilitation Grant	Multi-Year Grant Projects	Total
Revenues:			
Restricted intergovernmental	\$ 31,049	\$ 192,474	\$ 545,292
Investment earnings	111	34	177
Miscellaneous	15,040	-	227,588
Total revenues	<u>46,200</u>	<u>192,508</u>	<u>773,057</u>
Expenditures:			
Public safety	-	32,039	32,039
Economic and physical development	34,962	183,824	715,397
Total expenditures	<u>34,962</u>	<u>215,863</u>	<u>747,436</u>
Revenues over (under) expenditures	<u>11,238</u>	<u>(23,355)</u>	<u>25,621</u>
Other Financing Sources (Uses):			
Transfers in	-	24,339	24,339
Total other financing sources (uses)	<u>-</u>	<u>24,339</u>	<u>24,339</u>
Net change in fund balances	11,238	984	49,960
Fund Balances:			
Beginning of year - July 1	<u>28,945</u>	<u>18,549</u>	<u>242,900</u>
End of year - June 30	<u>\$ 40,183</u>	<u>19,533</u>	<u>\$ 292,860</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, 2015

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
Revenues:					
Federal grants	\$ 5,310,410	\$ 237,197	\$ 2,504,800	\$ 2,741,997	\$ (2,568,413)
State grants	298,075	33,790	264,284	298,074	(1)
Investment earnings	75,000	11,590	156	11,746	(63,254)
Miscellaneous	651,400	108,422	-	108,422	(542,978)
Total revenues	<u>6,334,885</u>	<u>390,999</u>	<u>2,769,240</u>	<u>3,160,239</u>	<u>(3,174,646)</u>
Expenditures:					
Capital outlay:					
General government:					
Parking deck	3,000,000	5,005	2,377,690	2,382,695	617,305
Radio system upgrade	2,002,169	-	1,671,352	1,671,352	330,817
Storm damage repairs	4,455,497	610,708	1,050,295	1,661,003	2,794,494
Falling Creek Bridge	370,000	169,785	87,127	256,912	113,088
Economic and physical development:					
Bond projects	498,400	-	85,004	85,004	413,396
East Hickory Redevelopment Plan	1,205,800	631,975	-	631,975	573,825
Culture and recreation:					
Henry Fork Regional Park	700,594	700,594	-	700,594	-
Total expenditures	<u>12,232,460</u>	<u>2,118,067</u>	<u>5,271,468</u>	<u>7,389,535</u>	<u>4,842,925</u>
Revenues over (under) expenditures	<u>(5,897,575)</u>	<u>(1,727,068)</u>	<u>(2,502,228)</u>	<u>(4,229,296)</u>	<u>1,668,279</u>
Other Financing Sources (Uses):					
Transfers in	2,981,981	1,183,400	1,798,581	2,981,981	-
Transfers (out)	(84,406)	(74,999)	(9,407)	(84,406)	-
Issuance of debt	3,000,000	-	3,000,000	3,000,000	-
Total other financing sources (uses)	<u>5,897,575</u>	<u>1,108,401</u>	<u>4,789,174</u>	<u>5,897,575</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (618,667)</u>	<u>\$ 2,286,946</u>	<u>\$ 1,668,279</u>	<u>\$ 1,668,279</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, 2015

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
Federal grants					
2010 Entitlement Block Grant	\$ 345,255	\$ 345,255	\$ -	\$ 345,255	\$ -
2011 Entitlement Block Grant	287,688	287,688	-	287,688	-
2012 Entitlement Block Grant	303,218	225,082	78,136	303,218	-
2013 Entitlement Block Grant	301,142	-	243,633	243,633	(57,509)
2014 Entitlement Block Grant	310,314	-	-	-	(310,314)
Investment earnings	-	(65)	(28)	(93)	(93)
Miscellaneous	821,400	848,111	210,572	1,058,683	237,283
Total revenues	<u>2,369,017</u>	<u>1,706,071</u>	<u>532,313</u>	<u>2,238,384</u>	<u>(130,633)</u>
Expenditures:					
Economic and physical development	<u>2,362,867</u>	<u>1,516,990</u>	<u>496,611</u>	<u>2,013,601</u>	<u>349,266</u>
Total expenditures	<u>2,362,867</u>	<u>1,516,990</u>	<u>496,611</u>	<u>2,013,601</u>	<u>349,266</u>
Other Financing Sources (Uses):					
Transfers (out)	<u>(6,150)</u>	<u>(6,150)</u>	<u>-</u>	<u>(6,150)</u>	<u>-</u>
Total other financing sources (uses)	<u>(6,150)</u>	<u>(6,150)</u>	<u>-</u>	<u>(6,150)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 182,931</u>	<u>\$ 35,702</u>	<u>\$ 218,633</u>	<u>\$ 218,633</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, 2015

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
Revenues:					
Investment earnings	\$ 8,177	\$ 8,350	\$ 60	\$ 8,410	\$ 233
Miscellaneous	<u>120,873</u>	<u>124,735</u>	<u>1,976</u>	<u>126,711</u>	<u>5,838</u>
Total revenues	<u>129,050</u>	<u>133,085</u>	<u>2,036</u>	<u>135,121</u>	<u>6,071</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>19,975</u>	<u>2,036</u>	<u>22,011</u>	<u>14,511</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>\$ 12,475</u>	<u>\$ 2,036</u>	<u>\$ 14,511</u>	<u>\$ 14,511</u>

CITY OF HICKORY, NORTH CAROLINA

**NCHFA RENTAL REHABILITATION GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Restricted intergovernmental:					
State grants	\$ 87,500	\$ 29,757	\$ 31,049	\$ 60,806	\$ (26,694)
Total	<u>87,500</u>	<u>29,757</u>	<u>31,049</u>	<u>60,806</u>	<u>(26,694)</u>
Sales and service	35,456	35,457	-	35,457	1
Investment earnings	51,535	51,681	111	51,792	257
Miscellaneous	<u>1,297,146</u>	<u>1,308,489</u>	<u>15,040</u>	<u>1,323,529</u>	<u>26,383</u>
Total revenues	<u>1,471,637</u>	<u>1,425,384</u>	<u>46,200</u>	<u>1,471,584</u>	<u>(53)</u>
Expenditures:					
Economic and physical development	<u>1,464,843</u>	<u>1,389,646</u>	<u>34,962</u>	<u>1,424,608</u>	<u>40,235</u>
Revenues over (under) expenditures	<u>6,794</u>	<u>35,738</u>	<u>11,238</u>	<u>46,976</u>	<u>40,182</u>
Other Financing Sources (Uses):					
Transfers (out)	(6,794)	(6,794)	-	(6,794)	-
Transfers in	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>(1)</u>
Total other financing sources (uses)	<u>(6,794)</u>	<u>(6,793)</u>	<u>-</u>	<u>(6,793)</u>	<u>(1)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 28,945</u>	<u>\$ 11,238</u>	<u>\$ 40,183</u>	<u>\$ 40,183</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, 2015

	<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	\$ 537,748	\$ 286,698	\$ 192,474	\$ 479,172	\$ (58,576)
Total	<u>537,748</u>	<u>286,698</u>	<u>192,474</u>	<u>479,172</u>	<u>(58,576)</u>
Miscellaneous:					
Donations	6,000	6,000	-	6,000	-
Investment earnings	-	-	34	34	34
Total	<u>6,000</u>	<u>6,000</u>	<u>34</u>	<u>6,034</u>	<u>34</u>
Total revenues	<u>543,748</u>	<u>292,698</u>	<u>192,508</u>	<u>485,206</u>	<u>(58,542)</u>
Expenditures:					
Economic and physical development:					
Ridgeview Library Rehabilitation	21,150	-	21,150	21,150	-
Brownfields	400,000	212,281	150,274	362,555	37,445
Historic Preservation Architectural Sruvey	23,000	-	12,400	12,400	10,600
Public safety:					
Bulletproof Vest Partnership	48,139	48,139	-	48,139	-
Bulletproof Vest Partnership	25,200	17,565	7,635	25,200	-
Bulletproof Vest Partnership	31,075	-	1,839	1,839	29,236
Justice Assistance Grant (JAG)	23,359	-	22,565	22,565	794
Justice Assistance Grant (JAG)	<u>42,364</u>	<u>42,364</u>	<u>-</u>	<u>42,364</u>	<u>-</u>
Total expenditures	<u>614,287</u>	<u>320,349</u>	<u>215,863</u>	<u>536,212</u>	<u>78,075</u>
Revenue over (under) expenditures	<u>(70,539)</u>	<u>(27,651)</u>	<u>(23,355)</u>	<u>(51,006)</u>	<u>19,533</u>
Other Financing Sources (Uses):					
Transfers in	<u>70,539</u>	<u>46,200</u>	<u>24,339</u>	<u>70,539</u>	<u>-</u>
Total other financing sources (uses)	<u>70,539</u>	<u>46,200</u>	<u>24,339</u>	<u>70,539</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>18,549</u>	<u>\$ 984</u>	<u>\$ 19,533</u>	<u>\$ 19,533</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, 2015**

	Budget	Actual	Variance Over/Under
Revenues:			
Charges for services:			
Water charges	\$ 13,359,606	\$ 14,034,011	\$ 674,405
Sewer charges	8,977,611	9,274,308	296,697
Total	22,337,217	23,308,319	971,102
Water taps	110,000	189,145	79,145
Sewer taps	25,000	18,866	(6,134)
Other operating revenues	166,690	503,622	336,932
Total operating revenues	301,690	711,633	409,943
Non-operating revenues:			
Donations/contributions	-	9,570	9,570
Interest earned on investments	100,000	78,571	(21,429)
Total non-operating revenues	100,000	88,141	(11,859)
Total revenues	22,738,907	24,108,093	1,369,186
Expenditures:			
Environmental protection:			
Administration:			
Salaries and employee benefits	723,734	399,939	323,795
Other operating expenditures	2,283,478	2,178,922	104,556
Capital outlay	55,384	47,320	8,064
Administrative reimbursement	3,371,871	3,233,566	138,305
Total	6,434,467	5,859,747	574,720
Collection system:			
Salaries and employee benefits	693,090	580,002	113,088
Other operating expenditures	689,928	511,801	178,127
Capital outlay	293,500	32,411	261,089
Total	1,676,518	1,124,214	552,304
Henry Fork plant:			
Salaries and employee benefits	500,857	504,770	(3,913)
Other operating expenditures	566,321	477,527	88,794
Capital outlay	182,000	83,949	98,051
Total	1,249,178	1,066,246	182,932

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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Northeast plant:			
Salaries and employee benefits	522,168	486,017	36,151
Other operating expenditures	522,073	401,210	120,863
Capital outlay	157,000	143,888	13,112
Total	<u>1,201,241</u>	<u>1,031,115</u>	<u>170,126</u>
Water treatment plant:			
Salaries and employee benefits	570,561	519,110	51,451
Other operating expenditures	2,156,569	1,599,693	556,876
Capital outlay	236,666	171,530	65,136
Total	<u>2,963,796</u>	<u>2,290,333</u>	<u>673,463</u>
Pre-treatment and lab:			
Salaries and employee benefits	367,441	384,814	(17,373)
Other operating expenditures	200,559	141,228	59,331
Capital outlay	9,300	6,306	2,994
Total	<u>577,300</u>	<u>532,348</u>	<u>44,952</u>
Claremont sewer lines:			
Salaries and employee benefits	117,727	115,624	2,103
Other operating expenditures	325,963	132,799	193,164
Total	<u>443,690</u>	<u>248,423</u>	<u>195,267</u>
Distribution:			
Salaries and employee benefits	1,639,467	1,400,356	239,111
Other operating expenditures	902,576	793,466	109,110
Capital outlay	3,754,453	1,070,205	2,684,248
Total	<u>6,296,496</u>	<u>3,264,027</u>	<u>3,032,469</u>
Hickory Catawba wastewater treatment plant:			
Salaries and employee benefits	136,909	35,075	101,834
Other operating expenditures	299,469	218,554	80,915
Capital outlay	15,000	14,659	341
Total	<u>451,378</u>	<u>268,288</u>	<u>183,090</u>
Total environmental protection	<u>21,294,064</u>	<u>15,684,741</u>	<u>5,609,323</u>
Debt service:			
Principal retirement	3,250,646	3,250,644	2
Interest on long-term debt	894,222	894,220	2
Total	<u>4,144,868</u>	<u>4,144,864</u>	<u>4</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, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Contingency	93,000	-	93,000
Total expenditures	<u>25,531,932</u>	<u>19,829,605</u>	<u>5,702,327</u>
Revenues over (under) expenditures	<u>(2,793,025)</u>	<u>4,278,488</u>	<u>7,071,513</u>
Other Financing Sources (Uses):			
Transfers from other funds	656,318	656,318	-
Transfers (to) other funds	(1,049,933)	(1,049,933)	-
Appropriated fund balance	<u>3,186,640</u>	<u>-</u>	<u>(3,186,640)</u>
Total other financing sources (uses)	<u>2,793,025</u>	<u>(393,615)</u>	<u>(3,186,640)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 3,884,873</u>	<u>\$ 3,884,873</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 3,884,873	
Reconciling items:			
Depreciation and amortization		(3,756,715)	
Long-term debt principal repayments		3,250,644	
Gain (Loss) on sale of assets		(213,013)	
Capital project revenues		1,067,020	
Capital projects - transfers from (to) other funds		377,188	
Pension expense		(21,917)	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		239,212	
Capital assets purchased/capitalized		1,441,591	
Contributed capital - developers		313,897	
Change in accrued vacation pay		(4,484)	
Change in accrued interest payable		(43,709)	
Other post-employment benefits		<u>(144,271)</u>	
Change in net position		<u>\$ 6,390,316</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, 2015

	<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	\$ 40,781	\$ 40,780	\$ -	\$ 40,780	\$ (1)
State grants	2,959,637	87,598	687,208	774,806	(2,184,831)
Local grants	1,243,194	285,400	377,560	662,960	(580,234)
Total	<u>4,243,612</u>	<u>413,778</u>	<u>1,064,768</u>	<u>1,478,546</u>	<u>(2,765,066)</u>
Miscellaneous:					
Facilities fees	292,500	292,500	-	292,500	-
Investment earnings	-	32,490	2,252	34,742	34,742
Total revenues	<u>4,536,112</u>	<u>738,768</u>	<u>1,067,020</u>	<u>1,805,788</u>	<u>(2,730,324)</u>
Expenditures:					
Capital outlay:					
High capacity water pump	54,000	54,000	-	54,000	-
Catawba wastewater treatment plant	12,428,889	9,074,580	2,164,483	11,239,063	1,189,826
Northeast Sewer Grant project	2,946,043	74,005	687,208	761,213	2,184,830
Rock quarry	54,307	54,307	-	54,307	-
Geitner Basin	61,450	-	19,598	19,598	41,852
Central business district	268,000	-	-	-	268,000
Murray Basin sewer project	335,805	24,776	291,289	316,065	19,740
Total expenditures	<u>16,148,494</u>	<u>9,281,668</u>	<u>3,162,578</u>	<u>12,444,246</u>	<u>3,704,248</u>
Revenues over (under) expenditures	<u>(11,612,382)</u>	<u>(8,542,900)</u>	<u>(2,095,558)</u>	<u>(10,638,458)</u>	<u>973,924</u>
Other Financing Sources (Uses):					
Transfers from other funds	1,712,450	1,335,195	377,255	1,712,450	-
Transfers (to) other funds	(68)	-	(67)	(67)	1
Issuance of long-term debt	9,900,000	9,900,000	-	9,900,000	-
Total other financing sources (uses)	<u>11,612,382</u>	<u>11,235,195</u>	<u>377,188</u>	<u>11,612,383</u>	<u>1</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 2,692,295</u>	<u>\$ (1,718,370)</u>	<u>\$ 973,925</u>	<u>\$ 973,925</u>

CITY OF HICKORY, NORTH CAROLINA

**TRANSPORTATION FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Restricted intergovernmental:			
Airport	\$ -	\$ 3,365	\$ 3,365
Airport services	<u>2,334,110</u>	<u>1,167,976</u>	<u>(1,166,134)</u>
Total operating revenues	<u>2,334,110</u>	<u>1,171,341</u>	<u>(1,162,769)</u>
Non-operating revenues:			
Investment earnings	<u>2,000</u>	<u>2,749</u>	<u>749</u>
Total revenues	<u>2,336,110</u>	<u>1,174,090</u>	<u>(1,162,020)</u>
Expenditures:			
Airport:			
Salaries and employee benefits	196,878	195,946	932
Other operating expenditures	178,653	142,819	35,834
Capital outlay	30,837	29,398	1,439
Administrative reimbursement	<u>113,713</u>	<u>113,713</u>	<u>-</u>
Total airport	<u>520,081</u>	<u>481,876</u>	<u>38,205</u>
Airport tower:			
Other operating expenditures	15,200	13,091	2,109
Capital outlay	<u>10,616</u>	<u>10,154</u>	<u>462</u>
Total airport tower	<u>25,816</u>	<u>23,245</u>	<u>2,571</u>
Airport FBO:			
Salaries and employee benefits	292,477	284,930	7,547
Other operating expenditures	<u>1,637,522</u>	<u>1,215,627</u>	<u>421,895</u>
Total airport FBO	<u>1,929,999</u>	<u>1,500,557</u>	<u>429,442</u>
Total transportation	<u>2,475,896</u>	<u>2,005,678</u>	<u>470,218</u>
Revenues over (under) expenditures	<u>(139,786)</u>	<u>(831,588)</u>	<u>(691,802)</u>

CITY OF HICKORY, NORTH CAROLINA

**TRANSPORTATION FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Other Financing Sources (Uses):			
Transfers from other funds	96,372	96,372	-
Appropriated fund balance	43,414	-	(43,414)
Total other financing sources (uses)	<u>139,786</u>	<u>96,372</u>	<u>(43,414)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (735,216)</u>	<u>\$ (735,216)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ (735,216)	
Reconciling items:			
Depreciation		(333,583)	
Pension expense		(2,409)	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		26,303	
Capital project revenues		881,704	
Capital project interest		735	
Capital projects - transfers from (to) other funds		256,475	
Capital assets purchased/capitalized		39,552	
Change in accrued vacation pay		(3,924)	
Change in other post-employment benefits		<u>(18,185)</u>	
Change in net position		<u>\$ 111,452</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, 2015

	<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	\$ 2,238,316	\$ 84,392	\$ 881,704	\$ 966,096	\$ (1,272,220)
State grants	180,000	-	-	-	(180,000)
Total	<u>2,418,316</u>	<u>84,392</u>	<u>881,704</u>	<u>966,096</u>	<u>(1,452,220)</u>
Investment earnings	-	30	735	765	765
Total revenues	<u>2,418,316</u>	<u>84,422</u>	<u>882,439</u>	<u>966,861</u>	<u>(1,451,455)</u>
Expenditures:					
Capital outlay:					
Transportation:					
Airport improvements	<u>2,685,577</u>	<u>93,769</u>	<u>984,197</u>	<u>1,077,966</u>	<u>1,607,611</u>
Total expenditures	<u>2,685,577</u>	<u>93,769</u>	<u>984,197</u>	<u>1,077,966</u>	<u>1,607,611</u>
Revenues over (under) expenditures	<u>(267,261)</u>	<u>(9,347)</u>	<u>(101,758)</u>	<u>(111,105)</u>	<u>156,156</u>
Other Financing Sources (Uses):					
Intrafund transfer in	268,702	10,787	257,915	268,702	-
Intrafund transfer out	<u>(1,441)</u>	<u>-</u>	<u>(1,440)</u>	<u>(1,440)</u>	<u>1</u>
Total other financing sources (uses)	<u>267,261</u>	<u>10,787</u>	<u>256,475</u>	<u>267,262</u>	<u>1</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,440</u>	<u>\$ 154,717</u>	<u>\$ 156,157</u>	<u>\$ 156,157</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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Solid waste excise tax	\$ 25,000	\$ 26,583	\$ 1,583
Charges for services:			
Recycling fees	3,134,924	2,610,474	(524,450)
Dumpster rentals	379,200	385,635	6,435
Refuse fees	826,000	813,222	(12,778)
Total	<u>4,340,124</u>	<u>3,809,331</u>	<u>(530,793)</u>
Other operating revenues	<u>3,000</u>	<u>2,968</u>	<u>(32)</u>
Total operating revenues	<u>4,368,124</u>	<u>3,838,882</u>	<u>(529,242)</u>
Non-operating revenues:			
Investment earnings	10,000	7,379	(2,621)
Miscellaneous	-	6,514	6,514
Total non-operating revenues	<u>10,000</u>	<u>13,893</u>	<u>3,893</u>
Total revenues	<u>4,378,124</u>	<u>3,852,775</u>	<u>(525,349)</u>
Expenditures:			
Environmental protection:			
Recycling services:			
Salaries and employee benefits	667,145	589,132	78,013
Other operating expenditures	2,191,573	2,148,131	43,442
Capital outlay	540,000	-	540,000
Administrative reimbursement	455,133	455,133	-
Total	<u>3,853,851</u>	<u>3,192,396</u>	<u>661,455</u>
Residential sanitation:			
Salaries and employee benefits	359,177	471,450	(112,273)
Other operating expenditures	419,237	333,617	85,620
Total	<u>778,414</u>	<u>805,067</u>	<u>(26,653)</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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Commercial sanitation:			
Salaries and employee benefits	562,817	453,910	108,907
Other operating expenditures	421,787	360,556	61,231
Administrative reimbursement	(80,193)	(80,193)	-
Total	<u>904,411</u>	<u>734,273</u>	<u>170,138</u>
Total environmental protection	<u>5,536,676</u>	<u>4,731,736</u>	<u>804,940</u>
Debt service:			
Principal	108,000	-	108,000
Interest	21,600	-	21,600
Total	<u>129,600</u>	<u>-</u>	<u>129,600</u>
Revenues over (under) expenditures	<u>(1,288,152)</u>	<u>(878,961)</u>	<u>409,191</u>
Other Financing Sources (Uses):			
Transfers from other funds	973,752	973,752	-
Appropriated fund balance	314,400	-	(314,400)
Total other financing sources (uses)	<u>1,288,152</u>	<u>973,752</u>	<u>(314,400)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 94,791</u>	<u>\$ 94,791</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 94,791	
Reconciling items:			
Depreciation		(540,127)	
Pension expense		(7,041)	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		76,849	
Change in accrued vacation pay		9,897	
Gain on disposal of assets		13,715	
Change in other post-employment benefits		<u>(38,039)</u>	
Change in net position		<u>\$ (389,955)</u>	

HICKORY



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, 2015

	<u>Sludge Composting Fund</u>	<u>Stormwater Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 92,328	\$ 438,026	\$ 530,354
Accounts receivable, net	-	599	599
Due from other governments	53,126	2,836	55,962
Prepaid items	<u>1,040</u>	<u>886</u>	<u>1,926</u>
Total current assets	<u>146,494</u>	<u>442,347</u>	<u>588,841</u>
Non-current assets:			
Net pension asset	-	8,800	8,800
Land and construction in progress	145,024	-	145,024
Other capital assets, net of depreciation	<u>3,050,787</u>	<u>2,347,206</u>	<u>5,397,993</u>
Total non-current assets	<u>3,195,811</u>	<u>2,356,006</u>	<u>5,551,817</u>
Total assets	<u>3,342,305</u>	<u>2,798,353</u>	<u>6,140,658</u>
Deferred Outflows of Resources:			
Contributions to pension plan	-	5,418	5,418
Total deferred outflows of resources	<u>-</u>	<u>5,418</u>	<u>5,418</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	146,494	12,164	158,658
Current portion of long-term debt	-	3,463	3,463
Total current liabilities	<u>146,494</u>	<u>15,627</u>	<u>162,121</u>
Non-current liabilities:			
Compensated absences payable	-	6,380	6,380
Non-current portion of long-term debt	-	18,511	18,511
Total non-current liabilities	<u>-</u>	<u>24,891</u>	<u>24,891</u>
Total liabilities	<u>146,494</u>	<u>40,518</u>	<u>187,012</u>
Deferred Inflows of Resources:			
Pension deferrals	-	21,668	21,668
Total deferred inflows of resources	<u>-</u>	<u>21,668</u>	<u>21,668</u>
Net Position:			
Net investment in capital assets	3,195,811	2,347,206	5,543,017
Unrestricted	<u>-</u>	<u>394,379</u>	<u>394,379</u>
Total net position	<u>\$ 3,195,811</u>	<u>\$ 2,741,585</u>	<u>\$ 5,937,396</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, 2015**

	<u>Sludge Composting Fund</u>	<u>Stormwater Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating Revenues:			
Restricted intergovernmental	\$ 1,574,006	\$ -	\$ 1,574,006
Sludge charges	28,512	-	28,512
Total operating revenues	<u>1,602,518</u>	<u>-</u>	<u>1,602,518</u>
Operating Expenses:			
Administration and engineering	-	117,089	117,089
Sludge plant	1,582,131	-	1,582,131
Street	-	108,299	108,299
Drainage maintenance	-	39,387	39,387
Depreciation	329,831	340,002	669,833
Total operating expenses	<u>1,911,962</u>	<u>604,777</u>	<u>2,516,739</u>
Operating income (loss)	<u>(309,444)</u>	<u>(604,777)</u>	<u>(914,221)</u>
Non-operating revenues (expenses):			
Interest earned on investments	-	805	805
Total non-operating revenues (expenses)	<u>-</u>	<u>805</u>	<u>805</u>
Income (loss) before capital contributions and transfers	(309,444)	(603,972)	(913,416)
Capital Contributions:			
Capital contributions	-	58,564	58,564
Transfers:			
Transfers in	-	409,986	409,986
Change in net position	<u>(309,444)</u>	<u>(135,422)</u>	<u>(444,866)</u>
Net Position:			
Net position, beginning, previously reported	3,505,255	2,889,379	6,394,634
Restatement	-	(12,372)	(12,372)
Net position, beginning, restated	<u>3,505,255</u>	<u>2,877,007</u>	<u>6,382,262</u>
End of year - June 30	<u>\$ 3,195,811</u>	<u>\$ 2,741,585</u>	<u>\$ 5,937,396</u>

CITY OF HICKORY, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Sludge Composting Fund</u>	<u>Stormwater Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 1,622,285	\$ 1	\$ 1,622,286
Cash paid to suppliers	(1,463,851)	(330,667)	(1,794,518)
Cash paid to employees	-	(109,713)	(109,713)
Net cash provided (used) by operating activities	<u>158,434</u>	<u>(440,379)</u>	<u>(281,945)</u>
Cash Flows from Non-Capital Financing Activities:			
Changes in due to/from other funds	(29,371)	-	(29,371)
Transfers from other funds	-	409,986	409,986
Net cash provided (used) by non-capital financing activities	<u>(29,371)</u>	<u>409,986</u>	<u>380,615</u>
Cash Flows from Capital And Related Financing Activities:			
Acquisition and construction of capital assets	(36,735)	(66,872)	(103,607)
Net cash provided (used) by capital and related financing activities	<u>(36,735)</u>	<u>(66,872)</u>	<u>(103,607)</u>
Cash Flows from Investing Activities:			
Interest on investments	-	805	805
Net cash provided (used) by investing activities	<u>-</u>	<u>805</u>	<u>805</u>
Net increase (decrease) in cash and cash equivalents	92,328	(96,460)	(4,132)
Cash and Cash Equivalents:			
Beginning of year - July 1	-	534,486	534,486
End of year - June 30	<u>\$ 92,328</u>	<u>\$ 438,026</u>	<u>\$ 530,354</u>

CITY OF HICKORY, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

	<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)	\$ (309,444)	\$ (604,777)	\$ (914,221)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	329,831	340,002	669,833
Pension expense	-	496	496
Change in assets and liabilities:			
(Increase) decrease in accounts receivables	19,767	3,403	23,170
(Increase) decrease in prepaid items	34	(886)	(852)
(Increase) decrease in deferred outflows	-	(5,418)	(5,418)
Increase (decrease) in accounts payable	118,246	(175,184)	(56,938)
Increase (decrease) in compensated absences	-	(288)	(288)
Increase (decrease) in other post-employment benefits	-	2,273	2,273
	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used) by operating activities	<u>\$ 158,434</u>	<u>\$ (440,379)</u>	<u>\$ (281,945)</u>
Non-Cash Transactions:			
Contributed assets		<u>\$ 58,564</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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Restricted intergovernmental:			
Local grants	\$ 1,783,559	\$ 1,574,006	\$ (209,553)
Charges for services:			
Sludge charges	-	28,512	28,512
Total revenues	<u>1,783,559</u>	<u>1,602,518</u>	<u>(181,041)</u>
Expenditures:			
Environmental protection:			
Other operating expenditures	1,618,144	1,466,716	151,428
Capital outlay	50,000	36,735	13,265
Administrative reimbursement	115,415	115,415	-
Total environmental protection	<u>1,783,559</u>	<u>1,618,866</u>	<u>164,693</u>
Total expenditures	<u>1,783,559</u>	<u>1,618,866</u>	<u>164,693</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (16,348)</u>	<u>\$ (16,348)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Revenues over (under) expenditures		<u>\$ (16,348)</u>	
Reconciling items:			
Capital outlay		36,735	
Depreciation		<u>(329,831)</u>	
Total reconciling items		<u>(293,096)</u>	
Change in net position		<u>\$ (309,444)</u>	

CITY OF HICKORY, NORTH CAROLINA

STORMWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Non-operating revenues:			
Interest earned on investments	\$ -	\$ 805	\$ 805
Total non-operating revenues	<u>-</u>	<u>805</u>	<u>805</u>
Total revenues	<u>-</u>	<u>805</u>	<u>805</u>
Expenditures:			
Environmental protection:			
Engineering:			
Salaries and benefits	107,094	106,776	318
Other operating expenditures	42,162	13,249	28,913
Total	<u>149,256</u>	<u>120,025</u>	<u>29,231</u>
Street:			
Other operating expenditures	190,730	108,300	82,430
Capital outlay	-	66,872	(66,872)
Total	<u>190,730</u>	<u>175,172</u>	<u>15,558</u>
Drainage maintenance:			
Other operating expenditures	70,000	39,387	30,613
Total environmental protection	<u>409,986</u>	<u>334,584</u>	<u>75,402</u>
Revenues over (under) expenditures	<u>(409,986)</u>	<u>(333,779)</u>	<u>76,207</u>
Other Financing Sources (Uses):			
Transfers in	409,986	409,986	-
Total other financing sources (uses)	<u>409,986</u>	<u>409,986</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 76,207</u>	<u>\$ 76,207</u>

CITY OF HICKORY, NORTH CAROLINA

**STORMWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015**

	<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		\$ 76,207	
Reconciling items:			
Depreciation		(340,002)	
Pension expense		(496)	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		5,418	
Capital assets purchased/capitalized		66,872	
Capital contributions		58,564	
Change in accrued vacation pay		288	
Other post-employment benefits		<u>(2,273)</u>	
Change in net position		<u>\$ (135,422)</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, 2015

	<u>Insurance Fund</u>	<u>Fleet Maintenance Fund</u>	<u>Total</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 5,749,699	\$ -	\$ 5,749,699
Accounts receivable, net	9,096	-	9,096
Due from other governments	-	49,536	49,536
Inventory	-	74,959	74,959
Prepaid items	7,629	1,643	9,272
Total current assets	<u>5,766,424</u>	<u>126,138</u>	<u>5,892,562</u>
Non-current assets:			
Net pension asset	-	50,193	50,193
Depreciable capital assets, net	-	32,643	32,643
Total non-current assets	<u>-</u>	<u>82,836</u>	<u>82,836</u>
Total assets	<u>5,766,424</u>	<u>208,974</u>	<u>5,975,398</u>
Deferred Outflows of Resources:			
Contributions to pension plan	-	30,905	30,905
Total deferred outflows of resources	<u>-</u>	<u>30,905</u>	<u>30,905</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	1,876,447	46,763	1,923,210
Due to other funds	-	421,824	421,824
Prepaid fees	7,475	-	7,475
Current portion of long-term debt	-	32,089	32,089
Total current liabilities	<u>1,883,922</u>	<u>500,676</u>	<u>2,384,598</u>
Non-current liabilities:			
Compensated absences, noncurrent	-	9,867	9,867
Non-current portion of long-term debt	-	146,755	146,755
Total non-current liabilities	<u>-</u>	<u>156,622</u>	<u>156,622</u>
Total liabilities	<u>1,883,922</u>	<u>657,298</u>	<u>2,541,220</u>
Deferred Inflows of Resources:			
Pension deferrals	-	123,591	123,591
Total deferred inflows of resources	<u>-</u>	<u>123,591</u>	<u>123,591</u>
Net Position:			
Net investment in capital assets	-	32,643	32,643
Unrestricted	<u>3,882,502</u>	<u>(573,653)</u>	<u>3,308,849</u>
Total net position	<u>\$ 3,882,502</u>	<u>\$ (541,010)</u>	<u>\$ 3,341,492</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, 2015**

	Insurance Fund	Fleet Maintenance Fund	Total
Operating Revenues:			
Charges for services	\$ 6,214,471	\$ 2,575,688	\$ 8,790,159
Other operating revenues	<u>1,577</u>	<u>748</u>	<u>2,325</u>
Total operating revenues	<u>6,216,048</u>	<u>2,576,436</u>	<u>8,792,484</u>
Operating Expenses:			
Health insurance	6,488,949	-	6,488,949
Property/casualty insurance	547,074	-	547,074
Workers' compensation	655,783	-	655,783
Fleet maintenance	-	2,595,772	2,595,772
Depreciation	<u>-</u>	<u>7,199</u>	<u>7,199</u>
Total operating expenses	<u>7,691,806</u>	<u>2,602,971</u>	<u>10,294,777</u>
Operating income (loss)	<u>(1,475,758)</u>	<u>(26,535)</u>	<u>(1,502,293)</u>
Non-Operating Revenues (Expenses):			
Investment earnings	<u>23,880</u>	-	<u>23,880</u>
Total non-operating revenues (expenses)	<u>23,880</u>	-	<u>23,880</u>
Change in net position	<u>(1,451,878)</u>	<u>(26,535)</u>	<u>(1,478,413)</u>
Net Position:			
Net position, beginning, previously reported	5,334,380	(443,909)	4,890,471
Restatement	<u>-</u>	<u>(70,566)</u>	<u>(70,566)</u>
Net position, beginning, restated	<u>5,334,380</u>	<u>(514,475)</u>	<u>4,819,905</u>
End of year - June 30	<u>\$ 3,882,502</u>	<u>\$ (541,010)</u>	<u>\$ 3,341,492</u>

CITY OF HICKORY, NORTH CAROLINA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Insurance Fund	Fleet Maintenance Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 6,218,237	\$ 2,576,436	\$ 8,794,673
Cash paid to suppliers	(7,109,784)	(1,945,388)	(9,055,172)
Cash paid to employees	-	(660,122)	(660,122)
Net cash provided (used) by operating activities	<u>(891,547)</u>	<u>(29,074)</u>	<u>(920,621)</u>
Cash Flows from Non-Capital Financing Activities:			
Changes in due to/from other funds	-	63,093	63,093
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>63,093</u>	<u>63,093</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	-	(34,019)	(34,019)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(34,019)</u>	<u>(34,019)</u>
Cash Flows from Investing Activities:			
Interest on investments	23,880	-	23,880
Net cash provided (used) by investing activities	<u>23,880</u>	<u>-</u>	<u>23,880</u>
Net increase (decrease) in cash and cash equivalents	(867,667)	-	(867,667)
Cash and Cash Equivalents:			
Beginning of year - July 1	<u>6,617,366</u>	<u>-</u>	<u>6,617,366</u>
End of year - June 30	<u>\$ 5,749,699</u>	<u>\$ -</u>	<u>\$ 5,749,699</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (1,475,758)	\$ (26,535)	\$ (1,502,293)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	7,199	7,199
Pension expense	-	2,832	2,832
Change in assets and liabilities:			
(Increase) decrease in accounts receivables	2,731	1,800	4,531
(Increase) decrease in prepaid items	301,742	(1,290)	300,452
(Increase) decrease in inventories	-	19,306	19,306
Increase (decrease) in accounts payable	280,280	4,358	284,638
(Increase) decrease in deferred outflows of resources for pensions	-	(30,905)	(30,905)
Increase (decrease) in prepaid fees	(542)	-	(542)
Increase (decrease) in compensated absences	-	(11,219)	(11,219)
Increase (decrease) in other post-employment benefits	-	5,380	5,380
Net cash provided (used) by operating activities	<u>\$ (891,547)</u>	<u>\$ (29,074)</u>	<u>\$ (920,621)</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, 2015**

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Operating Revenues:			
Charges for services	\$ 6,398,811	\$ 6,214,471	\$ (184,340)
Other operating revenues	-	1,577	1,577
Total operating revenues	<u>6,398,811</u>	<u>6,216,048</u>	<u>(182,763)</u>
Non-Operating Revenues:			
Investment earnings	<u>40,000</u>	<u>23,880</u>	<u>(16,120)</u>
Total non-operating revenues	<u>40,000</u>	<u>23,880</u>	<u>(16,120)</u>
Total revenues	<u>6,438,811</u>	<u>6,239,928</u>	<u>(198,883)</u>
Expenditures:			
General government:			
Health insurance	4,881,205	6,488,949	(1,607,744)
Property/casualty insurance	660,701	547,074	113,627
Workers' compensation	<u>896,905</u>	<u>655,783</u>	<u>241,122</u>
Total expenditures	<u>6,438,811</u>	<u>7,691,806</u>	<u>(1,252,995)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (1,451,878)</u>	<u>\$ (1,451,878)</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, 2015

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Operating Revenues:			
Charges for services	\$ 2,922,085	\$ 2,575,688	\$ (346,397)
Other operating revenues	-	748	748
Total operating revenues	<u>2,922,085</u>	<u>2,576,436</u>	<u>(345,649)</u>
Expenditures:			
General government			
Salaries and benefits	622,834	626,210	(3,376)
Other operating expenditures	2,007,810	1,746,057	261,753
Capital outlay	44,841	44,837	4
Administrative reimbursement	246,600	246,600	-
Total expenditures	<u>2,922,085</u>	<u>2,663,704</u>	<u>258,381</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (87,268)</u>	<u>\$ (87,268)</u>
Reconciliation from Budgetary Basis			
(Modified Accrual) to Full Accrual Basis:			
Revenues over (under) expenditures		\$ (87,268)	
Reconciling items:			
Depreciation and amortization		(7,199)	
Pension expense		(2,832)	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		30,905	
Change in accrued vacation pay		11,219	
Change in other post-employment benefits		<u>(5,380)</u>	
Change in net position		<u>\$ (26,535)</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, 2015

Governmental Funds Capital Assets:

Land	\$ 12,238,619
Buildings	31,501,506
Other improvements	10,779,684
Equipment	11,488,897
Vehicles and motorized equipment	13,371,338
Streets	45,213,387
Traffic signals	2,433,033
Bridges	853,304
Sidewalks	7,145,964
Construction in progress	<u>6,247,005</u>
Total governmental funds capital assets	<u>\$ 141,272,737</u>

Investments in Governmental Funds Capital Assets by Source:

General Fund	\$ 81,380,994
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>\$ 141,272,737</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, 2015**

By Function and Activity	Governmental Funds Capital Assets June 30, 2014	Additions	Deductions	Governmental Funds Capital Assets June 30, 2015
General Government:				
Administration	\$ 54,375	\$ -	\$ -	\$ 54,375
Budget and administration	23,465	-	-	23,465
Finance	76,665	-	-	76,665
Technology services	827,094	384,962	(88,120)	1,123,936
Engineering	195,783	-	-	195,783
Building services	178,201	-	-	178,201
Central services	2,446,928	-	-	2,446,928
Public buildings	7,002,175	220,790	-	7,222,965
Buildings and grounds	1,210,698	17,552	(10,000)	1,218,250
District court	728,810	-	-	728,810
Total general government	<u>12,744,194</u>	<u>623,304</u>	<u>(98,120)</u>	<u>13,269,378</u>
Public Safety:				
Police	13,631,369	787,357	(233,107)	14,185,619
Code Enforcement	92,408	28,508	-	120,916
Fire	10,909,883	323,735	(448,063)	10,785,555
Total public safety	<u>24,633,660</u>	<u>1,139,600</u>	<u>(681,170)</u>	<u>25,092,090</u>
Transportation:				
Traffic	8,335,773	58,134	(5,199,737)	3,194,170
Street	57,466,301	663,932	(163,336)	57,966,897
Total transportation	<u>65,802,074</u>	<u>722,066</u>	<u>(5,363,073)</u>	<u>61,161,067</u>
Economic and Physical Development:				
Planning and development	2,582,028	-	-	2,582,028
Economic and community	2,929,178	-	-	2,929,178
Total economic and physical development	<u>5,511,206</u>	<u>-</u>	<u>-</u>	<u>5,511,206</u>
Culture and Recreation:				
Recreation	22,937,774	1,213,530	(72,364)	24,078,940
Library	5,905,659	47,152	(39,760)	5,913,051
Total culture and recreation	<u>28,843,433</u>	<u>1,260,682</u>	<u>(112,124)</u>	<u>29,991,991</u>
Construction in Progress				
	<u>1,676,131</u>	<u>5,271,468</u>	<u>(700,594)</u>	<u>6,247,005</u>
Total government funds capital assets	<u>\$ 139,210,698</u>	<u>\$ 9,017,120</u>	<u>\$ (6,955,081)</u>	<u>\$ 141,272,737</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, 2015

By Function and Activity	Land	Buildings	Other Improvements	Equipment	Vehicles and Motorized Equipment
General Government:					
Administration	\$ -	\$ -	\$ -	\$ -	\$ 54,375
Budget and administration	-	-	-	-	23,465
Finance	-	-	21,344	39,613	15,708
Technology services	-	-	-	1,106,677	17,259
Engineering	-	-	-	115,236	80,547
Building services	-	-	-	6,575	171,626
Central services	582,349	1,801,592	506	50,377	12,104
Public buildings	2,676,380	3,227,939	1,008,879	309,767	-
Building and grounds	413,573	176,975	-	338,881	288,821
District court	28,000	693,531	-	7,279	-
Total general government	<u>3,700,302</u>	<u>5,900,037</u>	<u>1,030,729</u>	<u>1,974,405</u>	<u>663,905</u>
Public Safety:					
Police	133,615	4,992,372	312,818	4,371,917	4,374,898
Code Enforcement	-	-	1,620	-	120,209
Fire	236,792	3,240,366	1,332,666	890,150	5,084,668
Total public safety	<u>370,407</u>	<u>8,232,738</u>	<u>1,647,104</u>	<u>5,262,067</u>	<u>9,579,775</u>
Transportation:					
Traffic	13,036	82,805	-	246,015	429,282
Street	615,674	-	589,222	1,531,326	2,008,017
Total transportation	<u>628,710</u>	<u>82,805</u>	<u>589,222</u>	<u>1,777,341</u>	<u>2,437,299</u>
Economic and Physical Development:					
Planning and development	4,658,581	420,636	-	-	38,577
Economic and community	393,412	-	-	-	-
Total economic and physical development	<u>5,051,993</u>	<u>420,636</u>	<u>-</u>	<u>-</u>	<u>38,577</u>
Culture and Recreation:					
Recreation	2,487,207	11,832,380	7,459,444	1,688,156	611,754
Library	-	5,032,911	53,185	786,928	40,027
Total culture and recreation	<u>2,487,207</u>	<u>16,865,291</u>	<u>7,512,629</u>	<u>2,475,084</u>	<u>651,781</u>
Construction in Progress					
	-	-	-	-	-
Total governmental funds capital assets	<u>\$ 12,238,619</u>	<u>\$ 31,501,507</u>	<u>\$ 10,779,684</u>	<u>\$ 11,488,897</u>	<u>\$ 13,371,337</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, 2015

By Function and Activity	Streets	Traffic Signals	Bridges	Sidewalks	Construction in Progress	Total
General Government:						
Administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,375
Budget and administration	-	-	-	-	-	23,465
Finance	-	-	-	-	-	76,665
Technology services	-	-	-	-	-	1,123,936
Engineering	-	-	-	-	-	195,783
Building services	-	-	-	-	-	178,201
Central services	-	-	-	-	-	2,446,928
Public buildings	-	-	-	-	-	7,222,965
Building and grounds	-	-	-	-	-	1,218,250
District court	-	-	-	-	-	728,810
Total general government	-	-	-	-	-	13,269,378
Public Safety:						
Police	-	-	-	-	-	14,185,620
Code Enforcement	-	-	-	-	-	121,829
Fire	-	-	-	-	-	10,784,642
Total public safety	-	-	-	-	-	25,092,091
Transportation:						
Traffic	-	2,423,033	-	-	-	3,194,171
Street	45,213,387	10,000	853,304	7,145,964	-	57,966,894
Total transportation	45,213,387	2,433,033	853,304	7,145,964	-	61,161,065
Economic and Physical Development:						
Planning and development	-	-	-	-	-	5,117,794
Economic and community	-	-	-	-	-	393,412
Total economic and physical development	-	-	-	-	-	5,511,206
Culture and Recreation:						
Recreation	-	-	-	-	-	24,078,941
Library	-	-	-	-	-	5,913,051
Total culture and recreation	-	-	-	-	-	29,991,992
Construction in Progress	-	-	-	-	6,247,005	6,247,005
Total governmental funds capital assets	\$ 45,213,387	\$ 2,433,033	\$ 853,304	\$ 7,145,964	\$ 6,247,005	\$ 141,272,737

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

HICKORY



North Carolina

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, 2015

Fiscal Year	Uncollected Balance July 1, 2014	Additions	Collections and Credits	Uncollected Balance June 30, 2015
2015	\$ -	\$ 23,742,884	\$ 23,305,797	\$ 437,087
2014	743,804	-	413,380	330,424
2013	403,203	-	143,067	260,136
2012	315,605	-	101,135	214,470
2011	205,935	-	35,364	170,571
2010	186,020	-	16,551	169,469
2009	152,624	-	8,479	144,145
2008	135,879	-	3,296	132,583
2007	89,588	-	4,257	85,331
2006	90,217	-	90,217	-
Total	<u>\$ 2,322,875</u>	<u>\$ 23,742,884</u>	<u>\$ 24,121,543</u>	1,944,216

Less allowance for uncollectible ad valorem taxes receivable (1,066,246)

Ad valorem taxes receivable, net \$ 877,970

Reconciliation of Collections and Credits with Revenues:

Ad valorem taxes \$ 24,206,333

Reconciling items:

Interest and penalties collected (185,469)

Prior year releases/adjustments 16,248

Collections of prior year writeoffs (2,169)

Amounts written off per Statute of Limitations 86,600

Total collections and credits \$ 24,121,543

CITY OF HICKORY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY

CITY-WIDE LEVY

FOR THE YEAR ENDED JUNE 30, 2015

	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	\$4,730,703,104	\$ 0.500	\$ 23,653,516	\$ 22,145,467	\$ 1,508,049
Penalties	-		17,211	17,211	-
Total original levy	<u>4,730,703,104</u>		<u>23,670,727</u>	<u>22,162,678</u>	<u>1,508,049</u>
Discoveries:					
Current year's taxes	32,324,988	0.500	161,625	160,695	930
Penalties	-		5,171	5,171	-
Total	<u>32,324,988</u>		<u>166,796</u>	<u>165,866</u>	<u>930</u>
Abatements	<u>(18,927,744)</u>		<u>(94,639)</u>	<u>(94,639)</u>	<u>-</u>
Total property valuation	<u>\$4,744,100,348</u>				
Net Levy			23,742,884	22,233,905	1,508,979
Uncollected taxes at June 30, 2015			<u>(437,087)</u>	<u>(436,830)</u>	<u>(257)</u>
Current Year's Taxes Collected			<u>\$ 23,305,797</u>	<u>\$ 21,797,075</u>	<u>\$ 1,508,722</u>
Current Levy Collection Percentage			<u>98.16%</u>	<u>98.04%</u>	<u>99.98%</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.



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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$ 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	\$ 50,663,986
Restricted	322,312	396,392	435,833	412,565	410,152	6,113,772	4,635,971	3,850,331	4,332,435	7,269,145
Unrestricted	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	24,339,580
Total governmental activities net position	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	82,272,711
Business-type activities										
Net investment in capital assets	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	102,857,014
Unrestricted	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	27,199,498
Total business-type activities net position	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	130,056,512
Primary government										
Net investment in capital assets	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	153,521,000
Restricted	322,312	396,392	435,833	412,565	410,152	6,113,772	4,635,971	3,850,331	4,332,435	7,269,145
Unrestricted	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	51,539,078
Total primary government net position	\$ 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	\$ 212,329,223

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities										
General government	\$ 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	\$ 10,714,412
Public safety	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	20,325,286
Transportation	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	7,728,201
Economic and physical development	2,557,547	3,007,257	4,884,174	2,928,116	3,361,684	3,382,327	3,382,327	3,145,584	3,152,928	3,983,537
Culture and recreation	6,219,287	6,373,268	6,144,223	6,541,146	6,203,497	6,191,485	6,379,277	6,349,079	6,986,803	5,975,527
Interest on long-term debt	567,314	494,043	441,297	411,980	376,028	320,309	241,951	119,963	99,172	148,214
Total governmental activities expenses	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	48,874,177
Business-type activities										
Water	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	7,583,247
Sewer	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	11,499,020
Sludge composting	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	1,911,962
Stormwater	-	-	646,166	765,923	779,361	471,708	477,389	503,152	752,443	604,777
Public transit	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	2,297,924
Airport	1,596,743	1,279,869	1,320,324	1,280,587	1,280,587	2,638,473	2,785,282	2,652,882	3,014,427	3,591,441
Recycling	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	1,638,769
Sanitation	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	24,757,117	25,055,792	27,278,093	25,969,658	25,045,906	24,799,511	27,454,594	27,748,342	30,110,794	29,127,140
Total primary government expenses	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	78,001,317
Program revenues										
Governmental activities										
Charges for services										
General government	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	5,733,999
Public safety	321,592	356,776	379,426	372,838	288,303	344,906	367,049	305,427	367,312	235,616
Transportation	17,072	74,722	37,056	39,070	1,630	10,331	26,884	9,906	21,031	18,332
Economic and physical development	271,729	120,508	66,920	234,707	837,914	232,608	477,367	157,944	234,406	142,090
Culture and recreation	530,840	498,731	434,832	277,887	304,826	295,039	306,901	273,434	239,691	257,226
Operating grants and contributions	2,416,388	2,662,450	2,752,118	2,602,050	3,901,213	4,673,239	5,526,174	3,604,537	3,683,027	4,362,347
Capital grants and contributions	1,355,928	873,357	1,652,695	431,894	80,000	-	-	1,044	269,944	5,894,084
Total governmental activities program revenues	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	16,643,694
Business-type activities										
Charges for services										
Water	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	13,946,763
Sewer	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	9,293,174
Sludge composting	20,653	20,940	18,192	44,384	51,416	48,640	59,332	60,681	38,197	25,237
Stormwater	-	-	5,184	4,566	5,616	1,947	844	1,773	58,207	(3,318)
Public transit	148,269	187,151	212,930	6,680	-	-	-	-	-	-
Airport	375,842	316,929	311,251	369,371	364,004	294,912	1,293,487	2,376,811	2,186,700	1,145,669
Recycling	1,118,519	1,307,194	1,516,451	1,744,308	2,204,665	2,202,781	2,249,802	2,463,873	2,541,569	2,541,569
Sanitation	1,223,295	1,223,225	1,371,565	1,350,867	1,211,928	1,290,053	1,292,802	1,235,322	1,235,322	1,203,656
Operating grants and contributions	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	2,107,589
Capital grants and contributions	2,341,905	2,871,047	2,869,062	1,616,976	2,545,390	1,809,218	740,890	1,322,552	260,319	2,318,933
Total business-type activities program revenues	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	32,579,272
Total primary government program revenues	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	49,222,966
Net (expense)/revenue										
Governmental activities	(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)	(32,230,483)
Business-type activities	1,489,394	1,727,072	1,532,507	1,399,987	3,126,550	3,585,407	957,024	3,148,033	891,515	3,452,132
Total primary government net expense	(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)	(28,778,351)

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General revenues and other changes in net position										
Governmental activities										
Taxes										
Ad valorem property taxes	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	23,854,614
Local option sales tax	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	8,950,747
Franchise tax	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	2,057,565
Telecommunication tax	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	1,010,313
Motel/Occupancy tax	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	1,616,179
Vehicle tag tax	149,143	153,193	157,152	150,895	151,761	153,545	157,362	161,025	209,966	170,479
Gross receipts tax	81,271	75,421	83,474	73,527	82,397	103,676	110,711	115,674	136,237	131,412
Unrestricted intergovernmental	699,375	589,345	539,870	594,141	804,822	934,256	948,165	772,566	787,532	675,846
Unrestricted investment earnings	645,815	1,309,089	1,567,773	1,169,208	778,780	382,329	413,155	(38,998)	174,060	150,105
Miscellaneous	484,573	245,204	354,237	396,230	1,000,761	989,278	-	-	-	-
Transfers	(982,770)	(872,600)	(4,542,681)	518,671	(5,359,951)	235,578	515,173	(1,581,311)	(519,010)	(1,720,158)
Total governmental activities	34,198,615	36,298,023	34,956,062	38,816,133	33,175,030	38,668,303	37,941,901	35,671,687	37,968,373	36,897,102
Business-type activities										
Unrestricted investment earnings	299,293	505,291	600,930	427,640	340,542	228,291	216,993	4,809	116,397	92,491
Donations	-	-	-	-	-	-	-	-	-	9,570
Transfers	982,770	872,600	4,542,681	(518,671)	5,359,951	(235,578)	(515,173)	1,581,311	519,010	1,720,158
Total business-type activities	1,282,063	1,377,891	5,143,611	(91,031)	5,700,493	(7,287)	(298,180)	1,586,120	635,407	1,822,219
Change in Net Position										
Governmental activities	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)	4,666,619
Business-type activities	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	5,274,351
Total primary government	\$ 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	\$ 9,940,970

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

	2006	2007	2008	2009	2010
General Fund					
Reserved	\$ 3,207,286	\$ 3,803,095	\$ 4,803,407	\$ 3,106,380	\$ 4,351,129
Unreserved	9,888,320	11,959,052	14,917,158	13,714,939	13,337,503
Total General Fund	\$ 13,095,606	\$ 15,762,147	\$ 19,720,565	\$ 16,821,319	\$ 17,688,632
All other governmental funds					
Reserved	\$ 85,050	\$ 863,312	\$ 974,938	\$ 1,628,642	\$ 3,069,226
Unreserved, reported in:					
Special revenue funds	4,155,837	5,825,979	7,746,081	10,416,107	5,724,561
Capital project funds	58,121	(854,161)	(537,254)	2,021,725	201,552
Total all other governmental funds	\$ 4,299,008	\$ 5,835,130	\$ 8,183,765	\$ 14,066,474	\$ 8,995,339
General Fund					
2011	2012	2013	2014	2015	
Nonspendable	\$ 363,066	\$ 296,769	\$ 295,503	\$ 409,899	\$ 5,402,181
Restricted	4,265,397	3,799,206	3,542,867	3,993,730	6,977,246
Committed	9,785,643	11,995,937	13,322,724	13,381,759	11,437,451
Assigned	2,167,510	3,856,360	1,877,185	3,065,661	2,811,908
Unassigned	11,646,163	11,934,342	13,072,784	13,515,066	14,031,436
Total General Fund	\$ 28,227,779	\$ 31,882,614	\$ 32,111,063	\$ 34,366,115	\$ 40,660,222
All other governmental funds					
Nonspendable	\$ -	\$ -	\$ 158	\$ 158	\$ 879
Restricted	1,848,375	836,765	307,464	338,705	1,973,118
Committed	254,972	256,491	39,683	11,509	30,398
Assigned	-	-	-	-	-
Unassigned	(1,609,530)	(677,129)	(72,230)	(726,139)	(43,256)
Total all other governmental funds	\$ 493,817	\$ 416,127	\$ 275,075	\$ (375,767)	\$ 1,961,139

Note: The City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011. Five years are presented in the format prior to the implementation of GASB 54, along with five years after the implementation.

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Ad valorem taxes	\$ 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	\$ 24,206,333
Other taxes	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	14,774,695
Unrestricted intergovernmental	699,375	589,345	539,870	594,141	804,822	934,256	948,165	772,566	787,532	675,846
Restricted intergovernmental	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	5,999,698
Licenses and permits	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	1,116,114
Sales and services	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	1,670,000
Investment earnings	543,869	1,117,193	1,394,085	1,040,634	676,256	312,993	343,425	(39,814)	141,156	126,225
Miscellaneous	1,128,397	654,822	1,902,549	777,926	1,330,532	1,250,377	1,373,150	988,144	1,329,129	4,413,948
Total revenues	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	52,982,859
Expenditures										
Current										
General government	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	5,432,152
Public safety	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	21,040,948
Transportation	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	5,273,526
Economic and physical development	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	4,001,342
Culture and recreation	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	5,867,815
Capital outlay	212,386	500,036	653,127	1,313,280	2,290,889	1,556,918	422,028	346,333	1,484,787	5,271,468
Debt Service										
Principal retirement	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	1,092,687
Interest and fees	577,662	500,859	446,883	415,847	381,674	326,481	252,784	120,628	100,500	134,350
Total expenditures	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	48,114,288
Excess(deficiency) of revenues over(under) expenditures	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	4,868,571
Other financing sources(uses)										
Transfers - in	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	3,734,816
Transfers - (out)	(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)	(5,454,974)
Issuance of debt	-	194,667	-	1,042,685	-	-	-	-	-	3,000,000
Payment to escrow agent	-	-	-	-	-	-	-	-	-	-
Total other financing sources(uses)	(982,770)	(757,558)	(428,815)	1,561,356	(5,359,951)	235,578	549,511	(1,581,311)	(534,010)	1,279,842
Net change in fund balance	\$ 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	\$ 6,148,413
Debt service as a percentage of non-capital expenditures	7.74%	5.50%	5.32%	5.16%	4.82%	5.08%	3.77%	2.77%	2.79%	3.08%

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	Property	Motor Vehicles	Other					
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	4,646,145,388.45	95.72%
2008	3,699,382,545	324,896,860	658,268,066		13,312,576	4,669,234,895	0.50	4,768,473,986.68	98.20%
2009	3,778,036,878	317,495,416	682,628,436		15,318,070	4,762,842,660	0.50	4,857,625,258.98	98.36%
2010	3,819,968,446	283,621,280	693,651,039		18,200,924	4,779,039,841	0.50	4,898,808,553.47	97.93%
2011	3,855,686,658	279,239,278	623,496,806		20,101,992	4,738,320,750	0.50	4,843,141,457.53	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	4,724,755,709.19	100.41%
2014	3,814,819,160	386,443,638	620,300,997		24,626,391	4,796,937,404	0.50	4,705,425,224.49	102.47%
2015	3,826,489,617	301,795,798	641,556,576		25,741,643	4,744,100,348	0.50	4,680,523,598.73	101.91%

Notes: Property is reassessed once every four years. The county assesses property at approximately 102.39 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		
2006	0.5000	0.5900	0.5399	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
2015	0.5000	0.6800	0.6000	0.5300		1.1800

Source: North Carolina Department of Revenue

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

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

Taxpayer	2015			2006		
	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	\$ 112,494,680	1	2.37%	\$ 119,248,121	1	2.76%
Corning Cable Systems LLC	67,231,044	2	1.42%	89,099,468	2	2.06%
Valley Hills Mall LLC	45,668,100	3	0.96%	48,208,516	3	1.11%
Duke Energy Carolinas LLC	39,813,294	4	0.84%	35,713,663	5	0.83%
American Med International	34,330,691	5	0.72%	25,585,481	9	0.59%
Tate Boulevard LLC	32,276,000	6	0.68%	28,590,000	8	0.66%
Hickory Springs LLC	26,833,819	7	0.57%	24,980,648	10	0.58%
Inland Western Hickory-Catawba LLC	26,753,200	8	0.56%	-	-	0.00%
Shurtape Technologies Inc	26,412,130	9	0.56%	32,758,176	6	0.76%
Health Care Property Investors	25,054,000	10	0.53%	-	-	0.00%
Amireit (Frye) Inc	-	-	0.00%	42,616,300	4	0.98%
Central Telephone Company	-	-	0.00%	29,858,945	7	0.69%
	-	-	0.00%	-	-	0.00%
Total	\$ 436,866,958		9.21%	\$ 476,659,318		11.02%

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	
	Fiscal Year	Amount	Percentage of Levy		Amount	Percentage of Levy
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%
2015	23,742,884	23,305,797	98.16%	715,067	24,020,864	101.17%

Source: City of Hickory Finance Department

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

Fiscal Year Ended June 30	Governmental Activities				Business-type Activities				Total	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds	Installment Purchase Agreements	Notes Payable	Capitalized Leases	General Obligation Bonds	Installment Purchase Agreements	Notes Payable				
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	
2015	-	6,015,976	-	-	-	16,427,895	17,086,042	39,529,913	2.97%	985	

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		Per Capita ²
		Estimated Actual Taxable Value ¹ of Property	Percentage of Personal Income	
2006	6,280,000	0.13%	0.59%	161
2007	4,985,000	0.11%	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%	-
2015	-	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	N/A	0.64%	-
Caldwell County	49,464,546	1.60%	791,433
Catawba County	152,705,633	27.77%	42,406,354
Subtotal, overlapping debt			43,197,787
City direct debt			6,015,976
Total direct and overlapping debt			\$ 49,213,763

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 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	\$ 379,528,028
Total net debt applicable to limit	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	39,529,913
Legal debt margin	\$ 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	\$ 339,998,115
Total net debt applicable to the limit as a percentage of debt limit	11.17%	10.03%	8.62%	7.80%	7.09%	9.93%	10.12%	11.95%	10.78%	10.42%

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed value of taxable property	4,744,100,348
Debt limit - 8 percent of assessed value	379,528,028
Debt applicable to limit:	
Gross debt	39,529,913
Less - water bonds	-
Total net debt applicable to limit	<u>39,529,913</u>
Legal debt margin	<u>\$ 339,998,115</u>

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

Fiscal Year Ended June 30	Population ¹	Personal Income (thousands of dollars)	Per Capita Personal Income ²	Median Age ³	School Enrollment ⁴	Unemployment Rate ⁵
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%
2015	40,143	1,330,178	33,136	37.7	4,281	6.2%

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⁾ ⁽²⁾	2015			2006			Percentage of Total County Employment
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment	
Merchant Distributors Inc.	1000+	1	3.00%	N/A	N/A	N/A	N/A
Catawba County Schools	1000+	2	1.40%	N/A	N/A	N/A	N/A
Catawba Valley Medical Center	1000+	3	1.40%	N/A	N/A	N/A	N/A
Frye Regional Medical Center	1000+	4	1.40%	N/A	N/A	N/A	N/A
Commscope	1000+	5	1.40%	N/A	N/A	N/A	N/A
Catawba County	1000+	6	1.40%	N/A	N/A	N/A	N/A
Hickory Springs Mfg. Co.	1000+	7	1.40%	N/A	N/A	N/A	N/A
Coming Cable Systems LLC	1000+	8	1.40%	N/A	N/A	N/A	N/A
Heritage Home Group, LLC	1000+	9	1.40%	N/A	N/A	N/A	N/A
Wal-Mart Associates Inc.	500-999	10	.72% - 1.40%	N/A	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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government										
Administration	7	7	7	8	6	7	7	8	8	8
Budget, administration, and HR	9	9	9	9	7	7	7	7	7	7
Finance	19	17	18	21	20	20	21	20	20	21
Information technology	10	10	10	9	9	9	8	5	7	8
City clerk	2	2	2	2	2	1	0	1	1	1
Legal	-	1	2	2	2	2	2	2	2	2
Engineering	12	11	10	10	9	9	8	7	6	8
Building services	8	8	6	6	6	5	6	6	5	6
Central services	5	4	6	7	7	7	7	7	6	7
Buildings and grounds	16	15	17	16	12	12	13	14	15	17
Fleet Maintenance	12	10	11	11	10	10	11	11	12	11
Public Safety										
Police	130	129	133	144	141	145	143	142	141	147
Fire	122	125	123	118	132	136	135	134	134	135
Building inspections	-	-	-	-	-	-	-	-	-	-
Code enforcement	4	-	-	-	-	-	-	-	5	5
Development assistance center	5	-	-	-	-	-	-	-	-	-
Transportation										
Traffic	9	11	10	11	10	9	9	9	10	11
Street	42	42	44	41	40	38	40	39	36	43
Planning and development	6	14	13	13	9	9	8	7	7	8
Culture and recreation										
Recreation	41	45	43	39	42	39	40	40	40	42
Library	21	21	21	20	18	17	17	17	17	18
Water/Sewer	88	85	90	92	93	93	93	90	88	98
Stormwater	-	-	1	1	1	1	1	1	1	1
Public Transit	22	21	23	-	-	-	-	-	-	-
Airport	4	4	4	4	3	2	7	7	8	8
Recycling	15	14	14	16	12	13	13	13	14	16
Sanitation - commercial	11	11	11	11	9	11	10	10	10	12
Sanitation - residential	8	8	8	8	6	7	8	8	7	8
Total	628	624	636	619	606	609	615	605	607	648

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	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Public Safety										
Police Services										
Cost per call dispatched	\$ 91	\$ 92	\$ 96	\$ 135	\$ 140	\$ 139	\$ 153	\$ 148	\$ 155	\$ 152
Calls dispatched	89,063	89,771	93,249	71,510	72,048	72,099	64,668	66,707	67,930	73,396
Uniform Crime Reporting Part I crimes reported	3,760	3,550	3,678	3,723	3,287	3,197	2,547	3,037	2,598	2,415
Uniform Crime Reporting Part I crimes per 1,000 pop.	97	91	91.5	91.9	80.6	78	64	76	64.9	60.0
Uniform Crime Reporting Part II crimes reported	3,293	3,343	3,821	3,937	3,840	3,937	3,392	3,618	3,462	3,146
Uniform Crime Reporting Part II crimes per 1,000 pop.	2,440	2,292	2,294	2,189	2,023	1,939	1,937	2,053	3,276	2,271
Traffic accidents reported	105	105	108	118	118	118	118	118	118	117
Sworn Officers	848	855	863	606	611	611	548	565	576	627
Calls dispatched per sworn officer	2,285	2,301	2,319	1,765	1,767	1,752	1,613	1,664	1,697	1,825
Calls dispatched per 1,000 population	4.4	4.7	4.2	4.1	4.2	4	4	3	4.4	3.3
Response time to priority calls (minutes)										
Emergency Communications										
Total calls per 1,000 population	3,051	3,162	3,436	3,726	3,411	2,670	2,947	---	2,291	2,543
Calls answered per telecommunicator	9,910	10,280	11,515	12,583	11,587	8,450	9,086	---	6,553	7,306
Seconds from initial ring to answer	6	6	6	12	12	n/a	n/a	---	n/a	n/a
Calls answered within three rings	98%	98%	98%	99%	97%	n/a	n/a	---	n/a	n/a
E911 calls answered within 20 seconds**	---	---	---	---	---	---	---	---	99.8%	n/a
Fire Services										
Cost per response	\$ 1,690	\$ 1,645	\$ 1,642	\$ 1,491	\$ 1,597	\$ 1,639	\$ 1,629	\$ 1,635	\$ 1,638	\$ 1,565
Actual fires per 1,000 population	4	6	6	6	5	5	5	5	5	5
Responses per 1,000 population	111	116	118	130	127	131	133	136	135	137
Fire inspections completed per 1,000 population	109	107	126	116	122	104	114	123	116	123
Inspections completed per Full Time Employee(FTE)	1,681	1,322	1,215	1,512	1,593	1,863	2,054	2,215	2,086	1,918
Average response time to priority 1 calls (minutes)	4.3	4.4	4.4	4.2	4.4	4.4	4.5	4.6	4.6	4.5
Fires confined to room(s) involved on arrival	77%	75%	74%	67%	61%	68%	54%	51%	55%	54%
Fires for which cause is determined	94.0%	98.0%	100%	100%	98%	98%	95%	91%	97%	93%
Transportation										
Asphalt Maintenance and Repair										
Cost per ton of asphalt for contract resurfacing	\$ 39	\$ 47	\$ 58	\$ 62	\$ 65	\$ 81	\$ 83	\$ 83	\$ 76	\$ 77
Lane miles maintained per 1,000 population	22.8	22.9	17.6	17.7	17.6	18.0	17.9	18.0	18.0	17.9
Potholes repaired within 24 hours	96%	95%	95%	97%	96%	94%	96%	94%	95%	94%
Street segments rated 85% or better (ITRE)	76%	76%	76%	46%	46%	46%	39%	39%	39%	39%

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

Function/Program	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Recycling										
Cost per ton collected	\$ 172	\$ 162	\$ 183	\$ 195	\$ 199	\$ 232	\$ 209	\$ 256	\$ 359	\$ 377
Cost per collection point	\$ 26	\$ 26	\$ 31	\$ 32	\$ 34	\$ 30	\$ 31	\$ 32	\$ 44	\$ 41
Tons recyclables per 1,000 population	43	46	47	47	49	36	45	37	37	33
Tons Solid Waste Landfilled per 1,000 population	247	251	234	233	237	236	232	212	224	215
Set out Rate	64%	68%	66%	65%	65%	77%	80%	76%	78%	81%
Diversion Rate	15%	16%	17%	17%	17%	13%	16%	15%	14%	13%
Sanitation										
Refuse Collection										
Cost per ton collected	\$ 66	\$ 78	\$ 61	\$ 64	\$ 54	\$ 57	\$ 61	\$ 72	\$ 65	\$ 72
Cost per collection point	\$ 58	\$ 65	\$ 50	\$ 53	\$ 45	\$ 48	\$ 47	\$ 50	\$ 49	\$ 51
Tons per 1,000 population	247	252	234	233	237	236	232	212	224	215
Tons per 1,000 collection points	881	832	812	816	833	839	769	702	742	708
Tons collected per F.T.E.	1,605	1,635	2,217	2,226	2,273	1,946	2,190	2,264	2,395	2,305
Yard Waste/Leaf Collection										
Cost per ton collected	\$ 68	\$ 39	\$ 87	\$ 113	\$ 116	\$ 134	\$ 140	\$ 131	\$ 143	\$ 131
Cost per collection point	\$ 37	\$ 36	\$ 57	\$ 61	\$ 63	\$ 72	\$ 74	\$ 71	\$ 81	\$ 72
Tons collected per 1,000 population	151	262	188	155	154	151	160	164	171	166
Tons collected per F.T.E.	561	975	656	628	749	957	1,606	1,646	1,709	1,667

* 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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	156	156	156	170	170	175	152	153	153	153
Fire										
Stations	7	7	7	7	7	7	7	7	7	7
Transportation										
Traffic										
Traffic signals	25	25	26	26	27	196	196	196	196	196
Street										
Miles of paved streets	231.92	233.27	236.44	235.11	236.04	235.89	235.89	235.89	235.82	238.39
Miles of unpaved streets	1.68	1.68	1.53	1.33	1.33	1.33	1.19	1.19	1.24	1.24
Culture and recreation										
Recreation										
Park acreage	473	473	473	473	416	416	428	428	428	428
Parks	19	19	19	18	18	18	23	23	23	23
Recreation centers	5	5	5	5	5	5	6	6	6	6
Senior citizen centers	2	2	2	2	2	2	2	2	2	2
Swimming pools	3	2	2	2	2	0	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	907	857	869	890	893	903	921	925	926	932
Fire hydrants	4,535	4,625	5,720	5,804	5,824	9,500	9,566	9,576	9,583	9,625
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	494	485	495	497	499	511	490	492	492	493.5
Maximum daily treatment capacity in MGD ¹	15.25	15.25	15.23	15.23	15.00	15.23	15.25	15.25	15.25	16.5
Public Transit										
Buses	6	7	7	-	-	-	-	-	-	-
Vans	2	2	3	-	-	-	-	-	-	-
Recycling										
Collection trucks	14	14	14	14	14	14	15	15	15	15
Sanitation										
Refuse trucks	14	17	18	18	20	20	27	29	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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"A Professional Association of Certified Public Accountants and Management Consultants"

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

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Hickory
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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 5, 2015.

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.

730 13th Avenue Drive SE ♦ Hickory, North Carolina 28602 ♦ Phone 828-327-2727 ♦ Fax 828-328-2324
13 South Center Street ♦ Taylorsville, North Carolina 28681 ♦ Phone 828-632-9025 ♦ Fax 828-632-9085
Toll Free Both Locations 1-800-948-0585 ♦ Website: www.martinstarnes.com

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 instances of non-compliance or other matters, which are described as 2015-001 and 2015-002 in the Schedule of Findings, Responses, and Questioned Costs, that are required to be reported under *Government Auditing Standards*.

Responses to Findings

The City of Hickory's responses to the findings identified in our audit are described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The City of Hickory's responses were not subjected to the auditing procedures applied in the audit of the financial statements and; accordingly, we express no opinion on them.

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
October 5, 2015

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, North Carolina compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Hickory's major federal programs for the year ended June 30, 2015. 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, 2015.

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
October 5, 2015

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, North Carolina compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Hickory's major State programs for the year ended June 30, 2015. 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, 2015.

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 types of 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
October 5, 2015

CITY OF HICKORY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

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 Program	14.218
Disaster Grants-Public Assistance-July 2013 Storms Assistance to Firefighters Program	97.036
Airport Improvement Program-Rehab and Overlay Taxiway B&S North Apron	97.044
	20.106

Dollar threshold used to distinguish between Type A and Type B Programs	<u>\$ 300,000</u>
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Auditee qualified as low-risk auditee?	Yes
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CITY OF HICKORY, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

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
Rural Economic Development Grant- Building Rescue Program
High Unit Cost Grant Sanitary Sewer

CITY OF HICKORY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

2. Financial Statements Findings

Finding 2015-001 – 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 one fund.

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 will continue to evaluate the current Fleet service rates and adjust the rates accordingly each fiscal year. 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.

CITY OF HICKORY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

Finding 2015-002 – Funds Over Budget

Criteria: General Statutes require that all money received and expended by a local government should be included in the budget ordinance. The Statutes require that funds be appropriated before incurring the obligation for funds and that amounts be pre-audited prior to disbursements being made.

Condition: In the current year, there were violations of the General Statutes regarding the City being over budget in the General Fund.

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

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

Context: While reviewing financial statements and budget reports, we noted the condition described above.

Recommendation: The City should implement additional monitoring controls, such as reviewing monthly budget to actual reports.

Contact Person: Melissa Miller, Finance Officer

Views of Responsible Officials and Planned Corrective Actions: The Finance Department and new Budget Office staff will work more closely to monitor general ledger accounts during the year. Additional budgetary documentation will be implemented to disclose specific revenues and expenditures. The Finance Department and Budget Office will review the City's budget status on a regular basis throughout the year.

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, 2015

2014-001 modified and repeated as 2015-001

CITY OF HICKORY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grant Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures
Federal Assistance				
Institute of Museum and Library Services				
Passed-through North Carolina Department of Cultural Resources				
Grants to States:				
Library Services and Technology Act - Raising The Bar	45.310	2014-2015 LSTA	\$ 1,200	\$ -
Library Services and Technology Act - EZ Planning Grant	45.310	2014-2015 LSTA	20,159	-
Total Institute of Museum and Library Services			<u>21,359</u>	<u>-</u>
United States Department of Homeland Security				
Passed-through North Carolina Department of Public Safety				
Disaster Grants-Public Assistance - July 2013 Storms	97.036	FEMA-4153-DR-NC	792,852	-
Passed-through the Federal Emergency Management Agency				
Assistance to Firefighters Program	97.044	EMW-2013-FR-00138	1,479,584	-
Total United States Department of Homeland Security			<u>2,272,436</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	78,136	-
Community Development Block Grant Entitlement Program	14.218	B-13-MC-37-0013	243,633	-
Total CDBG Entitlement Grants Cluster			<u>321,769</u>	<u>-</u>
Total United States Department of Housing and Urban Development			<u>321,769</u>	<u>-</u>
United States Department of Interior				
Passed-through North Carolina Department of Cultural Resources				
Historic Preservation Fund Grants in Aid - Former Ridgeview Public Library Rehabilitation	15.904	FY 2013	9,000	-
Historic Preservation Fund Grants in Aid - City Survey of Historic Properties	15.904	FY 2014	8,087	-
Total United States Department of Interior			<u>17,087</u>	<u>-</u>
United States Department of Justice Direct Program:				
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738	2014-DJ-BX-1087	22,565	-
Equitable Sharing Program	16.922	N/A	24,308	-
Bulletproof Vest Partnership Program	16.607	2013	1,101	-
Bulletproof Vest Partnership Program	16.607	2014	920	-
Total United States Department of Justice			<u>48,894</u>	<u>-</u>
United States Department of Transportation				
Passed-through North Carolina Department of Transportation				
Airport Improvement Program-Rehabilitate and Overlay Taxiway "B" and "S" and North Apron (Construction Phase)	20.106	36237.66.4.3	881,704	-
Passed-through North Carolina Department of Transportation				
Passed-through The North Carolina Clean Energy Technology Center at NCSU				
Highway Planning and Construction Cluster				
New Electric Vehicle Service Equipment Charging Station	20.205	2010-0499-48	5,510	-
Federal Highway Administration - Falling Creek Bridge				
Falling Creek Bridge	20.205	BRSTP-1216(21)	69,702	-
Total United States Department of Transportation			<u>956,916</u>	<u>-</u>
United States Department of Treasury				
Treasury Forfeiture Fund Program	21.000	N/A	21,840	-
Total United States Department of Treasury			<u>21,840</u>	<u>-</u>
United States Environmental Protection Agency				
Brownfields Assessment and Cleanup Cooperative Agreement	66.818	BF-95499212-0	150,801	-
Total United States Environmental Protection Agency			<u>150,801</u>	<u>-</u>
Total Federal Assistance			<u>\$ 3,811,102</u>	<u>-</u>

CITY OF HICKORY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grant Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures
State Assistance:				
North Carolina Department of Commerce Rural Economic Development Grant - Building Reuse Program - OHM Holdings, LLC		2014-032-3201-2538		500,000
North Carolina Department of Cultural Resources Aid to Public Libraries		N/A		25,493
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 Forest		E-SRG-T-08-0140		687,208
North Carolina Department of Environment and Natural Resources Division of Environmental Assistance Community Waste Reduction and Recycling Grant Program		5943		30,000
North Carolina Department of Public Safety Public Assistance - July 2013 Storms		FEMA-4153-DR-NC		264,284
North Carolina Department of Revenue Unauthorized Substances Tax		N/A		44,471
North Carolina Department of Transportation Direct Program: Powell Bill Street Maintenance Reimbursement		N/A N/A		1,240,442 125,013
Total North Carolina Department of Transportation				1,365,455
North Carolina Housing Finance Agency Urgent Repair Program-North Carolina Housing Trust Funds Urgent Repair Program-North Carolina Housing Trust Funds		URP1317 URP1413		7,743 23,306 31,049
North Carolina Office of Information Technology Services Passed-through Catawba County Public Safety Answering Point		N/A		58,711
Total State Assistance				\$ 3,006,671

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
Rural Economic Development Grant - Building Reuse Program - OHM Holdings, LLC	N/A	2014-032-3201-2538		\$ 500,000
Assistance to Firefighters Program	97.044	EMW-2013-FR-00138	\$ 1,217,623	

HICKORY



North Carolina