

# **CITY OF HICKORY NORTH CAROLINA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR YEAR ENDED JUNE 30, 2016**

**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, 2016

Prepared by the Finance Department

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## **Introductory Section**





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September 30, 2016

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, 2016, 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, 2016, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Hickory's financial statements for the fiscal year ended June 30, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

of Governmental Accounting of the American Institute of Certified Public 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, 2016, are reported separately in the notes to the financial statements.

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

### **Local Economy**

The City of Hickory is the economic hub of the "Greater Hickory Metro". Economic activity in the region continues to 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 403 permits with a value of over \$73 million and 282 additional residential permits with a value of over \$17 million in fiscal year 2015-2016.

Economic development initiatives and activities completed or underway include:

- Hickory Kiwanis Club and the Western Catawba County Kiwanis Club agreed to partner with the City of Hickory to jointly fund the construction of a Splash Pad at Kiwanis Park. The Splash Pad was constructed to commemorate the 100<sup>th</sup> anniversary of Kiwanis International and is maintained by the City of Hickory as part of its normal operations. Total cost of the project is \$300,000 with the City of Hickory contributing \$200,000 and the Kiwanis Clubs funding \$100,000 from donations.
- Construction is in progress at the new Friends of Hickory Park located at the corner of Third Street and Main Avenue NW in Downtown Hickory. The park, to be formally known as Lowes Foods City Park, is developed along the City's new City Walk and offers play equipment, public art, outdoor seating, and a water feature. Costs for this park project are paid for by the Friends of Hickory through private and business donations. The City's Parks and Recreation Department will maintain the new park.

- A new Wayfinding Sign System will include 102 directional signs along major gateways into Hickory directing travelers from I-40, US 321, NC 127, McDonald Parkway, and Springs Road to key areas and facilities within the City. Signs at I-40 interchanges will be updated to match the new Wayfinding signs. Project cost is \$523,000.
- Two City of Hickory parks were upgraded including a new dog park which opened at Fairbrook Optimist Park. The park features separate play areas based on dog size, water stations, and covered shelters. Total project budget for the dog park was \$46,698. New restroom facilities will be constructed at Fairbrook Optimist at a cost of \$76,450. In addition, the Parks and Recreation Department will construct new restrooms at Southside Heights at a cost of \$93,639.
- The Water Treatment Facility was upgraded with a new emergency generator at a cost of \$2.8 million. The upgrade, which replaced the existing twenty-four year old generator, provides emergency power for the facility in the event of a power failure to the approximately 97,000 people the facility serves daily.
- Work continues on the \$25 million Streets/Sidewalks and the \$15 million Economic Development Bond Referendum which was approved by Hickory voters in November 2014. The City of Hickory has contracted with design engineering firms for City Walk and Gateways. The first phase of projects are expected to begin later this year.
- The Hickory Optimist Park Phase II improvements include the demolition of an existing storage/locker room building and the construction of a new community building which includes new restroom facilities, a catering kitchen, and meeting space. Completed at a cost of \$290,800, the improvements are funded by Community Development Block Grant funds and Rental Rehabilitation program income. The conversion of an adjacent tennis court into four outdoor pickle ball courts will be completed in Fall 2016 using General Fund dollars at a cost of \$42,586.
- Phase 3 of the Kenworth area waterline rehabilitation project replaced 4,700 linear feet of old cast iron waterlines, fire hydrants, valves, and water service connections. This phase of the project also assisted with the new Kiwanis Park Splash Pad development. Phase 3 costs were \$627,000.

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.

| <b>Function / Program</b>                                  | <b>2012-2013</b> | <b>2013-2014</b> | <b>2014-2015</b> |
|--|------------------|------------------|------------------|
| <b>Police Services</b>                                     |                  |                  |                  |
| Cost per call dispatched                                   | \$155            | \$152            | \$149            |
| Calls dispatched   | 67,930           | 73,396           | 72,796           |
| Uniform Crime Reporting Part I crimes reported             | 2,598            | 2,415            | 1,914            |
| Uniform Crime Reporting Part I crimes per 1,000 population | 64.9             | 60               | 47.5             |
| Uniform Crime Reporting Part II crimes reported            | 3,462            | 3,146            | 3,348            |
| Traffic Accidents Reported                                 | 3,276            | 2,271            | 3,359            |
| Sworn Officers   | 118              | 117              | 117              |
| Calls dispatched per sworn officer                         | 576              | 627              | 622              |
| Calls dispatched per 1,000 population                      | 1,697            | 1,825            | 1,805            |
| Response time to priority calls (minutes)                  | 4.4              | 3.3              | 6.3              |
| <b>Emergency Communications</b>                            |                  |                  |                  |
| 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              | --- *            |
| <b>Fire Services</b>                                       |                  |                  |                  |
| Cost per response  | \$1,638          | \$1,565          | \$1,524          |
| Actual fires per 1,000 population                          | 5                | 5                | 5                |
| Responses per 1,000 population                             | 135              | 137              | 145              |
| Fire inspections completed per 1,000 population            | 116              | 123              | 115              |
| Inspections completed per Full Time Employee (FTE)         | 2,086            | 1,918            | 1,686            |
| Average response time to priority 1 calls (minutes)        | 4.6              | 4.5              | 4.3              |
| Fires confined to room(s) involved on arrival              | 55%              | 54%              | 51%              |
| Fires for which cause is determined                        | 97%              | 93%              | 93%              |
| <b>Transportation</b>                                      |                  |                  |                  |
| Asphalt Maintenance and Repair                             |                  |                  |                  |
| Cost per ton of asphalt for contract resurfacing           | \$76             | \$77             | \$77             |
| Lane miles maintained per 1,000 population                 | 18               | 17.9             | 17.8             |
| Potholes repaired within 24 hours                          | 95%              | 94%              | n/a              |
| Street segments rated 85% or better (ITRE)                 | 39%              | 39%              | 38%              |

**Recycling**

|  |       |       |       |
|--|-------|-------|-------|
| Cost per ton collected*                          | \$359 | \$377 | \$763 |
| Cost per collection point                        | \$44  | \$41  | 94    |
| Tons recyclables per 1,000 population            | 37    | 33    | 37    |
| Tons Solid Waste Landfilled per 1,000 population | 224   | 215   | 210   |
| Set Out rate                                     | 78%   | 81%   | 84%   |
| Diversion Rate                                   | 14%   | 13%   | 15%   |

**Sanitation**

## Refuse Collection

|                                  |       |       |       |
|----------------------------------|-------|-------|-------|
| Cost per ton collected           | \$65  | \$72  | \$63  |
| Cost per ton collection point    | \$49  | \$51  | \$44  |
| Tons per 1,000 population        | 224   | 215   | 210   |
| Tons per 1,000 collection points | 742   | 708   | 694   |
| Tons collected per F.T.E.        | 2,395 | 2,305 | 2,259 |

**Yard Waste / Leaf Collection**

|                           |       |       |       |
|---------------------------|-------|-------|-------|
| Cost per ton collected    | \$143 | \$131 | \$92  |
| Cost per collection point | \$81  | \$72  | \$52  |
| Tons per 1,000 population | 171   | 166   | 173   |
| Tons collected per F.T.E  | 1,709 | 1,667 | 1,741 |

\* Increase in 2014-2015 due to implementation of Single Stream Recycling Program.

Source: City Budget Office

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

- The Geitner Basin sewer system rehabilitation and Southgate Outfall replacement projects consist of approximately 3,000 linear feet of 12-inch and 15-inch pipe that is being replaced with 18-inch plastic pipe to increase flows, improve storm surges, and allow growth within the basin. Total cost for both projects is \$3.52 million which was approved through the State Revolving Loan Program.
- The City of Hickory and North Carolina Department of Transportation (NCDOT) entered into Municipal Participation Agreements to repair a sinkhole on US 70 SE. NCDOT is the lead agent for the required work associated with the project which is expected to begin by the end of the calendar year. The City will contribute \$2.2 million and NCDOT will pay \$1 million of the estimated \$3.2 million to repair the sinkhole. Preliminary rental costs associated with pumping equipment needed to prevent flooding of US 70 and design work fees were \$36,000 and \$26,000. Additional reimbursements will follow as construction proceeds in the fiscal year.



- The Town of Longview's Raw Water Intake and Pump Station was purchased at a cost of \$401,852. The property and related features improve the future availability of surface water volume for potential development.
- The Deidra Lackey Memorial Park is a donation by Robert Lackey and family to honor Robert's late wife. It will be 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 pier, outdoor restrooms, boardwalk, Lake House with an amphitheater, and a canopy bridge leading to a Conservatory. Phase one of the park should be completed in 2017.
- The Central Business District is defined as the area of downtown Hickory in the vicinity of Trade Alley to 2<sup>nd</sup> Ave, NW and 2<sup>nd</sup> St NE to 3<sup>rd</sup> St NW. This area is one of the oldest sections of the City of Hickory Collections and Distribution Systems and experiences occurrences of discolored water and low flows due to the waterlines being aged cast iron material. The sanitary sewer and storm drainage systems area is also burdened with issues of sizing and material failures. The total project for the Central Business District upgrade is estimated at \$ 3,264,100.00, with \$1,364,100.00 being funded through NCDEQ-IFS State Revolving Loan.
- 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.

## **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, 2015. This was the twentieth 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.

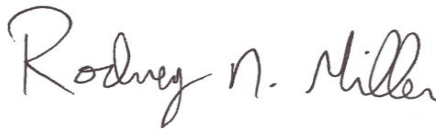
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

## Acknowledgements

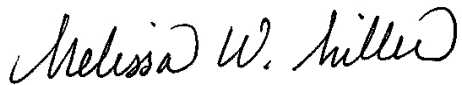
Preparation of this report could not have been accomplished without the professional, efficient, and dedicated efforts of the entire staff of Finance, the Budget Office, the various department heads, budget managers and coworkers who assisted and contributed to its preparation, and our independent auditors, 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 dark ink that reads "Rodney N. Miller". The script is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

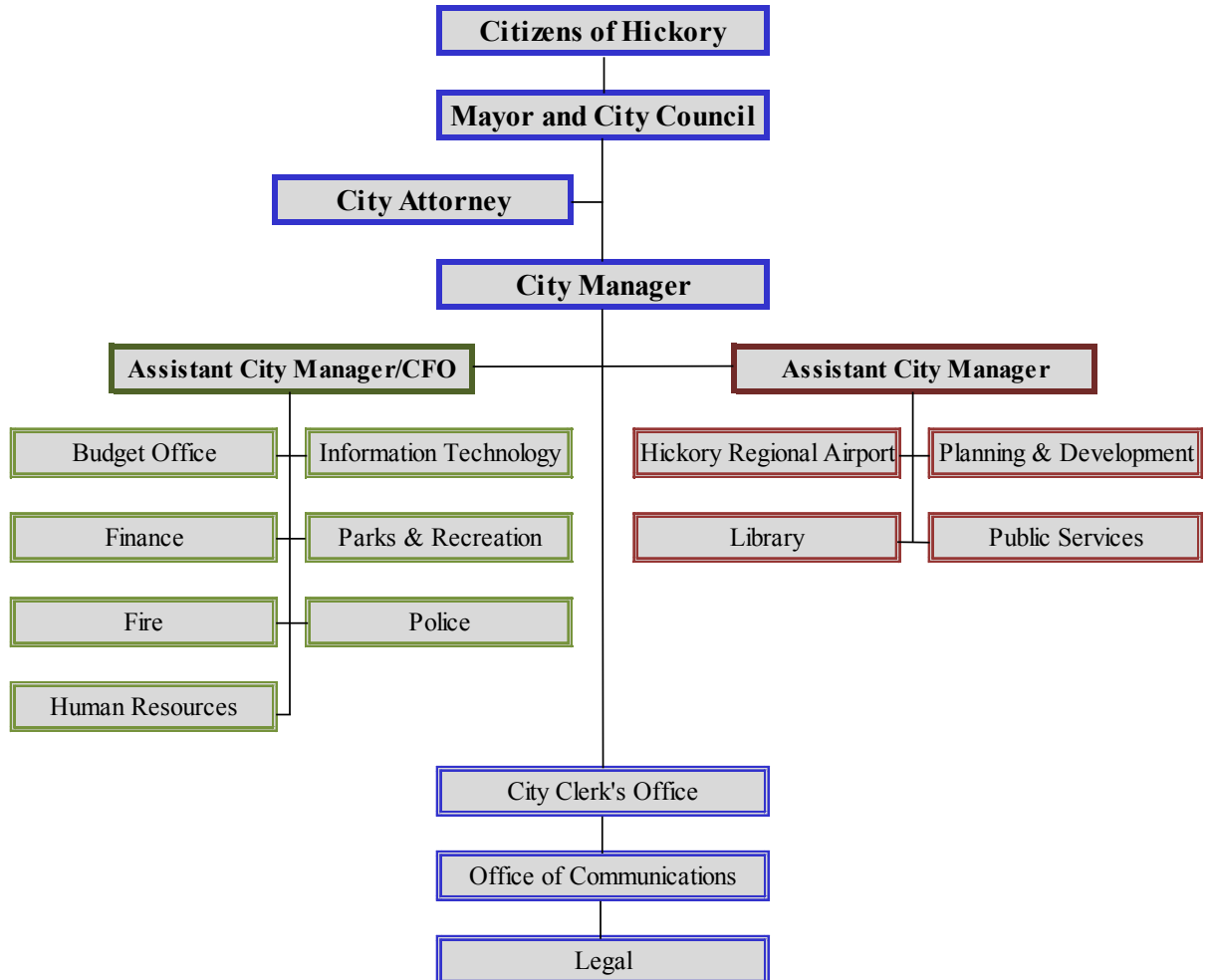
Rodney N. Miller  
Assistant City Manager/CFO

A handwritten signature in dark ink that reads "Melissa W. Miller". The script is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

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, 2015**

A handwritten signature in black ink, reading "Jeffrey R. Emen". The signature is fluid and cursive.

Executive Director/CEO

**CITY OF HICKORY, NORTH CAROLINA**  
**LIST OF PRINCIPAL OFFICIALS**  
**JUNE 30, 2016**

**City Council**

G. Rudy Wright  
Mayor

Brad Lail  
Ward I

Vernon Tarlton  
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

Dana Kaminske  
Communications & Marketing Mgr

Terry Clark  
Airport Manager

Melissa Miller  
Finance Officer

Claudia Main  
Human Resources Director

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.



## **Financial Section**





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

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

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hickory, North Carolina, as of and for the year ended June 30, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress, 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 Liability (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.

### *Supplementary and 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual 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 September 30, 2016 on our consideration of the City of Hickory's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hickory's internal control over financial reporting and compliance.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
September 30, 2016



## **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, 2016. 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 2016**

- The assets and deferred outflows of resources of the City of Hickory exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$218,078,777 (net position). Of this amount, \$52,827,262 (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 \$5,749,554.
- As of the close of the current fiscal year, the City of Hickory's governmental funds reported combined ending fund balances of \$35,392,178, a decrease of \$7,229,183, in comparison with the prior fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$14,106,300, or 30.02%, of the total General Fund expenditures for the fiscal year.
- The City of Hickory's total debt decreased by \$2,109,919, which includes unfunded law enforcement officers' pension, other post-employment benefits (OPEB) and compensated absences liabilities. The City's total indebtedness is \$50,718,073.
- The City's legal debt limit is \$363,175,123 (8 percent of assessed valuation), and the City's legal debt margin is \$328,101,635. The total legal indebtedness of the City is \$35,073,488, which represents 0.77% 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 98-101 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 34-37 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 116-127 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 43-83 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 84-87 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$218,078,777 for the fiscal year ended June 30, 2016.

The largest portion of the City of Hickory's net position, 71.75 percent, reflect its investments in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Hickory uses its capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City of Hickory's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Net Position

|   | Governmental Activities |                      | Business-type Activities |                       | Total                 |                       |
|---|-------------------------|----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
|   | 2016                    | 2015                 | 2016                     | 2015                  | 2016                  | 2015                  |
| Current and other assets                            | \$ 41,881,583           | \$ 50,095,292        | \$ 42,360,788            | \$ 35,430,905         | \$ 84,242,371         | \$ 85,526,197         |
| Notes receivable                                    | 4,276,000               | 4,978,800            | -                        | -                     | 4,276,000             | 4,978,800             |
| Capital assets                                      | 53,418,373              | 53,416,143           | 136,788,849              | 136,370,951           | 190,207,222           | 189,787,094           |
| Deferred Outflows of Resources                      | 1,453,008               | 1,500,218            | 336,723                  | 347,782               | 1,789,731             | 1,848,000             |
| Total assets and deferred outflows of resources     | <u>101,028,964</u>      | <u>109,990,453</u>   | <u>179,486,360</u>       | <u>172,149,638</u>    | <u>280,515,324</u>    | <u>280,292,091</u>    |
| Long-term liabilities outstanding                   | 17,286,507              | 16,693,498           | 33,431,566               | 36,134,494            | 50,718,073            | 52,827,992            |
| Other liabilities                                   | 7,239,617               | 5,022,014            | 3,030,365                | 4,567,821             | 10,269,982            | 9,589,835             |
| Deferred inflows of resources                       | 1,187,660               | 6,002,230            | 260,832                  | 1,390,811             | 1,448,492             | 7,393,041             |
| Total liabilities and deferred inflows of resources | <u>25,713,784</u>       | <u>27,717,742</u>    | <u>36,722,763</u>        | <u>42,093,126</u>     | <u>62,436,547</u>     | <u>69,810,868</u>     |
| Net position:                                       |                         |                      |                          |                       |                       |                       |
| Net investment in capital assets                    | 49,943,126              | 50,663,986           | 106,538,651              | 102,857,014           | 156,481,777           | 153,521,000           |
| Restricted  | 8,769,738               | 7,269,145            | -                        | -                     | 8,769,738             | 7,269,145             |
| Unrestricted  | 16,602,316              | 24,339,580           | 36,224,946               | 27,199,498            | 52,827,262            | 51,539,078            |
| Total net position                                  | <u>\$ 75,315,180</u>    | <u>\$ 82,272,711</u> | <u>\$ 142,763,597</u>    | <u>\$ 130,056,512</u> | <u>\$ 218,078,777</u> | <u>\$ 212,329,223</u> |



An additional portion of the City of Hickory's net position, \$8,769,738 represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position, \$52,827,262, may be used to meet the government's ongoing obligations to citizens and creditors.

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

### **Financial Indicators and Ratios**

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

**Working Capital** – is the difference between current assets and current liabilities. Sources of working capital are income from operating activities, sale of non-current assets or the issuance of long-term debt. Uses of working capital include losses from operating activities, purchase of non-current assets or retirement of long-term debt. The working capital of the City of Hickory is \$69,395,814, which consists of \$32,847,809 from governmental activities and \$36,548,005 from business-type activities. Working capital increased by \$1,655,361 for the fiscal year ended June 30, 2016.

**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 5.46 on a Citywide basis, 4.37 for governmental activities, and 7.29 for business-type activities. More simply stated, the City has \$5.46 of current assets for each \$1.00 of current liabilities on a Citywide basis. The Citywide current ratio increased by 0.09 during FY 2016.

**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 5.33 on a Citywide basis, 4.13 for governmental activities and 7.34 for business-type activities. Or, more simply stated the City has \$5.33 of "quick" assets for each \$1.00 of current liabilities on a Citywide basis. The Citywide quick ratio increased by \$0.06 during FY 2016.

**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 303 days on a Citywide basis, 211 days for governmental activities and 487 days for business-type activities. This measure increased by 11 days in FY 2016.

**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 28% on a Citywide basis, 33% for governmental activities and 26% for business-type activities. The Citywide ratio decreased 1% during FY2016.

**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, 25% for governmental activities and 20% for business-type activities. This ratio remained the same as 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 15% on a city-wide basis, 13% for governmental activities and 17% for business-type activities. This ratio decreased 2% 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 38 days for the City of Hickory. Days receivable decreased by 2 days during FY 2016.

**Change in Net Position** - The government's net position increased by \$5,749,554 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

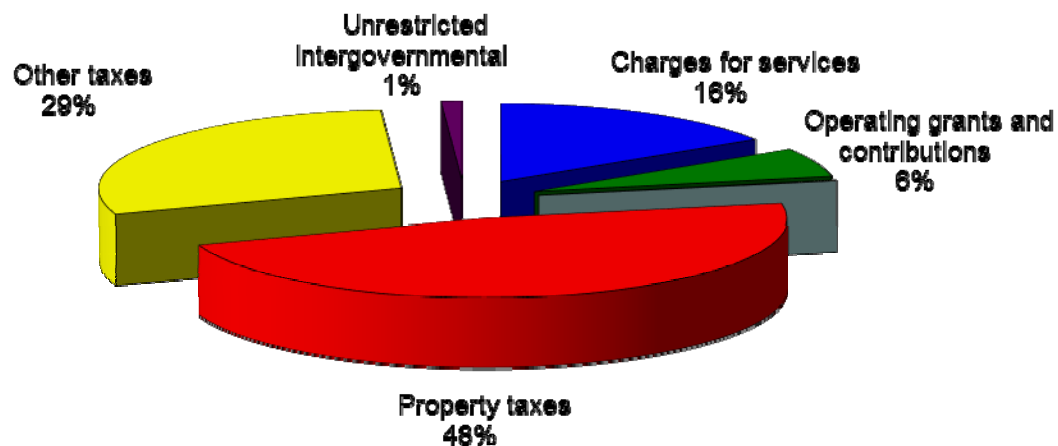
|   | Governmental Activities |              | Business-type Activities |               | Total         |               |
|---|-------------------------|--------------|--------------------------|---------------|---------------|---------------|
|   | 2016                    | 2015         | 2016                     | 2015          | 2016          | 2015          |
| Revenues:                               |                         |              |                          |               |               |               |
| Program revenues:                       |                         |              |                          |               |               |               |
| Charges for services                    | \$ 8,630,705            | \$ 6,387,263 | \$ 29,287,713            | \$ 28,152,750 | \$ 37,918,418 | \$ 34,540,013 |
| Operating grants and contributions      | 3,229,321               | 4,362,347    | 2,136,861                | 2,107,589     | 5,366,182     | 6,469,936     |
| Capital grants and contributions        | 80,679                  | 5,894,084    | 2,735,512                | 2,318,933     | 2,816,191     | 8,213,017     |
| General revenues:                       |                         |              |                          |               |               |               |
| Property taxes                          | 25,801,419              | 23,854,614   |                          |               | 25,801,419    | 23,854,614    |
| Other taxes                             | 15,877,765              | 13,936,695   |                          |               | 15,877,765    | 13,936,695    |
| Unrestricted intergovernmental          | 595,737                 | 675,846      |                          |               | 595,737       | 675,846       |
| Unrestricted investment earnings        | 326,559                 | 150,105      | 329,538                  | 92,491        | 656,097       | 242,596       |
| Miscellaneous                           |                         |              | 1,890                    | 9,570         | 1,890         | 9,570         |
| Total revenues                          | 54,542,185              | 55,260,954   | 34,491,514               | 32,681,333    | 89,033,699    | 87,942,287    |
| Expenses:                               |                         |              |                          |               |               |               |
| General government                      | 17,241,713              | 10,714,412   |                          |               | 17,241,713    | 10,714,412    |
| Public safety                           | 21,590,589              | 20,325,286   |                          |               | 21,590,589    | 20,325,286    |
| Transportation                          | 5,434,930               | 7,728,201    |                          |               | 5,434,930     | 7,728,201     |
| Economic and physical development       | 4,046,041               | 3,982,537    |                          |               | 4,046,041     | 3,982,537     |
| Culture and recreation                  | 6,355,499               | 5,975,527    |                          |               | 6,355,499     | 5,975,527     |
| Water                                   |                         |              | 8,206,452                | 7,583,247     | 8,206,452     | 7,583,247     |
| Sewer                                   |                         |              | 11,709,085               | 11,499,020    | 11,709,085    | 11,499,020    |
| Sludge composting                       |                         |              | 2,010,155                | 1,911,962     | 2,010,155     | 1,911,962     |
| Stormwater                              |                         |              | 526,080                  | 604,777       | 526,080       | 604,777       |
| Airport                                 |                         |              | 1,419,481                | 2,297,924     | 1,419,481     | 2,297,924     |
| Recycling                               |                         |              | 2,817,888                | 3,591,441     | 2,817,888     | 3,591,441     |
| Sanitation                              |                         |              | 1,774,541                | 1,638,769     | 1,774,541     | 1,638,769     |
| Interest on long-term debt              | 151,691                 | 148,214      | -                        | -             | 151,691       | 148,214       |
| Total expenses                          | 54,820,463              | 48,874,177   | 28,463,682               | 29,127,140    | 83,284,145    | 78,001,317    |
| Change in net position before transfers | (278,278)               | 6,386,777    | 6,027,832                | 3,554,193     | 5,749,554     | 9,940,970     |
| Transfers                               | (6,679,253)             | (1,720,158)  | 6,679,253                | 1,720,158     | -             | -             |
| Change in net position                  | (6,957,531)             | 4,666,619    | 12,707,085               | 5,274,351     | 5,749,554     | 9,940,970     |
| Net position, previously reported       | 82,272,711              | 81,031,608   | 130,056,512              | 125,576,266   | 212,329,223   | 206,607,874   |
| Restatement                             |                         | (3,425,516)  |                          | -794,105      | -             | (4,219,621)   |
| Net position, beginning, restated       | 82,272,711              | 77,606,092   | 130,056,512              | 124,782,161   | 212,329,223   | 202,388,253   |
| Net position, end of the year           | 75,315,180              | 82,272,711   | 142,763,597              | 130,056,512   | 218,078,777   | 212,329,223   |

**Governmental Activities** - Governmental activities decreased the City of Hickory's net position by \$6,957,531.

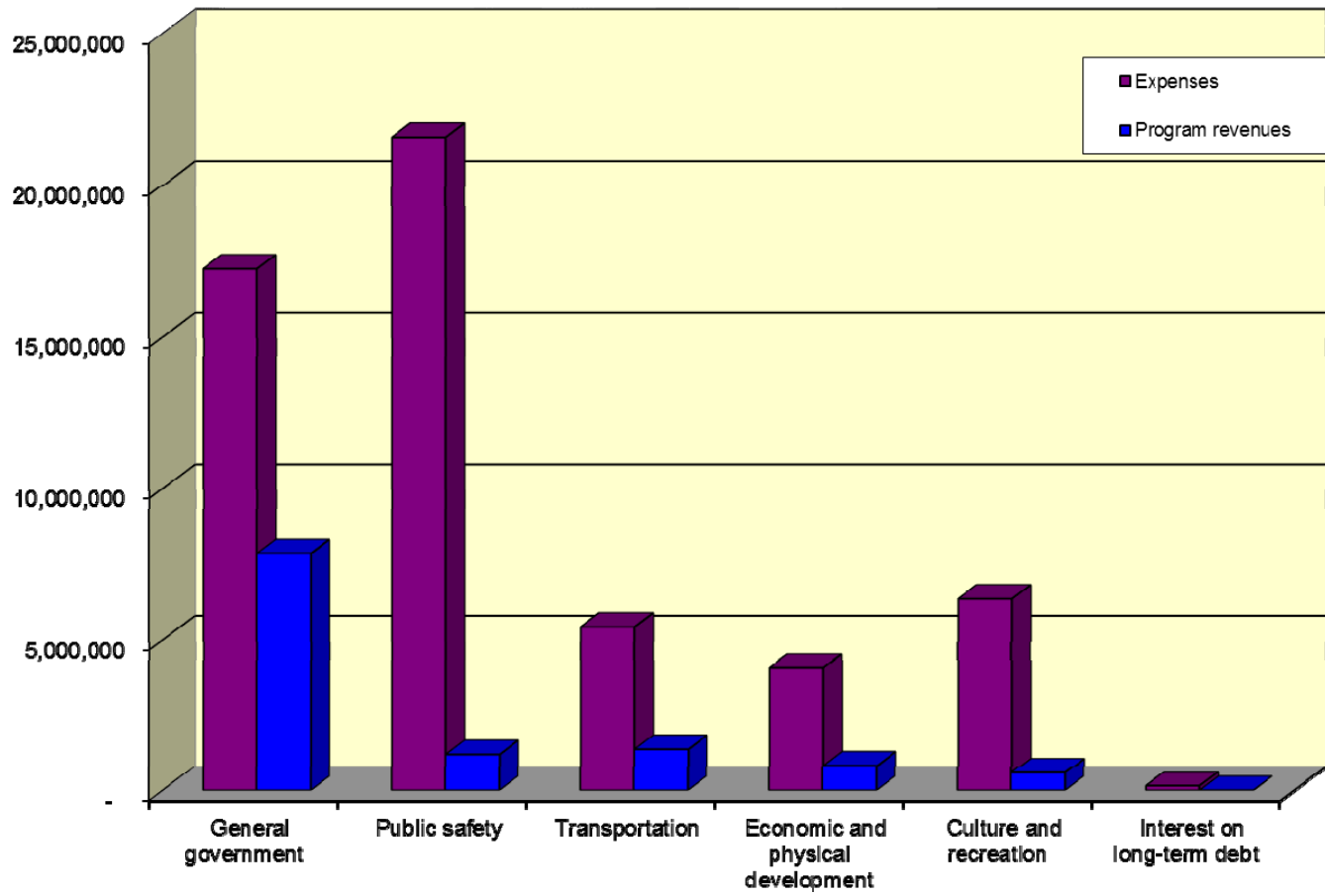
Key elements of this decrease are:

- Total expenses increased \$5,946,286, or 12.17%, for fiscal year 2016.
- Revenues decreased, with program revenues decreasing \$4,702,989, or 28.25%, and general revenues increasing \$3,984,220, or 10.32%.
- Operating grants and contributions for governmental activities totaled \$3,229,321. The grant awards furnished resources to support the following functions: general government (\$82,246), police and fire (\$918,216), Powell Bill and street maintenance (\$1,309,798), economic and physical development (\$556,234), and culture and recreation (\$362,827).

**2016 Governmental Activities Revenues - \$54,542,185**



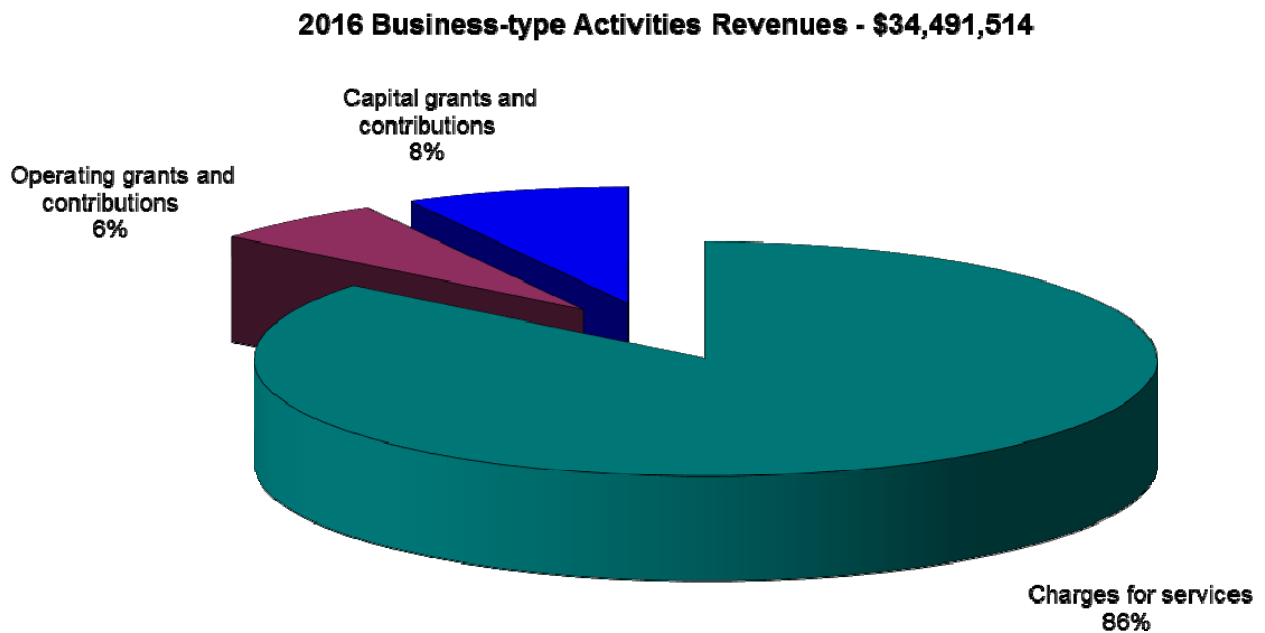
### Expenses and Program Revenues - Governmental Activities



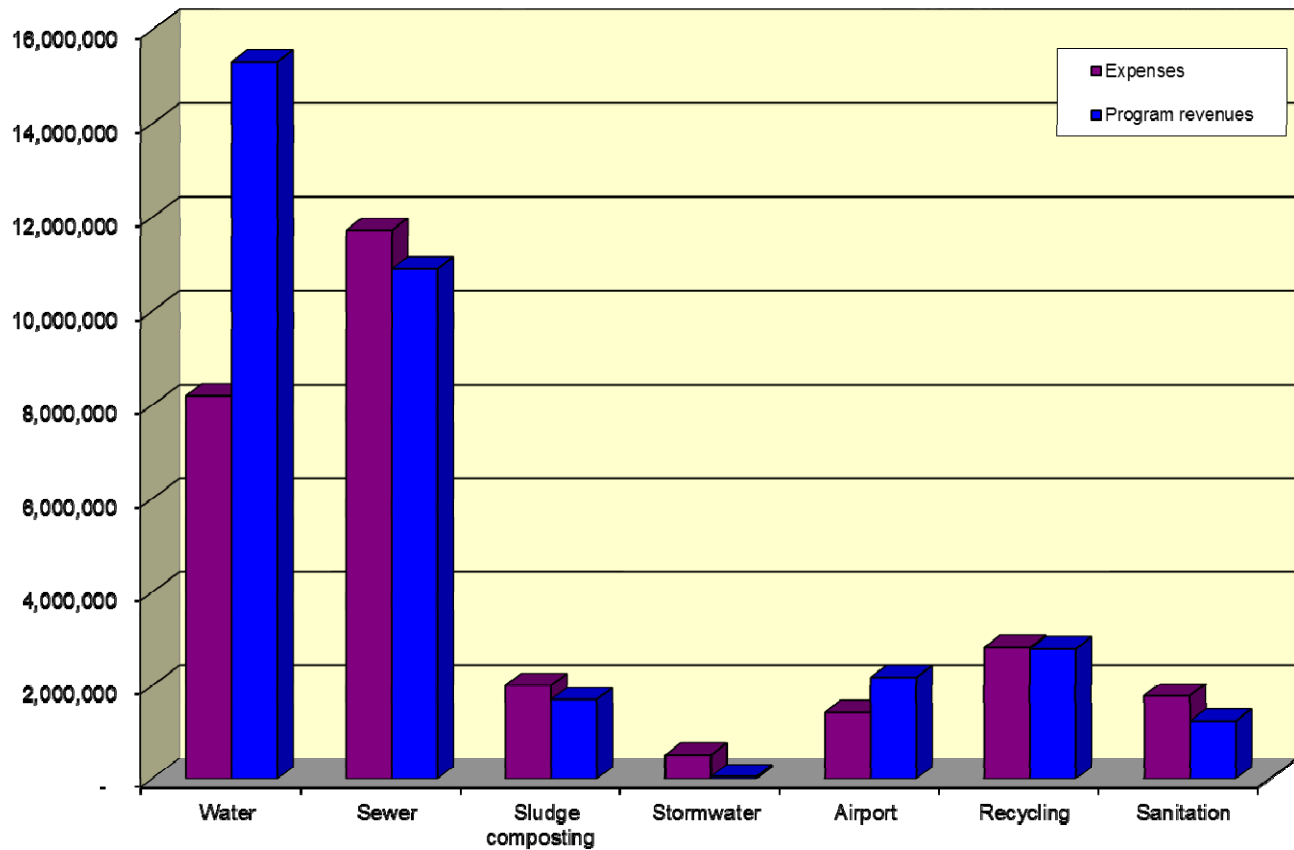
**Business-Type Activities** - Business-type activities increased the City of Hickory's net position by \$12,707,085.

Key elements of this increase are:

- Programs revenues increased \$1,580,814, or 4.85%.
- Capital grants and contributions for business-type activities totaled \$2,735,512. The grant awards and contributions furnished resources to support the following activities: water \$848,110, sewer \$976,047, stormwater \$52,226, and airport \$859,129.
- Transfers to business type activities were \$4,959,095 to fund capital projects.



### 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 \$35,392,178, a decrease of \$7,229,183 in comparison with the prior year. Of this total amount, \$13,965,367 constitutes *unassigned fund balance*, has no constraints on its use. The remainder of fund balance is broken down as follows:

- Non-Spendable: \$4,885,921 - resources not in spendable form, for example, inventories and prepaid items.
- Restricted: \$8,940,780 - resources specifically restricted by provider.
- Committed: \$4,979,238 - resources committed by formal action of governing body.
- Assigned: \$2,620,872 - 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 \$21,537,679. Total fund balance was \$33,385,599. 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 45.83% percent of total General Fund expenditures, while total fund balance represents 71.04 percent to that same amount.

The fund balance of the City of Hickory's General Fund decreased by \$7,274,623 during the current fiscal year.

Key factors of this decrease are:

- Revenues for licenses and permits decreased by \$1,108,228 due to the State's repeal of the business privilege license.
- General government expenditures increased \$2,599,956 largely due to a lawsuit settlement.
- Transfers out increased \$3,379,292 to fund capital projects.

**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 \$33,405,340. The total growth in net position was \$9,082,121. The Transportation Fund had an unrestricted net position of \$258,768, with an increase in net position of \$133,530. Unrestricted net position of the Solid Waste Fund amounted to \$2,020,084, with total net position reflecting an increase of \$468,499. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Hickory's business-type activities.

## **Budgetary Highlights**

**General Fund.** The difference between the original budget and the final amended budget was \$7,342,382, and can be briefly summarized as follows:

- \$3,406,443 in increases allocated to general governmental activities.
- \$1,465,015 in increases allocated to public safety.
- \$219,085 in increases allocated to transportation.
- \$295,101 in increases allocated to economic and physical development.
- \$637,797 in increases allocated to culture and recreation.
- \$192,810 in increases allocated to debt service.
- \$101,000 in decreases for contingency.
- \$1,227,131 in increases allocated to transfers out of General Fund to other funds.



The General Fund recognized a positive variance of \$4,607,892 between the final amended budget and the total actual expenditures. This variance can be summarized as follows:

- Approximately \$1,903,977 of the variance is due to reduced costs of salary and benefits because of retirements, vacancies and elimination of positions.
- Approximately \$859,242 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 \$365,615 for the fiscal year ending June 30, 2016. The following general capital projects contributed to key increases:

- Bond project authorizations increased \$662,771, most of which were related to management and design.
- Falling Creek Bridge project authorizations increased \$830,000 for administration, construction, right of way and land acquisition.
- Project authorizations related to radio system upgrade and storm damage repairs due to flood event in July 2013 were decreased.

### 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, 2016, amounts to \$190,207,222 (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:

- Purchase of an aerial ladder truck and pumper apparatus for the fire department.
- Purchase of new vehicles for police.
- Management and design of bond projects.

### Capital Assets (net of depreciation)

|                            | Governmental Activities |                      | Business-type Activities |                       | Total                 |                       |
|----------------------------|-------------------------|----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
|                            | 2016                    | 2015                 | 2016                     | 2015                  | 2016                  | 2015                  |
| Land                       | \$ 12,271,680           | \$ 12,238,619        | \$ 5,197,266             | \$ 4,759,688          | \$ 17,468,946         | \$ 16,998,307         |
| Land improvements          | -                       | -                    | 7,068,587                | 7,068,587             | 7,068,587             | 7,068,587             |
| Buildings and improvements | 17,326,915              | 16,975,095           | 33,941,086               | 35,872,946            | 51,268,001            | 52,848,041            |
| Equipment                  | 3,536,511               | 3,827,568            | 1,471,062                | 921,168               | 5,007,573             | 4,748,736             |
| Vehicles                   | 2,836,631               | 1,650,318            | 1,769,872                | 1,895,729             | 4,606,503             | 3,546,047             |
| Road network               | 12,304,394              | 12,477,538           | 2,110,047                | 2,347,206             | 14,414,441            | 14,824,744            |
| Operating plants           | -                       | -                    | 21,380,878               | 10,295,800            | 21,380,878            | 10,295,800            |
| Waterlines                 | -                       | -                    | 22,511,960               | 21,749,218            | 22,511,960            | 21,749,218            |
| Sewerlines                 | -                       | -                    | 37,021,359               | 37,793,384            | 37,021,359            | 37,793,384            |
| Construction in progress   | 5,142,242               | 6,247,005            | 4,316,732                | 13,667,225            | 9,458,974             | 19,914,230            |
| Total net assets           | <u>\$ 53,418,373</u>    | <u>\$ 53,416,143</u> | <u>\$ 136,788,849</u>    | <u>\$ 136,370,951</u> | <u>\$ 190,207,222</u> | <u>\$ 189,787,094</u> |

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 \$35,073,487 as of June 30, 2016. Gross debt consists of installment purchase agreements of \$19,620,897; and notes payable of \$15,452,590.

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, 2016, was \$328,101,635.

Installment purchase agreements related to the radio system upgrade, Ridgeview Recreation Center, Stanford Park, and the convention center amount to \$4,823,289 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 \$14,797,608 and are obligations of the Water and Sewer Fund. Notes payable amounting to \$15,452,590 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 19.18 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 \$4,456,426 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 64-68 of this report.

### Outstanding Debt

|  | Governmental Activities |                      | Business-type Activities |                      | Total                |                      |
|--|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|  | 2016                    | 2015                 | 2016                     | 2015                 | 2016                 | 2015                 |
| Accrued law enforcement officer's unfunded retirement contribution | \$ 1,330,058            | \$ 1,329,448         | \$ -                     | \$ -                 | \$ 1,330,058         | \$ 1,329,448         |
| Compensated absences   | 2,205,469               | 2,193,563            | 546,831                  | 550,640              | 2,752,300            | 2,744,203            |
| Unfunded OPEB obligations  | 7,104,779               | 7,154,511            | 2,201,544                | 2,069,917            | 9,306,323            | 9,224,428            |
| Net pension liability (LGERS)                                      | 1,822,912               | -                    | 432,993                  | -                    | 2,255,905            | -                    |
| Installment purchase agreements                                    | 4,823,289               | 6,015,976            | 14,797,608               | 16,427,895           | 19,620,897           | 22,443,871           |
| Notes Payable  | -                       | -                    | 15,452,590               | 17,086,042           | 15,452,590           | 17,086,042           |
| Total  | <u>\$ 17,286,507</u>    | <u>\$ 16,693,498</u> | <u>\$ 33,431,566</u>     | <u>\$ 36,134,494</u> | <u>\$ 50,718,073</u> | <u>\$ 52,827,992</u> |

## **Economic Factors and Next Year's Budget and Rates**

- Revenue estimates contained in the City of Hickory's Fiscal Year 2016-2017 Annual Budget were developed conservatively in response to continued uncertain economic factors.
- The City of Hickory's property tax rate remains at \$0.5665 per \$100 valuation. This rate will provide approximately \$24,800,000 in property tax revenue. The property tax base is estimated to be \$4,565,919,360.
- The Fiscal Year 2017 budget maintains the current level of employee benefits, with minor adjustments in prescription copays.
- 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 2017.

In Fiscal Year 2017, the City of Hickory has appropriated \$3,201,197 of unassigned General Fund balance to finance the general operations of the City.

The original budget for Fiscal Year 2017 increased 4.1 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.



## **Basic Financial Statements**



## CITY OF HICKORY, NORTH CAROLINA

STATEMENT OF NET POSITION  
JUNE 30, 2016

|   | Primary Government         |                             |                |
|---|----------------------------|-----------------------------|----------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total          |
| <b>Assets:</b>                            |                            |                             |                |
| Cash and cash equivalents                 | \$ 34,225,748              | \$ 37,956,611               | \$ 72,182,359  |
| Taxes receivable, net                     | 779,979                    | -                           | 779,979        |
| Accounts receivable, net                  | 1,813,522                  | 3,062,626                   | 4,876,148      |
| Note receivable                           | 4,276,000                  | -                           | 4,276,000      |
| Due from other governments                | 3,127,240                  | 1,022,982                   | 4,150,222      |
| Internal balances                         | 762,884                    | (762,884)                   | -              |
| Inventories                               | 175,544                    | 395,055                     | 570,599        |
| Prepaid items                             | 735,005                    | 70,205                      | 805,210        |
| Cash and cash equivalents, restricted     | 261,661                    | 616,193                     | 877,854        |
| Land and construction in progress         | 17,413,922                 | 16,582,585                  | 33,996,507     |
| Other capital assets, net of depreciation | 36,004,451                 | 120,206,264                 | 156,210,715    |
| Total assets                              | 99,575,956                 | 179,149,637                 | 278,725,593    |
| <b>Deferred Outflows of Resources:</b>    |                            |                             |                |
| Contributions to pension plan             | 1,453,008                  | 336,723                     | 1,789,731      |
| Total deferred outflows of resources      | 1,453,008                  | 336,723                     | 1,789,731      |
| <b>Liabilities:</b>                       |                            |                             |                |
| Current liabilities:                      |                            |                             |                |
| Accounts payable and accrued liabilities  | 7,148,998                  | 2,361,257                   | 9,510,255      |
| Prepaid fees                              | -                          | 52,915                      | 52,915         |
| Payable from restricted assets:           |                            |                             |                |
| Customer deposits                         | 90,619                     | 616,193                     | 706,812        |
| Non-current liabilities:                  |                            |                             |                |
| Net pension liability                     | 1,822,912                  | 432,993                     | 2,255,905      |
| Due within one year                       | 2,485,285                  | 2,782,418                   | 5,267,703      |
| Due in more than one year                 | 12,978,310                 | 30,216,155                  | 43,194,465     |
| Total liabilities                         | 24,526,124                 | 36,461,931                  | 60,988,055     |
| <b>Deferred Inflows of Resources:</b>     |                            |                             |                |
| Pension deferrals                         | 1,175,988                  | 260,832                     | 1,436,820      |
| Prepaid taxes                             | 11,672                     | -                           | 11,672         |
| Total deferred inflows of resources       | 1,187,660                  | 260,832                     | 1,448,492      |
| <b>Net Position:</b>                      |                            |                             |                |
| Net investment in capital assets          | 49,943,126                 | 106,538,651                 | 156,481,777    |
| Restricted for:                           |                            |                             |                |
| Stabilization for State statute           | 6,309,404                  | -                           | 6,309,404      |
| Public safety                             | 516,979                    | -                           | 516,979        |
| Economic and development                  | 1,943,355                  | -                           | 1,943,355      |
| Unrestricted                              | 16,602,316                 | 36,224,946                  | 52,827,262     |
| Total net position                        | \$ 75,315,180              | \$ 142,763,597              | \$ 218,078,777 |

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, 2016

| Functions/Programs:               | Expenses             | Program Revenues     |                                    |                                  |
|-----------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
|                                   |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Primary Government:</b>        |                      |                      |                                    |                                  |
| <b>Governmental Activities:</b>   |                      |                      |                                    |                                  |
| General government                | \$ 17,241,713        | \$ 7,771,103         | \$ 82,246                          | \$ -                             |
| Public safety                     | 21,590,589           | 309,458              | 918,216                            | -                                |
| Transportation                    | 5,434,930            | 5,388                | 1,309,798                          | 80,679                           |
| Economic and physical development | 4,046,041            | 286,811              | 556,234                            | -                                |
| Culture and recreation            | 6,355,499            | 257,945              | 362,827                            | -                                |
| Interest on long-term debt        | 151,691              | -                    | -                                  | -                                |
| Total governmental activities     | <u>54,820,463</u>    | <u>8,630,705</u>     | <u>3,229,321</u>                   | <u>80,679</u>                    |
| <b>Business-Type Activities:</b>  |                      |                      |                                    |                                  |
| Water                             | 8,206,452            | 14,301,744           | 158,063                            | 848,110                          |
| Sewer                             | 11,709,085           | 9,628,631            | 293,546                            | 976,047                          |
| Sludge composting                 | 2,010,155            | 39,910               | 1,656,264                          | -                                |
| Stormwater                        | 526,080              | (1,987)              | -                                  | 52,226                           |
| Airport                           | 1,419,481            | 1,318,045            | 3,365                              | 859,129                          |
| Recycling                         | 2,817,888            | 2,762,756            | 25,623                             | -                                |
| Sanitation                        | 1,774,541            | 1,238,614            | -                                  | -                                |
| Total business-type activities    | <u>28,463,682</u>    | <u>29,287,713</u>    | <u>2,136,861</u>                   | <u>2,735,512</u>                 |
| Total primary government          | <u>\$ 83,284,145</u> | <u>\$ 37,918,418</u> | <u>\$ 5,366,182</u>                | <u>\$ 2,816,191</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, 2016**

|                                      | <b>Net (Expense) Revenue and Changes in Net Position</b> |                                 |                       |
|--------------------------------------|--|---------------------------------|-----------------------|
|                                      | <b>Primary Government</b>                                |                                 |                       |
|                                      | <b>Governmental Activities</b>                           | <b>Business-Type Activities</b> | <b>Total</b>          |
| <b>Functions/Programs:</b>           |  |                                 |                       |
| <b>Primary Government:</b>           |  |                                 |                       |
| <b>Governmental Activities:</b>      |  |                                 |                       |
| General government                   | \$ (9,388,364)   | \$ -                            | \$ (9,388,364)        |
| Public safety                        | (20,362,915)   | -                               | (20,362,915)          |
| Transportation                       | (4,039,065)  | -                               | (4,039,065)           |
| Economic and physical development    | (3,202,996)  | -                               | (3,202,996)           |
| Culture and recreation               | (5,734,727)  | -                               | (5,734,727)           |
| Interest on long-term debt           | (151,691)  | -                               | (151,691)             |
| Total governmental activities        | <u>(42,879,758)</u>                                      | <u>-</u>                        | <u>(42,879,758)</u>   |
| <b>Business-Type Activities:</b>     |  |                                 |                       |
| Water                                | -  | 7,101,465                       | 7,101,465             |
| Sewer                                | -  | (810,861)                       | (810,861)             |
| Sludge composting                    | -  | (313,981)                       | (313,981)             |
| Stormwater                           | -  | (475,841)                       | (475,841)             |
| Airport                              | -  | 761,058                         | 761,058               |
| Recycling                            | -  | (29,509)                        | (29,509)              |
| Sanitation                           | -  | (535,927)                       | (535,927)             |
| Total business-type activities       | <u>-</u>   | <u>5,696,404</u>                | <u>5,696,404</u>      |
| Total primary government             | <u>(42,879,758)</u>                                      | <u>5,696,404</u>                | <u>(37,183,354)</u>   |
| <b>General Revenues:</b>             |  |                                 |                       |
| Ad valorem taxes                     | 25,801,419   | -                               | 25,801,419            |
| Sales taxes                          | 9,698,345  | -                               | 9,698,345             |
| Franchise taxes                      | 3,072,413  | -                               | 3,072,413             |
| Telecommunication tax                | 894,621  | -                               | 894,621               |
| Motel/occupancy tax                  | 1,888,878  | -                               | 1,888,878             |
| Vehicle tag tax                      | 174,458  | -                               | 174,458               |
| Gross receipts tax                   | 149,050  | -                               | 149,050               |
| Unrestricted intergovernmental       | 595,737  | -                               | 595,737               |
| Donations                            | -  | 1,890                           | 1,890                 |
| Unrestricted investment earnings     | 326,559  | 329,538                         | 656,097               |
| Total general revenues               | <u>42,601,480</u>  | <u>331,428</u>                  | <u>42,932,908</u>     |
| Transfers                            | <u>(6,679,253)</u>                                       | <u>6,679,253</u>                | <u>-</u>              |
| Total general revenues and transfers | <u>35,922,227</u>  | <u>7,010,681</u>                | <u>42,932,908</u>     |
| Change in net position               | (6,957,531)  | 12,707,085                      | 5,749,554             |
| <b>Net Position:</b>                 |  |                                 |                       |
| Net position, beginning              | <u>82,272,711</u>  | <u>130,056,512</u>              | <u>212,329,223</u>    |
| End of year - June 30                | <u>\$ 75,315,180</u>                                     | <u>\$ 142,763,597</u>           | <u>\$ 218,078,777</u> |

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

**CITY OF HICKORY, NORTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

|   | <b>Major<br/>General<br/>Fund</b> | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total</b>         |
|---|-----------------------------------|--|----------------------|
| <b>Assets:</b>  |                                   |  |                      |
| Current assets:   |                                   |  |                      |
| Cash and cash equivalents   | \$ 28,901,277                     | \$ 1,237,400                               | \$ 30,138,677        |
| Taxes receivable, net   | 779,979                           | -  | 779,979              |
| Accounts receivable, net  | 442,576                           | 1,217,751                                  | 1,660,327            |
| Notes receivable  | 702,800                           | -  | 702,800              |
| Due from other governmental agencies                                      | 2,614,970                         | 459,270                                    | 3,074,240            |
| Due from other funds  | 1,511,100                         | -  | 1,511,100            |
| Inventory   | 94,021                            | -  | 94,021               |
| Prepaid items   | 515,570                           | 330  | 515,900              |
| Restricted cash and equivalents   | 90,619                            | 171,042                                    | 261,661              |
| Total current assets  | <u>35,652,912</u>                 | <u>3,085,793</u>                           | <u>38,738,705</u>    |
| Notes receivable  | <u>3,573,200</u>                  | <u>-</u>                                   | <u>3,573,200</u>     |
| Total assets  | <u>\$ 39,226,112</u>              | <u>\$ 3,085,793</u>                        | <u>\$ 42,311,905</u> |
| <b>Liabilities, Deferred Inflows of Resources,<br/>and Fund Balances:</b> |                                   |  |                      |
| <b>Liabilities:</b>   |                                   |  |                      |
| <b>Current Liabilities:</b>   |                                   |  |                      |
| Accounts payable and accrued liabilities                                  | \$ 4,944,667                      | \$ 138,583                                 | \$ 5,083,250         |
| Prepaid fees  | 13,576                            | -  | 13,576               |
| Due to other funds  | -                                 | 27,664                                     | 27,664               |
| Liabilities to be paid from restricted assets:                            |                                   |  |                      |
| Customer deposits   | <u>90,619</u>                     | <u>-</u>                                   | <u>90,619</u>        |
| Total current liabilities   | <u>5,048,862</u>                  | <u>166,247</u>                             | <u>5,215,109</u>     |
| <b>Deferred Inflows of Resources:</b>                                     |                                   |  |                      |
| Property taxes receivable   | 779,979                           | -  | 779,979              |
| Prepaid taxes   | 11,672                            | -  | 11,672               |
| Economic development receivable   | <u>-</u>                          | <u>912,967</u>                             | <u>912,967</u>       |
| Total deferred inflows of resources                                       | <u>791,651</u>                    | <u>912,967</u>                             | <u>1,704,618</u>     |
| <b>Fund Balances:</b>   |                                   |  |                      |
| Non-spendable   | 4,885,591                         | 330  | 4,885,921            |
| Restricted for:   |                                   |  |                      |
| Stabilization for State statute   | 5,545,350                         | 764,054                                    | 6,309,404            |
| Restricted, all other   | 1,416,979                         | 1,214,397                                  | 2,631,376            |
| Committed   | 4,810,507                         | 168,731                                    | 4,979,238            |
| Assigned  | 2,620,872                         | -  | 2,620,872            |
| Unassigned  | <u>14,106,300</u>                 | <u>(140,933)</u>                           | <u>13,965,367</u>    |
| Total fund balances   | <u>33,385,599</u>                 | <u>2,006,579</u>                           | <u>35,392,178</u>    |
| Total liabilities, deferred inflow of resources,<br>and fund balances     | <u>\$ 39,226,112</u>              | <u>\$ 3,085,793</u>                        | <u>\$ 42,311,905</u> |

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

# CITY OF HICKORY, NORTH CAROLINA

## BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2016

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

|   |                      |
|---|----------------------|
| Total fund balances - modified accrual (see above)  | \$ 35,392,178        |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.   | 53,392,294           |
| Net pension liability   | (1,791,091)          |
| Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.   | 1,423,012            |
| Accrual of interest revenue on delinquent taxes does not represent current financial resources and, therefore, is not reported in the funds.  | 123,144              |
| Low income housing loans are not available to represent current financial resources and, therefore, are not reported in the funds.  | 22,374               |
| 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.  | (16,670)             |
| Other receivables are not available to pay for current period expenditures and are recognized as deferred inflows in the funds.   | 1,708,112            |
| Pension related deferrals   | (1,145,272)          |
| 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. | 1,480,326            |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.  | <u>(15,273,227)</u>  |
| Net position of governmental activities   | <u>\$ 75,315,180</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, 2016

|   | Major<br>General<br>Fund | Nonmajor<br>Governmental<br>Funds | Total                |
|---|--------------------------|-----------------------------------|----------------------|
| <b>Revenues:</b>                        |                          |                                   |                      |
| Ad valorem taxes                        | \$ 25,913,125            | \$ -                              | \$ 25,913,125        |
| Other taxes                             | 15,877,765               | -                                 | 15,877,765           |
| Unrestricted intergovernmental revenues | 595,737                  | -                                 | 595,737              |
| Restricted intergovernmental revenues   | 2,410,063                | 712,647                           | 3,122,710            |
| Licenses and permits                    | 7,886                    | -                                 | 7,886                |
| Sales and services                      | 1,845,522                | -                                 | 1,845,522            |
| Investment earnings                     | 274,210                  | 6,492                             | 280,702              |
| Miscellaneous                           | 429,417                  | 446,528                           | 875,945              |
| Total revenues                          | <u>47,353,725</u>        | <u>1,165,667</u>                  | <u>48,519,392</u>    |
| <b>Expenditures:</b>                    |                          |                                   |                      |
| Current:                                |                          |                                   |                      |
| General government                      | 8,032,108                | -                                 | 8,032,108            |
| Public safety                           | 22,681,899               | 125,813                           | 22,807,712           |
| Transportation                          | 5,223,283                | -                                 | 5,223,283            |
| Economic and physical development       | 3,219,210                | 826,420                           | 4,045,630            |
| Culture and recreation                  | 5,789,241                | -                                 | 5,789,241            |
| Capital outlay                          | -                        | 1,121,950                         | 1,121,950            |
| Debt service:                           |                          |                                   |                      |
| Principal retirement                    | 1,895,487                | -                                 | 1,895,487            |
| Interest fees                           | 153,911                  | -                                 | 153,911              |
| Total expenditures                      | <u>46,995,139</u>        | <u>2,074,183</u>                  | <u>49,069,322</u>    |
| Revenues over (under) expenditures      | <u>358,586</u>           | <u>(908,516)</u>                  | <u>(549,930)</u>     |
| <b>Other Financing Sources (Uses):</b>  |                          |                                   |                      |
| Transfers in                            | 1,191,650                | 960,213                           | 2,151,863            |
| Transfers out                           | <u>(8,824,859)</u>       | <u>(6,257)</u>                    | <u>(8,831,116)</u>   |
| Total other financing sources (uses)    | <u>(7,633,209)</u>       | <u>953,956</u>                    | <u>(6,679,253)</u>   |
| Net change in fund balances             | <u>(7,274,623)</u>       | <u>45,440</u>                     | <u>(7,229,183)</u>   |
| <b>Fund Balances:</b>                   |                          |                                   |                      |
| Fund balance, beginning                 | <u>40,660,222</u>        | <u>1,961,139</u>                  | <u>42,621,361</u>    |
| End of year - June 30                   | <u>\$ 33,385,599</u>     | <u>\$ 2,006,579</u>               | <u>\$ 35,392,178</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, 2016**

|   |                       |
|---|-----------------------|
| Net change in fund balances - total governmental funds per Exhibit D  | \$ (7,229,183)        |
| 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:   |                       |
| Capitalized capital outlays   | 5,764,257             |
| Depreciation expense  | (3,976,610)           |
| 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.   |                       |
| 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. |                       |
| Disposal of capital assets  | (1,739,922)           |
| 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.  | (421,746)             |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.   | (4,177,452)           |
| Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.  | 1,895,487             |
| 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 expenditure in governmental funds.   | 57,233                |
| 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.   | (610)                 |
| 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.  | (17,750)              |
| 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.   | (1,513,351)           |
| 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.   | 2,220                 |
| Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet maintenance, to individual funds. The change in net position of certain internal service funds is reported with governmental activities.   | <u>4,399,896</u>      |
| Change in net position of governmental activities per Exhibit B   | <u>\$ (6,957,531)</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, 2016

|  | General Fund       |                    |                      |   |
|--|--------------------|--------------------|----------------------|---|
|  | Budgeted Amounts   |                    | Actual               | Variance with<br>Final Budget<br>Over/Under |
|  | Original           | Final              |                      |   |
| <b>Revenues:</b>   |                    |                    |                      |   |
| Ad valorem taxes   | \$ 24,986,613      | \$ 24,986,613      | \$ 25,913,125        | \$ 926,512                                  |
| Other taxes  | 13,848,165         | 13,848,165         | 15,877,765           | 2,029,600                                   |
| Unrestricted intergovernmental revenues  | 525,000            | 529,128            | 595,737              | 66,609                                      |
| Restricted intergovernmental revenues  | 2,018,825          | 2,270,443          | 2,410,063            | 139,620                                     |
| Licenses and permits   | 7,255              | 7,255              | 7,886                | 631   |
| Sales and services   | 1,744,885          | 1,755,765          | 1,845,522            | 89,757                                      |
| Investment earnings  | 125,000            | 125,000            | 225,072              | 100,072                                     |
| Miscellaneous  | 267,000            | 455,680            | 429,417              | (26,263)                                    |
| Total revenues   | <u>43,522,743</u>  | <u>43,978,049</u>  | <u>47,304,587</u>    | <u>3,326,538</u>                            |
| <b>Expenditures:</b>   |                    |                    |                      |   |
| Current:   |                    |                    |                      |   |
| General government   | 6,091,323          | 9,497,766          | 8,032,108            | 1,465,658                                   |
| Public safety  | 22,184,081         | 23,649,096         | 22,681,899           | 967,197                                     |
| Transportation   | 5,906,643          | 6,125,728          | 5,223,283            | 902,445                                     |
| Economic and physical development  | 2,763,670          | 3,058,771          | 3,219,210            | (160,439)                                   |
| Culture and recreation   | 6,035,469          | 6,673,266          | 5,789,241            | 884,025                                     |
| Debt service:  |                    |                    |                      |   |
| Principal  | 999,880            | 1,192,690          | 1,192,687            | 3   |
| Interest and fees  | 153,914            | 153,914            | 153,911              | 3   |
| Contingency  | 650,000            | 549,000            | -                    | 549,000                                     |
| Total expenditures   | <u>44,784,980</u>  | <u>50,900,231</u>  | <u>46,292,339</u>    | <u>4,607,892</u>                            |
| Revenues over (under) expenditures   | <u>(1,262,237)</u> | <u>(6,922,182)</u> | <u>1,012,248</u>     | <u>7,934,430</u>                            |
| <b>Other Financing Sources (Uses):</b>   |                    |                    |                      |   |
| Transfers in   | 682,000            | 688,258            | 688,257              | (1)   |
| Transfers (out)  | (1,311,996)        | (2,545,385)        | (1,645,384)          | 900,001                                     |
| Total other financing sources (uses)   | <u>(629,996)</u>   | <u>(1,857,127)</u> | <u>(957,127)</u>     | <u>900,000</u>                              |
| Revenues and other financing sources over<br>(under) expenditures and other financing uses | <u>(1,892,233)</u> | <u>(8,779,309)</u> | <u>55,121</u>        | <u>8,834,430</u>                            |
| Appropriated fund balance  | <u>1,892,233</u>   | <u>8,779,309</u>   | <u>-</u>             | <u>(8,779,309)</u>                          |
| Net change in fund balance   | <u>\$ -</u>        | <u>\$ -</u>        | <u>55,121</u>        | <u>\$ 55,121</u>                            |
| <b>Reconciliation from Budgetary Basis of<br/>Accounting to Modified Accrual Basis:</b>    |                    |                    |                      |   |
| Current year note receivable payments  |                    |                    | (702,800)            |   |
| Net change in fund balance modified accrual  |                    |                    | (647,679)            |   |
| <b>Fund Balance:</b>   |                    |                    |                      |   |
| Fund balance, beginning  |                    |                    | 29,222,771           |   |
| End of year - June 30  |                    |                    | <u>\$ 28,575,092</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, 2016

|   | Business-Type Activities |                     |                  |                           | Governmental Activities |                        |
|---|--------------------------|---------------------|------------------|---------------------------|-------------------------|------------------------|
|   | Water and Sewer Fund     | Transportation Fund | Solid Waste Fund | Nonmajor Enterprise Funds | Total                   | Internal Service Funds |
| <b>Assets:</b>  |                          |                     |                  |                           |                         |                        |
| Current assets:   |                          |                     |                  |                           |                         |                        |
| Cash and cash equivalents   | \$ 33,679,985            | \$ 1,012,228        | \$ 2,704,922     | \$ 559,476                | \$ 37,956,611           | \$ 4,087,071           |
| Accounts receivable, net  | 2,790,151                | 106,473             | 165,307          | 695                       | 3,062,626               | 7,677                  |
| Inventory   | 333,707                  | 61,348              | -                | -                         | 395,055                 | 81,523                 |
| Due from other governments  | 698,732                  | 227,821             | 7,986            | 88,443                    | 1,022,982               | 53,000                 |
| Prepaid items   | 66,405                   | 1,155               | 890              | 1,755                     | 70,205                  | 219,105                |
| Restricted cash   | 610,133                  | 6,060               | -                | -                         | 616,193                 | -                      |
| Total current assets  | 38,179,113               | 1,415,085           | 2,879,105        | 650,369                   | 43,123,672              | 4,448,376              |
| Non-current assets:   |                          |                     |                  |                           |                         |                        |
| Land and construction in progress   | 3,541,105                | 12,896,456          | -                | 145,024                   | 16,582,585              | -                      |
| Other capital assets, net of depreciation   | 111,750,605              | 2,294,677           | 1,300,618        | 4,860,364                 | 120,206,264             | 26,079                 |
| Total non-current assets  | 115,291,710              | 15,191,133          | 1,300,618        | 5,005,388                 | 136,788,849             | 26,079                 |
| Total assets  | 153,470,823              | 16,606,218          | 4,179,723        | 5,655,757                 | 179,912,521             | 4,474,455              |
| <b>Deferred Outflows of Resources:</b>  |                          |                     |                  |                           |                         |                        |
| Contributions to pension plan   | 231,544                  | 25,470              | 74,472           | 5,237                     | 336,723                 | 29,996                 |
| Total deferred outflows of resources  | 231,544                  | 25,470              | 74,472           | 5,237                     | 336,723                 | 29,996                 |
| <b>Liabilities:</b>   |                          |                     |                  |                           |                         |                        |
| Current liabilities:  |                          |                     |                  |                           |                         |                        |
| Accounts payable and accrued liabilities  | 1,945,807                | 72,760              | 156,922          | 185,768                   | 2,361,257               | 2,050,668              |
| Current portion of long-term debt   | 2,712,350                | 14,946              | 52,953           | 2,169                     | 2,782,418               | 28,529                 |
| Due to other funds  | -                        | 17,912              | -                | -                         | 17,912                  | 607,330                |
| Prepaid fees  | 52,915                   | -                   | -                | -                         | 52,915                  | -                      |
| Liabilities paid from restricted assets:  |                          |                     |                  |                           |                         |                        |
| Customer deposits   | 610,133                  | 6,060               | -                | -                         | 616,193                 | -                      |
| Total current liabilities   | 5,321,205                | 111,678             | 209,875          | 187,937                   | 5,830,695               | 2,686,527              |
| Non-current liabilities:  |                          |                     |                  |                           |                         |                        |
| Net pension liability   | 303,349                  | 32,460              | 89,686           | 7,498                     | 432,993                 | 31,821                 |
| Compensated absences payable  | 250,331                  | 39,131              | 33,190           | 8,894                     | 331,546                 | 7,583                  |
| Due to other funds  | -                        | 858,194             | -                | -                         | 858,194                 | -                      |
| Non-current portion of long-term debt   | 29,207,482               | 120,273             | 536,321          | 20,533                    | 29,884,609              | 154,256                |
| Total non-current liabilities   | 29,761,162               | 1,050,058           | 659,197          | 36,925                    | 31,507,342              | 193,660                |
| Total liabilities   | 35,082,367               | 1,161,736           | 869,072          | 224,862                   | 37,338,037              | 2,880,187              |
| <b>Deferred Inflows of Resources:</b>   |                          |                     |                  |                           |                         |                        |
| Pension deferrals   | 173,148                  | 20,051              | 64,421           | 3,212                     | 260,832                 | 30,716                 |
| Total deferred inflows of resources   | 173,148                  | 20,051              | 64,421           | 3,212                     | 260,832                 | 30,716                 |
| <b>Net Position:</b>  |                          |                     |                  |                           |                         |                        |
| Net investment in capital assets  | 85,041,512               | 15,191,133          | 1,300,618        | 5,005,388                 | 106,538,651             | 26,079                 |
| Unrestricted  | 33,405,340               | 258,768             | 2,020,084        | 427,532                   | 36,111,724              | 1,567,469              |
| Total net position  | \$ 118,446,852           | \$ 15,449,901       | \$ 3,320,702     | \$ 5,432,920              | \$ 142,650,375          | \$ 1,593,548           |
| Total net position - proprietary funds presentation   |                          |                     |                  |                           | \$ 142,650,375          |                        |
| Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds |                          |                     |                  |                           | 113,222                 |                        |
| Net position of business-type activities - government-wide  |                          |                     |                  |                           | \$ 142,763,597          |                        |

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, 2016

|  | Business-Type Activities |                     |                  |                        | Total      | Governmental Activities |
|--|--------------------------|---------------------|------------------|------------------------|------------|-------------------------|
|  | Water and Sewer Fund     | Transportation Fund | Solid Waste Fund | Other Enterprise Funds |            | Internal Service Funds  |
| <b>Operating Revenues:</b>                 |                          |                     |                  |                        |            |                         |
| Other taxes                                | \$ -                     | \$ -                | \$ 25,623        | \$ -                   | \$ 25,623  | \$ -                    |
| Restricted intergovernmental               | -                        | 3,365               | -                | 1,656,264              | 1,659,629  | -                       |
| Charges for services                       | 24,174,129               | 1,353,112           | 4,147,150        | 53,420                 | 29,727,811 | 8,522,408               |
| Other operating revenues                   | 620,856                  | -                   | 30,058           | -                      | 650,914    | 1,463                   |
| Total operating revenues                   | 24,794,985               | 1,356,477           | 4,202,831        | 1,709,684              | 32,063,977 | 8,523,871               |
| <b>Operating Expenses:</b>                 |                          |                     |                  |                        |            |                         |
| Administration and engineering             | 6,321,004                | -                   | -                | 122,055                | 6,443,059  | -                       |
| Collection system                          | 1,348,386                | -                   | -                | -                      | 1,348,386  | -                       |
| Henry Fork plant                           | 921,861                  | -                   | -                | -                      | 921,861    | -                       |
| Northeast plant                            | 931,987                  | -                   | -                | -                      | 931,987    | -                       |
| Water treatment plant                      | 2,139,892                | -                   | -                | -                      | 2,139,892  | -                       |
| Pre-treatment and lab                      | 519,903                  | -                   | -                | -                      | 519,903    | -                       |
| Distribution                               | 2,457,765                | -                   | -                | -                      | 2,457,765  | -                       |
| Sludge plant                               | -                        | -                   | -                | 1,674,576              | 1,674,576  | -                       |
| Street                                     | -                        | -                   | -                | 23,683                 | 23,683     | -                       |
| Drainage maintenance                       | -                        | -                   | -                | 42,529                 | 42,529     | -                       |
| Claremont sewer lines                      | 236,012                  | -                   | -                | -                      | 236,012    | -                       |
| Hickory Catawba Wastewater Treatment Plant | 272,881                  | -                   | -                | -                      | 272,881    | -                       |
| Airport                                    | -                        | 475,635             | -                | -                      | 475,635    | -                       |
| Airport tower                              | -                        | 11,933              | -                | -                      | 11,933     | -                       |
| Airport FBO                                | -                        | 629,637             | -                | -                      | 629,637    | -                       |
| Recycling                                  | -                        | -                   | 2,513,634        | -                      | 2,513,634  | -                       |
| Residential sanitation                     | -                        | -                   | 868,444          | -                      | 868,444    | -                       |
| Commercial sanitation                      | -                        | -                   | 714,496          | -                      | 714,496    | -                       |
| Health insurance                           | -                        | -                   | -                | -                      | -          | 6,386,561               |
| Property/casualty insurance                | -                        | -                   | -                | -                      | -          | 552,412                 |
| Workers' compensation                      | -                        | -                   | -                | -                      | -          | 571,073                 |
| Dental insurance                           | -                        | -                   | -                | -                      | -          | 441,598                 |
| Other insurance                            | -                        | -                   | -                | -                      | -          | 73,225                  |
| Fleet maintenance                          | -                        | -                   | -                | -                      | -          | 2,286,240               |
| Depreciation                               | 3,973,270                | 302,276             | 495,855          | 673,392                | 5,444,793  | 6,563                   |
| Total operating expenses                   | 19,122,961               | 1,419,481           | 4,592,429        | 2,536,235              | 27,671,106 | 10,317,672              |
| Operating income (loss)                    | 5,672,024                | (63,004)            | (389,598)        | (826,551)              | 4,392,871  | (1,793,801)             |

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, 2016

|   | Business-Type Activities |                        |                     |                              |               | Governmental<br>Activities   |
|---|--------------------------|------------------------|---------------------|------------------------------|---------------|------------------------------|
|   | Water and<br>Sewer Fund  | Transportation<br>Fund | Solid<br>Waste Fund | Other<br>Enterprise<br>Funds | Total         | Internal<br>Service<br>Funds |
| <b>Non-Operating</b>  |                          |                        |                     |                              |               |                              |
| <b>Revenues (Expenses):</b>   |                          |                        |                     |                              |               |                              |
| Federal and State grants  | 46,880                   | -                      | -                   | -                            | 46,880        | -                            |
| Donations   | 1,890                    | -                      | -                   | -                            | 1,890         | -                            |
| Investment earnings   | 294,573                  | 6,846                  | 24,163              | 3,956                        | 329,538       | 45,857                       |
| Miscellaneous   | -                        | -                      | 4,207               | -                            | 4,207         | -                            |
| Gain (loss) on disposal<br>of capital assets  | 6,155                    | 1,364                  | -                   | -                            | 7,519         | -                            |
| Interest on long-term debt  | (798,730)                | -                      | -                   | -                            | (798,730)     | -                            |
| Total non-operating<br>revenues (expenses)  | (449,232)                | 8,210                  | 28,370              | 3,956                        | (408,696)     | 45,857                       |
| Income (loss) before capital<br>contributions and transfers                                     | 5,222,792                | (54,794)               | (361,228)           | (822,595)                    | 3,984,175     | (1,747,944)                  |
| <b>Capital Contributions:</b>   |                          |                        |                     |                              |               |                              |
| Capital contributions   | 1,824,157                | 859,129                | -                   | 52,226                       | 2,735,512     | -                            |
| <b>Transfers:</b>   |                          |                        |                     |                              |               |                              |
| Transfers from other funds  | 5,500,000                | 33,000                 | 641,049             | 265,893                      | 6,439,942     | -                            |
| Transfers (to) other funds  | 272,311                  | (33,000)               | -                   | -                            | 239,311       | -                            |
| Change in net position  | 12,819,260               | 804,335                | 279,821             | (504,476)                    | \$ 13,398,940 | (1,747,944)                  |
| <b>Net Position:</b>  |                          |                        |                     |                              |               |                              |
| Net position beginning  | 105,627,592              | 14,645,566             | 3,040,881           | 5,937,396                    |               | 3,341,492                    |
| End of year - June 30   | \$ 118,446,852           | \$ 15,449,901          | \$ 3,320,702        | \$ 5,432,920                 |               | \$ 1,593,548                 |
| <b>Reconciliation with Exhibit B - Change in<br/>  Net Position - Business-Type Activities:</b> |                          |                        |                     |                              |               |                              |
| Change in net position - fund perspective   |                          |                        |                     |                              | \$ 13,398,940 |                              |
| Internal Service Fund profits allocated to business-type activities                             |                          |                        |                     |                              | (691,855)     |                              |
| Change in net position - entity-wide perspective - Exhibit B                                    |                          |                        |                     |                              | \$ 12,707,085 |                              |

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, 2016

|  | Business-Type Activities |                     |                  |                           |               | Governmental Activities |
|--|--------------------------|---------------------|------------------|---------------------------|---------------|-------------------------|
|  | Water and Sewer Fund     | Transportation Fund | Solid Waste Fund | Nonmajor Enterprise Funds | Total         | Internal Service Funds  |
| <b>Cash Flows from Operating Activities:</b>                         |                          |                     |                  |                           |               |                         |
| Cash received from customers and users                               | \$ 25,205,902            | \$ 1,391,984        | \$ 4,206,925     | \$ 1,676,310              | \$ 32,481,121 | \$ 8,517,815            |
| Cash paid to suppliers   | (10,428,979)             | (1,715,631)         | (3,355,623)      | (1,728,072)               | (17,228,305)  | (9,847,248)             |
| Cash paid to employees   | (4,446,784)              | (481,337)           | (1,486,456)      | (105,428)                 | (6,520,005)   | (564,558)               |
| Net cash provided (used) by operating activities                     | 10,330,139               | (804,984)           | (635,154)        | (157,190)                 | 8,732,811     | (1,893,991)             |
| <b>Cash Flows from Non-Capital Financing Activities:</b>             |                          |                     |                  |                           |               |                         |
| Changes in due to/from other funds                                   | -                        | 1,401,818           | -                | -                         | 1,401,818     | 185,506                 |
| Transfers from other funds   | 5,500,000                | 33,000              | 641,049          | 265,893                   | 6,439,942     | -                       |
| Transfers (to) other funds   | 272,311                  | (33,000)            | -                | -                         | 239,311       | -                       |
| Net cash provided (used) by non-capital financing activities         | 5,772,311                | 1,401,818           | 641,049          | 265,893                   | 8,081,071     | 185,506                 |
| <b>Cash Flows from Capital and Related Financing Activities:</b>     |                          |                     |                  |                           |               |                         |
| Acquisition and construction of capital assets                       | (3,614,207)              | (973,081)           | (307,177)        | (83,537)                  | (4,978,002)   | -                       |
| Proceeds from sale of assets   | 21,802                   | 1,364               | -                | -                         | 23,166        | -                       |
| Principal paid on long-term debt                                     | (3,263,739)              | -                   | -                | -                         | (3,263,739)   | -                       |
| Interest paid on long-term debt                                      | (812,173)                | -                   | -                | -                         | (812,173)     | -                       |
| Federal and State grants   | 46,880                   | -                   | -                | -                         | 46,880        | -                       |
| Donations/contributions  | 1,890                    | -                   | 4,207            | -                         | 6,097         | -                       |
| Capital contributions  | 976,047                  | 859,129             | -                | -                         | 1,835,176     | -                       |
| Net cash provided (used) by capital and related financing activities | (6,643,500)              | (112,588)           | (302,970)        | (83,537)                  | (7,142,595)   | -                       |
| <b>Cash Flows from Investing Activities:</b>                         |                          |                     |                  |                           |               |                         |
| Interest on investments  | 294,573                  | 6,846               | 24,163           | 3,956                     | 329,538       | 45,857                  |
| Net cash provided (used) by investing activities                     | 294,573                  | 6,846               | 24,163           | 3,956                     | 329,538       | 45,857                  |
| Net increase (decrease) in cash and cash equivalents                 | 9,753,523                | 491,092             | (272,912)        | 29,122                    | 10,000,825    | (1,662,628)             |
| <b>Cash and Cash Equivalents:</b>                                    |                          |                     |                  |                           |               |                         |
| Beginning of year - July 1   | 24,536,595               | 527,196             | 2,977,834        | 530,354                   | 28,571,979    | 5,749,699               |
| End of year - June 30  | \$ 34,290,118            | \$ 1,018,288        | \$ 2,704,922     | \$ 559,476                | \$ 38,572,804 | \$ 4,087,071            |

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, 2016

|   | Business-Type Activities |                        |                     |                                 |                     | Governmental<br>Activities   |
|---|--------------------------|------------------------|---------------------|---------------------------------|---------------------|------------------------------|
|   | Water and<br>Sewer Fund  | Transportation<br>Fund | Solid<br>Waste Fund | Nonmajor<br>Enterprise<br>Funds | Total               | Internal<br>Service<br>Funds |
| <b>Reconciliation of Operating Income (Loss) to<br/>Net Cash Provided (Used) by Operating<br/>Activities:</b> |                          |                        |                     |                                 |                     |                              |
| Operating income (loss)   | \$ 5,672,024             | \$ (63,004)            | \$ (389,598)        | \$ (826,551)                    | \$ 4,392,871        | \$ (1,793,801)               |
| Adjustments to reconcile operating income (loss) to<br>net cash provided (used) by operating activities:      |                          |                        |                     |                                 |                     |                              |
| Depreciation and amortization   | 3,973,270                | 302,276                | 495,855             | 673,392                         | 5,444,793           | 6,563                        |
| Change in pension expense   | (91,623)                 | (9,956)                | (28,406)            | (2,158)                         | (132,143)           | (10,861)                     |
| Change in assets and liabilities:   |                          |                        |                     |                                 |                     |                              |
| (Increase) decrease in accounts receivables   | 373,301                  | 29,944                 | 50,345              | (32,577)                        | 421,013             | (2,045)                      |
| (Increase) decrease in prepaid items  | (20,396)                 | 1,093                  | 157                 | 171                             | (18,975)            | (209,833)                    |
| (Increase) decrease in inventories  | 10,392                   | -                      | -                   | -                               | 10,392              | (6,564)                      |
| (Increase) decrease in deferred outflows of<br>resources for pensions   | 7,668                    | 833                    | 2,377               | 181                             | 11,059              | 909                          |
| Increase (decrease) in accounts payable   | 260,387                  | (1,091,674)            | (763,017)           | 27,110                          | (1,567,194)         | 127,459                      |
| Increase (decrease) in compensated absences   | (189)                    | 3,765                  | (8,605)             | 1,220                           | (3,809)             | (5,844)                      |
| Increase (decrease) in other<br>post-employment benefits  | 107,690                  | 16,176                 | 5,738               | 2,022                           | 131,626             | 7,501                        |
| Increase (decrease) in customer deposits  | 31,114                   | 5,563                  | -                   | -                               | 36,677              | -                            |
| Increase (decrease) in prepaid fees   | 6,501                    | -                      | -                   | -                               | 6,501               | (7,475)                      |
| Net cash provided (used) by operating activities  | <u>\$ 10,330,139</u>     | <u>\$ (804,984)</u>    | <u>\$ (635,154)</u> | <u>\$ (157,190)</u>             | <u>\$ 8,732,811</u> | <u>\$ (1,893,991)</u>        |
| <b>Non-Cash Transactions:</b>   |                          |                        |                     |                                 |                     |                              |
| Contribution of assets from developers  | <u>\$ 848,110</u>        |                        |                     | <u>\$ 52,226</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, 2016

### 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 OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

The government reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fund type:

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# **CITY OF HICKORY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016**

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.

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds and internal service funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

#### *1. Deposits and Investments*

All deposits of the City with banks and savings associations are made in Board-designated official depositories and are secured as required by North Carolina G.S. 159-31. The City may designate as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit. G.S. 159-30 authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT), a Securities Exchange Commission (SEC) registered mutual fund.

The City's investments with a maturity of more than one year at time of issuance are reported at fair value as determined by quoted market prices. These investments consist of certain U.S. Government Agency obligations with a market value of \$48,851,039 on June 30, 2016. The NC Capital Management Trust Cash Portfolio, a SEC-registered 2a-7 external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Team Portfolio's securities are valued at fair value.

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.

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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. Restricted cash balance of the City on June 30, 2016 are as follows:

### **Governmental Activities:**

#### General Fund:

|                   |           |
|-------------------|-----------|
| Customer deposits | \$ 90,619 |
|-------------------|-----------|

#### General Capital Projects Fund:

|                          |         |
|--------------------------|---------|
| Unexpended debt proceeds | 171,042 |
|--------------------------|---------|

|                               |                   |
|-------------------------------|-------------------|
| Total governmental activities | <u>\$ 261,661</u> |
|-------------------------------|-------------------|

### **Business-Type Activities:**

#### Water and Sewer Fund:

|                   |            |
|-------------------|------------|
| Customer deposits | \$ 616,193 |
|-------------------|------------|

|                                |                   |
|--------------------------------|-------------------|
| Total business-type activities | <u>\$ 616,193</u> |
|--------------------------------|-------------------|

### *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, 2015.

### *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, 2016

### 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 and expensed as the items are used.

### 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. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003 consist of the road network, sidewalks, bridges, curb, and guttering that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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:

| <b>Asset</b>                    | <b>Estimated<br/>Useful Lives</b> |
|---------------------------------|-----------------------------------|
| 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, 2016**

### *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 2016 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, 2016

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<br/>Governmental<br/>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.     | \$ 4,276,000        | \$ -                                    |
| <i>Inventories</i> – portion of fund balance that is <u>not</u> an available resource because it represents the year-end balance of ending inventories, which are not spendable resources. | 94,021              | -                                       |
| <i>Prepays</i> – portion of fund balance that is not an available resource because it represents prepaid amounts, which are not spendable resources.                                       | <u>515,570</u>      | <u>330</u>                              |
| Total  | <u>\$ 4,885,591</u> | <u>\$ 330</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, 2016 is as follows:

| <u>Purpose</u>                | <u>General<br/>Fund</u> | <u>General<br/>Capital Projects<br/>Fund</u> | <u>Total</u>        |
|-------------------------------|-------------------------|--|---------------------|
| <b>Restricted, all other:</b> |                         |  |                     |
| Economic development          | \$ 900,000              | \$ 1,214,397                                 | \$ 2,114,397        |
| Public safety                 | <u>516,979</u>          | <u>-</u>                                     | <u>516,979</u>      |
| <b>Total</b>                  | <u>\$ 1,416,979</u>     | <u>\$ 1,214,397</u>                          | <u>\$ 2,631,376</u> |

Restricted net position on Exhibit A varies from restricted fund balance of Exhibit C by the amount of unspent bond proceeds of \$171,042, as of June 30, 2016.

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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, 2016 is as follows:

| <b>Purpose</b>       | <b>General Fund</b> | <b>Other Governmental Funds</b> | <b>Total</b>        |
|----------------------|---------------------|---------------------------------|---------------------|
| Economic development | \$ -                | \$ 168,731                      | \$ 168,731          |
| Capital projects     | 4,810,507           | -                               | 4,810,507           |
| Total                | <u>\$ 4,810,507</u> | <u>\$ 168,731</u>               | <u>\$ 4,979,238</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, 2016 is as follows:

| <b>Purpose</b>                 | <b>General Fund</b> | <b>Total</b>        |
|--------------------------------|---------------------|---------------------|
| Subsequent year's expenditures | \$ 1,951,197        | \$ 1,951,197        |
| Fuel                           | 669,675             | 669,675             |
| Total                          | <u>\$ 2,620,872</u> | <u>\$ 2,620,872</u> |

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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:

|  |                            |
|--|----------------------------|
| <b>Total Fund Balance - General Fund</b>           | <b>\$ 33,385,599</b>       |
| Less:  |                            |
| Prepays  | (515,570)                  |
| Inventory  | (94,021)                   |
| Notes receivable                                   | (4,276,000)                |
| Stabilization by State statute                     | (5,545,350)                |
| Public safety                                      | (516,979)                  |
| Economic development                               | (900,000)                  |
| Capital projects                                   | (4,810,507)                |
| Appropriated fund balance in 2017 budget           | (1,951,197)                |
| Fuel   | (669,675)                  |
| Fund balance policy - 25% of budgeted expenditures | <u>(12,725,058)</u>        |
| Remaining fund balance                             | <u><u>\$ 1,381,242</u></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><u>\$ 976,704</u></u> |
|---------------------------|--------------------------|

### *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, 2016

### 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 liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of 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:

|  |                             |
|--|-----------------------------|
| <b>Fund Balance, Ending Exhibit F</b>        | <b>\$ 28,575,092</b>        |
| Capital Reserve Fund:                        |                             |
| Investment earnings                          | 49,138                      |
| Transfers in/out                             | (6,676,082)                 |
| Fund balance, beginning, previously reported | <u>11,437,451</u>           |
| <b>Fund Balance, Ending Exhibit D</b>        | <b><u>\$ 33,385,599</u></b> |

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".

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The details of this difference are as follows:

|  |                      |
|--|----------------------|
| Installment purchase payable                                 | \$ 4,823,289         |
| Unfunded obligation  | 7,104,779            |
| Compensated absences   | 2,205,469            |
| Net pension obligation - LGERS                               | 1,822,912            |
| Net pension obligation - Law Enforcement                     |                      |
| Officers' Separation Allowance                               | 1,330,058            |
| Less: effect of Internal Service Fund                        | <u>(2,013,280)</u>   |
| Net adjustment to increase fund balance - total governmental |                      |
| funds to arrive at net position - governmental activities    | <u>\$ 15,273,227</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.

#### 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.

# **CITY OF HICKORY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016**

### **C. Deficit Net Position**

For the fiscal year ended June 30, 2016, the Fleet Internal Service Fund had deficit net position of \$709,085. 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, 2016, the City made expenditures in excess of the approved budget in the General Fund and the Insurance Internal Service Fund.

The City will be more diligent in the future in monitoring the budget of the General Fund and the Insurance Internal Service 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 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.



# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

At June 30, 2016, the carrying amount of the City's deposits with banks was \$3,373,921. Balances with banks equaled \$3,834,577. Of the bank balances, \$250,000 was covered by federal depository insurance, and \$3,584,577 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 \$16,606.

### B. Investments

At June 30, 2016, the City's investments consisted of the following:

| Investment Type              | Valuation          | Book Value           | Less Than<br>6 Months | 6-12 Months          | 1-3 Years            | 4-5 Years           |
|------------------------------|--------------------|----------------------|-----------------------|----------------------|----------------------|---------------------|
|                              | Measurement Method |                      |                       |                      |                      |                     |
| US Government Agencies       | Fair Value-Level 1 | \$ 48,851,039        | \$ 550,479            | \$ 10,722,216        | \$ 31,256,343        | \$ 6,322,000        |
| NC Capital Management Trust: |                    |                      |                       |                      |                      |                     |
| Cash Portfolio               | Amortized Cost     | 16,769,191           | 16,769,191            | -                    | -                    | -                   |
| Term Portfolio*              | Fair Value-Level 1 | 4,049,456            | 4,049,456             | -                    | -                    | -                   |
| Total investments            |                    | <u>\$ 69,669,686</u> | <u>\$ 21,369,126</u>  | <u>\$ 10,722,216</u> | <u>\$ 31,256,343</u> | <u>\$ 6,322,000</u> |

\*Because the NC Capital Management Trust Term Portfolio has a weighted average maturity of less than 90 days, it was presented as an investment with a maturity of less than 6 months.

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

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

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

*Credit Risk.* The City has no policy regarding credit risk. The City's investment in the NC Capital Management Trust Cash Portfolio carried a rating of AAAM by Standard & Poor's as of June 30, 2016. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. 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 40% 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 2.6%, 25.0%, and 12.9%, respectively, of the City's total investments.

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### Note 5 – Receivables

#### A. Detail

Receivables at the government-wide level at June 30, 2016 were as follows:

|                                  | <u>Taxes</u>      | <u>Accounts</u>     | <u>Notes</u>        | <u>Due From<br/>Other<br/>Governments</u> | <u>Total</u>        |
|----------------------------------|-------------------|---------------------|---------------------|---|---------------------|
| <b>Governmental Activities:</b>  |                   |                     |                     |   |                     |
| General                          | \$ 1,846,669      | \$ 582,778          | \$ 4,276,000        | \$ 2,411,280                              | \$ 9,116,727        |
| General capital projects         | -                 | 81,536              | -                   | 256,690                                   | 338,226             |
| Other governmental               | -                 | 1,217,751           | -                   | 459,270                                   | 1,677,021           |
| Total receivables                | 1,846,669         | 1,882,065           | 4,276,000           | 3,127,240                                 | 11,131,974          |
| Allowance for doubtful accounts  | (1,066,690)       | (68,543)            | -                   | -   | (1,135,233)         |
| Total governmental activities    | <u>\$ 779,979</u> | <u>\$ 1,813,522</u> | <u>\$ 4,276,000</u> | <u>\$ 3,127,240</u>                       | <u>\$ 9,996,741</u> |
| <b>Business-Type Activities:</b> |                   |                     |                     |   |                     |
| Water and sewer                  | \$ -              | \$ 2,894,873        | \$ -                | \$ 698,732                                | \$ 3,593,605        |
| Transportation                   | -                 | 199,385             | -                   | 227,821                                   | 427,206             |
| Solid waste                      | -                 | 190,849             | -                   | 7,986                                     | 198,835             |
| Other                            | -                 | 695                 | -                   | 88,443                                    | 89,138              |
| Total receivables                | -                 | 3,285,802           | -                   | 1,022,982                                 | 4,308,784           |
| Allowance for doubtful accounts  | -                 | (223,176)           | -                   | -   | (223,176)           |
| Total business-type activities   | <u>\$ -</u>       | <u>\$ 3,062,626</u> | <u>\$ -</u>         | <u>\$ 1,022,982</u>                       | <u>\$ 4,085,608</u> |

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

|  |                     |
|--|---------------------|
| Governmental activities                    | \$ 3,127,240        |
| Business-type activities                   | 1,022,982           |
| Total due from other governmental agencies | <u>\$ 4,150,222</u> |
| Local option sales tax                     | \$ 1,720,361        |
| Street maintenance reimbursements          | 22,153              |
| Traffic control                            | 301,500             |
| NC DOT                                     | 472,350             |
| County tax collections                     | 258,251             |
| Federal excise tax                         | (230)               |
| Sales tax reimbursement                    | 569,136             |
| State receivable                           | 413,873             |
| Town of Maiden                             | 110,985             |
| Federal grants                             | 128,958             |
| Urgent repair program                      | 43,543              |
| HUD grant                                  | 109,342             |
| Total due from other governmental agencies | <u>\$ 4,150,222</u> |

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### 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, 2016 were as follows:

| <u>Year Ending June 30</u>                  | <u>Amount</u>       |
|---|---------------------|
| 2017  | \$ 807,043          |
| 2018  | 791,503             |
| 2019  | 634,563             |
| 2020  | 371,420             |
| 2021  | 254,390             |
| 2022-2026                                   | 1,183,750           |
| 2027-2030                                   | <u>741,160</u>      |
| Total minimum lease receipts                | 4,783,829           |
| Less amount representing interest           | <u>(606,829)</u>    |
| Present value of net minimum lease receipts | <u>\$ 4,177,000</u> |

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### 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, 2016. The CVYSA will pay the remaining \$99,000 balance in nine equal annual installments of \$11,000 beginning June 30, 2017 and ending June 30, 2024.

### D. Deferred Outflows and Inflows of Resources

Deferred outflows of resources are comprised of the following:

| <u>Source</u>  | <u>Amount</u>       |
|--|---------------------|
| Contributions to pension plan in current fiscal year | <u>\$ 1,789,731</u> |

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

|  |                     |
|--|---------------------|
| Prepaid taxes (General Fund)   | \$ 11,672           |
| Taxes receivable, less penalties (General Fund)                                      | 779,979             |
| Economic development receivable (Community Development Entitlement Block Grant Fund) | 912,967             |
| Pension deferrals  | <u>1,436,820</u>    |
| Total  | <u>\$ 3,141,438</u> |

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### Note 6 – Capital Assets

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

|   | <u>Beginning<br/>Balances</u> | <u>Increases</u>    | <u>Decreases</u>      | <u>Transfers</u>    | <u>Ending<br/>Balances</u> |
|---|-------------------------------|---------------------|-----------------------|---------------------|----------------------------|
| <b>Governmental Activities:</b>             |                               |                     |                       |                     |                            |
| <i>Non-Depreciable Capital Assets:</i>      |                               |                     |                       |                     |                            |
| Land  | \$ 12,238,619                 | \$ 101,135          | \$ (68,074)           | \$ -                | \$ 12,271,680              |
| Construction in progress                    | 6,247,005                     | 1,121,950           | (1,651,531)           | (575,182)           | 5,142,242                  |
| Total assets non-depreciable                | <u>18,485,624</u>             | <u>1,223,085</u>    | <u>(1,719,605)</u>    | <u>(575,182)</u>    | <u>17,413,922</u>          |
| <i>Depreciable Capital Assets:</i>          |                               |                     |                       |                     |                            |
| Buildings and improvements                  | 42,617,300                    | 1,628,275           | (11,457)              | (21,344)            | 44,212,774                 |
| Equipment                                   | 12,040,195                    | 428,049             | (102,958)             | 18,190              | 12,383,476                 |
| Vehicles                                    | 13,519,832                    | 2,013,896           | (541,067)             | (37,473)            | 14,955,188                 |
| Road network                                | 55,645,687                    | 432,019             | -                     | 555,361             | 56,633,067                 |
| Total depreciable assets                    | <u>123,823,014</u>            | <u>4,502,239</u>    | <u>(655,482)</u>      | <u>514,734</u>      | <u>128,184,505</u>         |
| <i>Less Accumulated Depreciation:</i>       |                               |                     |                       |                     |                            |
| Buildings and improvements                  | 25,642,205                    | 1,276,455           | (11,457)              | (21,344)            | 26,885,859                 |
| Equipment                                   | 8,212,627                     | 736,527             | (100,558)             | (1,631)             | 8,846,965                  |
| Vehicles                                    | 11,869,514                    | 809,666             | (523,150)             | (37,473)            | 12,118,557                 |
| Road network                                | 43,168,149                    | 1,160,524           | -                     | -                   | 44,328,673                 |
| Total accumulated depreciation              | <u>88,892,495</u>             | <u>3,983,172</u>    | <u>(635,165)</u>      | <u>(60,448)</u>     | <u>92,180,054</u>          |
| Total depreciable assets, net               | <u>34,930,519</u>             | <u>519,067</u>      | <u>(20,317)</u>       | <u>575,182</u>      | <u>36,004,451</u>          |
| Governmental activities capital assets, net | <u>\$ 53,416,143</u>          | <u>\$ 1,742,152</u> | <u>\$ (1,739,922)</u> | <u>\$ -</u>         | <u>\$ 53,418,373</u>       |
| <b>Business-Type Activities:</b>            |                               |                     |                       |                     |                            |
| <b>Water and Sewer:</b>                     |                               |                     |                       |                     |                            |
| <i>Non-Depreciable Capital Assets:</i>      |                               |                     |                       |                     |                            |
| Land  | \$ 820,772                    | \$ 403,650          | \$ -                  | \$ 33,928           | \$ 1,258,350               |
| Construction in progress                    | 12,593,785                    | 1,265,308           | -                     | (11,576,338)        | 2,282,755                  |
| Total non-depreciable assets                | <u>13,414,557</u>             | <u>1,668,958</u>    | <u>-</u>              | <u>(11,542,410)</u> | <u>3,541,105</u>           |
| <i>Depreciable Capital Assets:</i>          |                               |                     |                       |                     |                            |
| Buildings and improvements                  | 48,072,062                    | 8,950               | -                     | 21,344              | 48,102,356                 |
| Equipment                                   | 2,250,070                     | 822,402             | (4,725)               | 1,631               | 3,069,378                  |
| Vehicles                                    | 2,457,128                     | 242,501             | (86,262)              | 15,708              | 2,629,075                  |
| Operating plants                            | 26,270,918                    | -                   | -                     | 11,542,410          | 37,813,328                 |
| Water lines                                 | 33,385,654                    | 1,406,490           | -                     | -                   | 34,792,144                 |
| Sewer lines                                 | 58,025,227                    | 313,016             | -                     | -                   | 58,338,243                 |
| Total depreciable assets                    | <u>170,461,059</u>            | <u>2,793,359</u>    | <u>(90,987)</u>       | <u>11,581,093</u>   | <u>184,744,524</u>         |
| <i>Less Accumulated Depreciation:</i>       |                               |                     |                       |                     |                            |
| Buildings and improvements                  | 17,831,963                    | 1,377,691           | -                     | 21,344              | 19,230,998                 |
| Equipment                                   | 1,598,946                     | 187,847             | (4,725)               | 1,631               | 1,783,699                  |
| Vehicles                                    | 1,783,000                     | 221,611             | (70,615)              | 15,708              | 1,949,704                  |
| Operating plants                            | 15,975,118                    | 457,332             | -                     | -                   | 16,432,450                 |
| Water lines                                 | 11,636,436                    | 643,748             | -                     | -                   | 12,280,184                 |
| Sewer lines                                 | 20,231,843                    | 1,085,041           | -                     | -                   | 21,316,884                 |
| Total accumulated depreciation              | <u>69,057,306</u>             | <u>3,973,270</u>    | <u>(75,340)</u>       | <u>38,683</u>       | <u>72,993,919</u>          |
| Total depreciable assets, net               | <u>101,403,753</u>            | <u>(1,179,911)</u>  | <u>(15,647)</u>       | <u>11,542,410</u>   | <u>111,750,605</u>         |
| Water and Sewer capital assets, net         | <u>114,818,310</u>            | <u>489,047</u>      | <u>(15,647)</u>       | <u>-</u>            | <u>115,291,710</u>         |

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

|  | <u>Beginning<br/>Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Transfers</u> | <u>Ending<br/>Balances</u> |
|--|-------------------------------|------------------|------------------|------------------|----------------------------|
| <b>Business-Type Activities (continued):</b> |                               |                  |                  |                  |                            |
| <b>Sludge Composting:</b>                    |                               |                  |                  |                  |                            |
| <i>Non-Depreciable Capital Assets:</i>       |                               |                  |                  |                  |                            |
| Land   | 145,024                       | -                | -                | -                | 145,024                    |
| <i>Depreciable Capital Assets:</i>           |                               |                  |                  |                  |                            |
| Buildings and improvements                   | 10,342,084                    | 35,109           | (6,750)          | -                | 10,370,443                 |
| Equipment                                    | 51,945                        | -                | -                | -                | 51,945                     |
| Total depreciable assets                     | 10,394,029                    | 35,109           | (6,750)          | -                | 10,422,388                 |
| <i>Less Accumulated Depreciation:</i>        |                               |                  |                  |                  |                            |
| Buildings and improvements                   | 7,303,859                     | 329,070          | (6,750)          | -                | 7,626,179                  |
| Equipment                                    | 39,383                        | 6,509            | -                | -                | 45,892                     |
| Total accumulated depreciation               | 7,343,242                     | 335,579          | (6,750)          | -                | 7,672,071                  |
| Total depreciable assets, net                | 3,050,787                     | (300,470)        | -                | -                | 2,750,317                  |
| Sludge composting capital assets, net        | 3,195,811                     | (300,470)        | -                | -                | 2,895,341                  |
| <b>Stormwater:</b>                           |                               |                  |                  |                  |                            |
| <i>Depreciable Capital Assets:</i>           |                               |                  |                  |                  |                            |
| Curb and gutter                              | 17,167,609                    | 100,654          | -                | -                | 17,268,263                 |
| Total depreciable assets                     | 17,167,609                    | 100,654          | -                | -                | 17,268,263                 |
| <i>Less Accumulated Depreciation:</i>        |                               |                  |                  |                  |                            |
| Curb and gutter                              | 14,820,403                    | 337,813          | -                | -                | 15,158,216                 |
| Total accumulated depreciation               | 14,820,403                    | 337,813          | -                | -                | 15,158,216                 |
| Stormwater capital assets, net               | 2,347,206                     | (237,159)        | -                | -                | 2,110,047                  |
| <b>Transportation:</b>                       |                               |                  |                  |                  |                            |
| <i>Non-Depreciable Capital Assets:</i>       |                               |                  |                  |                  |                            |
| Land   | 3,793,892                     | -                | -                | -                | 3,793,892                  |
| Land improvements                            | 7,068,587                     | -                | -                | -                | 7,068,587                  |
| Construction in progress                     | 1,073,440                     | 960,537          | -                | -                | 2,033,977                  |
| Total non-depreciable assets                 | 11,935,919                    | 960,537          | -                | -                | 12,896,456                 |
| <i>Depreciable Capital Assets:</i>           |                               |                  |                  |                  |                            |
| Buildings and improvements                   | 7,123,863                     | 12,544           | -                | -                | 7,136,407                  |
| Equipment                                    | 2,060,806                     | -                | -                | -                | 2,060,806                  |
| Vehicles                                     | 195,604                       | -                | (19,592)         | 21,765           | 197,777                    |
| Total depreciable assets                     | 9,380,273                     | 12,544           | (19,592)         | 21,765           | 9,394,990                  |
| <i>Less Accumulated Depreciation:</i>        |                               |                  |                  |                  |                            |
| Buildings and improvements                   | 4,584,996                     | 279,330          | -                | -                | 4,864,326                  |
| Equipment                                    | 2,015,264                     | 22,946           | -                | -                | 2,038,210                  |
| Vehicles                                     | 195,604                       | -                | (19,592)         | 21,765           | 197,777                    |
| Total accumulated depreciation               | 6,795,864                     | 302,276          | (19,592)         | 21,765           | 7,100,313                  |
| Total depreciable assets, net                | 2,584,409                     | (289,732)        | -                | -                | 2,294,677                  |
| Transportation capital assets, net           | 14,520,328                    | 670,805          | -                | -                | 15,191,133                 |

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

|  | <u>Beginning<br/>Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Transfers</u> | <u>Ending<br/>Balances</u> |
|--|-------------------------------|------------------|------------------|------------------|----------------------------|
| <b>Business-Type Activities (continued):</b>     |                               |                  |                  |                  |                            |
| <b>Solid Waste:</b>                              |                               |                  |                  |                  |                            |
| <i>Depreciable Capital Assets:</i>               |                               |                  |                  |                  |                            |
| Buildings and improvements                       | 259,410                       | -                | -                | -                | 259,410                    |
| Equipment  | 1,069,562                     | -                | (7,940)          | -                | 1,061,622                  |
| Vehicles   | 4,753,963                     | 307,177          | (33,672)         | -                | 5,027,468                  |
| Total depreciable assets                         | <u>6,082,935</u>              | <u>307,177</u>   | <u>(41,612)</u>  | <u>-</u>         | <u>6,348,500</u>           |
| <i>Less Accumulated Depreciation:</i>            |                               |                  |                  |                  |                            |
| Buildings and improvements                       | 203,655                       | 2,372            | -                | -                | 206,027                    |
| Equipment  | 857,622                       | 55,206           | (7,940)          | -                | 904,888                    |
| Vehicles   | 3,532,362                     | 438,277          | (33,672)         | -                | 3,936,967                  |
| Total accumulated depreciation                   | <u>4,593,639</u>              | <u>495,855</u>   | <u>(41,612)</u>  | <u>-</u>         | <u>5,047,882</u>           |
| Solid waste capital assets, net                  | <u>1,489,296</u>              | <u>(188,678)</u> | <u>-</u>         | <u>-</u>         | <u>1,300,618</u>           |
| <br>Business-type activities capital assets, net | <br><u>\$ 136,370,951</u>     |                  |                  |                  | <br><u>\$ 136,788,849</u>  |

Depreciation expense was charged to functions/programs as follows:

**Governmental Activities:**

|  |                     |
|--|---------------------|
| General government   | \$ 447,051          |
| Public safety  | 1,296,994           |
| Transportation   | 1,388,846           |
| Economic and physical development  | 10,549              |
| Culture and recreation   | 833,169             |
| Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets | <u>6,563</u>        |
| Total depreciation expense - governmental activities   | <u>\$ 3,983,172</u> |

**Business-Type Activities:**

|   |                     |
|---|---------------------|
| Water   | \$ 1,442,201        |
| Sewer   | 2,531,069           |
| Sludge composting                                     | 335,579             |
| Stormwater  | 337,813             |
| Transportation  | 302,276             |
| Solid waste   | 495,855             |
| Total depreciation expense - business-type activities | <u>\$ 5,444,793</u> |

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### Construction Commitments

The City has active construction projects as of June 30, 2016. At year-end, the outstanding commitments with contractors are as follows:

| <b>Project</b>                           | <b>Spent-to-Date</b> | <b>Remaining<br/>Commitment</b> |
|--|----------------------|---------------------------------|
| East Hickory Redevelopment Plan          | \$ 631,975           | \$ -                            |
| Bridge Replacement Windridge Subdivision | 1,167,178            | 4,350                           |
| Bond Program - Management                | 507,324              | -                               |
| Bond Program - Administration Cost       | 17,370               | -                               |
| Business Park                            | 68,185               | -                               |
| Lackey Park                              | 5,230                | 22,370                          |
| TDA Parking Deck                         | 2,829,154            | 15,000                          |
| Falling Creek Bridge                     | 357,761              | -                               |
| Geitner Basin                            | 32,493               | 225,358                         |
| Central Business District                | 71,240               | 213,760                         |
| Airport Improvements                     | 2,039,943            | 222,740                         |
| Murray Basin Sewerlines                  | 322,715              | 13,090                          |
| NE Sewer Grant Project                   | 1,591,023            | 67,193                          |
| Total                                    | <u>\$ 9,641,591</u>  | <u>\$ 783,861</u>               |

### Net Investment in Capital Assets

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

|                                  | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> |
|----------------------------------|------------------------------------|-------------------------------------|
| Capital assets, net              | <u>\$ 53,418,373</u>               | <u>\$ 136,788,849</u>               |
| Total debt, gross                | (4,823,289)                        | (30,250,198)                        |
| Debt for non-capital assets      | 1,177,000                          | -                                   |
| Unexpended proceeds              | <u>171,042</u>                     | <u>-</u>                            |
| Total capital debt               | <u>(3,475,247)</u>                 | <u>(30,250,198)</u>                 |
| Net investment in capital assets | <u>\$ 49,943,126</u>               | <u>\$ 106,538,651</u>               |



# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### Note 7 – Liabilities

#### A. Payables

Payables at the government-wide level at June 30, 2016 were as follows:

|                                  | <u>Vendors</u>      | <u>Salaries and<br/>Benefits</u> | <u>Accrued<br/>Interest</u> | <u>Other</u>        | <u>Total</u>        |
|----------------------------------|---------------------|----------------------------------|-----------------------------|---------------------|---------------------|
| <b>Governmental Activities:</b>  |                     |                                  |                             |                     |                     |
| General                          | \$ 4,434,609        | \$ 1,039,010                     | \$ 16,670                   | \$ 1,520,126        | \$ 7,010,415        |
| General Capital Projects Fund    | 10,040              | -                                | -                           | -                   | 10,040              |
| Other governmental               | 128,543             | -                                | -                           | -                   | 128,543             |
| Total payables                   | <u>\$ 4,573,192</u> | <u>\$ 1,039,010</u>              | <u>\$ 16,670</u>            | <u>\$ 1,520,126</u> | <u>\$ 7,148,998</u> |
| <b>Business-Type Activities:</b> |                     |                                  |                             |                     |                     |
| Water and sewer                  | \$ 1,682,096        | \$ 132,274                       | \$ 147,776                  | \$ (16,339)         | \$ 1,945,807        |
| Transportation                   | 56,731              | 16,029                           | -                           | -                   | 72,760              |
| Solid waste                      | 115,183             | 38,978                           | -                           | 2,761               | 156,922             |
| Other business-type              | 181,848             | 3,920                            | -                           | -                   | 185,768             |
| Total payables                   | <u>\$ 2,035,858</u> | <u>\$ 191,201</u>                | <u>\$ 147,776</u>           | <u>\$ (13,578)</u>  | <u>\$ 2,361,257</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 June 2020. Future minimum lease payments under the above leases as of June 30, 2016 are as follows:

| <u>Year Ending June 30</u>   | <u>Amount</u>    |
|------------------------------|------------------|
| 2017                         | \$ 37,214        |
| 2018                         | 28,248           |
| 2019                         | 12,383           |
| 2020                         | <u>1,740</u>     |
| Total minimum lease payments | <u>\$ 79,585</u> |

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### 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.

| <u>Installment Purchase Agreement</u>   | <u>Principal<br/>Outstanding</u> | <u>Cumulative<br/>Fund Total</u> |
|---|----------------------------------|----------------------------------|
| <b>Serviced by General Fund:</b>  |                                  |                                  |
| \$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% | \$ 770,000                       |                                  |
| \$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%         | 385,618                          |                                  |
| \$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                                     | 707,000                          |                                  |
| \$3,000,000 TDA Parking Deck installment purchase agreement due in semi-annual installments of \$100,000 principal plus interest at 2.94% through October 22, 2029; non-capital debt for the City of Hickory  | 2,700,000                        |                                  |
| \$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   | <u>260,671</u>                   | <u>\$ 4,823,289</u>              |

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

|   | <u>Principal<br/>Outstanding</u> | <u>Cumulative<br/>Total</u> |
|---|----------------------------------|-----------------------------|
| <b>Serviced by the Water and Sewer Fund:</b>  |                                  |                             |
| \$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     | 4,275,000                        |                             |
| \$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% | 1,845,225                        |                             |
| \$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%                                | 498,688                          |                             |
| \$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>8,178,695</u>                 | <u>14,797,608</u>           |
| Total   |                                  | <u>\$ 19,620,897</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 |

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 \$16,788.

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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 \$14,875,000 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 \$560,802 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.

### 4. Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2016:

|  | <b>Long-Term<br/>Debt<br/>June 30, 2015</b> | <b>Additions</b>    | <b>Retirements</b>  | <b>Long-Term<br/>Debt<br/>June 30, 2016</b> | <b>Due<br/>Within<br/>One Year</b> |
|--|---|---------------------|---------------------|---|------------------------------------|
| <b>Governmental Activities:</b>  |   |                     |                     |   |                                    |
| Accrued liability law enforcement officers' unfunded retirement contribution | \$ 1,329,448                                | \$ 263,839          | \$ 263,229          | \$ 1,330,058                                | \$ -                               |
| Compensated absences   | 2,193,563                                   | 1,448,127           | 1,436,221           | 2,205,469                                   | 1,292,598                          |
| Unfunded OPEB obligation   | 7,154,511                                   | 1,023,178           | 1,072,910           | 7,104,779                                   | -                                  |
| Net pension liability (LGERS)  | -   | 1,822,912           | -                   | 1,822,912                                   | -                                  |
| Installment purchase agreements  | 6,015,976                                   | -                   | 1,192,687           | 4,823,289                                   | 1,192,687                          |
| Governmental activities long-term liabilities                                | <u>\$ 16,693,498</u>                        | <u>\$ 4,558,056</u> | <u>\$ 3,965,047</u> | <u>\$ 17,286,507</u>                        | <u>\$ 2,485,285</u>                |
| <b>Business-Type Activities:</b>   |   |                     |                     |   |                                    |
| <b>Water and Sewer:</b>  |   |                     |                     |   |                                    |
| Compensated absences   | \$ 395,736                                  | \$ 161,160          | \$ 161,350          | \$ 395,546                                  | \$ 145,215                         |
| Net pension liability (LGERS)  | -   | 296,877             | -                   | 296,877                                     | -                                  |
| Unfunded OPEB obligation   | 1,416,727                                   | 208,275             | 100,585             | 1,524,417                                   | -                                  |
| Installment purchase agreements  | 16,427,895                                  | -                   | 1,630,287           | 14,797,608                                  | 1,643,684                          |
| Notes payable  | 17,086,042                                  | -                   | 1,633,452           | 15,452,590                                  | 923,451                            |
| Water and Sewer long-term liabilities  | <u>35,326,400</u>                           | <u>666,312</u>      | <u>3,525,674</u>    | <u>32,467,038</u>                           | <u>2,712,350</u>                   |
| <b>Other Enterprise Funds:</b>   |   |                     |                     |   |                                    |
| Compensated absences   | 154,904                                     | 74,235              | 77,854              | 151,285                                     | 70,068                             |
| Net pension liability (LGERS)  | -   | 136,116             | -                   | 136,116                                     | -                                  |
| Unfunded OPEB obligation   | 653,190                                     | 90,994              | 67,057              | 677,127                                     | -                                  |
| Other enterprise funds long-term liabilities                                 | <u>808,094</u>                              | <u>301,345</u>      | <u>144,911</u>      | <u>964,528</u>                              | <u>70,068</u>                      |
| Business-type activities long-term liabilities                               | <u>\$ 36,134,494</u>                        | <u>\$ 967,657</u>   | <u>\$ 3,670,585</u> | <u>\$ 33,431,566</u>                        | <u>\$ 2,782,418</u>                |

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Compensated absences and the law enforcement officers' pension liability have typically have been liquidated in the General Fund for governmental activities. At June 30, 2016, the City had a legal debt margin of \$328,101,635.

### 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<br>Agreements |                     | Total                |                     |
|----------------------|----------------------|---------------------|------------------------------------|---------------------|----------------------|---------------------|
|                      | Principal            | Interest            | Principal                          | Interest            | Principal            | Interest            |
|                      |                      |                     |                                    |                     |                      |                     |
| <b>Governmental</b>  |                      |                     |                                    |                     |                      |                     |
| <b>Activities:</b>   |                      |                     |                                    |                     |                      |                     |
| 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                 | -                    | -                   | 200,000                            | 54,390              | 200,000              | 54,390              |
| 2022-2026            | -                    | -                   | 1,000,000                          | 183,750             | 1,000,000            | 183,750             |
| 2027-2030            | -                    | -                   | 700,000                            | 41,160              | 700,000              | 41,160              |
|                      | <u>-</u>             | <u>-</u>            | <u>4,823,289</u>                   | <u>626,536</u>      | <u>4,823,289</u>     | <u>626,536</u>      |
| <b>Business-Type</b> |                      |                     |                                    |                     |                      |                     |
| <b>Activities:</b>   |                      |                     |                                    |                     |                      |                     |
| 2017                 | 923,451              | 368,900             | 1,643,684                          | 360,927             | 2,567,135            | 729,827             |
| 2018                 | 923,451              | 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                 | 915,057              | 282,100             | 1,500,917                          | 203,541             | 2,415,974            | 485,641             |
| 2022-2026            | 4,575,287            | 1,085,000           | 5,416,259                          | 532,275             | 9,991,546            | 1,617,275           |
| 2027-2031            | 4,575,287            | 607,600             | 1,521,448                          | 43,415              | 6,096,735            | 651,015             |
| 2032-2035            | 1,709,943            | -                   | -                                  | -                   | 1,709,943            | -                   |
|                      | <u>15,452,590</u>    | <u>3,320,100</u>    | <u>14,797,608</u>                  | <u>1,981,765</u>    | <u>30,250,199</u>    | <u>5,301,865</u>    |
| <b>Total</b>         | <u>\$ 15,452,590</u> | <u>\$ 3,320,100</u> | <u>\$ 19,620,897</u>               | <u>\$ 2,608,301</u> | <u>\$ 35,073,488</u> | <u>\$ 5,928,401</u> |

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### **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 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](http://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.

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### 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, 2016, was 7.15% of compensation for law enforcement officers and 6.75% 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 \$1,789,731 for the year ended June 30, 2016.

### 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, 2016, the City reported a liability of \$2,255,905 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the City's proportion was 0.503%, which was decrease of 0.006% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$1,151,782. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| Differences between expected and actual experience  | \$ -  | \$ 530,275                                   |
| Net difference between projected and actual earnings on pension plan investments                          | -   | 642,250                                      |
| Changes in proportion and differences between City contributions and proportionate share of contributions | -   | 264,295                                      |
| City contributions subsequent to the measurement date   | 1,789,731                                     | -  |
| Total   | <u>\$ 1,789,731</u>                           | <u>\$ 1,436,820</u>                          |

## CITY OF HICKORY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

\$1,789,731 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year Ending</b> | <b>Amount</b>         |
|--------------------|-----------------------|
| <b>June 30</b>     |                       |
| 2017               | \$ (821,616)          |
| 2018               | (821,616)             |
| 2019               | (820,615)             |
| 2020               | 1,027,027             |
| 2021               | -                     |
| Thereafter         | -                     |
| Total              | <u>\$ (1,436,820)</u> |

#### 5. Actuarial Assumptions

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

|                           |   |
|---------------------------|---|
| Inflation                 | 3.0 percent   |
| Salary 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, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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



## CITY OF HICKORY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

| <b>Asset Class</b>   | <b>Target<br/>Allocation</b> | <b>Long-Term<br/>Expected Real<br/>Rate of Return</b> |
|----------------------|------------------------------|---|
| Fixed income         | 29.0%                        | 2.2%  |
| Global equity        | 42.0%                        | 5.8%  |
| Real estate          | 8.0%                         | 5.2%  |
| Alternatives         | 8.0%                         | 9.8%  |
| Credit               | 7.0%                         | 6.8%  |
| Inflation protection | 6.0%                         | 3.4%  |
| Total                | 100.0%                       |   |

The information above is based on 30-year expectations developed with the consulting actuary for the 2014 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

#### *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, 2016

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

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

|   | <b>1% Decrease</b>   | <b>Discount</b>     | <b>1% Increase</b>    |
|---|----------------------|---------------------|-----------------------|
|   | <b>(6.25%)</b>       | <b>Rate (7.25%)</b> | <b>(8.25%)</b>        |
| City's proportionate share of the net pension liability (asset) | <u>\$ 15,730,761</u> | <u>\$ 2,255,905</u> | <u>\$ (9,906,357)</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, 2015, the Separation Allowance's membership consisted of:

|                                       |            |
|---------------------------------------|------------|
| Retirees currently receiving benefits | 17         |
| Vested                                | -          |
| Non-vested                            | <u>117</u> |
| Total                                 | <u>134</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, 2016

### 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 \$263,229 were paid by the General Fund for the Separation Allowance.

The annual required contribution for the fiscal year ended June 30, 2016 was determined as part of the December 31, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.0% 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, 2014 was 16 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                     | \$ 314,194                 |
| Interest on net pension obligation               | 66,472                     |
| Adjustment to annual required contribution       | <u>(116,827)</u>           |
| Annual pension cost                              | 263,839                    |
| Employer contributions made for fiscal year      | <u>(263,229)</u>           |
| Increase (decrease) in net pension obligation    | 610                        |
| Net pension obligation, beginning of fiscal year | <u>1,329,448</u>           |
| Net pension obligation, end of fiscal year       | <u><u>\$ 1,330,058</u></u> |

## CITY OF HICKORY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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, 2014, 2015, and 2016 is as follows:

| <b>Fiscal<br/>Year Ended<br/>June 30</b> | <b>Annual<br/>Pension<br/>Cost (APC)</b> | <b>Percentage<br/>of APC<br/>Contributed</b> | <b>Net<br/>Pension<br/>Obligation</b> |
|--|--|--|---------------------------------------|
| 2014                                     | \$ 210,875                               | 105.10%                                      | \$ 1,329,995                          |
| 2015                                     | 252,715                                  | 100.22%                                      | 1,329,448                             |
| 2016                                     | 263,839                                  | 99.77%                                       | 1,330,058                             |

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, 2015, 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 \$3,299,125. The covered payroll (annual payroll of active employees covered by the plan) was \$5,373,660, and the ratio of the UAAL to the covered payroll was 61.39%.

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, 2016 were \$353,348, which consisted of \$252,696 from the City and \$100,652 from the law enforcement officers.

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### 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, 2016, 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:

| <b>No. Years<br/>Contributing</b> | <b>Years<br/>Relief</b> | <b>Contributions<br/>Resume</b> |
|-----------------------------------|-------------------------|---------------------------------|
| 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, 2016.

### 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.

## CITY OF HICKORY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

| Retired Employees' Years<br>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<br>the retiree             | Not eligible             |
| 20 to 30 years                                    | 25% of the cost of coverage<br>paid by the City  | Not eligible             |
| At least 30 years                                 | 100% of the cost of coverage<br>paid by the City | Not eligible             |

Currently, 80 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2016, the City made contributions to the plan of \$1,240,552. 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 2016, the City chose to fund the plan benefits on a pay-as-you-go basis.

The current annual required contribution (ARC) rate is 8.31% of annual covered payroll. For the current year, the City contributed \$1,240,552, or 7.03% 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, 2016

### 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)            | \$ 1,466,403               |
| Interest on new OPEB obligation               | 368,977                    |
| Adjustment to ARC                             | <u>(512,933)</u>           |
| Annual OPEB cost                              | 1,322,447                  |
| Contributions made for fiscal year            | <u>(1,240,552)</u>         |
| Increase in net OPEB obligation               | 81,895                     |
| Net OPEB obligation, beginning of fiscal year | <u>9,224,428</u>           |
| Net OPEB obligation end of fiscal year        | <u><u>\$ 9,306,323</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 2016 were as follows:

| <b>Fiscal<br/>Year Ended<br/>June 30</b> | <b>Annual<br/>OPEB<br/>Cost</b> | <b>Percentage of<br/>OPEB Cost<br/>Contributed</b> | <b>Net<br/>OPEB<br/>Obligation</b> |
|--|---------------------------------|--|------------------------------------|
| 2014                                     | \$ 1,505,201                    | 30.67%   | \$ 8,523,829                       |
| 2015                                     | 1,488,915                       | 52.90%   | 9,224,428                          |
| 2016                                     | 1,322,447                       | 93.81%   | 9,306,323                          |

### 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, 2016**

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, 2016, 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, 2016

### 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 \$824,679 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 \$695,447 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, 2016</u> | <u>June 30, 2015</u> |
|---|----------------------|----------------------|
| Unpaid claims, beginning of fiscal year | \$ 1,317,171         | \$ 1,133,044         |
| Incurred claims (including IBNRs)       | 6,078,915            | 6,589,598            |
| Claim payments                          | <u>(5,875,960)</u>   | <u>(6,405,471)</u>   |
| Unpaid claims, end of fiscal year       | <u>\$ 1,520,126</u>  | <u>\$ 1,317,171</u>  |

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### Note 13 – Interfund Activity

The transfers to/from other funds at June 30, 2016 consist of the following:

|  |                      |
|--|----------------------|
| From General Fund to Solid Waste Fund<br>for operational needs   | \$ 214,049           |
| From General Fund to General Capital Project Fund for operational needs<br>to close projects                                       | 214,016              |
| From Water and Sewer Fund to Stormwater Fund for operational needs   | 132,946              |
| From General Fund to Multi-Year Grant Project Fund for operational<br>needs, capital expenditures, and grant matching requirements | 32,812               |
| From General Fund to Capital Reserve Fund for<br>future capital expenditures   | 1,051,560            |
| From General Capital Project Fund to General Fund<br>to close projects   | 6,255                |
| From Water and Sewer Capital Projects Fund to Capital Reserve Fund<br>for future capital expenditures                              | 445,393              |
| From Water and Sewer Fund to Capital Reserve Fund for<br>future capital expenditures   | 740,000              |
| From General Fund to Stormwater Fund for<br>operational needs  | 132,947              |
| From Water and Sewer Fund to Water and Sewer Capital Project Fund for<br>capital project expenditures                              | 313,712              |
| From Transportation Fund to Transportation Capital Project Fund<br>capital project expenditures                                    | 33,000               |
| From Water and Sewer Fund to General Capital Project Fund  | 180,950              |
| From NCHFA Fund to CDBG Fund   | 6,794                |
| From Multi-Year Grants Project Fund to General Fund for<br>return of unspent project funding                                       | 2                    |
| From Capital Reserve Fund to General Fund for capital<br>expenditures  | 682,000              |
| From Capital Reserve Fund to Water and Sewer Fund for<br>for capital project expenditures  | 5,500,000            |
| From Capital Reserve Fund to Solid Waste Fund for<br>capital expenditures  | 427,000              |
| From Capital Reserve Fund to Water and Sewer Capital Project Fund for<br>capital project expenditures                              | 1,771,600            |
| From Capital Reserve Fund to General Capital Project<br>Fund for capital project expenditures                                      | 532,435              |
| Total interfund transfers  | <u>\$ 12,417,471</u> |

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The due to/from other funds at June 30, 2016 consist of the following:

| <u>Receivable Fund</u> | <u>Payable Fund</u>                           | <u>Amount</u> |
|------------------------|---|---------------|
| General Fund           | Fleet Management                              | \$ 607,330    |
| General Fund           | Community Development Entitlement Block Grant | 27,664        |
| General Fund           | Transportation Fund                           | 876,106       |

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. The Transportation Fund is reimbursing the General Fund for a loan that was paid by the General Fund.

### **Note 14 – Claims and Judgments**

At June 30, 2016, 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. See Note 18 for information regarding a lawsuit that was settled subsequent to year end.

### **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, 2016**

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

#### **B. Western Piedmont Council of Governments**

The Western Piedmont Council of Governments is a voluntary association of four counties and twenty-four municipalities. The Council was established by the participating governments to coordinate funding from federal and State agencies. Each county or municipality appoints one member to the Council's governing board, whose responsibilities include approving the budget and designating the management of the Council. The City paid membership dues of \$39,128 during the fiscal year ended June 30, 2016.

#### **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 \$1,093,134 for operations for the year ended June 30, 2016. 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 August 24, 2016, the City settled a lawsuit for \$2,250,650 that was outstanding as of June 30, 2016. The liability and expense have been booked in the current year for the settlement.

## **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**

### **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**



## CITY OF HICKORY, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL  
SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016

## Schedule of Funding Progress

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value<br>of Assets | Actuarial<br>Accrued<br>Liability (AAL) -<br>Projected<br>Unit Credit | Unfunded<br>AAL<br>(UAAL) | Funded<br>Ratio | Covered<br>Payroll | UAAL as a<br>Percent of<br>Covered<br>Payroll |
|--------------------------------|---------------------------------|---|---------------------------|-----------------|--------------------|---|
| 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%  |
| 12/31/2015                     | -                               | 3,299,125   | 3,299,125                 | 0.00%           | 5,373,660          | 61.39%  |

**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                | 12/31/2015          |
| Actuarial cost method         | Entry Age Normal    |
| Amortization method           | Level dollar closed |
| Remaining amortization period | 15 years            |
| Asset valuation method        | Market value        |
| Actuarial assumptions:        |                     |
| Investment rate of return*    | 3.57%               |
| Projected salary increases*   | 3.50-7.35%          |
| Cost of living adjustments    | N/A                 |

\*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, 2016

## Schedule of Funding Progress

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value<br>of Assets | Actuarial<br>Liability (AAL) -<br>Projected<br>Unit Credit | Unfunded<br>AAL<br>(UAAL) | Funded<br>Ratio | Covered<br>Payroll | UAAL as a<br>Percent of<br>Covered<br>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<br>June 30 | Annual<br>Required<br>Contribution<br>(ARC) | Percentage<br>of ARC<br>Contributed |
|-----------------------|---|-------------------------------------|
| 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%                              |
| 2016                  | 1,466,403                                   | 84.60%                              |

## 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  
LAST THREE FISCAL YEARS\***

| <b>Local Government Employees' Retirement System</b>   |               |                |               |
|--|---------------|----------------|---------------|
|  | <b>2016</b>   | <b>2015</b>    | <b>2014</b>   |
| Hickory's proportion of the net pension liability (asset) (%)  | 0.50266%      | 0.50893%       | 0.50100%      |
| Hickory's proportion of the net pension liability (asset) (\$)   | \$ 2,255,905  | \$ (3,001,397) | \$ 6,038,974  |
| Hickory's covered-employee payroll   | \$ 25,900,959 | \$ 25,586,063  | \$ 23,581,414 |
| Hickory's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 8.71%         | 11.73%         | 25.61%        |
| Plan fiduciary net position as a percentage of the total pension liability**                                       | 98.09%        | 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 THREE FISCAL YEARS****Local Government Employees' Retirement System**

|  | <b><u>2016</u></b> | <b><u>2015</u></b> | <b><u>2014</u></b> |
|--|--------------------|--------------------|--------------------|
| Contractually required contribution                                  | \$ 1,789,731       | \$ 1,848,000       | \$ 1,819,354       |
| Contributions in relation to the contractually required contribution | <u>1,789,731</u>   | <u>1,848,000</u>   | <u>1,819,354</u>   |
| Contribution deficiency (excess)                                     | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        |
| Hickory's covered-employee payroll                                   | \$ 26,213,071      | \$ 25,900,959      | \$ 25,586,063      |
| Contributions as a percentage of covered-employee payroll            | 6.83%              | 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.



## CITY OF HICKORY, NORTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - ACTUAL - GENERAL FUND CONSOLIDATED  
FOR THE YEAR ENDED JUNE 30, 2016**

|  | <b>General<br/>Fund</b> | <b>Capital<br/>Reserve<br/>Fund</b> | <b>Eliminations</b> | <b>Total<br/>General<br/>Fund</b> |
|--|-------------------------|-------------------------------------|---------------------|-----------------------------------|
| <b>Revenues:</b>   |                         |                                     |                     |                                   |
| Ad valorem taxes   | \$ 25,913,125           | \$ -                                | \$ -                | \$ 25,913,125                     |
| Other taxes  | 15,877,765              | -                                   | -                   | 15,877,765                        |
| Unrestricted intergovernmental revenues  | 595,737                 | -                                   | -                   | 595,737                           |
| Restricted intergovernmental revenues  | 2,410,063               | -                                   | -                   | 2,410,063                         |
| Licenses and permits   | 7,886                   | -                                   | -                   | 7,886                             |
| Sales and services   | 1,845,522               | -                                   | -                   | 1,845,522                         |
| Investment earnings  | 225,072                 | 49,138                              | -                   | 274,210                           |
| Miscellaneous  | 429,417                 | -                                   | -                   | 429,417                           |
| Total revenues   | <u>47,304,587</u>       | <u>49,138</u>                       | <u>-</u>            | <u>47,353,725</u>                 |
| <b>Expenditures:</b>   |                         |                                     |                     |                                   |
| Current:   |                         |                                     |                     |                                   |
| General government   | 8,032,108               | -                                   | -                   | 8,032,108                         |
| Public safety  | 22,681,899              | -                                   | -                   | 22,681,899                        |
| Transportation   | 5,223,283               | -                                   | -                   | 5,223,283                         |
| Economic and physical development  | 3,219,210               | -                                   | -                   | 3,219,210                         |
| Culture and recreation   | 5,789,241               | -                                   | -                   | 5,789,241                         |
| Debt service:  |                         |                                     |                     |                                   |
| Principal retirement   | 1,192,687               | -                                   | -                   | 1,192,687                         |
| Interest fees  | 153,911                 | -                                   | -                   | 153,911                           |
| Total expenditures   | <u>46,292,339</u>       | <u>-</u>                            | <u>-</u>            | <u>46,292,339</u>                 |
| Revenues over (under) expenditures   | <u>1,012,248</u>        | <u>49,138</u>                       | <u>-</u>            | <u>1,061,386</u>                  |
| <b>Other Financing Sources (Uses):</b>   |                         |                                     |                     |                                   |
| Transfers in   | 688,257                 | 2,236,953                           | (1,733,560)         | 1,191,650                         |
| Transfers out  | (1,645,384)             | (8,913,035)                         | 1,733,560           | (8,824,859)                       |
| Total other financing sources (uses)   | <u>(957,127)</u>        | <u>(6,676,082)</u>                  | <u>-</u>            | <u>(7,633,209)</u>                |
| Net change in fund balances  | 55,121                  | (6,626,944)                         | -                   | (6,571,823)                       |
| <b>Reconciliaton from Budgetary Basis of<br/>Accounting to Modified Accrual Basis:</b> |                         |                                     |                     |                                   |
| Current year note receivable payments  | (702,800)               | -                                   | -                   | (702,800)                         |
| Net change in fund balance modified accrual  | <u>(647,679)</u>        | <u>(6,626,944)</u>                  | <u>-</u>            | <u>(7,274,623)</u>                |
| <b>Fund Balance:</b>   |                         |                                     |                     |                                   |
| Fund balance, beginning  | <u>29,222,771</u>       | <u>11,437,451</u>                   | <u>-</u>            | <u>40,660,222</u>                 |
| End of year - June 30  | <u>\$ 28,575,092</u>    | <u>\$ 4,810,507</u>                 | <u>\$ -</u>         | <u>\$ 33,385,599</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, 2016

|   | <u>Final<br/>Budget</u> | <u>Actual</u>     | <u>Variance<br/>Over/Under</u> |
|---|-------------------------|-------------------|--------------------------------|
| <b>Revenues:</b>                                |                         |                   |                                |
| <b>Ad Valorem Taxes:</b>                        |                         |                   |                                |
| Current year                                    | \$ 24,236,613           | \$ 25,344,512     | \$ 1,107,899                   |
| Prior years                                     | 625,000                 | 421,503           | (203,497)                      |
| Penalties and interest                          | 135,000                 | 147,110           | 12,110                         |
| Less refunds                                    | (10,000)                | -                 | 10,000                         |
| Total   | <u>24,986,613</u>       | <u>25,913,125</u> | <u>926,512</u>                 |
| <b>Other Taxes:</b>                             |                         |                   |                                |
| Local option sales tax                          | 8,710,000               | 9,698,345         | 988,345                        |
| Franchise tax                                   | 2,400,000               | 3,072,413         | 672,413                        |
| Telecommunication tax                           | 1,060,000               | 894,621           | (165,379)                      |
| Hickory-Conover motel/occupancy tax             | 1,400,000               | 1,888,878         | 488,878                        |
| Vehicle tag tax                                 | 160,000                 | 174,458           | 14,458                         |
| Gross receipts tax                              | <u>118,165</u>          | <u>149,050</u>    | <u>30,885</u>                  |
| Total   | <u>13,848,165</u>       | <u>15,877,765</u> | <u>2,029,600</u>               |
| <b>Unrestricted Intergovernmental Revenues:</b> |                         |                   |                                |
| Payments in lieu of taxes                       | 30,000                  | 22,690            | (7,310)                        |
| Beer and wine                                   | 175,000                 | 177,419           | 2,419                          |
| Traffic control                                 | 234,128                 | 305,628           | 71,500                         |
| Public school resource officer                  | <u>90,000</u>           | <u>90,000</u>     | <u>-</u>                       |
| Total   | <u>529,128</u>          | <u>595,737</u>    | <u>66,609</u>                  |
| <b>Restricted Intergovernmental Revenues:</b>   |                         |                   |                                |
| Federal grants                                  | 9,797                   | 39,930            | 30,133                         |
| State grants                                    | 1,623,625               | 1,620,856         | (2,769)                        |
| Local grants                                    | -                       | 16,844            | 16,844                         |
| Catawba County for library                      | 207,500                 | 213,000           | 5,500                          |
| Catawba County for police                       | 52,421                  | 52,421            | -                              |
| Catawba County fire district tax                | 300,000                 | 390,040           | 90,040                         |
| Catawba County for volunteer fire               | 9,900                   | 9,900             | -                              |
| Catawba County for convention center            | <u>67,200</u>           | <u>67,072</u>     | <u>(128)</u>                   |
| Total   | <u>2,270,443</u>        | <u>2,410,063</u>  | <u>139,620</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, 2016

|                              | Final<br>Budget   | Actual            | Variance<br>Over/Under |
|------------------------------|-------------------|-------------------|------------------------|
| <b>Licenses and Permits:</b> |                   |                   |                        |
| Privilege licenses           | -                 | 204               | 204                    |
| Beer and wine licenses       | 4,500             | 4,528             | 28                     |
| Building permits             | 2,100             | 1,760             | (340)                  |
| Taxi permits                 | 655               | 794               | 139                    |
| Miscellaneous permits        | -                 | 600               | 600                    |
| Total                        | <u>7,255</u>      | <u>7,886</u>      | <u>631</u>             |
| <b>Sales and Services:</b>   |                   |                   |                        |
| Recreation services          | 204,880           | 212,587           | 7,707                  |
| Fire department services     | 163,500           | 181,543           | 18,043                 |
| Police department services   | 25,000            | 30,957            | 5,957                  |
| Street paving                | 10,000            | 5,388             | (4,612)                |
| Franchise fees               | 105,000           | 109,642           | 4,642                  |
| Parking rentals              | 60,000            | 53,164            | (6,836)                |
| Library services             | 48,000            | 45,358            | (2,642)                |
| Rents and royalties          | 966,385           | 1,035,509         | 69,124                 |
| Cemetery plots               | 30,000            | 38,925            | 8,925                  |
| District court fees          | 123,000           | 95,198            | (27,802)               |
| Communications               | -                 | 260               | 260                    |
| Plan reviews                 | 20,000            | 36,991            | 16,991                 |
| Total                        | <u>1,755,765</u>  | <u>1,845,522</u>  | <u>89,757</u>          |
| <b>Investment Earnings</b>   | <u>125,000</u>    | <u>225,072</u>    | <u>100,072</u>         |
| <b>Miscellaneous:</b>        |                   |                   |                        |
| Donations                    | 173,507           | 156,490           | (17,017)               |
| Advertising fees             | 1,000             | -                 | (1,000)                |
| Insurance claims             | 75,173            | 29,175            | (45,998)               |
| Sale of properties           | 34,000            | 37,318            | 3,318                  |
| Other                        | 172,000           | 206,434           | 34,434                 |
| Total                        | <u>455,680</u>    | <u>429,417</u>    | <u>(26,263)</u>        |
| Total revenues               | <u>43,978,049</u> | <u>47,304,587</u> | <u>3,326,538</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, 2016**

|                                   | <b>Final<br/>Budget</b> | <b>Actual</b> | <b>Variance<br/>Over/Under</b> |
|-----------------------------------|-------------------------|---------------|--------------------------------|
| <b>Expenditures:</b>              |                         |               |                                |
| <b>General Government:</b>        |                         |               |                                |
| <b>Governing Body:</b>            |                         |               |                                |
| Salaries and employee benefits    | 902,784                 | 427,616       | 475,168                        |
| Operating expenditures            | 157,424                 | 147,463       | 9,961                          |
| Administrative reimbursement      | (184,798)               | (184,798)     | -                              |
| Total                             | 875,410                 | 390,281       | 485,129                        |
| <b>Administration:</b>            |                         |               |                                |
| Salaries and employee benefits    | 957,757                 | 975,355       | (17,598)                       |
| Operating expenditures            | 138,033                 | 114,122       | 23,911                         |
| Capital outlay                    | 4,239                   | 3,743         | 496                            |
| Administrative reimbursement      | (326,990)               | (326,990)     | -                              |
| Total                             | 773,039                 | 766,230       | 6,809                          |
| <b>Budget and Administration:</b> |                         |               |                                |
| Salaries and employee benefits    | 527,040                 | 521,484       | 5,556                          |
| Operating expenditures            | 182,193                 | 124,384       | 57,809                         |
| Capital outlay                    | 44,964                  | 31,543        | 13,421                         |
| Administrative reimbursement      | (263,055)               | (263,055)     | -                              |
| Total                             | 491,142                 | 414,356       | 76,786                         |
| <b>Finance:</b>                   |                         |               |                                |
| Salaries and employee benefits    | 1,119,180               | 914,640       | 204,540                        |
| Operating expenditures            | 375,702                 | 373,488       | 2,214                          |
| Capital outlay                    | 10,287                  | 10,287        | -                              |
| Administrative reimbursement      | (1,230,690)             | (1,230,690)   | -                              |
| Total                             | 274,479                 | 67,725        | 206,754                        |
| <b>Information Technology:</b>    |                         |               |                                |
| Salaries and employee benefits    | 555,748                 | 495,981       | 59,767                         |
| Operating expenditures            | 623,873                 | 580,850       | 43,023                         |
| Capital outlay                    | 59,509                  | 59,245        | 264                            |
| Administrative reimbursement      | (121,460)               | (121,460)     | -                              |
| Total                             | 1,117,670               | 1,014,616     | 103,054                        |



**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, 2016**

|                                | <b>Final<br/>Budget</b> | <b>Actual</b>    | <b>Variance<br/>Over/Under</b> |
|--------------------------------|-------------------------|------------------|--------------------------------|
| <b>City Clerk:</b>             |                         |                  |                                |
| Salaries and employee benefits | 80,496                  | 81,224           | (728)                          |
| Operating expenditures         | 43,261                  | 13,450           | 29,811                         |
| Capital outlay                 | 1,400                   | 1,230            | 170                            |
| Administrative reimbursement   | (58,010)                | (58,010)         | -                              |
| Total                          | <u>67,147</u>           | <u>37,894</u>    | <u>29,253</u>                  |
| <b>Legal:</b>                  |                         |                  |                                |
| Salaries and employee benefits | 171,407                 | 173,843          | (2,436)                        |
| Operating expenditures         | 2,360,380               | 2,372,564        | (12,184)                       |
| Capital outlay                 | 3,500                   | 2,725            | 775                            |
| Administrative reimbursement   | (59,013)                | (59,013)         | -                              |
| Total                          | <u>2,476,274</u>        | <u>2,490,119</u> | <u>(13,845)</u>                |
| <b>Engineering:</b>            |                         |                  |                                |
| Salaries and employee benefits | 489,889                 | 326,374          | 163,515                        |
| Operating expenditures         | 46,472                  | 34,462           | 12,010                         |
| Capital outlay                 | 17,500                  | 15,565           | 1,935                          |
| Administrative reimbursement   | (121,689)               | (121,689)        | -                              |
| Total                          | <u>432,172</u>          | <u>254,712</u>   | <u>177,460</u>                 |
| <b>Building Services:</b>      |                         |                  |                                |
| Salaries and employee benefits | 324,500                 | 328,435          | (3,935)                        |
| Operating expenditures         | 70,877                  | 55,303           | 15,574                         |
| Capital outlay                 | 1,597                   | 1,597            | -                              |
| Administrative reimbursement   | (300,804)               | (300,804)        | -                              |
| Total                          | <u>96,170</u>           | <u>84,531</u>    | <u>11,639</u>                  |
| <b>Central Services:</b>       |                         |                  |                                |
| Salaries and employee benefits | 464,543                 | 484,593          | (20,050)                       |
| Operating expenditures         | 148,928                 | 111,117          | 37,811                         |
| Capital outlay                 | 107,135                 | 104,825          | 2,310                          |
| Administrative reimbursement   | (254,891)               | (254,891)        | -                              |
| Total                          | <u>465,715</u>          | <u>445,644</u>   | <u>20,071</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, 2016**

|                                | <b>Final<br/>Budget</b> | <b>Actual</b>     | <b>Variance<br/>Over/Under</b> |
|--------------------------------|-------------------------|-------------------|--------------------------------|
| <b>Public Buildings:</b>       |                         |                   |                                |
| Salaries and employee benefits | 26,500                  | 26,313            | 187                            |
| Operating expenditures         | 316,962                 | 296,028           | 20,934                         |
| Capital outlay                 | 1,026,105               | 864,915           | 161,190                        |
| Administrative reimbursement   | (8,076)                 | (8,076)           | -                              |
| Total                          | <u>1,361,491</u>        | <u>1,179,180</u>  | <u>182,311</u>                 |
| <b>Landscape Services:</b>     |                         |                   |                                |
| Salaries and employee benefits | 784,642                 | 664,996           | 119,646                        |
| Operating expenditures         | 306,834                 | 274,755           | 32,079                         |
| Capital outlay                 | 29,528                  | 22,204            | 7,324                          |
| Administrative reimbursement   | (120,265)               | (120,265)         | -                              |
| Total                          | <u>1,000,739</u>        | <u>841,690</u>    | <u>159,049</u>                 |
| <b>District Court:</b>         |                         |                   |                                |
| Operating expenditures         | 64,504                  | 43,316            | 21,188                         |
| Administrative reimbursement   | 1,814                   | 1,814             | -                              |
| Total                          | <u>66,318</u>           | <u>45,130</u>     | <u>21,188</u>                  |
| Total general government       | <u>9,497,766</u>        | <u>8,032,108</u>  | <u>1,465,658</u>               |
| <b>Public Safety:</b>          |                         |                   |                                |
| <b>Police:</b>                 |                         |                   |                                |
| Salaries and employee benefits | 8,803,363               | 8,700,351         | 103,012                        |
| Operating expenditures         | 2,151,385               | 1,857,081         | 294,304                        |
| Capital outlay                 | 1,044,595               | 846,123           | 198,472                        |
| Administrative reimbursement   | 2,558                   | 2,558             | -                              |
| Total                          | <u>12,001,901</u>       | <u>11,406,113</u> | <u>595,788</u>                 |
| <b>Department of Justice:</b>  |                         |                   |                                |
| Operating expenditures         | 34,829                  | 31,824            | 3,005                          |
| Capital outlay                 | 12,789                  | 11,000            | 1,789                          |
| Total                          | <u>47,618</u>           | <u>42,824</u>     | <u>4,794</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, 2016

|                                       | Final<br>Budget | Actual     | Variance<br>Over/Under |
|---------------------------------------|-----------------|------------|------------------------|
| <b>NC Unauthorized Substance Tax:</b> |                 |            |                        |
| Operating expenditures                | 37,112          | 36,965     | 147                    |
| <b>Fire:</b>                          |                 |            |                        |
| Salaries and employee benefits        | 8,098,674       | 7,990,689  | 107,985                |
| Operating expenditures                | 1,585,491       | 1,428,844  | 156,647                |
| Capital outlay                        | 1,455,638       | 1,443,975  | 11,663                 |
| Administrative reimbursement          | (34,429)        | (34,429)   | -                      |
| Total                                 | 11,105,374      | 10,829,079 | 276,295                |
| <b>Code Enforcement:</b>              |                 |            |                        |
| Salaries and employee benefits        | 300,834         | 254,594    | 46,240                 |
| Operating expenditures                | 83,883          | 40,149     | 43,734                 |
| Capital outlay                        | 72,374          | 72,175     | 199                    |
| Total                                 | 457,091         | 366,918    | 90,173                 |
| Total public safety                   | 23,649,096      | 22,681,899 | 967,197                |
| <b>Transportation:</b>                |                 |            |                        |
| <b>Traffic:</b>                       |                 |            |                        |
| Salaries and employee benefits        | 576,725         | 485,400    | 91,325                 |
| Operating expenditures                | 1,232,160       | 1,168,560  | 63,600                 |
| Capital outlay                        | 60,373          | 59,290     | 1,083                  |
| Administrative reimbursement          | (14,149)        | (14,149)   | -                      |
| Total                                 | 1,855,109       | 1,699,101  | 156,008                |
| <b>Street:</b>                        |                 |            |                        |
| Salaries and employee benefits        | 2,010,006       | 1,613,282  | 396,724                |
| Operating expenditures                | 1,826,804       | 1,682,473  | 144,331                |
| Capital outlay                        | 490,691         | 285,309    | 205,382                |
| Administrative reimbursement          | (56,882)        | (56,882)   | -                      |
| Total                                 | 4,270,619       | 3,524,182  | 746,437                |
| Total transportation                  | 6,125,728       | 5,223,283  | 902,445                |

# 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, 2016

|   | <u>Final<br/>Budget</u> | <u>Actual</u>    | <u>Variance<br/>Over/Under</u> |
|---|-------------------------|------------------|--------------------------------|
| <b>Economic and Physical Development:</b> |                         |                  |                                |
| <b>Planning:</b>                          |                         |                  |                                |
| Salaries and employee benefits            | 548,831                 | 514,341          | 34,490                         |
| Operating expenditures                    | 100,121                 | 81,832           | 18,289                         |
| Capital outlay                            | 5,000                   | 4,295            | 705                            |
| Administrative reimbursement              | (29,763)                | (29,763)         | -                              |
| Total                                     | <u>624,189</u>          | <u>570,705</u>   | <u>53,484</u>                  |
| <b>Economic Development:</b>              |                         |                  |                                |
| Operating expenditures                    | <u>2,434,582</u>        | <u>2,648,505</u> | <u>(213,923)</u>               |
| Total economic and physical development   | <u>3,058,771</u>        | <u>3,219,210</u> | <u>(160,439)</u>               |
| <b>Culture and Recreation:</b>            |                         |                  |                                |
| <b>Recreation:</b>                        |                         |                  |                                |
| Salaries and employee benefits            | 2,263,494               | 2,257,347        | 6,147                          |
| Operating expenditures                    | 1,114,868               | 1,004,303        | 110,565                        |
| Capital outlay                            | 897,119                 | 427,742          | 469,377                        |
| Administrative reimbursement              | 42,193                  | 42,193           | -                              |
| Total                                     | <u>4,317,674</u>        | <u>3,731,585</u> | <u>586,089</u>                 |
| <b>Library:</b>                           |                         |                  |                                |
| Salaries and employee benefits            | 1,259,620               | 1,125,198        | 134,422                        |
| Operating expenditures                    | 976,605                 | 815,664          | 160,941                        |
| Capital outlay                            | 117,689                 | 115,116          | 2,573                          |
| Administrative reimbursement              | 1,678                   | 1,678            | -                              |
| Total                                     | <u>2,355,592</u>        | <u>2,057,656</u> | <u>297,936</u>                 |
| Total culture and recreation              | <u>6,673,266</u>        | <u>5,789,241</u> | <u>884,025</u>                 |
| <b>Debt Service:</b>                      |                         |                  |                                |
| Principal                                 | 1,192,690               | 1,192,687        | 3                              |
| Interest                                  | 153,914                 | 153,911          | 3                              |
| Total                                     | <u>1,346,604</u>        | <u>1,346,598</u> | <u>6</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, 2016**

|  | <b>Final<br/>Budget</b> | <b>Actual</b> | <b>Variance<br/>Over/Under</b> |
|--|-------------------------|---------------|--------------------------------|
| Contingency  | 549,000                 | -             | 549,000                        |
| Total expenditures   | 50,900,231              | 46,292,339    | 4,607,892                      |
| Revenues over (under) expenditures   | (6,922,182)             | 1,012,248     | 7,934,430                      |
| <b>Other Financing Sources (Uses):</b>   |                         |               |                                |
| Transfers in (out):  |                         |               |                                |
| Capital Reserve Fund   | 682,000                 | 682,000       | -                              |
| General Capital Projects Fund  | 6,256                   | 6,255         | (1)                            |
| Multi-Year Grant Projects Fund   | 2                       | 2             | -                              |
| General Capital Projects Fund  | (214,016)               | (214,016)     | -                              |
| Multi-Year Grant Projects Fund   | (32,813)                | (32,812)      | 1                              |
| Capital Reserve Fund   | (1,051,560)             | (1,051,560)   | -                              |
| Stormwater Fund  | (132,947)               | (132,947)     | -                              |
| Transportation Fund  | (900,000)               | -             | 900,000                        |
| Solid Waste Fund   | (214,049)               | (214,049)     | -                              |
| Total other financing sources (uses)   | (1,857,127)             | (957,127)     | 900,000                        |
| Revenues and other financing sources over<br>(under) expenditures and other financing uses | (8,779,309)             | 55,121        | 8,834,430                      |
| Appropriated fund balance  | 8,779,309               | -             | (8,779,309)                    |
| Net change in fund balance   | \$ -                    | 55,121        | \$ 55,121                      |

### **Reconciliation from Budgetary Basis of Accounting to Modified Accrual Basis:**

|   |           |
|---|-----------|
| Current year note receivable payments       | (702,800) |
| Net change in fund balance modified accrual | (647,679) |

### **Fund Balance:**

|                         |               |
|-------------------------|---------------|
| Fund balance, beginning | 29,222,771    |
| End of year - June 30   | \$ 28,575,092 |

## 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, 2016**

|  | Capital Reserve Fund         |              |   |
|--|------------------------------|--------------|---|
|  | Budgeted<br>Amounts<br>Final | Actual       | Variance with<br>Final Budget<br>Over/Under |
| <b>Revenues:</b>   |                              |              |   |
| Investment earnings  | \$ -                         | \$ 49,138    | \$ 49,138                                   |
| Total revenues   | -                            | 49,138       | 49,138                                      |
| Revenues over (under) expenditures   | -                            | 49,138       | 49,138                                      |
| <b>Other Financing Sources (Uses):</b>   |                              |              |   |
| Transfers out  | (8,913,035)                  | (8,913,035)  | -   |
| Transfers in   | 2,236,954                    | 2,236,953    | (1)   |
| Total other financing sources (uses)   | (6,676,081)                  | (6,676,082)  | (1)   |
| Revenues and other financing sources over<br>(under) expenditures and other financing uses | (6,676,081)                  | (6,626,944)  | 49,137                                      |
| Appropriated fund balance  | 6,676,081                    | -            | (6,676,081)                                 |
| Net change in fund balance   | \$ -                         | (6,626,944)  | \$ (6,626,944)                              |
| <b>Fund Balance:</b>   |                              |              |   |
| Beginning of year - July 1   |                              | 11,437,451   |   |
| End of year - June 30  |                              | \$ 4,810,507 |   |

## **Nonmajor Governmental Funds**

**CITY OF HICKORY, NORTH CAROLINA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2016**

|   | <b>General<br/>Capital<br/>Projects</b> | <b>Community<br/>Development<br/>Entitlement<br/>Block Grant</b> | <b>Home<br/>Consortium<br/>Grant</b> |
|---|---|--|--------------------------------------|
| <b>Assets:</b>  |   |  |                                      |
| Cash and cash equivalents   | \$ 1,053,395                            | \$ -   | \$ 29,115                            |
| Accounts receivable, net  | 81,536                                  | 1,102,257  | 6,054                                |
| Due from other governmental agencies                                      | 256,690                                 | 109,342  | -                                    |
| Prepaid   | -                                       | 330  | -                                    |
| Restricted cash and cash equivalents                                      | 171,042                                 | -  | -                                    |
| Total assets  | <u>\$ 1,562,663</u>                     | <u>\$ 1,211,929</u>  | <u>\$ 35,169</u>                     |
| <b>Liabilities, Deferred Inflows of Resources,<br/>and Fund Balances:</b> |   |  |                                      |
| <b>Liabilities:</b>   |   |  |                                      |
| Accounts payable and accrued liabilities                                  | \$ 10,040                               | \$ 82,807  | \$ 1,760                             |
| Due to other funds  | -                                       | 27,664   | -                                    |
| Total liabilities   | <u>10,040</u>                           | <u>110,471</u>   | <u>1,760</u>                         |
| <b>Deferred Inflows of Resources:</b>                                     |   |  |                                      |
| Economic development receivable   | -                                       | 880,268  | 5,067                                |
| <b>Fund Balances:</b>   |   |  |                                      |
| Non-spendable   | -                                       | 330  | -                                    |
| Restricted for stabilization for State statute                            | 338,226                                 | 331,331  | 987                                  |
| Restricted for economic development                                       | 1,214,397                               | -  | -                                    |
| Committed for economic development  | -                                       | -  | 27,355                               |
| Unassigned  | -                                       | (110,471)  | -                                    |
| Total fund balances   | <u>1,552,623</u>                        | <u>221,190</u>   | <u>28,342</u>                        |
| Total liabilities, deferred inflows of resources,<br>and fund balances    | <u>\$ 1,562,663</u>                     | <u>\$ 1,211,929</u>  | <u>\$ 35,169</u>                     |



CITY OF HICKORY, NORTH CAROLINA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2016

|   | NCHFA<br>Rental<br>Rehabilitation<br>Grant | Multi-Year<br>Grant<br>Projects | Total               |
|---|--|---------------------------------|---------------------|
| <b>Assets:</b>  |  |                                 |                     |
| Cash and cash equivalents   | \$ 142,872                                 | \$ 12,018                       | \$ 1,237,400        |
| Accounts receivable, net  | 27,904                                     | -                               | 1,217,751           |
| Due from other governmental agencies                                      | 43,543                                     | 49,695                          | 459,270             |
| Prepaid   | -  | -                               | 330                 |
| Restricted cash and cash equivalents                                      | -  | -                               | 171,042             |
| Total assets  | <u>\$ 214,319</u>                          | <u>\$ 61,713</u>                | <u>\$ 3,085,793</u> |
| <b>Liabilities, Deferred Inflows of Resources,<br/>and Fund Balances:</b> |  |                                 |                     |
| <b>Liabilities:</b>   |  |                                 |                     |
| Accounts payable and accrued liabilities                                  | \$ 1,496                                   | \$ 42,480                       | \$ 138,583          |
| Due to other funds  | -  | -                               | 27,664              |
| Total liabilities   | <u>1,496</u>                               | <u>42,480</u>                   | <u>166,247</u>      |
| <b>Deferred Inflows of Resources:</b>                                     |  |                                 |                     |
| Economic development receivable   | <u>27,632</u>                              | <u>-</u>                        | <u>912,967</u>      |
| <b>Fund Balances:</b>   |  |                                 |                     |
| Non-spendable   | -  | -                               | 330                 |
| Restricted for stabilization for State statute                            | 43,815                                     | 49,695                          | 764,054             |
| Restricted for economic development                                       | -  | -                               | 1,214,397           |
| Committed for economic development  | 141,376                                    | -                               | 168,731             |
| Unassigned  | -  | (30,462)                        | (140,933)           |
| Total fund balances   | <u>185,191</u>                             | <u>19,233</u>                   | <u>2,006,579</u>    |
| Total liabilities, deferred inflows of resources,<br>and fund balances    | <u>\$ 214,319</u>                          | <u>\$ 61,713</u>                | <u>\$ 3,085,793</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, 2016**

|  | <b>General<br/>Capital<br/>Projects</b> | <b>Community<br/>Development<br/>Entitlement<br/>Block Grant</b> | <b>Home<br/>Consortium<br/>Grant</b> |
|--|---|--|--------------------------------------|
| <b>Revenues:</b>                       |   |  |                                      |
| Restricted intergovernmental           | \$ 80,679                               | \$ 421,147   | \$ -                                 |
| Investment earnings                    | 4,469                                   | 251  | 230                                  |
| Miscellaneous                          | -                                       | 275,074  | 15,361                               |
| Total revenues                         | <u>85,148</u>                           | <u>696,472</u>   | <u>15,591</u>                        |
| <b>Expenditures:</b>                   |   |  |                                      |
| Public safety                          | -                                       | -  | -                                    |
| Economic and physical development      | -                                       | 693,915  | 1,760                                |
| Capital outlay                         | <u>1,121,950</u>                        | <u>-</u>   | <u>-</u>                             |
| Total expenditures                     | <u>1,121,950</u>                        | <u>693,915</u>   | <u>1,760</u>                         |
| Revenues over (under) expenditures     | <u>(1,036,802)</u>                      | <u>2,557</u>   | <u>13,831</u>                        |
| <b>Other Financing Sources (Uses):</b> |   |  |                                      |
| Transfers in                           | 927,401                                 | -  | -                                    |
| Transfers (out)                        | <u>(6,255)</u>                          | <u>-</u>   | <u>-</u>                             |
| Total other financing sources (uses)   | <u>921,146</u>                          | <u>-</u>   | <u>-</u>                             |
| Net change in fund balances            | (115,656)                               | 2,557  | 13,831                               |
| <b>Fund Balances:</b>                  |   |  |                                      |
| Beginning of year - July 1             | <u>1,668,279</u>                        | <u>218,633</u>   | <u>14,511</u>                        |
| End of year - June 30                  | <u>\$ 1,552,623</u>                     | <u>\$ 221,190</u>  | <u>\$ 28,342</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, 2016**

|  | <b>NCHFA<br/>Rental<br/>Rehabilitation<br/>Grant</b> | <b>Multi-Year<br/>Grant<br/>Projects</b> | <b>Total</b>        |
|--|--|--|---------------------|
| <b>Revenues:</b>                       |  |  |                     |
| Restricted intergovernmental           | \$ 70,237  | \$ 140,584                               | \$ 712,647          |
| Investment earnings                    | 1,376  | 166                                      | 6,492               |
| Miscellaneous                          | 156,093  | -  | 446,528             |
| Total revenues                         | <u>227,706</u>                                       | <u>140,750</u>                           | <u>1,165,667</u>    |
| <b>Expenditures:</b>                   |  |  |                     |
| Public safety                          | -  | 125,813                                  | 125,813             |
| Economic and physical development      | 82,698   | 48,047                                   | 826,420             |
| Capital outlay                         | -  | -  | 1,121,950           |
| Total expenditures                     | <u>82,698</u>  | <u>173,860</u>                           | <u>2,074,183</u>    |
| Revenues over (under) expenditures     | <u>145,008</u>                                       | <u>(33,110)</u>                          | <u>(908,516)</u>    |
| <b>Other Financing Sources (Uses):</b> |  |  |                     |
| Transfers in                           | -  | 32,812                                   | 960,213             |
| Transfers (out)                        | -  | (2)                                      | (6,257)             |
| Total other financing sources (uses)   | <u>-</u>   | <u>32,810</u>                            | <u>953,956</u>      |
| Net change in fund balances            | 145,008  | (300)                                    | 45,440              |
| <b>Fund Balances:</b>                  |  |  |                     |
| Beginning of year - July 1             | <u>40,183</u>  | <u>19,533</u>                            | <u>1,961,139</u>    |
| End of year - June 30                  | <u>\$ 185,191</u>                                    | <u>19,233</u>                            | <u>\$ 2,006,579</u> |



## **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.



## 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, 2016**

|  |                                  | <b>Actual</b>          |                         |                          |                                |
|--|----------------------------------|------------------------|-------------------------|--------------------------|--------------------------------|
|  | <b>Project<br/>Authorization</b> | <b>Prior<br/>Years</b> | <b>Current<br/>Year</b> | <b>Total to<br/>Date</b> | <b>Variance<br/>Over/Under</b> |
| <b>Revenues:</b>                       |                                  |                        |                         |                          |                                |
| Federal grants                         | \$ 5,502,945                     | \$ 2,595,475           | \$ 80,679               | \$ 2,676,154             | \$ (2,826,791)                 |
| State grants                           | 249,234                          | 249,233                | -                       | 249,233                  | (1)                            |
| Investment earnings                    | 75,000                           | 11,746                 | 4,469                   | 16,215                   | (58,785)                       |
| Miscellaneous                          | 651,400                          | 108,422                | -                       | 108,422                  | (542,978)                      |
| Total revenues                         | <u>6,478,579</u>                 | <u>2,964,876</u>       | <u>85,148</u>           | <u>3,050,024</u>         | <u>(3,428,555)</u>             |
| <b>Expenditures:</b>                   |                                  |                        |                         |                          |                                |
| Capital outlay:                        |                                  |                        |                         |                          |                                |
| General government:                    |                                  |                        |                         |                          |                                |
| Parking deck                           | 3,000,000                        | 2,382,695              | 446,459                 | 2,829,154                | 170,846                        |
| Radio system upgrade                   | 1,671,353                        | 1,671,352              | -                       | 1,671,352                | 1                              |
| Transportation:                        |                                  |                        |                         |                          |                                |
| Sandy Ridge Intersection               | 2,691,250                        | -                      | -                       | -                        | 2,691,250                      |
| Storm damage repairs                   | 1,568,501                        | 1,465,640              | 61,537                  | 1,527,177                | 41,324                         |
| Falling Creek Bridge                   | 1,200,000                        | 256,912                | 100,849                 | 357,761                  | 842,239                        |
| Economic and physical development:     |                                  |                        |                         |                          |                                |
| Bond projects                          | 1,161,171                        | 85,004                 | 507,875                 | 592,879                  | 568,292                        |
| East Hickory Redevelopment Plan        | 1,205,800                        | 631,975                | -                       | 631,975                  | 573,825                        |
| Culture and recreation:                |                                  |                        |                         |                          |                                |
| Lackey Park                            | 100,000                          | -                      | 5,230                   | 5,230                    | 94,770                         |
| Total expenditures                     | <u>12,598,075</u>                | <u>6,493,578</u>       | <u>1,121,950</u>        | <u>7,615,528</u>         | <u>4,982,547</u>               |
| Revenues over (under) expenditures     | <u>(6,119,496)</u>               | <u>(3,528,702)</u>     | <u>(1,036,802)</u>      | <u>(4,565,504)</u>       | <u>1,553,992</u>               |
| <b>Other Financing Sources (Uses):</b> |                                  |                        |                         |                          |                                |
| Transfers in                           | 3,200,752                        | 2,271,981              | 927,401                 | 3,199,382                | (1,370)                        |
| Transfers (out)                        | (81,256)                         | (75,000)               | (6,255)                 | (81,255)                 | 1                              |
| Issuance of debt                       | 3,000,000                        | 3,000,000              | -                       | 3,000,000                | -                              |
| Total other financing sources (uses)   | <u>6,119,496</u>                 | <u>5,196,981</u>       | <u>921,146</u>          | <u>6,118,127</u>         | <u>(1,369)</u>                 |
| Net change in fund balance             | <u>\$ -</u>                      | <u>\$ 1,668,279</u>    | <u>\$ (115,656)</u>     | <u>\$ 1,552,623</u>      | <u>\$ 1,552,623</u>            |





## **Special Revenue Funds**

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

### **Individual Fund Descriptions:**

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

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

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

**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.



## 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, 2016

|  |                          | Actual         |                 |                  |                        |
|--|--------------------------|----------------|-----------------|------------------|------------------------|
|  | Project<br>Authorization | Prior<br>Years | Current<br>Year | Total to<br>Date | Variance<br>Over/Under |
| <b>Revenues:</b>                       |                          |                |                 |                  |                        |
| Restricted intergovernmental:          |                          |                |                 |                  |                        |
| Federal grants                         |                          |                |                 |                  |                        |
| 2011 Entitlement Block Grant           | \$ 287,688               | \$ 287,688     | \$ -            | \$ 287,688       | \$ -                   |
| 2012 Entitlement Block Grant           | 303,218                  | 303,218        | -               | 303,218          | -                      |
| 2013 Entitlement Block Grant           | 301,142                  | 243,633        | 57,509          | 301,142          | -                      |
| 2014 Entitlement Block Grant           | 310,314                  | -              | 310,314         | 310,314          | -                      |
| 2015 Entitlement Block Grant           | 300,041                  | -              | 53,324          | 53,324           | (246,717)              |
| Investment earnings                    | -                        | (93)           | 251             | 158              | 158                    |
| Miscellaneous                          | 933,150                  | 926,683        | 275,074         | 1,201,757        | 268,607                |
| Total revenues                         | 2,435,553                | 1,761,129      | 696,472         | 2,457,601        | 22,048                 |
| <b>Expenditures:</b>                   |                          |                |                 |                  |                        |
| Economic and physical development      | 2,429,403                | 1,536,346      | 693,915         | 2,230,261        | 199,142                |
| Total expenditures                     | 2,429,403                | 1,536,346      | 693,915         | 2,230,261        | 199,142                |
| <b>Other Financing Sources (Uses):</b> |                          |                |                 |                  |                        |
| Transfers (out)                        | (6,150)                  | (6,150)        | -               | (6,150)          | -                      |
| Total other financing sources (uses)   | (6,150)                  | (6,150)        | -               | (6,150)          | -                      |
| Net change in fund balance             | \$ -                     | \$ 218,633     | \$ 2,557        | \$ 221,190       | \$ 221,190             |

## 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, 2016

|  |                          | Actual           |                  |                  |                        |
|--|--------------------------|------------------|------------------|------------------|------------------------|
|  | Project<br>Authorization | Prior<br>Years   | Current<br>Year  | Total to<br>Date | Variance<br>Over/Under |
| <b>Revenues:</b>                       |                          |                  |                  |                  |                        |
| Investment earnings                    | \$ 8,177                 | \$ 8,410         | \$ 230           | \$ 8,640         | \$ 463                 |
| Miscellaneous                          | <u>120,873</u>           | <u>126,711</u>   | <u>15,361</u>    | <u>142,072</u>   | <u>21,199</u>          |
| Total revenues                         | <u>129,050</u>           | <u>135,121</u>   | <u>15,591</u>    | <u>150,712</u>   | <u>21,662</u>          |
| <b>Expenditures:</b>                   |                          |                  |                  |                  |                        |
| Economic and physical development      | <u>121,550</u>           | <u>113,110</u>   | <u>1,760</u>     | <u>114,870</u>   | <u>6,680</u>           |
| Revenues over (under) expenditures     | <u>7,500</u>             | <u>22,011</u>    | <u>13,831</u>    | <u>35,842</u>    | <u>28,342</u>          |
| <b>Other Financing Sources (Uses):</b> |                          |                  |                  |                  |                        |
| 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>\$ 14,511</u> | <u>\$ 13,831</u> | <u>\$ 28,342</u> | <u>\$ 28,342</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, 2016**

|  | <b>Actual</b>                    |                        |                         |                          |                                |
|--|----------------------------------|------------------------|-------------------------|--------------------------|--------------------------------|
|  | <b>Project<br/>Authorization</b> | <b>Prior<br/>Years</b> | <b>Current<br/>Year</b> | <b>Total to<br/>Date</b> | <b>Variance<br/>Over/Under</b> |
| <b>Revenues:</b>                       |                                  |                        |                         |                          |                                |
| Restricted intergovernmental:          |                                  |                        |                         |                          |                                |
| State grants                           | \$ 100,000                       | \$ 23,306              | \$ 70,237               | \$ 93,543                | \$ (6,457)                     |
| Total                                  | <u>100,000</u>                   | <u>23,306</u>          | <u>70,237</u>           | <u>93,543</u>            | <u>(6,457)</u>                 |
| <br>                                   |                                  |                        |                         |                          |                                |
| Sales and service                      | 35,456                           | 35,457                 | -                       | 35,457                   | 1                              |
| Investment earnings                    | 51,535                           | 51,792                 | 1,376                   | 53,168                   | 1,633                          |
| Miscellaneous                          | <u>1,448,921</u>                 | <u>1,319,779</u>       | <u>156,093</u>          | <u>1,475,872</u>         | <u>26,951</u>                  |
| Total revenues                         | <u>1,635,912</u>                 | <u>1,430,334</u>       | <u>227,706</u>          | <u>1,658,040</u>         | <u>22,128</u>                  |
| <br>                                   |                                  |                        |                         |                          |                                |
| <b>Expenditures:</b>                   |                                  |                        |                         |                          |                                |
| Economic and physical development      | <u>1,629,118</u>                 | <u>1,383,358</u>       | <u>82,698</u>           | <u>1,466,056</u>         | <u>163,062</u>                 |
| <br>                                   |                                  |                        |                         |                          |                                |
| Revenues over (under) expenditures     | <u>6,794</u>                     | <u>46,976</u>          | <u>145,008</u>          | <u>191,984</u>           | <u>185,190</u>                 |
| <br>                                   |                                  |                        |                         |                          |                                |
| <b>Other Financing Sources (Uses):</b> |                                  |                        |                         |                          |                                |
| 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>                     |
| <br>                                   |                                  |                        |                         |                          |                                |
| Net change in fund balance             | <u>\$ -</u>                      | <u>\$ 40,183</u>       | <u>\$ 145,008</u>       | <u>\$ 185,191</u>        | <u>\$ 185,191</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, 2016**

|  |                                  | <b>Actual</b>          |                         |                          |                                |
|--|----------------------------------|------------------------|-------------------------|--------------------------|--------------------------------|
|  | <b>Project<br/>Authorization</b> | <b>Prior<br/>Years</b> | <b>Current<br/>Year</b> | <b>Total to<br/>Date</b> | <b>Variance<br/>Over/Under</b> |
| <b>Revenues:</b>                           |                                  |                        |                         |                          |                                |
| Restricted intergovernmental:              |                                  |                        |                         |                          |                                |
| Federal grants                             | \$ 711,711                       | \$ 404,008             | \$ 140,584              | \$ 544,592               | \$ (167,119)                   |
| Total                                      | <u>711,711</u>                   | <u>404,008</u>         | <u>140,584</u>          | <u>544,592</u>           | <u>(167,119)</u>               |
| Miscellaneous:                             |                                  |                        |                         |                          |                                |
| Investment earnings                        | 6                                | 34                     | 166                     | 200                      | 194                            |
| Total                                      | <u>6</u>                         | <u>34</u>              | <u>166</u>              | <u>200</u>               | <u>194</u>                     |
| Total revenues                             | <u>711,717</u>                   | <u>404,042</u>         | <u>140,750</u>          | <u>544,792</u>           | <u>(166,925)</u>               |
| <b>Expenditures:</b>                       |                                  |                        |                         |                          |                                |
| Economic and physical development:         |                                  |                        |                         |                          |                                |
| Brownfields                                | 400,004                          | 362,555                | 37,447                  | 400,002                  | 2                              |
| Historic Preservation Architectural Sruvey | 23,000                           | 12,400                 | 10,600                  | 23,000                   | -                              |
| Brownfields Area Wide Planning             | 200,000                          | -                      | 49,753                  | 49,753                   | 150,247                        |
| Public safety:                             |                                  |                        |                         |                          |                                |
| Bulletproof Vest Partnership 2013          | 25,200                           | 25,200                 | -                       | 25,200                   | -                              |
| Bulletproof Vest Partnership 2014          | 31,075                           | 1,839                  | 27,553                  | 29,392                   | 1,683                          |
| Bulletproof Vest Partnership 2015          | 34,150                           | -                      | -                       | -                        | 34,150                         |
| FY15 Edward Byrne Memorial 2014            |                                  |                        |                         |                          |                                |
| Justice Assistance Grant (JAG)             | 23,402                           | 22,565                 | 836                     | 23,401                   | 1                              |
| FY13 Edward Byrne Memorial 2015            |                                  |                        |                         |                          |                                |
| Justice Assistance Grant (JAG)             | 47,747                           | -                      | 47,671                  | 47,671                   | 76                             |
| Total expenditures                         | <u>784,578</u>                   | <u>424,559</u>         | <u>173,860</u>          | <u>598,419</u>           | <u>186,159</u>                 |
| Revenues over (under) expenditures         | <u>(72,861)</u>                  | <u>(20,517)</u>        | <u>(33,110)</u>         | <u>(53,627)</u>          | <u>19,234</u>                  |
| <b>Other Financing Sources (Uses):</b>     |                                  |                        |                         |                          |                                |
| Transfers (out)                            | (2)                              | -                      | (2)                     | (2)                      | -                              |
| Transfers in                               | 72,863                           | 40,050                 | 32,812                  | 72,862                   | (1)                            |
| Total other financing sources (uses)       | <u>72,861</u>                    | <u>40,050</u>          | <u>32,810</u>           | <u>72,860</u>            | <u>(1)</u>                     |
| Net change in fund balance                 | <u>\$ -</u>                      | <u>19,533</u>          | <u>\$ (300)</u>         | <u>\$ 19,233</u>         | <u>\$ 19,233</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.





# 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, 2016

|                                | <u>Budget</u>     | <u>Actual</u>     | <u>Variance<br/>Over/Under</u> |
|--------------------------------|-------------------|-------------------|--------------------------------|
| <b>Revenues:</b>               |                   |                   |                                |
| Charges for services:          |                   |                   |                                |
| Water charges                  | \$ 13,464,217     | \$ 14,569,918     | \$ 1,105,701                   |
| Sewer charges                  | 9,149,000         | 9,604,211         | 455,211                        |
| Total                          | <u>22,613,217</u> | <u>24,174,129</u> | <u>1,560,912</u>               |
|                                |                   |                   |                                |
| Water taps                     | 110,000           | 191,707           | 81,707                         |
| Sewer taps                     | 25,000            | 24,420            | (580)                          |
| Other operating revenues       | 257,076           | 404,729           | 147,653                        |
| Total operating revenues       | <u>392,076</u>    | <u>620,856</u>    | <u>228,780</u>                 |
|                                |                   |                   |                                |
| Non-operating revenues:        |                   |                   |                                |
| Federal and State grants       | -                 | 46,880            | 46,880                         |
| Donations/contributions        | -                 | 1,890             | 1,890                          |
| Interest earned on investments | 50,000            | 292,472           | 242,472                        |
| Total non-operating revenues   | <u>50,000</u>     | <u>341,242</u>    | <u>291,242</u>                 |
|                                |                   |                   |                                |
| Total revenues                 | <u>23,055,293</u> | <u>25,136,227</u> | <u>2,080,934</u>               |
|                                |                   |                   |                                |
| <b>Expenditures:</b>           |                   |                   |                                |
| Environmental protection:      |                   |                   |                                |
| Administration:                |                   |                   |                                |
| Salaries and employee benefits | 666,374           | 439,428           | 226,946                        |
| Other operating expenditures   | 2,301,154         | 2,446,939         | (145,785)                      |
| Capital outlay                 | 519,764           | 452,012           | 67,752                         |
| Administrative reimbursement   | 3,399,103         | 3,353,687         | 45,416                         |
| Total                          | <u>6,886,395</u>  | <u>6,692,066</u>  | <u>194,329</u>                 |
|                                |                   |                   |                                |
| Collection system:             |                   |                   |                                |
| Salaries and employee benefits | 708,875           | 683,593           | 25,282                         |
| Other operating expenditures   | 794,760           | 700,102           | 94,658                         |
| Capital outlay                 | 417,264           | 330,793           | 86,471                         |
| Total                          | <u>1,920,899</u>  | <u>1,714,488</u>  | <u>206,411</u>                 |
|                                |                   |                   |                                |
| Henry Fork plant:              |                   |                   |                                |
| Salaries and employee benefits | 513,889           | 506,763           | 7,126                          |
| Other operating expenditures   | 565,574           | 437,193           | 128,381                        |
| Capital outlay                 | 206,500           | 94,288            | 112,212                        |
| Total                          | <u>1,285,963</u>  | <u>1,038,244</u>  | <u>247,719</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, 2016

|   | Budget            | Actual            | Variance<br>Over/Under |
|---|-------------------|-------------------|------------------------|
| Northeast plant:                            |                   |                   |                        |
| Salaries and employee benefits              | 530,884           | 511,898           | 18,986                 |
| Other operating expenditures                | 476,341           | 420,089           | 56,252                 |
| Capital outlay                              | 71,000            | 9,449             | 61,551                 |
| Total                                       | <u>1,078,225</u>  | <u>941,436</u>    | <u>136,789</u>         |
| Water treatment plant:                      |                   |                   |                        |
| Salaries and employee benefits              | 581,817           | 500,780           | 81,037                 |
| Other operating expenditures                | 1,837,987         | 1,639,112         | 198,875                |
| Capital outlay                              | 3,210,500         | 343,736           | 2,866,764              |
| Total                                       | <u>5,630,304</u>  | <u>2,483,628</u>  | <u>3,146,676</u>       |
| Pre-treatment and lab:                      |                   |                   |                        |
| Salaries and employee benefits              | 375,350           | 368,339           | 7,011                  |
| Other operating expenditures                | 186,883           | 151,564           | 35,319                 |
| Capital outlay                              | 6,000             | 5,680             | 320                    |
| Total                                       | <u>568,233</u>    | <u>525,583</u>    | <u>42,650</u>          |
| Claremont sewer lines:                      |                   |                   |                        |
| Salaries and employee benefits              | 114,920           | 89,335            | 25,585                 |
| Other operating expenditures                | 304,021           | 146,677           | 157,344                |
| Total                                       | <u>418,941</u>    | <u>236,012</u>    | <u>182,929</u>         |
| Distribution:                               |                   |                   |                        |
| Salaries and employee benefits              | 1,703,230         | 1,370,194         | 333,036                |
| Other operating expenditures                | 1,174,504         | 1,087,571         | 86,933                 |
| Capital outlay                              | 4,410,259         | 1,085,155         | 3,325,104              |
| Total                                       | <u>7,287,993</u>  | <u>3,542,920</u>  | <u>3,745,073</u>       |
| Hickory Catawba wastewater treatment plant: |                   |                   |                        |
| Salaries and employee benefits              | 138,179           | 117,479           | 20,700                 |
| Other operating expenditures                | 260,027           | 155,402           | 104,625                |
| Capital outlay                              | 7,500             | -                 | 7,500                  |
| Total                                       | <u>405,706</u>    | <u>272,881</u>    | <u>132,825</u>         |
| Total environmental protection              | <u>25,482,659</u> | <u>17,447,258</u> | <u>8,035,401</u>       |
| Debt service:                               |                   |                   |                        |
| Principal retirement                        | 3,263,744         | 3,263,740         | 4                      |
| Interest on long-term debt                  | 812,176           | 812,173           | 3                      |
| Total                                       | <u>4,075,920</u>  | <u>4,075,913</u>  | <u>7</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, 2016**

|  | <b>Budget</b> | <b>Actual</b> | <b>Variance<br/>Over/Under</b> |
|--|---------------|---------------|--------------------------------|
| Contingency  | 50,000        | -             | 50,000                         |
| Total expenditures   | 29,608,579    | 21,523,171    | 8,085,408                      |
| Revenues over (under) expenditures   | (6,553,286)   | 3,613,056     | 10,166,342                     |
| <b>Other Financing Sources (Uses):</b>   |               |               |                                |
| Transfers from other funds   | 5,500,000     | 5,500,000     | -                              |
| Transfers (to) other funds   | (1,367,608)   | (1,367,608)   | -                              |
| Appropriated fund balance  | 2,420,894     | -             | (2,420,894)                    |
| Total other financing sources (uses)   | 6,553,286     | 4,132,392     | (2,420,894)                    |
| Revenues and other financing sources over<br>(under) expenditures and other financing uses | \$ -          | \$ 7,745,448  | \$ 7,745,448                   |

**Reconciliation from Budgetary Basis (Modified Accrual)**

**to Full Accrual Basis:**

|   |               |
|---|---------------|
| Revenues and other financing sources over<br>(under) expenditures and other financing uses                | \$ 7,745,448  |
| Reconciling items:  |               |
| Depreciation and amortization   | (3,973,270)   |
| Long-term debt principal repayments   | 3,263,739     |
| Gain (Loss) on sale of assets   | 6,156         |
| Capital project revenues  | 978,148       |
| Capital projects - transfers from (to) other funds  | 1,639,919     |
| Change in pension expense   | 91,623        |
| Change in deferred outflows of resources for contributions made to<br>pension plan in current fiscal year | (7,668)       |
| Capital assets purchased/capitalized  | 2,321,113     |
| Contributed capital - developers  | 848,110       |
| Change in accrued vacation pay  | 189           |
| Change in accrued interest payable  | 13,443        |
| Other post-employment benefits  | (107,690)     |
| Change in net position  | \$ 12,819,260 |

## 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, 2016**

|  |                                  | <b>Actual</b>          |                         |                          |                                |
|--|----------------------------------|------------------------|-------------------------|--------------------------|--------------------------------|
|  | <b>Project<br/>Authorization</b> | <b>Prior<br/>Years</b> | <b>Current<br/>Year</b> | <b>Total<br/>to Date</b> | <b>Variance<br/>Over/Under</b> |
| <b>Revenues:</b>   |                                  |                        |                         |                          |                                |
| Restricted intergovernmental:  |                                  |                        |                         |                          |                                |
| State grants   | \$ 2,946,043                     | \$ 761,212             | \$ 829,461              | \$ 1,590,673             | \$ (1,355,370)                 |
| Local grants   | 809,546                          | 662,960                | 146,586                 | 809,546                  | -                              |
| Total  | <u>3,755,589</u>                 | <u>1,424,172</u>       | <u>976,047</u>          | <u>2,400,219</u>         | <u>(1,355,370)</u>             |
| Miscellaneous:   |                                  |                        |                         |                          |                                |
| Facilities fees  | 292,500                          | 292,500                | -                       | 292,500                  | -                              |
| Investment earnings  | 33,931                           | 34,742                 | 2,101                   | 36,843                   | 2,912                          |
| Total revenues   | <u>4,082,020</u>                 | <u>1,751,414</u>       | <u>978,148</u>          | <u>2,729,562</u>         | <u>(1,352,458)</u>             |
| <b>Expenditures:</b>   |                                  |                        |                         |                          |                                |
| Capital outlay:  |                                  |                        |                         |                          |                                |
| Catawba Wastewater Treatment Plant   | 11,583,778                       | 11,239,063             | 344,714                 | 11,583,777               | 1                              |
| Northeast Sewer Grant Project  | 2,946,043                        | 761,213                | 829,809                 | 1,591,022                | 1,355,021                      |
| Geitner Basin  | 3,867,715                        | 19,598                 | 12,895                  | 32,493                   | 3,835,222                      |
| Central business district  | 3,430,622                        | -                      | 71,240                  | 71,240                   | 3,359,382                      |
| Murray Basin Sewer Project   | 335,805                          | 316,065                | 6,650                   | 322,715                  | 13,090                         |
| Total expenditures   | <u>22,163,963</u>                | <u>12,335,939</u>      | <u>1,265,308</u>        | <u>13,601,247</u>        | <u>8,562,716</u>               |
| Revenues over (under) expenditures   | <u>(18,081,943)</u>              | <u>(10,584,525)</u>    | <u>(287,160)</u>        | <u>(10,871,685)</u>      | <u>7,210,258</u>               |
| <b>Other Financing Sources (Uses):</b>   |                                  |                        |                         |                          |                                |
| Transfers from other funds   | 3,743,762                        | 1,658,450              | 2,085,312               | 3,743,762                | -                              |
| Transfers (to) other funds   | (445,394)                        | -                      | (445,393)               | (445,393)                | 1                              |
| Issuance of long-term debt   | 14,783,575                       | 9,900,000              | -                       | 9,900,000                | (4,883,575)                    |
| Total other financing sources (uses)   | <u>18,081,943</u>                | <u>11,558,450</u>      | <u>1,639,919</u>        | <u>13,198,369</u>        | <u>(4,883,574)</u>             |
| Revenues and other financing sources over<br>(under) expenditures and other financing uses | <u>\$ -</u>                      | <u>\$ 973,925</u>      | <u>\$ 1,352,759</u>     | <u>\$ 2,326,684</u>      | <u>\$ 2,326,684</u>            |

## CITY OF HICKORY, NORTH CAROLINA

**TRANSPORTATION FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2016**

|                                    | <u>Budget</u>    | <u>Actual</u>    | <u>Variance<br/>Over/Under</u> |
|------------------------------------|------------------|------------------|--------------------------------|
| <b>Revenues:</b>                   |                  |                  |                                |
| Operating revenues:                |                  |                  |                                |
| Restricted intergovernmental:      |                  |                  |                                |
| Airport                            | \$ -             | \$ 3,365         | \$ 3,365                       |
| Airport services                   | 2,484,073        | 1,353,112        | (1,130,961)                    |
| Total operating revenues           | <u>2,484,073</u> | <u>1,356,477</u> | <u>(1,127,596)</u>             |
| Non-operating revenues:            |                  |                  |                                |
| Investment earnings                | <u>1,000</u>     | <u>6,846</u>     | <u>5,846</u>                   |
| Total revenues                     | <u>2,485,073</u> | <u>1,363,323</u> | <u>(1,121,750)</u>             |
| <b>Expenditures:</b>               |                  |                  |                                |
| Airport:                           |                  |                  |                                |
| Salaries and employee benefits     | 199,645          | 196,225          | 3,420                          |
| Other operating expenditures       | 183,237          | 151,474          | 31,763                         |
| Administrative reimbursement       | <u>117,118</u>   | <u>117,118</u>   | <u>-</u>                       |
| Total airport                      | <u>500,000</u>   | <u>464,817</u>   | <u>35,183</u>                  |
| Airport tower:                     |                  |                  |                                |
| Other operating expenditures       | <u>15,086</u>    | <u>11,933</u>    | <u>3,153</u>                   |
| Total airport tower                | <u>15,086</u>    | <u>11,933</u>    | <u>3,153</u>                   |
| Airport FBO:                       |                  |                  |                                |
| Salaries and employee benefits     | 295,622          | 295,930          | (308)                          |
| Other operating expenditures       | 1,742,373        | 333,707          | 1,408,666                      |
| Capital outlay                     | <u>12,544</u>    | <u>12,544</u>    | <u>-</u>                       |
| Total airport FBO                  | <u>2,050,539</u> | <u>642,181</u>   | <u>1,408,358</u>               |
| Total transportation               | <u>2,565,625</u> | <u>1,118,931</u> | <u>1,446,694</u>               |
| Revenues over (under) expenditures | <u>(80,552)</u>  | <u>244,392</u>   | <u>324,944</u>                 |

## CITY OF HICKORY, NORTH CAROLINA

**TRANSPORTATION FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2016**

|  | <u>Budget</u>    | <u>Actual</u>     | <u>Variance<br/>Over/Under</u> |
|--|------------------|-------------------|--------------------------------|
| <b>Other Financing Sources (Uses):</b>   |                  |                   |                                |
| Transfers to other funds   | (33,000)         | (33,000)          | -                              |
| Transfers from other funds   | 900,000          | -                 | (900,000)                      |
| Appropriated fund balance  | <u>(786,448)</u> | <u>-</u>          | <u>786,448</u>                 |
| Total other financing sources (uses)   | <u>80,552</u>    | <u>(33,000)</u>   | <u>(113,552)</u>               |
| Revenues and other financing sources over<br>(under) expenditures and other financing uses | <u>\$ -</u>      | <u>\$ 211,392</u> | <u>\$ 211,392</u>              |

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

|   |                   |
|---|-------------------|
| Revenues and other financing sources over<br>(under) expenditures and other financing uses                | \$ 211,392        |
| Reconciling items:  |                   |
| Depreciation  | (302,276)         |
| Gain on disposal of capital assets  | 1,364             |
| Change in pension expense   | 9,956             |
| Change in deferred outflows of resources for contributions made to<br>pension plan in current fiscal year | (833)             |
| Capital project revenues  | 859,129           |
| Capital projects - transfers from (to) other funds  | 33,000            |
| Capital assets purchased/capitalized  | 12,544            |
| Change in accrued vacation pay  | (3,765)           |
| Change in other post-employment benefits  | <u>(16,176)</u>   |
| Change in net position  | <u>\$ 804,335</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, 2016

|  |                          | Actual         |                 |                  |                        |
|--|--------------------------|----------------|-----------------|------------------|------------------------|
|  | Project<br>Authorization | Prior<br>Years | Current<br>Year | Total to<br>Date | Variance<br>Over/Under |
| <b>Revenues:</b>   |                          |                |                 |                  |                        |
| Restricted intergovernmental:  |                          |                |                 |                  |                        |
| Federal grants   | \$ 2,238,316             | \$ 966,096     | \$ 859,129      | \$ 1,825,225     | \$ (413,091)           |
| State grants   | 477,000                  | -              | -               | -                | (477,000)              |
| Total  | 2,715,316                | 966,096        | 859,129         | 1,825,225        | (890,091)              |
| Investment earnings  | -                        | 765            | -               | 765              | 765                    |
| Total revenues   | 2,715,316                | 966,861        | 859,129         | 1,825,990        | (889,326)              |
| <b>Expenditures:</b>   |                          |                |                 |                  |                        |
| Capital outlay:  |                          |                |                 |                  |                        |
| Transportation:  |                          |                |                 |                  |                        |
| Airport improvements   | 2,685,577                | 1,077,966      | 960,538         | 2,038,504        | 647,073                |
| FBO operation  | 330,000                  | -              | -               | -                | 330,000                |
| Total expenditures   | 3,015,577                | 1,077,966      | 960,538         | 2,038,504        | 977,073                |
| Revenues over (under) expenditures   | (300,261)                | (111,105)      | (101,409)       | (212,514)        | 87,747                 |
| <b>Other Financing Sources (Uses):</b>   |                          |                |                 |                  |                        |
| Intrafund transfer in  | 301,702                  | 268,702        | 33,000          | 301,702          | -                      |
| Intrafund transfer out   | (1,441)                  | (1,440)        | -               | (1,440)          | 1                      |
| Total other financing sources (uses)   | 300,261                  | 267,262        | 33,000          | 300,262          | 1                      |
| Revenues and other financing sources over<br>(under) expenditures and other financing uses | \$ -                     | \$ 156,157     | \$ (68,409)     | \$ 87,748        | \$ 87,748              |

# CITY OF HICKORY, NORTH CAROLINA

## SOLID WASTE FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP) FOR THE YEAR ENDED JUNE 30, 2016

|                                | <u>Budget</u>    | <u>Actual</u>    | <u>Variance<br/>Over/Under</u> |
|--------------------------------|------------------|------------------|--------------------------------|
| <b>Revenues:</b>               |                  |                  |                                |
| Other taxes:                   |                  |                  |                                |
| Solid waste excise tax         | \$ 25,000        | \$ 25,623        | \$ 623                         |
| Charges for services:          |                  |                  |                                |
| Recycling fees                 | 2,897,200        | 2,908,535        | 11,335                         |
| Dumpster rentals               | 380,000          | 393,698          | 13,698                         |
| Refuse fees                    | 819,000          | 844,917          | 25,917                         |
| Total                          | <u>4,096,200</u> | <u>4,147,150</u> | <u>50,950</u>                  |
| Other operating revenues       | <u>3,000</u>     | <u>30,058</u>    | <u>27,058</u>                  |
| Total operating revenues       | <u>4,124,200</u> | <u>4,202,831</u> | <u>78,631</u>                  |
| Non-operating revenues:        |                  |                  |                                |
| Investment earnings            | 5,000            | 24,163           | 19,163                         |
| Miscellaneous                  | -                | 4,207            | 4,207                          |
| Total non-operating revenues   | <u>5,000</u>     | <u>28,370</u>    | <u>23,370</u>                  |
| Total revenues                 | <u>4,129,200</u> | <u>4,231,201</u> | <u>102,001</u>                 |
| <b>Expenditures:</b>           |                  |                  |                                |
| Environmental protection:      |                  |                  |                                |
| Recycling services:            |                  |                  |                                |
| Salaries and employee benefits | 601,556          | 575,492          | 26,064                         |
| Other operating expenditures   | 1,457,560        | 1,498,255        | (40,695)                       |
| Capital outlay                 | 251,654          | 250,478          | 1,176                          |
| Administrative reimbursement   | 468,783          | 468,783          | -                              |
| Total                          | <u>2,779,553</u> | <u>2,793,008</u> | <u>(13,455)</u>                |
| Residential sanitation:        |                  |                  |                                |
| Salaries and employee benefits | 536,715          | 482,699          | 54,016                         |
| Other operating expenditures   | 400,078          | 385,745          | 14,333                         |
| Total                          | <u>936,793</u>   | <u>868,444</u>   | <u>68,349</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, 2016

|  | <u>Budget</u>        | <u>Actual</u>         | <u>Variance<br/>Over/Under</u> |
|--|----------------------|-----------------------|--------------------------------|
| Commercial sanitation:   |                      |                       |                                |
| Salaries and employee benefits   | 503,145              | 399,369               | 103,776                        |
| Other operating expenditures   | 458,524              | 397,724               | 60,800                         |
| Capital outlay   | 174,831              | 56,693                | 118,138                        |
| Administrative reimbursement   | (82,597)             | (82,597)              | -                              |
| Total  | <u>1,053,903</u>     | <u>771,189</u>        | <u>282,714</u>                 |
| <br>Total environmental protection   | <br><u>4,770,249</u> | <br><u>4,432,641</u>  | <br><u>337,608</u>             |
| <br>Revenues over (under) expenditures   | <br><u>(641,049)</u> | <br><u>(201,440)</u>  | <br><u>439,609</u>             |
| <br><b>Other Financing Sources (Uses):</b>   |                      |                       |                                |
| Transfers from other funds   | <u>641,049</u>       | <u>641,049</u>        | <u>-</u>                       |
| Total other financing sources (uses)   | <u>641,049</u>       | <u>641,049</u>        | <u>-</u>                       |
| <br>Revenues and other financing sources over<br>(under) expenditures and other financing uses | <br><u>\$ -</u>      | <br><u>\$ 439,609</u> | <br><u>\$ 439,609</u>          |

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

|   |                   |
|---|-------------------|
| Revenues and other financing sources over<br>(under) expenditures and other financing uses      | \$ 439,609        |
| Reconciling items:  |                   |
| Depreciation  | (495,855)         |
| Pension expense   | 28,406            |
| Deferred outflows of resources for contributions made to<br>pension plan in current fiscal year | (2,377)           |
| Capital assets purchased/capitalized  | 307,171           |
| Change in accrued vacation pay  | 8,605             |
| Change in other post-employment benefits  | <u>(5,738)</u>    |
| Change in net position  | <u>\$ 279,821</u> |



## **Nonmajor Enterprise Funds**

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

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

### **Individual Nonmajor Fund Descriptions:**

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

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



## CITY OF HICKORY, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS  
 COMBINING STATEMENT OF NET POSITION  
 JUNE 30, 2016

|   | Sludge<br>Composting<br>Fund | Stormwater<br>Fund  | Total<br>Nonmajor<br>Enterprise<br>Funds |
|---|------------------------------|---------------------|--|
| <b>Assets:</b>                            |                              |                     |  |
| Current assets:                           |                              |                     |  |
| Cash and cash equivalents                 | \$ 88,957                    | \$ 470,519          | \$ 559,476                               |
| Accounts receivable, net                  | -                            | 695                 | 695                                      |
| Due from other governments                | 86,500                       | 1,943               | 88,443                                   |
| Prepaid items                             | 873                          | 882                 | 1,755                                    |
| Total current assets                      | <u>176,330</u>               | <u>474,039</u>      | <u>650,369</u>                           |
| Non-current assets:                       |                              |                     |  |
| Land and construction in progress         | 145,024                      | -                   | 145,024                                  |
| Other capital assets, net of depreciation | <u>2,750,317</u>             | <u>2,110,047</u>    | <u>4,860,364</u>                         |
| Total non-current assets                  | <u>2,895,341</u>             | <u>2,110,047</u>    | <u>5,005,388</u>                         |
| Total assets                              | <u>3,071,671</u>             | <u>2,584,086</u>    | <u>5,655,757</u>                         |
| <b>Deferred Outflows of Resources:</b>    |                              |                     |  |
| Contributions to pension plan             | -                            | 5,237               | 5,237                                    |
| Total deferred outflows of resources      | <u>-</u>                     | <u>5,237</u>        | <u>5,237</u>                             |
| <b>Liabilities:</b>                       |                              |                     |  |
| Current liabilities:                      |                              |                     |  |
| Accounts payable and accrued liabilities  | 176,331                      | 9,437               | 185,768                                  |
| Current portion of long-term debt         | -                            | 2,169               | 2,169                                    |
| Total current liabilities                 | <u>176,331</u>               | <u>11,606</u>       | <u>187,937</u>                           |
| Non-current liabilities:                  |                              |                     |  |
| Net pension liability                     | -                            | 7,498               | 7,498                                    |
| Compensated absences payable              | -                            | 8,894               | 8,894                                    |
| Non-current portion of long-term debt     | -                            | 20,533              | 20,533                                   |
| Total non-current liabilities             | <u>-</u>                     | <u>36,925</u>       | <u>36,925</u>                            |
| Total liabilities                         | <u>176,331</u>               | <u>48,531</u>       | <u>224,862</u>                           |
| <b>Deferred Inflows of Resources:</b>     |                              |                     |  |
| Pension deferrals                         | -                            | 3,212               | 3,212                                    |
| Total deferred inflows of resources       | <u>-</u>                     | <u>3,212</u>        | <u>3,212</u>                             |
| <b>Net Position:</b>                      |                              |                     |  |
| Net investment in capital assets          | 2,895,341                    | 2,110,047           | 5,005,388                                |
| Unrestricted                              | <u>(1)</u>                   | <u>427,533</u>      | <u>427,532</u>                           |
| Total net position                        | <u>\$ 2,895,340</u>          | <u>\$ 2,537,580</u> | <u>\$ 5,432,920</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, 2016**

|   | <b>Sludge<br/>Composting<br/>Fund</b> | <b>Stormwater<br/>Fund</b> | <b>Total<br/>Nonmajor<br/>Enterprise<br/>Funds</b> |
|---|---------------------------------------|----------------------------|--|
| <b>Operating Revenues:</b>                                  |                                       |                            |  |
| Restricted intergovernmental                                | \$ 1,656,264                          | \$ -                       | \$ 1,656,264                                       |
| Sludge charges  | 53,420                                | -                          | 53,420   |
| Total operating revenues                                    | <u>1,709,684</u>                      | <u>-</u>                   | <u>1,709,684</u>                                   |
| <b>Operating Expenses:</b>                                  |                                       |                            |  |
| Administration and engineering                              | -                                     | 122,055                    | 122,055  |
| Sludge plant  | 1,674,576                             | -                          | 1,674,576  |
| Street  | -                                     | 23,683                     | 23,683   |
| Drainage maintenance  | -                                     | 42,529                     | 42,529   |
| Depreciation  | 335,579                               | 337,813                    | 673,392  |
| Total operating expenses                                    | <u>2,010,155</u>                      | <u>526,080</u>             | <u>2,536,235</u>                                   |
| Operating income (loss)                                     | <u>(300,471)</u>                      | <u>(526,080)</u>           | <u>(826,551)</u>                                   |
| Non-operating revenues (expenses):                          |                                       |                            |  |
| Interest earned on investments                              | -                                     | 3,956                      | 3,956  |
| Total non-operating revenues (expenses)                     | <u>-</u>                              | <u>3,956</u>               | <u>3,956</u>                                       |
| Income (loss) before capital<br>contributions and transfers | (300,471)                             | (522,124)                  | (822,595)  |
| <b>Capital Contributions:</b>                               |                                       |                            |  |
| Capital contributions                                       | -                                     | 52,226                     | 52,226   |
| <b>Transfers:</b>   |                                       |                            |  |
| Transfers in  | <u>-</u>                              | <u>265,893</u>             | <u>265,893</u>                                     |
| Change in net position                                      | (300,471)                             | (204,005)                  | (504,476)  |
| <b>Net Position:</b>  |                                       |                            |  |
| Net position, beginning                                     | <u>3,195,811</u>                      | <u>2,741,585</u>           | <u>5,937,396</u>                                   |
| End of year - June 30                                       | <u>\$ 2,895,340</u>                   | <u>\$ 2,537,580</u>        | <u>\$ 5,432,920</u>                                |

# CITY OF HICKORY, NORTH CAROLINA

## NONMAJOR ENTERPRISE FUNDS COMBINING STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2016

|   | <b>Sludge<br/>Composting<br/>Fund</b> | <b>Stormwater<br/>Fund</b> | <b>Total<br/>Nonmajor<br/>Enterprise<br/>Funds</b> |
|---|---------------------------------------|----------------------------|--|
| <b>Cash Flows from Operating Activities:</b>                            |                                       |                            |  |
| Cash received from customers and users                                  | \$ 1,676,310                          | \$ -                       | \$ 1,676,310                                       |
| Cash paid to suppliers  | (1,644,572)                           | (83,500)                   | (1,728,072)  |
| Cash paid to employees  | -                                     | (105,428)                  | (105,428)  |
| Net cash provided (used) by operating activities                        | <u>31,738</u>                         | <u>(188,928)</u>           | <u>(157,190)</u>                                   |
| <b>Cash Flows from Non-Capital Financing Activities:</b>                |                                       |                            |  |
| Transfers from other funds  | -                                     | 265,893                    | 265,893  |
| Net cash provided (used) by<br>non-capital financing activities         | <u>-</u>                              | <u>265,893</u>             | <u>265,893</u>                                     |
| <b>Cash Flows from Capital And Related Financing Activities:</b>        |                                       |                            |  |
| Acquisition and construction of capital assets                          | (35,109)                              | (48,428)                   | (83,537)   |
| Net cash provided (used) by capital<br>and related financing activities | <u>(35,109)</u>                       | <u>(48,428)</u>            | <u>(83,537)</u>                                    |
| <b>Cash Flows from Investing Activities:</b>                            |                                       |                            |  |
| Interest on investments   | -                                     | 3,956                      | 3,956  |
| Net cash provided (used) by investing activities                        | <u>-</u>                              | <u>3,956</u>               | <u>3,956</u>                                       |
| Net increase (decrease) in cash and cash equivalents                    | (3,371)                               | 32,493                     | 29,122   |
| <b>Cash and Cash Equivalents:</b>                                       |                                       |                            |  |
| Beginning of year - July 1  | <u>92,328</u>                         | <u>438,026</u>             | <u>530,354</u>                                     |
| End of year - June 30   | <u>\$ 88,957</u>                      | <u>\$ 470,519</u>          | <u>\$ 559,476</u>                                  |

# CITY OF HICKORY, NORTH CAROLINA

## NONMAJOR ENTERPRISE FUNDS COMBINING STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2016

|   | <u>Sludge<br/>Composting<br/>Fund</u> | <u>Stormwater<br/>Fund</u> | <u>Total<br/>Nonmajor<br/>Enterprise<br/>Funds</u> |
|---|---------------------------------------|----------------------------|--|
| <b>Reconciliation of Operating Income (Loss) to<br/>Net Cash Provided (Used) by Operating Activities:</b> |                                       |                            |  |
| Operating income (loss)   | \$ (300,471)                          | \$ (526,080)               | \$ (826,551)                                       |
| Adjustments to reconcile operating income (loss) to<br>net cash provided (used) by operating activities:  |                                       |                            |  |
| Depreciation  | 335,579                               | 337,813                    | 673,392  |
| Change in pension expense   | -                                     | (2,158)                    | (2,158)  |
| Change in assets and liabilities:   |                                       |                            |  |
| (Increase) decrease in accounts receivables   | (33,374)                              | 797                        | (32,577)   |
| (Increase) decrease in prepaid items  | 167                                   | 4                          | 171  |
| (Increase) decrease in deferred outflows  | -                                     | 181                        | 181  |
| Increase (decrease) in accounts payable   | 29,837                                | (2,727)                    | 27,110   |
| Increase (decrease) in compensated absences   | -                                     | 1,220                      | 1,220  |
| Increase (decrease) in other post-employment benefits   | -                                     | 2,022                      | 2,022  |
| Net cash provided (used) by operating activities  | <u>\$ 31,738</u>                      | <u>\$ (188,928)</u>        | <u>\$ (157,190)</u>                                |
| <b>Non-Cash Transactions:</b>   |                                       |                            |  |
| Contributed assets  |                                       | <u>\$ 52,226</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, 2016

|  | <u>Budget</u>    | <u>Actual</u>       | <u>Variance<br/>Over/Under</u> |
|--|------------------|---------------------|--------------------------------|
| <b>Revenues:</b>   |                  |                     |                                |
| Operating revenues:  |                  |                     |                                |
| Restricted intergovernmental:  |                  |                     |                                |
| Local grants   | \$ 1,725,076     | \$ 1,656,264        | \$ (68,812)                    |
| Charges for services:  |                  |                     |                                |
| Sludge charges   | -                | 53,420              | 53,420                         |
| Total revenues   | <u>1,725,076</u> | <u>1,709,684</u>    | <u>(15,392)</u>                |
| <b>Expenditures:</b>   |                  |                     |                                |
| Environmental protection:  |                  |                     |                                |
| Other operating expenditures   | 1,568,202        | 1,555,702           | 12,500                         |
| Capital outlay   | 38,000           | 35,110              | 2,890                          |
| Administrative reimbursement   | 118,874          | 118,874             | -                              |
| Total expenditures   | <u>1,725,076</u> | <u>1,709,686</u>    | <u>15,390</u>                  |
| Revenues over (under) expenditures   | <u>\$ -</u>      | <u>\$ (2)</u>       | <u>\$ (2)</u>                  |
| <b>Reconciliation from Budgetary Basis (Modified Accrual)<br/>to Full Accrual Basis:</b> |                  |                     |                                |
| Revenues over (under) expenditures   |                  | <u>\$ (2)</u>       |                                |
| Reconciling items:   |                  |                     |                                |
| Capital outlay   |                  | 35,110              |                                |
| Depreciation   |                  | <u>(335,579)</u>    |                                |
| Total reconciling items  |                  | <u>(300,469)</u>    |                                |
| Change in net position   |                  | <u>\$ (300,471)</u> |                                |

# CITY OF HICKORY, NORTH CAROLINA

## STORMWATER FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP) FOR THE YEAR ENDED JUNE 30, 2016

|  | <u>Budget</u>    | <u>Actual</u>    | <u>Variance<br/>Over/Under</u> |
|--|------------------|------------------|--------------------------------|
| <b>Revenues:</b>   |                  |                  |                                |
| Non-operating revenues:  |                  |                  |                                |
| Interest earned on investments   | \$ -             | \$ 3,956         | \$ 3,956                       |
| Total revenues   | <u>-</u>         | <u>3,956</u>     | <u>3,956</u>                   |
| <b>Expenditures:</b>   |                  |                  |                                |
| Environmental protection:  |                  |                  |                                |
| Engineering:   |                  |                  |                                |
| Salaries and benefits  | 108,670          | 106,693          | 1,977                          |
| Other operating expenditures   | <u>42,223</u>    | <u>14,097</u>    | <u>28,126</u>                  |
| Total  | <u>150,893</u>   | <u>120,790</u>   | <u>30,103</u>                  |
| Street:  |                  |                  |                                |
| Other operating expenditures   | 92,000           | 23,683           | 68,317                         |
| Capital outlay   | <u>-</u>         | <u>48,428</u>    | <u>(48,428)</u>                |
| Total  | <u>92,000</u>    | <u>72,111</u>    | <u>19,889</u>                  |
| Drainage maintenance:  |                  |                  |                                |
| Other operating expenditures   | <u>70,000</u>    | <u>42,529</u>    | <u>27,471</u>                  |
| Total environmental protection   | <u>312,893</u>   | <u>235,430</u>   | <u>77,463</u>                  |
| Revenues over (under) expenditures   | <u>(312,893)</u> | <u>(231,474)</u> | <u>81,419</u>                  |
| <b>Other Financing Sources (Uses):</b>   |                  |                  |                                |
| Transfers in   | 265,893          | 265,893          | -                              |
| Appropriated fund balance  | <u>47,000</u>    | <u>-</u>         | <u>(47,000)</u>                |
| Total other financing sources (uses)   | <u>312,893</u>   | <u>265,893</u>   | <u>(47,000)</u>                |
| Revenues and other financing sources over<br>(under) expenditures and other financing uses | <u>\$ -</u>      | <u>\$ 34,419</u> | <u>\$ 34,419</u>               |

**CITY OF HICKORY, NORTH CAROLINA**

**STORMWATER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2016**

|   | <u>Budget</u> | <u>Actual</u>       | <u>Variance<br/>Over/Under</u> |
|---|---------------|---------------------|--------------------------------|
| <b>Reconciliation from Budgetary Basis (Modified Accrual)<br/>to Full Accrual Basis:</b>                  |               |                     |                                |
| Revenues and other financing sources over<br>(under) expenditures and other financing uses                |               | \$ 34,419           |                                |
| Reconciling items:  |               |                     |                                |
| Depreciation  |               | (337,813)           |                                |
| Change in pension expense   |               | 2,158               |                                |
| Change in deferred outflows of resources for contributions made<br>to pension plan in current fiscal year |               | (181)               |                                |
| Capital assets purchased/capitalized  |               | 48,428              |                                |
| Capital contributions   |               | 52,226              |                                |
| Change in accrued vacation pay  |               | (1,220)             |                                |
| Other post-employment benefits  |               | <u>(2,022)</u>      |                                |
| Change in net position  |               | <u>\$ (204,005)</u> |                                |



## **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.



## CITY OF HICKORY, NORTH CAROLINA

INTERNAL SERVICE FUNDS  
 COMBINING STATEMENT OF NET POSITION  
 JUNE 30, 2016

|  | Insurance<br>Fund   | Fleet<br>Maintenance<br>Fund | Total               |
|--|---------------------|------------------------------|---------------------|
| <b>Assets:</b>                           |                     |                              |                     |
| Current assets:                          |                     |                              |                     |
| Cash and cash equivalents                | \$ 4,087,071        | \$ -                         | \$ 4,087,071        |
| Accounts receivable, net                 | 7,677               | -                            | 7,677               |
| Due from other governments               | -                   | 53,000                       | 53,000              |
| Internal balances                        | -                   | -                            | -                   |
| Inventory                                | -                   | 81,523                       | 81,523              |
| Prepaid items                            | 217,157             | 1,948                        | 219,105             |
| Total current assets                     | <u>4,311,905</u>    | <u>136,471</u>               | <u>4,448,376</u>    |
| Non-current assets:                      |                     |                              |                     |
| Depreciable capital assets, net          | -                   | 26,079                       | 26,079              |
| Total non-current assets                 | <u>-</u>            | <u>26,079</u>                | <u>26,079</u>       |
| Total assets                             | <u>4,311,905</u>    | <u>162,550</u>               | <u>4,474,455</u>    |
| <b>Deferred Outflows of Resources:</b>   |                     |                              |                     |
| Contributions to pension plan            | -                   | 29,996                       | 29,996              |
| Total deferred outflows of resources     | <u>-</u>            | <u>29,996</u>                | <u>29,996</u>       |
| <b>Liabilities:</b>                      |                     |                              |                     |
| Current liabilities:                     |                     |                              |                     |
| Accounts payable and accrued liabilities | 2,009,272           | 41,396                       | 2,050,668           |
| Due to other funds                       | -                   | 607,330                      | 607,330             |
| Prepaid fees                             | -                   | -                            | -                   |
| Current portion of long-term debt        | -                   | 28,529                       | 28,529              |
| Total current liabilities                | <u>2,009,272</u>    | <u>677,255</u>               | <u>2,686,527</u>    |
| Non-current liabilities:                 |                     |                              |                     |
| Net pension liability                    | -                   | 31,821                       | 31,821              |
| Compensated absences, noncurrent         | -                   | 7,583                        | 7,583               |
| Non-current portion of long-term debt    | -                   | 154,256                      | 154,256             |
| Total non-current liabilities            | <u>-</u>            | <u>193,660</u>               | <u>193,660</u>      |
| Total liabilities                        | <u>2,009,272</u>    | <u>870,915</u>               | <u>2,880,187</u>    |
| <b>Deferred Inflows of Resources:</b>    |                     |                              |                     |
| Pension deferrals                        | -                   | 30,716                       | 30,716              |
| Total deferred inflows of resources      | <u>-</u>            | <u>30,716</u>                | <u>30,716</u>       |
| <b>Net Position:</b>                     |                     |                              |                     |
| Net investment in capital assets         | -                   | 26,079                       | 26,079              |
| Unrestricted                             | <u>2,302,633</u>    | <u>(735,164)</u>             | <u>1,567,469</u>    |
| Total net position                       | <u>\$ 2,302,633</u> | <u>\$ (709,085)</u>          | <u>\$ 1,593,548</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, 2016**

|   | <b>Insurance<br/>Fund</b> | <b>Fleet<br/>Maintenance<br/>Fund</b> | <b>Total</b>        |
|---|---------------------------|---------------------------------------|---------------------|
| <b>Operating Revenues:</b>                |                           |                                       |                     |
| Charges for services                      | \$ 6,398,641              | \$ 2,123,767                          | \$ 8,522,408        |
| Other operating revenues                  | 502                       | 961                                   | 1,463               |
| Total operating revenues                  | <u>6,399,143</u>          | <u>2,124,728</u>                      | <u>8,523,871</u>    |
| <b>Operating Expenses:</b>                |                           |                                       |                     |
| Health insurance                          | 6,386,561                 | -                                     | 6,386,561           |
| Property/casualty insurance               | 552,412                   | -                                     | 552,412             |
| Workers' compensation                     | 571,073                   | -                                     | 571,073             |
| Dental insurance                          | 441,598                   | -                                     | 441,598             |
| Other insurance                           | 73,225                    | -                                     | 73,225              |
| Fleet maintenance                         | -                         | 2,286,240                             | 2,286,240           |
| Depreciation                              | -                         | 6,563                                 | 6,563               |
| Total operating expenses                  | <u>8,024,869</u>          | <u>2,292,803</u>                      | <u>10,317,672</u>   |
| Operating income (loss)                   | <u>(1,625,726)</u>        | <u>(168,075)</u>                      | <u>(1,793,801)</u>  |
| <b>Non-Operating Revenues (Expenses):</b> |                           |                                       |                     |
| Investment earnings                       | 45,857                    | -                                     | 45,857              |
| Total non-operating revenues (expenses)   | <u>45,857</u>             | <u>-</u>                              | <u>45,857</u>       |
| Change in net position                    | (1,579,869)               | (168,075)                             | (1,747,944)         |
| <b>Net Position:</b>                      |                           |                                       |                     |
| Net position, beginning                   | <u>3,882,502</u>          | <u>(541,010)</u>                      | <u>3,341,492</u>    |
| End of year - June 30                     | <u>\$ 2,302,633</u>       | <u>\$ (709,085)</u>                   | <u>\$ 1,593,548</u> |



## CITY OF HICKORY, NORTH CAROLINA

## COMBINING STATEMENT OF CASH FLOWS

## INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2016

|   | <b>Insurance<br/>Fund</b> | <b>Fleet<br/>Maintenance<br/>Fund</b> | <b>Total</b>          |
|---|---------------------------|---------------------------------------|-----------------------|
| <b>Cash Flows from Operating Activities:</b>  |                           |                                       |                       |
| Cash received from customers and users  | \$ 6,393,087              | \$ 2,124,728                          | \$ 8,517,815          |
| Cash paid to suppliers  | (8,101,572)               | (1,745,676)                           | (9,847,248)           |
| Cash paid to employees  | -                         | (564,558)                             | (564,558)             |
| Net cash provided (used) by operating activities  | <u>(1,708,485)</u>        | <u>(185,506)</u>                      | <u>(1,893,991)</u>    |
| <b>Cash Flows from Non-Capital Financing Activities:</b>  |                           |                                       |                       |
| Changes in due to/from other funds  | -                         | 185,506                               | 185,506               |
| Net cash provided (used) by non-capital financing activities  | <u>-</u>                  | <u>185,506</u>                        | <u>185,506</u>        |
| <b>Cash Flows from Investing Activities:</b>  |                           |                                       |                       |
| Interest on investments   | 45,857                    | -                                     | 45,857                |
| Net cash provided (used) by investing activities  | <u>45,857</u>             | <u>-</u>                              | <u>45,857</u>         |
| Net increase (decrease) in cash and cash equivalents  | (1,662,628)               | -                                     | (1,662,628)           |
| <b>Cash and Cash Equivalents:</b>   |                           |                                       |                       |
| Beginning of year - July 1  | 5,749,699                 | -                                     | 5,749,699             |
| End of year - June 30   | <u>\$ 4,087,071</u>       | <u>\$ -</u>                           | <u>\$ 4,087,071</u>   |
| <b>Reconciliation of Operating Income (Loss) to<br/>Net Cash Provided (Used) by Operating Activities:</b> |                           |                                       |                       |
| Operating income (loss)   | \$ (1,625,726)            | \$ (168,075)                          | \$ (1,793,801)        |
| Adjustments to reconcile operating income (loss) to<br>net cash provided (used) by operating activities:  |                           |                                       |                       |
| Depreciation  | -                         | 6,563                                 | 6,563                 |
| Change in pension expense   | -                         | (10,861)                              | (10,861)              |
| Change in assets and liabilities:   |                           |                                       |                       |
| (Increase) decrease in accounts receivables   | 1,419                     | (3,464)                               | (2,045)               |
| (Increase) decrease in prepaid items  | (209,528)                 | (305)                                 | (209,833)             |
| (Increase) decrease in inventories  | -                         | (6,564)                               | (6,564)               |
| Increase (decrease) in accounts payable   | 132,825                   | (5,366)                               | 127,459               |
| (Increase) decrease in deferred outflows of resources for pensions  | -                         | 909                                   | 909                   |
| Increase (decrease) in prepaid fees   | (7,475)                   | -                                     | (7,475)               |
| Increase (decrease) in compensated absences   | -                         | (5,844)                               | (5,844)               |
| Increase (decrease) in other post-employment benefits   | <u>-</u>                  | <u>7,501</u>                          | <u>7,501</u>          |
| Net cash provided (used) by operating activities  | <u>\$ (1,708,485)</u>     | <u>\$ (185,506)</u>                   | <u>\$ (1,893,991)</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, 2016**

|                                    | <b>Financial<br/>Plan</b> | <b>Actual</b>         | <b>Variance<br/>Over/Under</b> |
|------------------------------------|---------------------------|-----------------------|--------------------------------|
| <b>Operating Revenues:</b>         |                           |                       |                                |
| Charges for services               | \$ 6,510,183              | \$ 6,398,641          | \$ (111,542)                   |
| Other operating revenues           | -                         | 502                   | 502                            |
| Total operating revenues           | <u>6,510,183</u>          | <u>6,399,143</u>      | <u>(111,040)</u>               |
| <b>Non-Operating Revenues:</b>     |                           |                       |                                |
| Investment earnings                | <u>40,001</u>             | <u>45,857</u>         | <u>5,856</u>                   |
| Total non-operating revenues       | <u>40,001</u>             | <u>45,857</u>         | <u>5,856</u>                   |
| Total revenues                     | <u>6,550,184</u>          | <u>6,445,000</u>      | <u>(105,184)</u>               |
| <b>Expenditures:</b>               |                           |                       |                                |
| General government:                |                           |                       |                                |
| Health insurance                   | 4,918,090                 | 6,386,561             | (1,468,471)                    |
| Property/casualty insurance        | 691,242                   | 552,412               | 138,830                        |
| Dental insurance                   | -                         | 441,598               | (441,598)                      |
| Other insurance                    | -                         | 73,225                | (73,225)                       |
| Workers' compensation              | <u>940,852</u>            | <u>571,073</u>        | <u>369,779</u>                 |
| Total expenditures                 | <u>6,550,184</u>          | <u>8,024,869</u>      | <u>(1,474,685)</u>             |
| Revenues over (under) expenditures | <u>\$ -</u>               | <u>\$ (1,579,869)</u> | <u>\$ (1,579,869)</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, 2016**

|                                    | <b>Financial<br/>Plan</b> | <b>Actual</b>       | <b>Variance<br/>Over/Under</b> |
|------------------------------------|---------------------------|---------------------|--------------------------------|
| <b>Operating Revenues:</b>         |                           |                     |                                |
| Charges for services               | \$ 2,942,924              | \$ 2,123,767        | \$ (819,157)                   |
| Other operating revenues           | -                         | 961                 | 961                            |
| Total operating revenues           | <u>2,942,924</u>          | <u>2,124,728</u>    | <u>(818,196)</u>               |
| <b>Expenditures:</b>               |                           |                     |                                |
| General government                 |                           |                     |                                |
| Salaries and benefits              | 642,743                   | 556,263             | 86,480                         |
| Other operating expenditures       | 2,038,691                 | 1,479,071           | 559,620                        |
| Capital outlay                     | 7,500                     | 5,211               | 2,289                          |
| Administrative reimbursement       | <u>253,990</u>            | <u>253,990</u>      | -                              |
| Total expenditures                 | <u>2,942,924</u>          | <u>2,294,535</u>    | <u>648,389</u>                 |
| Revenues over (under) expenditures | <u>\$ -</u>               | <u>\$ (169,807)</u> | <u>\$ (169,807)</u>            |

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

|   |                     |
|---|---------------------|
| Revenues over (under) expenditures  | \$ (169,807)        |
| Reconciling items:  |                     |
| Depreciation and amortization   | (6,563)             |
| Change in pension expense   | 10,861              |
| Change in deferred outflows of resources for contributions made to<br>pension plan in current fiscal year | (909)               |
| Change in accrued vacation pay  | 5,844               |
| Change in other post-employment benefits  | <u>(7,501)</u>      |
| Change in net position  | <u>\$ (168,075)</u> |



**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 SOURCE<sup>1</sup>

JUNE 30, 2016

**Governmental Funds Capital Assets:**

|   |                       |
|---|-----------------------|
| Land                                    | \$ 12,271,681         |
| Buildings                               | 31,560,390            |
| Other improvements                      | 12,316,272            |
| Equipment                               | 11,838,177            |
| Vehicles and motorized equipment        | 14,806,695            |
| Streets                                 | 45,921,422            |
| Traffic signals                         | 2,433,033             |
| Bridges                                 | 853,304               |
| Sidewalks                               | 7,425,309             |
| Construction in progress                | 5,142,242             |
| Total governmental funds capital assets | <u>\$ 144,568,525</u> |

**Investments in Governmental Funds Capital Assets by Source:**

|   |                       |
|---|-----------------------|
| General Fund                            | \$ 84,676,782         |
| 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                             | 1,720,574             |
| Total governmental funds capital assets | <u>\$ 144,568,525</u> |

<sup>1</sup> 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 ACTIVITY<sup>1</sup>**  
**FOR THE YEAR ENDED JUNE 30, 2016**

| <b>By Function and Activity</b>           | <b>Governmental<br/>Funds<br/>Capital Assets<br/>June 30, 2015</b> | <b>Additions</b>    | <b>Deductions</b>     | <b>Governmental<br/>Funds<br/>Capital Assets<br/>June 30, 2016</b> |
|---|--|---------------------|-----------------------|--|
| <b>General Government:</b>                |  |                     |                       |  |
| Administration                            | \$ 54,375  | \$ -                | \$ -                  | \$ 54,375  |
| Budget and administration                 | 23,465   | 27,263              | (23,465)              | 27,263   |
| Finance                                   | 76,665   | -                   | (46,552)              | 30,113   |
| Technology services                       | 1,123,936  | 26,374              | -                     | 1,150,310  |
| Engineering                               | 195,783  | 17,707              | -                     | 213,490  |
| Building services                         | 178,201  | -                   | -                     | 178,201  |
| Central services                          | 2,446,928  | 101,135             | -                     | 2,548,063  |
| Public buildings                          | 7,222,965  | 864,915             | -                     | 8,087,880  |
| Buildings and grounds                     | 1,218,250  | 54,925              | (44,686)              | 1,228,489  |
| District court                            | 728,810  | -                   | -                     | 728,810  |
| Total general government                  | <u>13,269,378</u>  | <u>1,092,319</u>    | <u>(114,703)</u>      | <u>14,246,994</u>  |
| <b>Public Safety:</b>                     |  |                     |                       |  |
| Police                                    | 14,185,619   | 733,729             | (228,228)             | 14,691,120   |
| Code Enforcement                          | 120,916  | 61,681              | (43,449)              | 139,148  |
| Fire                                      | <u>10,785,555</u>  | <u>1,379,513</u>    | <u>(69,491)</u>       | <u>12,095,577</u>  |
| Total public safety                       | <u>25,092,090</u>  | <u>2,174,923</u>    | <u>(341,168)</u>      | <u>26,925,845</u>  |
| <b>Transportation:</b>                    |  |                     |                       |  |
| Traffic                                   | 3,194,170  | 44,127              | (41,367)              | 3,196,930  |
| Street                                    | <u>57,966,897</u>  | <u>1,118,682</u>    | <u>(195,225)</u>      | <u>58,890,354</u>  |
| Total transportation                      | <u>61,161,067</u>  | <u>1,162,809</u>    | <u>(236,592)</u>      | <u>62,087,284</u>  |
| <b>Economic and Physical Development:</b> |  |                     |                       |  |
| Planning and development                  | 2,582,028  | -                   | -                     | 2,582,028  |
| Economic and community                    | <u>2,929,178</u>   | <u>-</u>            | <u>(68,073)</u>       | <u>2,861,105</u>   |
| Total economic and physical development   | <u>5,511,206</u>   | <u>-</u>            | <u>(68,073)</u>       | <u>5,443,133</u>   |
| <b>Culture and Recreation:</b>            |  |                     |                       |  |
| Recreation                                | 24,078,940   | 690,200             | (56,401)              | 24,712,739   |
| Library                                   | <u>5,913,051</u>   | <u>97,237</u>       | <u>-</u>              | <u>6,010,288</u>   |
| Total culture and recreation              | <u>29,991,991</u>  | <u>787,437</u>      | <u>(56,401)</u>       | <u>30,723,027</u>  |
| <b>Construction in Progress</b>           | <u>6,247,005</u>   | <u>1,121,950</u>    | <u>(2,226,713)</u>    | <u>5,142,242</u>   |
| Total government funds capital assets     | <u>\$ 141,272,737</u>  | <u>\$ 6,339,438</u> | <u>\$ (3,043,650)</u> | <u>\$ 144,568,525</u>  |

<sup>1</sup> 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 ACTIVITY<sup>1</sup>

JUNE 30, 2016

| By Function and Activity                   | Land                 | Buildings            | Other<br>Improvements | Equipment            | Vehicles and<br>Motorized<br>Equipment |
|--|----------------------|----------------------|-----------------------|----------------------|--|
| <b>General Government:</b>                 |                      |                      |                       |                      |  |
| Administration                             | -                    | -                    | -                     | -                    | \$ 54,375                              |
| Risk                                       | -                    | -                    | -                     | -                    | 27,263.00                              |
| Finance                                    | -                    | -                    | -                     | 30,113               | -                                      |
| Technology services                        | -                    | -                    | -                     | 1,133,050            | 17,259                                 |
| Engineering                                | -                    | -                    | -                     | 132,944              | 80,546                                 |
| Building services                          | -                    | -                    | -                     | 6,575                | 171,626                                |
| Central services                           | 683,484              | 1,801,592            | 506                   | 50,377               | 12,103                                 |
| Public buildings                           | 2,676,380            | 3,227,938            | 1,873,796             | 309,767              | -                                      |
| Building and grounds                       | 413,573              | 176,975              | -                     | 346,750              | 291,192                                |
| District court                             | 28,000               | 693,531              | -                     | 7,279                | -                                      |
| Total general government                   | <u>3,801,437</u>     | <u>5,900,036</u>     | <u>1,874,302</u>      | <u>2,016,855</u>     | <u>654,364</u>                         |
| <b>Public Safety:</b>                      |                      |                      |                       |                      |  |
| Police                                     | 133,615              | 5,026,185            | 312,818               | 4,590,165            | 4,628,336                              |
| Code Enforcement                           | -                    | -                    | 1,620                 | -                    | 137,527                                |
| Fire                                       | 236,792              | 3,254,596            | 1,332,666             | 909,042              | 6,362,482                              |
| Total public safety                        | <u>370,407</u>       | <u>8,280,781</u>     | <u>1,647,104</u>      | <u>5,499,207</u>     | <u>11,128,345</u>                      |
| <b>Transportation:</b>                     |                      |                      |                       |                      |  |
| Traffic                                    | 13,036               | 82,805               | -                     | 256,798              | 421,259                                |
| Street                                     | 615,674              | -                    | 589,222               | 1,531,331            | 1,944,092                              |
| Total transportation                       | <u>628,710</u>       | <u>82,805</u>        | <u>589,222</u>        | <u>1,788,129</u>     | <u>2,365,351</u>                       |
| <b>Economic and Physical Development:</b>  |                      |                      |                       |                      |  |
| Planning and development                   | 4,643,369            | 420,636              | -                     | -                    | 38,577                                 |
| Economic and community                     | 340,551              | -                    | -                     | -                    | -                                      |
| Total economic and<br>physical development | <u>4,983,920</u>     | <u>420,636</u>       | <u>-</u>              | <u>-</u>             | <u>38,577</u>                          |
| <b>Culture and Recreation:</b>             |                      |                      |                       |                      |  |
| Recreation                                 | 2,487,207            | 11,832,380           | 8,066,066             | 1,747,059            | 580,028                                |
| Library                                    | -                    | 5,043,752            | 139,578               | 786,928              | 40,030                                 |
| Total culture and recreation               | <u>2,487,207</u>     | <u>16,876,132</u>    | <u>8,205,644</u>      | <u>2,533,987</u>     | <u>620,058</u>                         |
| <b>Construction in Progress</b>            | <u>-</u>             | <u>-</u>             | <u>-</u>              | <u>-</u>             | <u>-</u>                               |
| Total governmental funds capital assets    | <u>\$ 12,271,681</u> | <u>\$ 31,560,390</u> | <u>\$ 12,316,272</u>  | <u>\$ 11,838,178</u> | <u>\$ 14,806,695</u>                   |

<sup>1</sup> 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 ACTIVITY<sup>1</sup>  
JUNE 30, 2016

| By Function and Activity                   | Streets       | Traffic<br>Signals | Bridges    | Sidewalks    | Construction<br>in Progress | Total          |
|--|---------------|--------------------|------------|--------------|-----------------------------|----------------|
| <b>General Government:</b>                 |               |                    |            |              |                             |                |
| Administration                             | \$ -          | \$ -               | \$ -       | \$ -         | \$ -                        | \$ 54,375      |
| Risk                                       | -             | -                  | -          | -            | -                           | 27,263         |
| Finance                                    | -             | -                  | -          | -            | -                           | 30,113         |
| Technology services                        | -             | -                  | -          | -            | -                           | 1,150,309      |
| Engineering                                | -             | -                  | -          | -            | -                           | 213,490        |
| Building services                          | -             | -                  | -          | -            | -                           | 178,201        |
| Central services                           | -             | -                  | -          | -            | -                           | 2,548,062      |
| Public buildings                           | -             | -                  | -          | -            | -                           | 8,087,881      |
| Building and grounds                       | -             | -                  | -          | -            | -                           | 1,228,490      |
| District court                             | -             | -                  | -          | -            | -                           | 728,810        |
| Total general government                   | -             | -                  | -          | -            | -                           | 14,246,994     |
| <b>Public Safety:</b>                      |               |                    |            |              |                             |                |
| Police                                     | -             | -                  | -          | -            | -                           | 14,691,119     |
| Code Enforcement                           | -             | -                  | -          | -            | -                           | 139,147        |
| Fire                                       | -             | -                  | -          | -            | -                           | 12,095,578     |
| Total public safety                        | -             | -                  | -          | -            | -                           | 26,925,844     |
| <b>Transportation:</b>                     |               |                    |            |              |                             |                |
| Traffic                                    | -             | 2,423,032          | -          | -            | -                           | 3,196,930      |
| Street                                     | 45,921,422    | 10,000             | 853,304    | 7,425,309    | -                           | 58,890,354     |
| Total transportation                       | 45,921,422    | 2,433,032          | 853,304    | 7,425,309    | -                           | 62,087,284     |
| <b>Economic and Physical Development:</b>  |               |                    |            |              |                             |                |
| Planning and development                   | -             | -                  | -          | -            | -                           | 5,102,582      |
| Economic and community                     | -             | -                  | -          | -            | -                           | 340,551        |
| Total economic and<br>physical development | -             | -                  | -          | -            | -                           | 5,443,133      |
| <b>Culture and Recreation:</b>             |               |                    |            |              |                             |                |
| Recreation                                 | -             | -                  | -          | -            | -                           | 24,712,740     |
| Library                                    | -             | -                  | -          | -            | -                           | 6,010,288      |
| Total culture and recreation               | -             | -                  | -          | -            | -                           | 30,723,028     |
| <b>Construction in Progress</b>            | -             | -                  | -          | -            | 5,142,242                   | 5,142,242      |
| Total governmental funds capital assets    | \$ 45,921,422 | \$ 2,433,032       | \$ 853,304 | \$ 7,425,309 | \$ 5,142,242                | \$ 144,568,525 |

<sup>1</sup> 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.

## **Supplemental Financial Data**

This section contains supplemental information on property taxes.

### **Schedule of Ad Valorem Taxes Receivable**

### **Analysis of Current Tax Levy**



## CITY OF HICKORY, NORTH CAROLINA

## GENERAL FUND

## SCHEDULE OF AD VALOREM TAXES RECEIVABLE

JUNE 30, 2016

| <b>Fiscal Year</b> | <b>Uncollected<br/>Balance<br/>July 1, 2015</b> | <b>Additions</b>     | <b>Collections<br/>and Credits</b> | <b>Uncollected<br/>Balance<br/>June 30, 2016</b> |
|--------------------|---|----------------------|------------------------------------|--|
| 2016               | \$ -  | \$ 25,755,090        | \$ 25,344,512                      | \$ 410,578                                       |
| 2015               | 437,087   | -                    | 199,886                            | 237,201  |
| 2014               | 330,424   | -                    | 76,580                             | 253,844  |
| 2013               | 260,136   | -                    | 52,614                             | 207,522  |
| 2012               | 214,470   | -                    | 36,419                             | 178,051  |
| 2011               | 170,571   | -                    | 18,718                             | 151,853  |
| 2010               | 169,469   | -                    | 19,219                             | 150,250  |
| 2009               | 144,145   | -                    | 12,418                             | 131,727  |
| 2008               | 132,583   | -                    | 6,940                              | 125,643  |
| 2007               | 85,331  | -                    | 85,331                             | -  |
| Total              | <u>\$ 1,944,216</u>                             | <u>\$ 25,755,090</u> | <u>\$ 25,852,637</u>               | <u>1,846,669</u>                                 |

Less allowance for uncollectible ad valorem taxes receivable (1,066,690)

Ad valorem taxes receivable, net \$ 779,979

**Reconciliation of Collections and Credits with Revenues:**

|  |                      |
|--|----------------------|
| Ad valorem taxes                               | \$ 25,913,125        |
| Reconciling items:                             |                      |
| Interest and penalties collected               | (147,110)            |
| Prior year releases/adjustments                | 9,600                |
| Collections of prior year writeoffs            | (3,580)              |
| Amounts written off per Statute of Limitations | <u>80,602</u>        |
| Total collections and credits                  | <u>\$ 25,852,637</u> |

## CITY OF HICKORY, NORTH CAROLINA

## ANALYSIS OF CURRENT TAX LEVY

## CITY-WIDE LEVY

FOR THE YEAR ENDED JUNE 30, 2016

|   | City-Wide               |           |                      | Total Levy   |                                 |
|---|-------------------------|-----------|----------------------|--|---------------------------------|
|   | Property<br>Valuation   | Rate      | Amount<br>of Levy    | Property<br>Excluding<br>Registered<br>Motor<br>Vehicles | Registered<br>Motor<br>Vehicles |
| <b>Original Levy:</b>                     |                         |           |                      |  |                                 |
| County-wide:                              |                         |           |                      |  |                                 |
| Property taxed at current year's rate     | \$ 4,520,188,186        | \$ 0.5665 | \$ 25,606,866        | \$ 23,678,846  | \$ 1,928,020                    |
| Penalties                                 | -                       |           | 10,758               | 10,758   | -                               |
| Total original levy                       | <u>4,520,188,186</u>    |           | <u>25,617,624</u>    | <u>23,689,604</u>  | <u>1,928,020</u>                |
| <b>Discoveries:</b>                       |                         |           |                      |  |                                 |
| Current year's taxes                      | 34,157,887              | \$ 0.5665 | 193,504              | 192,952  | 552                             |
| Penalties                                 | -                       |           | 26,994               | 26,994   | -                               |
| Total                                     | <u>34,157,887</u>       |           | <u>220,498</u>       | <u>219,946</u>   | <u>552</u>                      |
| <b>Releases</b>                           | <u>(14,657,036)</u>     |           | <u>(83,032)</u>      | <u>(83,010)</u>  | <u>(22)</u>                     |
| Total property valuation                  | <u>\$ 4,539,689,037</u> |           |                      |  |                                 |
| <b>Net Levy</b>                           |                         |           | 25,755,090           | 23,826,540   | 1,928,550                       |
| Uncollected taxes at June 30, 2016        |                         |           | <u>(410,578)</u>     | <u>(410,461)</u>   | <u>(117)</u>                    |
| <b>Current Year's Taxes Collected</b>     |                         |           | <u>\$ 25,344,512</u> | <u>\$ 23,416,079</u>                                     | <u>\$ 1,928,433</u>             |
| <b>Current Levy Collection Percentage</b> |                         |           | <u>98.41%</u>        | <u>98.28%</u>  | <u>99.99%</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)

|   | <u>2007</u>           | <u>2008</u>           | <u>2009</u>           | <u>2010</u>           | <u>2011</u>           | <u>2012</u>           | <u>2013</u>           | <u>2014</u>           | <u>2015</u>           | <u>2016</u>           |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Governmental activities                     |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Net investment in capital assets            | \$ 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         | \$ 49,943,126         |
| Restricted                                  | 396,392               | 435,833               | 412,565               | 410,152               | 6,113,772             | 4,635,971             | 3,850,331             | 4,332,435             | 7,269,145             | 8,742,074             |
| Unrestricted                                | 23,057,628            | 28,615,507            | 31,839,201            | 26,223,301            | 21,910,602            | 26,206,217            | 26,754,779            | 27,084,992            | 24,833,580            | 16,629,980            |
| Total governmental activities net position  | <u>83,708,032</u>     | <u>83,960,512</u>     | <u>85,660,590</u>     | <u>80,959,387</u>     | <u>82,682,364</u>     | <u>84,122,925</u>     | <u>81,814,256</u>     | <u>81,031,608</u>     | <u>82,766,711</u>     | <u>75,315,180</u>     |
| Business-type activities                    |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Net investment in capital assets            | 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           | 106,538,651           |
| Unrestricted                                | 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            | 36,224,946            |
| Total business-type activities net position | <u>99,526,110</u>     | <u>106,202,228</u>    | <u>106,251,184</u>    | <u>115,078,227</u>    | <u>118,656,347</u>    | <u>119,315,191</u>    | <u>124,049,344</u>    | <u>125,576,266</u>    | <u>130,056,512</u>    | <u>142,763,597</u>    |
| Primary government                          |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Net investment in capital assets            | 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           | 156,481,777           |
| Restricted                                  | 396,392               | 435,833               | 412,565               | 410,152               | 6,113,772             | 4,635,971             | 3,850,331             | 4,332,435             | 7,269,145             | 8,742,074             |
| Unrestricted                                | 34,160,743            | 41,176,532            | 45,413,237            | 47,185,390            | 44,231,054            | 46,593,821            | 48,349,327            | 50,432,099            | 52,033,078            | 52,854,926            |
| Total primary government net position       | <u>\$ 183,234,142</u> | <u>\$ 190,162,740</u> | <u>\$ 191,911,774</u> | <u>\$ 196,037,614</u> | <u>\$ 201,338,711</u> | <u>\$ 203,438,116</u> | <u>\$ 205,863,600</u> | <u>\$ 206,607,874</u> | <u>\$ 212,823,223</u> | <u>\$ 218,078,777</u> |

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

|   | 2007          | 2008          | 2009          | 2010         | 2011         | 2012         | 2013          | 2014         | 2015          | 2016          |
|---|---------------|---------------|---------------|--------------|--------------|--------------|---------------|--------------|---------------|---------------|
| Expenses  |               |               |               |              |              |              |               |              |               |               |
| Governmental activities                         |               |               |               |              |              |              |               |              |               |               |
| General government                              | \$ 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 | \$ 17,241,713 |
| Public safety                                   | 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    | 21,590,589    |
| Transportation                                  | 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     | 5,434,930     |
| Economic and physical development               | 3,007,257     | 4,884,174     | 2,928,116     | 2,772,484    | 3,361,684    | 3,382,327    | 3,145,584     | 3,152,928    | 3,982,537     | 4,046,041     |
| Culture and recreation                          | 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     | 6,355,499     |
| Interest on long-term debt                      | 494,043       | 441,297       | 411,980       | 376,028      | 320,309      | 241,951      | 119,963       | 99,172       | 148,214       | 151,691       |
| Total governmental activities expenses          | 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    | 54,820,463    |
| Business-type activities                        |               |               |               |              |              |              |               |              |               |               |
| Water   | 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     | 8,206,452     |
| Sewer   | 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    | 11,709,085    |
| Sludge composting                               | 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     | 2,010,155     |
| Stormwater                                      | -             | 646,166       | 765,923       | 779,361      | 471,708      | 477,389      | 503,152       | 752,443      | 604,777       | 526,080       |
| Public transit                                  | 2,286,689     | 2,560,293     | 1,167,841     | -            | -            | -            | -             | -            | -             | -             |
| Airport   | 1,279,869     | 1,320,324     | 1,280,587     | 1,162,141    | 929,123      | 2,509,770    | 2,872,189     | 2,615,292    | 2,297,924     | 1,419,481     |
| Recycling                                       | 2,561,364     | 2,482,950     | 2,590,436     | 2,570,174    | 2,638,473    | 2,785,282    | 2,652,882     | 3,014,427    | 3,591,441     | 2,817,888     |
| Sanitation                                      | 1,599,070     | 1,669,688     | 1,769,863     | 1,665,465    | 1,621,112    | 1,621,112    | 1,953,736     | 1,773,653    | 1,638,769     | 1,774,541     |
| Total business-type activities expenses         | 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    | 28,463,682    |
| Total primary government expenses               | 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    | 83,284,145    |
| Program revenues                                |               |               |               |              |              |              |               |              |               |               |
| Governmental activities                         |               |               |               |              |              |              |               |              |               |               |
| Charges for services                            |               |               |               |              |              |              |               |              |               |               |
| General government                              | 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     | 7,771,103     |
| Public safety                                   | 356,776       | 379,426       | 372,838       | 288,303      | 344,906      | 367,049      | 305,427       | 367,312      | 235,616       | 309,458       |
| Transportation                                  | 74,722        | 37,056        | 39,070        | 1,630        | 10,331       | 26,884       | 9,906         | 21,031       | 18,332        | 5,388         |
| Economic and physical development               | 120,508       | 66,920        | 234,707       | 837,914      | 232,608      | 477,367      | 157,944       | 234,406      | 142,090       | 286,811       |
| Culture and recreation                          | 498,731       | 434,832       | 304,826       | 277,887      | 295,039      | 306,901      | 273,434       | 239,691      | 257,226       | 257,945       |
| Operating grants and contributions              | 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     | 3,229,321     |
| Capital grants and contributions                | 873,357       | 1,652,695     | 431,894       | 80,000       | -            | -            | 1,044         | 269,944      | 5,894,084     | 80,679        |
| Total governmental activities program revenues  | 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    | 11,940,705    |
| Business-type activities                        |               |               |               |              |              |              |               |              |               |               |
| Charges for services                            |               |               |               |              |              |              |               |              |               |               |
| Water   | 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    | 14,301,744    |
| Sewer   | 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     | 9,628,631     |
| Sludge composting                               | 20,940        | 18,192        | 44,384        | 51,416       | 48,640       | 59,332       | 60,681        | 38,197       | 25,237        | 39,910        |
| Stormwater                                      | -             | 5,184         | 4,566         | 5,616        | 1,947        | 844          | 1,773         | 58,207       | (3,318)       | (1,987)       |
| Public transit                                  | 187,151       | 212,930       | 6,680         | -            | -            | -            | -             | -            | -             | -             |
| Airport   | 316,929       | 311,251       | 369,371       | 364,004      | 294,912      | 1,293,487    | 2,376,811     | 2,186,700    | 1,145,669     | 1,318,045     |
| Recycling                                       | 1,307,194     | 1,516,451     | 1,620,322     | 1,744,308    | 2,204,665    | 2,202,781    | 2,249,802     | 2,463,873    | 2,541,569     | 2,762,756     |
| Sanitation                                      | 1,223,225     | 1,371,565     | 1,350,867     | 1,211,928    | 1,290,053    | 1,290,053    | 1,292,802     | 1,235,322    | 1,203,656     | 1,238,614     |
| Operating grants and contributions              | 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     | 2,136,861     |
| Capital grants and contributions                | 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     | 2,735,512     |
| Total business-type activities program revenues | 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    | 34,160,086    |
| Total primary government program revenues       | 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    | 46,100,791    |
| Net (expense)/revenue                           |               |               |               |              |              |              |               |              |               |               |
| Governmental activities                         | (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)  | (42,879,758)  |
| Business-type activities                        | 1,727,072     | 1,532,507     | 139,987       | 3,126,550    | 3,585,407    | 957,024      | 3,148,033     | 891,515      | 3,452,132     | 54,696,404    |
| Total primary government net expense            | (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)  | 11,816,646    |

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

|  | 2007         | 2008         | 2009         | 2010         | 2011         | 2012         | 2013         | 2014       | 2015          | 2016         |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|---------------|--------------|
| General revenues and other changes in net position |              |              |              |              |              |              |              |            |               |              |
| Governmental activities                            |              |              |              |              |              |              |              |            |               |              |
| Taxes  |              |              |              |              |              |              |              |            |               |              |
| Ad valorem property taxes                          | 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    | 25,801,419   |
| Local option sales tax                             | 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     | 9,698,345    |
| Franchise tax                                      | 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     | 3,072,413    |
| Telecommunication tax                              | 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     | 894,621      |
| Motel/Occupancy tax                                | 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     | 1,888,878    |
| Vehicle tag tax                                    | 153,193      | 157,152      | 150,895      | 151,761      | 153,545      | 157,362      | 161,025      | 209,966    | 170,479       | 174,458      |
| Gross receipts tax                                 | 75,421       | 83,474       | 73,527       | 82,397       | 103,676      | 110,711      | 115,674      | 136,237    | 131,412       | 149,050      |
| Unrestricted intergovernmental                     | 589,345      | 539,870      | 594,141      | 804,822      | 934,256      | 948,165      | 772,566      | 787,532    | 675,846       | 595,737      |
| Unrestricted investment earnings                   | 1,309,089    | 1,567,773    | 1,169,208    | 778,780      | 382,329      | 413,155      | (38,998)     | 174,060    | 150,105       | 326,559      |
| Miscellaneous                                      | 245,204      | 354,237      | 396,230      | 1,000,761    | 989,278      | -            | -            | -          | -             | -            |
| Transfers  | (872,600)    | (4,542,681)  | 518,671      | (5,359,951)  | 235,578      | 515,173      | (1,581,311)  | (519,010)  | (1,720,158)   | (6,679,253)  |
| Total governmental activities                      | 36,298,023   | 34,956,062   | 38,816,133   | 33,175,050   | 38,668,303   | 37,941,901   | 35,671,687   | 37,968,373 | 36,897,102    | 35,922,227   |
| Business-type activities                           |              |              |              |              |              |              |              |            |               |              |
| Unrestricted investment earnings                   | 505,291      | 600,930      | 427,640      | 340,542      | 228,291      | 216,993      | 4,809        | 116,397    | 92,491        | 329,538      |
| Donations  | -            | -            | -            | -            | -            | -            | -            | -          | 9,570         | 1,890        |
| Transfers  | 872,600      | 4,542,681    | (518,671)    | 5,359,951    | (235,578)    | (515,173)    | 1,581,311    | 519,010    | 1,720,158     | 6,679,253    |
| Total business-type activities                     | 1,377,891    | 5,143,611    | (91,031)     | 5,700,493    | (7,287)      | (298,180)    | 1,586,120    | 635,407    | 1,822,219     | 7,010,681    |
| Change in Net Position                             |              |              |              |              |              |              |              |            |               |              |
| Governmental activities                            | 3,735,357    | 252,480      | 1,700,078    | (4,701,203)  | 1,722,977    | 1,440,561    | (2,308,669)  | (782,648)  | 5,160,619     | (6,957,531)  |
| Business-type activities                           | 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     | 12,707,085   |
| Total primary government                           | \$ 6,840,320 | \$ 6,928,598 | \$ 1,749,034 | \$ 4,125,840 | \$ 5,301,097 | \$ 2,099,405 | \$ 2,425,484 | \$ 744,274 | \$ 10,434,970 | \$ 5,749,554 |

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

|                                    | <u>2007</u>          | <u>2008</u>          | <u>2009</u>          | <u>2010</u>          |                      |                      |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General Fund                       |                      |                      |                      |                      |                      |                      |
| Reserved                           | \$ 3,803,095         | \$ 4,803,407         | \$ 3,106,380         | \$ 4,351,129         |                      |                      |
| Unreserved                         | 11,959,052           | 14,917,158           | 13,714,939           | 13,337,503           |                      |                      |
| Total General Fund                 | <u>\$ 15,762,147</u> | <u>\$ 19,720,565</u> | <u>\$ 16,821,319</u> | <u>\$ 17,688,632</u> |                      |                      |
| All other governmental funds       |                      |                      |                      |                      |                      |                      |
| Reserved                           | \$ 863,312           | \$ 974,938           | \$ 1,628,642         | \$ 3,069,226         |                      |                      |
| Unreserved, reported in:           |                      |                      |                      |                      |                      |                      |
| Special revenue funds              | 5,825,979            | 7,746,081            | 10,416,107           | 5,724,561            |                      |                      |
| Capital project funds              | (854,161)            | (537,254)            | 2,021,725            | 201,552              |                      |                      |
| Total all other governmental funds | <u>\$ 5,835,130</u>  | <u>\$ 8,183,765</u>  | <u>\$ 14,066,474</u> | <u>\$ 8,995,339</u>  |                      |                      |
|                                    |                      |                      |                      |                      |                      |                      |
|                                    | <u>2011</u>          | <u>2012</u>          | <u>2013</u>          | <u>2014</u>          | <u>2015</u>          | <u>2016</u>          |
| General Fund                       |                      |                      |                      |                      |                      |                      |
| Nonspendable                       | \$ 363,066           | \$ 296,769           | \$ 295,503           | \$ 409,899           | \$ 5,402,181         | \$ 4,885,591         |
| Restricted                         | 4,265,397            | 3,799,206            | 3,542,867            | 3,993,730            | 6,977,246            | 6,934,665            |
| Committed                          | 9,785,643            | 11,995,937           | 13,322,724           | 13,381,759           | 11,437,451           | 4,810,507            |
| Assigned                           | 2,167,510            | 3,856,360            | 1,877,185            | 3,065,661            | 2,811,908            | 2,620,872            |
| Unassigned                         | 11,646,163           | 11,934,342           | 13,072,784           | 13,515,066           | 14,031,436           | 14,133,964           |
| Total General Fund                 | <u>\$ 28,227,779</u> | <u>\$ 31,882,614</u> | <u>\$ 32,111,063</u> | <u>\$ 34,366,115</u> | <u>\$ 40,660,222</u> | <u>\$ 33,385,599</u> |
| All other governmental funds       |                      |                      |                      |                      |                      |                      |
| Nonspendable                       | \$ -                 | \$ -                 | \$ 158               | \$ 158               | \$ 879               | \$ 330               |
| Restricted                         | 1,848,375            | 836,765              | 307,464              | 338,705              | 1,973,118            | 1,978,451            |
| Committed                          | 254,972              | 256,491              | 39,683               | 11,509               | 30,398               | 168,731              |
| Assigned                           | -                    | -                    | -                    | -                    | -                    | -                    |
| Unassigned                         | (1,609,530)          | (677,129)            | (72,230)             | (726,139)            | (43,256)             | (140,933)            |
| Total all other governmental funds | <u>\$ 493,817</u>    | <u>\$ 416,127</u>    | <u>\$ 275,075</u>    | <u>\$ (375,767)</u>  | <u>\$ 1,961,139</u>  | <u>\$ 2,006,579</u>  |

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)

|   | <b>2007</b>         | <b>2008</b>         | <b>2009</b>         | <b>2010</b>           | <b>2011</b>         | <b>2012</b>         | <b>2013</b>          | <b>2014</b>          | <b>2015</b>          | <b>2016</b>           |
|---|---------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|----------------------|----------------------|----------------------|-----------------------|
| <b>Revenues</b>   |                     |                     |                     |                       |                     |                     |                      |                      |                      |                       |
| Ad valorem taxes  | \$ 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        | \$ 25,913,125         |
| Other taxes   | 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           | 15,877,765            |
| Unrestricted intergovernmental                          | 589,345             | 539,870             | 594,141             | 804,822               | 934,256             | 948,165             | 772,566              | 787,532              | 675,846              | 595,737               |
| Restricted intergovernmental                            | 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            | 3,122,710             |
| Licenses and permits                                    | 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            | 7,886                 |
| Sales and services                                      | 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            | 1,845,522             |
| Investment earnings                                     | 1,117,193           | 1,394,085           | 1,040,634           | 676,256               | 312,993             | 343,425             | (39,814)             | 141,156              | 126,225              | 280,702               |
| Miscellaneous   | 654,822             | 1,902,549           | 777,926             | 1,330,532             | 1,250,377           | 1,373,150           | 988,144              | 1,329,129            | 4,413,948            | 875,945               |
| Total revenues  | <u>43,201,627</u>   | <u>47,526,123</u>   | <u>44,221,934</u>   | <u>45,232,493</u>     | <u>45,834,522</u>   | <u>45,542,505</u>   | <u>\$ 43,712,367</u> | <u>\$ 45,637,396</u> | <u>\$ 52,982,859</u> | <u>\$ 48,519,392</u>  |
| <b>Expenditures</b>                                     |                     |                     |                     |                       |                     |                     |                      |                      |                      |                       |
| Current   |                     |                     |                     |                       |                     |                     |                      |                      |                      |                       |
| General government                                      | 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            | 8,032,108             |
| Public safety   | 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           | 22,807,712            |
| Transportation  | 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            | 5,223,283             |
| Economic and physical development                       | 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            | 4,045,630             |
| Culture and recreation                                  | 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            | 5,789,241             |
| Capital outlay  | 500,036             | 653,127             | 1,313,280           | 2,290,889             | 1,556,918           | 422,028             | 346,333              | 1,484,787            | 5,271,468            | 1,121,950             |
| Debt Service  |                     |                     |                     |                       |                     |                     |                      |                      |                      |                       |
| Principal retirement                                    | 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            | 1,895,487             |
| Interest and fees                                       | 500,859             | 446,883             | 415,847             | 381,674               | 326,481             | 252,784             | 120,628              | 100,500              | 134,350              | 153,911               |
| Total expenditures                                      | <u>38,241,406</u>   | <u>40,790,255</u>   | <u>42,799,827</u>   | <u>44,076,365</u>     | <u>44,032,475</u>   | <u>42,514,871</u>   | <u>42,043,661</u>    | <u>43,499,176</u>    | <u>48,114,288</u>    | <u>49,069,322</u>     |
| Excess(deficiency) of revenues over(under) expenditures | <u>4,960,221</u>    | <u>6,735,868</u>    | <u>1,422,107</u>    | <u>1,156,128</u>      | <u>1,802,047</u>    | <u>3,027,634</u>    | <u>1,668,706</u>     | <u>2,138,220</u>     | <u>4,868,571</u>     | <u>(549,930)</u>      |
| <b>Other financing sources(uses)</b>                    |                     |                     |                     |                       |                     |                     |                      |                      |                      |                       |
| Transfers - in  | 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            | 2,151,863             |
| Transfers - (out)                                       | (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)          | (8,831,116)           |
| Issuance of debt  | 194,667             | -                   | 1,042,685           | -                     | -                   | -                   | -                    | -                    | 3,000,000            | -                     |
| Payment to escrow agent                                 | -                   | -                   | -                   | -                     | -                   | -                   | -                    | -                    | -                    | -                     |
| Total other financing sources(uses)                     | <u>(757,558)</u>    | <u>(428,815)</u>    | <u>1,561,356</u>    | <u>(5,359,951)</u>    | <u>235,578</u>      | <u>549,511</u>      | <u>(1,581,311)</u>   | <u>(534,010)</u>     | <u>1,279,842</u>     | <u>(6,679,253)</u>    |
| Net change in fund balance                              | <u>\$ 4,202,663</u> | <u>\$ 6,307,053</u> | <u>\$ 2,983,463</u> | <u>\$ (4,203,823)</u> | <u>\$ 2,037,625</u> | <u>\$ 3,577,145</u> | <u>\$ 87,395</u>     | <u>\$ 1,604,210</u>  | <u>\$ 6,148,413</u>  | <u>\$ (7,229,183)</u> |
| Debt service as a percentage of noncapital expenditures | 5.50%               | 5.32%               | 5.16%               | 4.82%                 | 5.08%               | 3.77%               | 2.77%                | 2.79%                | 3.08%                | 4.73%                 |

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

| <b>Fiscal<br/>Year<br/>Ended<br/>June 30</b> | <b>Real Property</b>                       | <b>Personal Property</b>  |                | <b>Less:</b>                        | <b>Total Taxable</b>      | <b>Total<br/>Direct<br/>Tax<br/>Rate</b> | <b>Estimated<br/>Actual<br/>Taxable<br/>Value</b> | <b>Assessed<br/>Value<sup>1</sup> as a<br/>Percentage of<br/>Actual Value</b> |
|--|--|---------------------------|----------------|-------------------------------------|---------------------------|--|---|---|
|  | <b>Residential/Commercial<br/>Property</b> | <b>Motor<br/>Vehicles</b> | <b>Other</b>   | <b>Tax Exempt<br/>Real Property</b> | <b>Assessed<br/>Value</b> |  |   |   |
| 2007   | \$ 3,469,665,144                           | \$ 331,820,024            | \$ 645,827,644 | \$ 12,433,080                       | \$ 4,434,879,732          | \$ 0.5000                                | \$ 4,646,145,388                                  | 95.72%  |
| 2008   | 3,699,382,545                              | 324,896,860               | 658,268,066    | 13,312,576                          | 4,669,234,895             | 0.5000                                   | 4,768,473,987                                     | 98.20%  |
| 2009   | 3,778,036,878                              | 317,495,416               | 682,628,436    | 15,318,070                          | 4,762,842,660             | 0.5000                                   | 4,857,625,259                                     | 98.36%  |
| 2010   | 3,819,968,446                              | 283,621,280               | 693,651,039    | 18,200,924                          | 4,779,039,841             | 0.5000                                   | 4,898,808,553                                     | 97.93%  |
| 2011   | 3,855,686,658                              | 279,239,278               | 623,496,806    | 20,101,992                          | 4,738,320,750             | 0.5000                                   | 4,843,141,458                                     | 98.25%  |
| 2012   | 3,790,411,397                              | 311,559,034               | 614,099,219    | 21,319,299                          | 4,694,750,351             | 0.5000                                   | 4,716,069,650                                     | 100.00%   |
| 2013   | 3,803,628,864                              | 315,317,864               | 625,109,058    | 24,293,068                          | 4,719,762,718             | 0.5000                                   | 4,724,755,709                                     | 100.41%   |
| 2014   | 3,814,819,160                              | 386,443,638               | 620,300,997    | 24,626,391                          | 4,796,937,404             | 0.5000                                   | 4,705,425,224                                     | 102.47%   |
| 2015   | 3,826,489,617                              | 301,795,798               | 641,556,576    | 25,741,643                          | 4,744,100,348             | 0.5000                                   | 4,680,523,599                                     | 101.91%   |
| 2016   | 3,583,001,465                              | 340,432,404               | 643,068,861    | 26,813,693                          | 4,539,689,037             | 0.5665                                   | 4,603,791,722                                     | 99.19%  |

Notes: Property is reassessed once every four years. The county assesses property at approximately 98.97 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

<sup>1</sup> 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)

| <b>Fiscal<br/>Year<br/>Ended<br/>June 30</b> | <b>Name of Government</b>              |                         |                            |                           | <b>Maximum<br/>Overlapping<br/>Rate</b> |
|--|--|-------------------------|----------------------------|---------------------------|---|
|  | <b>City of<br/>Hickory<sup>1</sup></b> | <b>Burke<br/>County</b> | <b>Caldwell<br/>County</b> | <b>Catawba<br/>County</b> |   |
| 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                                  |
| 2016   | 0.5665                                 | 0.6800                  | 0.6000                     | 0.5750                    | 1.2465                                  |

Source: North Carolina Department of Revenue

<sup>1</sup> 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**

|                                    | 2016                         |      |   | 2007                         |      |   |
|------------------------------------|------------------------------|------|---|------------------------------|------|---|
|                                    | Taxable<br>Assessed<br>Value | Rank | Percentage<br>of Total City<br>Taxable<br>Assessed<br>Value | Taxable<br>Assessed<br>Value | Rank | Percentage<br>of Total City<br>Taxable<br>Assessed<br>Value |
| <b>Taxpayer</b>                    |                              |      |   |                              |      |   |
| Merchants Distributors Inc         | \$ 115,987,065               | 1    | 2.55%   | \$ 120,696,231               | 1    | 2.72%   |
| Corning Cable Systems LLC          | 54,917,429                   | 2    | 1.21%   | 101,724,472                  | 2    | 2.29%   |
| Duke Energy Carolinas LLC          | 41,858,789                   | 3    | 0.92%   | 36,680,617                   | 5    | 0.83%   |
| Valley Hills Mall LLC              | 38,553,000                   | 4    | 0.85%   | 48,178,948                   | 3    | 1.09%   |
| American Med International         | 30,866,201                   | 5    | 0.68%   | 28,804,106                   | 9    | 0.65%   |
| Tate Boulevard LLC                 | 29,321,500                   | 6    | 0.65%   | 30,820,900                   | 7    | 0.69%   |
| Hickory Springs LLC                | 27,315,359                   | 7    | 0.60%   | 29,130,140                   | 8    | 0.66%   |
| Shurtape Technologies Inc          | 24,308,429                   | 8    | 0.54%   | 32,138,562                   | 6    | 0.72%   |
| Inland Western Hickory-Catawba LLC | 24,021,500                   | 9    | 0.53%   | -                            |      | 0.00%   |
| Legends of Hickory LLC             | 23,056,600                   | 10   | 0.51%   | -                            |      | 0.00%   |
| Amireit (Frye) Inc                 | -                            |      | 0.00%   | 42,714,600                   | 4    | 0.96%   |
| Central Telephone Company          | -                            |      | 0.00%   | 27,370,292                   | 10   | 0.62%   |
|                                    | -                            |      | 0.00%   | -                            |      | 0.00%   |
| <b>Total</b>                       | <b>\$ 410,205,872</b>        |      | <b>9.04%</b>  | <b>\$ 498,258,868</b>        |      | <b>11.23%</b>   |

Source: City of Hickory Administrative Services



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

| <b>Fiscal<br/>Year<br/>Ended<br/>June 30</b> | <b>Taxes Levied<br/>for the<br/>Fiscal Year</b> | <b>Collected within the<br/>Fiscal Year of the Levy</b> |                               | <b>Collections<br/>in Subsequent<br/>Years</b> | <b>Total Collections to Date</b> |                               |
|--|---|---|-------------------------------|--|----------------------------------|-------------------------------|
|  |   | <b>Amount</b>   | <b>Percentage<br/>of Levy</b> |  | <b>Amount</b>                    | <b>Percentage<br/>of Levy</b> |
| 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% *                     |
| 2016   | 25,717,338                                      | 25,344,512  | 98.55%                        | 421,503  | 25,766,015                       | 100.19% *                     |

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

Source: City of Hickory Finance Department

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

| Fiscal<br>Year<br>Ended<br>June 30 | Governmental Activities |               |            |             | Business-type Activities |               |              |               | Percentage<br>of Personal<br>Income <sup>1</sup> | Per<br>Capita <sup>1</sup> |
|------------------------------------|-------------------------|---------------|------------|-------------|--------------------------|---------------|--------------|---------------|--|----------------------------|
|                                    | General                 | Installment   | Notes      | Capitalized | General                  | Installment   | Notes        |               |  |                            |
|                                    | Obligation              | Purchase      |            |             | Obligation               | Purchase      |              |               |  |                            |
|                                    | Bonds                   | Agreements    |            |             | Payable                  | Leases        |              | Bonds         |  |                            |
| 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                        |
| 2016                               | -                       | 4,823,290     | -          | -           | -                        | 14,797,607    | 15,452,591   | 35,073,488    | 2.58%  | 869                        |

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

<sup>1</sup> 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**

| <b>Fiscal<br/>Year<br/>Ended<br/>June 30</b> | <b>General<br/>Obligation<br/>Bonds</b> | <b>Percentage of<br/>Estimated<br/>Actual Taxable<br/>Value<sup>1</sup> of<br/>Property</b> | <b>Percentage<br/>of Personal<br/>Income</b> | <b>Per<br/>Capita<sup>2</sup></b> |
|--|---|---|--|-----------------------------------|
| 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%  | -                                 |
| 2016   | -                                       | 0.00%   | 0.00%  | -                                 |

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

<sup>1</sup> See Schedule 5 for property value data.

<sup>2</sup> 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, 2016**

| Governmental Unit                 | <u>Debt<br/>Outstanding</u> | <u>Estimated<br/>Percentage<br/>Applicable<sup>1</sup></u> | <u>Estimated<br/>Share of<br/>Direct and<br/>Overlapping<br/>Debt</u> |
|-----------------------------------|-----------------------------|--|---|
| Debt repaid with property taxes   |                             |  |   |
| Burke County                      | N/A                         | 0.60%  | \$ -  |
| Caldwell County                   | \$ 40,282,325               | 1.72%  | 692,856   |
| Catawba County                    | 148,502,990                 | 27.40%   | 40,689,819  |
| Subtotal, overlapping debt        |                             |  | <u>41,382,675</u>   |
| City direct debt                  |                             |  | <u>6,015,976</u>  |
| Total direct and overlapping debt |                             |  | <u><u>\$ 47,398,651</u></u>   |

Sources:

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

<sup>1</sup> 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**

|   | <b>2007</b>           | <b>2008</b>           | <b>2009</b>           | <b>2010</b>           | <b>2011</b>           | <b>2012</b>           | <b>2013</b>           | <b>2014</b>           | <b>2015</b>           | <b>2016</b>           |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Debt limit  | \$ 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        | \$ 363,175,123        |
| Total net debt applicable to limit                                      | 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            | 35,073,488            |
| Legal debt margin   | <u>\$ 319,205,627</u> | <u>\$ 341,321,434</u> | <u>\$ 351,291,227</u> | <u>\$ 355,213,881</u> | <u>\$ 341,415,537</u> | <u>\$ 337,581,601</u> | <u>\$ 332,477,249</u> | <u>\$ 342,387,747</u> | <u>\$ 339,998,115</u> | <u>\$ 328,101,635</u> |
| Total net debt applicable to the limit<br>as a percentage of debt limit | 10.03%                | 8.62%                 | 7.80%                 | 7.09%                 | 9.93%                 | 10.12%                | 11.95%                | 10.78%                | 10.42%                | 9.66%                 |

**Legal Debt Margin Calculation for Fiscal Year 2016**

|  |                       |
|--|-----------------------|
| Assessed value of taxable property       | 4,539,689,037         |
| Debt limit - 8 percent of assessed value | 363,175,123           |
| Debt applicable to limit:                |                       |
| Gross debt                               | 35,073,488            |
| Less - water bonds                       | <u>-</u>              |
| Total net debt applicable to limit       | <u>35,073,488</u>     |
| Legal debt margin                        | <u>\$ 328,101,635</u> |

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

| <b>Fiscal<br/>Year<br/>Ended<br/>June 30</b> | <b>Population<sup>1</sup></b> | <b>Personal<br/>Income<br/>(thousands<br/>of dollars)</b> | <b>Per<br/>Capita<br/>Personal<br/>Income<sup>2</sup></b> | <b>Median<br/>Age<sup>3</sup></b> | <b>School<br/>Enrollment<sup>4</sup></b> | <b>Unemployment<br/>Rate<sup>5</sup></b> |
|--|-------------------------------|---|---|-----------------------------------|--|--|
| 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%                                     |
| 2016   | 40,374                        | 1,358,464   | 33,647  | 37.7                              | 4,526                                    | 5.0%                                     |

Note: N/A - not available

Sources:

<sup>1</sup> North Carolina State Data Center. Estimates are as of beginning of fiscal year.

<sup>2</sup> US Bureau of Economic Analysis. Estimates are for Hickory-Lenoir-Morganton MSA.

<sup>3</sup> US Census Bureau

<sup>4</sup> Hickory City Schools

<sup>5</sup> 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**

| <b>Employer<sup>(1)</sup></b>             | <b>2016</b>      |             |  | <b>2007</b>      |             |  |
|---|------------------|-------------|--|------------------|-------------|--|
|   | <b>Employees</b> | <b>Rank</b> | <b>Percentage of<br/>Total County<br/>Employment</b> | <b>Employees</b> | <b>Rank</b> | <b>Percentage of<br/>Total County<br/>Employment</b> |
| Merchant Distributors Inc. <sup>(2)</sup> | 1000+            | 1           | 3.00%  | N/A              | N/A         | N/A  |
| Catawba County Schools                    | 1000+            | 2           | 1.40%  | N/A              | N/A         | N/A  |
| Catawba Valley Medical Center             | 1000+            | 3           | 1.40%  | N/A              | N/A         | N/A  |
| Catawba County                            | 1000+            | 4           | 1.40%  | N/A              | N/A         | N/A  |
| DLP Partner Frye LLC                      | 1000+            | 5           | 1.40%  | N/A              | N/A         | N/A  |
| Commscope                                 | 1000+            | 6           | 1.40%  | N/A              | N/A         | N/A  |
| Walmart Assosicates Inc                   | 1000+            | 7           | 1.40%  | N/A              | N/A         | N/A  |
| Corning Cable Systems LLC                 | 1000+            | 8           | 1.40%  | N/A              | N/A         | N/A  |
| Hickory Springs Mfg Company               | 1000+            | 9           | 1.40%  | N/A              | N/A         | N/A  |
| GKN Driveline Newton LLC                  | 500-999          | 10          | .70% - 1.40%   | N/A              | N/A         | N/A  |

Note: N/A - not available

<sup>1</sup> Based on Catawba Co. workforce.

<sup>2</sup> 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               | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--------------------------------|------|------|------|------|------|------|------|------|------|------|
| General Government             |      |      |      |      |      |      |      |      |      |      |
| Administration                 | 7    | 7    | 8    | 6    | 7    | 8    | 8    | 8    | 8    | 8    |
| Budget, administration, and HR | 9    | 9    | 9    | 7    | 7    | 7    | 7    | 7    | 7    | 8    |
| Finance                        | 17   | 18   | 21   | 20   | 20   | 21   | 20   | 20   | 21   | 17   |
| Information technology         | 10   | 10   | 9    | 9    | 9    | 8    | 5    | 7    | 8    | 6    |
| City clerk                     | 2    | 2    | 2    | 2    | 1    | -    | 1    | 1    | 1    | 1    |
| Legal                          | 1    | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    |
| Engineering                    | 11   | 10   | 10   | 9    | 9    | 8    | 7    | 6    | 8    | 5    |
| Building services              | 8    | 6    | 6    | 6    | 5    | 6    | 6    | 5    | 6    | 5    |
| Central services               | 4    | 6    | 7    | 7    | 7    | 7    | 7    | 6    | 7    | 7    |
| Buildings and grounds          | 15   | 17   | 16   | 12   | 12   | 13   | 14   | 15   | 17   | 16   |
| Fleet Maintenance              | 10   | 11   | 11   | 10   | 10   | 11   | 11   | 12   | 11   | 10   |
| Public Safety                  |      |      |      |      |      |      |      |      |      |      |
| Police                         | 129  | 133  | 144  | 141  | 145  | 143  | 142  | 141  | 147  | 134  |
| Fire                           | 125  | 123  | 118  | 132  | 136  | 135  | 134  | 134  | 135  | 133  |
| Building inspections           | -    | -    | -    | -    | -    | -    | -    | -    | -    | -    |
| Code enforcement               | -    | -    | -    | -    | -    | -    | -    | 5    | 5    | -    |
| Development assistance center  | -    | -    | -    | -    | -    | -    | -    | -    | -    | -    |
| Transportation                 |      |      |      |      |      |      |      |      |      |      |
| Traffic                        | 11   | 10   | 11   | 10   | 9    | 9    | 9    | 10   | 11   | 10   |
| Street                         | 42   | 44   | 41   | 40   | 38   | 40   | 39   | 36   | 43   | 36   |
| Planning and development       | 14   | 13   | 13   | 9    | 9    | 8    | 7    | 7    | 8    | 7    |
| Culture and recreation         |      |      |      |      |      |      |      |      |      |      |
| Recreation                     | 45   | 43   | 39   | 42   | 39   | 40   | 40   | 40   | 42   | 40   |
| Library                        | 21   | 21   | 20   | 18   | 17   | 17   | 17   | 17   | 18   | 16   |
| Water/Sewer                    | 85   | 90   | 92   | 93   | 93   | 93   | 90   | 88   | 98   | 89   |
| Stormwater                     | -    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    |
| Public Transit                 | 21   | 23   | -    | -    | -    | -    | -    | -    | -    | -    |
| Airport                        | 4    | 4    | 4    | 3    | 2    | 7    | 7    | 8    | 8    | 8    |
| Recycling                      | 14   | 14   | 16   | 12   | 13   | 13   | 13   | 14   | 16   | 13   |
| Sanitation - commercial        | 11   | 11   | 11   | 9    | 11   | 10   | 10   | 10   | 12   | 10   |
| Sanitation - residential       | 8    | 8    | 8    | 6    | 7    | 8    | 8    | 7    | 8    | 10   |
| Total                          | 624  | 636  | 619  | 606  | 609  | 615  | 605  | 607  | 648  | 592  |

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                                     | 2005-06  | 2006-07  | 2007-08  | 2008-09  | 2009-10  | 2010-11  | 2011-12  | 2012-13  | 2013-14  | 2014-15  |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Public Safety  |          |          |          |          |          |          |          |          |          |          |
| Police Services                                      |          |          |          |          |          |          |          |          |          |          |
| Cost per call dispatched                             | \$ 92    | \$ 96    | \$ 135   | \$ 140   | \$ 139   | \$ 153   | \$ 148   | \$ 155   | \$ 152   | \$ 149   |
| Calls dispatched                                     | 89,771   | 93,249   | 71,510   | 72,048   | 72,099   | 64,668   | 66,707   | 67,930   | 73,396   | 72,796   |
| Uniform Crime Reporting Part I crimes reported       | 3,550    | 3,678    | 3,723    | 3,287    | 3,197    | 2,547    | 3,037    | 2,598    | 2,415    | 1,914    |
| Uniform Crime Reporting Part I crimes per 1,000 pop. | 91       | 91.5     | 91.9     | 80.6     | 78       | 64       | 76       | 64.9     | 60.0     | 47.5     |
| Uniform Crime Reporting Part II crimes reported      | 3,343    | 3,821    | 3,937    | 3,840    | 3,937    | 3,392    | 3,618    | 3,462    | 3,146    | 3,348    |
| Traffic accidents reported                           | 2,292    | 2,294    | 2,189    | 2,023    | 1,939    | 1,937    | 2,053    | 3,276    | 2,271    | 3,359    |
| Sworn Officers                                       | 105      | 108      | 118      | 118      | 118      | 118      | 118      | 118      | 117      | 117      |
| Calls dispatched per sworn officer                   | 855      | 863      | 606      | 611      | 611      | 548      | 565      | 576      | 627      | 622      |
| Calls dispatched per 1,000 population                | 2,301    | 2,319    | 1,765    | 1,767    | 1,752    | 1,613    | 1,664    | 1,697    | 1,825    | 1,805    |
| Response time to priority calls (minutes)            | 4.7      | 4.2      | 4.1      | 4.2      | 4        | 4        | 3        | 4.4      | 3.3      | 6.3      |
| Emergency Communications                             |          |          |          |          |          |          |          |          |          |          |
| Total calls per 1,000 population                     | 3,162    | 3,436    | 3,726    | 3,411    | 2,670    | 2,947    | ---      | 2,291    | 2,543    | ---      |
| Calls answered per telecommunicator                  | 10,280   | 11,515   | 12,583   | 11,587   | 8,450    | 9,086    | ---      | 6,553    | 7,306    | ---      |
| Seconds from initial ring to answer                  | 6        | 6        | 12       | 12       | n/a      | n/a      | ---      | n/a      | n/a      | ---      |
| Calls answered within three rings                    | 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                                    | \$ 1,645 | \$ 1,642 | \$ 1,491 | \$ 1,597 | \$ 1,639 | \$ 1,629 | \$ 1,635 | \$ 1,638 | \$ 1,565 | \$ 1,524 |
| Actual fires per 1,000 population                    | 6        | 6        | 6        | 5        | 5        | 5        | 5        | 5        | 5        | 5        |
| Responses per 1,000 population                       | 116      | 118      | 130      | 127      | 131      | 133      | 136      | 135      | 137      | 145      |
| Fire inspections completed per 1,000 population      | 107      | 126      | 116      | 122      | 104      | 114      | 123      | 116      | 123      | 115      |
| Inspections completed per Full Time Employee(FTE)    | 1,322    | 1,215    | 1,512    | 1,593    | 1,863    | 2,054    | 2,215    | 2,086    | 1,918    | 1,686    |
| Average response time to priority 1 calls (minutes)  | 4.4      | 4.4      | 4.2      | 4.4      | 4.5      | 4.5      | 4.6      | 4.6      | 4.5      | 4.3      |
| Fires confined to room(s) involved on arrival        | 75%      | 74%      | 67%      | 61%      | 68%      | 54%      | 51%      | 55%      | 54%      | 51%      |
| Fires for which cause is determined                  | 98.0%    | 100%     | 100%     | 98%      | 98%      | 95%      | 91%      | 97%      | 93%      | 93%      |
| Transportation                                       |          |          |          |          |          |          |          |          |          |          |
| Asphalt Maintenance and Repair                       |          |          |          |          |          |          |          |          |          |          |
| Cost per ton of asphalt for contract resurfacing     | \$ 47    | \$ 58    | \$ 62    | \$ 65    | \$ 81    | \$ 83    | \$ 83    | \$ 76    | \$ 77    | \$ 77    |
| Lane miles maintained per 1,000 population           | 22.9     | 17.6     | 17.7     | 17.6     | 18.0     | 17.9     | 18.0     | 18.0     | 17.9     | 17.8     |
| Potholes repaired within 24 hours                    | 95%      | 95%      | 97%      | 96%      | 94%      | 96%      | 94%      | 95%      | 94%      | n/a      |
| Street segments rated 85% or better (ITRE)           | 76%      | 76%      | 46%      | 46%      | 46%      | 39%      | 39%      | 39%      | 39%      | 38%      |

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

| Function/Program                                 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Recycling  |         |         |         |         |         |         |         |         |         |         |
| Cost per ton collected                           | \$ 162  | \$ 183  | \$ 195  | \$ 199  | \$ 232  | \$ 209  | \$ 256  | \$ 359  | \$ 377  | \$ 763  |
| Cost per collection point                        | \$ 26   | \$ 31   | \$ 32   | \$ 34   | \$ 30   | \$ 31   | \$ 32   | \$ 44   | \$ 41   | \$ 94   |
| Tons recyclables per 1,000 population            | 46      | 47      | 47      | 49      | 36      | 45      | 37      | 37      | 33      | 37      |
| Tons Solid Waste Landfilled per 1,000 population | 251     | 234     | 233     | 237     | 236     | 232     | 212     | 224     | 215     | 210     |
| Set out Rate                                     | 68%     | 66%     | 65%     | 65%     | 77%     | 80%     | 76%     | 78%     | 81%     | 84%     |
| Diversion Rate                                   | 16%     | 17%     | 17%     | 17%     | 13%     | 16%     | 15%     | 14%     | 13%     | 15%     |
| Sanitation                                       |         |         |         |         |         |         |         |         |         |         |
| Refuse Collection                                |         |         |         |         |         |         |         |         |         |         |
| Cost per ton collected                           | \$ 78   | \$ 61   | \$ 64   | \$ 54   | \$ 57   | \$ 61   | \$ 72   | \$ 65   | \$ 72   | \$ 63   |
| Cost per collection point                        | \$ 65   | \$ 50   | \$ 53   | \$ 45   | \$ 48   | \$ 47   | \$ 50   | \$ 49   | \$ 51   | \$ 44   |
| Tons per 1,000 population                        | 252     | 234     | 233     | 237     | 236     | 232     | 212     | 224     | 215     | 210     |
| Tons per 1,000 collection points                 | 832     | 812     | 816     | 833     | 839     | 769     | 702     | 742     | 708     | 694     |
| Tons collected per F.T.E.                        | 1,635   | 2,217   | 2,226   | 2,273   | 1,946   | 2,190   | 2,264   | 2,395   | 2,305   | 2,259   |
| Yard Waste/Leaf Collection                       |         |         |         |         |         |         |         |         |         |         |
| Cost per ton collected                           | \$ 39   | \$ 87   | \$ 113  | \$ 116  | \$ 134  | \$ 140  | \$ 131  | \$ 143  | \$ 131  | \$ 92   |
| Cost per collection point                        | \$ 36   | \$ 57   | \$ 61   | \$ 63   | \$ 72   | \$ 74   | \$ 71   | \$ 81   | \$ 72   | \$ 52   |
| Tons collected per 1,000 population              | 262     | 188     | 155     | 154     | 151     | 160     | 164     | 171     | 166     | 173     |
| Tons collected per F.T.E.                        | 975     | 656     | 628     | 749     | 957     | 1,606   | 1,646   | 1,709   | 1,667   | 1,741   |

\* During FY 2012 & 2015, 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**

| <b>Function/Program</b>                              | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> | <b>2016</b> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Public Safety  |             |             |             |             |             |             |             |             |             |             |
| Police   |             |             |             |             |             |             |             |             |             |             |
| Stations   | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Patrol units   | 156         | 156         | 170         | 170         | 175         | 152         | 153         | 153         | 153         | 152         |
| Fire   |             |             |             |             |             |             |             |             |             |             |
| Stations   | 7           | 7           | 7           | 7           | 7           | 7           | 7           | 7           | 7           | 7           |
| Transportation                                       |             |             |             |             |             |             |             |             |             |             |
| Traffic  |             |             |             |             |             |             |             |             |             |             |
| Traffic signals                                      | 25          | 26          | 26          | 27          | 196         | 196         | 196         | 196         | 196         | 196         |
| Street   |             |             |             |             |             |             |             |             |             |             |
| Miles of paved streets                               | 233.27      | 236.44      | 235.11      | 236.04      | 235.89      | 235.89      | 235.89      | 235.82      | 238.39      | 239.74      |
| Miles of unpaved streets                             | 1.68        | 1.53        | 1.33        | 1.33        | 1.33        | 1.19        | 1.19        | 1.24        | 1.24        | 2.10        |
| Culture and recreation                               |             |             |             |             |             |             |             |             |             |             |
| Recreation   |             |             |             |             |             |             |             |             |             |             |
| Park acreage   | 473         | 473         | 473         | 416         | 416         | 428         | 428         | 428         | 428         | 428         |
| Parks  | 19          | 19          | 18          | 18          | 18          | 23          | 23          | 23          | 23          | 23          |
| Recreation centers                                   | 5           | 5           | 5           | 5           | 5           | 6           | 6           | 6           | 6           | 6           |
| Senior citizen centers                               | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           |
| Swimming pools                                       | 2           | 2           | 2           | 2           | 0           | 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                                 | 857         | 869         | 890         | 893         | 903         | 921         | 925         | 926         | 932         | 937         |
| Fire hydrants  | 4,625       | 5,720       | 5,804       | 5,824       | 9,500       | 9,566       | 9,576       | 9,583       | 9,625       | 9,649       |
| Maximum daily capacity in MGD <sup>1</sup>           | 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                                 | 485         | 495         | 497         | 499         | 511         | 490         | 492         | 492         | 493.5       | 499         |
| Maximum daily treatment capacity in MGD <sup>1</sup> | 15.25       | 15.23       | 15.23       | 15.00       | 15.23       | 15.25       | 15.25       | 15.25       | 16.5        | 16.5        |
| Public Transit                                       |             |             |             |             |             |             |             |             |             |             |
| Buses  | 7           | 7           | -           | -           | -           | -           | -           | -           | -           | -           |
| Vans   | 2           | 3           | -           | -           | -           | -           | -           | -           | -           | -           |
| Recycling  |             |             |             |             |             |             |             |             |             |             |
| Collection trucks                                    | 14          | 14          | 14          | 14          | 14          | 15          | 15          | 15          | 15          | 15          |
| Sanitation   |             |             |             |             |             |             |             |             |             |             |
| Refuse trucks  | 17          | 18          | 18          | 20          | 20          | 27          | 29          | 29          | 29          | 29          |

Sources: Various city departments

<sup>1</sup> MGD - Million gallons per day



**Single Audit Section**



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

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

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

### **Independent Auditor's Report**

To the Honorable Mayor and  
Members of the City Council  
City of Hickory  
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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 30, 2016.

### **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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2016-002 that we consider to be a material weakness.

## **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 2016-001 and 2016-002 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  
September 30, 2016



# 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 Uniform Guidance And The State Single Audit Implementation Act**

### **Independent Auditor's Report**

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

### **Report on Compliance for Each Major Federal Program**

We have audited the City of Hickory, North Carolina's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Hickory's major federal programs for the year ended June 30, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, 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, 2016.

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

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P. A.  
Hickory, NC  
September 30, 2016

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

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

## **Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With OMB Uniform Guidance And The State Single Audit Implementation Act**

### **Independent Auditor's Report**

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

### **Report on Compliance for Each Major State Program**

We have audited the City of Hickory, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Hickory's major State programs for the year ended June 30, 2016. 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; applicable sections of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, 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, 2016.

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

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P. A.  
Hickory, NC  
September 30, 2016

# CITY OF HICKORY, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

### 1. Summary of Auditor's Results

#### Financial Statements

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

Internal control over financial reporting:

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

Non-compliance material to financial statements noted? Yes

#### Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

| <u>Program Name</u>   | <u>CFDA#</u> |
|---|--------------|
| Airport Improvement Program-Rehab and Overlay Taxiway B&S North Apron | 20.106       |

Dollar threshold used to distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as low-risk auditee? Yes

## **CITY OF HICKORY, NORTH CAROLINA**

### **SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016**

#### **State Awards**

Internal control over major State programs:

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

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

Unmodified

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

No

Identification of major State programs:

#### **Program Name**

Powell Bill

## **CITY OF HICKORY, NORTH CAROLINA**

### **SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016**

#### **2. Financial Statements Findings**

##### **Material Non-Compliance**

##### **Finding 2016-001 – 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.

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

**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.

**Identification of a Repeat Finding:** This is a repeat finding from the immediate previous audit, 2015-001.

**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 operations until other revenue sources become available.

**Views of Responsible Officials and Planned Corrective Actions:** The City agrees with this finding and will adhere to the corrective action plan on page 163 in this audit report.

## CITY OF HICKORY, NORTH CAROLINA

### SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

#### Material Weakness

#### Material Non-Compliance

##### **Finding 2016-002 – 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, the City expended more funds than appropriated.

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

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

**Cause:** Expenditures were made without being included in the budget due to an increase in Occupancy Tax revenues.

**Identification of a Repeat Finding:** This is a repeat finding from the immediate previous audit, 2015-002.

**Recommendation:** The City should implement additional monitoring controls, such as reviewing monthly budget to actual reports and careful preaudit of expenditures. Budget amendments should be adopted prior to expending funds that exceed budgeted amounts.

**Views of Responsible Officials and Planned Corrective Actions:** The City agrees with this finding and will adhere to the corrective action plan on page 163 in this audit report.

#### **3. Federal Award Findings and Questioned Costs**

None reported.

#### **4. State Award Findings and Questioned Costs**

None reported.



# **CITY OF HICKORY, NORTH CAROLINA**

## **CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2016**

### **Financial Statement Findings**

#### **Material Non-Compliance**

##### **Finding 2016-001**

**Name of Contact Person:** Melissa Miller, Finance Officer

**Corrective Action:** 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.

**Proposed Completion Date:** The Council will implement the above procedures immediately.

#### **Material Weakness**

#### **Material Non-Compliance**

##### **Finding 2016-002**

**Name of Contact Person:** Melissa Miller, Finance Officer

**Corrective Action:** The Finance Department and Budget Office staff will review periodically to ensure budget remains consistent with increased amounts of Occupancy Tax collections from the Tourism Development Authority.

**Proposed Completion Date:** The Council will implement the above procedures immediately.

## **CITY OF HICKORY, NORTH CAROLINA**

### **SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016**

#### **Finding 2015-001**

**Status:** The service rates are insufficient to cover Fleet expenses.

**Corrective Action:** 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.

#### **Finding 2015-002**

**Status:** The Finance Department will work more closely to monitor general ledger accounts during the year.

**Corrective Action:** The Finance Department and Budget Office staff will review periodically to ensure budget remains consistent with increased amounts of Occupancy Tax collections from the Tourism Development Authority.

## CITY OF HICKORY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

| Grantor/Pass-Through<br>Grantor/Program Title   | Federal<br>CFDA<br>Number | State/<br>Pass-Through<br>Grant<br>Number | Federal<br>(Direct and<br>Pass-Through)<br>Expenditures | State<br>Expenditures | Pass-Through<br>to Subrecipient<br>Expenditures |
|---|---------------------------|---|---|-----------------------|---|
| <b>Federal Assistance</b>   |                           |   |   |                       |   |
| United States Department of Agriculture Forest Service<br>Passed-through North Carolina Department of Agriculture<br>Urban Community Forestry Program   | 10.675                    | 15-DG-11083137-001                        | \$ 3,648  | \$ -                  | \$ -  |
| Total United States Department of Agriculture   |                           |   | 3,648   | -                     | -   |
| United States Department of Homeland Security<br>Passed-through North Carolina Department of Public Safety<br>Disaster Grants Public Assistance - July 2013 Storms  | 97.036                    | FEMA-4153-DR-NC                           | 35,160  | -                     | -   |
| Total United States Department of Homeland Security   |                           |   | 35,160  | -                     | -   |
| United States Department of Housing and Urban Development<br>CDBG Entitlement Grants Cluster:<br>Community Development Block Grant Entitlement Program  | 14.218                    |   | 421,147   | -                     | 68,955  |
| Total CDBG Entitlement Grants Cluster   |                           |   | 421,147   | -                     | 68,955  |
| Total United States Department of Housing and Urban Development   |                           |   | 421,147   | -                     | 68,955  |
| United States Department of Interior National Park Service<br>Passed-through North Carolina Department of Cultural Resources<br>Historic Preservation Fund Grants in Aid - City Survey of Historic Properties                   | 15.904                    | P14AF00082                                | 6,913   | -                     | -   |
| Total United States Department of Interior  |                           |   | 6,913   | -                     | -   |
| United States Department of Justice Bureau of Justice Assistance Direct Program:<br>Department of Justice Criminal Division:<br>Edward Byrne Memorial Justice Assistance Grant (JAG) Program                                    | 16.738                    |   | 794   | -                     | -   |
| Edward Byrne Memorial Justice Assistance Grant (JAG) Program  | 16.738                    |   | 32,455  | -                     | 12,900  |
| Edward Byrne Memorial Justice Assistance Grant (JAG) Program  | 16.738                    |   | 9,413   | -                     | 9,413   |
| Bulletproof Vest Partnership  | 16.607                    | 2014                                      | 13,751  | -                     | -   |
| Total Department of Justice Criminal Division   |                           |   | 56,413  | -                     | 22,313  |
| Equitable Sharing Program   | 16.922                    | N/A                                       | 42,824  | -                     | -   |
| Total United States Department of Justice   |                           |   | 99,237  | -                     | 22,313  |
| United States Department of Transportation<br>Passed-through North Carolina Department of Transportation<br>Rehabilitate and Overlay Taxiway "B" and "S" and North Apron<br>(Construction Phase)<br>Airport Improvement Program | 20.106                    | 36237.66.4.3                              | 859,128   | -                     | -   |
| Highway Planning and Construction Cluster<br>Federal Highway Administration - Falling Creek Bridge<br>Falling Creek Bridge - Highway Planning and Construction Program  | 20.205                    | BRSTP-1216(21)                            | 80,679  | -                     | -   |
| Total Highway Planning and Construction Cluster   |                           |   | 80,679  | -                     | -   |
| Total United States Department of Transportation  |                           |   | 939,807   | -                     | -   |
| United States Environmental Protection Agency<br>Brownfield Training-Research and Technical Assistance Grants and<br>Cooperative Agreements   | 66.814                    |   | 49,753  | -                     | -   |
| Brownfields Assessment and Cleanup Cooperative Agreement  | 66.818                    |   | 36,918  | -                     | -   |
| Total United States Environmental Protection Agency   |                           |   | 86,671  | -                     | -   |
| Total Federal Assistance  |                           |   | \$ 1,592,583  | \$ -                  | \$ 91,268                                       |
| <b>State Assistance</b>   |                           |   |   |                       |   |
| North Carolina Department of Commerce<br>Rural Economic Development Grant - Building Reuse Program - Moretz Mills, LLC  |                           | 2015-099-3201-2538                        | \$ -  | \$ 259,400            | \$ 249,400                                      |
| North Carolina Department of Cultural Resources<br>Aid to Public Libraries  |                           | N/A                                       | -   | 27,717                | -   |
| North Carolina Department of Environmental Quality<br>High Unit Cost Grant - Sanitary Sewer Service to Eastwood, Random Woods,<br>and Sherwood Forest   |                           | E-SRG-T-08-0140                           | -   | 829,460               | -   |

## CITY OF HICKORY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

| Grantor/Pass-Through<br>Grantor/Program Title  | Federal<br>CFDA<br>Number | State/<br>Pass-Through<br>Grant<br>Number | Federal<br>(Direct and<br>Pass-Through)<br>Expenditures | State<br>Expenditures | Pass-Through<br>to Subrecipient<br>Expenditures |
|--|---------------------------|---|---|-----------------------|---|
| North Carolina Department of Public Safety<br>Public Assistance - July 2013 Storms   |                           | FEMA-4153-DR-NC                           | -   | 11,720                | -   |
| North Carolina Department of Revenue<br>Unauthorized Substances Tax  |                           | N/A                                       | -   | 36,965                | -   |
| North Carolina Department of Transportation<br>Direct Program:   |                           |   |   |                       |   |
| Powell Bill  |                           | N/A                                       | -   | 1,225,864             | -   |
| Street Maintenance Reimbursement   |                           | N/A                                       | -   | 95,111                | -   |
| Total North Carolina Department of Transportation  |                           |   | -   | 1,320,975             | -   |
| North Carolina Housing Finance Agency  |                           |   |   |                       |   |
| Urgent Repair Program-North Carolina Housing Trust Funds   |                           | URP1413                                   | -   | 26,694                | -   |
| Urgent Repair Program-North Carolina Housing Trust Funds   |                           | URP1513                                   | -   | 43,543                | -   |
| Total North Carolina Housing Finance Agency  |                           |   | -   | 70,237                | -   |
| North Carolina Office of Information Technology Services<br>Passed-through Catawba County<br>Public Safety Answering Point |                           | N/A                                       | -   | 52,421                | -   |
| Total State Assistance   |                           |   | \$ -  | \$ 2,608,895          | \$ 249,400                                      |

**Note 1 - Basis of Presentation**

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

**Note 2 - Summary of Significant Accounting Policies**

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

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