

CITY OF HICKORY NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR YEAR ENDED JUNE 30, 2017

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



CITY OF HICKORY, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For Fiscal Year Ended June 30, 2017

Prepared by the Finance Department



CITY OF HICKORY, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

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Introductory Section





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Finance Department
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November 6, 2017

The Honorable Mayor Jeff Cline,
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, 2017, 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, 2017, 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, 2017, 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, 2017, 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 376 permits with a value of over \$79 million and 330 additional residential permits with a value of over \$25 million in fiscal year 2016-2017.

Economic development initiatives and activities completed or underway include:

- Construction was completed at the Lowes Foods City Park located at the corner of Third Street and Main Avenue NW in Downtown Hickory. The park was opened to the public on December 17, 2016 with a grand opening celebration held on March 18, 2017. The City of Hickory's newest park is developed along the City's proposed City Walk and offers play equipment, public art, outdoor seating, and a water feature. Costs for this park project were paid for by the Friends of Hickory through private donations. The park is operated and maintained by the City's Parks and Recreation Department.
- Upgrades completed at Fairbrook Optimist Dog Park include a new restroom facility, at a cost of \$85,973, and repaving of the parking lot, at a cost of \$32,430.
- The Hickory Optimist Park Phase II improvements were completed in summer 2017 with the conversion of an underutilized tennis court into four outdoor pickle ball courts. The project cost was \$24,697.

- West Hickory Park improvements include installation of a new prefabricated restroom building, picnic shelter, and a new accessible walkway from the existing parking lot. Construction is underway using Community Development Block Grant funds. Project cost is \$129,773.
- The Cliff Teague Park Improvements project will include the rehabilitation of walking trails in the park as well as drainage improvements in the wooded area within the park. The lower parking lot along C Avenue will be resurfaced. The project is underway and estimated cost is \$190,000 utilizing Community Development Block Grant funds.
- The Rehabilitation and Overlay Taxiways B & S and North Apron project included professional services for construction administration, resident project representative construction observation, quality assurance testing, and an as-built survey during the rehabilitation process. The helicopter pad on the North Ramp was included at a cost of \$2,379,151. Federal share was 90% and local share was 10%.

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

Performance Measurement Program

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

Function / Program	2013-2014	2014-2015	2015-2016
Police Services			
Cost per call dispatched	\$152	\$149	\$125
Calls dispatched	73,396	72,796	90,929
Uniform Crime Reporting Part I crimes reported	2,415	1,914	2,186
Uniform Crime Reporting Part I crimes per 1,000 population	60	47.5	54.2
Uniform Crime Reporting Part II crimes reported	3,146	3,348	3,357
Traffic Accidents Reported	2,271	3,359	3,706
Sworn Officers	117	117	116
Calls dispatched per sworn officer	627	622	784
Calls dispatched per 1,000 population	1,825	1,805	2,253
Response time to priority calls (minutes)	3.3	6.3	6.3
Emergency Communications			
Total calls per 1,000 population	2,543	--- *	--- *
Calls answered per telecommunicator	7,306	--- *	--- *
Seconds from initial ring to answer	n/a	--- *	--- *
Calls answered within three rings	n/a	--- *	--- *
Fire Services			
Cost per response	\$1,565	\$1,524	\$1,575
Actual fires per 1,000 population	4.53	5.25	5.4
Responses per 1,000 population	137	145	146
Fire inspections completed per 1,000 population	123	115	118
Inspections completed per Full Time Employee (FTE)	1,918	1,686	1,667
Average response time to priority 1 calls (minutes)	4.5	4.3	4.4
Fires confined to room(s) involved on arrival	54%	51%	68%
Fires for which cause is determined	93%	93%	93%
Transportation			
Asphalt Maintenance and Repair			
Cost per ton of asphalt for contract resurfacing	\$77	\$77	\$92
Lane miles maintained per 1,000 population	17.9	17.8	17.8
Potholes repaired within 24 hours	94%	n/a	94%
Street segments rated 85% or better (ITRE)	39%	38%	39%
Recycling			
Cost per ton collected*	\$377	\$763	\$171
Cost per collection point	\$41	94	35
Tons recyclables per 1,000 population	33	37	62.5
Tons Solid Waste Landfilled per 1,000 population	215	210	175
Set Out rate	81%	84%	67%
Diversion Rate	13%	15%	26%
Sanitation			
Refuse Collection			
Cost per ton collected	\$72	\$63	\$79

Cost per ton collection point	\$51	\$44	\$46
Tons per 1,000 population	215	210	175
Tons per 1,000 collection points	708	694	579
Tons collected per F.T.E.	2,305	2,259	1,883
Yard Waste / Leaf Collection			
Cost per ton collected	\$131	\$92	\$100
Cost per collection point	\$72	\$52	\$54
Tons per 1,000 population	166	173	164
Tons collected per F.T.E	1,667	1,741	1,657

* 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 City of Hickory continues work 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, River Walk, Gateways, and Business Park 1764.
- 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. The City will contribute \$2.2 million and NCDOT will pay \$1 million of the estimated \$3.2 million to repair the sinkhole. Estimated completion date is at the end of 2017.
- 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 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, fishing pier, restrooms, boardwalk, Lake House with an amphitheater and event dock, and a Conservatory which will include extensive landscaping and gardens. Design development of the park will continue into 2018.
- Bruce Meisner Park, located in the northeast quadrant of the City, is an approximately 73 acre tract of property that has been designated for future park development. Phase I design of the project will include several park amenities including paved and natural surface walking/bicycling trails, picnic shelters, restroom facility, nature playground, outdoor exercise equipment, sand volleyball courts, and bocce courts. Design development will continue into the second quarter of 2018 at a cost of \$211,700.

- The proposed Sandy Pines Park will be located on a thirteen acre tract of property between Sandy Ridge Road and 24th Avenue in the Sandy Pines Subdivision. Through the initial public participation phase, amenities have been identified such as nature trails, open space/natural areas, paved trails, nature playground, picnic shelter/picnic areas, and a restroom facility. The master planning process will continue into the first quarter of 2018. A design services contract has been approved in the amount of \$26,000.
- The Hickory Regional Airport will utilize a grant from NCDOT-DOA for the land/easement acquisition and obstruction removal of Runway 6-24. The grant will consist of a design-bidding phase and obstruction removal at the approach end of Runway 6. This will include the design evaluation of the obstruction survey and identification of land/easement acquisition required for the off-airport Runway 6 approach obstruction removal. The project cost is \$200,000 which includes a State share of 90% and a local share of 10%.
- 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 Central Business District is defined as the area of downtown Hickory from Trade Alley to 2nd Ave NW and 2nd St NE to 3rd St NW. As the oldest area in the City's Collection and Distribution systems, infrastructure has been dated back as far as pre-1900. With the degradation of the system downtown, aging infrastructure can be blamed for discolored water, poor draining storm drains, and sewers that are running at capacity. This project will renew and restore all infrastructure in these areas to serve the City's downtown for the next fifty years. The total project for the Central Business District upgrade is \$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, 2016. This was the twenty-first consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

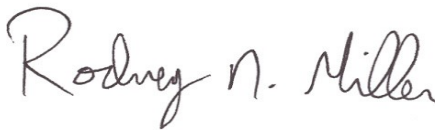
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

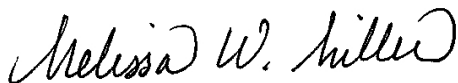
Preparation of this report could not have been accomplished without the professional, efficient, and dedicated efforts of the entire staff of Finance, the Budget Office, the various department heads, budget managers and coworkers who assisted and contributed to its preparation, and our independent auditors,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

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

Respectfully submitted,

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

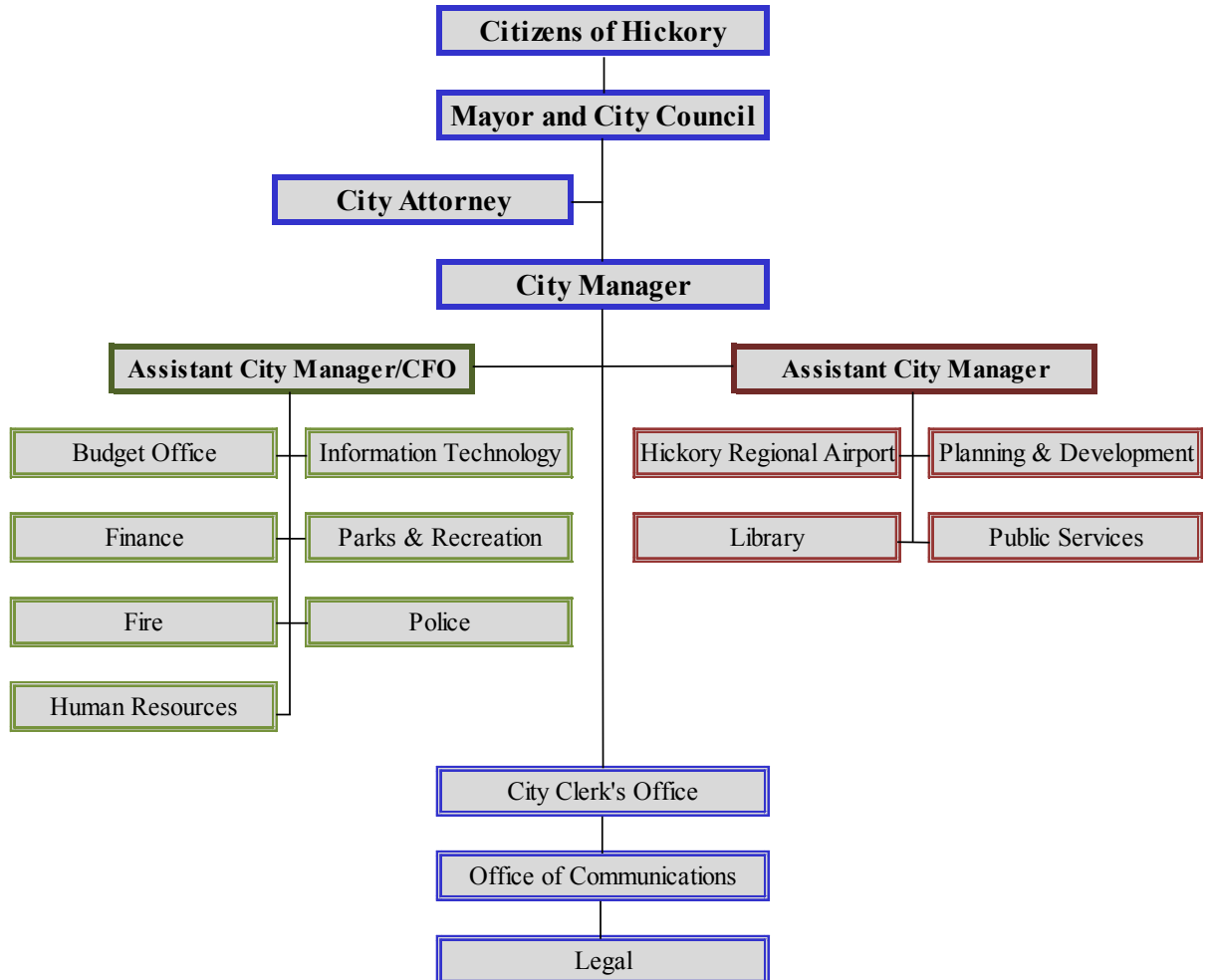
Rodney N. Miller
Assistant City Manager/CFO

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

Melissa W. Miller
Finance Officer

City of Hickory

Department Organizational Chart





Government Finance Officers Association

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

Presented to

**City of Hickory
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

A handwritten signature in black ink, reading "Jeffrey R. Evers". The signature is written in a cursive, flowing style.

Executive Director/CEO

CITY OF HICKORY, NORTH CAROLINA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2017

City Council

Jeff Cline
Mayor

Brad Lail
Ward I

Vernon Tarlton
Ward II
Mayor Pro Tem

Danny Seaver
Ward III

Hank Guess
Ward IV

David Zagaroli
Ward V

Jill Patton
Ward VI

City Administration

Warren Wood
City Manager

Rodney Miller
Assistant City Manager/CFO

Andrea Surratt
Assistant City Manager

John W. Crone, III
City Attorney

Kevin Greer
Public Services Director

Thurman Whisnant
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, 2017, 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.

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, 2017, 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.

Change in Accounting Principle

As discussed in Note 18 to the financial statements, for fiscal year ended June 30, 2017, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68. Our opinion is not modified with respect to this matter.

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 the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, 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, based on our audit and the procedures performed as described above, 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 November 6, 2017 on our consideration of the City of Hickory's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Hickory's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hickory's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 6, 2017



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, 2017. 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 2017

- 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 \$221,374,013 (net position). Of this amount, \$47,722,385 (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 \$4,971,587.
- As of the close of the current fiscal year, the City of Hickory's governmental funds reported combined ending fund balances of \$39,736,427, an increase of \$4,344,249, in comparison with the prior fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$15,908,792, or 32.18% of the total General Fund budget for the fiscal year 2017-2018.
- The City of Hickory's total debt increased by \$6,012,038, which includes unfunded law enforcement officers' pension, other post-employment benefits (OPEB) and compensated absences liabilities. The City's total indebtedness is \$56,730,111.
- The City's legal debt limit is \$372,328,057 (8% of assessed valuation), and the City's legal debt margin is \$341,156,003. The total legal indebtedness of the City is \$31,172,054, which represents 0.67% 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 29-31 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 32-36 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 116-128 of this report.

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

The proprietary fund financial statements are located on pages 37-41 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 42-83 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 84-88 of this report.

Government-Wide Financial Analysis

Net Position - As noted earlier, net position may serve, over time, as a useful indicator of a government's financial status. In the case of the City of Hickory, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$221,374,013 for the fiscal year ended June 30, 2017.

The largest portion of the City of Hickory's net position, 73.37%, reflects 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 43,258,584	\$ 41,881,583	\$ 40,851,001	\$ 42,360,788	\$ 84,109,585	\$ 84,242,371
Notes receivable	3,551,200	4,276,000	-	-	3,551,200	4,276,000
Capital assets	49,874,524	53,418,373	140,378,493	136,788,849	190,253,017	190,207,222
Deferred outflows of resources	6,799,493	1,453,008	1,572,866	336,723	8,372,359	1,789,731
Total assets and deferred outflows of resources	103,483,801	101,028,964	182,802,361	179,486,360	286,286,161	280,515,324
Long-term liabilities outstanding	13,072,358	17,286,507	30,608,555	33,431,566	43,680,913	50,718,073
Other liabilities	15,361,502	7,239,617	4,943,517	3,030,365	20,305,019	10,269,982
Deferred inflows of resources	774,868	1,187,660	151,348	260,832	926,216	1,448,492
Total liabilities and deferred inflows of resources	29,208,728	25,713,784	35,703,420	36,722,763	64,912,148	62,436,547
Net position:						
Net investment in capital assets	49,718,122	49,943,126	112,695,429	106,538,651	162,413,551	156,481,777
Restricted	11,238,077	8,769,738	-	-	11,238,077	8,769,738
Unrestricted	13,318,874	16,602,316	34,403,511	36,224,946	47,722,385	52,827,262
Total net position	\$ 74,275,073	\$ 75,315,180	\$ 147,098,940	\$ 142,763,597	\$ 221,374,013	\$ 218,078,777

An additional portion of the City of Hickory's net position, \$11,238,077, represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position, \$47,722,385, 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 \$72,680,419, which consists of \$37,709,496 from governmental activities and \$34,970,923 from business-type activities. Working capital increased by \$3,284,605 for the fiscal year ended June 30, 2017.

Current Ratio – is the ratio of total current assets to current liabilities. This ratio is an indicator of the City's ability to meet its short-term obligations, and is expressed as coverage of so many dollars of current assets/current liabilities. The City of Hickory's current ratio is 6.99 on a City-wide basis, 7.03 for governmental activities, and 6.95 for business-type activities. More simply stated, the City has \$6.99 of current assets for each \$1.00 of current liabilities on a City-wide basis. The City-wide current ratio increased by 1.53 during FY 2017.

Acid Test or Quick Ratio – relates total current liabilities to cash, marketable securities and accounts receivable: “quick assets”. This is an additional short-term liquidity measure providing an additional comparison with the current ratio. This is also expressed on a coverage basis. The City of Hickory’s quick ratio is 6.81 on a City-wide basis, 6.60 for governmental activities and 7.03 for business-type activities. Or, more simply stated the City has \$6.81 of “quick” assets for each \$1.00 of current liabilities on a City-wide basis. The City-wide quick ratio increased by \$1.48 during FY 2017.

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 323 days on a City-wide basis, 246 days for governmental activities and 455 days for business-type activities. This measure increased by 20 days in FY 2017.

Total Liabilities to Net Position – this ratio, expressed as a percentage, compares the total obligations (liabilities) of the City of Hickory to current equity (net position). It represents the extent to which borrowing has been used to finance short-term operations. The total liabilities to net position for the City of Hickory is 29% on a City-wide basis, 38% for governmental activities and 24% for business-type activities. The Citywide ratio increased 1% during FY2017.

Total Liabilities to Total Assets – this ratio compares the total obligations of the City of Hickory to total assets. It is an indicator of the level of borrowing that has been used to finance operations of the City on a long-term basis. Total liabilities to total assets for the City of Hickory is 23% on a City-wide basis, 29% for governmental activities and 20% for business-type activities. This ratio increased 1% from the previous fiscal year.

Non-Current Liabilities to Total Assets – this ratio compares the long-term debt of the City of Hickory to total assets. It is another indicator of the long-term financial strength of the City. Non-current liabilities to total assets for the City of Hickory is 14% on a city-wide basis, 11% for governmental activities and 15% for business-type activities. This ratio decreased 1% from the previous fiscal year.

Days Receivable – represents the number of days on average it took to collect accounts receivable. This number demonstrates the extent to which current operations are impacted by the collection of accounts receivable. This ratio is provided only for the business-type activities of the City of Hickory, which consist primarily of utility accounts. Days receivable for business-type activities is 37 days for the City of Hickory. Days receivable decreased by 1 day during FY 2017.

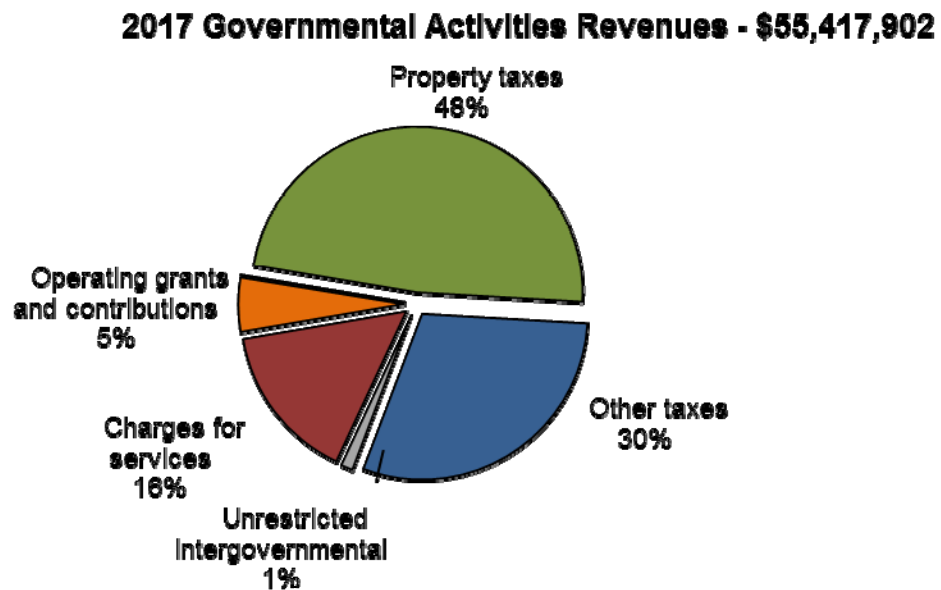
Change in Net Position - The government's net position increased by \$4,971,588 during the current fiscal year. This increase represents the degree to which increases in ongoing revenues have exceeded increases in ongoing expenses. A summary of the changes follows:

Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 8,500,768	\$ 8,630,705	\$ 30,668,995	\$ 29,287,713	\$ 39,169,763	\$ 37,918,418
Operating grants and contributions	2,925,291	3,229,321	2,004,532	2,136,861	4,929,823	5,366,182
Capital grants and contributions	29,051	80,679	464,582	2,735,512	493,633	2,816,191
General revenues:						
Property taxes	26,705,834	25,801,419	-	-	26,705,834	25,801,419
Other taxes	16,521,078	15,877,765	-	-	16,521,078	15,877,765
Unrestricted intergovernmental	650,281	595,737	-	-	650,281	595,737
Unrestricted investment earnings	85,599	326,559	91,111	329,538	176,710	656,097
Miscellaneous	-	-	-	1,890	-	1,890
Total revenues	55,417,902	54,542,185	33,229,220	34,491,514	88,647,122	89,033,699
Expenses:						
General government	15,600,080	17,241,713	-	-	15,600,080	17,241,713
Public safety	22,866,317	21,590,589	-	-	22,866,317	21,590,589
Transportation	6,085,304	5,434,930	-	-	6,085,304	5,434,930
Economic and physical development	3,569,329	4,046,041	-	-	3,569,329	4,046,041
Culture and recreation	6,391,994	6,355,499	-	-	6,391,994	6,355,499
Water	-	-	8,383,437	8,206,452	8,383,437	8,206,452
Sewer	-	-	12,077,346	11,709,085	12,077,346	11,709,085
Sludge composting	-	-	1,944,219	2,010,155	1,944,219	2,010,155
Stormwater	-	-	533,405	526,080	533,405	526,080
Airport	-	-	1,431,741	1,419,481	1,431,740	1,419,481
Recycling	-	-	2,815,271	2,817,888	2,815,271	2,817,888
Sanitation	-	-	1,878,025	1,774,541	1,878,025	1,774,541
Interest on long-term debt	99,067	151,691	-	-	99,067	151,691
Total expenses	54,612,091	54,820,463	29,063,444	28,463,682	83,675,535	83,284,145
Change in net position before transfers	805,811	(278,278)	4,165,776	6,027,832	4,971,587	5,749,554
Transfers	(169,567)	(6,679,253)	169,567	6,679,253	-	-
Change in net position	636,244	(6,957,531)	4,335,343	12,707,085	4,971,587	5,749,554
Net position, previously reported	75,315,180	82,272,711	142,763,597	130,056,512	218,078,777	212,329,223
Restatement	(1,676,351)	-	-	-	(1,676,351)	-
Net position, beginning, restated	73,638,829	82,272,711	142,763,597	130,056,512	216,402,426	212,329,223
Net position, end of the year	74,275,073	75,315,180	147,098,940	142,763,597	221,374,013	218,078,777

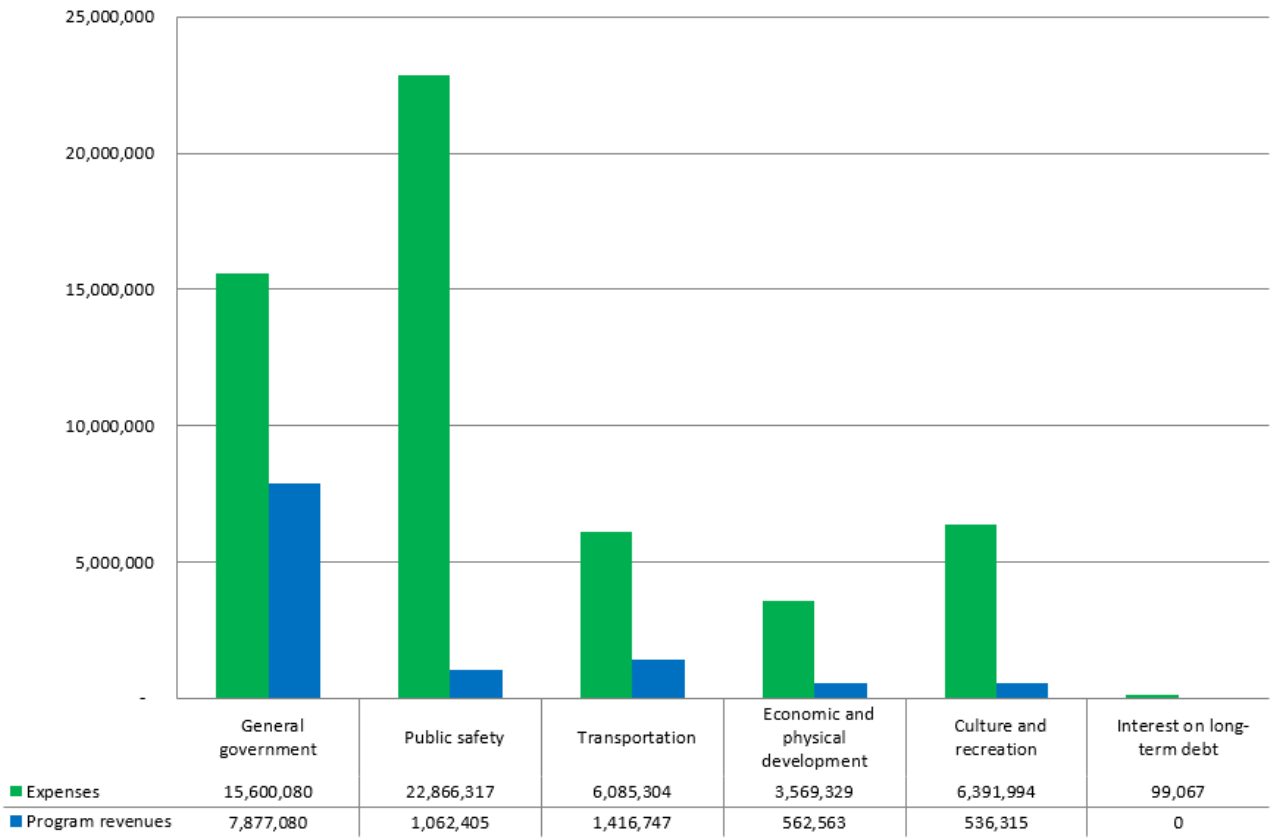
Governmental Activities - Governmental activities increased the City of Hickory's net position by \$636,244.

Summaries of these include:

- Total expenses decreased \$208,372, or 0.38%, for fiscal year 2017.
- Overall revenues increased, with program revenues decreasing \$485,595, or 4.07%, and general revenues increasing \$1,361,312, or 3.20%.
- Operating grants and contributions for governmental activities totaled \$2,925,291. The grant awards furnished resources to support the following functions: general government (\$163,498), police and fire (\$794,153), Powell Bill and street maintenance (\$1,344,420), economic and physical development (\$319,633), and culture and recreation (\$303,587).



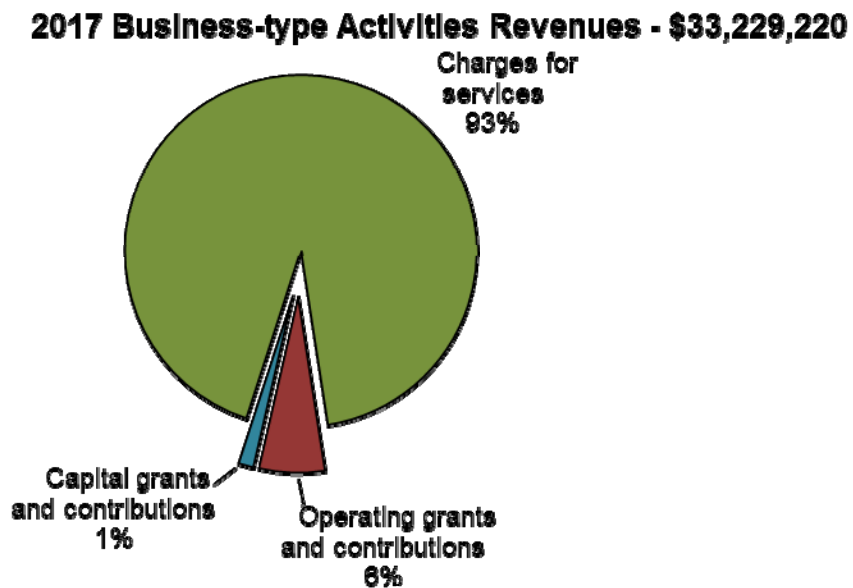
2017 Expenses and Program Revenues - Governmental Activities

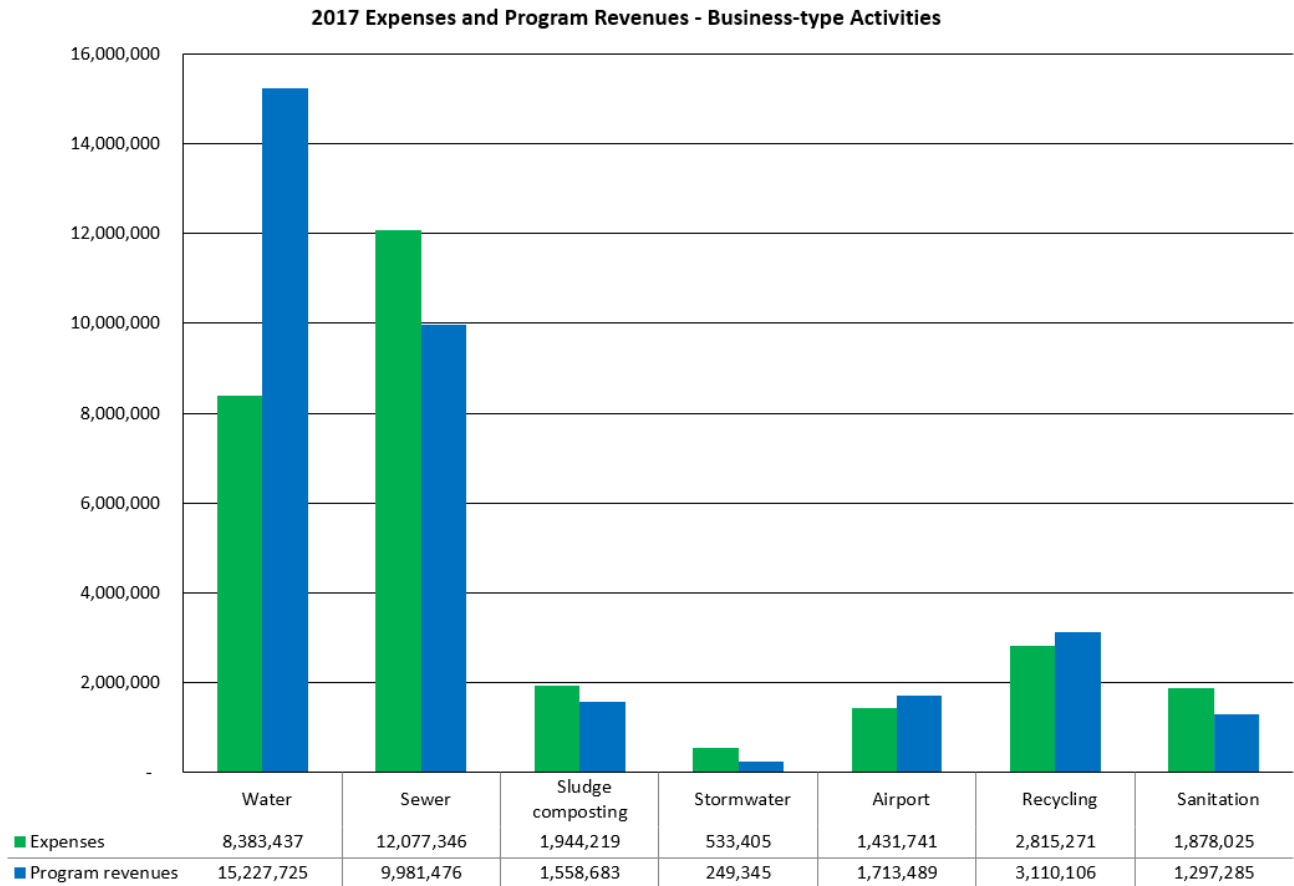


Business-Type Activities - Business-type activities increased the City of Hickory's net position by \$4,335,343.

Summaries of these include:

- Programs revenues decreased \$1,021,977, or 2.99%.
- Capital grants and contributions for business-type activities totaled \$464,582. The grant awards and contributions furnished resources to support the following activities: water \$103,533 and airport \$361,049.
- Transfers to business type activities were \$169,567 to fund capital projects.





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 \$39,736,427, an increase of \$4,344,249, in comparison with the prior year. Of this total amount, \$15,865,543 constitutes *unassigned fund balance*, has no constraints on its use. The remainder of fund balance is broken down as follows:

- Non-Spendable: \$4,274,660 - resources not in spendable form, for example, inventories and prepaid items.
- Restricted: \$11,238,077 - resources specifically restricted by provider.
- Committed: \$5,974,460 - resources committed by formal action of governing body.
- Assigned: \$2,383,687 - 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 \$24,128,374. Total fund balance was \$36,082,126. 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 56.82% of total General Fund expenditures, while total fund balance represents 84.98% to that same amount.

The fund balance of the City of Hickory's General Fund increased by \$2,696,527 during the current fiscal year.

Summaries of these include:

- General government expenditures decreased \$3,213,779, largely due to a lawsuit settlement that was included in prior year.
- Transfers out decreased \$4,205,980 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 \$31,462,539. The total increase in net position was \$4,127,578. The Transportation Fund had an unrestricted net position of \$410,428, with an increase in net position of \$298,918. Unrestricted net position of the Solid Waste Fund amounted to \$2,079,383, with total net position reflecting a decrease of \$40,400. 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 \$5,155,081, and can be briefly summarized as follows:

- \$136,946 in increases allocated to general governmental activities.
- \$354,022 in increases allocated to public safety.
- \$273,470 in increases allocated to transportation.
- \$530,200 in increases allocated to economic and physical development.
- \$645,991 in increases allocated to culture and recreation.
- \$104,270 in decreases for contingency.
- \$3,318,722 in increases allocated to transfers out of General Fund to other funds.

The General Fund recognized a positive variance of \$6,368,272 between the final amended budget and the total actual expenditures. This variance can be summarized as follows:

- Approximately \$2,332,236 of the variance is due to reduced costs of salary and benefits because of retirements, vacancies and elimination of positions.
- Approximately \$1,598,489 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 \$2,017,810 for the fiscal year ended June 30, 2017. The following general capital projects contributed to key increases:

- Bond project authorizations increased \$3,140,221, most of which were related to management and design.
- Falling Creek Bridge project authorizations increased \$529,834 for administration, construction, right of way, and land acquisition.
- 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, 2017, amounts to \$190,253,017 (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 aircraft rescue and firefighting (ARFF) truck for the Hickory airport.
- Purchase of a new truck for trash collections in the sanitation division.
- Management and design of bond projects.
- Data center upgrades at City Hall.

Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 12,274,581	\$ 12,271,680	\$ 5,203,216	\$ 5,197,266	\$ 17,477,797	\$ 17,468,946
Land improvements	-	-	7,068,587	7,068,587	7,068,587	7,068,587
Buildings and improvements	16,132,110	17,326,915	32,680,138	33,941,086	48,812,248	51,268,001
Equipment	3,707,988	3,536,511	3,772,199	1,471,062	7,480,187	5,007,573
Vehicles	3,087,728	2,836,631	1,801,335	1,769,872	4,889,063	4,606,503
Road network	11,442,023	12,304,394	1,808,659	2,110,047	13,250,682	14,414,441
Operating plants	-	-	20,808,122	21,380,878	20,808,122	21,380,878
Waterlines	-	-	22,842,087	22,511,960	22,842,087	22,511,960
Sewerlines	-	-	36,391,114	37,021,359	36,391,114	37,021,359
Construction in progress	3,230,094	5,142,242	8,003,036	4,316,732	11,233,130	9,458,974
Total net assets	\$ 49,874,524	\$ 53,418,373	\$ 140,378,493	\$ 136,788,849	\$ 190,253,017	\$ 190,207,222

Additional information on the City of Hickory's capital assets can be found in Note 6 on pages 59-62 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 \$31,172,054 as of June 30, 2017. Gross debt consists of installment purchase agreements of \$16,642,915 and notes payable of \$14,529,139.

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, 2017 was \$341,156,003.

Installment purchase agreements related to the radio system upgrade, Stanford Park, and the Convention Center amount to \$3,630,603 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 \$13,153,925 and are obligations of the Water and Sewer Fund. Notes payable amounting to \$14,529,139 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 3.40% of expenditures of the General Fund and 14.33% 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 and long-term obligations increased by \$6,012,038 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 63-67 of this report.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Accrued law enforcement officer's unfunded retirement contribution	\$ 3,190,102	\$ 1,330,058	\$ -	\$ -	\$ 3,190,102	\$ 1,330,058
Compensated absences	2,255,802	2,205,469	541,640	546,831	2,797,442	2,752,300
Unfunded OPEB obligations	7,327,566	7,104,779	2,383,851	2,201,544	9,711,417	9,306,323
Net pension liability (LGERS)	7,983,017	1,822,912	1,876,079	432,993	9,859,096	2,255,905
Installment purchase agreements	3,488,990	4,823,289	13,153,925	14,797,608	16,642,915	19,620,897
Notes Payable	-	-	14,529,139	15,452,590	14,529,139	15,452,590
Total	\$ 24,245,477	\$ 17,286,507	\$ 32,484,634	\$ 33,431,566	\$ 56,730,111	\$ 50,718,073

Economic Factors and Next Year's Budget and Rates

- Revenue estimates contained in the City of Hickory's fiscal year 2017-2018 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 \$25,800,000 in property tax revenue. The property tax base is estimated to be \$4,621,825,338.
- The fiscal year 2018 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 2018.

In fiscal year 2018, the City of Hickory has appropriated \$1,714,012 of unassigned General Fund balance to finance the general operations of the City.

The original budget for fiscal year 2018 increased 2.3% 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, Finance Department, P.O. Box 398, Hickory, NC 28603.

Basic Financial Statements



CITY OF HICKORY, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 36,249,268	\$ 36,721,623	\$ 72,970,891
Taxes receivable, net	628,064	-	628,064
Accounts receivable, net	1,518,080	3,161,541	4,679,621
Note receivable	3,551,200	-	3,551,200
Due from other governments	2,786,001	814,279	3,600,280
Internal balances	1,028,199	(1,028,199)	-
Inventories	229,146	448,252	677,398
Prepaid items	763,680	93,151	856,831
Cash and cash equivalents, restricted	56,146	640,354	696,500
Land and construction in progress	15,504,675	20,274,840	35,779,515
Other capital assets, net of depreciation	34,369,849	120,103,653	154,473,502
Total assets	96,684,308	181,229,494	277,913,802
Deferred Outflows of Resources:			
Contributions to pension plan	1,686,050	374,976	2,061,026
Pension deferrals	5,113,443	1,197,890	6,311,333
Total deferred outflows of resources	6,799,493	1,572,866	8,372,359
Liabilities:			
Accounts payable and accrued liabilities	4,132,237	2,370,581	6,502,818
Prepaid fees	-	56,503	56,503
Liabilities to be paid from restricted assets:			
Customer deposits	56,146	640,354	696,500
Net pension liability - LGERS	7,983,017	1,876,079	9,859,096
Total pension liability - LEOSSA	3,190,102	-	3,190,102
Due within one year	2,060,681	2,812,640	4,873,321
Due in more than one year	11,011,677	27,795,915	38,807,592
Total liabilities	28,433,860	35,552,072	63,985,932
Deferred Inflows of Resources:			
Pension deferrals	772,044	151,348	923,392
Prepaid taxes	2,824	-	2,824
Total deferred inflows of resources	774,868	151,348	926,216
Net Position:			
Net investment in capital assets	49,718,122	112,695,429	162,413,551
Restricted for:			
Stabilization for State statute	6,702,318	-	6,702,318
Public safety	607,648	-	607,648
Economic and development	3,928,111	-	3,928,111
Unrestricted	13,318,874	34,403,511	47,722,385
Total net position	\$ 74,275,073	\$ 147,098,940	\$ 221,374,013

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, 2017

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 15,600,080	\$ 7,713,582	\$ 163,498	\$ -
Public safety	22,866,317	268,252	794,153	-
Transportation	6,085,304	43,276	1,344,420	29,051
Economic and physical development	3,569,329	242,930	319,633	-
Culture and recreation	6,391,994	232,728	303,587	-
Interest on long-term debt	99,067	-	-	-
Total governmental activities	54,612,091	8,500,768	2,925,291	29,051
Business-Type Activities:				
Water	8,383,437	14,963,171	161,021	103,533
Sewer	12,077,346	9,682,436	299,040	-
Sludge composting	1,944,219	61,251	1,497,432	-
Stormwater	533,405	249,345	-	-
Airport	1,431,741	1,338,980	13,460	361,049
Recycling	2,815,271	3,076,527	33,579	-
Sanitation	1,878,025	1,297,285	-	-
Total business-type activities	29,063,444	30,668,995	2,004,532	464,582
Total primary government	\$ 83,675,535	\$ 39,169,763	\$ 4,929,823	\$ 493,633

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, 2017

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Functions/Programs:			
Primary Government:			
Governmental Activities:			
General government	\$ (7,723,000)	\$ -	\$ (7,723,000)
Public safety	(21,803,912)	-	(21,803,912)
Transportation	(4,668,557)	-	(4,668,557)
Economic and physical development	(3,006,766)	-	(3,006,766)
Culture and recreation	(5,855,679)	-	(5,855,679)
Interest on long-term debt	(99,067)	-	(99,067)
Total governmental activities	(43,156,981)	-	(43,156,981)
Business-Type Activities:			
Water	-	6,844,288	6,844,288
Sewer	-	(2,095,870)	(2,095,870)
Sludge composting	-	(385,536)	(385,536)
Stormwater	-	(284,060)	(284,060)
Airport	-	281,748	281,748
Recycling	-	294,835	294,835
Sanitation	-	(580,740)	(580,740)
Total business-type activities	-	4,074,665	4,074,665
Total primary government	(43,156,981)	4,074,665	(39,082,316)
General Revenues:			
Ad valorem taxes	26,705,834	-	26,705,834
Sales taxes	10,189,172	-	10,189,172
Franchise taxes	3,152,989	-	3,152,989
Telecommunication tax	896,481	-	896,481
Motel/occupancy tax	1,927,878	-	1,927,878
Vehicle tag tax	193,001	-	193,001
Gross receipts tax	161,557	-	161,557
Unrestricted intergovernmental	650,281	-	650,281
Unrestricted investment earnings	85,599	91,111	176,710
Total general revenues	43,962,792	91,111	44,053,903
Transfers	(169,567)	169,567	-
Total general revenues and transfers	43,793,225	260,678	44,053,903
Change in net position	636,244	4,335,343	4,971,587
Net Position:			
Net position, beginning	75,315,180	142,763,597	218,078,777
Restatement	(1,676,351)	-	(1,676,351)
Net position, beginning, restated	73,638,829	142,763,597	216,402,426
End of year - June 30	\$ 74,275,073	\$ 147,098,940	\$ 221,374,013

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

CITY OF HICKORY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	Major General Fund	Nonmajor Governmental Funds	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 29,773,358	\$ 3,183,828	\$ 32,957,186
Taxes receivable, net	628,064	-	628,064
Accounts receivable, net	386,839	998,489	1,385,328
Notes receivable	702,800	-	702,800
Due from other governmental agencies	2,472,660	258,091	2,730,751
Due from other funds	1,713,777	-	1,713,777
Inventory	109,388	-	109,388
Prepaid items	613,751	321	614,072
Restricted cash and equivalents	56,146	-	56,146
Total current assets	36,456,783	4,440,729	40,897,512
Notes receivable	2,848,400	-	2,848,400
Total assets	\$ 39,305,183	\$ 4,440,729	\$ 43,745,912
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 2,524,329	\$ 22,992	\$ 2,547,321
Prepaid fees	11,694	-	11,694
Due to other funds	-	37,409	37,409
Liabilities to be paid from restricted assets:			
Customer deposits	56,146	-	56,146
Total current liabilities	2,592,169	60,401	2,652,570
Deferred Inflows of Resources:			
Property taxes receivable	628,064	-	628,064
Prepaid taxes	2,824	-	2,824
Economic development receivable	-	726,027	726,027
Total deferred inflows of resources	630,888	726,027	1,356,915
Fund Balances:			
Non-spendable	4,274,339	321	4,274,660
Restricted for:			
Stabilization for State statute	6,171,765	530,553	6,702,318
Restricted, all other	1,507,648	3,028,111	4,535,759
Committed	5,835,895	138,565	5,974,460
Assigned	2,383,687	-	2,383,687
Unassigned	15,908,792	(43,249)	15,865,543
Total fund balances	36,082,126	3,654,301	39,736,427
Total liabilities, deferred inflow of resources, and fund balances	\$ 39,305,183	\$ 4,440,729	\$ 43,745,912

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

CITY OF HICKORY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2017

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

Total fund balances - modified accrual (see above)	\$ 39,736,427
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	49,834,033
Total pension liability - LEOSA	(3,190,102)
Net pension liability - LGERS	(7,832,586)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	1,652,910
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.	556
Accrual of interest payable for debt reported in the Statement of Net Position does not require the use of current financial resources and, therefore, is not reported in the funds.	(13,447)
Other receivables are not available to pay for current period expenditures and are recognized as deferred inflows in the funds.	1,518,886
Pension related deferrals	4,264,659
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.	1,069,834
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(12,889,241)</u>
Net position of governmental activities	<u>\$ 74,275,073</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, 2017

	Major General Fund	Nonmajor Governmental Funds	Total
Revenues:			
Ad valorem taxes	\$ 26,857,749	\$ -	\$ 26,857,749
Other taxes	16,521,078	-	16,521,078
Unrestricted intergovernmental revenues	650,281	-	650,281
Restricted intergovernmental revenues	2,295,458	458,485	2,753,943
Licenses and permits	5,912	-	5,912
Sales and services	1,719,587	-	1,719,587
Investment earnings	66,878	7,732	74,610
Miscellaneous	-	244,534	244,534
Total revenues	<u>48,116,943</u>	<u>710,751</u>	<u>48,827,694</u>
Expenditures:			
Current:			
General government	4,818,329	-	4,818,329
Public safety	21,537,666	176,362	21,714,028
Transportation	5,423,885	-	5,423,885
Economic and physical development	3,184,923	562,458	3,747,381
Culture and recreation	6,060,612	-	6,060,612
Capital outlay	-	1,113,055	1,113,055
Debt service:			
Principal retirement	1,334,299	-	1,334,299
Interest fees	102,289	-	102,289
Total expenditures	<u>42,462,003</u>	<u>1,851,875</u>	<u>44,313,878</u>
Revenues over (under) expenditures	<u>5,654,940</u>	<u>(1,141,124)</u>	<u>4,513,816</u>
Other Financing Sources (Uses):			
Transfers in	1,660,466	2,789,312	4,449,778
Transfers out	(4,618,879)	(466)	(4,619,345)
Total other financing sources (uses)	<u>(2,958,413)</u>	<u>2,788,846</u>	<u>(169,567)</u>
Net change in fund balances	2,696,527	1,647,722	4,344,249
Fund Balances:			
Fund balance, beginning	<u>33,385,599</u>	<u>2,006,579</u>	<u>35,392,178</u>
End of year - June 30	<u>\$ 36,082,126</u>	<u>\$ 3,654,301</u>	<u>\$ 39,736,427</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, 2017**

Net change in fund balances - total governmental funds per Exhibit D	\$ 4,344,249
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	3,506,782
Depreciation expense	(4,236,316)
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	(2,829,154)
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.	(211,044)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	1,583,153
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities.	69,757
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	1,334,299
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.	(221,036)
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.	(59,335)
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.	(2,238,269)
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.	3,222
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.	(410,064)
Change in net position of governmental activities per Exhibit B	<u>\$ 636,244</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, 2017

	General Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 25,390,000	\$ 25,390,000	\$ 26,857,749	\$ 1,467,749
Other taxes	14,500,000	15,000,000	16,521,078	1,521,078
Unrestricted intergovernmental revenues	595,000	595,000	650,281	55,281
Restricted intergovernmental revenues	2,054,401	2,145,241	2,295,458	150,217
Licenses and permits	7,200	7,200	5,912	(1,288)
Sales and services	1,798,935	1,832,363	1,719,587	(112,776)
Investment earnings	125,000	125,000	51,490	(73,510)
Miscellaneous	318,000	382,139	498,306	116,167
Total revenues	44,788,536	45,476,943	48,599,861	3,122,918
Expenditures:				
Current:				
General government	6,272,335	6,388,212	4,818,329	1,569,883
Public safety	23,271,046	23,625,068	21,537,666	2,087,402
Transportation	6,262,037	6,535,507	5,423,885	1,111,622
Economic and physical development	2,981,290	3,511,490	2,980,429	531,061
Culture and recreation	5,937,195	6,583,186	6,060,612	522,574
Debt service:				
Principal	1,192,688	1,334,299	1,334,299	-
Interest and fees	222,831	102,289	102,289	-
Contingency	650,000	545,730	-	545,730
Total expenditures	46,789,422	48,625,781	42,257,509	6,368,272
Revenues over (under) expenditures	(2,000,886)	(3,148,838)	6,342,352	9,491,190
Other Financing Sources (Uses):				
Transfers in	1,250,000	1,250,468	650,466	(600,002)
Transfers (out)	(1,200,311)	(4,618,879)	(4,618,879)	-
Total other financing sources (uses)	49,689	(3,368,411)	(3,968,413)	(600,002)
Revenues and other financing sources over (under) expenditures and other financing uses	(1,951,197)	(6,517,249)	2,373,939	8,891,188
Appropriated fund balance	1,951,197	6,517,249	-	(6,517,249)
Net change in fund balance	\$ -	\$ -	2,373,939	\$ 2,373,939
Reconciliation from Budgetary Basis of Accounting to Modified Accrual Basis:				
Current year note receivable payments			(702,800)	
Net change in fund balance modified accrual			1,671,139	
Fund Balance:				
Fund balance, beginning			28,575,092	
End of year - June 30			\$ 30,246,231	

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

CITY OF HICKORY, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Business-Type Activities					Governmental Activities
	Water and Sewer Fund	Transportation Fund	Solid Waste Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets:						
Current assets:						
Cash and cash equivalents	\$ 32,134,100	\$ 1,094,875	\$ 2,758,614	\$ 734,034	\$ 36,721,623	\$ 3,292,082
Accounts receivable, net	2,883,826	100,039	176,350	1,326	3,161,541	9,052
Inventory	395,044	53,208	-	-	448,252	119,758
Due from other governments	452,850	301,701	12,712	47,016	814,279	55,250
Due from other funds	87,012	-	-	-	87,012	-
Prepaid items	86,261	2,595	2,377	1,918	93,151	149,608
Restricted cash	633,694	6,660	-	-	640,354	-
Total current assets	36,672,787	1,559,078	2,950,053	784,294	41,966,212	3,625,750
Non-current assets:						
Land and construction in progress	6,827,382	13,302,434	-	145,024	20,274,840	-
Other capital assets, net of depreciation	111,967,573	2,035,957	1,200,919	4,899,204	120,103,653	40,491
Total non-current assets	118,794,955	15,338,391	1,200,919	5,044,228	140,378,493	40,491
Total assets	155,467,742	16,897,469	4,150,972	5,828,522	182,344,705	3,666,241
Deferred Outflows of Resources:						
Contributions to pension plan	258,067	28,352	82,695	5,862	374,976	33,140
Pension deferrals	830,571	90,252	257,502	19,565	1,197,890	98,457
Total deferred outflows of resources	1,088,638	118,604	340,197	25,427	1,572,866	131,597
Liabilities:						
Current liabilities:						
Accounts payable and accrued liabilities	2,156,932	48,285	132,421	32,943	2,370,581	1,724,570
Current portion of long-term debt	2,739,547	14,353	57,443	1,297	2,812,640	21,417
Due to other funds	-	18,539	-	87,012	105,551	818,174
Prepaid fees	56,503	-	-	-	56,503	-
Liabilities to be paid from restricted assets:						
Customer deposits	633,694	6,660	-	-	640,354	-
Total current liabilities	5,586,676	87,837	189,864	121,252	5,985,629	2,564,161
Non-current liabilities:						
Net pension liability	1,303,929	141,186	399,896	31,068	1,876,079	150,431
Compensated absences payable	223,668	46,422	27,475	12,270	309,835	5,693
Due to other funds	-	839,655	-	-	839,655	-
Non-current portion of long-term debt	26,770,441	140,352	552,746	22,541	27,486,080	156,007
Total non-current liabilities	28,298,038	1,167,615	980,117	65,879	30,511,649	312,131
Total liabilities	33,884,714	1,255,452	1,169,981	187,131	36,497,278	2,876,292
Deferred Inflows of Resources:						
Pension deferrals	97,236	11,802	40,886	1,424	151,348	21,717
Total deferred inflows of resources	97,236	11,802	40,886	1,424	151,348	21,717
Net Position:						
Net investment in capital assets	91,111,891	15,338,391	1,200,919	5,044,228	112,695,429	40,491
Unrestricted	31,462,539	410,428	2,079,383	621,166	34,573,516	859,338
Total net position	\$ 122,574,430	\$ 15,748,819	\$ 3,280,302	\$ 5,665,394	\$ 147,268,945	\$ 899,829

Total net position - proprietary funds presentation \$ 147,268,945

Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds (170,005)

Net position of business-type activities - government-wide \$ 147,098,940

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, 2017

	Business-Type Activities					Governmental Activities
	Water and Sewer Fund	Transportation Fund	Solid Waste Fund	Other Enterprise Funds	Total	Internal Service Funds
Operating Revenues:						
Other taxes	\$ -	\$ -	\$ 33,579	\$ -	\$ 33,579	\$ -
Restricted intergovernmental	-	13,460	-	1,497,432	1,510,892	-
Charges for services	24,913,242	1,352,864	4,414,050	315,708	30,995,864	8,449,717
Other operating revenues	741,686	-	8,395	-	750,081	1,194
Total operating revenues	25,654,928	1,366,324	4,456,024	1,813,140	33,290,416	8,450,911
Operating Expenses:						
Administration and engineering	6,734,349	-	-	129,139	6,863,488	-
Collection system	1,365,364	-	-	-	1,365,364	-
Henry Fork plant	897,223	-	-	-	897,223	-
Northeast plant	929,054	-	-	-	929,054	-
Water treatment plant	2,031,407	-	-	-	2,031,407	-
Pre-treatment and lab	927,877	-	-	-	927,877	-
Distribution	2,333,911	-	-	-	2,333,911	-
Sludge plant	-	-	-	1,605,955	1,605,955	-
Street	-	-	-	40,632	40,632	-
Drainage maintenance	-	-	-	53,976	53,976	-
Claremont sewer lines	246,857	-	-	-	246,857	-
Hickory-Catawba wastewater treatment plant	292,608	-	-	-	292,608	-
Airport	-	518,401	-	-	518,401	-
Airport tower	-	17,624	-	-	17,624	-
Airport FBO	-	598,877	-	-	598,877	-
Recycling	-	-	2,535,057	-	2,535,057	-
Residential sanitation	-	-	907,158	-	907,158	-
Commercial sanitation	-	-	783,941	-	783,941	-
Health insurance	-	-	-	-	-	5,112,748
Property/casualty insurance	-	-	-	-	-	579,267
Workers' compensation	-	-	-	-	-	520,904
Dental insurance	-	-	-	-	-	423,699
Other insurance	-	-	-	-	-	74,456
Fleet maintenance	-	-	-	-	-	2,434,070
Depreciation	4,399,356	296,839	467,140	647,922	5,811,257	10,475
Total operating expenses	20,158,006	1,431,741	4,693,296	2,477,624	28,760,667	9,155,619
Operating income (loss)	5,496,922	(65,417)	(237,272)	(664,484)	4,529,749	(704,708)

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, 2017

	Business-Type Activities				Governmental Activities
	Water and Sewer Fund	Transportation Fund	Solid Waste Fund	Other Enterprise Funds	Internal Service Funds
Non-Operating					
Revenues (Expenses):					
Investment earnings	82,956	3,286	4,869	-	91,111
Miscellaneous	-	-	55	-	55
Gain (loss) on disposal of capital assets	37,087	-	45,488	-	82,575
Interest on long-term debt	(719,069)	-	-	-	(719,069)
Total non-operating revenues (expenses)	(599,026)	3,286	50,412	-	(545,328)
Income (loss) before capital contributions and transfers	4,897,896	(62,131)	(186,860)	(664,484)	3,984,421
Capital Contributions:					
Capital contributions	103,533	361,049	-	-	464,582
Transfers:					
Transfers from other funds	-	-	146,460	896,958	1,043,418
Transfers (to) other funds	(873,851)	-	-	-	(873,851)
Change in net position	4,127,578	298,918	(40,400)	232,474	\$ 4,618,570
Net Position:					
Net position beginning	118,446,852	15,449,901	3,320,702	5,432,920	1,593,548
End of year - June 30	\$ 122,574,430	\$ 15,748,819	\$ 3,280,302	\$ 5,665,394	\$ 899,829
Reconciliation with Exhibit B - Change in					
Net Position - Business-Type Activities:					
Change in net position - fund perspective					\$ 4,618,570
Internal Service Fund profits allocated to business-type activities					(283,227)
Change in net position - entity-wide perspective - Exhibit B					\$ 4,335,343

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, 2017**

	Business-Type Activities					Governmental Activities
	Water and Sewer Fund	Transportation Fund	Solid Waste Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash Flows from Operating Activities:						
Cash received from customers and users	\$ 25,834,284	\$ 1,381,498	\$ 4,444,984	\$ 1,853,927	\$ 33,514,693	\$ 8,449,034
Cash paid to suppliers	(10,920,068)	(649,157)	(2,680,152)	(1,874,321)	(16,123,698)	(8,856,829)
Cash paid to employees	(4,499,691)	(477,540)	(1,540,571)	(102,256)	(6,620,058)	(584,140)
Net cash provided (used) by operating activities	10,414,525	254,801	224,261	(122,650)	10,770,937	(991,935)
Cash Flows from Non-Capital Financing Activities:						
Changes in due to/from other funds	(87,012)	(91,792)	-	87,012	(91,792)	210,844
Transfers from other funds	-	-	146,460	896,958	1,043,418	-
Transfers (to) other funds	(873,851)	-	-	-	(873,851)	-
Net cash provided (used) by non-capital financing activities	(960,863)	(91,792)	146,460	983,970	77,775	210,844
Cash Flows from Capital and Related Financing Activities:						
Acquisition and construction of capital assets	(7,799,068)	(444,097)	(367,441)	(686,762)	(9,297,368)	(24,887)
Proceeds from sale of assets	37,087	-	45,488	-	82,575	-
Principal paid on long-term debt	(2,567,134)	-	-	-	(2,567,134)	-
Interest paid on long-term debt	(729,827)	-	-	-	(729,827)	-
Donations/contributions	-	-	55	-	55	-
Capital contributions	-	361,049	-	-	361,049	-
Net cash provided (used) by capital and related financing activities	(11,058,942)	(83,048)	(321,898)	(686,762)	(12,150,650)	(24,887)
Cash Flows from Investing Activities:						
Interest on investments	82,956	3,286	4,869	-	91,111	10,989
Net cash provided (used) by investing activities	82,956	3,286	4,869	-	91,111	10,989
Net increase (decrease) in cash and cash equivalents	(1,522,324)	83,247	53,692	174,558	(1,210,827)	(794,989)
Cash and Cash Equivalents:						
Beginning of year - July 1	34,290,118	1,018,288	2,704,922	559,476	38,572,804	4,087,071
End of year - June 30	\$ 32,767,794	\$ 1,101,535	\$ 2,758,614	\$ 734,034	\$ 37,361,977	\$ 3,292,082

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, 2017

	Business-Type Activities					Governmental Activities
	Water and Sewer Fund	Transportation Fund	Solid Waste Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ 5,496,922	\$ (65,417)	\$ (237,272)	\$ (664,484)	\$ 4,529,749	\$ (704,708)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	4,399,356	296,839	467,140	647,922	5,811,257	10,475
Change in pension expense	924,668	100,477	286,675	21,782	1,333,602	109,611
Change in assets and liabilities:						
(Increase) decrease in accounts receivables	152,205	14,574	(15,769)	40,796	191,806	(3,625)
(Increase) decrease in prepaid items	(19,856)	(1,440)	(1,487)	(163)	(22,946)	69,497
(Increase) decrease in inventories	(61,337)	-	-	-	(61,337)	(38,235)
(Increase) decrease in deferred outflows of resources for pensions	(857,094)	(93,134)	(265,725)	(20,190)	(1,236,143)	(101,601)
Increase (decrease) in accounts payable	221,883	(24,475)	(24,501)	(152,825)	20,082	(326,098)
Increase (decrease) in compensated absences	(13,166)	6,698	(1,224)	2,504	(5,188)	(9,002)
Increase (decrease) in other post-employment benefits	143,795	20,079	16,424	2,008	182,306	1,751
Increase (decrease) in customer deposits	23,561	600	-	-	24,161	-
Increase (decrease) in prepaid fees	3,588	-	-	-	3,588	-
Net cash provided (used) by operating activities	<u>\$ 10,414,525</u>	<u>\$ 254,801</u>	<u>\$ 224,261</u>	<u>\$ (122,650)</u>	<u>\$ 10,770,937</u>	<u>\$ (991,935)</u>
Non-Cash Transactions:						
Contribution of assets from developers	<u>\$ 103,533</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, 2017

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

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

The government reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the City. It accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, sales taxes, federal and State grants, and user fees. The primary expenditures are for public safety, streets and highways, parks and recreation, libraries, and general governmental services. Debt service payments of general long-term debt are accounted for in the General Fund. Additionally, the

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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.

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

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

The City generally considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem property taxes receivable are not accrued as revenues in the governmental fund statements because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, on September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

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

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 \$43,424,082 on June 30, 2017. The NC Capital Management Trust Government Portfolio, an 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, 2017

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, 2017 are as follows:

Governmental Activities:

General Fund:

Customer deposits	\$ 56,146
Total governmental activities	<u>\$ 56,146</u>

Business-Type Activities:

Water and Sewer Fund:

Customer deposits	\$ 633,694
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Transportation Fund:

Customer deposits	<u>6,660</u>
Total business-type activities	<u>\$ 640,354</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.”

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, 2016.

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.

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.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement after June 30, 2015 are recorded at acquisition value. All other purchased or constructed assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003 consist of the road network, sidewalks, bridges, curb, and guttering that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

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

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 two items that meet this criteria, contributions made to

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

the pension plan in the 2017 fiscal year and pension deferrals. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net 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 criteria for this category – economic development receivable, prepaid taxes, property taxes receivable, and deferrals of pension expense.

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.

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:

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

	<u>General Fund</u>	<u>Other Governmental Funds</u>
<i>Notes Receivable</i> – portion of fund balance that is not an available resource because it represents the year-end balance of notes receivable, which are not spendable resources.	\$ 3,551,200	\$ -
<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.	109,388	-
<i>Prepays</i> – portion of fund balance that is not an available resource because it represents prepaid amounts, which are not spendable resources.	<u>613,751</u>	<u>321</u>
Total	<u>\$ 4,274,339</u>	<u>\$ 321</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, 2017 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>Total</u>
Restricted, all other:			
Economic development	\$ 900,000	\$ 3,028,111	\$ 3,928,111
Public safety	<u>607,648</u>	<u>-</u>	<u>607,648</u>
Total	<u>\$ 1,507,648</u>	<u>\$ 3,028,111</u>	<u>\$ 4,535,759</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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, 2017 is as follows:

Purpose	General Fund	Other Governmental Funds	Total
Economic development	\$ -	\$ 138,565	\$ 138,565
Capital projects	5,835,895	-	5,835,895
Total	<u>\$ 5,835,895</u>	<u>\$ 138,565</u>	<u>\$ 5,974,460</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, 2017 is as follows:

Purpose	General Fund	Total
Subsequent year's expenditures	\$ 1,714,012	\$ 1,714,012
Fuel	669,675	669,675
Total	<u>\$ 2,383,687</u>	<u>\$ 2,383,687</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

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

The City has also adopted a minimum fund balance policy for the General Fund, which instructs management to conduct the business of the City in such a manner that available fund balance is at least equal to or greater than 25% of budgeted expenditures.

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

Total Fund Balance - General Fund	\$ 36,082,126
Less:	
Prepays	(613,751)
Inventory	(109,388)
Notes receivable	(3,551,200)
Stabilization by State statute	(6,171,765)
Public safety	(607,648)
Economic development	(900,000)
Capital projects	(5,835,895)
Appropriated fund balance in 2018 budget	(1,714,012)
Fuel	(669,675)
Fund balance policy - 25% of budgeted expenditures	<u>(12,156,445)</u>
Remaining fund balance	<u><u>\$ 3,752,347</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>\$ 1,598,489</u></u>
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11. Other Resources

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

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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:

Fund Balance, Ending Exhibit F	\$ 30,246,231
Capital Reserve Fund:	
Investment earnings	15,388
Transfers in/out	1,010,000
Fund balance, beginning, previously reported	<u>4,810,507</u>
Fund Balance, Ending Exhibit D	<u>\$ 36,082,126</u>

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, 2017

The details of this difference are as follows:

Installment purchase payable	\$ 3,488,990
Unfunded obligation	7,327,566
Compensated absences	2,255,802
Net pension obligation - LGERS	7,983,017
Total pension obligation - Law Enforcement	
Officers' Separation Allowance	3,190,102
Less: effect of Internal Service Fund	<u>(333,548)</u>
Net adjustment to increase fund balance - total governmental	
funds to arrive at net position - governmental activities	<u>\$ 23,911,929</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, 2017

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.

At June 30, 2017, the carrying amount of the City's deposits with banks was \$5,508,168. Balances with banks equaled \$5,895,681. Of the bank balances, \$250,000 was covered by federal depository insurance, and \$5,645,681 was covered by collateral held by authorized escrow agents in the name of the State Treasurer. The total amount of cash on-hand and petty cash was \$12,371.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

B. Investments

At June 30, 2017, the City's investments consisted of the following:

Investment Type	Valuation	Book Value	Less Than			
	Measurement Method		6 Months	6-12 Months	1-3 Years	4-5 Years
US Government Agencies	Fair Value-Level 1	\$ 43,424,082	\$ -	\$ 8,657,214	\$ 29,165,119	\$ 5,601,749
NC Capital Management Trust:						
Government Portfolio	Amortized Cost	20,641,538	20,641,538	-	-	-
Term Portfolio*	Fair Value-Level 1	4,081,232	4,081,232	-	-	-
Total investments		<u>\$ 68,146,852</u>	<u>\$ 24,722,770</u>	<u>\$ 8,657,214</u>	<u>\$ 29,165,119</u>	<u>\$ 5,601,749</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 Government Portfolio carried a rating of AAAm by Standard & Poor's as of June 30, 2017. 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 60% 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 6.3%, 29.2%, and 22.4%, respectively, of the City's total investments.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 5 – Receivables

A. Detail

Receivables at the government-wide level at June 30, 2017 were as follows:

	<u>Taxes</u>	<u>Accounts</u>	<u>Notes</u>	<u>Due From Other Governments</u>	<u>Total</u>
Governmental Activities:					
General	\$ 1,570,552	\$ 578,728	\$ 3,551,200	\$ 2,323,955	\$ 8,024,435
General capital projects	-	32,818	-	203,955	236,773
Other governmental	-	998,489	-	258,091	1,256,580
Total receivables	1,570,552	1,610,035	3,551,200	2,786,001	9,517,788
Allowance for doubtful accounts	(942,488)	(91,955)	-	-	(1,034,443)
Total governmental activities	<u>\$ 628,064</u>	<u>\$ 1,518,080</u>	<u>\$ 3,551,200</u>	<u>\$ 2,786,001</u>	<u>\$ 8,483,345</u>
Business-Type Activities:					
Water and sewer	\$ -	\$ 2,982,242	\$ -	\$ 452,850	\$ 3,435,092
Transportation	-	100,039	-	301,701	401,740
Solid waste	-	204,082	-	12,712	216,794
Other	-	1,326	-	47,016	48,342
Total receivables	-	3,287,689	-	814,279	4,101,968
Allowance for doubtful accounts	-	(126,148)	-	-	(126,148)
Total business-type activities	<u>\$ -</u>	<u>\$ 3,161,541</u>	<u>\$ -</u>	<u>\$ 814,279</u>	<u>\$ 3,975,820</u>

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

Governmental activities	\$ 2,786,001
Business-type activities	814,279
Total due from other governmental agencies	<u>\$ 3,600,280</u>
Local option sales tax	\$ 1,761,451
Street maintenance reimbursements	47,384
Traffic control	87,888
NC DOT	203,164
County tax collections	244,991
Federal excise tax	(247)
State receivable	81,945
Town of Maiden	65,220
Federal grants	66,678
Sales tax reimbursement	1,001,690
HUD grant	13,519
Other	26,597
Total due from other governmental agencies	<u>\$ 3,600,280</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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, 2017 were as follows:

Year Ending June 30	Amount
2018	\$ 787,340
2019	630,400
2020	367,256
2021	250,227
2022	244,347
2023-2027	1,342,600
2028-2030	161,575
Total minimum lease receipts	3,783,743
Less amount representing interest	(309,543)
Present value of net minimum lease receipts	<u>\$ 3,474,200</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 \$22,000 in the current year leaving an outstanding balance of \$77,000 on the note as of June 30, 2017. The CVYSA will pay the remaining \$77,000 balance in seven equal annual installments of \$11,000 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	\$ 1,991,269
Benefit payments and administrative expenses for LEOSSA	69,757
Differences between expected and actual experience	185,235
Changes of assumptions	675,260
Net difference between projected and actual changes in proportion and differences between employer contributions and proportionate share of contributions	5,450,838
	<u>\$ 8,372,359</u>

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

Prepaid taxes (General Fund)	\$ 2,824
Taxes receivable, less penalties (General Fund)	628,064
Economic development receivable (Community Development Entitlement Block Grant Fund)	726,027
Changes of assumptions	63,412
Differences between expected and actual experience	345,474
Changes in proportion and differences between employer contributions and proportionate share of contributions	514,506
Total	<u>\$ 2,280,307</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 6 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental Activities:					
<i>Non-Depreciable Capital Assets:</i>					
Land	\$ 12,271,680	\$ 2,901	\$ -	\$ -	\$ 12,274,581
Construction in progress	5,142,242	917,006	(2,829,154)	-	3,230,094
Total assets non-depreciable	<u>17,413,922</u>	<u>919,907</u>	<u>(2,829,154)</u>	<u>-</u>	<u>15,504,675</u>
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	44,212,774	238,611	-	-	44,451,385
Equipment	12,383,476	1,018,453	(233,976)	-	13,167,953
Vehicles	14,955,188	1,071,317	(462,404)	(41,746)	15,522,355
Road network	56,633,067	283,807	-	-	56,916,874
Total depreciable assets	<u>128,184,505</u>	<u>2,612,188</u>	<u>(696,380)</u>	<u>(41,746)</u>	<u>130,058,567</u>
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	26,885,859	1,433,416	-	-	28,319,275
Equipment	8,846,965	846,976	(233,976)	-	9,459,965
Vehicles	12,118,557	820,220	(462,404)	(41,746)	12,434,627
Road network	44,328,673	1,146,178	-	-	45,474,851
Total accumulated depreciation	<u>92,180,054</u>	<u>4,246,790</u>	<u>(696,380)</u>	<u>(41,746)</u>	<u>95,688,718</u>
Total depreciable assets, net	<u>36,004,451</u>	<u>(1,634,602)</u>	<u>-</u>	<u>-</u>	<u>34,369,849</u>
Governmental activities capital assets, net	<u>\$ 53,418,373</u>	<u>\$ (714,695)</u>	<u>\$ (2,829,154)</u>	<u>\$ -</u>	<u>\$ 49,874,524</u>
Business-Type Activities:					
Water and Sewer:					
<i>Non-Depreciable Capital Assets:</i>					
Land	\$ 1,258,350	\$ -	\$ -	\$ -	\$ 1,258,350
Construction in progress	2,282,755	3,286,277	-	-	5,569,032
Total non-depreciable assets	<u>3,541,105</u>	<u>3,286,277</u>	<u>-</u>	<u>-</u>	<u>6,827,382</u>
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	48,102,356	58,344	-	-	48,160,700
Equipment	3,069,378	2,760,362	(15,157)	(41,928)	5,772,655
Vehicles	2,629,075	295,775	(128,324)	-	2,796,526
Operating plants	37,813,328	-	-	-	37,813,328
Water lines	34,792,144	1,011,269	-	-	35,803,413
Sewer lines	58,338,243	490,574	(1,887)	-	58,826,930
Total depreciable assets	<u>184,744,524</u>	<u>4,616,324</u>	<u>(145,368)</u>	<u>(41,928)</u>	<u>189,173,552</u>
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	19,230,998	1,381,296	-	-	20,612,294
Equipment	1,783,699	424,278	(15,157)	(41,928)	2,150,892
Vehicles	1,949,704	220,952	(130,211)	-	2,040,445
Operating plants	16,432,450	572,756	-	-	17,005,206
Water lines	12,280,184	681,142	-	-	12,961,326
Sewer lines	21,316,884	1,118,932	-	-	22,435,816
Total accumulated depreciation	<u>72,993,919</u>	<u>4,399,356</u>	<u>(145,368)</u>	<u>(41,928)</u>	<u>77,205,979</u>
Total depreciable assets, net	<u>111,750,605</u>	<u>216,968</u>	<u>-</u>	<u>-</u>	<u>111,967,573</u>
Water and Sewer capital assets, net	<u>115,291,710</u>	<u>3,503,245</u>	<u>-</u>	<u>-</u>	<u>118,794,955</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Business-Type Activities (continued):					
Sludge Composting:					
<i>Non-Depreciable Capital Assets:</i>					
Land	145,024	-	-	-	145,024
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	10,370,443	25,121	-	-	10,395,564
Equipment	51,945	-	-	41,928	93,873
Total depreciable assets	10,422,388	25,121	-	41,928	10,489,437
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	7,626,179	333,889	-	-	7,960,068
Equipment	45,892	4,375	-	41,928	92,195
Total accumulated depreciation	7,672,071	338,264	-	41,928	8,052,263
Total depreciable assets, net	2,750,317	(313,143)	-	-	2,437,174
Sludge composting capital assets, net	2,895,341	(313,143)	-	-	2,582,198
Stormwater:					
<i>Depreciable Capital Assets:</i>					
Curb and gutter	17,268,263	-	-	-	17,268,263
Improvements	-	661,641	-	-	661,641
Total depreciable assets	17,268,263	661,641	-	-	17,929,904
<i>Less Accumulated Depreciation:</i>					
Curb and gutter	15,158,216	301,388	-	-	15,459,604
Improvements	-	8,270	-	-	8,270
Total accumulated depreciation	15,158,216	309,658	-	-	15,467,874
Stormwater capital assets, net	2,110,047	351,983	-	-	2,462,030
Transportation:					
<i>Non-Depreciable Capital Assets:</i>					
Land	3,793,892	2,813	-	3,137	3,799,842
Land improvements	7,068,587	-	-	-	7,068,587
Construction in progress	2,033,977	403,165	-	(3,137)	2,434,005
Total non-depreciable assets	12,896,456	405,978	-	-	13,302,434
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	7,136,407	-	-	-	7,136,407
Equipment	2,060,806	38,119	-	-	2,098,925
Vehicles	197,777	-	-	41,746	239,523
Total depreciable assets	9,394,990	38,119	-	41,746	9,474,855
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	4,864,326	280,227	-	-	5,144,553
Equipment	2,038,210	16,612	-	-	2,054,822
Vehicles	197,777	-	-	41,746	239,523
Total accumulated depreciation	7,100,313	296,839	-	41,746	7,438,898
Total depreciable assets, net	2,294,677	(258,720)	-	-	2,035,957
Transportation capital assets, net	15,191,133	147,258	-	-	15,338,391

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Business-Type Activities (continued):					
Solid Waste:					
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	259,410	-	-	-	259,410
Equipment	1,061,622	-	(92,901)	-	968,721
Vehicles	5,027,468	367,441	(183,777)	-	5,211,132
Total depreciable assets	<u>6,348,500</u>	<u>367,441</u>	<u>(276,678)</u>	<u>-</u>	<u>6,439,263</u>
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	206,027	2,373	-	-	208,400
Equipment	904,888	52,079	(92,901)	-	864,066
Vehicles	3,936,967	412,688	(183,777)	-	4,165,878
Total accumulated depreciation	<u>5,047,882</u>	<u>467,140</u>	<u>(276,678)</u>	<u>-</u>	<u>5,238,344</u>
Solid waste capital assets, net	<u>1,300,618</u>	<u>(99,699)</u>	<u>-</u>	<u>-</u>	<u>1,200,919</u>
Business-type activities capital assets, net	<u>\$ 136,788,849</u>				<u>\$ 140,378,493</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 599,526
Public safety	1,350,533
Transportation	1,379,787
Economic and physical development	14,735
Culture and recreation	891,735
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	<u>10,474</u>
Total depreciation expense - governmental activities	<u>\$ 4,246,790</u>

Business-Type Activities:

Water	\$ 1,365,166
Sewer	3,034,190
Sludge composting	338,264
Stormwater	309,658
Transportation	296,838
Solid waste	467,140
Total depreciation expense - business-type activities	<u>\$ 5,811,256</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Construction Commitments

The City has active construction projects as of June 30, 2017. At year-end, the outstanding commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
East Hickory redevelopment plan	\$ 631,975	\$ -
Bridge replacement windridge subdivision	1,167,280	-
Bond program - management	521,419	-
Bond program - administration cost	17,370	-
Downtown lighting	94,356	-
TDA parking deck	2,844,260	-
City walk	391,868	703,283
River walk	15,680	782,884
Gateways	27,141	5,815
Wayfinding	162,964	309,530
Business park	82,847	15,000
Lackey park	70,154	2,533
Falling Creek bridge	488,974	6,865
Geitner basin	470,000	2,587,668
Central business district	2,137,958	2,849,140
Airport improvements	245,921	180,706
Murray basin sewer lines	329,828	5,977
NE sewer grant project	2,365,909	83,992
Total	<u>\$ 12,065,905</u>	<u>\$ 7,533,393</u>

Net Investment in Capital Assets

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

	Governmental Activities	Business-Type Activities
Capital assets, net	<u>\$ 49,874,524</u>	<u>\$ 140,378,493</u>
Total debt, gross	(3,488,990)	(27,683,064)
Debt for non-capital assets	<u>3,332,588</u>	<u>-</u>
Total capital debt	<u>(156,402)</u>	<u>(27,683,064)</u>
Net investment in capital assets	<u>\$ 49,718,122</u>	<u>\$ 112,695,429</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 7 – Liabilities

A. Payables

Payables at the government-wide level at June 30, 2017 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:					
General	\$ 1,972,348	\$ 793,889	\$ 13,448	\$ 1,329,560	\$ 4,109,245
General Capital Projects Fund	11,852	-	-	-	11,852
Other governmental	11,140	-	-	-	11,140
Total payables	<u>\$ 1,995,340</u>	<u>\$ 793,889</u>	<u>\$ 13,448</u>	<u>\$ 1,329,560</u>	<u>\$ 4,132,237</u>
Business-Type Activities:					
Water and sewer	\$ 1,948,056	\$ 69,890	\$ 137,018	\$ 1,968	\$ 2,156,932
Transportation	37,299	10,986	-	-	48,285
Solid waste	106,839	22,789	-	2,793	132,421
Other business-type	29,640	3,303	-	-	32,943
Total payables	<u>\$ 2,121,834</u>	<u>\$ 106,968</u>	<u>\$ 137,018</u>	<u>\$ 4,761</u>	<u>\$ 2,370,581</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 2021. Future minimum lease payments under the above leases as of June 30, 2017 are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2018	\$ 44,961
2019	29,096
2020	13,371
2021	4,455
Total minimum lease payments	<u>\$ 91,884</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 Outstanding</u>	<u>Cumulative Fund Total</u>
Serviced by General Fund:		
\$3,300,000 2005 TDA/Hickory Metro Trade Center expansion installment purchase agreement due in semi-annual installments of \$110,000 principal through December 29, 2019; interest payable semi-annually at 3.91%; this is non-capital debt for the City of Hickory; refinanced in April 2012 and reduced interest rate to 2.09%	\$ 550,000	
\$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	424,200	
\$3,000,000 TDA parking ceck 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	2,358,388	
\$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>156,402</u>	<u>\$ 3,488,990</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

	<u>Principal Outstanding</u>	<u>Cumulative Total</u>
Serviced by the Water and Sewer Fund:		
\$9,500,000 2005 Henry River basin sewer line installment purchase agreement due in semi-annual installments of \$237,500 principal plus interest at 3.55% through May 19, 2015; rate will reset on May 20, 2015 for another 10-year period; refinanced in April 2012 and reduced interest rate to 3.19% through May 19, 2025	3,800,000	
\$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%	1,476,180	
\$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%	299,213	
\$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>7,578,532</u>	<u>13,153,925</u>
Total		<u>\$ 16,642,915</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 \$8,394.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 \$14,000,000 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 \$520,745 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, 2017:

	Long-Term Debt June 30, 2016	Additions	Retirements	Long-Term Debt June 30, 2017	Due Within One Year
Governmental Activities:					
Total pension liability (LEOSSA)	\$ 1,330,058	\$ 2,151,949	\$ 291,905	\$ 3,190,102	\$ -
Compensated absences	2,205,469	1,443,235	1,392,902	2,255,802	1,253,612
Unfunded OPEB obligation	7,104,779	1,015,974	793,187	7,327,566	-
Net pension liability (LGRS)	1,822,912	6,160,105	-	7,983,017	-
Installment purchase agreements	4,823,289	-	1,334,299	3,488,990	807,069
Governmental activities long-term liabilities	<u>\$ 17,286,507</u>	<u>\$ 10,771,263</u>	<u>\$ 3,812,293</u>	<u>\$ 24,245,477</u>	<u>\$ 2,060,681</u>
Business-Type Activities:					
Water and Sewer:					
Compensated absences	\$ 395,546	\$ 163,181	\$ 176,347	\$ 382,380	\$ 158,712
Net pension liability (LGRS)	296,877	1,007,052	-	1,303,929	-
Unfunded OPEB obligation	1,524,417	210,825	67,030	1,668,212	-
Installment purchase agreements	14,797,608	-	1,643,683	13,153,925	1,657,384
Notes payable	15,452,590	-	923,451	14,529,139	923,451
Water and sewer long-term liabilities	<u>32,467,038</u>	<u>1,381,058</u>	<u>2,810,511</u>	<u>31,037,585</u>	<u>2,739,547</u>
Other Enterprise Funds:					
Compensated absences	151,285	87,970	79,995	159,260	73,093
Net pension liability (LGRS)	136,116	436,034	-	572,150	-
Unfunded OPEB obligation	677,127	94,370	55,858	715,639	-
Other enterprise funds long-term liabilities	<u>964,528</u>	<u>618,374</u>	<u>135,853</u>	<u>1,447,049</u>	<u>73,093</u>
Business-type activities long-term liabilities	<u>\$ 33,431,566</u>	<u>\$ 1,999,432</u>	<u>\$ 2,946,364</u>	<u>\$ 32,484,634</u>	<u>\$ 2,812,640</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Compensated absences and the law enforcement officers' pension liability have typically have been liquidated in the General Fund for governmental activities. At June 30, 2017, the City had a legal debt margin of \$341,156,003.

5. Future Maturities for Long-Term Indebtedness

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

	Notes Payable		Installment Purchase Agreements		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
Governmental						
Activities:						
2018	\$ -	\$ -	\$ 807,069	\$ 89,479	\$ 807,069	\$ 89,479
2019	-	-	613,534	69,988	613,534	69,988
2020	-	-	310,000	57,256	310,000	57,256
2021	-	-	200,000	50,227	200,000	50,227
2022	-	-	200,000	44,347	200,000	44,347
2023-2027	-	-	1,000,000	133,533	1,000,000	133,533
2028-2030	-	-	358,387	12,253	358,387	12,253
	<u>-</u>	<u>-</u>	<u>3,488,990</u>	<u>457,083</u>	<u>3,488,990</u>	<u>457,083</u>
Business-Type						
Activities:						
2018	923,451	347,200	1,657,384	320,495	2,580,835	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	915,057	260,400	1,146,868	167,387	2,061,925	427,787
2023-2027	4,575,287	976,500	5,021,531	395,181	9,596,818	1,371,681
2028-2032	4,575,287	455,700	769,309	13,122	5,344,596	468,822
2033-2035	794,886	-	-	-	794,886	-
	<u>14,529,139</u>	<u>2,951,200</u>	<u>13,153,925</u>	<u>1,620,839</u>	<u>27,683,064</u>	<u>4,572,039</u>
Total	<u>\$ 14,529,139</u>	<u>\$ 2,951,200</u>	<u>\$ 16,642,915</u>	<u>\$ 2,077,922</u>	<u>\$ 31,172,054</u>	<u>\$ 5,029,122</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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.

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, 2017

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, 2017, was 8.00% of compensation for law enforcement officers and 7.33% 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 \$1,991,269 for the year ended June 30, 2017.

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, 2017, the City reported a liability of \$9,859,096 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016, the City's proportion was 0.465%, which was decrease of 0.038% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$2,504,744. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 185,235	\$ 345,474
Changes of assumptions	675,260	-
Net difference between projected and actual earnings on pension plan investments	5,450,838	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	514,506
City contributions subsequent to the measurement date	1,991,269	-
Total	<u>\$ 8,302,602</u>	<u>\$ 859,980</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

\$1,991,269 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, 2018. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Amount
2018	\$ 748,603
2019	749,542
2020	2,459,232
2021	1,493,976
2022	-
Thereafter	-
Total	<u>\$ 5,451,353</u>

5. Actuarial Assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	3.50 to 7.75 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	100.0%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 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, 2017

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:

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
City's proportionate share of the net pension liability (asset)	<u>\$ 23,400,232</u>	<u>\$ 9,859,096</u>	<u>\$ (1,451,469)</u>

8. Pension Plan Fiduciary Net Position

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

B. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

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

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><u>134</u></u>

A separate report was not issued for the plan.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

2. Summary of Significant Accounting Policies

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

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Projected salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate is based on the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond index determined at the end of each month.

Mortality rates are based on the RP-2014 mortality tables with adjustments for mortality improvements based on the MP-2015.

4. Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$291,906 as benefits came due for the reporting period.

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

At June 30, 2017, the City reported a total pension liability of \$3,190,102. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the City recognized pension expense of \$247,105.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Benefit payments and administrative costs subsequent to measurement date	\$ 69,757	\$ -
Changes of assumptions and other inputs	<u>-</u>	<u>63,412</u>
Total	<u>\$ 69,757</u>	<u>\$ 63,412</u>

\$69,757 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2018	\$ (12,289)
2019	(12,289)
2020	(12,289)
2021	(12,289)
2022	(12,289)
Thereafter	<u>(1,967)</u>
Total	<u>\$ (63,412)</u>

\$69,757 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the City's Total Pension Liability to Changes in the Discount Rate. The following presents the City's total pension liability calculated using the discount rate of 3.86%, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86%) or 1-percentage-point higher (4.86%) than the current rate:

	<u>1% Decrease (2.86%)</u>	<u>Discount Rate (3.86%)</u>	<u>1% Increase (4.86%)</u>
Total pension liability	<u>\$ 3,460,179</u>	<u>\$ 3,190,102</u>	<u>\$ 2,944,812</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

Beginning balance	\$ 3,299,125
Service cost	146,016
Interest on the total pension liability	112,568
Changes of assumptions and other inputs	(75,701)
Benefit payments made	(291,906)
Net change in total pension liability	(109,023)
Ending balance of the total pension liability	<u>\$ 3,190,102</u>

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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, 2017 were \$383,528, which consisted of \$257,691 from the City and \$125,837 from the law enforcement officers. No amounts were forfeited.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 9 – Death Benefit Plan

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

Note 10 – Other Post-Employment Benefits (OPEB)

A. Description

The City administers a single-employer defined benefit healthcare plan ("the health plan"), which provides post-retirement healthcare benefits to retirees of the City, provided they meet any of the retirement options available through the North Carolina Local Governmental Employees' Retirement System (LGERS) and reach the 15-year service level of creditable service with the City and were hired prior to July 1, 2008. Upon reaching the 15-year service level, the City will allow employees to participate in the City's health insurance program at the retiree's expense. The City will pay 25% of the individual premiums for retirees who retire from the City and have 20 to 29.99 years of service with the City of Hickory. For employees who attain 30 years of service with the City of Hickory, the City will pay 100% of the individual premium.

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

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Currently, 79 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2017, the City made contributions to the plan of \$916,075. 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 June 30, 2016, the date of the latest actuarial valuation:

Retirees receiving benefits	79
Active law enforcement officers	65
Active firefighters	80
Active general employees	190
Total	<u>414</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 2017, the City chose to fund the plan benefits on a pay-as-you-go basis.

The current annual required contribution (ARC) rate is 9.32% of annual covered payroll. For the current year, the City contributed \$916,075, or 5.82% of annual covered payroll. The City self-funds health and dental coverage for all retirees and employees. The City's obligation to contribute to the plan is established and may be amended by the City Council.

C. Summary of Significant Accounting Policies

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

D. Annual OPEB Cost and Net OPEB Obligation

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

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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	372,253
Adjustment to ARC	<u>(517,487)</u>
Annual OPEB cost	1,321,169
Contributions made for fiscal year	<u>(916,075)</u>
Increase in net OPEB obligation	405,094
Net OPEB obligation, beginning of fiscal year	<u>9,306,323</u>
Net OPEB obligation end of fiscal year	<u><u>\$ 9,711,417</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 2017 were as follows:

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 1,488,915	52.90%	\$ 9,224,428
2016	1,322,447	93.81%	9,306,323
2017	1,321,169	69.34%	9,711,417

E. Funding Status and Funding Progress

As of June 30, 2016, 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 \$19,629,975. The covered payroll (annual payroll of active employees covered by the plan) was \$15,733,224, and the ratio of the UAAL to the covered payroll was 124.8%.

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.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

In the June 30, 2016 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 7.75 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 a closed basis. The remaining amortization period at June 30, 2016 was thirty years.

As of June 30, 2017, 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.

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 Safety National Insurance. Compensation Claims Solution provides third-party claims administration. The City has recognized a provision of \$625,075 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 \$791,333 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, Travelers Insurance. The City has purchased coverage of \$500,000 per incident.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance (crime bond) bonded through a commercial surety bond. The Finance Officer, Deputy Finance Officer, and tax collector are bonded for \$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 \$5,000 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, 2017</u>	<u>June 30, 2016</u>
Unpaid claims, beginning of fiscal year	\$ 1,520,126	\$ 1,317,171
Incurred claims (including IBNRs)	5,237,091	6,078,915
Claim payments	<u>(5,427,657)</u>	<u>(5,875,960)</u>
Unpaid claims, end of fiscal year	<u><u>\$ 1,329,560</u></u>	<u><u>\$ 1,520,126</u></u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 13 – Interfund Activity

The transfers to/from other funds at June 30, 2017 consist of the following:

From General Fund to Solid Waste Fund for operational needs	\$ 146,460
From General Fund to General Capital Project Fund for operational needs to close projects	2,754,332
From Water and Sewer Fund to Stormwater Fund for operational needs	133,851
From General Fund to Capital Reserve Fund for future capital expenditures	920,000
From General Capital Project Fund to General Fund to close projects	466
From Water and Sewer Fund to Capital Reserve Fund for future capital expenditures	740,000
From General Fund to Stormwater Fund for operational needs	763,107
From Water and Sewer Fund to Water and Sewer Capital Project Fund for capital project expenditures	1,816,174
From Capital Reserve Fund to General Fund for capital expenditures	650,000
From Water and Sewer Fund to Water and Sewer Capital Project Fund for capital project expenditures	35,400
From General Fund to General Capital Project Fund for capital project expenditures	34,980
Total interfund transfers	<u>\$ 7,994,770</u>

The due to/from other funds at June 30, 2017 consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fleet management	\$ 818,174
General Fund	Multi-year grant projects	27,095
General Fund	Community Development Entitlement Block grant	10,314
General Fund	Transportation Fund	858,194
Water and Sewer Fund	Sludge Composting Fund	87,012

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.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 14 – Claims and Judgments

At June 30, 2017, the City was involved in several lawsuits involving damages and potential claims. The exact amount of any claim cannot at this time be determined. It is the opinion of the City Attorney and City management that none of these lawsuits would have any adverse financial impact upon the City or its financial position.

Note 15 – Summary Disclosure of Significant Contingencies

The City has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

Note 16 – Related Organization

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

Note 17 – Agreements with Other Organizations

A. Hickory-Conover Tourism Development Authority

The City of Hickory, the City of Conover, and the Catawba County Chamber of Commerce established the Hickory-Conover Tourism Development Authority (TDA) under session law SL 2009-45, Sec.29. The Board of the TDA consists of nine members - three appointed by the Hickory City Council, two by the Conover City Council, and one by the Chamber of Commerce. In addition, three ex-officio members are appointed: the City Managers of Hickory and Conover, along with the Executive Vice-President of the Catawba County Chamber of Commerce. The TDA was formed to promote tourism and economic 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 24 municipalities. The Council was established by the participating governments to coordinate funding from federal and State agencies. Each county or municipality appoints one member to the Council's governing board, whose responsibilities include approving the budget and designating the management of the Council. The City paid membership dues of \$40,978 during the fiscal year ended June 30, 2017.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 \$1,016,563 for operations for the year ended June 30, 2017. The complete sludge facility financial statements are shown in the financial section under combining and individual fund financial statements and schedules.

Note 18 - Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) No. Statement 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, in the fiscal year ended June 30, 2017. The implementation of the statement required the City to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the City to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ended December 31, 2016). As a result, net position for the governmental activities decreased \$1,676,351.

Required Supplemental Financial Data

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

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

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

Schedule of Funding Progress and Schedule of Employer Contributions 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
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017

Law Enforcement Officers' Special Separation Allowance	
	2017
Beginning balance	\$ 3,299,125
Service cost	146,016
Interest on the total pension liability	112,568
Changes in assumptions or other inputs	(75,701)
Benefit payments	(291,906)
Ending balance of the total pension liability	<u>\$ 3,190,102</u>

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

CITY OF HICKORY, NORTH CAROLINA**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
FOR THE YEAR ENDED JUNE 30, 2017**

Law Enforcement Officers' Special Separation Allowance	
	2017
Total pension liability	\$ 3,190,102
Covered payroll	5,373,660
Total pension liability as a percentage of covered payroll	59.37%

Notes to Schedules:

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

CITY OF HICKORY, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS -
 RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2017

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
12/31/2005	\$ -	\$ 11,929,862	\$ 11,929,862	0.00%	\$ 22,989,572	51.89%
12/31/2008	-	16,785,617	16,785,617	0.00%	24,436,060	68.69%
12/31/2010	-	17,236,645	17,236,645	0.00%	21,886,452	78.80%
12/31/2012	-	17,084,834	17,084,834	0.00%	18,804,401	90.90%
12/31/2014	-	15,649,790	15,649,790	0.00%	17,646,124	88.70%
6/30/2016	-	19,629,975	19,629,975	0.00%	15,733,224	124.80%

Schedule of Employer Contributions

Year Ending June 30	Annual Required Contribution (ARC)	Percentage of ARC 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%
2017	1,466,403	62.47%

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	6/30/2016
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount, closed
Remaining amortization period	30 years
Amortization factor	17.9837
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	7.75% -5.00%
Year of ultimate trend rate	2023

* 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 FOUR FISCAL YEARS*

	Local Government Employees' Retirement System			
	2017	2016	2015	2014
Hickory's proportion of the net pension liability (asset) (%)	0.46454%	0.50266%	0.50893%	0.50100%
Hickory's proportion of the net pension liability (asset) (\$)	\$ 9,859,096	\$ 2,255,905	\$ (3,001,397)	\$ 6,038,974
Hickory's covered-employee payroll	\$ 26,213,071	\$ 25,900,959	\$ 25,586,063	\$ 23,581,414
Hickory's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	37.61%	8.71%	11.73%	25.61%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	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.

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

CITY OF HICKORY, NORTH CAROLINA**CITY OF HICKORY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST FOUR FISCAL YEARS**

Local Government Employees' Retirement System				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,991,269	\$ 2,061,026	\$ 1,848,000	\$ 1,819,354
Contributions in relation to the contractually required contribution	<u>1,991,269</u>	<u>2,061,026</u>	<u>1,848,000</u>	<u>1,819,354</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hickory's covered-employee payroll	\$ 26,694,921	\$ 26,213,071	\$ 25,900,959	\$ 25,586,063
Contributions as a percentage of covered-employee payroll	7.46%	7.86%	7.13%	7.11%

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



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, 2017**

	General Fund	Capital Reserve Fund	Eliminations	Total General Fund
Revenues:				
Ad valorem taxes	\$ 26,857,749	\$ -	\$ -	\$ 26,857,749
Other taxes	16,521,078	-	-	16,521,078
Unrestricted intergovernmental revenues	650,281	-	-	650,281
Restricted intergovernmental revenues	2,295,458	-	-	2,295,458
Licenses and permits	5,912	-	-	5,912
Sales and services	1,719,587	-	-	1,719,587
Investment earnings	51,490	15,388	-	66,878
Miscellaneous	498,306	-	-	498,306
Total revenues	<u>48,599,861</u>	<u>15,388</u>	<u>-</u>	<u>48,615,249</u>
Expenditures:				
Current:				
General government	4,818,329	-	-	4,818,329
Public safety	21,537,666	-	-	21,537,666
Transportation	5,423,885	-	-	5,423,885
Economic and physical development	2,980,429	-	-	2,980,429
Culture and recreation	6,060,612	-	-	6,060,612
Debt service:				
Principal retirement	1,334,299	-	-	1,334,299
Interest fees	102,289	-	-	102,289
Total expenditures	<u>42,257,509</u>	<u>-</u>	<u>-</u>	<u>42,257,509</u>
Revenues over (under) expenditures	<u>6,342,352</u>	<u>15,388</u>	<u>-</u>	<u>6,357,740</u>
Other Financing Sources (Uses):				
Transfers in	650,466	1,660,000	(650,000)	1,660,466
Transfers out	(4,618,879)	(650,000)	650,000	(4,618,879)
Total other financing sources (uses)	<u>(3,968,413)</u>	<u>1,010,000</u>	<u>-</u>	<u>(2,958,413)</u>
Net change in fund balances	2,373,939	1,025,388	-	3,399,327
Reconciliation from Budgetary Basis of Accounting to Modified Accrual Basis:				
Current year note receivable payments	(702,800)	-	-	(702,800)
Net change in fund balance modified accrual	<u>1,671,139</u>	<u>1,025,388</u>	<u>-</u>	<u>2,696,527</u>
Fund Balance:				
Fund balance, beginning	<u>28,575,092</u>	<u>4,810,507</u>	<u>-</u>	<u>33,385,599</u>
End of year - June 30	<u>\$ 30,246,231</u>	<u>\$ 5,835,895</u>	<u>\$ -</u>	<u>\$ 36,082,126</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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Final Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Current year	\$ 24,800,000	\$ 26,154,703	\$ 1,354,703	25,344,512
Prior years	450,000	528,881	78,881	421,503
Penalties and interest	140,000	174,165	34,165	147,110
Total	25,390,000	26,857,749	1,467,749	25,913,125
Other Taxes:				
Local option sales tax	9,250,000	10,189,172	939,172	9,698,345
Franchise tax	2,500,000	3,152,989	652,989	3,072,413
Telecommunication tax	1,000,000	896,481	(103,519)	894,621
Hickory-Conover motel/occupancy tax	2,000,000	1,927,878	(72,122)	1,888,878
Vehicle tag tax	150,000	193,001	43,001	174,458
Gross receipts tax	100,000	161,557	61,557	149,050
Total	15,000,000	16,521,078	1,521,078	15,877,765
Unrestricted Intergovernmental Revenues:				
Payments in lieu of taxes	25,000	21,878	(3,122)	22,690
Beer and wine	180,000	182,636	2,636	177,419
Traffic control	300,000	355,767	55,767	305,628
Public school resource officer	90,000	90,000	-	90,000
Total	595,000	650,281	55,281	595,737
Restricted Intergovernmental Revenues:				
Federal grants	-	6,488	6,488	39,930
State grants	1,447,057	1,489,215	42,158	1,620,856
Local grants	-	16,624	16,624	16,844
Catawba County for library	219,000	219,000	-	213,000
Catawba County for police	105,000	107,011	2,011	52,421
Catawba County fire district tax	300,000	385,036	85,036	390,040
Catawba County for volunteer fire	8,400	6,300	(2,100)	9,900
Catawba County for convention center	65,784	65,784	-	67,072
Total	2,145,241	2,295,458	150,217	2,410,063
Licenses and Permits:				
Privilege licenses	-	-	-	204
Beer and wine licenses	4,500	4,452	(48)	4,528
Building permits	2,100	-	(2,100)	1,760
Taxi permits	600	735	135	794
Miscellaneous permits	-	725	725	600
Total	7,200	5,912	(1,288)	7,886

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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Final Budget	Actual	Variance Over/Under	Actual
Sales and Services:				
Recreation services	217,785	185,478	(32,307)	212,587
Fire department services	177,237	169,870	(7,367)	181,543
Police department services	35,506	47,032	11,526	30,957
Street paving	10,000	43,276	33,276	5,388
Franchise fees	105,000	106,047	1,047	109,642
Parking rentals	60,000	57,649	(2,351)	53,164
Library services	45,000	47,250	2,250	45,358
Rents and royalties	1,016,835	938,258	(78,577)	1,035,509
Cemetery plots	30,000	35,928	5,928	38,925
District court fees	105,000	51,350	(53,650)	95,198
Communications	-	225	225	260
Plan reviews	30,000	37,224	7,224	36,991
Total	1,832,363	1,719,587	(112,776)	1,845,522
Investment Earnings	125,000	51,490	(73,510)	225,072
Miscellaneous:				
Donations	67,900	115,690	47,790	156,490
Advertising fees	1,000	1,597	597	-
Insurance claims	100,000	89,495	(10,505)	29,175
Sale of properties	34,000	75,475	41,475	37,318
Other	179,239	216,049	36,810	206,434
Total	382,139	498,306	116,167	429,417
Total revenues	45,476,943	48,599,861	3,122,918	47,304,587
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits	544,102	428,861	115,241	427,616
Operating expenditures	141,699	130,542	11,157	147,463
Administrative reimbursement	(188,492)	(188,492)	-	(184,798)
Total	497,309	370,911	126,398	390,281
Administration:				
Salaries and employee benefits	1,074,230	911,055	163,175	975,355
Operating expenditures	310,670	113,427	197,243	114,122
Capital outlay	11,875	11,333	542	3,743
Administrative reimbursement	(354,596)	(348,728)	(5,868)	(326,990)
Total	1,042,179	687,087	355,092	766,230

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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Final Budget	Actual	Variance Over/Under	Actual
Budget and Administration:				
Salaries and employee benefits	548,199	546,517	1,682	521,484
Operating expenditures	192,290	118,555	73,735	124,384
Capital outlay	2,600	2,279	321	31,543
Administrative reimbursement	(268,315)	(268,315)	-	(263,055)
Total	474,774	399,036	75,738	414,356
Finance:				
Salaries and employee benefits	1,043,992	883,024	160,968	914,640
Operating expenditures	384,209	363,732	20,477	373,488
Capital outlay	12,218	12,219	(1)	10,287
Administrative reimbursement	(1,255,303)	(1,255,303)	-	(1,230,690)
Total	185,116	3,672	181,444	67,725
Information Technology:				
Salaries and employee benefits	581,854	497,692	84,162	495,981
Operating expenditures	648,594	580,508	68,086	580,850
Capital outlay	336,800	305,509	31,291	59,245
Administrative reimbursement	(123,888)	(123,888)	-	(121,460)
Total	1,443,360	1,259,821	183,539	1,014,616
City Clerk:				
Salaries and employee benefits	85,852	84,883	969	81,224
Operating expenditures	36,797	29,465	7,332	13,450
Capital outlay	1,535	1,535	-	1,230
Administrative reimbursement	(59,170)	(59,170)	-	(58,010)
Total	65,014	56,713	8,301	37,894
Legal:				
Salaries and employee benefits	176,176	179,214	(3,038)	173,843
Operating expenditures	95,654	100,360	(4,706)	2,372,564
Capital outlay	-	-	-	2,725
Administrative reimbursement	(60,192)	(60,192)	-	(59,013)
Total	211,638	219,382	(7,744)	2,490,119
Engineering:				
Salaries and employee benefits	446,526	319,443	127,083	326,374
Operating expenditures	53,972	33,097	20,875	34,462
Capital outlay	13,000	10,271	2,729	15,565
Administrative reimbursement	(124,123)	(124,123)	-	(121,689)
Total	389,375	238,688	150,687	254,712

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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Final Budget	Actual	Variance Over/Under	Actual
Building Services:				
Salaries and employee benefits	332,571	246,460	86,111	328,435
Operating expenditures	68,874	34,776	34,098	55,303
Capital outlay	10,900	10,383	517	1,597
Administrative reimbursement	(306,820)	(291,619)	(15,201)	(300,804)
Total	105,525	-	105,525	84,531
Central Services:				
Salaries and employee benefits	484,124	481,110	3,014	484,593
Operating expenditures	150,063	109,493	40,570	111,117
Capital outlay	3,000	1,408	1,592	104,825
Administrative reimbursement	(259,989)	(259,989)	-	(254,891)
Total	377,198	332,022	45,176	445,644
Public Buildings:				
Salaries and employee benefits	26,501	26,346	155	26,313
Operating expenditures	341,976	316,874	25,102	296,028
Capital outlay	160,916	-	160,916	864,915
Administrative reimbursement	(8,237)	(8,237)	-	(8,076)
Total	521,156	334,983	186,173	1,179,180
Landscape Services:				
Salaries and employee benefits	744,666	667,613	77,053	664,996
Operating expenditures	320,392	270,970	49,422	274,755
Capital outlay	66,826	57,085	9,741	22,204
Administrative reimbursement	(122,670)	(122,670)	-	(120,265)
Total	1,009,214	872,998	136,216	841,690
District Court:				
Operating expenditures	64,504	41,166	23,338	43,316
Administrative reimbursement	1,850	1,850	-	1,814
Total	66,354	43,016	23,338	45,130
Total general government	6,388,212	4,818,329	1,569,883	8,032,108
Public Safety:				
Police:				
Salaries and employee benefits	9,753,839	8,850,501	903,338	8,700,351
Operating expenditures	2,288,746	2,033,615	255,131	1,857,081
Capital outlay	1,122,269	1,041,090	81,179	846,123
Administrative reimbursement	2,609	2,609	-	2,558
Total	13,167,463	11,927,815	1,239,648	11,406,113

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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Final Budget	Actual	Variance Over/Under	Actual
Department of Justice:				
Operating expenditures	6,666	3,235	3,431	31,824
Capital outlay	11,000	11,000	-	11,000
Total	17,666	14,235	3,431	42,824
NC Unauthorized Substance Tax:				
Operating expenditures	47,618	47,617	1	36,965
Total	47,618	47,617	1	36,965
Fire:				
Salaries and employee benefits	8,254,019	8,145,938	108,081	7,990,689
Operating expenditures	1,455,566	1,284,651	170,915	1,428,844
Capital outlay	717,853	152,527	565,326	1,443,975
Administrative reimbursement	(35,117)	(35,117)	-	(34,429)
Total	10,392,321	9,547,999	844,322	10,829,079
Code Enforcement:				
Salaries and employee benefits	-	-	-	254,594
Operating expenditures	-	-	-	40,149
Capital outlay	-	-	-	72,175
Total	-	-	-	366,918
Total public safety	23,625,068	21,537,666	2,087,402	22,681,899
Transportation:				
Traffic:				
Salaries and employee benefits	601,219	583,982	17,237	485,400
Operating expenditures	1,293,747	1,168,509	125,238	1,168,560
Capital outlay	218,000	202,761	15,239	59,290
Administrative reimbursement	(14,431)	(14,431)	-	(14,149)
Total	2,098,535	1,940,821	157,714	1,699,101
Street:				
Salaries and employee benefits	1,978,534	1,613,941	364,593	1,613,282
Operating expenditures	1,868,849	1,372,229	496,620	1,682,473
Capital outlay	647,609	554,914	92,695	285,309
Administrative reimbursement	(58,020)	(58,020)	-	(56,882)
Total	4,436,972	3,483,064	953,908	3,524,182
Total transportation	6,535,507	5,423,885	1,111,622	5,223,283

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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Final Budget	Actual	Variance Over/Under	Actual
Economic and Physical Development:				
Planning:				
Salaries and employee benefits	557,717	536,300	21,417	514,341
Operating expenditures	100,177	80,012	20,165	81,832
Capital outlay	30,400	29,395	1,005	4,295
Administrative reimbursement	(30,358)	(30,358)	-	(29,763)
Total	657,936	615,349	42,587	570,705
Economic Development:				
Operating expenditures	2,853,554	2,365,080	488,474	2,648,505
Total	2,853,554	2,365,080	488,474	2,648,505
Total economic and physical development	3,511,490	2,980,429	531,061	3,219,210
Culture and Recreation:				
Recreation:				
Salaries and employee benefits	2,247,443	2,236,316	11,127	2,257,347
Operating expenditures	1,151,385	1,045,069	106,316	1,004,303
Capital outlay	754,675	589,392	165,283	427,742
Administrative reimbursement	43,037	43,037	-	42,193
Total	4,196,540	3,913,814	282,726	3,731,585
Library:				
Salaries and employee benefits	1,252,577	1,162,709	89,868	1,125,198
Operating expenditures	984,742	849,101	135,641	815,664
Capital outlay	147,615	133,276	14,339	115,116
Administrative reimbursement	1,712	1,712	-	1,678
Total	2,386,646	2,146,798	239,848	2,057,656
Total culture and recreation	6,583,186	6,060,612	522,574	5,789,241
Debt Service:				
Principal	1,334,299	1,334,299	-	1,192,687
Interest	102,289	102,289	-	153,911
Total	1,436,588	1,436,588	-	1,346,598
Contingency	545,730	-	545,730	-
Total expenditures	48,625,781	42,257,509	6,368,272	46,292,339
Revenues over (under) expenditures	(3,148,838)	6,342,352	9,491,190	1,012,248

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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Final Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Transfers in (out):				
Capital Reserve Fund	650,000	650,000	-	682,000
General Capital Projects Fund	600,468	466	(600,002)	6,255
Multi-Year Grant Projects Fund	-	-	-	2
General Capital Projects Fund	(2,789,312)	(2,789,312)	-	(214,016)
Multi-Year Grant Projects Fund	-	-	-	(32,812)
Capital Reserve Fund	(920,000)	(920,000)	-	(1,051,560)
Stormwater Fund	(763,107)	(763,107)	-	(132,947)
Solid Waste Fund	(146,460)	(146,460)	-	(214,049)
Total other financing sources (uses)	<u>(3,368,411)</u>	<u>(3,968,413)</u>	<u>(600,002)</u>	<u>(957,127)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(6,517,249)	2,373,939	8,891,188	55,121
Appropriated fund balance	<u>6,517,249</u>	<u>-</u>	<u>(6,517,249)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>2,373,939</u>	<u>\$ 2,373,939</u>	<u>\$ 55,121</u>
Reconciliation from Budgetary Basis of Accounting to Modified Accrual Basis:				
Current year note receivable payments		<u>(702,800)</u>		<u>(702,800)</u>
Net change in fund balance modified accrual		1,671,139		(647,679)
Fund Balance:				
Fund balance, beginning		<u>28,575,092</u>		<u>29,222,771</u>
End of year - June 30		<u>\$ 30,246,231</u>		<u>28,575,092</u>

CITY OF HICKORY, NORTH CAROLINA

CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Capital Reserve Fund		
	Budgeted Amounts		Variance with Final Budget Over/Under
	Original	Final	
Revenues:			
Investment earnings	\$ -	\$ -	\$ 15,388
Total revenues	-	-	15,388
Expenditures:			
Current:			
General government	270,000	270,000	-
Environmental protection	740,000	740,000	-
Total expenditures	1,010,000	1,010,000	-
Revenues over (under) expenditures	(1,010,000)	(1,010,000)	15,388
Other Financing Sources (Uses):			
Transfers out	(650,000)	(650,000)	(650,000)
Transfers in	1,660,000	1,660,000	1,660,000
Total other financing sources (uses)	1,010,000	1,010,000	1,010,000
Net change in fund balance	\$ -	\$ -	1,025,388
Fund Balance:			
Beginning of year - July 1			4,810,507
End of year - June 30			\$ 5,835,895



Nonmajor Governmental Funds

CITY OF HICKORY, NORTH CAROLINA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General Capital Projects	Community Development Entitlement Block Grant	Home Consortium Grant
Assets:			
Cash and cash equivalents	\$ 3,039,963	\$ -	\$ 30,212
Accounts receivable, net	32,818	938,017	4,798
Due from other governmental agencies	203,955	13,519	-
Prepaid	-	321	-
	<u>-</u>	<u>321</u>	<u>-</u>
Total assets	<u>\$ 3,276,736</u>	<u>\$ 951,857</u>	<u>\$ 35,010</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 11,852	\$ 5,516	\$ -
Due to other funds	-	10,314	-
Total liabilities	<u>11,852</u>	<u>15,830</u>	<u>-</u>
Deferred Inflows of Resources:			
Economic development receivable	-	699,560	3,841
	<u>-</u>	<u>699,560</u>	<u>3,841</u>
Fund Balances:			
Non-spendable	-	321	-
Restricted for stabilization for State statute	236,773	251,976	957
Restricted for economic development	3,028,111	-	-
Committed for economic development	-	-	30,212
Unassigned	-	(15,830)	-
Total fund balances	<u>3,264,884</u>	<u>236,467</u>	<u>31,169</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,276,736</u>	<u>\$ 951,857</u>	<u>\$ 35,010</u>

CITY OF HICKORY, NORTH CAROLINA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	NCHFA Rental Rehabilitation Grant	Multi-Year Grant Projects	Total
Assets:			
Cash and cash equivalents	\$ 113,653	\$ -	\$ 3,183,828
Accounts receivable, net	22,856	-	998,489
Due from other governmental agencies	-	40,617	258,091
Prepaid	-	-	321
Total assets	<u>\$ 136,509</u>	<u>\$ 40,617</u>	<u>\$ 4,440,729</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 5,300	\$ 324	\$ 22,992
Due to other funds	-	27,095	37,409
Total liabilities	<u>5,300</u>	<u>27,419</u>	<u>60,401</u>
Deferred Inflows of Resources:			
Economic development receivable	<u>22,626</u>	<u>-</u>	<u>726,027</u>
Fund Balances:			
Non-spendable	-	-	321
Restricted for stabilization for State statute	230	40,617	530,553
Restricted for economic development	-	-	3,028,111
Committed for economic development	108,353	-	138,565
Unassigned	-	(27,419)	(43,249)
Total fund balances	<u>108,583</u>	<u>13,198</u>	<u>3,654,301</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 136,509</u>	<u>\$ 40,617</u>	<u>\$ 4,440,729</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, 2017**

	General Capital Projects	Community Development Entitlement Block Grant	Home Consortium Grant
Revenues:			
Restricted intergovernmental	\$ 29,051	\$ 191,054	\$ -
Investment earnings	7,419	72	67
Miscellaneous	-	235,872	3,210
Total revenues	<u>36,470</u>	<u>426,998</u>	<u>3,277</u>
Expenditures:			
Public safety	-	-	-
Economic and physical development	-	411,721	450
Capital outlay	<u>1,113,055</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,113,055</u>	<u>411,721</u>	<u>450</u>
Revenues over (under) expenditures	<u>(1,076,585)</u>	<u>15,277</u>	<u>2,827</u>
Other Financing Sources (Uses):			
Transfers in	2,789,312	-	-
Transfers (out)	<u>(466)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>2,788,846</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,712,261	15,277	2,827
Fund Balances:			
Beginning of year - July 1	<u>1,552,623</u>	<u>221,190</u>	<u>28,342</u>
End of year - June 30	<u>\$ 3,264,884</u>	<u>\$ 236,467</u>	<u>\$ 31,169</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, 2017**

	NCHFA Rental Rehabilitation Grant	Multi-Year Grant Projects	Total
Revenues:			
Restricted intergovernmental	\$ 68,053	\$ 170,327	\$ 458,485
Investment earnings	174	-	7,732
Miscellaneous	5,452	-	244,534
Total revenues	<u>73,679</u>	<u>170,327</u>	<u>710,751</u>
Expenditures:			
Public safety	-	176,362	176,362
Economic and physical development	150,287	-	562,458
Capital outlay	-	-	1,113,055
Total expenditures	<u>150,287</u>	<u>176,362</u>	<u>1,851,875</u>
Revenues over (under) expenditures	<u>(76,608)</u>	<u>(6,035)</u>	<u>(1,141,124)</u>
Other Financing Sources (Uses):			
Transfers in	-	-	2,789,312
Transfers (out)	-	-	(466)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>2,788,846</u>
Net change in fund balances	(76,608)	(6,035)	1,647,722
Fund Balances:			
Beginning of year - July 1	<u>185,191</u>	<u>19,233</u>	<u>2,006,579</u>
End of year - June 30	<u>\$ 108,583</u>	<u>13,198</u>	<u>\$ 3,654,301</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, 2017

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Federal grants	\$ 4,660,529	\$ 907,541	\$ 29,051	\$ 936,592	\$ (3,723,937)
State grants	887,364	215,443	-	215,443	(671,921)
Investment earnings	75,671	16,215	7,419	23,634	(52,037)
Miscellaneous	651,400	108,422	-	108,422	(542,978)
Total revenues	<u>6,274,964</u>	<u>1,247,621</u>	<u>36,470</u>	<u>1,284,091</u>	<u>(4,990,873)</u>
Expenditures:					
Capital outlay:					
General government:					
Parking deck	2,688,101	2,673,103	171,051	2,844,154	(156,053)
Transportation:					
Clement Boulevard extension	194,166	-	155,676	155,676	38,490
Sandy Ridge intersection	2,691,250	-	-	-	2,691,250
Storm damage repairs	1,208,502	1,167,179	101	1,167,280	41,222
Downtown lighting	496,840	-	94,356	94,356	402,484
Falling Creek bridge	1,729,834	332,761	537	333,298	1,396,536
Economic and physical development:					
Bond projects	4,301,392	592,879	626,410	1,219,289	3,082,103
East Hickory redevelopment plan	1,205,800	631,975	-	631,975	573,825
Culture and recreation:					
Lackey Park	100,000	5,230	64,924	70,154	29,846
Total expenditures	<u>14,615,885</u>	<u>5,403,127</u>	<u>1,113,055</u>	<u>6,516,182</u>	<u>8,099,703</u>
Revenues over (under) expenditures	<u>(8,340,921)</u>	<u>(4,155,506)</u>	<u>(1,076,585)</u>	<u>(5,232,091)</u>	<u>3,108,830</u>
Other Financing Sources (Uses):					
Transfers in	5,728,491	2,939,179	2,789,312	5,728,491	-
Transfers (out)	(75,468)	(74,999)	(466)	(75,465)	3
Issuance of debt	2,687,898	2,843,949	-	2,843,949	156,051
Total other financing sources (uses)	<u>8,340,921</u>	<u>5,708,129</u>	<u>2,788,846</u>	<u>8,496,975</u>	<u>156,054</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,552,623</u>	<u>\$ 1,712,261</u>	<u>\$ 3,264,884</u>	<u>\$ 3,264,884</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, 2017

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental:					
Federal grants					
2011 Entitlement Block grant	\$ 287,688	\$ 287,688	\$ -	\$ 287,688	\$ -
2013 Entitlement Block grant	301,142	301,142	-	301,142	-
2014 Entitlement Block grant	310,314	310,314	-	310,314	-
2015 Entitlement Block grant	300,041	53,324	111,213	164,537	(135,504)
2016 Entitlement Block grant	280,251	-	79,841	79,841	(200,410)
Investment earnings	-	-	72	72	72
Miscellaneous	916,150	1,054,917	235,872	1,289,092	372,942
Total revenues	2,395,586	2,007,385	426,998	2,432,686	37,100
Expenditures:					
Economic and physical development	2,389,436	1,780,045	411,721	2,190,069	199,367
Total expenditures	2,389,436	1,780,045	411,721	2,190,069	199,367
Revenues over (under) expenditures	6,150	227,340	15,277	242,617	(162,267)
Other Financing Sources (Uses):					
Transfers (out)	(6,150)	(6,150)	-	(6,150)	-
Total other financing sources (uses)	(6,150)	(6,150)	-	(6,150)	-
Net change in fund balance	\$ -	\$ 221,190	\$ 15,277	\$ 236,467	\$ 236,467

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, 2017

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Investment earnings	\$ -	\$ 110	\$ 67	\$ 177	\$ 177
Miscellaneous	6,679	28,232	3,210	31,442	24,763
Total revenues	6,679	28,342	3,277	31,619	24,940
Expenditures:					
Economic and physical development	6,679	-	450	450	6,229
Net change in fund balance	\$ -	\$ 28,342	\$ 2,827	\$ 31,169	\$ 31,169

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, 2017

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental:					
State grants	\$ 125,000	\$ 43,543	\$ 68,053	\$ 111,596	\$ (13,404)
Total	<u>125,000</u>	<u>43,543</u>	<u>68,053</u>	<u>111,596</u>	<u>(13,404)</u>
Investment earnings	-	1,626	174	1,800	1,800
Miscellaneous	<u>165,896</u>	<u>187,851</u>	<u>5,452</u>	<u>193,303</u>	<u>27,407</u>
Total revenues	<u>290,896</u>	<u>233,020</u>	<u>73,679</u>	<u>306,699</u>	<u>15,803</u>
Expenditures:					
Economic and physical development	<u>290,896</u>	<u>47,829</u>	<u>150,287</u>	<u>198,116</u>	<u>92,780</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 185,191</u>	<u>\$ (76,608)</u>	<u>\$ 108,583</u>	<u>\$ 108,583</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, 2017

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental:					
Federal grants	\$ 262,567	\$ 64,507	\$ 170,327	\$ 234,834	\$ (27,733)
Total	262,567	64,507	170,327	234,834	(27,733)
Miscellaneous:					
Investment earnings	-	193	-	193	193
Total	-	193	-	193	193
Total revenues	262,567	64,700	170,327	235,027	(27,540)
Expenditures:					
Economic and physical development:					
Brownfields area wide planning	200,000	49,753	133,966	183,719	16,281
Public safety:					
Bulletproof Vest Partnership 2014	31,075	29,392	1,759	31,151	(76)
Bulletproof Vest Partnership 2015	34,150	-	9,970	9,970	24,180
FY17 Edward Byrne Memorial 2016					
Justice Assistance Grant (JAG)	31,020	-	30,667	30,667	353
Total expenditures	296,245	79,145	176,362	255,507	40,738
Revenues over (under) expenditures	(33,678)	(14,445)	(6,035)	(20,480)	13,198
Other Financing Sources (Uses):					
Transfers in	33,678	33,678	-	33,678	-
Total other financing sources (uses)	33,678	33,678	-	33,678	-
Net change in fund balance	\$ -	\$ 19,233	\$ (6,035)	\$ 13,198	\$ 13,198

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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Charges for services:				
Water charges	\$ 13,813,657	\$ 15,290,777	\$ 1,477,120	\$ 14,569,918
Sewer charges	9,124,800	9,622,465	497,665	9,604,211
Total	22,938,457	24,913,242	1,974,785	24,174,129
Water taps	110,000	221,654	111,654	191,707
Sewer taps	30,000	59,971	29,971	24,420
Other operating revenues	219,582	460,061	240,479	404,729
Total operating revenues	359,582	741,686	382,104	620,856
Non-operating revenues:				
Interest earned on investments	50,000	74,635	24,635	292,472
Total non-operating revenues	50,000	74,635	24,635	341,242
Total revenues	23,348,039	25,729,563	2,381,524	25,136,227
Expenditures:				
Environmental protection:				
Administration:				
Salaries and employee benefits	650,298	391,507	258,791	439,428
Other operating expenditures	2,463,760	2,882,884	(419,124)	2,446,939
Capital outlay	28,100	23,016	5,084	452,012
Administrative reimbursement	3,412,150	3,322,329	89,821	3,353,687
Total	6,554,308	6,619,736	(65,428)	6,692,066
Collection system:				
Salaries and employee benefits	796,083	725,887	70,196	683,593
Other operating expenditures	726,560	632,477	94,083	700,102
Capital outlay	302,239	252,688	49,551	330,793
Total	1,824,882	1,611,052	213,830	1,714,488
Henry Fork plant:				
Salaries and employee benefits	535,067	470,831	64,236	506,763
Other operating expenditures	575,954	419,392	156,562	437,193
Capital outlay	189,210	62,559	126,651	94,288
Total	1,300,231	952,782	347,449	1,038,244
Northeast plant:				
Salaries and employee benefits	548,563	516,019	32,544	511,898
Other operating expenditures	473,741	406,035	67,706	420,089
Capital outlay	134,070	70,402	63,668	9,449
Total	1,156,374	992,456	163,918	941,436

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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Water treatment plant:				
Salaries and employee benefits	597,700	519,513	78,187	500,780
Other operating expenditures	1,900,443	1,504,894	395,549	1,639,112
Capital outlay	2,924,700	2,417,668	507,032	343,736
Total	5,422,843	4,442,075	980,768	2,483,628
Pre-treatment and lab:				
Salaries and employee benefits	394,129	377,698	16,431	368,339
Other operating expenditures	199,548	163,974	35,574	151,564
Capital outlay	-	-	-	5,680
Total	593,677	541,672	52,005	525,583
Claremont sewer lines:				
Salaries and employee benefits	134,945	112,663	22,282	89,335
Other operating expenditures	304,304	127,194	177,110	146,677
Capital outlay	80,900	28,354	52,546	-
Total	520,149	268,211	251,938	236,012
Distribution:				
Salaries and employee benefits	1,754,979	1,445,531	309,448	1,370,194
Other operating expenditures	927,374	876,806	50,568	1,087,571
Capital outlay	2,520,425	1,678,627	841,798	1,085,155
Total	5,202,778	4,000,964	1,201,814	3,542,920
Hickory-Catawba wastewater treatment plant:				
Salaries and employee benefits	149,852	138,245	11,607	117,479
Other operating expenditures	291,227	147,363	143,864	155,402
Total	441,079	285,608	155,471	272,881
Total environmental protection	23,016,321	19,714,556	3,301,765	17,447,258
Debt service:				
Principal retirement	2,889,965	2,567,134	322,831	3,263,740
Interest on long-term debt	729,827	729,827	-	812,173
Total	3,619,792	3,296,961	322,831	4,075,913
Contingency	260,000	-	260,000	-
Total expenditures	26,896,113	23,011,517	3,884,596	21,523,171
Revenues over (under) expenditures	(3,548,074)	2,718,046	6,266,120	3,613,056

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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Transfers from other funds	-	-	-	5,500,000
Transfers (to) other funds	(2,725,425)	(2,725,425)	-	(1,367,608)
Appropriated net position	6,273,499	-	(6,273,499)	-
Total other financing sources (uses)	<u>3,548,074</u>	<u>(2,725,425)</u>	<u>(6,273,499)</u>	<u>4,132,392</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (7,379)</u>	<u>\$ (7,379)</u>	<u>\$ 7,745,448</u>

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

Revenues and other financing sources over (under) expenditures and other financing uses	\$ (7,379)
Reconciling items:	
Depreciation and amortization	(4,399,356)
Long-term debt principal repayments	2,567,134
Gain (loss) on sale of assets	37,087
Capital project revenues	8,321
Capital project expenditures not capitalized	(379,205)
Capital projects - transfers from (to) other funds	1,851,574
Change in pension expense	(924,668)
Change in deferred outflows of resources for contributions made to pension plan in current fiscal year	857,094
Capital assets purchased/capitalized	4,533,314
Contributed capital - developers	103,533
Change in accrued vacation pay	13,166
Change in accrued interest payable	10,758
Other post-employment benefits	<u>(143,795)</u>
Change in net position	<u>\$ 4,127,578</u>

CITY OF HICKORY, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
State grants	\$ 2,946,043	\$ 1,590,673	\$ -	\$ 1,590,673	\$ (1,355,370)
Total	<u>2,946,043</u>	<u>1,590,673</u>	<u>-</u>	<u>1,590,673</u>	<u>(1,355,370)</u>
Miscellaneous:					
Investment earnings	-	2,914	8,321	11,235	11,235
Total revenues	<u>2,946,043</u>	<u>1,593,587</u>	<u>8,321</u>	<u>1,601,908</u>	<u>(1,344,135)</u>
Expenditures:					
Capital outlay:					
Northeast sewer grant project	2,946,043	1,591,022	774,886	2,365,908	580,135
Geitner basin	3,867,715	32,493	796,247	828,740	3,038,975
Central business district	5,282,196	71,240	2,066,718	2,137,958	3,144,238
Murray basin sewer project	335,805	322,715	7,113	329,828	5,977
Total expenditures	<u>12,431,759</u>	<u>2,017,470</u>	<u>3,644,964</u>	<u>5,662,434</u>	<u>6,769,325</u>
Revenues over (under) expenditures	<u>(9,485,716)</u>	<u>(423,883)</u>	<u>(3,636,643)</u>	<u>(4,060,526)</u>	<u>5,425,190</u>
Other Financing Sources (Uses):					
Transfers from other funds	4,602,141	2,750,567	1,851,574	4,602,141	-
Issuance of long-term debt	4,883,575	-	-	-	(4,883,575)
Total other financing sources (uses)	<u>9,485,716</u>	<u>2,750,567</u>	<u>1,851,574</u>	<u>4,602,141</u>	<u>(4,883,575)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 2,326,684</u>	<u>\$ (1,785,069)</u>	<u>\$ 541,615</u>	<u>\$ 541,615</u>

CITY OF HICKORY, NORTH CAROLINA

**TRANSPORTATION FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Restricted intergovernmental:				
Airport	\$ 6,000	\$ 13,460	\$ 7,460	\$ 3,365
Airport services	2,595,902	1,352,864	(1,243,038)	1,353,112
Total operating revenues	2,601,902	1,366,324	(1,235,578)	1,356,477
Non-operating revenues:				
Investment earnings	1,000	2,802	1,802	6,846
Total revenues	2,602,902	1,369,126	(1,233,776)	1,363,323
Expenditures:				
Airport:				
Salaries and employee benefits	214,109	198,815	15,294	196,225
Other operating expenditures	183,746	166,005	17,741	151,474
Administrative reimbursement	119,461	119,461	-	117,118
Total airport	526,835	493,800	33,035	464,817
Airport tower:				
Other operating expenditures	19,281	17,624	1,657	11,933
Total airport tower	19,281	17,624	1,657	11,933
Airport FBO:				
Salaries and employee benefits	299,371	312,845	(13,474)	295,930
Other operating expenditures	1,704,537	286,032	1,418,505	333,707
Capital outlay	28,600	28,600	-	12,544
Total airport FBO	2,032,508	627,477	1,405,031	642,181
Total transportation	2,578,624	1,138,901	1,439,723	1,118,931
Revenues over (under) expenditures	24,278	230,225	205,947	244,392

CITY OF HICKORY, NORTH CAROLINA

**TRANSPORTATION FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Transfers to other funds	-	-	-	(33,000)
Contingency	(30,000)	-	30,000	-
Appropriated net position	5,722	-	(5,722)	-
Total other financing sources (uses)	(24,278)	-	24,278	(33,000)
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 230,225</u>	<u>\$ 230,225</u>	<u>\$ 211,392</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 230,225		
Reconciling items:				
Depreciation		(296,839)		
Change in pension expense		(100,477)		
Change in deferred outflows of resources for contributions made to pension plan in current fiscal year		93,134		
Capital project revenues		361,049		
Capital project interest		484		
Capital assets purchased/capitalized		38,119		
Change in accrued vacation pay		(6,698)		
Change in other post-employment benefits		(20,079)		
Change in net position		<u>\$ 298,918</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, 2017

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental:					
Federal grants	\$ 2,238,316	\$ 1,825,225	\$ 65,412	\$ 1,890,637	\$ (347,679)
State grants	477,000	-	295,637	295,637	(181,363)
Total	2,715,316	1,825,225	361,049	2,186,274	(529,042)
Investment earnings	-	765	484	1,249	1,249
Total revenues	2,715,316	1,825,990	361,533	2,187,523	(527,793)
Expenditures:					
Capital outlay:					
Transportation:					
Airport improvements	2,685,577	2,038,504	75,492	2,113,996	571,581
FBO operation	330,000	-	330,485	330,485	(485)
Total expenditures	3,015,577	2,038,504	405,977	2,444,481	571,096
Revenues over (under) expenditures	(300,261)	(212,514)	(44,444)	(256,958)	43,303
Other Financing Sources (Uses):					
Intrafund transfer in	301,702	301,702	-	301,702	-
Intrafund transfer out	(1,441)	(1,440)	-	(1,440)	1
Total other financing sources (uses)	300,261	300,262	-	300,262	1
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 87,748	\$ (44,444)	\$ 43,304	\$ 43,304

CITY OF HICKORY, NORTH CAROLINA

SOLID WASTE FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Other taxes:				
Solid waste excise tax	\$ 25,000	\$ 33,579	\$ 8,579	\$ 25,623
Charges for services:				
Recycling fees	3,042,400	3,132,686	90,286	2,908,535
Dumpster rentals	380,000	407,402	27,402	393,698
Refuse fees	819,000	873,962	54,962	844,917
Total	4,241,400	4,414,050	172,650	4,147,150
Other operating revenues	8,287	8,395	108	30,058
Total operating revenues	4,274,687	4,456,024	181,337	4,202,831
Non-operating revenues:				
Investment earnings	5,000	4,869	(131)	24,163
Miscellaneous	-	55	55	4,207
Total non-operating revenues	5,000	4,924	(76)	28,370
Total revenues	4,279,687	4,460,948	181,261	4,231,201
Expenditures:				
Environmental protection:				
Recycling services:				
Salaries and employee benefits	617,878	595,856	22,022	575,492
Other operating expenditures	1,456,479	1,424,892	31,587	1,498,255
Administrative reimbursement	478,159	478,159	-	468,783
Total	2,552,516	2,498,907	53,609	2,793,008
Residential sanitation:				
Salaries and employee benefits	448,429	508,841	(60,412)	482,699
Other operating expenditures	438,285	398,317	39,968	385,745
Capital outlay	275,000	247,353	27,647	-
Total	1,161,714	1,154,511	7,203	868,444

CITY OF HICKORY, NORTH CAROLINA

SOLID WASTE FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Commercial sanitation:				
Salaries and employee benefits	453,763	472,024	(18,261)	399,369
Other operating expenditures	452,365	396,128	56,237	397,724
Capital outlay	183,089	120,088	63,001	56,693
Administrative reimbursement	(84,211)	(84,211)	-	(82,597)
Total	<u>1,005,006</u>	<u>904,029</u>	<u>100,977</u>	<u>771,189</u>
 Total environmental protection	 <u>4,719,236</u>	 <u>4,557,447</u>	 <u>161,789</u>	 <u>4,432,641</u>
 Revenues over (under) expenditures	 <u>(439,549)</u>	 <u>(96,499)</u>	 <u>343,050</u>	 <u>(201,440)</u>
 Other Financing Sources (Uses):				
Transfers from other funds	146,460	146,460	-	641,049
Appropriated net position	293,089	-	(293,089)	-
Total other financing sources (uses)	<u>439,549</u>	<u>146,460</u>	<u>(293,089)</u>	<u>641,049</u>
 Revenues and other financing sources over (under) expenditures and other financing uses	 <u>\$ -</u>	 <u>\$ 49,961</u>	 <u>\$ 49,961</u>	 <u>\$ 439,609</u>

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

Revenues and other financing sources over (under) expenditures and other financing uses	\$ 49,961
Reconciling items:	
Depreciation	(467,140)
Pension expense	(286,675)
Deferred outflows of resources for contributions made to pension plan in current fiscal year	265,725
Capital assets purchased/capitalized	367,441
Change in accrued vacation pay	1,224
Gain on disposal of assets	45,488
Change in other post-employment benefits	<u>(16,424)</u>
Change in net position	<u>\$ (40,400)</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, 2017

	Sludge Composting Fund	Stormwater Fund	Total Nonmajor Enterprise Funds
Assets:			
Current assets:			
Cash and cash equivalents	\$ -	\$ 734,034	\$ 734,034
Accounts receivable, net	-	1,326	1,326
Due from other governments	45,082	1,934	47,016
Prepaid items	873	1,045	1,918
Total current assets	<u>45,955</u>	<u>738,339</u>	<u>784,294</u>
Non-current assets:			
Land and construction in progress	145,024	-	145,024
Other capital assets, net of depreciation	<u>2,437,174</u>	<u>2,462,030</u>	<u>4,899,204</u>
Total non-current assets	<u>2,582,198</u>	<u>2,462,030</u>	<u>5,044,228</u>
Total assets	<u>2,628,153</u>	<u>3,200,369</u>	<u>5,828,522</u>
Deferred Outflows of Resources:			
Contributions to pension plan	-	5,862	5,862
Pension deferrals	-	<u>19,565</u>	<u>19,565</u>
Total deferred outflows of resources	-	<u>25,427</u>	<u>25,427</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	26,880	6,063	32,943
Due to other funds	87,012	-	87,012
Current portion of long-term debt	-	<u>1,297</u>	<u>1,297</u>
Total current liabilities	<u>113,892</u>	<u>7,360</u>	<u>121,252</u>
Non-current liabilities:			
Net pension liability	-	31,068	31,068
Compensated absences payable	-	12,270	12,270
Non-current portion of long-term debt	-	<u>22,541</u>	<u>22,541</u>
Total non-current liabilities	-	<u>65,879</u>	<u>65,879</u>
Total liabilities	<u>113,892</u>	<u>73,239</u>	<u>187,131</u>
Deferred Inflows of Resources:			
Pension deferrals	-	<u>1,424</u>	<u>1,424</u>
Total deferred inflows of resources	-	<u>1,424</u>	<u>1,424</u>
Net Position:			
Net investment in capital assets	2,582,198	2,462,030	5,044,228
Unrestricted	<u>(67,937)</u>	<u>689,103</u>	<u>621,166</u>
Total net position	<u>\$ 2,514,261</u>	<u>\$ 3,151,133</u>	<u>\$ 5,665,394</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, 2017

	Sludge Composting Fund	Stormwater Fund	Total Nonmajor Enterprise Funds
Operating Revenues:			
Restricted intergovernmental	\$ 1,497,432	\$ -	\$ 1,497,432
Sludge charges	65,708	-	65,708
Stormwater charges	-	250,000	250,000
Total operating revenues	<u>1,563,140</u>	<u>250,000</u>	<u>1,813,140</u>
Operating Expenses:			
Administration and engineering	-	129,139	129,139
Sludge plant	1,605,955	-	1,605,955
Street	-	40,632	40,632
Drainage maintenance	-	53,976	53,976
Depreciation	<u>338,264</u>	<u>309,658</u>	<u>647,922</u>
Total operating expenses	<u>1,944,219</u>	<u>533,405</u>	<u>2,477,624</u>
Operating income (loss)	<u>(381,079)</u>	<u>(283,405)</u>	<u>(664,484)</u>
Transfers:			
Transfers in	<u>-</u>	<u>896,958</u>	<u>896,958</u>
Change in net position	(381,079)	613,553	232,474
Net Position:			
Net position, beginning	<u>2,895,340</u>	<u>2,537,580</u>	<u>5,432,920</u>
End of year - June 30	<u>\$ 2,514,261</u>	<u>\$ 3,151,133</u>	<u>\$ 5,665,394</u>

CITY OF HICKORY, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS COMBINING STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2017

	Sludge Composting Fund	Stormwater Fund	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 1,604,558	\$ 249,369	\$ 1,853,927
Cash paid to suppliers	(1,755,406)	(118,915)	(1,874,321)
Cash paid to employees	<u>-</u>	<u>(102,256)</u>	<u>(102,256)</u>
Net cash provided (used) by operating activities	<u>(150,848)</u>	<u>28,198</u>	<u>(122,650)</u>
Cash Flows from Non-Capital Financing Activities:			
Changes in due to/from other funds	87,012	-	87,012
Transfers from other funds	<u>-</u>	<u>896,958</u>	<u>896,958</u>
Net cash provided (used) by non-capital financing activities	<u>87,012</u>	<u>896,958</u>	<u>983,970</u>
Cash Flows from Capital And Related Financing Activities:			
Acquisition and construction of capital assets	<u>(25,121)</u>	<u>(661,641)</u>	<u>(686,762)</u>
Net cash provided (used) by capital and related financing activities	<u>(25,121)</u>	<u>(661,641)</u>	<u>(686,762)</u>
Net increase (decrease) in cash and cash equivalents	(88,957)	263,515	174,558
Cash and Cash Equivalents:			
Beginning of year - July 1	<u>88,957</u>	<u>470,519</u>	<u>559,476</u>
End of year - June 30	<u>\$ -</u>	<u>\$ 734,034</u>	<u>\$ 734,034</u>

CITY OF HICKORY, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS COMBINING STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2017

	Sludge Composting Fund	Stormwater Fund	Total Nonmajor Enterprise Funds
	<u> </u>	<u> </u>	<u> </u>
Reconciliation of Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (381,079)	\$ (283,405)	\$ (664,484)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	338,264	309,658	647,922
Change in pension expense	-	21,782	21,782
Change in assets and liabilities:			
(Increase) decrease in accounts receivables	41,418	(622)	40,796
(Increase) decrease in prepaid items	-	(163)	(163)
(Increase) decrease in deferred outflows	-	(20,190)	(20,190)
Increase (decrease) in accounts payable	(149,451)	(3,374)	(152,825)
Increase (decrease) in compensated absences	-	2,504	2,504
Increase (decrease) in other post-employment benefits	-	2,008	2,008
Net cash provided (used) by operating activities	<u>\$ (150,848)</u>	<u>\$ 28,198</u>	<u>\$ (122,650)</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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Restricted intergovernmental:				
Local grants	\$ 1,726,338	\$ 1,497,432	\$ (228,906)	\$ 1,656,264
Charges for services:				
Sludge charges	-	65,708	65,708	53,420
Total revenues	<u>1,726,338</u>	<u>1,563,140</u>	<u>(163,198)</u>	<u>1,709,684</u>
Expenditures:				
Environmental protection:				
Other operating expenditures	1,555,086	1,484,703	70,383	1,555,702
Capital outlay	50,000	25,121	24,879	35,110
Administrative reimbursement	121,252	121,252	-	118,874
Total expenditures	<u>1,726,338</u>	<u>1,631,076</u>	<u>95,262</u>	<u>1,709,686</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (67,936)</u>	<u>\$ (67,936)</u>	<u>\$ (2)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues over (under) expenditures		<u>\$ (67,936)</u>		
Reconciling items:				
Capital outlay		25,121		
Depreciation		<u>(338,264)</u>		
Total reconciling items		<u>(313,143)</u>		
Change in net position		<u>\$ (381,079)</u>		

CITY OF HICKORY, NORTH CAROLINA

STORMWATER FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Charges for services				
Stormwater charges	\$ 250,000	\$ 250,000	\$ -	\$ -
Total revenues	250,000	250,000	-	3,956
Expenditures:				
Environmental protection:				
Engineering:				
Salaries and benefits	110,478	108,360	2,118	106,693
Other operating expenditures	42,224	14,675	27,549	14,097
Total	152,702	123,035	29,667	120,790
Street:				
Other operating expenditures	45,000	40,632	4,368	23,683
Total	45,000	40,632	4,368	72,111
Drainage maintenance:				
Other operating expenditures	70,000	53,976	16,024	42,529
Capital outlay	895,256	661,641	233,615	-
Total	965,256	715,617	249,639	42,529
Total environmental protection	1,162,958	879,284	283,674	235,430
Revenues over (under) expenditures	(912,958)	(629,284)	283,674	(231,474)
Other Financing Sources (Uses):				
Transfers in	896,958	896,958	-	265,893
Appropriated net position	16,000	-	(16,000)	-
Total other financing sources (uses)	912,958	896,958	(16,000)	265,893
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 267,674	\$ 267,674	\$ 34,419

CITY OF HICKORY, NORTH CAROLINA

STORMWATER FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	<u>2017</u>			<u>2016</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Reconciliation from Budgetary Basis (Modified Accrual)				
to Full Accrual Basis:				
Revenues and other financing sources over				
(under) expenditures and other financing uses		\$ 267,674		
Reconciling items:				
Depreciation		(309,658)		
Change in pension expense		(21,782)		
Change in deferred outflows of resources for contributions made				
to pension plan in current fiscal year		20,190		
Capital assets purchased/capitalized		661,641		
Change in accrued vacation pay		(2,504)		
Other post-employment benefits		<u>(2,008)</u>		
Change in net position		<u>\$ 613,553</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, 2017

	Insurance Fund	Fleet Maintenance Fund	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 3,292,082	\$ -	\$ 3,292,082
Accounts receivable, net	9,052	-	9,052
Due from other governments	-	55,250	55,250
Inventory	-	119,758	119,758
Prepaid items	143,377	6,231	149,608
Total current assets	<u>3,444,511</u>	<u>181,239</u>	<u>3,625,750</u>
Non-current assets:			
Depreciable capital assets, net	-	40,491	40,491
Total non-current assets	<u>-</u>	<u>40,491</u>	<u>40,491</u>
Total assets	<u>3,444,511</u>	<u>221,730</u>	<u>3,666,241</u>
Deferred Outflows of Resources:			
Contributions to pension plan	-	33,140	33,140
Pension deferrals	-	98,457	98,457
Total deferred outflows of resources	<u>-</u>	<u>131,597</u>	<u>131,597</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	1,671,990	52,580	1,724,570
Due to other funds	-	818,174	818,174
Current portion of long-term debt	-	21,417	21,417
Total current liabilities	<u>1,671,990</u>	<u>892,171</u>	<u>2,564,161</u>
Non-current liabilities:			
Net pension liability	-	150,431	150,431
Compensated absences, noncurrent	-	5,693	5,693
Non-current portion of long-term debt	-	156,007	156,007
Total non-current liabilities	<u>-</u>	<u>312,131</u>	<u>312,131</u>
Total liabilities	<u>1,671,990</u>	<u>1,204,302</u>	<u>2,876,292</u>
Deferred Inflows of Resources:			
Pension deferrals	-	21,717	21,717
Total deferred inflows of resources	<u>-</u>	<u>21,717</u>	<u>21,717</u>
Net Position:			
Net investment in capital assets	-	40,491	40,491
Unrestricted	<u>1,772,521</u>	<u>(913,183)</u>	<u>859,338</u>
Total net position	<u>\$ 1,772,521</u>	<u>\$ (872,692)</u>	<u>\$ 899,829</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, 2017

	Insurance Fund	Fleet Maintenance Fund	Total
Operating Revenues:			
Charges for services	\$ 6,169,226	\$ 2,280,491	\$ 8,449,717
Other operating revenues	747	447	1,194
Total operating revenues	<u>6,169,973</u>	<u>2,280,938</u>	<u>8,450,911</u>
Operating Expenses:			
Health insurance	5,112,748	-	5,112,748
Property/casualty insurance	579,267	-	579,267
Workers' compensation	520,904	-	520,904
Dental insurance	423,699	-	423,699
Other insurance	74,456	-	74,456
Fleet maintenance	-	2,434,070	2,434,070
Depreciation	-	10,475	10,475
Total operating expenses	<u>6,711,074</u>	<u>2,444,545</u>	<u>9,155,619</u>
Operating income (loss)	<u>(541,101)</u>	<u>(163,607)</u>	<u>(704,708)</u>
Non-Operating Revenues (Expenses):			
Investment earnings	10,989	-	10,989
Total non-operating revenues (expenses)	<u>10,989</u>	<u>-</u>	<u>10,989</u>
Change in net position	(530,112)	(163,607)	(693,719)
Net Position:			
Net position, beginning	<u>2,302,633</u>	<u>(709,085)</u>	<u>1,593,548</u>
End of year - June 30	<u>\$ 1,772,521</u>	<u>\$ (872,692)</u>	<u>\$ 899,829</u>

CITY OF HICKORY, NORTH CAROLINA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Insurance Fund	Fleet Maintenance Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 6,168,598	\$ 2,280,436	\$ 8,449,034
Cash paid to suppliers	(6,974,576)	(1,882,253)	(8,856,829)
Cash paid to employees	-	(584,140)	(584,140)
Net cash provided (used) by operating activities	<u>(805,978)</u>	<u>(185,957)</u>	<u>(991,935)</u>
Cash Flows from Non-Capital Financing Activities:			
Changes in due to/from other funds	-	210,844	210,844
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>210,844</u>	<u>210,844</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	-	(24,887)	(24,887)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(24,887)</u>	<u>(24,887)</u>
Cash Flows from Investing Activities:			
Interest on investments	10,989	-	10,989
Net cash provided (used) by investing activities	<u>10,989</u>	<u>-</u>	<u>10,989</u>
Net increase (decrease) in cash and cash equivalents	(794,989)	-	(794,989)
Cash and Cash Equivalents:			
Beginning of year - July 1	4,087,071	-	4,087,071
End of year - June 30	<u>\$ 3,292,082</u>	<u>\$ -</u>	<u>\$ 3,292,082</u>

CITY OF HICKORY, NORTH CAROLINA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Insurance Fund	Fleet Maintenance Fund	Total
Reconciliation of Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (541,101)	\$ (163,607)	\$ (704,708)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	10,475	10,475
Change in pension expense	-	109,611	109,611
Change in assets and liabilities:			
(Increase) decrease in accounts receivables	(1,375)	(2,250)	(3,625)
(Increase) decrease in prepaid items	73,780	(4,283)	69,497
(Increase) decrease in inventories	-	(38,235)	(38,235)
Increase (decrease) in accounts payable	(337,282)	11,184	(326,098)
(Increase) decrease in deferred outflows of resources for pensions	-	(101,601)	(101,601)
Increase (decrease) in compensated absences	-	(9,002)	(9,002)
Increase (decrease) in other post-employment benefits	-	1,751	1,751
	<u>-</u>	<u>1,751</u>	<u>1,751</u>
Net cash provided (used) by operating activities	<u>\$ (805,978)</u>	<u>\$ (185,957)</u>	<u>\$ (991,935)</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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services	\$ 6,917,094	\$ 6,169,226	\$ (747,868)	\$ 6,398,641
Other operating revenues	-	747	747	502
Total operating revenues	6,917,094	6,169,973	(747,121)	6,399,143
Non-Operating Revenues:				
Investment earnings	40,000	10,989	(29,011)	45,857
Total non-operating revenues	40,000	10,989	(29,011)	-
Total revenues	6,957,094	6,180,962	(776,132)	6,445,000
Expenditures:				
General government:				
Health insurance	5,148,000	5,112,748	35,252	6,386,561
Property/casualty insurance	599,556	579,267	20,289	552,412
Dental insurance	375,000	423,699	(48,699)	441,598
Other insurance	72,000	74,456	(2,456)	73,225
Workers' compensation	800,000	520,904	279,096	571,073
Total expenditures	6,994,556	6,711,074	283,482	8,024,869
Revenues over (under) expenditures	(37,462)	(530,112)	(492,650)	(1,579,869)
Other Financing Sources (Uses):				
Appropriated net position	37,462	-	(37,462)	-
Total other financing sources (uses)	37,462	-	(37,462)	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (530,112)	\$ (530,112)	\$ (1,579,869)

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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services	\$ 2,666,033	\$ 2,280,491	\$ (385,542)	\$ 2,123,767
Other operating revenues	-	447	447	961
Total operating revenues	<u>2,666,033</u>	<u>2,280,938</u>	<u>(385,095)</u>	<u>2,124,728</u>
Expenditures:				
General government				
Salaries and benefits	619,673	584,899	34,774	556,263
Other operating expenditures	1,759,291	1,587,694	171,597	1,479,071
Capital outlay	28,000	26,535	1,465	5,211
Administrative reimbursement	<u>259,069</u>	<u>259,069</u>	-	<u>253,990</u>
Total expenditures	<u>2,666,033</u>	<u>2,458,197</u>	<u>207,836</u>	<u>2,294,535</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (177,259)</u>	<u>\$ (177,259)</u>	<u>\$ (169,807)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues over (under) expenditures		\$ (177,259)		
Reconciling items:				
Depreciation and amortization		(10,475)		
Change in pension expense		(109,611)		
Change in deferred outflows of resources for contributions made to pension plan in current fiscal year		101,601		
Change in accrued vacation pay		9,002		
Change in other post-employment benefits		<u>(1,751)</u>		
Capital outlay, capitalized		<u>24,886</u>		
Change in net position		<u>\$ (163,607)</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 SOURCE¹

JUNE 30, 2017

Governmental Funds Capital Assets:

Land	\$ 12,274,581
Buildings	31,602,123
Other improvements	12,512,554
Equipment	12,622,654
Vehicles and motorized equipment	15,363,725
Streets	45,921,422
Traffic signals	2,433,033
Bridges	1,016,744
Sidewalks	7,545,677
Construction in progress	3,230,094
Total governmental funds capital assets	<u>\$ 144,522,606</u>

Investments in Governmental Funds Capital Assets by Source:

General Fund	\$ 84,630,863
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>\$ 144,522,606</u>

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

CITY OF HICKORY, NORTH CAROLINA

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY¹
FOR THE YEAR ENDED JUNE 30, 2017

By Function and Activity	Governmental Funds Capital Assets June 30, 2016	Additions	Deductions	Governmental Funds Capital Assets June 30, 2017
General Government:				
Administration	\$ 54,375	\$ -	\$ -	\$ 54,375
Budget and administration	27,263	-	-	27,263
Finance	30,113	-	-	30,113
Technology services	1,150,310	298,466	-	1,448,776
Engineering	213,490	8,300	(6,212)	215,578
Building services	178,201	5,000	(7,772)	175,429
Central services	2,548,063	14,150	(12,103)	2,550,110
Public buildings	8,087,880	57,085	-	8,144,965
Buildings and grounds	1,228,489	-	(66,994)	1,161,495
District court	728,810	-	-	728,810
Total general government	<u>14,246,994</u>	<u>383,001</u>	<u>(93,081)</u>	<u>14,536,914</u>
Public Safety:				
Police	14,691,120	684,495	(388,678)	14,986,937
Code enforcement	139,148	-	-	139,148
Fire	<u>12,095,577</u>	<u>82,450</u>	<u>(80,806)</u>	<u>12,097,221</u>
Total public safety	<u>26,925,845</u>	<u>766,945</u>	<u>(469,484)</u>	<u>27,223,306</u>
Transportation:				
Traffic	3,196,930	200,527	(16,861)	3,380,596
Street	<u>58,890,354</u>	<u>549,649</u>	<u>(69,425)</u>	<u>59,370,578</u>
Total transportation	<u>62,087,284</u>	<u>750,176</u>	<u>(86,286)</u>	<u>62,751,174</u>
Economic and Physical Development:				
Planning and development	2,582,028	25,314	(14,655)	2,592,687
Economic and community	<u>2,861,105</u>	<u>-</u>	<u>-</u>	<u>2,861,105</u>
Total economic and physical development	<u>5,443,133</u>	<u>25,314</u>	<u>(14,655)</u>	<u>5,453,792</u>
Culture and Recreation:				
Recreation	24,712,739	543,491	(72,469)	25,183,761
Library	<u>6,010,288</u>	<u>133,277</u>	<u>-</u>	<u>6,143,565</u>
Total culture and recreation	<u>30,723,027</u>	<u>676,768</u>	<u>(72,469)</u>	<u>31,327,326</u>
Construction in Progress	<u>5,142,242</u>	<u>917,006</u>	<u>(2,829,154)</u>	<u>3,230,094</u>
Total government funds capital assets	<u>\$ 144,568,525</u>	<u>\$ 3,519,210</u>	<u>\$ (3,565,129)</u>	<u>\$ 144,522,606</u>

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

CITY OF HICKORY, NORTH CAROLINA

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE BY FUNCTION AND ACTIVITY¹

JUNE 30, 2017

By Function and Activity	Land	Buildings	Other Improvements	Equipment	Vehicles and Motorized Equipment
General Government:					
Administration	\$ -	\$ -	\$ -	\$ -	\$ 54,375
Risk	-	-	-	-	27,263
Finance	-	-	-	30,113	-
Technology services	-	-	-	1,431,515	17,259
Engineering	-	-	-	135,032	80,546
Building services	-	-	-	11,575	163,856
Central services	683,484	1,801,592	506	50,377	14,153
Public buildings	2,676,380	3,227,934	1,873,796	309,767	-
Building and grounds	413,573	176,975	-	332,311	295,722
District court	28,000	693,531	-	7,279	-
Total general government	<u>3,801,437</u>	<u>5,900,032</u>	<u>1,874,302</u>	<u>2,307,969</u>	<u>653,174</u>
Public Safety:					
Police	133,615	5,026,185	312,818	4,616,293	4,900,020
Code enforcement	-	-	1,620	-	137,527
Fire	239,692	3,254,596	1,332,666	901,630	6,366,644
Total public safety	<u>373,307</u>	<u>8,280,781</u>	<u>1,647,104</u>	<u>5,517,923</u>	<u>11,404,191</u>
Transportation:					
Traffic	13,036	82,805	-	256,798	604,924
Street	615,674	-	589,222	1,654,183	2,017,657
Total transportation	<u>628,710</u>	<u>82,805</u>	<u>589,222</u>	<u>1,910,981</u>	<u>2,622,581</u>
Economic and Physical Development:					
Planning and development	4,643,369	420,636	-	-	49,236
Economic and community	340,551	-	-	-	-
Total economic and physical development	<u>4,983,920</u>	<u>420,636</u>	<u>-</u>	<u>-</u>	<u>49,236</u>
Culture and Recreation:					
Recreation	2,487,207	11,832,978	8,198,889	2,070,769	593,919
Library	-	5,085,484	203,037	815,013	40,030
Total culture and recreation	<u>2,487,207</u>	<u>16,918,462</u>	<u>8,401,926</u>	<u>2,885,782</u>	<u>633,949</u>
Construction in Progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental funds capital assets	<u>\$ 12,274,581</u>	<u>\$ 31,602,716</u>	<u>\$ 12,512,554</u>	<u>\$ 12,622,655</u>	<u>\$ 15,363,131</u>

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

CITY OF HICKORY, NORTH CAROLINA

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY¹
JUNE 30, 2017

By Function and Activity	Streets	Traffic Signals	Bridges	Sidewalks	Construction in Progress	Total
General Government:						
Administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,375
Risk	-	-	-	-	-	27,263
Finance	-	-	-	-	-	30,113
Technology services	-	-	-	-	-	1,448,774
Engineering	-	-	-	-	-	215,578
Building services	-	-	-	-	-	175,431
Central services	-	-	-	-	-	2,550,112
Public buildings	-	-	-	-	-	8,087,877
Building and grounds	-	-	-	-	-	1,218,582
District court	-	-	-	-	-	728,810
Total general government	-	-	-	-	-	14,536,914
Public Safety:						
Police	-	-	-	-	-	14,988,931
Code enforcement	-	-	-	-	-	139,147
Fire	-	-	-	-	-	12,095,228
Total public safety	-	-	-	-	-	27,223,306
Transportation:						
Traffic	-	2,423,033	-	-	-	3,380,596
Street	45,921,422	10,000	1,016,744	7,545,676	-	59,370,578
Total transportation	45,921,422	2,433,033	1,016,744	7,545,676	-	62,751,174
Economic and Physical Development:						
Planning and development	-	-	-	-	-	5,113,241
Economic and community	-	-	-	-	-	340,551
Total economic and physical development	-	-	-	-	-	5,453,792
Culture and Recreation:						
Recreation	-	-	-	-	-	25,183,762
Library	-	-	-	-	-	6,143,564
Total culture and recreation	-	-	-	-	-	31,327,326
Construction in Progress	-	-	-	-	3,230,094	3,230,094
Total governmental funds capital assets	\$ 45,921,422	\$ 2,433,033	\$ 1,016,744	\$ 7,545,676	\$ 3,230,094	\$ 144,522,606

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



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, 2017

Fiscal Year	Uncollected Balance July 1, 2016	Additions	Collections and Credits	Uncollected Balance June 30, 2017
2016-2017	\$ -	\$ 26,534,230	\$ 26,154,703	\$ 379,527
2015-2016	410,578	-	222,378	188,200
2014-2015	237,201	-	91,568	145,633
2013-2014	253,844	-	67,756	186,088
2012-2013	207,522	-	56,752	150,770
2011-2012	178,051	-	36,733	141,318
2010-2011	151,853	-	29,855	121,998
2009-2010	150,250	-	15,786	134,464
2008-2009	131,727	-	9,173	122,554
2007-2008	125,643	-	125,643	-
Total	<u>\$ 1,846,669</u>	<u>\$ 26,534,230</u>	<u>\$ 26,810,347</u>	<u>1,570,552</u>

Less allowance for uncollectible ad valorem taxes receivable (942,488)

Ad valorem taxes receivable, net \$ 628,064

Reconciliation of Collections and Credits with Revenues:

Ad valorem taxes	\$ 26,857,749
Reconciling items:	
Interest and penalties collected	(174,165)
Prior year releases/adjustments	9,149
Collections of prior year writeoffs	(2,376)
Amounts written off per Statute of Limitations	<u>119,990</u>
Total collections and credits	<u>\$ 26,810,347</u>

CITY OF HICKORY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY

CITY-WIDE LEVY

FOR THE YEAR ENDED JUNE 30, 2017

	City-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
County-wide:					
Property taxed at current year's rate	\$ 4,649,284,201	\$ 0.5665	\$ 26,338,195	\$ 24,025,103	\$ 2,313,092
Interest	-		149,564	149,564	-
Penalties	-		18,500	18,500	-
Total original levy	<u>4,649,284,201</u>		<u>26,506,259</u>	<u>24,193,167</u>	<u>2,313,092</u>
Discoveries:					
Current year's taxes	<u>25,522,604</u>	\$ 0.5665	<u>145,271</u>	<u>145,271</u>	-
Total	<u>25,522,604</u>		<u>145,271</u>	<u>145,271</u>	-
Releases	<u>(20,706,090)</u>		<u>(117,300)</u>	<u>(117,300)</u>	-
Total property valuation	<u>\$ 4,654,100,715</u>				
Net Levy			26,534,230	24,221,138	2,313,092
Uncollected taxes at June 30, 2017			<u>(379,527)</u>	<u>(378,430)</u>	<u>(1,097)</u>
Current Year's Taxes Collected			<u>\$ 26,154,703</u>	<u>\$ 23,842,708</u>	<u>\$ 2,311,995</u>
Current Levy Collection Percentage			<u>98.57%</u>	<u>98.44%</u>	<u>99.95%</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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 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	\$ 49,718,122
Restricted	435,833	412,565	410,152	6,113,772	4,635,971	3,850,331	4,332,435	7,269,145	8,769,738	11,238,077
Unrestricted	28,615,507	31,839,201	26,223,301	21,910,602	26,206,217	26,754,779	27,084,992	24,833,580	16,602,316	13,318,874
Total governmental activities net position	\$ 83,960,512	\$ 85,660,590	\$ 80,959,387	\$ 82,682,364	\$ 84,122,925	\$ 81,814,256	\$ 81,031,608	\$ 82,766,711	\$ 75,315,180	\$ 74,275,073
Business-type activities										
Net investment in capital assets	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	112,695,429
Unrestricted	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	34,403,511
Total business-type activities net position	106,202,228	106,251,184	115,078,227	118,656,347	119,315,191	124,049,344	125,576,266	130,056,512	142,763,597	147,098,940
Primary government										
Net investment in capital assets	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	162,413,551
Restricted	435,833	412,565	410,152	6,113,772	4,635,971	3,850,331	4,332,435	7,269,145	8,769,738	11,238,077
Unrestricted	41,176,532	45,413,237	47,185,390	44,231,054	46,593,821	48,349,327	50,432,099	52,033,078	52,827,262	47,722,385
Total primary government net position	\$ 190,162,740	\$ 191,911,774	\$ 196,037,614	\$ 201,338,711	\$ 203,438,116	\$ 205,863,600	\$ 206,607,874	\$ 212,823,223	\$ 218,078,777	\$ 221,374,013

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities										
General government	\$ 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	\$ 15,600,080
Public safety	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	22,866,317
Transportation	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	6,085,300
Economic and physical development	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	3,569,329
Culture and recreation	6,144,223	6,541,146	6,203,497	6,191,485	6,379,277	6,349,079	6,986,803	5,975,527	6,335,499	6,391,994
Interest on long-term debt	441,297	411,980	376,028	320,309	241,951	119,963	99,172	148,214	151,691	99,067
Total governmental activities expenses	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	54,612,091
Business-type activities										
Water	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	8,383,437
Sewer	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	12,077,346
Sludge composting	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	1,944,219
Stormwater	646,166	765,923	779,361	471,708	477,389	503,152	752,443	604,777	526,080	533,405
Public transit	2,560,293	1,167,841	-	-	-	-	-	-	-	-
Airport	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	1,431,741
Recycling	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	2,815,271
Sanitation	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	1,878,025
Total business-type activities expenses	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	29,063,444
Total primary government expenses	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	83,675,535
Program revenues										
Governmental activities										
Charges for services										
General government	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	7,713,582
Public safety	379,426	372,838	288,303	344,906	367,049	305,427	367,312	235,616	309,458	268,252
Transportation	37,056	39,070	1,630	10,331	26,884	9,906	21,031	18,332	5,388	43,276
Economic and physical development	66,920	234,707	837,914	232,608	477,367	157,944	234,406	142,090	242,930	242,930
Culture and recreation	434,832	304,826	277,887	295,039	306,901	273,434	239,691	257,226	257,945	232,728
Operating grants and contributions	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	2,925,291
Capital grants and contributions	1,652,695	431,894	80,000	-	5,526,174	1,044	269,944	5,894,084	80,679	29,051
Total governmental activities program revenues	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	11,455,110
Business-type activities										
Charges for services										
Water	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	14,963,171
Sewer	7,387,796	7,734,699	8,291,528	8,520,966	8,520,966	8,734,523	9,172,139	9,293,174	9,628,436	9,682,436
Sludge composting	18,192	44,384	51,416	48,640	59,332	60,681	38,197	25,237	39,910	61,251
Stormwater	5,184	4,566	5,616	1,947	844	1,773	58,207	(3,318)	(1,987)	249,345
Public transit	212,930	6,680	-	-	-	-	-	-	-	-
Airport	311,251	369,371	364,004	294,912	1,293,487	2,376,811	2,186,700	1,145,669	1,318,045	1,338,980
Recycling	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	3,076,527
Sanitation	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	1,297,285
Operating grants and contributions	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	2,004,532
Capital grants and contributions	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	464,582
Total business-type activities program revenues	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	33,138,109
Total primary government program revenues	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	44,593,219
Net (expense)/revenue										
Governmental activities	(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)	(43,156,981)
Business-type activities	1,532,507	139,987	3,126,550	3,585,407	957,024	3,148,033	891,515	3,452,132	54,696,404	4,074,665
Total primary government net expense	(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	(39,082,316)

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General revenues and other changes in net position										
Governmental activities										
Taxes										
Ad valorem property taxes	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	26,705,834
Local option sales tax	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	10,189,172
Franchise tax	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	3,152,989
Telecommunication tax	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	896,481
Motel/occupancy tax	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	1,927,878
Vehicle tag tax	157,152	150,895	151,761	153,545	157,362	161,025	209,966	170,479	174,458	193,001
Gross receipts tax	83,474	73,527	82,397	103,676	110,711	115,674	136,237	131,412	149,050	161,557
Unrestricted intergovernmental	539,870	594,141	804,822	934,256	948,165	772,566	787,532	675,846	595,737	650,281
Unrestricted investment earnings	1,567,773	1,169,208	778,780	382,329	413,155	(38,998)	174,060	150,105	326,559	85,599
Miscellaneous	354,237	396,230	1,000,761	989,278	-	-	-	-	-	-
Transfers	(4,542,681)	518,671	(5,359,951)	235,578	515,173	(1,581,311)	(519,010)	(1,720,158)	(6,679,253)	(169,567)
Total governmental activities	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	43,793,225
Business-type activities										
Unrestricted investment earnings	600,930	427,640	340,542	228,291	216,993	4,809	116,397	92,491	329,538	91,111
Donations	-	-	-	-	-	-	-	9,570	1,890	-
Transfers	4,542,681	(518,671)	5,359,951	(235,578)	(515,173)	1,581,311	519,010	1,720,158	6,679,253	169,567
Total business-type activities	5,143,611	(91,031)	5,700,493	(7,287)	(298,180)	1,586,120	635,407	1,822,219	7,010,681	260,678
Change in Net Position										
Governmental activities	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)	636,244
Business-type activities	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	4,335,343
Total primary government	\$ 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	\$ 4,971,587

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

	2008	2009	2010		2014	2015	2016	2017
General Fund								
Reserved	\$ 4,803,407	\$ 3,106,380	\$ 4,351,129		\$ 409,899	\$ 5,402,181	\$ 4,885,591	\$ 4,274,339
Unreserved	14,917,158	13,714,939	13,337,503		3,993,730	6,977,246	6,934,665	7,679,413
Total General Fund	<u>\$ 19,720,565</u>	<u>\$ 16,821,319</u>	<u>\$ 17,688,632</u>		<u>13,381,759</u>	<u>11,437,451</u>	<u>4,810,507</u>	<u>5,835,895</u>
All other governmental funds					3,065,661	2,811,908	2,620,872	2,383,687
Reserved	\$ 974,938	\$ 1,628,642	\$ 3,069,226		13,515,066	14,031,436	14,133,964	15,908,792
Unreserved, reported in:					<u>\$ 34,366,115</u>	<u>\$ 40,660,222</u>	<u>\$ 33,385,599</u>	<u>\$ 36,082,126</u>
Special revenue funds	7,746,081	10,416,107	5,724,561					
Capital project funds	(537,254)	2,021,725	201,552					
Total all other governmental funds	<u>\$ 8,183,765</u>	<u>\$ 14,066,474</u>	<u>\$ 8,995,339</u>					
General Fund								
Nondisposable	\$ 363,066	\$ 296,769	\$ 295,503		\$ 409,899	\$ 5,402,181	\$ 4,885,591	\$ 4,274,339
Restricted	4,265,397	3,799,206	3,542,867		3,993,730	6,977,246	6,934,665	7,679,413
Committed	9,785,643	11,995,937	13,322,724		13,381,759	11,437,451	4,810,507	5,835,895
Assigned	2,167,510	3,856,360	1,877,185		3,065,661	2,811,908	2,620,872	2,383,687
Unassigned	11,646,163	11,934,342	13,072,784		13,515,066	14,031,436	14,133,964	15,908,792
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>	<u>\$ 36,082,126</u>
All other governmental funds								
Nondisposable	\$ -	\$ -	\$ 158		\$ 158	\$ 879	\$ 330	\$ 321
Restricted	1,848,375	836,765	307,464		338,705	1,973,118	1,978,451	3,558,664
Committed	254,972	256,491	39,683		11,509	30,398	168,731	138,565
Assigned	-	-	-		-	-	-	-
Unassigned	(1,609,530)	(677,129)	(72,230)		(726,139)	(43,256)	(140,933)	(43,249)
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>	<u>\$ 3,654,301</u>

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Ad valorem taxes	\$ 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	\$ 26,857,749
Other taxes	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	16,521,078
Unrestricted intergovernmental	539,870	594,141	804,822	934,256	948,165	772,566	787,532	675,846	595,737	650,281
Restricted intergovernmental	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	2,753,943
Licenses and permits	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	5,912
Sales and services	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	1,719,587
Investment earnings	1,394,085	1,040,634	676,256	312,993	343,425	(39,814)	141,156	126,225	280,702	74,610
Miscellaneous	1,902,549	777,926	1,330,532	1,250,377	1,373,150	988,144	1,329,129	4413,948	875,945	742,840
Total revenues	<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>	<u>\$ 49,326,000</u>
Expenditures										
Current										
General government	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	4,818,329
Public safety	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	21,714,028
Transportation	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	5,423,885
Economic and physical development	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	3,542,887
Culture and recreation	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	6,060,612
Capital outlay	653,127	1,313,280	2,290,889	1,556,918	422,028	346,333	1,484,787	5,271,468	1,121,950	1,113,055
Debt Service										
Principal retirement	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	2,037,099
Interest and fees	446,883	415,847	381,674	326,481	252,784	120,628	100,500	134,350	153,911	102,289
Total expenditures	<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>	<u>44,812,184</u>
Excess(deficiency) of revenues over(under) expenditures	<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>	<u>4,513,816</u>
Other financing sources(uses)										
Transfers - in	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	4,449,778
Transfers - (out)	(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)	(4,619,345)
Issuance of debt	-	1,042,685	-	-	-	-	-	3,000,000	-	-
Payment to escrow agent	-	-	-	-	-	-	-	-	-	-
Total other financing sources(uses)	<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>	<u>(169,567)</u>
Net change in fund balance	<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>	<u>\$ 4,344,249</u>
Debt service as a percentage of noncapital expenditures	5.32%	5.16%	4.82%	5.08%	3.77%	2.77%	2.79%	3.08%	4.73%	5.18%

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

Fiscal Year Ended June 30	Real Property		Personal Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value ¹ as a Percentage of Actual Value
	Residential/Commercial Property	Motor Vehicles	Other						
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%
2017	3,644,085,950		367,246,598	670,711,832	27,943,665	4,654,100,715	0.5665	4,719,969,090	99.20%

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

¹ Includes tax-exempt property

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

Fiscal Year Ended June 30	Name of Government				Maximum Overlapping Rate
	City of Hickory ¹	Burke County	Caldwell County	Catawba County	
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
2017	0.5665	0.6800	0.6300	0.5750	1.2465

Source: North Carolina Department of Revenue

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

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

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Merchants Distributors Inc	\$ 122,277,643	1	2.58%	\$ 154,731,595	1	3.31%
Coming Cable Systems LLC	89,141,091	2	1.88%	80,921,214	2	1.73%
Amerit (Frye) Inc	57,259,421	3	1.21%	44,018,200	4	0.94%
Duke Energy Carolinas LLC	45,112,940	4	0.95%	36,155,066	6	0.77%
Valley Hills Mall LLC	38,721,974	5	0.82%	50,132,882	3	1.07%
Tate Boulevard, LLC	31,541,900	6	0.66%	31,892,200	7	0.68%
Hickory Springs LLC	27,694,792	7	0.58%	29,361,303	9	0.63%
Shurtape Technologies Inc	26,300,042	8	0.55%	30,455,153	8	0.65%
Inland Western Hickory-Catawba LLC	24,021,500	9	0.51%	28,295,600	10	0.61%
Legends of Hickory LLC	23,056,600	10	0.49%			
American Med International				37,191,136	5	0.80%
Total	\$ 485,127,903		10.23%	\$ 523,154,349		11.19%

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

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the		Collections in Subsequent Years	Total Collections to Date	
		Fiscal Year of the Levy			Percentage of Levy	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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% *
2017	24,057,786	23,875,391	99.24%	528,881	24,404,272	101.44% *

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

Source: City of Hickory Finance Department

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

Fiscal Year Ended June 30	Governmental Activities			Business-type Activities			Total	Percentage of Personal Income ¹	Per Capita ¹	
	General Obligation Bonds	Installment Purchase Agreements	Notes Payable	Capitalized Leases	General Obligation Bonds	Installment Purchase Agreements				Notes Payable
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	-	4,823,289	-	-	-	14,797,608	15,452,591	35,073,488	2.58%	869
2017	-	3,488,990	-	-	-	13,153,925	14,529,139	31,172,054	2.17%	768

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

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

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

Fiscal Year Ended June 30	General Obligation Bonds	Percentage of		Per Capita ²
		Estimated Actual Taxable Value ¹ of Property	Income of Personal	
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%	-
2017	-	0.00%	0.00%	-

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

¹ See Schedule 5 for property value data.

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

CITY OF HICKORY, NORTH CAROLINA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2017

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable ¹	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
Burke County	N/A	0.60%	-
Caldwell County	36,722,083	1.71%	627,948
Catawba County	170,255,375	27.28%	46,445,666
Subtotal, overlapping debt			47,073,614
City direct debt			3,488,990.00
Total direct and overlapping debt			\$ 50,562,604

Sources:

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

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

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 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	372,328,057
Total net debt applicable to limit	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	31,172,054
Legal debt margin	\$ 341,321,434	\$ 351,291,227	\$ 355,213,881	\$ 341,415,537	\$ 337,581,601	\$ 332,477,249	\$ 342,387,747	\$ 339,998,115	\$ 328,101,635	\$ 341,156,003
Total net debt applicable to the limit as a percentage of debt limit	8.62%	7.80%	7.09%	9.93%	10.12%	11.95%	10.78%	10.42%	9.66%	8.37%

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed value of taxable property	\$ 4,654,100,715
Debt limit - 8 percent of assessed value	372,328,057
Debt applicable to limit:	
Gross debt	31,172,054
Less - water bonds	-
Total net debt applicable to limit	31,172,054
Legal debt margin	\$ 341,156,003

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

Fiscal Year Ended June 30	Population ¹	Personal Income (thousands of dollars)	Per Capita Personal Income ²	Median Age ³	School Enrollment ⁴	Unemployment Rate ⁵
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%
2017	40,567	1,436,315	35,406	38.3	4,290	4.3%

Note: N/A - not available

Sources:

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

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

³ US Census Bureau

⁴ Hickory City Schools

⁵ Employment Security Commission, North Carolina

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

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

Employer ⁽¹⁾	2017			2008		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Catawba County Schools	1500+	1	2.29%	-		-
Catawba Valley Medical Center	1500+	2	2.28%	1000+	3	1.33%
Frye Regional Medical Center	1500+	3	1.78%	1000+	2	1.33%
Commscope	1500+	4	1.78%	1000+	7	1.33%
Hickory Springs Mfg Company	1000+	5	1.64%	1000+	4	1.33%
Merchant Distributors Inc. ⁽²⁾	1000+	6	1.58%	1000+	1	2.62%
Catawba County	1000+	7	1.52%	-		-
Corning Cable Systems LLC	1000+	8	1.00%	1000+	5	1.33%
Advance Pierre Foods	500-999	9	0.85%	-		-
Ethan Allen	500-999	10	0.76%	-		-
Walmart Associates Inc	-		-	1000+	8	1.33%
Century Furniture LLC	-		-	1000+	6	1.33%
Hickory City Schools	-		-	500-999	9	.67%-1.32%
Catawba Valley Community College	-		-	500-999	10	.67%-1.32%
Institution Food House Inc.	-		-	500-999	10	.67%-1.32%

¹ Based on Catawba Co. workforce.

² Based on Caldwell Co. workforce.

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

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

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Administration	7	8	6	7	8	8	8	8	8	9
Budget, administration, and HR	9	9	7	7	7	7	7	7	8	8
Finance	18	21	20	20	21	20	20	21	17	15
Information technology	10	9	9	9	8	5	7	8	6	7
City clerk	2	2	2	1	0	1	1	1	1	1
Legal	2	2	2	2	2	2	2	2	2	2
Engineering	10	10	9	9	8	7	6	8	5	3
Building services	6	6	6	5	6	6	5	6	5	5
Central services	6	7	7	7	7	7	6	7	7	6
Buildings and grounds	17	16	12	12	13	14	15	17	16	13
Fleet Maintenance	11	11	10	10	11	11	12	11	10	10
Public Safety										
Police	133	144	141	145	143	142	141	147	134	133
Fire	123	118	132	136	135	134	134	135	133	130
Building inspections	-	-	-	-	-	-	-	-	-	-
Code enforcement	-	-	-	-	-	-	5	5	-	-
Development assistance center	-	-	-	-	-	-	-	-	-	-
Transportation										
Traffic	10	11	10	9	9	9	10	11	10	10
Street	44	41	40	38	40	39	36	43	36	32
Planning and development	13	13	9	9	8	7	7	8	7	8
Culture and recreation										
Recreation	43	39	42	39	40	40	40	42	40	40
Library	21	20	18	17	17	17	17	18	16	17
Water/Sewer	90	92	93	93	93	90	88	98	89	91
Stormwater	1	1	1	1	1	1	1	1	1	1
Public Transit	23	-	-	-	-	-	-	-	-	-
Airport	4	4	3	2	7	7	8	8	8	8
Recycling	14	16	12	13	13	13	14	16	13	13
Sanitation - commercial	11	11	9	11	10	10	10	12	10	11
Sanitation - residential	8	8	6	7	8	8	7	8	10	9
Total	636	619	606	609	615	605	607	648	592	582

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	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Public Safety										
Police Services										
Cost per call dispatched	\$ 96	\$ 135	\$ 140	\$ 139	\$ 153	\$ 148	\$ 155	\$ 152	\$ 149	\$ 125
Calls dispatched	93,249	71,510	72,048	72,099	64,668	66,707	67,930	73,396	72,796	90,929
Uniform Crime Reporting Part I crimes reported	3,678	3,723	3,287	3,197	2,547	3,037	2,598	2,415	1,914	2,186
Uniform Crime Reporting Part I crimes per 1,000 pop.	91.5	91.9	80.6	78	64	76	64.9	60.0	47.5	54.2
Uniform Crime Reporting Part II crimes reported	3,821	3,937	3,840	3,937	3,392	3,618	3,462	3,146	3,348	3,357
Traffic accidents reported	2,294	2,189	2,023	1,939	1,937	2,053	3,276	2,271	3,359	3,706
Sworn Officers	108	118	118	118	118	118	118	117	117	116
Calls dispatched per sworn officer	863	606	611	611	548	565	576	627	622	784
Calls dispatched per 1,000 population	2,319	1,765	1,767	1,752	1,613	1,664	1,697	1,825	1,805	2,253
Response time to priority calls (minutes)	4.2	4.1	4.2	4	4	3	4.4	3.3	6.3	6.3
Emergency Communications										
Total calls per 1,000 population	3,436	3,726	3,411	2,670	2,947	---	2,291	2,543	---	---
Calls answered per telecommunicator	11,515	12,583	11,587	8,450	9,086	---	6,553	7,306	---	---
Seconds from initial ring to answer	6	12	12	n/a	n/a	---	n/a	n/a	---	---
Calls answered within three rings	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	\$ 1,642	\$ 1,491	\$ 1,597	\$ 1,639	\$ 1,629	\$ 1,635	\$ 1,638	\$ 1,565	\$ 1,524	\$ 1,575
Actual fires per 1,000 population	6	6	5	5	5	5	5	5	5	5
Responses per 1,000 population	118	130	127	131	133	136	135	137	145	146
Fire inspections completed per 1,000 population	126	116	122	104	114	123	116	123	115	118
Inspections completed per Full Time Employee(FTE)	1,215	1,512	1,593	1,863	2,054	2,215	2,086	1,918	1,686	1,667
Average response time to priority 1 calls (minutes)	4.4	4.2	4.4	4.5	4.5	4.6	4.6	4.5	4.3	4.4
Fires confined to room(s) involved on arrival	74%	67%	61%	68%	54%	51%	55%	54%	51%	68%
Fires for which cause is determined	100%	100%	98%	98%	95%	91%	97%	93%	93%	93%
Transportation										
Asphalt Maintenance and Repair										
Cost per ton of asphalt for contract resurfacing	\$ 58	\$ 62	\$ 65	\$ 81	\$ 83	\$ 83	\$ 76	\$ 77	\$ 77	\$ 77
Lane miles maintained per 1,000 population	17.6	17.7	17.6	18.0	17.9	18.0	18.0	17.9	17.8	17.8
Potholes repaired within 24 hours	95%	97%	96%	94%	96%	94%	95%	94%	n/a	94%
Street segments rated 85% or better (ITRE)	76%	46%	46%	46%	39%	39%	39%	39%	38%	39%

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

Function/Program	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Recycling										
Cost per ton collected	\$ 183	\$ 195	\$ 199	\$ 232	\$ 209	\$ 256	\$ 359	\$ 377	\$ 763	\$ 171
Cost per collection point	\$ 31	\$ 32	\$ 34	\$ 30	\$ 31	\$ 32	\$ 44	\$ 41	\$ 94	\$ 35
Tons recyclables per 1,000 population	47	47	49	36	45	37	37	33	37	63
Tons Solid Waste Landfilled per 1,000 population	234	233	237	236	232	212	224	215	210	175
Set out Rate	66%	65%	65%	77%	80%	76%	78%	81%	84%	67%
Diversion Rate	17%	17%	17%	13%	16%	15%	14%	13%	15%	26%
Sanitation										
Refuse Collection										
Cost per ton collected	\$ 61	\$ 64	\$ 54	\$ 57	\$ 61	\$ 72	\$ 65	\$ 72	\$ 63	\$ 79
Cost per collection point	\$ 50	\$ 53	\$ 45	\$ 48	\$ 47	\$ 50	\$ 49	\$ 51	\$ 44	\$ 46
Tons per 1,000 population	234	233	237	236	232	212	224	215	210	175
Tons per 1,000 collection points	812	816	833	839	769	702	742	708	694	579
Tons collected per F.T.E.	2,217	2,226	2,273	1,946	2,190	2,264	2,395	2,305	2,259	1,883
Yard Waste/Leaf Collection										
Cost per ton collected	\$ 87	\$ 113	\$ 116	\$ 134	\$ 140	\$ 131	\$ 143	\$ 131	\$ 92	\$ 100
Cost per collection point	\$ 57	\$ 61	\$ 63	\$ 72	\$ 74	\$ 71	\$ 81	\$ 72	\$ 52	\$ 54
Tons collected per 1,000 population	188	155	154	151	160	164	171	166	173	164
Tons collected per F.T.E.	656	628	749	957	1,606	1,646	1,709	1,667	1,741	1,657

* 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

* During FY 2015 & 2016, there was a transition to single-stream recycling affecting the recycling and sanitation data.

Source: City Budget Office

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

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	156	170	170	175	152	153	153	153	152	151
Fire										
Stations	7	7	7	7	7	7	7	7	7	7
Transportation										
Traffic										
Traffic signals	26	26	27	196	196	196	196	196	196	196
Street										
Miles of paved streets	236.44	235.11	236.04	235.89	235.89	235.89	235.82	238.39	239.74	239.74
Miles of unpaved streets	1.53	1.33	1.33	1.33	1.19	1.19	1.24	1.24	2.10	2.10
Culture and recreation										
Recreation										
Park acreage	473	473	416	416	428	428	428	428	428	429
Parks	19	18	18	18	23	23	23	23	23	24
Recreation centers	5	5	5	5	6	6	6	6	6	6
Senior citizen centers	2	2	2	2	2	2	2	2	2	2
Swimming pools	2	2	2	-	-	-	-	-	-	-
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	869	890	893	903	921	925	926	932	937	942
Fire hydrants	5,720	5,804	5,824	9,500	9,566	9,576	9,583	9,625	9,649	9,675
Maximum daily capacity in MGD ¹	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00
Sewer										
Miles of sewer mains	495	497	499	511	490	492	492	493.5	499	499
Maximum daily treatment capacity in MGD ¹	15.23	15.23	15.00	15.23	15.25	15.25	15.25	16.5	16.5	16.5
Public Transit										
Buses	7	-	-	-	-	-	-	-	-	-
Vans	3	-	-	-	-	-	-	-	-	-
Recycling										
Collection trucks	14	14	14	14	15	15	15	15	15	15
Sanitation										
Refuse trucks	18	18	20	20	27	29	29	29	29	29

Sources: Various city departments

¹ 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 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 6, 2017.

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.

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. However, as described in the accompanying Schedule of Findings, Responses, and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying Schedule of Findings, Responses, and Questioned Costs as 2017-001 and 2017-003 to be material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Findings, Responses, and Questioned Costs as 2017-002 to be a significant deficiency.

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 no instances of non-compliance or other matters 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 Corrective Action Plan. 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, North Carolina
November 6, 2017

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

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

Report On Compliance With Requirements Applicable to 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, 2017. 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), as described in the *Audit Manual for Governmental Auditors in North Carolina*, 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, 2017.

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 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 and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2017-004 to be a significant deficiency.

The City of Hickory's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. The City of Hickory's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 6, 2017

CITY OF HICKORY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

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? Yes

Non-compliance material to financial statements noted? No

State Awards

Internal control over major State programs:

- Material weakness(es) identified? No
- Significant deficiency(s) identified? Yes

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

Any compliance 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, 2017

2. Findings Related to the Audit of the Basic Financial Statements

Material Weakness

Finding 2017-001

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

Condition: Due to high turnover of key financial personnel in the City office, there are limitations in segregations of duties.

Effect: Errors in financial reporting could occur and not be detected.

Cause: Due to high turnover in key financial personnel, there is a limited number of personnel for certain internal control functions.

Recommendation: Access to the books and records of the City should be separated from access to the assets of the City as much as possible. Alternative controls should be used to compensate for any lack of segregation of duties.

Views of Responsible Officials and Corrective Action Plan: Management concurs with this finding and will adhere to the Corrective Action Plan in this audit report.

Significant Deficiency

Finding 2017-002

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

Condition: Account reconciliations were not prepared and balanced to the general ledger in a timely manner during the year.

Effect: Lack of timely reconciliations greatly increases the risk of errors in financial reporting.

Cause: The City's policies over cash and accounts receivable reconciliations are not being followed.

Recommendation: Require reconciliations be prepared and balanced to the general ledger control accounts on a monthly basis.

Views of Responsible Officials and Corrective Action Plan: Management concurs with this finding and will adhere to the Corrective Action Plan in this audit report.

CITY OF HICKORY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

Material Weakness

Finding 2017-003

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

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

Effect: Financial reports used for budget monitoring throughout the year do not properly reflect the account balances.

Cause: Inadequate monitoring by management.

Recommendation: Management should examine the adjustments required as a result of our audit and the Finance Officer should assure they are reconciled and posted prior to the audit.

Views of Responsible Officials and Corrective Action Plan: Management concurs with this finding and will adhere to the Corrective Action Plan in this audit report.

3. Findings and Questioned Costs Related to the Audit of State Awards

N.C. Department of Transportation

Program Name: Powell Bill

Finding 2017-004

Significant Deficiency

Criteria: In accordance with 2 CFR 200.308 and the State Single Audit Act the entity must establish and maintain effective internal control over grant awards.

Condition: Controls over approval of Powell Bill expenditures have been designed but not properly implemented. Expenditures are being made without proper approval and review. The items we tested, however, were deemed allowable.

Questioned Cost: None - all expenditures were allowable.

Context: During our observation and testing of internal controls, we noted the above condition.

Effect: Lack of proper implementation of internal control policies greatly increases the risk of an error or irregularity going undetected and can result in noncompliance with grant requirements.

CITY OF HICKORY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

Cause: Due to significant turnover, the City's internal control system with respect to Powell Bill expenditures is not implemented.

Recommendation: Strengthen the internal controls over grant expenditure approval. Implement an overall review process for grant compliance and for grant expenditures prior to expending grant awards.

Views of Responsible Officials and Corrective Action Plan: The City agrees with this finding and will adhere to the Corrective Action Plan in this audit report.



City of Hickory
Finance Department
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Fax: (828) 323-7550
Email: mmiller@hickorync.gov

Financial Statement Findings

Material Weakness

Finding 2017-001

Name of Contact Person: Melissa Miller, Finance Officer

Corrective Action: The Finance Department has reorganized duties relating to deposit procedures and bank reconciliations due to the hiring of new staff. The new Senior Accountant and Accounting Technician now alternate the daily deposit processing and updating of batches. With the promotion of an internal staff member to the Accountant position, all bank reconciliations are performed independent from deposit procedures.

Proposed Completion Date: The segregation of duties issue was resolved immediately after the City's interim audit after the completion of training of newly hired staff.

Significant Deficiency

Finding 2017-002

Name of Contact Person: Melissa Miller, Finance Officer

Corrective Action: The Finance Department has eliminated the biweekly manual cash balancing on ledger forms and now balances cash on a daily basis using an Excel worksheet. Accounts receivable reconciliations are performed immediately after month end processing which occurs on the fifth working day of each month.

Proposed Completion Date: Corrections were made after working with Accounting coworkers to make process improvements relating to cash balancing and accounts receivable reconciliations. Daily cash balancing now allows up to date and more accurate reporting information for management's investment decisions.

Material Weakness

Finding 2017-003

Name of Contact Person: Melissa Miller, Finance Officer

Corrective Action: The Finance Department will review and process all adjusting entries and ensure Finance staff understands the reasoning for these necessary adjustments so they do not occur in the future.

Proposed Completion Date: All adjusting entries have been updated to reflect accurate system balances.

Significant Deficiency

Finding 2017-004

Name of Contact Person: Melissa Miller, Finance Officer

Corrective Action: A work order audit was performed by Finance staff prior to the City's interim audit and all necessary changes were updated at that time. There were no errors found in the random auditor selections. The Finance Department has decided to implement a review process prior to the City's interim and annual audits. With the hiring of new staff in Finance and the restructuring of related staff at Public Services, there are several new individuals involved in the Powell Bill process. Finance staff will also attend training sessions offered by the State of NC.

Proposed Completion Date: New staff training began immediately upon hiring. All City staff involved with Powell Bill are now working together to review work orders and system reporting to ensure accuracy of Powell Bill information

Please contact me at (828) 323-7545 or mmiller@hickorync.gov if you have further questions or need additional information.

Thank you,



Melissa Miller
Finance Officer
City of Hickory

CITY OF HICKORY, NORTH CAROLINA

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

Finding 2016-001

Status: The service rates are insufficient to cover fleet expenses; however, the City adopts an annual financial plan in accordance with General Statute 159-13.1.

Finding 2016-002

Status: Corrected.

CITY OF HICKORY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grant Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Pass-through to subrecipients
Federal Assistance					
United States Department of Housing and Urban Development: Community Development Block/Entitlement Grants Cluster					
Community Development Block Grants/Entitlement Grant	14.218	B-13-MC-37-0013	\$ 191,054	\$ -	\$ -
Total CDBG Entitlement Grants Cluster			<u>191,054</u>	<u>-</u>	<u>-</u>
Total United States Department of Housing and Urban Development			<u>191,054</u>	<u>-</u>	<u>-</u>
United States Department of Justice					
Direct Programs:					
Equitable Sharing Program	16.922	NC0180200	14,235	-	-
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738	2015-DJ-BX-0954	30,667	-	12,113
Bulletproof Vest Partnership Program	16.607	2014	5,777	-	-
Total United States Department of Justice			<u>50,679</u>	<u>-</u>	<u>12,113</u>
United States Department of Transportation					
Passed-through North Carolina Department of Transportation					
Airport Improvement Program	20.106	36237.66.4.3	41,247	-	-
Highway Planning, Research and Construction Cluster					
Highway Planning and Construction - Falling Creek Bridge	20.205	BRSTP-1216(21)	195	-	-
Total Highway Planning and Construction Cluster			<u>195</u>	<u>-</u>	<u>-</u>
Total United States Department of Transportation			<u>41,442</u>	<u>-</u>	<u>-</u>
Office of Solid Waste and Emergency Response					
Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements	66.814	00D31715	133,966	-	-
Total Office of Solid Waste and Emergency Response			<u>133,966</u>	<u>-</u>	<u>-</u>
Total Federal Assistance			<u>\$ 417,141</u>	<u>\$ -</u>	<u>\$ 12,113</u>

CITY OF HICKORY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grant Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Pass-through to subrecipients
State Assistance					
North Carolina Department of Commerce Downtown Revitalization		2017-020-1257-1534		\$ 94,340	\$ -
Total North Carolina Department of Commerce				<u>94,340</u>	<u>-</u>
North Carolina Department of Natural and Cultural Resources Aid to Public Libraries				<u>26,804</u>	<u>-</u>
North Carolina Department of Revenue Unauthorized Substances Tax				<u>47,617</u>	<u>-</u>
North Carolina Department of Transportation Direct Program:					
Powell Bill				1,244,247	-
Street Maintenance Reimbursement				146,899	-
State Aid to Airports Block Grant		36237.66.5.1		<u>295,637</u>	<u>-</u>
Total North Carolina Department of Transportation				<u>1,686,783</u>	<u>-</u>
North Carolina Housing Finance Agency Urgent Repair Program-North Carolina Housing Trust Fund:		URP1413		<u>68,053</u>	<u>-</u>
North Carolina Office of Information Technology Service: Passed-through Catawba County Public Safety Answering Point				<u>107,011</u>	<u>-</u>
Total State Assistance				<u>\$ 2,030,608</u>	<u>\$ -</u>

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of the City of Hickory under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 48, United States 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.

