

CITY OF HICKORY NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR YEAR ENDED JUNE 30, 2018

**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, 2018

Prepared by the Finance Department



CITY OF HICKORY, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

	<u>Exhibit/ Schedule No.</u>	<u>Page</u>
<u>INTRODUCTORY SECTION</u>		
Letter of Transmittal		1
Organizational Chart		9
Certificate of Achievement for Excellence in Financial Reporting		10
List of Elected and Appointed Officials		11
<u>FINANCIAL SECTION</u>		
Independent Auditor's Report		13
Management's Discussion and Analysis		16
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	A	30
Statement of Activities	B	31
Fund Financial Statements:		
Balance Sheet - Governmental Funds	C	33
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	D	35
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	E	36
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	F	37
Statement of Net Position - Proprietary Funds	G	38
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	H	39
Statement of Cash Flows - Proprietary Funds	I	41
Notes to the Financial Statements		43
Required Supplemental Financial Data:		
LEOSSA - Schedule of Changes in Total Pension Liability	A-1	87
LEOSSA - Schedule of Total Pension Liability as a Percentage of Covered Payroll	A-2	88
OPEB - Schedule of Changes in the Total OPEB Liability and Related Ratios	A-3	89
LGRS - Proportionate Share of Net Pension Liability (Asset)	A-4	90
LGRS - Contributions - Last Five Fiscal Years	A-5	91

CITY OF HICKORY, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

	<u>Exhibit/ Schedule No.</u>	<u>Page</u>
Combining and Individual Fund Statements and Schedules:		
General Fund Consolidated:		
Statement of Revenues, Expenditures, and Changes in Fund Balance - Actual - General Fund Consolidated	B-1	92
General Fund:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	B-2	93
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Capital Reserve Fund	B-3	100
Major Capital Projects Fund:		
General Capital Projects Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	B-4	101
Nonmajor Governmental Funds:		
Combining Balance Sheet	C-1	98
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	C-2	102
Special Revenue Funds:		
Community Development Entitlement Block Grant Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	D-1	106
Home Consortium Grant Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	D-2	107
NCHFA Rental Rehabilitation Grant Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	D-3	108
Multi-Year Grant Projects Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	D-4	109

CITY OF HICKORY, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

	<u>Exhibit/ Schedule No.</u>	<u>Page</u>
Major Enterprise Funds:		
Water and Sewer Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	E-1	110
Water and Sewer Capital Projects Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	E-2	113
Transportation Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	E-3	114
Transportation Capital Projects Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	E-4	116
Solid Waste Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	E-5	117
Nonmajor Enterprise Funds:		
Combining Statement of Net Position	F-1	119
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	F-2	120
Combining Statement of Cash Flows	F-3	121
Sludge Composting Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	F-4	123
Stormwater Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	F-5	124
Internal Service Funds:		
Combining Statement of Net Position	G-1	126
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	G-2	127
Combining Statement of Cash Flows	G-3	128
Insurance Fund - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)	G-4	129
Fleet Maintenance Fund - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)	G-5	130
Capital Assets Used In the Operation of Governmental Funds:		
Schedule By Source	H-1	131
Schedule of Changes By Function and Activity	H-2	132
Schedule By Function and Activity	H-3	133
Supplemental Financial Data:		
Schedule of Ad Valorem Taxes Receivable - General Fund	I-1	135
Analysis of Current Tax Levy - City-Wide Levy	I-2	136

CITY OF HICKORY, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

	<u>Exhibit/ Schedule No.</u>	<u>Page</u>
<u>STATISTICAL SECTION</u>		
Net Position by Component	1	137
Changes in Net Position	2	138
Fund Balances of Governmental Funds	3	140
Changes in Fund Balances of Governmental Funds	4	141
Assessed Value and Estimated Actual Value of Taxable Property	5	142
Direct and Overlapping Property Tax Rates	6	143
Principal Property Taxpayers	7	144
Property Tax Levies and Collections	8	145
Ratios of Outstanding Debt by Type	9	146
Ratios of General Bonded Debt Outstanding	10	147
Direct and Overlapping Governmental Activities Debt	11	148
Legal Debt Margin Information	12	149
Demographic and Economic Statistics	13	150
Principal Employers	14	151
Full-Time City Government Employees by Function/Program	15	152
Operating Indicators by Function/Program	16	153
Capital Asset and Infrastructure Statistics by Function/Program	17	155
<u>SINGLE AUDIT SECTION</u>		
Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>		156
Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With Uniform Guidance And The State Single Audit Implementation Act		158
Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With Uniform Guidance And The State Single Audit Implementation Act		160
Schedule of Findings, Responses, and Questioned Costs		162
Corrective Action Plan		166
Schedule of Prior Year Audit Findings		167
Schedule of Expenditures of Federal and State Financial Awards		168

Introductory Section





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Finance Department
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October 16, 2018

The Honorable Mayor Hank Guess,
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, 2018, 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, 2018, 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, 2018, 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 Uniform Guidance is an authoritative set of rules and requirements for Federal awards that synthesizes and supersedes guidance from earlier Office of Management and Budget (OMB) circulars. Announced in the Federal Register in December 2014, the Uniform Guidance (UG) aims to ease the administrative burden for organizations that receive federal awards while reducing the risk of waste, fraud, and abuse of awards expended annually. The UG procurement requirements apply to purchases that are paid or reimbursed from federal financial assistance. This includes, but is not limited to, purchases that are reimbursed from USDA grants and loans, Community Development Block Grant (CDBG) programs, public disaster grants and reimbursement from FEMA, and the Highway Planning, Research, and Construction program.

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, 2018, are reported separately in the notes to the financial statements.

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

Local Economy

The City of Hickory is the economic hub of the "Greater Hickory Metro". Economic activity in the region continues to grow, and the City remains financially sound. The City's continued commitment to policies and practices will keep Hickory and the local economy on the best and safest road to economic security. Commercial construction activity included 327 permits with a value of over \$72 million and 340 additional residential permits with a value of over \$26 million in fiscal year 2017-2018.

Economic development initiatives and activities completed or underway include:

- In September 2017, Frye Regional Medical Center/Duke LifePoint announced the beginning of an emergency room expansion project totaling \$15,000,000 which will more than double occupancy. The project is scheduled to be completed later this year.
- Catawba Valley Community College's new Workforce Solutions Complex for Industrial and Engineering Technology will provide state-of-the-art classrooms and laboratory

spaces to offer multiple trade options for students. The \$25,000,000 project is scheduled to be completed later this year.

- In August 2018, Corning planned to announce a \$60,000,000 manufacturing facility project which will include 110 additional jobs to our region. Corning will be the first tenant occupying the new Trivium Corporate Center.
- Two new medical facilities are also being constructed including a new \$2,500,000 building for Piedmont Plastic Surgery and a building addition and parking lot expansion for Graystone Eye in the amount of \$4,300,000.
- In addition to the commercial projects listed above, a strong residential building effort is underway. Current projects include:
 - Pepperstone Apartments - \$3,065,000
 - Lenoir-Rhyne University Dormitories - \$3,267,000
 - Hawk's Landing Luxury Apartments - \$5,000,000
 - Highland Park Apartments - \$24,400,000
- The City of Hickory and the Greater Hickory Tennis Association (GHTA) entered into a priority use agreement for tennis complex improvements at Hickory City Park. The improvements included a parking lot renovation to add over 100 additional parking spaces, and a new 1,900 square foot multi-use facility with restrooms, meeting room, and outdoor covered shelter area. The GHTA contributed \$125,000 of the estimated total project cost of \$921,000.
- In June of 2017, the City of Hickory entered into a partnership with the Northwest North Carolina Mountain Bike Alliance to improve and expand the existing mountain bike trails at Hickory City Park and Rotary-Geitner Park. Phase I improvements included a beginner trail and a pump track. The beginner trail was completed in August of 2017, and the pump track opened in late September of 2017. Work on Phase II improvements, which included an intermediate loop trail and an advanced jump line, began in October of 2017, but completion was delayed until April of 2018 due to a tornado that came through both parks in October of 2017. Now fully completed, the Lake Hickory Trails include a 1.8 mile beginner trail, a 4-mile intermediate trail, a pump track for both beginner and advanced riders, and an advanced jump line trail for more skilled riders. Costs of the project were shared between the City and Northwest North Carolina Mountain Bike Alliance with the City contributing \$17,667 and the Alliance contributing \$100,000.
- A new picnic shelter and restroom facility were installed at West Hickory Park using Community Development Block Grant funds. Project cost was \$88,798.
- Various renovations in Cliff Teague Park included resurfacing the parking lot, improving the trails, completing a handicap accessible walkway to the playground, purchase of new picnic tables and trash receptacles, and resurfacing the basketball court. The projects were completed using Community Development Block Grant funds at a cost of \$59,793.

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	2014-2015	2015-2016	2016-2017
Police Services			
Cost per call dispatched	\$149	\$125	\$135
Calls dispatched	72,796	72,796	88,167
Uniform Crime Reporting Part I crimes reported	1,914	2,186	2,175
Uniform Crime Reporting Part I crimes per 1,000 population	47.5	54.2	53.8
Uniform Crime Reporting Part II crimes reported	3,348	3,357	3,375
Traffic Accidents Reported	3,359	3,706	3,555
Sworn Officers	117	116	116
Calls dispatched per sworn officer	622	784	760
Calls dispatched per 1,000 population	1,805	2,253	2,179
Response time to priority calls (minutes)	6.3	6.3	6.6
Emergency Communications			
Total calls per 1,000 population	--- *	--- *	--- *
Calls answered per telecommunicator	--- *	--- *	--- *
Seconds from initial ring to answer	--- *	--- *	5
Calls answered within three rings	--- *	--- *	--- *
Fire Services			
Cost per response	\$1,524	\$1,524	\$1,555
Actual fires per 1,000 population	5.25	5.4	4.61
Responses per 1,000 population	145	146	148
Fire inspections completed per 1,000 population	115	118	114
Inspections completed per Full Time Employee (FTE)	1,686	1,667	1,579
Average response time to priority 1 calls (minutes)	4.3	4.4	4.2
Fires confined to room(s) involved on arrival	51%	68%	61%
Fires for which cause is determined	93%	93%	92%

Transportation

Asphalt Maintenance and Repair

Cost per ton of asphalt for contract resurfacing	\$76.50	\$76.50	\$76.50
Lane miles maintained per 1,000 population	17.8	17.8	18
Potholes repaired within 24 hours	n/a	92.0%	92.0%
Street segments rated 85% or better (ITRE)	38%	39%	37%

Recycling

Cost per ton collected*	\$763	\$171	\$138
Cost per collection point	\$94.41	\$35.34	\$29.70
Tons recyclables per 1,000 population	37.4	62.5	64.8
Tons Solid Waste Landfilled per 1,000 population	210	175	180.3
Set Out rate	84.0%	67.0%	65.0%
Diversion Rate	15.1%	26.3%	26.4%

Sanitation

Refuse Collection

Cost per ton collected	\$63	\$79	\$76
Cost per ton collection point	\$44	\$46	\$45
Tons per 1,000 population	210	175	180
Tons per 1,000 collection points	694	579	598
Tons collected per F.T.E.	2,259	1,883	1,945

Yard Waste / Leaf Collection

Cost per ton collected	\$92	\$100	\$72
Cost per collection point	\$52	\$54	\$60
Tons per 1,000 population	173	164	251
Tons collected per F.T.E	1,741	1,657	1,043

* 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.

- City Walk, River Walk, Gateways, and Trivium Corporate Center are the four major projects included in the City of Hickory's \$25 million Streets/Sidewalks and the \$15 million Economic Development Bond Referendum. All projects are underway and in various stages of the design and construction process. The City Walk pedestrian link from Lenoir-Rhyne University through the downtown area will begin construction in the fall of 2018. The River Walk, which will include a mile long ADA accessible walkway and on-water boardwalk experience extending from Highway 321 to Geitner-Rotary Park, is about one year behind the City Walk project. One of the first Gateway projects will include an artistic leaf structure and attractive landscaping at Highway 321 and 70. The Trivium Corporate Center is a 270-acre Class A business park being jointly

developed by the City of Hickory, Catawba County, and the Catawba County Economic Development Corporation. The Trivium Corporate Center groundbreaking ceremony was held on May 6, 2018 and officially marked the beginning of construction on the first of the four City of Hickory bond projects.

- The Arrowhead Pocket Park is known as the SALT Block Pocket Park and the 4th Avenue Streetscape. The project has been made possible with a \$100,000 grant from the North Carolina Department of Natural and Cultural Resources. Improvements include the installation of landscaping at Arrowhead Pocket Park and trees, irrigation, fencing, a water feature, benches, sidewalks, and crosswalks at 3rd Avenue. The project is a future component of the City of Hickory Bookwalk which will connect the Ridgeview Library in Southwest Hickory with the Patrick Beaver Memorial Library in Northeast Hickory and the Catawba Science Center. The project is estimated to be completed by October 2018.
- The Deidra Lackey Memorial Park is a \$6,000,000 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 initially includes approximately 19 acres of the existing Rotary-Geitner Park, will consist of a boat dock, canoe/kayak launch, group picnic shelter, fishing pier, restrooms, Lake House event center with an amphitheater and event dock, and a Conservatory which will include extensive landscaping and gardens. Design development of the park will continue into 2019.
- The City of Hickory owns and operates a 32 MGD Water Treatment Facility. In 2002, Public Utilities removed the one ton chlorine gas cylinder feed system for disinfection and replaced with a sodium hypochlorite generation system. It was the first of its type to be installed in North Carolina. The system provided a safer working environment for City staff and a less hazardous atmosphere for the neighboring area. This current system is now outdated and worn beyond reasonable repairs. The new system will include updated technology features and modernized piping to serve Hickory citizens for the next twenty years. The sodium hypochlorite generation system replacement project is expected to be completed in November 2018 with an estimated cost of \$1,289,500.
- 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 is 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, 2017. This was the twenty-second 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.

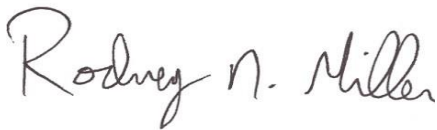
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

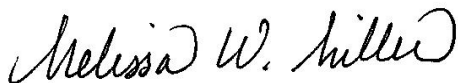
Preparation of this report could not have been accomplished without the professional, efficient, and dedicated efforts of the entire staff of Finance, the Budget Office, the various department heads, budget managers and coworkers who assisted and contributed to its preparation, and our independent auditors,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

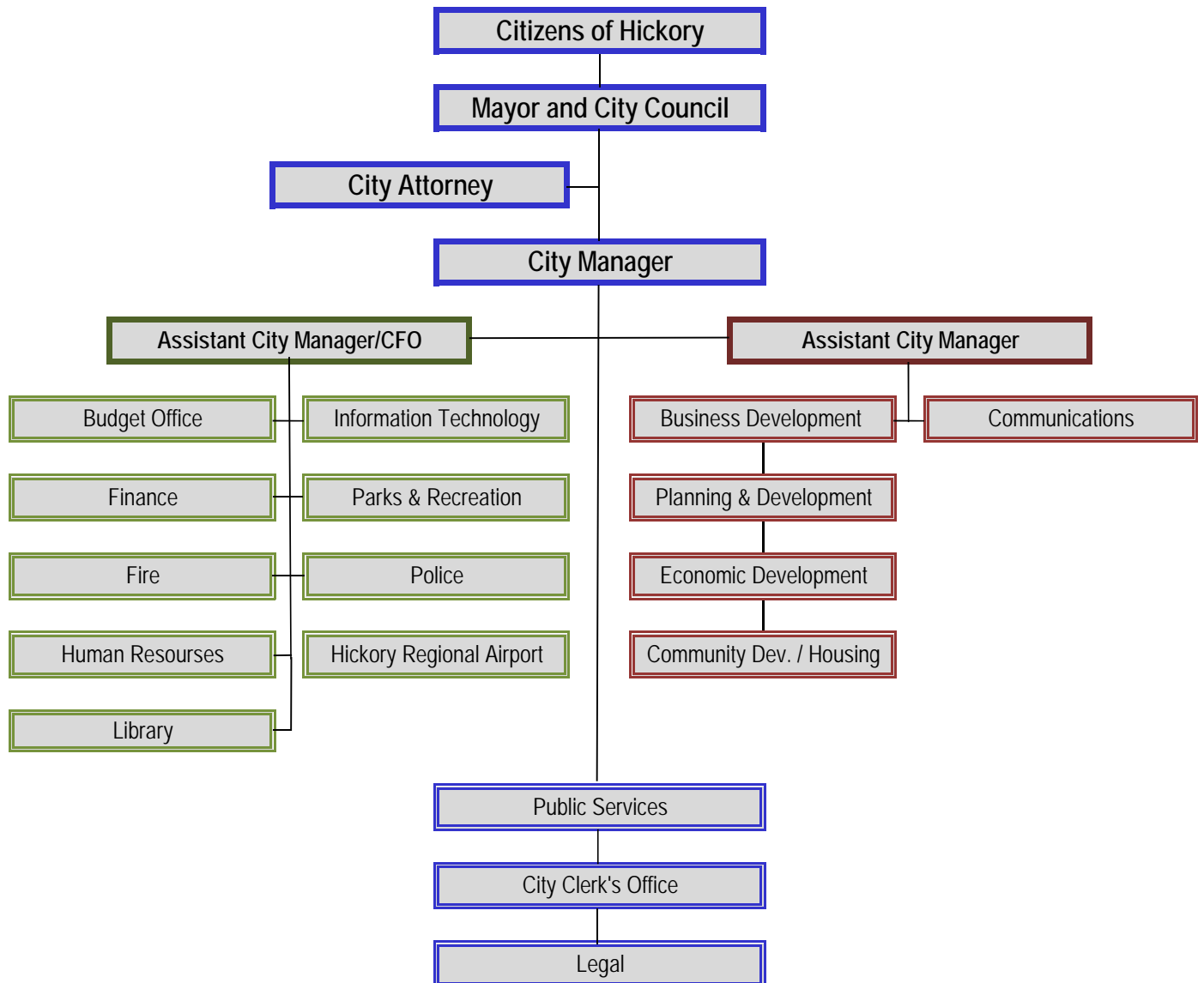
Rodney N. Miller
Assistant City Manager/CFO

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, 2017

Christopher P. Morill

Executive Director/CEO

CITY OF HICKORY, NORTH CAROLINA

CITY COUNCIL

FISCAL YEAR JULY 1, 2017 - JUNE 30, 2018

City Council

Hank Guess	Mayor
Brad Lail	Ward I
Charlotte Williams	Ward II
Danny Seaver	Ward III / Mayor Pro Tem
David Williams	Ward IV
David Zagaroli	Ward V
Jill Patton	Ward VI



CITY OF HICKORY, NORTH CAROLINA

CITY ADMINISTRATION

FISCAL YEAR JULY 1, 2017 - JUNE 30, 2018

City Administration

City Manager	Warren Wood
Assistant City Manager/CFO	Rodney Miller
Assistant City Manager	Rick Beasley
Assistant to the City Manager	Yaidee Fox
Airport Manager	Terry Clark
City Attorney	John W. Crone, III
Communications and Marketing Manager	Dana Kaminske
Deputy City Attorney	Arnita Dula
Finance Officer	Melissa Miller
Fire Chief	Fred Hollar
Human Resources Director	Claudia Main
Information Technology Manager	Mike Woods
Library Director	Sarah Greene
Parks and Recreation Director	Mack McLeod
Planning Director	Brian Frazier
Police Chief	Thurman Whisnant
Public Services Director	Kevin Greer



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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hickory, North Carolina, as of June 30, 2018, 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, 2018, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. 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' Schedule of Changes in the Total OPEB Liability and Related Ratios, and the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hickory's basic financial statements. The introductory section, combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, other schedules, statistical section, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2018 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
October 16, 2018



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, 2018. 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 2018

- The assets of the City of Hickory exceeded its liabilities at the close of the most recent fiscal year by \$219,631,818 (net position). Of this amount, \$37,956,660 (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 \$11,280,690.
- As of the close of the current fiscal year, the City of Hickory's governmental funds reported combined ending fund balances of \$39,613,392, a decrease of \$123,035, in comparison with the prior fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$17,872,210, or 34.96%, of the General Fund budget for the fiscal year 2018-2019.
- The City of Hickory's total debt decreased by \$2,333,516, which includes unfunded law enforcement officers' pension, other post-employment benefits (OPEB) and compensated absences liabilities. The City's total indebtedness is \$67,419,480.
- The City's legal debt limit is \$382,118,070 (8% of assessed valuation), and the City's legal debt margin is \$351,277,497. The total legal indebtedness of the City is \$30,840,573, which represents 0.65% of assessed valuation.

Using the Financial Section of this Comprehensive Annual Financial Report

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

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

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

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

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

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

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

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

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

The government-wide financial statements are located on pages 30-32 of this report.

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

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

The City of Hickory maintains seven individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance for the General Fund, which is the only major fund. Individual fund data for all non-major governmental funds is provided in the form of combining statements located on pages 102-105 of this report.

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

The basic governmental fund financial statements are located on pages 33-37 of this report.

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

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

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

Proprietary funds provide in greater detail the information presented in the government-wide financial statements. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, Transportation Fund and the Solid Waste Services Fund, which are considered major funds. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for nonmajor enterprise funds and internal service funds is provided in the form of combining statements located on pages 119-130 of this report.

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

The proprietary fund financial statements are located on pages 38-42 of this report.

Notes to the financial statements – The notes contain additional essential information necessary for the reader to gain a more complete understanding of the information presented in the government-wide and fund financial statements. The notes to the financial statements are located on pages 43-86 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 87-91 of this report.

Government-Wide Financial Analysis

Net Position - As noted earlier, net position may serve, over time, as a useful indicator of a government's financial status. In the case of the City of Hickory, assets exceeded liabilities by \$219,631,818 for the fiscal year ended June 30, 2018.

The largest portion of the City of Hickory's net position, 78.53%, reflect its investments in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Hickory uses its capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City of Hickory's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 44,069,095	\$ 43,258,584	\$ 40,653,819	\$ 40,851,003	\$ 84,722,914	\$ 84,109,587
Notes receivable	2,837,400	3,551,200	-	-	2,837,400	3,551,200
Capital assets	55,797,980	49,874,524	144,883,065	140,378,493	200,681,045	190,253,017
Total assets	102,704,475	96,684,308	185,536,884	181,229,496	288,241,359	277,913,804
Deferred outflows of resources	5,818,878	6,799,493	1,316,542	1,572,866	7,135,420	8,372,359
Long-term liabilities outstanding	5,071,990	13,072,358	28,699,576	30,608,555	33,771,566	43,680,913
Other liabilities	31,079,439	15,361,502	9,092,197	4,943,517	40,171,636	20,305,019
Total liabilities	36,151,429	28,433,860	37,791,773	35,552,072	73,943,202	63,985,932
Deferred inflows of resources	1,444,358	774,868	357,401	151,348	1,801,759	926,216
Net position:						
Net investment in capital assets	55,745,847	46,859,734	116,724,413	112,695,429	172,470,260	159,555,163
Restricted	9,204,898	11,235,492	-	-	9,204,898	11,235,492
Unrestricted	5,976,821	16,179,847	31,979,839	34,403,513	37,956,660	50,583,360
Total net position	\$ 70,927,566	\$ 74,275,073	\$ 148,704,252	\$ 147,098,942	\$ 219,631,818	\$ 221,374,015

An additional portion of the City of Hickory's net position, \$9,204,898 represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position, \$37,956,660, 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 \$73,221,131, which consists of \$38,063,830 from governmental activities and \$35,157,301 from business-type activities. Working capital increased by \$540,711 for the fiscal year ended June 30, 2018.

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 7.07 on a Citywide basis, 6.80 for governmental activities, and 7.40 for business-type activities. More simply stated, the City has \$7.07 of current assets for each \$1.00 of current liabilities on a Citywide basis. The Citywide current ratio increased by .08 during FY 2018.

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 6.91 on a Citywide basis, 6.43 for governmental activities and 7.48 for business-type activities. Or, more simply stated the City has \$6.91 of “quick” assets for each \$1.00 of current liabilities on a Citywide basis. The Citywide quick ratio increased by \$.10 during FY 2018.

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 701 days on a Citywide basis, 220 days for governmental activities and 447 days for business-type activities. This measure increased by 378 days in FY 2018.

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 76% on a Citywide basis, 51% for governmental activities and 25% for business-type activities. The Citywide ratio increased 47% during FY2018.

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 10% on a Citywide basis, 35% for governmental activities and 20% for business-type activities. This ratio decreased 13% 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 2% on a city-wide basis, 3% for governmental activities and 14% for business-type activities. This ratio decreased 12% from the previous fiscal year.

Days Receivable – represents the number of days on average it took to collect accounts receivable. This number demonstrates the extent to which current operations are impacted by the collection of accounts receivable. This ratio is provided only for the business-type activities of the City of Hickory, which consist primarily of utility accounts. Days receivable for business-type activities is 40 days for the City of Hickory. Days receivable increased by 3 days during FY 2018.

Change in Net Position - The government's net position decreased by \$1,742,195 during the current fiscal year. Net position was restated because of the implementation of Governmental Accounting Standards Board No. Statement 75. The governmental activities net position decreased \$10,155,043 and the business type activities decreased \$2,867,842. This decrease is offset by the degree to which increases in ongoing revenues have exceeded increases in ongoing expenses. A summary of the changes follows:

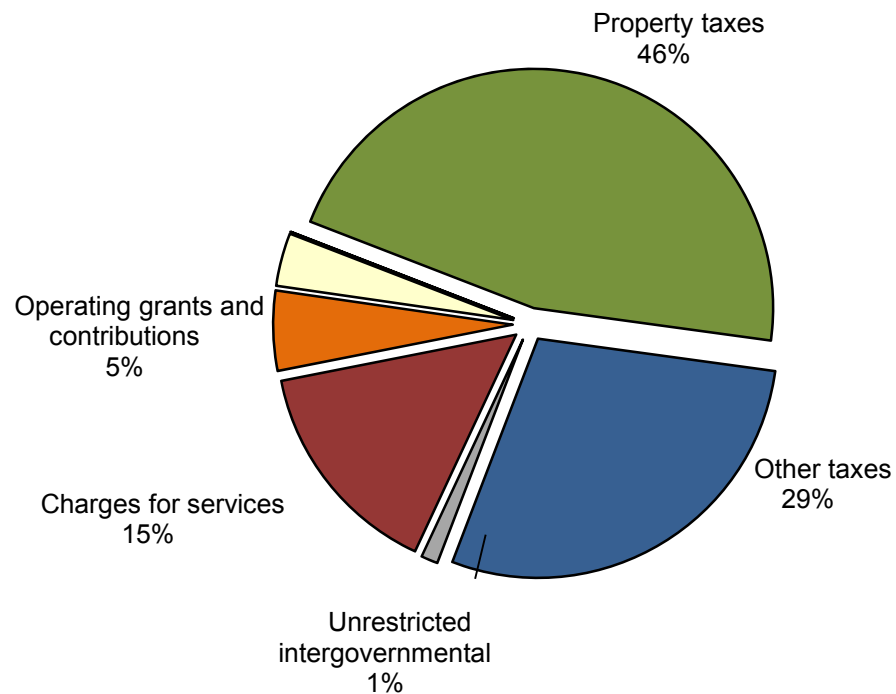
	Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 8,795,060	\$ 8,500,768	\$ 31,859,938	\$ 30,668,995	\$ 40,654,998	\$ 39,169,763
Operating grants and contributions	3,172,997	2,925,291	1,987,390	2,004,532	5,160,387	4,929,823
Capital grants and contributions	2,113,962	29,051	760,895	464,582	2,874,857	493,633
General revenues:						
Property taxes	27,222,941	26,705,834	-	-	27,222,941	26,705,834
Other taxes	16,853,553	16,521,078	-	-	16,853,553	16,521,078
Unrestricted intergovernmental	660,473	650,281	-	-	660,473	650,281
Unrestricted investment earnings	195,769	85,599	173,555	91,111	369,324	176,710
Total revenues	<u>59,014,755</u>	<u>55,417,902</u>	<u>34,781,778</u>	<u>33,229,220</u>	<u>93,796,533</u>	<u>88,647,122</u>
Expenses:						
General government	12,767,254	15,600,080	-	-	12,767,254	15,600,080
Public safety	23,107,639	22,866,317	-	-	23,107,639	22,866,317
Transportation	6,258,370	6,085,304	-	-	6,258,370	6,085,304
Economic and physical development	3,737,258	3,569,329	-	-	3,737,258	3,569,329
Culture and recreation	6,742,733	6,391,994	-	-	6,742,733	6,391,994
Water	-	-	8,346,934	8,383,437	8,346,934	8,383,437
Sewer	-	-	12,765,273	12,077,346	12,765,273	12,077,346
Sludge composting	-	-	1,980,531	1,944,219	1,980,531	1,944,219
Stormwater	-	-	457,877	533,405	457,877	533,405
Airport	-	-	1,523,461	1,431,740	1,523,461	1,431,740
Recycling	-	-	2,917,593	2,815,271	2,917,593	2,815,271
Sanitation	-	-	1,822,792	1,878,025	1,822,792	1,878,025
Interest on long-term debt	88,128	99,067	-	-	88,128	99,067
Total expenses	<u>52,701,382</u>	<u>54,612,091</u>	<u>29,814,461</u>	<u>29,063,443</u>	<u>82,515,843</u>	<u>83,675,534</u>
Change in net position before transfers	6,313,373	805,811	4,967,317	4,165,777	11,280,690	4,971,588
Transfers	<u>494,163</u>	<u>(169,567)</u>	<u>(494,163)</u>	<u>169,567</u>	<u>-</u>	<u>-</u>
Change in net position	<u>6,807,536</u>	<u>636,244</u>	<u>4,473,154</u>	<u>4,335,344</u>	<u>11,280,690</u>	<u>4,971,588</u>
Net position, previously reported	74,275,073	75,315,180	147,098,940	142,763,597	221,374,013	218,078,777
Restatement	<u>(10,155,043)</u>	<u>(1,676,351)</u>	<u>(2,867,842)</u>	<u>-</u>	<u>(13,022,885)</u>	<u>(1,676,351)</u>
Net position, beginning, restated	<u>64,120,030</u>	<u>73,638,829</u>	<u>144,231,098</u>	<u>142,763,597</u>	<u>208,351,128</u>	<u>216,402,426</u>
Net position, end of the year	<u>\$ 70,927,566</u>	<u>\$ 74,275,073</u>	<u>\$ 148,704,252</u>	<u>\$ 147,098,941</u>	<u>\$ 219,631,818</u>	<u>\$ 221,374,014</u>

Governmental Activities - Governmental activities increased the City of Hickory's net position by \$6,807,536.

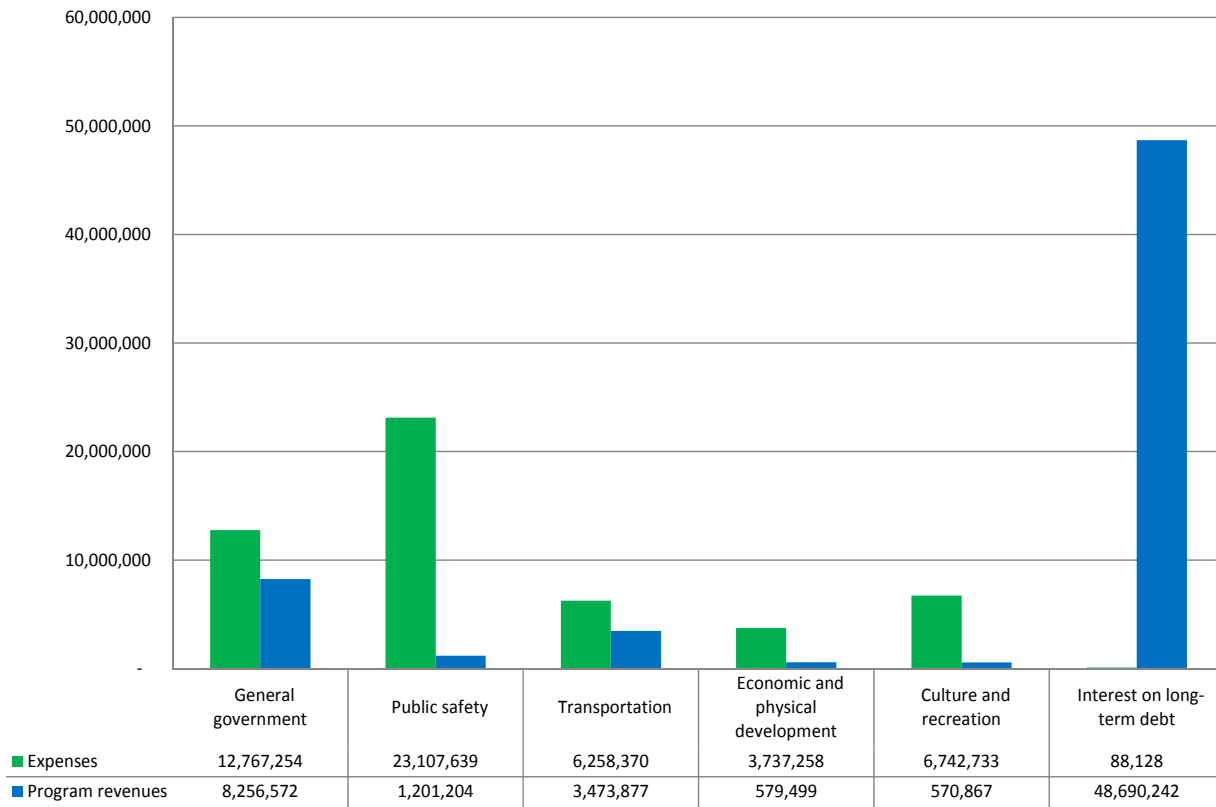
Summaries of these include:

- Total expenses decreased \$1,910,709, or 3.5%, for fiscal year 2018.
- Overall revenues increased, with program revenues increasing \$2,626,909, or 18.65%, and general revenues increasing \$969,944, or 2.2%.
- Operating grants and contributions for governmental activities totaled \$3,172,997. The grant awards furnished resources to support the following functions: general government (\$176,983), police and fire (\$942,815), Powell Bill and street maintenance (\$1,348,128), economic and physical development (\$388,705), and culture and recreation (\$316,366).

2018 Governmental Activities Revenues - \$59,014,755



2018
Expenses and Program Revenues - Governmental Activities

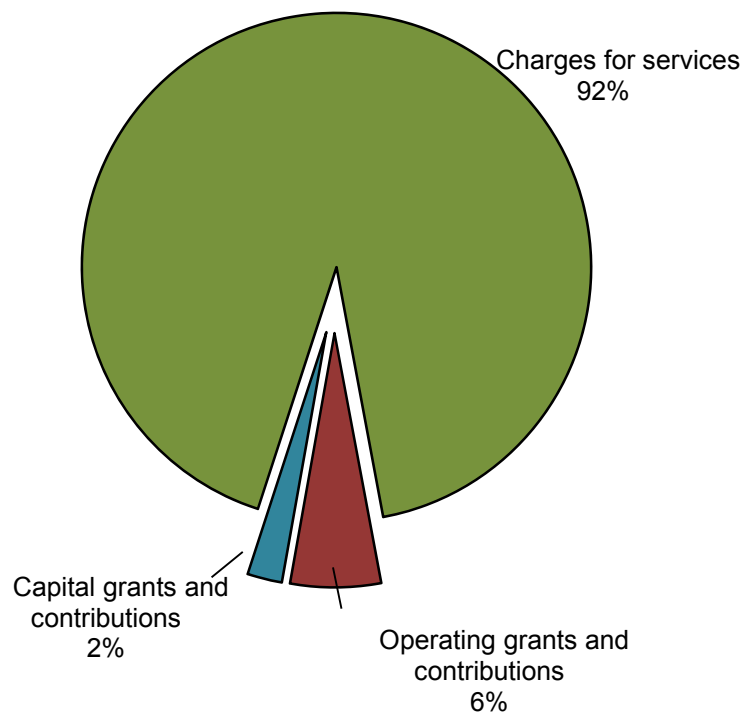


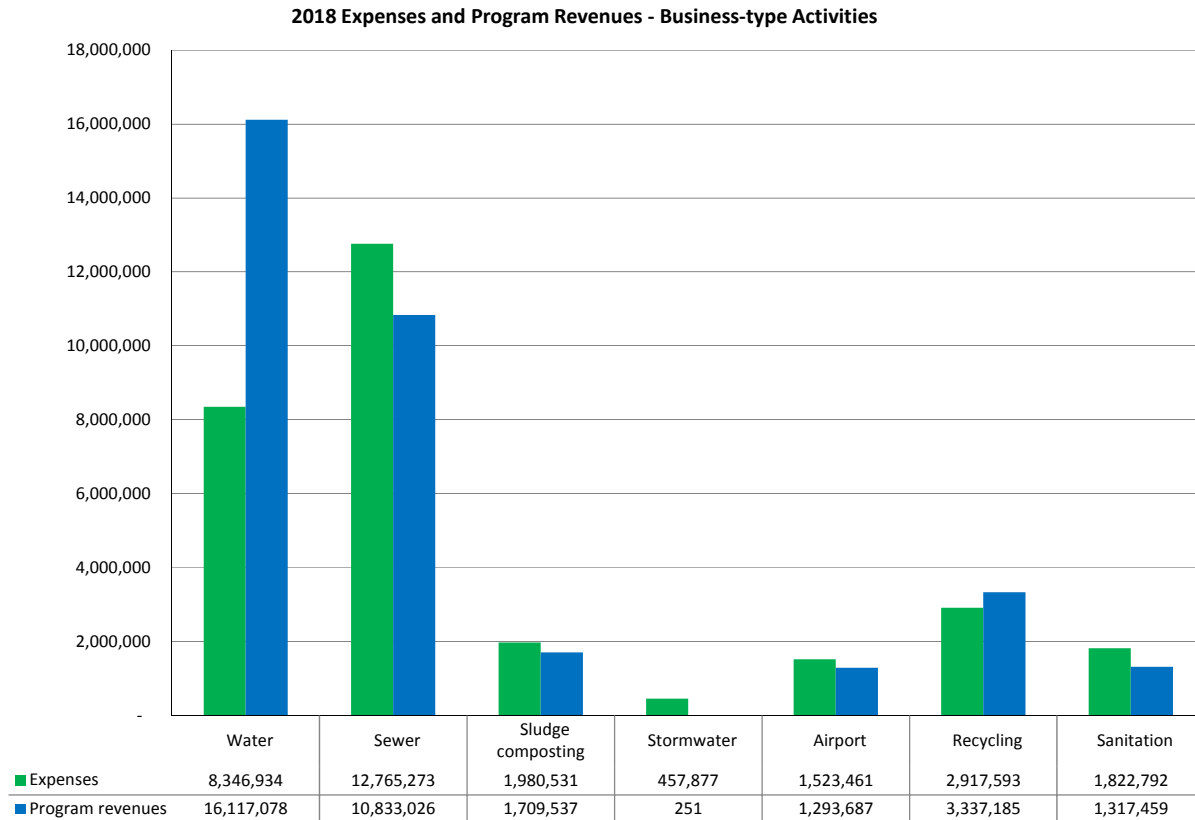
Business-Type Activities - Business-type activities increased the City of Hickory's net position by \$4,473,154.

Summaries of these include:

- Programs revenues decreased \$2,045,477, or 6.86%.
- Capital grants and contributions for business-type activities totaled \$760,895. The grant awards and contributions furnished resources to support the following activities: water \$755,556 and airport \$5,339.
- Transfers to business type activities were (\$494,163) to fund capital projects.

2018 Business-type Activities Revenues - \$34,781,778





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 \$39,613,392, a decrease of \$123,035 in comparison with the prior year. Of this total amount, \$17,851,314 constitutes *unassigned fund balance*, has no constraints on its use. The remainder of fund balance is broken down as follows:

- *Non-Spendable*: \$3,295,078 - resources not in spendable form, for example, inventories and prepaid items.
- *Restricted*: \$9,204,898 - resources specifically restricted by provider.
- *Committed*: \$6,800,074 - resources committed by formal action of governing body.
- *Assigned*: \$2,462,028 - 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 \$27,000,569. Total fund balance was \$37,778,669. 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 59.13% of total General Fund expenditures, while total fund balance represents 82.73% to that same amount.

The fund balance of the City of Hickory's General Fund increased by \$1,696,543 during the current fiscal year.

Summaries of these include:

- General government expenditures increased \$3,203,636 largely due to a fire truck purchase, land purchase, and repair of the Hwy 70 sinkhole.
- Transfers out decreased \$953,549 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 \$29,612,777. The total increase in net position was \$3,946,008. The Transportation Fund had an unrestricted net position of \$252,250, with a decrease in net position of \$226,963. Unrestricted net position of the Solid Waste Fund amounted to \$1,492,261, with total net position reflecting an increase of \$84,049. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Hickory's business-type activities.

Budgetary Highlights

General Fund. The difference between the original budget and the final amended budget was \$7,076,873, and can be briefly summarized as follows:

- \$325,566 in increases allocated to general governmental activities.
- \$1,959,633 in increases allocated to public safety.
- \$403,147 in increases allocated to transportation.
- \$135,880 in increases allocated to economic and physical development.
- \$1,922,829 in increases allocated to culture and recreation.
- \$75,568 in decreases for contingency.
- \$2,510,193 in increases allocated to transfers out of General Fund to other funds.
- \$104,807 in decreases for debt service.

The General Fund recognized a positive variance of \$7,424,341 between the final amended budget and the total actual expenditures. This variance can be summarized as follows:

- Approximately \$1,814,918 of the variance is due to reduced costs of salary and benefits because of retirements, vacancies and elimination of positions.
- Approximately \$813,027 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 \$13,139,757 for the fiscal year ending June 30, 2018. The following general capital projects contributed to key increases:

- Bond project authorizations increased \$15,676,496, most of which were related to management and design.
- Falling Creek Bridge project authorizations increased \$151,362 for administration, construction, right of way and land acquisition.
- The Convention Center Parking Deck project authorizations decreased by \$2,688,101 due to the project closure in Fiscal Year 2018.

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, 2018, amounts to \$200,681,045 (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 a new motor grader for the Street Department.
- Acquisition of the Hildebran Sewer System.
- Repair of Hwy 70 sinkhole.
- Purchase of Hypochlorite Generation System at the Water Plant.
- Purchase of a new truck for trash collections in the Sanitation division.
- Management and design of bond projects.
- Replacement of the L.P. Frans Stadium scoreboard.

Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 12,617,156	\$ 12,274,581	\$ 5,329,400	\$ 5,203,216	\$ 17,946,556	\$ 17,477,797
Land improvements	-	-	7,068,587	7,068,587	7,068,587	7,068,587
Buildings and improvements	16,330,099	16,132,110	34,038,827	32,680,138	50,368,926	48,812,248
Equipment	3,570,030	3,707,988	4,911,184	3,772,199	8,481,214	7,480,187
Vehicles	3,219,848	3,087,728	2,119,451	1,801,335	5,339,299	4,889,063
Road network	10,494,576	11,442,023	1,530,914	1,808,659	12,025,490	13,250,682
Operating plants	-	-	20,235,366	20,808,122	20,235,366	20,808,122
Waterlines	-	-	22,784,446	22,842,087	22,784,446	22,842,087
Sewerlines	-	-	36,083,051	36,391,114	36,083,051	36,391,114
Construction in progress	9,566,271	3,230,094	10,781,839	8,003,036	20,348,110	11,233,130
Total capital assets	\$ 55,797,980	\$ 49,874,524	\$ 144,883,065	\$ 140,378,493	\$ 200,681,045	\$ 190,253,017

Additional information on the City of Hickory's capital assets can be found in Note 6 on pages 60-63 of this report.

Debt

The City's bond rating is Aa2 and AA+ by Moody's Investors Service and S&P Global Ratings, respectively. Gross debt obligations of the City are \$30,840,573 as of June 30, 2018. Gross debt consists of installment purchase agreements of \$14,178,462 and notes payable of \$16,662,111.

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, 2018, was \$351,277,497.

Installment purchase agreements related to the Radio System Upgrade and the Convention Center amount to \$2,681,921 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 \$11,496,541 and are obligations of the Water and Sewer Fund. Notes payable amounting to \$16,662,111 for low interest loans related to water and sewer capital improvements are recorded as obligations of the Water and Sewer Fund.

Debt service costs comprise 2.20% of expenditures of the General Fund and 14% of the Water and Sewer Fund.

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

The City of Hickory's total debt decreased by \$2,333,516 during the current fiscal year.

Additional information relating to debt service activity, intergovernmental agreements on repayment and historical information concerning the City's debt position can be found on pages 64-68 of this report.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Accrued law enforcement officer's unfunded retirement contribution	\$ 3,559,244	\$ 3,190,102	\$ -	\$ -	\$ 3,559,244	\$ 3,190,102
Compensated absences	2,390,069	2,255,802	540,924	541,640	2,930,993	2,797,442
Unfunded OPEB obligations	17,786,111	7,327,566	5,342,863	2,383,851	23,128,974	9,711,417
Net pension liability (LGRS)	5,633,923	7,983,017	1,325,773	1,876,079	6,959,696	9,859,096
Installment purchase agreements	2,681,921	3,488,990	11,496,541	13,153,925	14,178,462	16,642,915
Notes payable	-	-	16,662,111	14,529,139	16,662,111	14,529,139
Total	<u>\$ 32,051,268</u>	<u>\$ 24,245,477</u>	<u>\$ 35,368,212</u>	<u>\$ 32,484,634</u>	<u>\$ 67,419,480</u>	<u>\$ 56,730,111</u>

Economic Factors and Next Year's Budget and Rates

- Revenue estimates contained in the City of Hickory's Fiscal Year 2018-2019 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 \$27,250,000 in property tax revenue. The property tax base is estimated to be \$4,716,231,271.
- The Fiscal Year 2019 budget maintains the current level of employee benefits.
- There will be slight increases to City charges and fees.

These factors were considered in preparation of the City of Hickory's budget for the Fiscal Year 2019.

In Fiscal Year 2019, the City of Hickory has appropriated \$992,353 of unassigned General Fund balance to finance the general operations of the City.

The original budget for Fiscal Year 2019 increased 8.47% 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, PO Box 398, Hickory, NC 28603.

Basic Financial Statements



CITY OF HICKORY, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 36,638,833	\$ 36,531,956	\$ 73,170,789
Taxes receivable, net	531,223	-	531,223
Accounts receivable, net	2,372,265	3,419,824	5,792,089
Note receivable	2,837,400	-	2,837,400
Due from other governments	2,594,058	529,452	3,123,510
Internal balances	1,073,154	(1,073,154)	-
Inventories	251,730	521,512	773,242
Prepaid items	550,617	68,382	618,999
Cash and cash equivalents, restricted	57,215	655,847	713,062
Land and construction in progress	22,183,427	23,179,826	45,363,253
Other capital assets, net of depreciation	33,614,553	121,703,239	155,317,792
Total assets	<u>102,704,475</u>	<u>185,536,884</u>	<u>288,241,359</u>
Deferred Outflows of Resources:			
OPEB deferrals	1,129,708	339,358	1,469,066
Pension deferrals	4,689,170	977,184	5,666,354
Total deferred outflows of resources	<u>5,818,878</u>	<u>1,316,542</u>	<u>7,135,420</u>
Liabilities:			
Accounts payable and accrued liabilities	4,029,464	1,703,950	5,733,414
Prepaid fees	13,482	63,764	77,246
Liabilities to be paid from restricted assets:			
Customer deposits	57,215	655,847	713,062
Long-term liabilities:			
Net pension liability - LGERS	5,633,923	1,325,773	6,959,696
Total pension liability - LEOSSA	3,559,244	-	3,559,244
Total OPEB liability	17,786,111	5,342,863	23,128,974
Due within one year	1,823,054	2,948,855	4,771,909
Due in more than one year	3,248,936	25,750,721	28,999,657
Total liabilities	<u>36,151,429</u>	<u>37,791,773</u>	<u>73,943,202</u>
Deferred Inflows of Resources:			
Pension deferrals	643,450	124,102	767,552
OPEB deferrals	776,634	233,299	1,009,933
Prepaid taxes	24,274	-	24,274
Total deferred inflows of resources	<u>1,444,358</u>	<u>357,401</u>	<u>1,801,759</u>
Net Position:			
Net investment in capital assets	55,745,847	116,724,413	172,470,260
Restricted for:			
Stabilization for state statute	7,076,762	-	7,076,762
Public safety	1,007,301	-	1,007,301
Economic and development	1,120,835	-	1,120,835
Unrestricted	<u>5,976,821</u>	<u>31,979,839</u>	<u>37,956,660</u>
Total net position	<u>\$ 70,927,566</u>	<u>\$ 148,704,252</u>	<u>\$ 219,631,818</u>

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

CITY OF HICKORY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 12,767,254	\$ 8,079,589	\$ 176,983	\$ -
Public safety	23,107,639	258,389	942,815	-
Transportation	6,258,370	11,787	1,348,128	2,113,962
Economic and physical development	3,737,258	190,794	388,705	-
Culture and recreation	6,742,733	254,501	316,366	-
Interest on long-term debt	88,128	-	-	-
Total governmental activities	<u>52,701,382</u>	<u>8,795,060</u>	<u>3,172,997</u>	<u>2,113,962</u>
Business-Type Activities:				
Water	8,346,934	16,008,741	108,337	-
Sewer	12,765,273	9,876,273	201,197	755,556
Sludge composting	1,980,531	65,308	1,644,229	-
Stormwater	457,877	251	-	-
Airport	1,523,461	1,281,618	6,730	5,339
Recycling	2,917,593	3,310,288	26,897	-
Sanitation	<u>1,822,792</u>	<u>1,317,459</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>29,814,461</u>	<u>31,859,938</u>	<u>1,987,390</u>	<u>760,895</u>
Total primary government	<u>\$ 82,515,843</u>	<u>\$ 40,654,998</u>	<u>\$ 5,160,387</u>	<u>\$ 2,874,857</u>

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

CITY OF HICKORY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Functions/Programs:			
Primary Government:			
Governmental Activities:			
General government	\$ (4,510,682)	\$ -	\$ (4,510,682)
Public safety	(21,906,435)	-	(21,906,435)
Transportation	(2,784,493)	-	(2,784,493)
Economic and physical development	(3,157,759)	-	(3,157,759)
Culture and recreation	(6,171,866)	-	(6,171,866)
Interest on long-term debt	(88,128)	-	(88,128)
Total governmental activities	<u>(38,619,363)</u>	<u>-</u>	<u>(38,619,363)</u>
Business-Type Activities:			
Water	-	7,770,144	7,770,144
Sewer	-	(1,932,247)	(1,932,247)
Sludge composting	-	(270,994)	(270,994)
Stormwater	-	(457,626)	(457,626)
Airport	-	(229,774)	(229,774)
Recycling	-	419,592	419,592
Sanitation	-	(505,333)	(505,333)
Total business-type activities	<u>-</u>	<u>4,793,762</u>	<u>4,793,762</u>
Total primary government	<u>(38,619,363)</u>	<u>4,793,762</u>	<u>(33,825,601)</u>
General Revenues:			
Ad valorem taxes	27,222,941	-	27,222,941
Sales taxes	10,380,928	-	10,380,928
Franchise taxes	3,234,684	-	3,234,684
Telecommunication tax	839,810	-	839,810
Motel/occupancy tax	2,050,198	-	2,050,198
Vehicle tag tax	184,709	-	184,709
Gross receipts tax	163,224	-	163,224
Unrestricted intergovernmental	660,473	-	660,473
Unrestricted investment earnings	195,769	173,555	369,324
Total general revenues	<u>44,932,736</u>	<u>173,555</u>	<u>45,106,291</u>
Transfers	<u>494,163</u>	<u>(494,163)</u>	<u>-</u>
Total general revenues and transfers	<u>45,426,899</u>	<u>(320,608)</u>	<u>45,106,291</u>
Change in net position	<u>6,807,536</u>	<u>4,473,154</u>	<u>11,280,690</u>
Net Position:			
Net position, beginning	74,275,073	147,098,940	221,374,013
Restatement	<u>(10,155,043)</u>	<u>(2,867,842)</u>	<u>(13,022,885)</u>
Net position, beginning, restated	<u>64,120,030</u>	<u>144,231,098</u>	<u>208,351,128</u>
End of year - June 30	<u>\$ 70,927,566</u>	<u>\$ 148,704,252</u>	<u>\$ 219,631,818</u>

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

CITY OF HICKORY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	Major		Nonmajor	
	General	Capital	Governmental	Total
	Fund	Projects	Funds	
		Fund		
Assets:				
Current assets:				
Cash and cash equivalents	\$ 32,201,666	\$ 681,973	\$ 137,664	\$ 33,021,303
Taxes receivable, net	531,223	-	-	531,223
Accounts receivable, net	394,162	1,001,001	874,088	2,269,251
Notes receivable	561,400	-	-	561,400
Due from other governmental agencies	2,282,369	225,349	24,438	2,532,156
Due from other funds	1,870,696	-	-	1,870,696
Inventory	93,137	-	-	93,137
Prepaid items	364,383	-	158	364,541
Restricted cash and equivalents	57,215	-	-	57,215
Total current assets	38,356,251	1,908,323	1,036,348	41,300,922
Notes receivable	2,276,000	-	-	2,276,000
Total assets	<u>\$ 40,632,251</u>	<u>\$ 1,908,323</u>	<u>\$ 1,036,348</u>	<u>\$ 43,576,922</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 2,227,388	\$ 461,138	\$ 15,467	\$ 2,703,993
Prepaid fees	13,482	-	-	13,482
Due to other funds	-	-	9,350	9,350
Liabilities to be paid from restricted assets:				
Customer deposits	57,215	-	-	57,215
Total current liabilities	2,298,085	461,138	24,817	2,784,040
Deferred Inflows of Resources:				
Property taxes receivable	531,223	-	-	531,223
Prepaid taxes	24,274	-	-	24,274
Economic development receivable	-	-	623,993	623,993
Total deferred inflows of resources	555,497	-	623,993	1,179,490
Fund Balances:				
Non-spendable	3,294,920	-	158	3,295,078
Restricted for:				
Stabilization for state statute	5,575,879	1,226,350	274,533	7,076,762
Restricted, all other	1,907,301	220,835	-	2,128,136
Committed	6,666,331	-	133,743	6,800,074
Assigned	2,462,028	-	-	2,462,028
Unassigned	17,872,210	-	(20,896)	17,851,314
Total fund balances	37,778,669	1,447,185	387,538	39,613,392
Total liabilities, deferred inflow of resources, and fund balances	<u>\$ 40,632,251</u>	<u>\$ 1,908,323</u>	<u>\$ 1,036,348</u>	<u>\$ 43,576,922</u>

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

CITY OF HICKORY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2018

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

Total fund balances - modified accrual (see above)	\$ 39,613,392
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	55,771,492
Total pension liability - LEOSA	(3,559,244)
Net pension liability - LGERS	(5,528,723)
Total OPEB liability	(17,364,306)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	2,155,427
OPEB related deferrals	344,701
Accrual of interest revenue on delinquent taxes does not represent current financial resources and, therefore, is not reported in the funds.	93,559
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.	(12,096)
Other receivables are not available to pay for current period expenditures and are recognized as deferred inflows in the funds.	1,155,216
Pension related deferrals	1,827,134
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.	1,471,883
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(5,041,425)</u>
Net position of governmental activities	<u>\$ 70,927,566</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, 2018

	Major		Nonmajor	
	General	Capital	Governmental	Total
	Fund	Projects	Funds	
		Fund		
Revenues:				
Ad valorem taxes	\$ 27,349,367	\$ -	\$ -	\$ 27,349,367
Other taxes	16,853,553	-	-	16,853,553
Unrestricted intergovernmental revenues	660,473	-	-	660,473
Restricted intergovernmental revenues	2,583,796	2,113,962	362,340	5,060,098
Licenses and permits	4,852	-	-	4,852
Sales and services	1,674,129	-	-	1,674,129
Investment earnings	167,431	9,415	714	177,560
Miscellaneous	-	-	37,221	37,221
Total revenues	<u>49,293,601</u>	<u>2,123,377</u>	<u>400,275</u>	<u>51,817,253</u>
Expenditures:				
Current:				
General government	5,503,444	-	-	5,503,444
Public safety	22,884,339	-	24,853	22,909,192
Transportation	5,364,681	-	-	5,364,681
Economic and physical development	3,358,710	-	388,706	3,747,416
Culture and recreation	7,657,917	-	-	7,657,917
Capital outlay	-	6,355,253	-	6,355,253
Debt service:				
Principal retirement	807,069	-	-	807,069
Interest fees	89,479	-	-	89,479
Total expenditures	<u>45,665,639</u>	<u>6,355,253</u>	<u>413,559</u>	<u>52,434,451</u>
Revenues over (under) expenditures	<u>3,627,962</u>	<u>(4,231,876)</u>	<u>(13,284)</u>	<u>(617,198)</u>
Other Financing Sources (Uses):				
Transfers in	1,733,911	2,456,528	11,465	4,201,904
Transfers out	<u>(3,665,330)</u>	<u>(42,351)</u>	<u>(60)</u>	<u>(3,707,741)</u>
Total other financing sources (uses)	<u>(1,931,419)</u>	<u>2,414,177</u>	<u>11,405</u>	<u>494,163</u>
Net change in fund balances	1,696,543	(1,817,699)	(1,879)	(123,035)
Fund Balances:				
Fund balance, beginning	<u>36,082,126</u>	<u>3,264,884</u>	<u>389,417</u>	<u>39,736,427</u>
End of year - June 30	<u>\$ 37,778,669</u>	<u>\$ 1,447,185</u>	<u>\$ 387,538</u>	<u>\$ 39,613,392</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, 2018**

Net change in fund balances - total governmental funds per Exhibit D	\$ (123,035)
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	10,436,677
Depreciation expense	(4,454,048)
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	(68,064)
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.	(393,255)
Pension expense - LGERS	1,653,201
Pension expense - LEOSSA	502,226
OPEB plan expense	1,102,917
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	807,069
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.	(130,812)
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.	(3,210,234)
Accrual of interest expense for debt reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.	1,351
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet maintenance, to individual funds. The change in net position of certain internal service funds is reported with governmental activities.	<u>683,543</u>
Change in net position of governmental activities per Exhibit B	<u>\$ 6,807,536</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, 2018

	General Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 26,400,000	\$ 26,400,000	\$ 27,349,367	\$ 949,367
Other taxes	15,190,000	15,190,000	16,853,553	1,663,553
Unrestricted intergovernmental revenues	595,000	595,000	660,473	65,473
Restricted intergovernmental revenues	2,072,713	2,364,728	2,583,796	219,068
Licenses and permits	5,100	5,100	4,852	(248)
Sales and services	1,686,676	1,689,576	1,674,129	(15,447)
Investment earnings	125,000	125,000	136,995	11,995
Miscellaneous	319,000	465,226	566,864	101,638
Total revenues	<u>46,393,489</u>	<u>46,834,630</u>	<u>49,830,029</u>	<u>2,995,399</u>
Expenditures:				
Current:				
General government	6,615,302	6,953,652	5,503,444	1,450,208
Public safety	24,179,973	26,132,296	22,884,339	3,247,957
Transportation	6,307,628	6,710,775	5,364,681	1,346,094
Economic and physical development	3,173,774	3,309,234	3,222,774	86,460
Culture and recreation	6,459,330	8,240,746	7,657,917	582,829
Debt service:				
Principal	807,069	807,069	807,069	-
Interest and fees	194,288	89,481	89,479	2
Contingency	650,000	592,100	-	592,100
Total expenditures	<u>48,387,364</u>	<u>52,835,353</u>	<u>45,529,703</u>	<u>7,305,650</u>
Revenues over (under) expenditures	<u>(1,993,875)</u>	<u>(6,000,723)</u>	<u>4,300,326</u>	<u>10,301,049</u>
Other Financing Sources (Uses):				
Transfers in	1,335,000	1,335,000	833,911	(501,089)
Transfers (out)	(1,055,137)	(3,565,330)	(3,565,330)	-
Total other financing sources (uses)	<u>279,863</u>	<u>(2,230,330)</u>	<u>(2,731,419)</u>	<u>(501,089)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(1,714,012)</u>	<u>(8,231,053)</u>	<u>1,568,907</u>	<u>9,799,960</u>
Appropriated fund balance	<u>1,714,012</u>	<u>8,231,053</u>	<u>-</u>	<u>(8,231,053)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,568,907</u>	<u>\$ 1,568,907</u>
Reconciliation from Budgetary Basis of Accounting to Modified Accrual Basis:				
Current year note receivable payments			(702,800)	
Net change in fund balance modified accrual			866,107	
Fund Balance:				
Fund balance, beginning			30,246,231	
End of year - June 30			<u>\$ 31,112,338</u>	

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

CITY OF HICKORY, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	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	\$ 31,331,840	\$ 1,461,443	\$ 2,897,169	\$ 841,504	\$ 36,531,956	\$ 3,617,530
Accounts receivable, net	3,098,169	103,680	216,089	1,886	3,419,824	8,899
Inventory	470,848	50,664	-	-	521,512	158,593
Due from other governments	436,011	11,731	13,171	68,539	529,452	61,902
Prepaid items	65,152	2,106	87	1,037	68,382	186,076
Restricted cash	646,893	8,954	-	-	655,847	-
Total current assets	36,048,913	1,638,578	3,126,516	912,966	41,726,973	4,033,000
Non-current assets:						
Land and construction in progress	12,157,627	10,877,175	-	145,024	23,179,826	-
Other capital assets, net of depreciation	110,949,084	4,187,278	1,181,013	5,385,864	121,703,239	26,488
Total non-current assets	123,106,711	15,064,453	1,181,013	5,530,888	144,883,065	26,488
Total assets	159,155,624	16,703,031	4,307,529	6,443,854	186,610,038	4,059,488
Deferred Outflows of Resources:						
OPEB deferrals	234,425	22,326	80,374	2,233	339,358	26,791
Pension deferrals	675,615	73,724	212,147	15,698	977,184	82,637
Total deferred outflows of resources	910,040	96,050	292,521	17,931	1,316,542	109,428
Liabilities:						
Current liabilities:						
Accounts payable and accrued liabilities	1,388,472	89,188	211,188	15,102	1,703,950	1,313,375
Current portion of long-term debt	2,868,274	16,938	63,643	-	2,948,855	18,355
Due to other funds	-	19,188	-	-	19,188	1,021,692
Prepaid fees	63,764	-	-	-	63,764	-
Liabilities to be paid from restricted assets:						
Customer deposits	646,893	8,954	-	-	655,847	-
Total current liabilities	4,967,403	134,268	274,831	15,102	5,391,604	2,353,422
Non-current liabilities:						
Net pension liability	922,368	99,725	281,600	22,080	1,325,773	105,200
Total OPEB liability	3,690,794	351,504	1,265,415	35,150	5,342,863	421,805
Compensated absences payable	244,649	51,317	14,646	-	310,612	12,210
Due to other funds	-	820,466	-	-	820,466	-
Non-current portion of long-term debt	25,440,109	-	-	-	25,440,109	-
Total non-current liabilities	30,297,920	1,323,012	1,561,661	57,230	33,239,823	539,215
Total liabilities	35,265,323	1,457,280	1,836,492	72,332	38,631,427	2,892,637
Deferred Inflows of Resources:						
OPEB deferrals	161,160	15,349	55,255	1,535	233,299	18,418
Pension deferrals	78,345	9,749	35,029	979	124,102	19,478
Total deferred inflows of resources	239,505	25,098	90,284	2,514	357,401	37,896
Net Position:						
Net investment in capital assets	94,948,059	15,064,453	1,181,013	5,530,888	116,724,413	26,488
Unrestricted	29,612,777	252,250	1,492,261	856,051	32,213,339	1,211,895
Total net position	\$ 124,560,836	\$ 15,316,703	\$ 2,673,274	\$ 6,386,939	\$ 148,937,752	\$ 1,238,383
Total net position - proprietary funds presentation					\$ 148,937,752	
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds					(233,500)	
Net position of business-type activities - government-wide					\$ 148,704,252	

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, 2018

	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	\$ -	\$ -	\$ 26,897	\$ -	\$ 26,897	\$ -
Restricted intergovernmental	-	6,730	-	1,644,229	1,650,959	-
Charges for services	25,571,572	1,275,441	4,603,847	63,575	31,514,435	9,038,780
Other operating revenues	686,680	-	6,718	-	693,398	1,880
Total operating revenues	26,258,252	1,282,171	4,637,462	1,707,804	33,885,689	9,040,660
Operating Expenses:						
Administration and engineering	7,152,710	-	-	85,238	7,237,948	-
Collection system	1,338,344	-	-	-	1,338,344	-
Henry Fork plant	1,000,947	-	-	-	1,000,947	-
Northeast plant	931,081	-	-	-	931,081	-
Water treatment plant	2,097,463	-	-	-	2,097,463	-
Pre-treatment and lab	490,892	-	-	-	490,892	-
Distribution	2,110,428	-	-	-	2,110,428	-
Sludge plant	-	-	-	1,644,936	1,644,936	-
Street	-	-	-	35,302	35,302	-
Drainage maintenance	-	-	-	59,592	59,592	-
Claremont sewer lines	269,048	-	-	-	269,048	-
Hickory-Catawba wastewater treatment plant	281,803	-	-	-	281,803	-
Airport	-	533,018	-	-	533,018	-
Airport tower	-	12,219	-	-	12,219	-
Airport FBO	-	657,979	-	-	657,979	-
Recycling	-	-	2,658,394	-	2,658,394	-
Residential sanitation	-	-	829,290	-	829,290	-
Commercial sanitation	-	-	831,565	-	831,565	-
Health insurance	-	-	-	-	-	4,058,095
Property/casualty insurance	-	-	-	-	-	672,871
Workers' compensation	-	-	-	-	-	639,373
Dental insurance	-	-	-	-	-	399,347
Other insurance	-	-	-	-	-	69,975
Fleet maintenance	-	-	-	-	-	2,608,052
Depreciation	4,823,136	320,245	421,136	613,340	6,177,857	14,002
Total operating expenses	20,495,852	1,523,461	4,740,385	2,438,408	29,198,106	8,461,715
Operating income (loss)	5,762,400	(241,290)	(102,923)	(730,604)	4,687,583	578,945

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, 2018

	Business-Type Activities					Governmental Activities
	Water and Sewer Fund	Transportation Fund	Solid Waste Fund	Other Enterprise Funds	Total	Internal Service Funds
Non-Operating						
Revenues (Expenses):						
Investment earnings	148,844	6,789	14,037	3,885	173,555	18,209
Miscellaneous	-	-	6,355	-	6,355	-
Gain (loss) on disposal of capital assets	40,465	2,199	16,580	-	59,244	-
Interest on long-term debt	(656,820)	-	-	-	(656,820)	-
Total non-operating revenues (expenses)	(467,511)	8,988	36,972	3,885	(417,666)	18,209
Income (loss) before capital contributions and transfers	5,294,889	(232,302)	(65,951)	(726,719)	4,269,917	597,154
Capital Contributions:						
Capital contributions	755,556	5,339	-	-	760,895	-
Transfers:						
Transfers from other funds	-	-	150,000	1,460,274	1,610,274	-
Transfers (to) other funds	(2,104,437)	-	-	-	(2,104,437)	-
Change in net position	3,946,008	(226,963)	84,049	733,555	\$ 4,536,649	597,154
Net Position:						
Net position beginning	122,574,430	15,748,819	3,280,302	5,665,394		899,829
Restatement	(1,959,602)	(205,153)	(691,077)	(12,010)		(258,600)
Net position, beginning	120,614,828	15,543,666	2,589,225	5,653,384		641,229
End of year - June 30	\$ 124,560,836	\$ 15,316,703	\$ 2,673,274	\$ 6,386,939		\$ 1,238,383
Reconciliation with Exhibit B - Change in						
Net Position - Business-Type Activities:						
Change in net position - fund perspective					\$ 4,536,649	
Internal Service Fund profits allocated to business-type activities					(63,495)	
Change in net position - entity-wide perspective - Exhibit B					\$ 4,473,154	

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, 2018

	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	\$ 26,081,208	\$ 1,283,368	\$ 4,597,723	\$ 1,686,428	\$ 33,648,727	\$ 9,040,357
Cash paid to suppliers	(11,512,430)	(612,680)	(2,709,510)	(1,758,935)	(16,593,555)	(8,396,872)
Cash paid to employees	(4,955,021)	(541,276)	(1,535,400)	(97,170)	(7,128,867)	(539,764)
Net cash provided (used) by operating activities	<u>9,613,757</u>	<u>129,412</u>	<u>352,813</u>	<u>(169,677)</u>	<u>9,926,305</u>	<u>103,721</u>
Cash Flows from Non-Capital Financing Activities:						
Changes in due to/from other funds	87,012	271,430	-	(87,012)	271,430	203,518
Transfers from other funds	-	-	150,000	1,460,274	1,610,274	-
Transfers (to) other funds	(2,104,437)	-	-	-	(2,104,437)	-
Net cash provided (used) by non-capital financing activities	<u>(2,017,425)</u>	<u>271,430</u>	<u>150,000</u>	<u>1,373,262</u>	<u>(222,733)</u>	<u>203,518</u>
Cash Flows from Capital and Related Financing Activities:						
Acquisition and construction of capital assets	(9,138,152)	(46,307)	(401,230)	(1,100,000)	(10,685,689)	-
Proceeds from sale of assets	40,465	2,199	16,580	-	59,244	-
Principal paid on long-term debt	(2,580,835)	-	-	-	(2,580,835)	-
Interest paid on long-term debt	(667,695)	-	-	-	(667,695)	-
Proceeds from debt issued	3,056,424	-	-	-	3,056,424	-
Donations/contributions	-	-	6,355	-	6,355	-
Capital contributions	755,556	5,339	-	-	760,895	-
Net cash provided (used) by capital and related financing activities	<u>(8,534,237)</u>	<u>(38,769)</u>	<u>(378,295)</u>	<u>(1,100,000)</u>	<u>(10,051,301)</u>	<u>-</u>
Cash Flows from Investing Activities:						
Interest on investments	148,844	6,789	14,037	3,885	173,555	18,209
Net cash provided (used) by investing activities	<u>148,844</u>	<u>6,789</u>	<u>14,037</u>	<u>3,885</u>	<u>173,555</u>	<u>18,209</u>
Net increase (decrease) in cash and cash equivalents	(789,061)	368,862	138,555	107,470	(174,174)	325,448
Cash and Cash Equivalents:						
Beginning of year - July 1	<u>32,767,794</u>	<u>1,101,535</u>	<u>2,758,614</u>	<u>734,034</u>	<u>37,361,977</u>	<u>3,292,082</u>
End of year - June 30	<u>\$ 31,978,733</u>	<u>\$ 1,470,397</u>	<u>\$ 2,897,169</u>	<u>\$ 841,504</u>	<u>\$ 37,187,803</u>	<u>\$ 3,617,530</u>

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

CITY OF HICKORY, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities				Total	Governmental Activities
	Water and Sewer Fund	Transportation Fund	Solid Waste Fund	Nonmajor Enterprise Funds		Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ 5,762,400	\$ (241,290)	\$ (102,923)	\$ (730,604)	\$ 4,687,583	\$ 578,945
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	4,823,136	320,245	421,136	613,340	6,177,857	14,002
Change in net pension liability	(381,561)	(41,461)	(118,296)	(8,988)	(550,306)	(45,231)
Change in assets and liabilities:						
(Increase) decrease in accounts receivables	(197,504)	(1,097)	(40,198)	(22,083)	(260,882)	(6,499)
(Increase) decrease in prepaid items	21,109	489	2,290	881	24,769	(36,468)
(Increase) decrease in inventories	(75,804)	-	-	-	(75,804)	(38,835)
Change in deferred outflows for pensions	413,023	44,880	128,050	9,729	595,682	48,960
Change in deferred inflows for pensions	(234,425)	(22,326)	(5,857)	(2,233)	(264,841)	(2,239)
Change in deferred outflows for OPEB	(18,891)	(2,053)	(80,374)	(445)	(101,763)	(26,791)
Change in deferred inflows for OPEB	161,160	15,349	55,255	1,535	233,299	18,418
Increase (decrease) in accounts payable	(754,325)	40,903	78,767	(17,841)	(652,496)	(411,240)
Increase (decrease) in compensated absences	12,001	7,480	(6,630)	(13,567)	(716)	3,455
Change in total OPEB liability	62,980	5,999	21,593	599	91,171	7,198
Increase (decrease) in customer deposits	13,197	2,294	-	-	15,491	-
Increase (decrease) in prepaid fees	7,261	-	-	-	7,261	46
Net cash provided (used) by operating activities	<u>\$ 9,613,757</u>	<u>\$ 129,412</u>	<u>\$ 352,813</u>	<u>\$ (169,677)</u>	<u>\$ 9,926,305</u>	<u>\$ 103,721</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, 2018

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

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

The government reports the following major governmental funds:

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

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

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

The government reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fund type:

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

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

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

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

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

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

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

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

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

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds and internal service funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

1. Deposits and Investments

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

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 \$50,421,929 on June 30, 2018. The NC Capital Management Trust Government Portfolio, an SEC-registered 2a-7 government money market fund, 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, 2018

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, 2018 are as follows:

Governmental Activities:

General Fund:

Customer deposits	\$ 57,215
Total governmental activities	<u>\$ 57,215</u>

Business-Type Activities:

Water and Sewer Fund:

Customer deposits	\$ 646,893
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Transportation Fund:

Customer deposits	<u>8,954</u>
Total business-type activities	<u>\$ 655,847</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, 2017.

4. Allowances for Doubtful Accounts

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

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

5. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$5,000, or infrastructure with an initial individual cost of more than \$100,000, and an estimated useful life in excess of one year. Donated capital assets received prior to June 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

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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, pension and OPEB related deferrals. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criteria for this category – economic development receivable, prepaid taxes, property taxes receivable, and pension and OPEB related deferrals.

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

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

9. Compensated Absences

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

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the City has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

10. Net Position/Fund Balances

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

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

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

	<u>General Fund</u>	<u>Other Governmental Funds</u>
<i>Notes Receivable</i> – portion of fund balance that is not an available resource because it represents the year-end balance of notes receivable, which are not spendable resources.	\$ 2,837,400	\$ -
<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.	93,137	-
<i>Prepays</i> – portion of fund balance that is not an available resource because it represents prepaid amounts, which are not spendable resources.	<u>364,383</u>	<u>158</u>
Total	<u><u>\$ 3,294,920</u></u>	<u><u>\$ 158</u></u>

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

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

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

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

Restricted fund balance at June 30, 2018 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	\$ 220,835	\$ 1,120,835
Public safety	<u>1,007,301</u>	<u>-</u>	<u>1,007,301</u>
Total	<u><u>\$ 1,907,301</u></u>	<u><u>\$ 220,835</u></u>	<u><u>\$ 2,128,136</u></u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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, 2018 is as follows:

Purpose	General Fund	Other Governmental Funds	Total
Economic development	\$ -	\$ 133,743	\$ 133,743
Capital projects	6,666,331	-	6,666,331
Total	<u>\$ 6,666,331</u>	<u>\$ 133,743</u>	<u>\$ 6,800,074</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, 2018 is as follows:

Purpose	General Fund	Total
Subsequent year's expenditures	\$ 1,792,353	\$ 1,792,353
Fuel	669,675	669,675
Total	<u>\$ 2,462,028</u>	<u>\$ 2,462,028</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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	\$ 37,778,669
Less:	
Prepays	(364,383)
Inventory	(93,137)
Notes receivable	(2,837,400)
Stabilization by state statute	(5,575,879)
Public safety	(1,007,301)
Economic development	(900,000)
Capital projects	(6,666,331)
Appropriated fund balance in 2018 budget	(1,792,353)
Fuel	(669,675)
Fund balance policy - 25% of budgeted expenditures	<u>(13,208,838)</u>
Remaining fund balance	<u><u>\$ 4,663,372</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>\$ 1,028,652</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, 2018

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. Defined Benefit Cost-sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees’ Retirement System (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	\$ 31,112,338
Capital Reserve Fund:	
Investment earnings	30,436
Transfers in/out	800,000
Fund balance, beginning, previously reported	<u>5,835,895</u>
Fund Balance, Ending Exhibit D	<u>\$ 37,778,669</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

The details of this difference are as follows:

Installment purchase payable	\$ 2,681,921
Compensated absences	2,390,069
Less: effect of Internal Service Fund	<u>(30,565)</u>
Net adjustment to increase fund balance - total governmental	
funds to arrive at net position - governmental activities	<u>\$ 5,041,425</u>

Note 3 – Stewardship, Compliance, and Accountability

A. Budgetary Data

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

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

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

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

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

B. Encumbrances

As required by North Carolina G.S. 159-26(d), the City maintains encumbrance accounts, which are considered to be "budgetary accounts". Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in process at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities.

Note 4 – Deposits and Investments

A. Deposits

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

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, 2018, the carrying amount of the City's deposits with banks was \$6,784,578. Balances with banks equaled \$7,869,805. Of the bank balances, \$500,000 was covered by federal depository insurance, and \$7,369,805 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 \$14,188.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

B. Investments

At June 30, 2018, 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	\$ 50,421,929	\$ 7,969,982	\$ 8,333,400	\$ 12,564,316	\$ 21,554,231
NC Capital Management Trust:						
Government Portfolio	Amortized Cost	12,521,555	12,521,555	-	-	-
Term Portfolio*	Fair Value-Level 1	4,141,601	4,141,601	-	-	-
Total investments		<u>\$ 67,085,085</u>	<u>\$ 24,633,138</u>	<u>\$ 8,333,400</u>	<u>\$ 12,564,316</u>	<u>\$ 21,554,231</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, 2018. 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 90% 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 20%, 45%, and 25%, respectively, of the City's total investments.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 5 – Receivables

A. Detail

Receivables at the government-wide level at June 30, 2018 were as follows:

	<u>Taxes</u>	<u>Accounts</u>	<u>Notes</u>	<u>Due From Other Governments</u>	<u>Total</u>
Governmental Activities:					
General	\$ 1,365,821	\$ 575,517	\$ 2,837,400	\$ 2,344,271	\$ 7,123,009
General capital projects	-	1,001,001	-	225,349	1,226,350
Other governmental	-	874,088	-	24,438	898,526
Total receivables	1,365,821	2,450,606	2,837,400	2,594,058	9,247,885
Allowance for doubtful accounts	(834,598)	(78,341)	-	-	(912,939)
Total governmental activities	<u>\$ 531,223</u>	<u>\$ 2,372,265</u>	<u>\$ 2,837,400</u>	<u>\$ 2,594,058</u>	<u>\$ 8,334,946</u>
Business-Type Activities:					
Water and sewer	\$ -	\$ 3,197,960	\$ -	\$ 436,011	\$ 3,633,971
Transportation	-	103,680	-	11,731	115,411
Solid waste	-	243,318	-	13,171	256,489
Other	-	1,886	-	68,539	70,425
Total receivables	-	3,546,844	-	529,452	4,076,296
Allowance for doubtful accounts	-	(127,020)	-	-	(127,020)
Total business-type activities	<u>\$ -</u>	<u>\$ 3,419,824</u>	<u>\$ -</u>	<u>\$ 529,452</u>	<u>\$ 3,949,276</u>

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

Governmental activities	\$ 2,594,058
Business-type activities	<u>529,452</u>
Total due from other governmental agencies	<u>\$ 3,123,510</u>
Local option sales tax	\$ 1,771,580
Street maintenance reimbursements	49,022
Traffic control	86,911
NC DOT	203,164
County tax collections	125,806
Town of Maiden	64,380
Federal grants	59,485
Sales tax reimbursement	598,188
HUD grant	20,327
Other	144,647
Total due from other governmental agencies	<u>\$ 3,123,510</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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 instalments 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, 2018 were as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2019	\$ 630,400
2020	367,256
2021	250,227
2022	244,347
2023	238,467
2024-2028	1,104,133
2029	<u>161,575</u>
Total minimum lease receipts	2,996,403
Less amount representing interest	<u>(225,003)</u>
Present value of net minimum lease receipts	<u>\$ 2,771,400</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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 \$11,000 in the current year leaving an outstanding balance of \$66,000 on the note as of June 30, 2018. The CVYSA will pay the remaining \$66,000 balance in six 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:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 2,079,421
Benefit payments and administrative expenses for LEOSA and OPEB	1,476,707
Differences between expected and actual experience	727,899
Changes of assumptions	1,161,570
Net difference between projected and actual changes in proportion and differences between employer contributions and proportionate share of contributions	1,689,823
Total	<u>\$ 7,135,420</u>

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

Prepaid taxes (General Fund)	\$ 24,274
Taxes receivable, less penalties (General Fund)	531,223
Economic development receivable (Community Development Entitlement Block Grant Fund)	623,993
Changes of assumptions	1,061,056
Differences between expected and actual experience	197,007
Changes in proportion and differences between employer contributions and proportionate share of contributions	519,422
Total	<u>\$ 2,956,975</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 6 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental Activities:					
<i>Non-Depreciable Capital Assets:</i>					
Land	\$ 12,274,581	\$ 354,470	\$ (11,895)	\$ -	\$ 12,617,156
Construction in progress	3,230,094	6,359,069	(22,892)	-	9,566,271
Total assets non-depreciable	<u>15,504,675</u>	<u>6,713,539</u>	<u>(34,787)</u>	<u>-</u>	<u>22,183,427</u>
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	44,451,385	1,709,964	(395,802)	-	45,765,547
Equipment	13,167,953	805,437	(401,192)	-	13,572,198
Vehicles	15,522,355	1,084,399	(801,879)	(10,355)	15,794,520
Road network	56,916,874	146,231	-	-	57,063,105
Total depreciable assets	<u>130,058,567</u>	<u>3,746,031</u>	<u>(1,598,873)</u>	<u>(10,355)</u>	<u>132,195,370</u>
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	28,319,275	1,488,136	(371,963)	-	29,435,448
Equipment	9,459,965	933,957	(391,754)	-	10,002,168
Vehicles	12,434,627	952,279	(801,879)	(10,355)	12,574,672
Road network	45,474,851	1,093,678	-	-	46,568,529
Total accumulated depreciation	<u>95,688,718</u>	<u>4,468,050</u>	<u>(1,565,596)</u>	<u>(10,355)</u>	<u>98,580,817</u>
Total depreciable assets, net	<u>34,369,849</u>	<u>(722,019)</u>	<u>(33,277)</u>	<u>-</u>	<u>33,614,553</u>
Governmental activities capital assets, net	<u>\$ 49,874,524</u>	<u>\$ 5,991,520</u>	<u>\$ (68,064)</u>	<u>\$ -</u>	<u>\$ 55,797,980</u>
Business-Type Activities:					
Water and Sewer:					
<i>Non-Depreciable Capital Assets:</i>					
Land	\$ 1,258,350	\$ 126,184	\$ -	\$ -	\$ 1,384,534
Construction in progress	5,569,032	5,204,061	-	-	10,773,093
Total non-depreciable assets	<u>6,827,382</u>	<u>5,330,245</u>	<u>-</u>	<u>-</u>	<u>12,157,627</u>
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	48,160,700	185,102	-	-	48,345,802
Equipment	5,772,655	1,859,278	(87,257)	-	7,544,676
Vehicles	2,796,526	242,346	(141,652)	(3,100)	2,894,120
Operating plants	37,813,328	-	-	-	37,813,328
Water lines	35,803,413	653,463	-	-	36,456,876
Sewer lines	58,826,930	867,718	-	-	59,694,648
Total depreciable assets	<u>189,173,552</u>	<u>3,807,907</u>	<u>(228,909)</u>	<u>(3,100)</u>	<u>192,749,450</u>
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	20,612,294	1,412,851	-	-	22,025,145
Equipment	2,150,892	700,697	(83,997)	-	2,767,592
Vehicles	2,040,445	249,946	(141,652)	(3,100)	2,145,639
Operating plants	17,005,206	572,756	-	-	17,577,962
Water lines	12,961,326	711,107	-	-	13,672,433
Sewer lines	22,435,816	1,175,779	-	-	23,611,595
Total accumulated depreciation	<u>77,205,979</u>	<u>4,823,136</u>	<u>(225,649)</u>	<u>(3,100)</u>	<u>81,800,366</u>
Total depreciable assets, net	<u>111,967,573</u>	<u>(1,015,229)</u>	<u>(3,260)</u>	<u>-</u>	<u>110,949,084</u>
Water and Sewer capital assets, net	<u>118,794,955</u>	<u>4,315,016</u>	<u>(3,260)</u>	<u>-</u>	<u>123,106,711</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	<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	10,395,564	-	-	-	10,395,564
Equipment	93,873	-	-	-	93,873
Total depreciable assets	10,489,437	-	-	-	10,489,437
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	7,960,068	333,917	-	-	8,293,985
Equipment	92,195	1,678	-	-	93,873
Total accumulated depreciation	8,052,263	335,595	-	-	8,387,858
Total depreciable assets, net	2,437,174	(335,595)	-	-	2,101,579
Sludge composting capital assets, net	2,582,198	(335,595)	-	-	2,246,603
Stormwater:					
<i>Depreciable Capital Assets:</i>					
Curb and gutter	17,268,263	-	-	-	17,268,263
Improvements	661,641	1,100,000	-	-	1,761,641
Total depreciable assets	17,929,904	1,100,000	-	-	19,029,904
<i>Less Accumulated Depreciation:</i>					
Curb and gutter	15,459,604	233,704	-	-	15,693,308
Improvements	8,270	44,041	-	-	52,311
Total accumulated depreciation	15,467,874	277,745	-	-	15,745,619
Stormwater capital assets, net	2,462,030	822,255	-	-	3,284,285
Transportation:					
<i>Non-Depreciable Capital Assets:</i>					
Land	3,799,842	-	-	-	3,799,842
Land improvements	7,068,587	-	-	-	7,068,587
Construction in progress	2,434,005	5,933	(2,431,192)	-	8,746
Total non-depreciable assets	13,302,434	5,933	(2,431,192)	-	10,877,175
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	7,136,407	2,100,707	-	-	9,237,114
Equipment	2,098,925	40,376	-	-	2,139,301
Vehicles	239,523	330,483	(41,208)	13,455	542,253
Total depreciable assets	9,474,855	2,471,566	(41,208)	13,455	11,918,668
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	5,144,553	277,976	-	-	5,422,529
Equipment	2,054,822	14,729	-	-	2,069,551
Vehicles	239,523	27,540	(41,208)	13,455	239,310
Total accumulated depreciation	7,438,898	320,245	(41,208)	13,455	7,731,390
Total depreciable assets, net	2,035,957	2,151,321	-	-	4,187,278
Transportation capital assets, net	15,338,391	2,157,254	(2,431,192)	-	15,064,453

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	<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	968,721	-	(28,967)	-	939,754
Vehicles	5,211,132	401,230	-	-	5,612,362
Total depreciable assets	<u>6,439,263</u>	<u>401,230</u>	<u>(28,967)</u>	-	<u>6,811,526</u>
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	208,400	2,373	-	-	210,773
Equipment	864,066	40,302	(28,967)	-	875,401
Vehicles	4,165,878	378,461	-	-	4,544,339
Total accumulated depreciation	<u>5,238,344</u>	<u>421,136</u>	<u>(28,967)</u>	-	<u>5,630,513</u>
Solid waste capital assets, net	<u>1,200,919</u>	<u>\$ (19,906)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,181,013</u>
Business-type activities capital assets, net	<u>\$ 140,378,493</u>				<u>\$ 144,883,065</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 631,349
Public safety	1,437,631
Transportation	1,366,027
Economic and physical development	13,696
Culture and recreation	1,005,345
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	<u>14,002</u>
Total depreciation expense - governmental activities	<u>\$ 4,468,050</u>

Business-Type Activities:

Water	\$ 1,642,514
Sewer	3,180,622
Sludge composting	335,595
Stormwater	277,745
Transportation	320,245
Solid waste	<u>421,136</u>
Total depreciation expense - business-type activities	<u>\$ 6,177,857</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Construction Commitments

The City has active construction projects as of June 30, 2018. At year-end, the outstanding commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Oakwood National Register	\$ 7,000	\$ -
Bridge Replacement Windridge Subdivision	1,167,280	-
Bond Program - Management-Freese & Nichols	1,115,021	445,376
Bond Program - Administration Cost	17,370	-
City Walk	1,162,116	191,511
River Walk	804,814	523,375
GateWays	37,956	-
Wayfinding	472,494	3,750
Trivium Corporate Center (Business Park 1764)	4,658,875	1,285,994
Lackey Park	72,687	2,533
Falling Creek Bridge	2,003,485	96,129
Geitner Basin	3,150,877	102,232
Central Business District	4,995,598	290,088
Airport Improvements	96,833	77,611
Murray Basin Sewerlines	335,805	5,977
NE Sewer Grant Project	2,697,840	275,547
Total	\$ 22,796,051	\$ 3,300,123

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	\$ 55,797,980	\$ 144,883,065
Total debt, gross	(2,681,921)	(28,158,652)
Debt for non-capital assets	2,629,788	-
Total capital debt	(52,133)	(28,158,652)
 Net investment in capital assets	 \$ 55,745,847	 \$ 116,724,413

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 7 – Liabilities

A. Payables

Payables at the government-wide level at June 30, 2018 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:					
General	\$ 1,479,868	\$ 893,889	\$ 12,096	\$ 1,167,006	\$ 3,552,859
General Capital Projects Fund	461,138	-	-	-	461,138
Other governmental	<u>15,467</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,467</u>
Total payables	<u>\$ 1,956,473</u>	<u>\$ 893,889</u>	<u>\$ 12,096</u>	<u>\$ 1,167,006</u>	<u>\$ 4,029,464</u>
Business-Type Activities:					
Water and sewer	\$ 1,177,428	\$ 84,552	\$ 126,143	\$ 349	\$ 1,388,472
Transportation	76,514	12,674	-	-	89,188
Solid waste	182,672	25,503	-	3,013	211,188
Other business-type	<u>14,332</u>	<u>770</u>	<u>-</u>	<u>-</u>	<u>15,102</u>
Total payables	<u>\$ 1,450,946</u>	<u>\$ 123,499</u>	<u>\$ 126,143</u>	<u>\$ 3,362</u>	<u>\$ 1,703,950</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, 2018 are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2019	\$ 51,256
2020	43,204
2021	34,108
2022	<u>18,889</u>
Total minimum lease payments	<u>\$ 147,457</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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%	\$ 330,000	
\$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	141,400	
\$3,000,000 TDA parking deck installment purchase agreement due in semi-annual installments of \$100,000 principal plus interest at 2.94% through October 22, 2029; non-capital debt for the City of Hickory	2,158,388	
\$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>52,133</u>	<u>\$ 2,681,921</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	<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	3,325,000	
\$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%	1,107,135	
\$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%	99,738	
\$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>6,964,668</u>	<u>11,496,541</u>
Total		<u>\$ 14,178,462</u>

3. Notes Payable

On December 3, 2010, the City entered into an agreement with the state for a loan from the State Loan Pool for construction of the Northeast wastewater treatment plant. The approved amount was \$17,500,000, which requires twenty annual principal payments of \$875,000 and forty semi-annual interest payments at 2.48% beginning six months after completion of the project. The City currently owes \$13,125,000 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 \$480,687 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 May 3, 2016, the City entered into an agreement for a \$1,232,398 note payable in bi-annual installments of \$68,205, through May 2038, and interest at 1.66% per year for the Central Business District. This loan was approved for \$1,364,100 and will increase based upon drawdowns during project finalization in fiscal year 2019 as CWSRF project is complete. The City currently owes \$1,232,398 on this debt. Principal and interest requirements will be provided by appropriation in the year that they become due. The long-term debt is recorded in the Water and Sewer Fund.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

On May 3, 2016, the City entered into an agreement with for a \$1,824,026 note payable in bi-annual installments of \$163,616.10, through May 2038, and interest at 1.66% per year for Geitner Basin. This loan was approved for \$3,519,475 on May 3, 2016. The City currently owes \$1,824,026 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, 2018:

	Long-Term Debt June 30, 2017	Additions	Retirements	Long-Term Debt June 30, 2018	Due Within One Year
Governmental Activities:					
Total pension liability (LEOSSA)	\$ 3,190,102	\$ 369,142	\$ -	\$ 3,559,244	\$ -
Compensated absences	2,255,802	1,478,178	1,343,911	2,390,069	1,209,520
Total OPEB liability	17,482,609	1,080,427	776,925	17,786,111	-
Net pension liability (LGRS)	7,983,017	-	2,349,094	5,633,923	-
Installment purchase agreements	3,488,990	-	807,069	2,681,921	613,534
Governmental activities long-term liabilities	<u>\$ 34,400,520</u>	<u>\$ 2,927,747</u>	<u>\$ 5,276,999</u>	<u>\$ 32,051,268</u>	<u>\$ 1,823,054</u>
Business-Type Activities:					
Water and Sewer:					
Compensated absences	\$ 382,380	\$ 178,370	\$ 166,367	\$ 394,383	\$ 149,732
Net pension liability (LGRS)	1,303,929	-	381,561	922,368	-
Total OPEB liability	3,627,814	144,151	81,171	3,690,794	-
Installment purchase agreements	13,153,925	-	1,657,384	11,496,541	1,571,660
Notes payable	14,529,139	3,056,424	923,452	16,662,111	1,146,878
Water and sewer long-term liabilities	<u>32,997,187</u>	<u>3,378,945</u>	<u>3,209,935</u>	<u>33,166,197</u>	<u>2,868,270</u>
Other Enterprise Funds:					
Compensated absences	159,260	90,384	103,103	146,541	80,585
Net pension liability (LGRS)	572,150	-	168,745	403,405	-
Total OPEB liability	1,623,879	86,169	57,979	1,652,069	-
Other enterprise funds long-term liabilities	<u>2,355,289</u>	<u>176,553</u>	<u>329,827</u>	<u>2,202,015</u>	<u>80,585</u>
Business-type activities long-term liabilities	<u>\$ 35,352,476</u>	<u>\$ 3,555,498</u>	<u>\$ 3,539,762</u>	<u>\$ 35,368,212</u>	<u>\$ 2,948,855</u>

Compensated absences and the law enforcement officers' pension liability have typically have been liquidated in the General Fund for governmental activities. At June 30, 2018, the City had a legal debt margin of \$351,277,497.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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:						
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	-	-	200,000	38,467	200,000	38,467
2024-2028	-	-	1,000,000	104,133	1,000,000	104,133
2029-2030	-	-	158,387	3,187	158,387	3,187
	<u>-</u>	<u>-</u>	<u>2,681,921</u>	<u>367,605</u>	<u>2,681,921</u>	<u>367,605</u>
Business-Type						
Activities:						
2019	1,146,878	432,873	1,571,660	279,750	2,718,538	712,623
2020	1,146,878	376,916	1,486,256	241,363	2,633,134	618,279
2021	1,146,878	351,368	1,500,917	203,541	2,647,795	554,909
2022	1,146,878	325,820	1,146,868	167,387	2,293,746	493,207
2023	1,146,878	300,272	1,162,205	136,896	2,309,083	437,168
2024-2028	5,734,392	1,118,135	4,628,635	271,407	10,363,027	1,389,542
2029-2033	4,575,287	455,700	-	-	4,575,287	455,700
2034-2035	618,042	-	-	-	618,042	-
	<u>16,662,111</u>	<u>3,361,084</u>	<u>11,496,541</u>	<u>1,300,344</u>	<u>28,158,652</u>	<u>4,661,428</u>
 Total	<u>\$ 16,662,111</u>	<u>\$ 3,361,084</u>	<u>\$ 14,178,462</u>	<u>\$ 1,667,949</u>	<u>\$ 30,840,573</u>	<u>\$ 5,029,033</u>

Note 8 – Pension Plan Obligations

A. Local Government Employees' Retirement System

1. Description

The City of Hickory is a participating employer in the state-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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.

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, 2018, was 8.25% of compensation for law enforcement officers and 7.56% 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 \$2,079,421 for the year ended June 30, 2018.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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, 2018, the City reported a liability of \$6,959,696 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the City's proportion was 0.456%, which was a decrease of 0.009% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$2,174,944. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 400,943	\$ 197,007
Changes of assumptions	993,941	-
Net difference between projected and actual earnings on pension plan investments	1,689,823	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	519,422
City contributions subsequent to the measurement date	<u>2,079,421</u>	<u>-</u>
Total	<u>\$ 5,164,128</u>	<u>\$ 716,429</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

\$2,079,421 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, 2019. 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
2019	\$ 172,855
2020	1,850,021
2021	904,554
2022	(559,152)
2023	-
Thereafter	-
Total	<u>\$ 2,368,278</u>

5. Actuarial Assumptions

The total pension liability in the December 31, 2016 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	7.20 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, 2016 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 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

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	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	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 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 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20%, 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 (6.20%) or one percentage point higher (8.20%) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
City's proportionate share of the net pension liability (asset)	<u>\$ 20,893,162</u>	<u>\$ 6,959,696</u>	<u>\$ (4,670,351)</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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. A separate report was not issued for the plan.

The Separation Allowance covers all full-time law enforcement officers of the City. At December 31, 2016, the Separation Allowance's membership consisted of:

Retirees currently receiving benefits	19
Non-vested	<u>108</u>
Total	<u><u>127</u></u>

2. *Summary of Significant Accounting Policies*

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

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

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

3. Actuarial Assumptions

The entry age normal method was used in the December 31, 2016 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Projected salary increases	3.5 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

DEATHS AFTER RETIREMENT (HEALTHY): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

DEATHS BEFORE RETIREMENT: RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

DEATHS AFTER RETIREMENT (BENEFICIARY): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

DEATHS AFTER RETIREMENT (DISABLED): RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 103% for males and 99% for females.

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 \$309,549 as benefits came due for the reporting period.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

At June 30, 2018, the City reported a total pension liability of \$3,559,244. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the City recognized pension expense of \$313,710.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Benefit payments and administrative costs subsequent to measurement date	\$ 148,138	\$ -
Changes of assumptions and other inputs	167,629	51,123
Differences between expected and actual experience	186,459	-
Total	<u>\$ 502,226</u>	<u>\$ 51,123</u>

\$148,138 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2019	\$ 60,122
2020	60,122
2021	60,122
2022	60,122
2023	62,477
Total	<u>\$ 302,965</u>

\$148,138 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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 3.16%, 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 (2.16%) or 1-percentage-point higher (4.16%) than the current rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	<u>\$ 3,858,254</u>	<u>\$ 3,559,244</u>	<u>\$ 3,287,001</u>

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

Beginning balance	\$ 3,190,102
Service cost	135,028
Interest on the total pension liability	117,164
Difference between expected and actual experience	224,590
Changes of assumptions and other inputs	201,909
Benefit payments made	(309,549)
Net change in total pension liability	<u>369,142</u>
Ending balance of the total pension liability	<u>\$ 3,559,244</u>

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 3.86% at December 31, 2016 to 3.16% at December 31, 2017.

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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 2,174,944	\$ 313,710	\$ 2,488,654
Pension liability	6,959,696	3,559,244	10,518,940
Proportion of the net pension liability (asset)	0.45556%	N/A	-

Deferred Outflows of Resources

Differences between expected and actual experience	\$ 400,943	\$ 186,459	\$ 587,402
Changes of assumptions	993,941	167,629	1,161,570
Net difference between projected and actual earnings on pension plan investments	1,689,823	-	1,689,823
Employer contributions (LGERS) and benefit payments and administration costs (LEOSSA) subsequent to the measurement date	<u>2,079,421</u>	<u>148,138</u>	<u>2,227,559</u>
	<u>\$ 5,164,128</u>	<u>\$ 502,226</u>	<u>\$ 5,666,354</u>

Deferred Inflows of Resources

Differences between expected and actual experience	\$ 197,007	\$ -	\$ 197,007
Changes of assumptions	-	51,123	51,123
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>519,422</u>	<u>-</u>	<u>519,422</u>
	<u>\$ 716,429</u>	<u>\$ 51,123</u>	<u>\$ 767,552</u>

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

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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, 2018 were \$387,758, which consisted of \$266,241 from the City and \$121,517 from the law enforcement officers. No amounts were forfeited.

Note 9 – Death Benefit Plan

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

Note 10 – Other Post-Employment Benefits (OPEB)

A. Description

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

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

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>

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 2018, the City chose to fund the plan benefits on a pay-as-you-go basis.

Total OPEB Liability

The County's total OPEB liability of \$23,128,974 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	3.00 percent
Real wage growth	1.00 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation:	
General Employees	3.50 to 7.75 percent
Firefighters	3.50 to 7.75 percent
Law Enforcement Officers	3.50 to 7.35 percent
Municipal Bond Index Rate:	
Prior Measurement Date	3.01 percent
Measurement Date	3.56 percent
Healthcare cost trend rates:	
Pre-Medicare	7.75 percent for 2016 decreasing to an ultimate rate of 5.00 percent by 2022

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2017	<u>\$ 23,657,777</u>
Changes for the year:	
Service cost	718,706
Interest	698,414
Differences between expected and actual experience	166,419
Changes of assumptions or other inputs	(1,196,267)
Benefit payments	<u>(916,075)</u>
Net changes	<u>(528,803)</u>
Balance at June 30, 2018	<u><u>\$ 23,128,974</u></u>

Changes in assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 3.01% to 3.56%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by LGERS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB liability	<u>\$ 25,353,330</u>	<u>\$ 23,128,974</u>	<u>\$ 21,116,759</u>

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

	1% Decrease	Current	1% Increase
Total OPEB liability	<u>\$ 20,547,186</u>	<u>\$ 23,128,974</u>	<u>\$ 26,133,310</u>

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$1,264,108. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 140,497	\$ -
Changes of assumptions	-	1,009,933
Benefit payments and plan administrative expense made subsequent to the measurement date	<u>1,328,569</u>	<u>-</u>
Total	<u>\$ 1,469,066</u>	<u>\$ 1,009,933</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

\$1,328,569 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending	
June 30	Total
2019	\$ (160,412)
2020	(160,412)
2021	(160,412)
2022	(160,412)
2023	(160,412)
Thereafter	(67,376)
Total	<u>\$ (869,436)</u>

Note 11 – Deferred Compensation Plan

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

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

Note 12 – Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and/or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured for workers' compensation coverage for all employees. Funding is provided by charges to the various funds of the City based upon submitted claims. Aggregate and specific stop loss insurance coverage is provided annually by Safety National Insurance. Compensation Claims Solution provides third-party claims administration. The City has recognized a provision of \$637,507 for claims incurred, but not reported, in the accompanying financial statements. This provision is estimated based upon analysis of historical claims experience reviewed by the City's third-party administrator.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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 \$529,499 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.

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 \$237 million on buildings and contents, with a \$5,000 deductible and general liability coverage of \$1 million with a \$3 million aggregate and \$8 million umbrella per occurrence with a \$10,000 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, 2018</u>	<u>June 30, 2017</u>
Unpaid claims, beginning of fiscal year	\$ 1,329,560	\$ 1,520,126
Incurred claims (including IBNRs)	4,349,964	5,237,091
Claim payments	<u>(4,512,518)</u>	<u>(5,427,657)</u>
Unpaid claims, end of fiscal year	<u>\$ 1,167,006</u>	<u>\$ 1,329,560</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 13 – Interfund Activity

The transfers to/from other funds at June 30, 2018 consist of the following:

From General Fund to Solid Waste Fund for operational needs	\$ 50,000
From General Fund to General Capital Project Fund for operational needs to close projects	2,448,728
From Water and Sewer Fund to Stormwater Fund for operational needs	135,137
From Water and Sewer Fund to Stormwater Fund for capital expenditures	1,100,000
From Water and Sewer Fund to General Fund for capital expenditures	31,500
From Water and Sewer Fund to Sludge Fund for capital expenditures	90,000
From Water and Sewer Fund to General Capital Projects Fund for for capital project expenditures	7,800
From Water and Sewer Fund to Capital Reserve Fund for operational needs	740,000
From General Fund to Multi-Year Grant Project Fund for grant matching requirements	11,465
From General Fund to Capital Reserve Fund for future capital expenditures	920,000
From General Capital Project Fund to General Fund to close projects	42,351
From General Fund to Stormwater Fund for operational needs	135,137
From Multi-Year Grants Project Fund to General Fund for return of unspent project funding	60
From Capital Reserve Fund to General Fund for capital expenditures	760,000
From Capital Reserve Fund to Solid Waste Fund for capital expenditures	100,000
Total interfund transfers	<u><u>\$ 6,572,178</u></u>

The due to/from other funds at June 30, 2018 consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fleet management	\$ 1,021,692
General Fund	Community Development Entitlement Block grant	9,350
General Fund	Transportation Fund	839,654
		<u><u>\$ 1,870,696</u></u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

Note 14 – Claims and Judgments

At June 30, 2018, 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.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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 \$35,622 during the fiscal year ended June 30, 2018.

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 \$1,056,933 for operations for the year ended June 30, 2018. 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 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in the fiscal year ended June 30, 2018. The implementation of the statement required the City to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the City related to OPEB during the measurement period (fiscal year ended June 30, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental activities decreased \$10,155,043 and \$2,867,842 for the business-type activities.

Note 19 – Subsequent Events

The City issued \$15,000,000 in special obligation bonds on August 28, 2018. The funds will be used to fund the City's renovations for the area.

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 Changes in the Total OPEB Liability and Related Ratios

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
LAST TWO FISCAL YEARS*

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

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

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

CITY OF HICKORY, NORTH CAROLINA

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

Law Enforcement Officers' Special Separation Allowance		
	2018	2017
Total pension liability	\$ 3,559,244	\$ 3,190,102
Covered payroll	5,231,012	5,373,660
Total pension liability as a percentage of covered payroll	68.04%	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****REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS****JUNE 30, 2018**

Other Post-Employment Benefits	
	2018
Service cost	\$ 718,706
Interest	698,414
Differences between expected and actual experience	166,419
Changes of assumptions or other inputs	(1,196,267)
Benefit payments	(916,075)
Net change in total OPEB liability	(528,803)
Total OPEB liability - beginning	23,657,777
Total OPEB liability - ending	<u>\$ 23,128,974</u>
Covered payroll	\$ 15,733,224
Total OPEB liability as a percentage of covered payroll	147.01%

Notes to the Required Schedules:

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

Fiscal Year	Rate
2018	3.56%

CITY OF HICKORY, NORTH CAROLINA

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

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

* 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 FIVE FISCAL YEARS**

	Local Government Employees' Retirement System				
	2018	2017	2016	2015	2014
Contractually required contribution	\$ 2,079,421	\$ 1,991,269	\$ 1,469,066	\$ 1,848,000	\$ 1,819,354
Contributions in relation to the contractually required contribution	<u>2,079,421</u>	<u>1,991,269</u>	<u>1,469,066</u>	<u>1,848,000</u>	<u>1,819,354</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hickory's covered-employee payroll	\$ 27,019,564	\$ 26,694,921	\$ 26,213,071	\$ 25,900,959	\$ 25,586,063
Contributions as a percentage of covered-employee payroll	7.70%	7.46%	5.60%	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, 2018**

	General Fund	Capital Reserve Fund	Eliminations	Total General Fund
Revenues:				
Ad valorem taxes	\$ 27,349,367	\$ -	\$ -	\$ 27,349,367
Other taxes	16,853,553	-	-	16,853,553
Unrestricted intergovernmental revenues	660,473	-	-	660,473
Restricted intergovernmental revenues	2,583,796	-	-	2,583,796
Licenses and permits	4,852	-	-	4,852
Sales and services	1,674,129	-	-	1,674,129
Investment earnings	136,995	30,436	-	167,431
Miscellaneous	566,864	-	-	566,864
Total revenues	<u>49,830,029</u>	<u>30,436</u>	<u>-</u>	<u>49,860,465</u>
Expenditures:				
Current:				
General government	5,503,444	-	-	5,503,444
Public safety	22,884,339	-	-	22,884,339
Transportation	5,364,681	-	-	5,364,681
Economic and physical development	3,222,774	-	-	3,222,774
Culture and recreation	7,657,917	-	-	7,657,917
Debt service:				
Principal retirement	807,069	-	-	807,069
Interest fees	89,479	-	-	89,479
Total expenditures	<u>45,529,703</u>	<u>-</u>	<u>-</u>	<u>45,529,703</u>
Revenues over (under) expenditures	<u>4,300,326</u>	<u>30,436</u>	<u>-</u>	<u>4,330,762</u>
Other Financing Sources (Uses):				
Transfers in	833,911	1,660,000	(760,000)	1,733,911
Transfers out	<u>(3,565,330)</u>	<u>(860,000)</u>	<u>760,000</u>	<u>(3,665,330)</u>
Total other financing sources (uses)	<u>(2,731,419)</u>	<u>800,000</u>	<u>-</u>	<u>(1,931,419)</u>
Net change in fund balances	1,568,907	830,436	-	2,399,343
Reconciliation from Budgetary Basis of Accounting to Modified Accrual Basis:				
Current year note receivable payments	<u>(702,800)</u>	<u>-</u>	<u>-</u>	<u>(702,800)</u>
Net change in fund balance modified accrual	866,107	830,436	-	1,696,543
Fund Balance:				
Fund balance, beginning	<u>30,246,231</u>	<u>5,835,895</u>	<u>-</u>	<u>36,082,126</u>
End of year - June 30	<u>\$ 31,112,338</u>	<u>\$ 6,666,331</u>	<u>\$ -</u>	<u>\$ 37,778,669</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, 2018

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

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Current year	\$ 25,800,000	\$ 26,760,607	\$ 960,607	26,154,703
Prior years	450,000	440,790	(9,210)	528,881
Penalties and interest	150,000	147,970	(2,030)	174,165
Total	26,400,000	27,349,367	949,367	26,857,749
Other Taxes:				
Local option sales tax	9,350,000	10,380,928	1,030,928	10,189,172
Franchise tax	2,800,000	3,234,684	434,684	3,152,989
Telecommunication tax	950,000	839,810	(110,190)	896,481
Hickory-Conover motel/occupancy tax	1,800,000	2,050,198	250,198	1,927,878
Vehicle tag tax	170,000	184,709	14,709	193,001
Gross receipts tax	120,000	163,224	43,224	161,557
Total	15,190,000	16,853,553	1,663,553	16,521,078
Unrestricted Intergovernmental Revenues:				
Payments in lieu of taxes	25,000	25,820	820	21,878
Beer and wine	180,000	175,213	(4,787)	182,636
Traffic control	300,000	369,440	69,440	355,767
Public school resource officer	90,000	90,000	-	90,000
Total	595,000	660,473	65,473	650,281
Restricted Intergovernmental Revenues:				
Federal grants	297,736	297,736	-	6,488
State grants	1,352,717	1,408,481	55,764	1,489,215
Local grants	-	18,124	18,124	16,624
Catawba County for library	219,000	217,808	(1,192)	219,000
Catawba County for police	63,326	52,772	(10,554)	107,011
Catawba County fire district tax	357,549	513,878	156,329	385,036
Catawba County for volunteer fire	8,400	10,500	2,100	6,300
Catawba County for convention center	66,000	64,497	(1,503)	65,784
Total	2,364,728	2,583,796	219,068	2,295,458
Licenses and Permits:				
Beer and wine licenses	4,500	4,658	158	4,452
Taxi permits	600	69	(531)	735
Miscellaneous permits	-	125	125	725
Total	5,100	4,852	(248)	5,912

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, 2018

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

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
Sales and Services:				
Recreation services	211,200	211,798	598	185,478
Fire department services	164,300	189,425	25,125	169,870
Police department services	24,500	18,039	(6,461)	47,032
Street paving	10,000	11,787	1,787	43,276
Franchise fees	105,000	-	(105,000)	106,047
Parking rentals	56,000	64,271	8,271	57,649
Library services	43,000	42,703	(297)	47,250
Rents and royalties	1,015,576	1,025,614	10,038	938,258
Cemetery plots	30,000	30,965	965	35,928
District court fees	-	50,925	50,925	51,350
Communications	-	262	262	225
Plan reviews	30,000	28,340	(1,660)	37,224
Total	1,689,576	1,674,129	(15,447)	1,719,587
Investment Earnings	125,000	136,995	11,995	51,490
Miscellaneous:				
Donations	153,226	93,471	(59,755)	115,690
Advertising fees	1,000	-	(1,000)	1,597
Insurance claims	100,000	142,297	42,297	89,495
Sale of properties	39,000	99,763	60,763	75,475
Other	172,000	231,333	59,333	216,049
Total	465,226	566,864	101,638	498,306
Total revenues	46,834,630	49,830,029	2,995,399	48,599,861
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits	759,113	466,404	292,709	428,861
Operating expenditures	239,085	209,074	30,011	130,542
Administrative reimbursement	(192,262)	(192,262)	-	(188,492)
Total	805,936	483,216	322,720	370,911
Administration:				
Salaries and employee benefits	1,181,908	1,163,333	18,575	911,055
Operating expenditures	306,910	230,714	76,196	113,427
Capital outlay	10,800	7,528	3,272	11,333
Administrative reimbursement	(340,200)	(340,200)	-	(348,728)
Total	1,159,418	1,061,375	98,043	687,087

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, 2018

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

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
Budget and Administration:				
Salaries and employee benefits	563,517	512,182	51,335	546,517
Operating expenditures	262,972	137,458	125,514	118,555
Capital outlay	4,600	3,819	781	2,279
Administrative reimbursement	(273,686)	(273,686)	-	(268,315)
Total	557,403	379,773	177,630	399,036
Finance:				
Salaries and employee benefits	1,083,496	919,554	163,942	883,024
Operating expenditures	374,578	371,325	3,253	363,732
Capital outlay	7,127	7,127	-	12,219
Administrative reimbursement	(1,280,411)	(1,280,411)	-	(1,255,303)
Total	184,790	17,595	167,195	3,672
Information Technology:				
Salaries and employee benefits	548,293	539,650	8,643	497,692
Operating expenditures	730,474	728,162	2,312	580,508
Capital outlay	280,878	112,878	168,000	305,509
Administrative reimbursement	(126,367)	(126,367)	-	(123,888)
Total	1,433,278	1,254,323	178,955	1,259,821
City Clerk:				
Salaries and employee benefits	86,699	87,736	(1,037)	84,883
Operating expenditures	29,974	19,356	10,618	29,465
Capital outlay	-	-	-	1,535
Administrative reimbursement	(60,355)	(60,355)	-	(59,170)
Total	56,318	46,737	9,581	56,713
Legal:				
Salaries and employee benefits	184,747	185,461	(714)	179,214
Operating expenditures	95,485	69,926	25,559	100,360
Administrative reimbursement	(61,397)	(61,397)	-	(60,192)
Total	218,835	193,990	24,845	219,382
Engineering:				
Salaries and employee benefits	448,955	247,269	201,686	319,443
Operating expenditures	52,141	37,827	14,314	33,097
Capital outlay	-	12,800	(12,800)	10,271
Administrative reimbursement	(126,607)	(126,607)	-	(124,123)
Total	374,489	171,289	203,200	238,688

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, 2018

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

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
Building Services:				
Salaries and employee benefits	319,232	274,544	44,688	246,460
Operating expenditures	71,965	50,813	21,152	34,776
Capital outlay	58,000	40,712	17,288	10,383
Administrative reimbursement	(312,958)	(312,958)	-	(291,619)
Total	136,239	53,111	83,128	-
Central Services:				
Salaries and employee benefits	484,684	483,292	1,392	481,110
Operating expenditures	150,237	113,106	37,131	109,493
Capital outlay	34,500	61,946	(27,446)	1,408
Administrative reimbursement	(265,189)	(265,189)	-	(259,989)
Total	404,232	393,155	11,077	332,022
Public Buildings:				
Salaries and employee benefits	26,501	25,064	1,437	26,346
Operating expenditures	322,444	309,001	13,443	316,874
Capital outlay	160,916	160,522	394	-
Administrative reimbursement	(8,402)	(8,402)	-	(8,237)
Total	501,459	486,185	15,274	334,983
Landscape Services:				
Salaries and employee benefits	800,173	659,052	141,121	667,613
Operating expenditures	321,240	325,454	(4,214)	270,970
Capital outlay	61,721	60,621	1,100	57,085
Administrative reimbursement	(125,124)	(125,124)	-	(122,670)
Total	1,058,010	920,003	138,007	872,998
District Court:				
Operating expenditures	61,358	40,805	20,553	41,166
Administrative reimbursement	1,887	1,887	-	1,850
Total	63,245	42,692	20,553	43,016
Total general government	6,953,652	5,503,444	1,450,208	4,818,329
Public Safety:				
Police:				
Salaries and employee benefits	9,731,965	9,295,589	436,376	8,850,501
Operating expenditures	2,229,665	1,988,446	241,219	2,033,615
Capital outlay	1,475,310	736,998	738,312	1,041,090
Administrative reimbursement	2,661	2,661	-	2,609
Total	13,439,601	12,023,694	1,415,907	11,927,815

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, 2018

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

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
Department of Justice:				
Operating expenditures	-	-	-	3,235
Capital outlay	-	-	-	11,000
Total	-	-	-	14,235
Department of Treasury:				
Operating expenditures	4,437	2,954	1,483	-
Capital outlay	11,000	11,000	-	-
Total	15,437	13,954	1,483	-
NC Unauthorized Substance Tax:				
Operating expenditures	12,180	12,180	-	47,617
Total	12,180	12,180	-	47,617
Police - Secondary PSAP:				
Operating expenditures	79,475	73,974	5,501	-
Total	79,475	73,974	5,501	-
Fire:				
Salaries and employee benefits	8,579,826	8,390,950	188,876	8,145,938
Operating expenditures	1,804,105	1,573,419	230,686	1,284,651
Capital outlay	2,237,491	831,987	1,405,504	152,527
Administrative reimbursement	(35,819)	(35,819)	-	(35,117)
Total	12,585,603	10,760,537	1,825,066	9,547,999
Total public safety	26,132,296	22,884,339	3,247,957	21,537,666
Transportation:				
Traffic:				
Salaries and employee benefits	647,503	586,940	60,563	583,982
Operating expenditures	1,261,480	1,083,407	178,073	1,168,509
Capital outlay	28,000	23,166	4,834	202,761
Administrative reimbursement	(14,720)	(14,720)	-	(14,431)
Total	1,922,263	1,678,793	243,470	1,940,821
Street:				
Salaries and employee benefits	2,097,022	1,566,109	530,913	1,613,941
Operating expenditures	2,161,396	1,712,214	449,182	1,372,229
Capital outlay	589,274	466,745	122,529	554,914
Administrative reimbursement	(59,180)	(59,180)	-	(58,020)
Total	4,788,512	3,685,888	1,102,624	3,483,064
Total transportation	6,710,775	5,364,681	1,346,094	5,423,885

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, 2018

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

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
Economic and Physical Development:				
Planning:				
Salaries and employee benefits	549,412	647,224	(97,812)	536,300
Operating expenditures	95,631	61,751	33,880	80,012
Capital outlay	-	5,422	(5,422)	29,395
Administrative reimbursement	(30,966)	(30,966)	-	(30,358)
Total	614,077	683,431	(69,354)	615,349
Economic Development:				
Operating expenditures	2,695,157	2,539,343	155,814	2,365,080
Total	2,695,157	2,539,343	155,814	2,365,080
Total economic and physical development	3,309,234	3,222,774	86,460	2,980,429
Culture and Recreation:				
Recreation:				
Salaries and employee benefits	2,357,660	2,262,448	95,212	2,236,316
Operating expenditures	1,182,555	1,200,414	(17,859)	1,045,069
Capital outlay	2,295,585	2,042,452	253,133	589,392
Administrative reimbursement	43,898	43,898	-	43,037
Total	5,879,698	5,549,212	330,486	3,913,814
Library:				
Salaries and employee benefits	1,312,198	1,211,584	100,614	1,162,709
Operating expenditures	932,104	808,520	123,584	849,101
Capital outlay	115,000	86,855	28,145	133,276
Administrative reimbursement	1,746	1,746	-	1,712
Total	2,361,048	2,108,705	252,343	2,146,798
Total culture and recreation	8,240,746	7,657,917	582,829	6,060,612
Debt Service:				
Principal	807,069	807,069	-	1,334,299
Interest	89,481	89,479	2	102,289
Total	896,550	896,548	2	1,436,588

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, 2018

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

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
Contingency	592,100	-	592,100	-
Total expenditures	52,835,353	45,529,703	7,305,650	42,257,509
Revenues over (under) expenditures	(6,000,723)	4,300,326	10,301,049	6,342,352
Other Financing Sources (Uses):				
Transfers in (out):				
Capital Reserve Fund	760,000	760,000	-	650,000
Water and Sewer Fund	-	31,500	31,500	-
General Capital Projects Fund	575,000	42,351	(532,649)	466
Multi-Year Grant Projects Fund	-	60	60	-
General Capital Projects Fund	(2,448,728)	(2,448,728)	-	(2,789,312)
Multi-Year Grant Projects Fund	(11,465)	(11,465)	-	-
Capital Reserve Fund	(920,000)	(920,000)	-	(920,000)
Stormwater Fund	(135,137)	(135,137)	-	(763,107)
Solid Waste Fund	(50,000)	(50,000)	-	(146,460)
Total other financing sources (uses)	(2,230,330)	(2,731,419)	(501,089)	(3,968,413)
Revenues and other financing sources over (under) expenditures and other financing uses	(8,231,053)	1,568,907	9,799,960	2,373,939
Appropriated fund balance	8,231,053	-	(8,231,053)	-
Net change in fund balance	\$ -	1,568,907	\$ 1,568,907	2,373,939
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		866,107		1,671,139
Fund Balance:				
Fund balance, beginning		30,246,231		28,575,092
End of year - June 30		\$ 31,112,338		30,246,231

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, 2018

	Capital Reserve Fund		
	Budgeted Amounts		Variance with Final Budget Over/Under
	Original	Final	
Revenues:			
Investment earnings	\$ -	\$ -	\$ 30,436
Total revenues	-	-	30,436
Expenditures:			
Current:			
General government	170,000	170,000	-
Environmental protection	740,000	740,000	-
Total expenditures	910,000	910,000	-
Revenues over (under) expenditures	(910,000)	(910,000)	30,436
Other Financing Sources (Uses):			
Transfers out	(860,000)	(860,000)	(860,000)
Transfers in	1,660,000	1,660,000	1,660,000
Total other financing sources (uses)	800,000	800,000	800,000
Revenues and other financing sources over (under) expenditures and other financing uses	(110,000)	(110,000)	830,436
Appropriated fund balance	110,000	110,000	-
Net change in fund balance	\$ -	\$ -	830,436
Fund Balance:			
Beginning of year - July 1			5,835,895
End of year - June 30			\$ 6,666,331



Major Capital Project Fund

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

Individual Fund Description:

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



CITY OF HICKORY, NORTH CAROLINA

MAJOR GENERAL CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Federal grants	\$ 16,572,375	\$ 936,592	\$ 2,063,171	\$ 2,999,763	\$ (13,572,612)
State grants	924,804	215,443	50,791	266,234	(658,570)
Investment earnings	75,000	22,961	9,415	32,376	(42,624)
Miscellaneous	651,400	108,422	-	108,422	(542,978)
Total revenues	<u>18,223,579</u>	<u>1,283,418</u>	<u>2,123,377</u>	<u>3,406,795</u>	<u>(14,816,784)</u>
Expenditures:					
Capital outlay:					
Transportation:					
Clement Boulevard extension	194,166	155,676	31,623	187,299	6,867
Sandy Ridge intersection	2,691,250	-	-	-	2,691,250
Storm damage repairs	1,208,502	1,167,280	-	1,167,280	41,222
Downtown lighting	496,840	94,356	-	94,356	402,484
Falling Creek bridge	1,881,196	333,298	1,451,312	1,784,610	96,586
Economic and physical development:					
Bond projects	19,977,888	1,219,289	4,872,318	6,091,607	13,886,281
East Hickory redevelopment plan	1,205,800	631,975	-	631,975	573,825
Culture and recreation:					
Lackey Park	100,000	70,154	-	70,154	29,846
Total expenditures	<u>27,755,642</u>	<u>3,672,028</u>	<u>6,355,253</u>	<u>10,027,281</u>	<u>17,728,361</u>
Revenues over (under) expenditures	<u>(9,532,063)</u>	<u>(2,388,610)</u>	<u>(4,231,876)</u>	<u>(6,620,486)</u>	<u>2,911,577</u>
Other Financing Sources (Uses):					
Transfers in	6,829,411	5,728,491	2,456,528	8,185,019	1,355,608
Transfers (out)	(117,348)	(74,997)	(42,351)	(117,348)	-
Issuance of debt	2,820,000	-	-	-	(2,820,000)
Total other financing sources (uses)	<u>9,532,063</u>	<u>5,653,494</u>	<u>2,414,177</u>	<u>8,067,671</u>	<u>(1,464,392)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 3,264,884</u>	<u>\$ (1,817,699)</u>	<u>\$ 1,447,185</u>	<u>\$ 1,447,185</u>



Nonmajor Governmental Funds

CITY OF HICKORY, NORTH CAROLINA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018**

	Community Development Entitlement Block Grant	Home Consortium Grant	NCHFA Rental Rehabilitation Grant
Assets:			
Cash and cash equivalents	\$ -	\$ 33,927	\$ 95,583
Accounts receivable, net	851,893	1,206	20,989
Due from other governmental agencies	20,327	-	-
Prepaid	158	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 872,378</u>	<u>\$ 35,133</u>	<u>\$ 116,572</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 11,546	\$ -	\$ 78
Due to other funds	9,350	-	-
Total liabilities	<u>20,896</u>	<u>-</u>	<u>78</u>
Deferred Inflows of Resources:			
Economic development receivable	<u>603,199</u>	<u>-</u>	<u>20,794</u>
Fund Balances:			
Non-spendable	158	-	-
Restricted for stabilization for state statute	269,021	1,206	195
Committed for economic development	-	33,927	95,505
Unassigned	(20,896)	-	-
Total fund balances	<u>248,283</u>	<u>35,133</u>	<u>95,700</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 872,378</u>	<u>\$ 35,133</u>	<u>\$ 116,572</u>

CITY OF HICKORY, NORTH CAROLINA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2018

	Multi-Year Grant Projects	Total
Assets:		
Cash and cash equivalents	\$ 8,154	\$ 137,664
Accounts receivable, net	-	874,088
Due from other governmental agencies	4,111	24,438
Prepaid	-	158
	<hr/>	<hr/>
Total assets	<u>\$ 12,265</u>	<u>\$ 1,036,348</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 3,843	\$ 15,467
Due to other funds	-	9,350
Total liabilities	<hr/> 3,843	<hr/> 24,817
Deferred Inflows of Resources:		
Economic development receivable	<hr/> -	<hr/> 623,993
Fund Balances:		
Non-spendable	-	158
Restricted for stabilization for state statute	4,111	274,533
Committed for economic development	4,311	133,743
Unassigned	-	(20,896)
Total fund balances	<hr/> 8,422	<hr/> 387,538
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,265</u>	<u>\$ 1,036,348</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, 2018**

	Community Development Entitlement Block Grant	Home Consortium Grant	NCHFA Rental Rehabilitation Grant
Revenues:			
Restricted intergovernmental	\$ 329,625	\$ -	\$ 973
Investment earnings	-	139	364
Miscellaneous	-	4,736	32,485
Total revenues	<u>329,625</u>	<u>4,875</u>	<u>33,822</u>
Expenditures:			
Public safety	-	-	-
Economic and physical development	<u>317,809</u>	<u>911</u>	<u>46,705</u>
Total expenditures	<u>317,809</u>	<u>911</u>	<u>46,705</u>
Revenues over (under) expenditures	<u>11,816</u>	<u>3,964</u>	<u>(12,883)</u>
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	11,816	3,964	(12,883)
Fund Balances:			
Beginning of year - July 1	<u>236,467</u>	<u>31,169</u>	<u>108,583</u>
End of year - June 30	<u>\$ 248,283</u>	<u>\$ 35,133</u>	<u>\$ 95,700</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, 2018

	Multi-Year Grant Projects	Total
Revenues:		
Restricted intergovernmental	\$ 31,742	\$ 362,340
Investment earnings	211	714
Miscellaneous	-	37,221
Total revenues	<u>31,953</u>	<u>400,275</u>
Expenditures:		
Public safety	24,853	24,853
Economic and physical development	<u>23,281</u>	<u>388,706</u>
Total expenditures	<u>48,134</u>	<u>413,559</u>
Revenues over (under) expenditures	<u>(16,181)</u>	<u>(13,284)</u>
Other Financing Sources (Uses):		
Transfers in	11,465	11,465
Transfers (out)	<u>(60)</u>	<u>(60)</u>
Total other financing sources (uses)	<u>11,405</u>	<u>11,405</u>
Net change in fund balances	(4,776)	(1,879)
Fund Balances:		
Beginning of year - July 1	<u>13,198</u>	<u>389,417</u>
End of year - June 30	<u>\$ 8,422</u>	<u>\$ 387,538</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, 2018

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental:					
Federal grants					
2014 Entitlement Block grant	\$ 310,314	\$ 310,314	\$ -	\$ 310,314	\$ -
2015 Entitlement Block grant	300,041	164,537	30,088	194,625	(105,416)
2016 Entitlement Block grant	280,251	79,841	85,682	165,523	(114,728)
2017 Entitlement Block grant	280,724	-	213,855	213,855	(66,869)
Miscellaneous	848,750	1,085,885	-	1,085,885	237,135
Total revenues	<u>2,020,080</u>	<u>1,640,577</u>	<u>329,625</u>	<u>1,970,202</u>	<u>(49,878)</u>
Expenditures:					
Economic and physical development	<u>2,020,080</u>	<u>1,404,110</u>	<u>317,809</u>	<u>1,721,919</u>	<u>298,161</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 236,467</u>	<u>\$ 11,816</u>	<u>\$ 248,283</u>	<u>\$ 248,283</u>

CITY OF HICKORY, NORTH CAROLINA

HOME CONSORTIUM GRANT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Investment earnings	\$ -	\$ 177	\$ 139	\$ 316	\$ 316
Miscellaneous	6,679	31,442	4,736	36,178	29,499
Total revenues	6,679	31,619	4,875	36,494	29,815
Expenditures:					
Economic and physical development	6,679	450	911	1,361	5,318
Net change in fund balance	\$ -	\$ 31,169	\$ 3,964	\$ 35,133	\$ 35,133

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, 2018

		Actual			
	<u>Project</u>	<u>Prior</u>	<u>Current</u>	<u>Total to</u>	<u>Variance</u>
	<u>Authorization</u>	<u>Years</u>	<u>Year</u>	<u>Date</u>	<u>Over/Under</u>
Revenues:					
Restricted intergovernmental:					
State grants	\$ 125,000	\$ 111,596	\$ 973	\$ 112,569	\$ (12,431)
Investment earnings	-	1,800	364	2,164	2,164
Miscellaneous	160,896	193,303	32,485	225,788	64,892
Total revenues	285,896	306,699	33,822	340,521	54,625
Expenditures:					
Economic and physical development	285,896	198,116	46,705	244,821	41,075
Net change in fund balance	\$ -	\$ 108,583	\$ (12,883)	\$ 95,700	\$ 95,700

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, 2018

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental:					
Federal grants	\$ 242,016	\$ 203,683	\$ 31,742	\$ 235,425	\$ (6,591)
Miscellaneous:					
Investment earnings	138	193	211	404	266
Total revenues	242,154	203,876	31,953	235,829	(6,325)
Expenditures:					
Economic and physical development:					
Brownfields area wide planning	200,000	183,719	16,281	200,000	-
Planning and development:					
Oakwood National Register	12,000	-	7,000	7,000	5,000
Public safety:					
Bulletproof Vest Partnership 2015	34,150	9,970	23,054	33,024	1,126
Bulletproof Vest Partnership 2016	10,067	-	1,446	1,446	8,621
Justice Assistance Grant (JAG)	31,020	30,667	353	31,020	-
Total expenditures	287,237	224,356	48,134	272,490	14,747
Revenues over (under) expenditures	(45,083)	(20,480)	(16,181)	(36,661)	8,422
Other Financing Sources (Uses):					
Transfers (out)	(60)	-	(60)	(60)	-
Transfers in	45,143	33,678	11,465	45,143	-
Total other financing sources (uses)	45,083	33,678	11,405	45,083	-
Net change in fund balance	\$ -	\$ 13,198	\$ (4,776)	\$ 8,422	\$ 8,422

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, 2018

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

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Charges for services:				
Water charges	\$ 13,749,217	\$ 15,759,008	\$ 2,009,791	\$ 15,290,777
Sewer charges	9,156,000	9,812,564	656,564	9,622,465
Total	22,905,217	25,571,572	2,666,355	24,913,242
Water taps	110,000	313,437	203,437	221,654
Sewer taps	30,000	63,709	33,709	59,971
Other operating revenues	162,304	309,534	147,230	460,061
Total operating revenues	302,304	686,680	384,376	741,686
Non-operating revenues:				
Interest earned on investments	60,000	148,844	88,844	74,635
Total non-operating revenues	60,000	148,844	88,844	74,635
Total revenues	23,267,521	26,407,096	3,139,575	25,729,563
Expenditures:				
Environmental protection:				
Administration:				
Salaries and employee benefits	780,395	540,889	239,506	391,507
Other operating expenditures	2,438,522	3,127,772	(689,250)	2,882,884
Capital outlay	297,164	179,640	117,524	23,016
Administrative reimbursement	3,480,394	3,408,815	71,579	3,322,329
Total	6,996,475	7,257,116	(260,641)	6,619,736
Collection system:				
Salaries and employee benefits	890,944	688,619	202,325	725,887
Other operating expenditures	714,283	649,472	64,811	632,477
Capital outlay	255,104	216,089	39,015	252,688
Total	1,860,331	1,554,180	306,151	1,611,052
Henry Fork plant:				
Salaries and employee benefits	489,402	511,742	(22,340)	470,831
Other operating expenditures	569,956	488,952	81,004	419,392
Capital outlay	247,616	186,794	60,822	62,559
Total	1,306,974	1,187,488	119,486	952,782

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, 2018

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

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
Northeast plant:				
Salaries and employee benefits	563,544	533,717	29,827	516,019
Other operating expenditures	465,655	397,111	68,544	406,035
Capital outlay	117,488	112,221	5,267	70,402
Total	1,146,687	1,043,049	103,638	992,456
Water treatment plant:				
Salaries and employee benefits	640,924	512,483	128,441	519,513
Other operating expenditures	1,825,132	1,584,727	240,405	1,504,894
Capital outlay	2,284,997	1,393,651	891,346	2,417,668
Total	4,751,053	3,490,861	1,260,192	4,442,075
Pre-treatment and lab:				
Salaries and employee benefits	392,204	322,584	69,620	377,698
Other operating expenditures	207,234	168,055	39,179	163,974
Capital outlay	41,475	40,252	1,223	-
Total	640,913	530,891	110,022	541,672
Claremont sewer lines:				
Salaries and employee benefits	131,327	125,341	5,986	112,663
Other operating expenditures	304,585	143,453	161,132	127,194
Capital outlay	32,000	29,277	2,723	28,354
Total	467,912	298,071	169,841	268,211
Distribution:				
Salaries and employee benefits	1,739,334	1,612,426	126,908	1,445,531
Other operating expenditures	909,750	885,753	23,997	876,806
Capital outlay	2,232,763	1,809,877	422,886	1,678,627
Total	4,881,847	4,308,056	573,791	4,000,964
Hickory-Catawba wastewater treatment plant:				
Salaries and employee benefits	150,794	121,505	29,289	138,245
Other operating expenditures	273,504	160,043	113,461	147,363
Total	424,298	281,548	142,750	285,608
Total environmental protection	22,476,490	19,951,260	2,525,230	19,714,556
Debt service:				
Principal retirement	2,750,837	2,580,835	170,002	2,567,134
Interest on long-term debt	716,126	667,695	48,431	729,827
Total	3,466,963	3,248,530	218,433	3,296,961

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, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
Contingency	112,273	-	112,273	-
Total expenditures	26,055,726	23,199,790	2,855,936	23,011,517
Revenues over (under) expenditures	(2,788,205)	3,207,306	5,995,511	2,718,046
Other Financing Sources (Uses):				
Transfers (to) other funds	(2,104,437)	(2,104,437)	-	(2,725,425)
Appropriated net position	4,892,642	-	(4,892,642)	-
Total other financing sources (uses)	2,788,205	(2,104,437)	(4,892,642)	(2,725,425)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 1,102,869	\$ 1,102,869	\$ (7,379)

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

Revenues and other financing sources over (under) expenditures and other financing uses	\$ 1,102,869
Reconciling items:	
Depreciation and amortization	(4,823,136)
Long-term debt principal repayments	2,580,835
Gain (loss) on sale of assets	40,465
Capital project revenues	755,556
Change in net pension liability	381,561
Change in deferred outflows of resources for pensions	(413,023)
Change in deferred inflows of resources for pensions	18,891
Change in deferred inflows of resources for OPEB	(161,160)
Capital assets purchased/capitalized	4,292,831
Change in accrued vacation pay	(12,001)
Change in accrued interest payable	10,875
Change in total OPEB liability	(62,980)
Change in net position	\$ 3,946,008

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, 2018

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental:					
State grants	\$ 3,025,023	\$ 1,590,673	\$ 755,556	\$ 2,346,229	\$ (678,794)
Miscellaneous:					
Investment earnings	-	11,235	-	11,235	11,235
Total revenues	<u>3,025,023</u>	<u>1,601,908</u>	<u>755,556</u>	<u>2,357,464</u>	<u>(667,559)</u>
Expenditures:					
Capital outlay:					
Northeast sewer grant project	2,946,043	2,365,908	57,864	2,423,772	522,271
Geitner basin	3,867,715	828,740	2,219,905	3,048,645	819,070
Central business district	5,361,176	2,137,958	2,567,552	4,705,510	655,666
Murray basin sewer project	335,805	329,828	-	329,828	5,977
Total expenditures	<u>12,510,739</u>	<u>5,662,434</u>	<u>4,845,321</u>	<u>10,507,755</u>	<u>2,002,984</u>
Revenues over (under) expenditures	<u>(9,485,716)</u>	<u>(4,060,526)</u>	<u>(4,089,765)</u>	<u>(8,150,291)</u>	<u>1,335,425</u>
Other Financing Sources (Uses):					
Transfers from other funds	4,602,141	4,602,141	-	4,602,141	-
Issuance of long-term debt	4,883,575	-	3,056,424	3,056,424	(1,827,151)
Total other financing sources (uses)	<u>9,485,716</u>	<u>4,602,141</u>	<u>3,056,424</u>	<u>7,658,565</u>	<u>(1,827,151)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 541,615</u>	<u>\$ (1,033,341)</u>	<u>\$ (491,726)</u>	<u>\$ (491,726)</u>

CITY OF HICKORY, NORTH CAROLINA

**TRANSPORTATION FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Restricted intergovernmental:				
Airport	\$ 6,365	\$ 6,730	\$ 365	\$ 13,460
Airport services	2,626,464	1,275,441	(1,351,023)	1,352,864
Total operating revenues	2,632,829	1,282,171	(1,350,658)	1,366,324
Non-operating revenues:				
Investment earnings	2,500	6,487	3,987	2,802
Total revenues	2,635,329	1,288,658	(1,346,671)	1,369,126
Expenditures:				
Airport:				
Salaries and employee benefits	215,334	219,685	(4,351)	198,815
Other operating expenditures	164,107	183,126	(19,019)	166,005
Capital outlay	40,000	12,686	27,314	9,519
Administrative reimbursement	121,851	121,851	-	119,461
Total airport	541,292	537,348	3,944	493,800
Airport tower:				
Other operating expenditures	15,193	12,219	2,974	17,624
Total airport tower	15,193	12,219	2,974	17,624
Airport FBO:				
Salaries and employee benefits	303,889	329,459	(25,570)	312,845
Other operating expenditures	1,724,985	329,008	1,395,977	286,032
Capital outlay	19,970	27,690	(7,720)	28,600
Total airport FBO	2,048,844	686,157	1,362,687	627,477
Total expenditures	2,605,329	1,235,724	1,369,605	1,138,901
Contingency	(30,000)	-	30,000	-
Revenues over (under) expenditures	-	52,934	52,934	230,225

CITY OF HICKORY, NORTH CAROLINA

TRANSPORTATION FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2018

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

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Transfers to other funds	(9,833)	(9,833)	-	-
Transfers from other funds	-	38,293	38,293	-
Appropriated net position	9,833	-	(9,833)	-
Total other financing sources (uses)	-	28,460	28,460	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 81,394	\$ 81,394	\$ 230,225

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

Revenues and other financing sources over (under) expenditures and other financing uses	\$ 81,394
Reconciling items:	
Depreciation	(320,245)
Gain on disposal of capital assets	2,199
Change in net pension liability	41,461
Change in deferred outflows for pensions	(44,880)
Change in deferred inflows for pensions	2,053
Change in deferred outflows for OPEB	22,326
Change in deferred inflows for OPEB	(15,349)
Capital project revenues	5,339
Capital project interest	302
Capital projects - transfers from (to) other funds	(28,460)
Capital assets purchased/capitalized	40,376
Change in accrued vacation pay	(7,480)
Change in total OPEB liability	(5,999)
Change in net position	\$ (226,963)

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, 2018

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental:					
Federal grants	\$ 2,238,316	\$ 1,890,637	\$ -	\$ 1,890,637	\$ (347,679)
State grants	548,859	295,637	5,339	300,976	(247,883)
Total	<u>2,787,175</u>	<u>2,186,274</u>	<u>5,339</u>	<u>2,191,613</u>	<u>(595,562)</u>
Investment earnings	-	1,249	302	1,551	1,551
Total revenues	<u>2,787,175</u>	<u>2,187,523</u>	<u>5,641</u>	<u>2,193,164</u>	<u>(594,011)</u>
Expenditures:					
Capital outlay:					
Transportation:					
Airport improvements	2,765,421	2,113,996	5,933	2,119,929	645,492
FBO operation	330,000	330,485	-	330,485	(485)
Total expenditures	<u>3,095,421</u>	<u>2,444,481</u>	<u>5,933</u>	<u>2,450,414</u>	<u>645,007</u>
Revenues over (under) expenditures	<u>(308,246)</u>	<u>(256,958)</u>	<u>(292)</u>	<u>(257,250)</u>	<u>50,996</u>
Other Financing Sources (Uses):					
Intrafund transfer in	347,979	301,702	9,833	311,535	(36,444)
Intrafund transfer out	(39,733)	(1,440)	(38,293)	(39,733)	-
Total other financing sources (uses)	<u>308,246</u>	<u>300,262</u>	<u>(28,460)</u>	<u>271,802</u>	<u>(36,444)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 43,304</u>	<u>\$ (28,752)</u>	<u>\$ 14,552</u>	<u>\$ 14,552</u>

CITY OF HICKORY, NORTH CAROLINA

SOLID WASTE FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2018

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

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Other taxes:				
Solid waste excise tax	\$ 25,000	\$ 26,897	\$ 1,897	\$ 33,579
Charges for services:				
Recycling fees	3,179,600	3,292,191	112,591	3,132,686
Dumpster rentals	380,000	414,991	34,991	407,402
Refuse fees	825,000	896,665	71,665	873,962
Total	4,384,600	4,603,847	219,247	4,414,050
Other operating revenues	8,252	6,718	(1,534)	8,395
Total operating revenues	4,417,852	4,637,462	219,610	4,456,024
Non-operating revenues:				
Investment earnings	10,000	14,037	4,037	4,869
Miscellaneous	-	6,355	6,355	55
Total non-operating revenues	10,000	20,392	10,392	4,924
Total revenues	4,427,852	4,657,854	230,002	4,460,948
Expenditures:				
Environmental protection:				
Recycling services:				
Salaries and employee benefits	648,156	574,044	74,112	595,856
Other operating expenditures	1,565,025	1,600,534	(35,509)	1,424,892
Capital outlay	244,027	244,026	1	-
Administrative reimbursement	487,723	487,723	-	478,159
Total	2,944,931	2,906,327	38,604	2,498,907
Residential sanitation:				
Salaries and employee benefits	553,820	493,097	60,723	508,841
Other operating expenditures	385,021	337,369	47,652	398,317
Capital outlay	282,762	157,205	125,557	247,353
Total	1,221,603	987,671	233,932	1,154,511

CITY OF HICKORY, NORTH CAROLINA

SOLID WASTE FUND

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

FOR THE YEAR ENDED JUNE 30, 2018

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

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
Commercial sanitation:				
Salaries and employee benefits	509,968	462,000	47,968	472,024
Other operating expenditures	460,851	456,637	4,214	396,127
Capital outlay	-	-	-	120,089
Administrative reimbursement	(85,896)	(85,896)	-	(84,211)
Total	884,923	832,741	52,182	904,029
 Total environmental protection	 5,051,457	 4,726,739	 324,718	 4,557,447
 Revenues over (under) expenditures	 (623,605)	 (68,885)	 554,720	 (96,499)
 Other Financing Sources (Uses):				
Transfers from other funds	150,000	150,000	-	146,460
Appropriated net position	473,605	-	(473,605)	-
Total other financing sources (uses)	623,605	150,000	(473,605)	146,460
 Revenues and other financing sources over (under) expenditures and other financing uses	 \$ -	 \$ 81,115	 \$ 81,115	 \$ 49,961

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

Revenues and other financing sources over (under) expenditures and other financing uses	\$ 81,115
Reconciling items:	
Depreciation	(421,136)
Change in net pension liability	118,296
Change in deferred outflows for pensions	(128,050)
Change in deferred inflows for pensions	5,857
Change in deferred outflows for OPEB	80,374
Change in deferred inflows for OPEB	(55,255)
Capital assets purchased/capitalized	401,231
Change in accrued vacation pay	6,630
Gain on disposal of assets	16,580
Change in total OPEB liability	(21,593)
 Change in net position	 \$ 84,049



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, 2018

	Sludge Composting Fund	Stormwater Fund	Total Nonmajor Enterprise Funds
Assets:			
Current assets:			
Cash and cash equivalents	\$ 17,600	\$ 823,904	\$ 841,504
Accounts receivable, net	-	1,886	1,886
Due from other governments	66,458	2,081	68,539
Prepaid items	873	164	1,037
Total current assets	84,931	828,035	912,966
Non-current assets:			
Land and construction in progress	145,024	-	145,024
Other capital assets, net of depreciation	2,101,579	3,284,285	5,385,864
Total non-current assets	2,246,603	3,284,285	5,530,888
Total assets	2,331,534	4,112,320	6,443,854
Deferred Outflows of Resources:			
OPEB deferrals	-	2,233	2,233
Pension deferrals	-	15,698	15,698
Total deferred outflows of resources	-	17,931	17,931
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	-	15,102	15,102
Total current liabilities	-	15,102	15,102
Non-current liabilities:			
Net pension liability	-	22,080	22,080
Total OPEB liability	-	35,150	35,150
Total non-current liabilities	-	57,230	57,230
Total liabilities	-	72,332	72,332
Deferred Inflows of Resources:			
OPEB deferrals	-	1,535	1,535
Pension deferrals	-	979	979
Total deferred inflows of resources	-	2,514	2,514
Net Position:			
Net investment in capital assets	2,246,603	3,284,285	5,530,888
Unrestricted	84,931	771,120	856,051
Total net position	\$ 2,331,534	\$ 4,055,405	\$ 6,386,939

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, 2018

	Sludge Composting Fund	Stormwater Fund	Total Nonmajor Enterprise Funds
Operating Revenues:			
Restricted intergovernmental	\$ 1,644,229	\$ -	\$ 1,644,229
Sludge charges	63,575	-	63,575
Total operating revenues	<u>1,707,804</u>	<u>-</u>	<u>1,707,804</u>
Operating Expenses:			
Administration and engineering	-	85,238	85,238
Sludge plant	1,644,936	-	1,644,936
Street	-	35,302	35,302
Drainage maintenance	-	59,592	59,592
Depreciation	335,595	277,745	613,340
Total operating expenses	<u>1,980,531</u>	<u>457,877</u>	<u>2,438,408</u>
Operating income (loss)	<u>(272,727)</u>	<u>(457,877)</u>	<u>(730,604)</u>
Non-operating revenues (expenses):			
Interest earned on investments	-	3,885	3,885
Total non-operating revenues (expenses)	<u>-</u>	<u>3,885</u>	<u>3,885</u>
Income (loss) before capital contributions and transfers	(272,727)	(453,992)	(726,719)
Transfers:			
Transfers in	<u>90,000</u>	<u>1,370,274</u>	<u>1,460,274</u>
Change in net position	<u>(182,727)</u>	<u>916,282</u>	<u>733,555</u>
Net Position:			
Net position, beginning, previously reported	2,514,261	3,151,133	5,665,394
Restatement	-	(12,010)	(12,010)
Net position, beginning	<u>2,514,261</u>	<u>3,139,123</u>	<u>5,653,384</u>
End of year - June 30	<u>\$ 2,331,534</u>	<u>\$ 4,055,405</u>	<u>\$ 6,386,939</u>

CITY OF HICKORY, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Sludge Composting Fund	Stormwater Fund	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 1,686,428	\$ -	\$ 1,686,428
Cash paid to suppliers	(1,671,816)	(87,119)	(1,758,935)
Cash paid to employees	-	(97,170)	(97,170)
Net cash provided (used) by operating activities	<u>14,612</u>	<u>(184,289)</u>	<u>(169,677)</u>
Cash Flows from Non-Capital Financing Activities:			
Changes in due to/from other funds	(87,012)	-	(87,012)
Transfers from other funds	<u>90,000</u>	<u>1,370,274</u>	<u>1,460,274</u>
Net cash provided (used) by non-capital financing activities	<u>2,988</u>	<u>1,370,274</u>	<u>1,373,262</u>
Cash Flows from Capital And Related Financing Activities:			
Acquisition and construction of capital assets	-	(1,100,000)	(1,100,000)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(1,100,000)</u>	<u>(1,100,000)</u>
Cash Flows from Investing Activities:			
Interest on investments	-	3,885	3,885
Net cash provided (used) by investing activities	<u>-</u>	<u>3,885</u>	<u>3,885</u>
Net increase (decrease) in cash and cash equivalents	17,600	89,870	107,470
Cash and Cash Equivalents:			
Beginning of year - July 1	<u>-</u>	<u>734,034</u>	<u>734,034</u>
End of year - June 30	<u>\$ 17,600</u>	<u>\$ 823,904</u>	<u>\$ 841,504</u>

CITY OF HICKORY, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Sludge Composting Fund	Stormwater Fund	Total Nonmajor Enterprise Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (272,727)	\$ (457,877)	\$ (730,604)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	335,595	277,745	613,340
Change in net pension liability	-	(8,988)	(8,988)
Change in assets and liabilities:			
(Increase) decrease in accounts receivables	(21,376)	(707)	(22,083)
(Increase) decrease in prepaid items	-	881	881
Change in deferred outflows for pensions	-	9,729	9,729
Change in deferred inflows for pensions	-	(2,233)	(2,233)
Change in deferred outflows for OPEB	-	(445)	(445)
Change in deferred inflows for OPEB	-	1,535	1,535
Increase (decrease) in accounts payable	(26,880)	9,039	(17,841)
Increase (decrease) in compensated absences	-	(13,567)	(13,567)
Change in total OPEB liability	-	599	599
Net cash provided (used) by operating activities	<u>\$ 14,612</u>	<u>\$ (184,289)</u>	<u>\$ (169,677)</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, 2018

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

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Restricted intergovernmental:				
Local grants	\$ 1,726,338	\$ 1,644,229	\$ (82,109)	\$ 1,497,432
Charges for services:				
Sludge charges	-	63,575	63,575	65,708
Total revenues	<u>1,726,338</u>	<u>1,707,804</u>	<u>(18,534)</u>	<u>1,563,140</u>
Expenditures:				
Environmental protection:				
Other operating expenditures	1,552,660	1,521,258	31,402	1,484,703
Capital outlay	50,000	-	50,000	25,121
Administrative reimbursement	<u>123,678</u>	<u>123,678</u>	-	<u>121,252</u>
Total expenditures	<u>1,726,338</u>	<u>1,644,936</u>	<u>81,402</u>	<u>1,631,076</u>
Revenues over (under) expenditures	-	62,868	62,868	(67,936)
Other Financing Sources (Uses):				
Intrafund transfer in	-	90,000	90,000	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 152,868</u>	<u>\$ 152,868</u>	<u>\$ (67,936)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues over (under) expenditures		<u>\$ 152,868</u>		
Reconciling items:				
Depreciation		<u>(335,595)</u>		
Total reconciling items		<u>(335,595)</u>		
Change in net position		<u>\$ (182,727)</u>		

CITY OF HICKORY, NORTH CAROLINA

STORMWATER FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2018

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

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Charges for services				
Stormwater charges	\$ -	\$ -	\$ -	\$ 250,000
Non-operating revenues:				
Interest earned on investments	-	3,885	3,885	-
Total revenues	-	3,885	3,885	250,000
Expenditures:				
Environmental protection:				
Engineering:				
Salaries and benefits	113,151	83,798	29,353	108,360
Other operating expenditures	42,123	14,810	27,313	14,675
Total	155,274	98,608	56,666	123,035
Street:				
Other operating expenditures	45,000	35,302	9,698	40,632
Drainage maintenance:				
Other operating expenditures	70,000	59,592	10,408	53,976
Capital outlay	1,100,000	1,100,000	-	661,641
Total	1,170,000	1,159,592	10,408	715,617
Total environmental protection	1,370,274	1,293,502	76,772	879,284
Revenues over (under) expenditures	(1,370,274)	(1,289,617)	80,657	(629,284)
Other Financing Sources (Uses):				
Transfers in	1,370,274	1,370,274	-	896,958
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 80,657	\$ 80,657	\$ 267,674

CITY OF HICKORY, NORTH CAROLINA

STORMWATER FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2018

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

	<u>2018</u>			<u>2017</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		\$ 80,657		
Reconciling items:				
Depreciation		(277,745)		
Change in net pension liability		8,988		
Change in deferred outflows of resources for pensions		(9,729)		
Change in deferred inflows of resources for pensions		445		
Change in deferred outflows of resources for OPEB		2,233		
Change in deferred inflows of resources for OPEB		(1,535)		
Capital assets purchased/capitalized		1,100,000		
Change in accrued vacation pay		13,567		
Change in total OPEB liability		<u>(599)</u>		
Change in net position		<u>\$ 916,282</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, 2018

	Insurance Fund	Fleet Maintenance Fund	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 3,617,530	\$ -	\$ 3,617,530
Accounts receivable, net	8,899	-	8,899
Due from other governments	-	61,902	61,902
Inventory	-	158,593	158,593
Prepaid items	183,694	2,382	186,076
Total current assets	<u>3,810,123</u>	<u>222,877</u>	<u>4,033,000</u>
Non-current assets:			
Depreciable capital assets, net	-	26,488	26,488
Total non-current assets	<u>-</u>	<u>26,488</u>	<u>26,488</u>
Total assets	<u>3,810,123</u>	<u>249,365</u>	<u>4,059,488</u>
Deferred Outflows of Resources:			
OPEB deferrals	-	26,791	26,791
Pension deferrals	-	82,637	82,637
Total deferred outflows of resources	<u>-</u>	<u>109,428</u>	<u>109,428</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	1,269,638	43,737	1,313,375
Due to other funds	-	1,021,692	1,021,692
Current portion of long-term debt	-	18,355	18,355
Total current liabilities	<u>1,269,638</u>	<u>1,083,784</u>	<u>2,353,422</u>
Non-current liabilities:			
Net pension liability	-	105,200	105,200
Compensated absences, noncurrent	-	12,210	12,210
Total OPEB liability	-	421,805	421,805
Total non-current liabilities	<u>-</u>	<u>539,215</u>	<u>539,215</u>
Total liabilities	<u>1,269,638</u>	<u>1,622,999</u>	<u>2,892,637</u>
Deferred Inflows of Resources:			
OPEB deferrals	-	18,418	18,418
Pension deferrals	-	19,478	19,478
Total deferred inflows of resources	<u>-</u>	<u>37,896</u>	<u>37,896</u>
Net Position:			
Net investment in capital assets	-	26,488	26,488
Unrestricted	<u>2,540,485</u>	<u>(1,328,590)</u>	<u>1,211,895</u>
Total net position	<u>\$ 2,540,485</u>	<u>\$ (1,302,102)</u>	<u>\$ 1,238,383</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, 2018

	Insurance Fund	Fleet Maintenance Fund	Total
Operating Revenues:			
Charges for services	\$ 6,589,416	\$ 2,449,364	\$ 9,038,780
Other operating revenues	-	1,880	1,880
Total operating revenues	<u>6,589,416</u>	<u>2,451,244</u>	<u>9,040,660</u>
Operating Expenses:			
Health insurance	4,058,095	-	4,058,095
Property/casualty insurance	672,871	-	672,871
Workers' compensation	639,373	-	639,373
Dental insurance	399,347	-	399,347
Other insurance	69,975	-	69,975
Fleet maintenance	-	2,608,052	2,608,052
Depreciation	-	14,002	14,002
Total operating expenses	<u>5,839,661</u>	<u>2,622,054</u>	<u>8,461,715</u>
Operating income (loss)	<u>749,755</u>	<u>(170,810)</u>	<u>578,945</u>
Non-Operating Revenues (Expenses):			
Investment earnings	18,209	-	18,209
Total non-operating revenues (expenses)	<u>18,209</u>	<u>-</u>	<u>18,209</u>
Change in net position	<u>767,964</u>	<u>(170,810)</u>	<u>597,154</u>
Net Position:			
Net position, beginning, previously reported	1,772,521	(872,692)	899,829
Restatement	-	(258,600)	(258,600)
Net position, beginning	<u>1,772,521</u>	<u>(1,131,292)</u>	<u>641,229</u>
End of year - June 30	<u>\$ 2,540,485</u>	<u>\$ (1,302,102)</u>	<u>\$ 1,238,383</u>

CITY OF HICKORY, NORTH CAROLINA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Insurance Fund	Fleet Maintenance Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 6,589,615	\$ 2,450,742	\$ 9,040,357
Cash paid to suppliers	(6,282,376)	(2,114,496)	(8,396,872)
Cash paid to employees	-	(539,764)	(539,764)
Net cash provided (used) by operating activities	<u>307,239</u>	<u>(203,518)</u>	<u>103,721</u>
Cash Flows from Non-Capital Financing Activities:			
Changes in due to/from other funds	-	203,518	203,518
Cash Flows from Investing Activities:			
Interest on investments	<u>18,209</u>	-	<u>18,209</u>
Net increase (decrease) in cash and cash equivalents	325,448	-	325,448
Cash and Cash Equivalents:			
Beginning of year - July 1	<u>3,292,082</u>	-	<u>3,292,082</u>
End of year - June 30	<u>\$ 3,617,530</u>	<u>\$ -</u>	<u>\$ 3,617,530</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 749,755	\$ (170,810)	\$ 578,945
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	14,002	14,002
Change in net pension liability	-	(45,231)	(45,231)
Change in assets and liabilities:			
(Increase) decrease in accounts receivables	153	(6,652)	(6,499)
(Increase) decrease in prepaid items	(40,317)	3,849	(36,468)
(Increase) decrease in inventories	-	(38,835)	(38,835)
Increase (decrease) in accounts payable	(402,398)	(8,842)	(411,240)
Change in deferred outflows of resources for pensions	-	48,960	48,960
Change in deferred inflows of resources for pensions	-	(2,239)	(2,239)
Change in deferred outflows of resources for OPEB	-	(26,791)	(26,791)
Change in deferred inflows of resources for OPEB	-	18,418	18,418
Increase (decrease) in prepaid fees	46	-	46
Increase (decrease) in compensated absences	-	3,455	3,455
Change in total OPEB liability	-	7,198	7,198
Net cash provided (used) by operating activities	<u>\$ 307,239</u>	<u>\$ (203,518)</u>	<u>\$ 103,721</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, 2018

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

	2018			2017
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services	\$ 6,634,560	\$ 6,589,416	\$ (45,144)	\$ 6,169,226
Other operating revenues	-	(1,337)	(1,337)	747
Total operating revenues	<u>6,634,560</u>	<u>6,588,079</u>	<u>(46,481)</u>	<u>6,169,973</u>
Non-Operating Revenues:				
Investment earnings	<u>40,000</u>	<u>18,209</u>	<u>(21,791)</u>	<u>10,989</u>
Total revenues	<u>6,674,560</u>	<u>6,606,288</u>	<u>(68,272)</u>	<u>6,180,962</u>
Expenditures:				
General government:				
Health insurance	5,320,000	4,056,758	1,263,242	5,112,748
Property/casualty insurance	624,556	672,871	(48,315)	579,267
Dental insurance	400,000	399,347	653	423,699
Other insurance	75,000	69,975	5,025	74,456
Workers' compensation	<u>800,000</u>	<u>639,373</u>	<u>160,627</u>	<u>520,904</u>
Total expenditures	<u>7,219,556</u>	<u>5,838,324</u>	<u>1,381,232</u>	<u>6,711,074</u>
Revenues over (under) expenditures	(544,996)	767,964	1,312,960	(530,112)
Other Financing Sources (Uses):				
Appropriated net position	<u>544,996</u>	<u>-</u>	<u>(544,996)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 767,964</u>	<u>\$ 767,964</u>	<u>\$ (530,112)</u>

CITY OF HICKORY, NORTH CAROLINA

FLEET MAINTENANCE FUND

SCHEDULE OF REVENUES AND EXPENDITURES

FINANCIAL PLAN AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2018

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

	2018			2017
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services	\$ 2,697,400	\$ 2,449,364	\$ (248,036)	\$ 2,280,491
Other operating revenues	-	1,880	1,880	447
Total operating revenues	<u>2,697,400</u>	<u>2,451,244</u>	<u>(246,156)</u>	<u>2,280,938</u>
Expenditures:				
General government				
Salaries and benefits	648,651	543,534	105,117	584,899
Other operating expenditures	1,772,399	1,790,419	(18,020)	1,587,694
Capital outlay	12,100	6,079	6,021	26,535
Administrative reimbursement	264,250	264,250	-	259,069
Total expenditures	<u>2,697,400</u>	<u>2,604,282</u>	<u>93,118</u>	<u>2,458,197</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (153,038)</u>	<u>\$ (153,038)</u>	<u>\$ (177,259)</u>
Reconciliation from Budgetary Basis				
(Modified Accrual) to Full Accrual Basis:				
Revenues over (under) expenditures		\$ (153,038)		
Reconciling items:				
Depreciation and amortization		(14,002)		
Change in net pension liability		45,231		
Change in deferred outflows of resources for pensions		(48,960)		
Change in deferred inflows of resources for pensions		2,239		
Change in deferred outflows of resources for OPEB		26,791		
Change in deferred inflows of resources for OPEB		(18,418)		
Change in accrued vacation pay		(3,455)		
Change in total OPEB liability		<u>(7,198)</u>		
Change in net position		<u>\$ (170,810)</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, 2018

Governmental Funds Capital Assets:

Land	\$ 12,617,156
Buildings	31,685,517
Other improvements	13,743,921
Equipment	13,026,899
Vehicles and motorized equipment	15,632,192
Streets	45,965,178
Traffic signals	2,433,033
Bridges	1,016,744
Sidewalks	7,648,150
Construction in progress	9,566,271
Total governmental funds capital assets	<u>\$ 153,335,061</u>

Investments in Governmental Funds Capital Assets by Source:

General Fund	\$ 93,443,318
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>\$ 153,335,061</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, 2018

By Function and Activity	Governmental Funds Capital Assets June 30, 2017	Additions	Deductions	Governmental Funds Capital Assets June 30, 2018
General Government:				
Administration	\$ 54,375	\$ -	\$ -	\$ 54,375
Budget and administration	27,263	-	-	27,263
Finance	30,113	-	-	30,113
Technology services	1,448,776	97,157	(88,630)	1,457,303
Engineering	215,578	12,800	-	228,378
Building services	175,429	38,363	-	213,792
Central services	2,550,110	60,770	-	2,610,880
Public buildings	8,144,965	160,522	-	8,305,487
Buildings and grounds	1,161,495	57,747	(49,769)	1,169,473
District court	728,810	-	-	728,810
Total general government	<u>14,536,914</u>	<u>427,359</u>	<u>(138,399)</u>	<u>14,825,874</u>
Public Safety:				
Police	14,986,937	566,581	(524,394)	15,029,124
Code enforcement	139,148	-	-	139,148
Fire	12,097,221	704,113	(283,418)	12,517,916
Total public safety	<u>27,223,306</u>	<u>1,270,694</u>	<u>(807,812)</u>	<u>27,686,188</u>
Transportation:				
Traffic	3,380,596	10,580	(88,159)	3,303,017
Street	59,370,578	466,745	(132,695)	59,704,628
Total transportation	<u>62,751,174</u>	<u>477,325</u>	<u>(220,854)</u>	<u>63,007,645</u>
Economic and Physical Development:				
Planning and development	2,592,687	22,892	(11,895)	2,603,684
Economic and community	2,861,105	-	-	2,861,105
Total economic and physical development	<u>5,453,792</u>	<u>22,892</u>	<u>(11,895)</u>	<u>5,464,789</u>
Culture and Recreation:				
Recreation	25,183,761	1,819,872	(429,292)	26,574,341
Library	6,143,565	82,358	(15,970)	6,209,953
Total culture and recreation	<u>31,327,326</u>	<u>1,902,230</u>	<u>(445,262)</u>	<u>32,784,294</u>
Construction in Progress	<u>3,230,094</u>	<u>6,359,069</u>	<u>(22,892)</u>	<u>9,566,271</u>
Total government funds capital assets	<u>\$ 144,522,606</u>	<u>\$ 10,459,569</u>	<u>\$ (1,647,114)</u>	<u>\$ 153,335,061</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, 2018

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	-	-	-	1,440,044	17,259
Engineering	-	-	-	147,832	80,546
Building services	-	-	-	20,075	193,717
Central services	744,254	1,801,592	506	50,377	14,151
Public buildings	2,676,380	3,227,940	2,034,318	366,849	-
Building and grounds	413,573	176,975	-	243,143	335,782
District court	28,000	693,531	-	7,279	-
Total general government	<u>3,862,207</u>	<u>5,900,038</u>	<u>2,034,824</u>	<u>2,305,712</u>	<u>723,093</u>
Public Safety:					
Police	133,615	5,037,396	312,818	4,717,333	4,827,962
Code enforcement	-	-	1,620	-	137,528
Fire	239,692	3,254,596	1,332,666	1,018,547	6,672,415
Total public safety	<u>373,307</u>	<u>8,291,992</u>	<u>1,647,104</u>	<u>5,735,880</u>	<u>11,637,905</u>
Transportation:					
Traffic	13,036	82,805	-	248,553	535,591
Street	615,674	-	589,222	1,868,030	1,991,629
Total transportation	<u>628,710</u>	<u>82,805</u>	<u>589,222</u>	<u>2,116,583</u>	<u>2,527,220</u>
Economic and Physical Development:					
Planning and development	2,133,812	420,636	-	-	49,236
Economic and community	2,861,105	-	-	-	-
Total economic and physical development	<u>4,994,917</u>	<u>420,636</u>	<u>-</u>	<u>-</u>	<u>49,236</u>
Culture and Recreation:					
Recreation	2,758,014	11,904,561	9,187,377	2,069,678	654,711
Library	-	5,085,484	285,395	799,044	40,030
Total culture and recreation	<u>2,758,014</u>	<u>16,990,045</u>	<u>9,472,772</u>	<u>2,868,722</u>	<u>694,741</u>
Construction in Progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental funds capital assets	<u>\$ 12,617,155</u>	<u>\$ 31,685,516</u>	<u>\$ 13,743,922</u>	<u>\$ 13,026,897</u>	<u>\$ 15,632,195</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, 2018

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	-	-	-	-	-	1,457,303
Engineering	-	-	-	-	-	228,378
Building services	-	-	-	-	-	213,792
Central services	-	-	-	-	-	2,610,880
Public buildings	-	-	-	-	-	8,305,487
Building and grounds	-	-	-	-	-	1,169,473
District court	-	-	-	-	-	728,810
Total general government	-	-	-	-	-	14,825,874
Public Safety:						
Police	-	-	-	-	-	15,029,124
Code enforcement	-	-	-	-	-	139,148
Fire	-	-	-	-	-	12,517,916
Total public safety	-	-	-	-	-	27,686,188
Transportation:						
Traffic	-	2,423,032	-	-	-	3,303,017
Street	45,965,178	10,000	1,016,744	7,648,151	-	59,704,628
Total transportation	45,965,178	2,433,032	1,016,744	7,648,151	-	63,007,645
Economic and Physical Development:						
Planning and development	-	-	-	-	-	2,603,684
Economic and community	-	-	-	-	-	2,861,105
Total economic and physical development	-	-	-	-	-	5,464,789
Culture and Recreation:						
Recreation	-	-	-	-	-	26,574,341
Library	-	-	-	-	-	6,209,953
Total culture and recreation	-	-	-	-	-	32,784,294
Construction in Progress	-	-	-	-	9,566,271	9,566,271
Total governmental funds capital assets	\$ 45,965,178	\$ 2,433,032	\$ 1,016,744	\$ 7,648,151	\$ 9,566,271	\$ 153,335,061

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, 2018

Fiscal Year	Uncollected Balance July 1, 2017	Additions	Collections and Credits	Uncollected Balance June 30, 2018
2017-2018	\$ -	\$ 27,122,956	\$ 26,760,607	\$ 362,349
2016-2017	379,527	-	196,728	182,799
2015-2016	188,200	-	83,029	105,171
2014-2015	145,633	-	58,669	86,964
2013-2014	186,088	-	45,819	140,269
2012-2013	150,770	-	23,276	127,494
2011-2012	141,318	-	14,475	126,843
2010-2011	121,998	-	12,667	109,331
2009-2010	134,464	-	9,863	124,601
2008-2009	122,554	-	122,554	-
Total	<u>\$ 1,570,552</u>	<u>\$ 27,122,956</u>	<u>\$ 27,327,687</u>	<u>1,365,821</u>

Less allowance for uncollectible ad valorem taxes receivable (834,598)

Ad valorem taxes receivable, net \$ 531,223

Reconciliation of Collections and Credits with Revenues:

Ad valorem taxes	\$ 27,349,367
Reconciling items:	
Interest and penalties collected	(147,970)
Prior year releases/adjustments	6,679
Amounts written off per Statute of Limitations	<u>119,611</u>
Total collections and credits	<u>\$ 27,327,687</u>

CITY OF HICKORY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY

CITY-WIDE LEVY

FOR THE YEAR ENDED JUNE 30, 2018

	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	\$ 4,775,662,690	\$ 0.5665	\$ 27,054,129	\$ 24,756,246	\$ 2,297,883
Penalties	-		50,295	50,295	-
Total original levy	<u>4,775,662,690</u>		<u>27,104,424</u>	<u>24,806,541</u>	<u>2,297,883</u>
Discoveries:					
Current year's taxes	18,724,314	\$ 0.5665	106,073	105,115	958
Penalties	-		13,926	13,926	-
Total	<u>18,724,314</u>		<u>119,999</u>	<u>119,041</u>	<u>958</u>
Releases	<u>(17,911,124)</u>		<u>(101,467)</u>	<u>(100,807)</u>	<u>(660)</u>
Total property valuation	<u>\$ 4,776,475,880</u>				
Net Levy			27,122,956	24,824,775	2,298,181
Uncollected taxes at June 30, 2018			<u>(362,349)</u>	<u>(362,154)</u>	<u>(195)</u>
Current Year's Taxes Collected			<u>\$ 26,760,607</u>	<u>\$ 24,462,621</u>	<u>\$ 2,297,986</u>
Current Levy Collection Percentage			<u>98.66%</u>	<u>98.54%</u>	<u>99.99%</u>

Statistical Section

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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



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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 53,408,824	\$ 54,325,934	\$ 54,657,990	\$ 53,280,737	\$ 51,209,146	\$ 49,614,181	\$ 50,663,986	\$ 49,943,126	\$ 46,859,734	\$ 55,745,847
Restricted	412,565	410,152	6,113,772	4,635,971	3,850,331	4,332,435	7,269,145	8,742,074	10,627,844	9,204,898
Unrestricted	31,839,201	26,223,301	21,910,602	26,206,217	26,754,779	27,084,992	24,833,580	16,629,980	16,787,495	5,976,821
Total governmental activities net position	\$ 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	\$ 70,927,566
Business-type activities										
Net investment in capital assets	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	116,724,413
Unrestricted	13,574,036	20,962,089	22,320,452	20,387,604	21,594,548	23,347,107	27,199,498	36,224,946	34,403,513	31,979,839
Total business-type activities net position	\$ 106,251,184	\$ 115,078,227	\$ 118,656,347	\$ 119,315,191	\$ 124,049,344	\$ 125,576,266	\$ 130,056,512	\$ 142,763,597	\$ 147,098,942	\$ 148,704,252
Primary government										
Net investment in capital assets	146,085,972	148,442,072	150,993,885	152,208,324	153,663,942	151,843,340	153,521,000	156,481,777	159,555,163	172,470,260
Restricted	412,565	410,152	6,113,772	4,635,971	3,850,331	4,332,435	7,269,145	8,742,074	10,627,844	9,204,898
Unrestricted	45,413,237	47,185,390	44,231,054	46,593,821	48,349,327	50,432,099	52,033,078	52,854,926	51,191,008	37,956,660
Total primary government net position	\$ 191,911,774	\$ 196,037,614	\$ 201,338,711	\$ 203,438,116	\$ 205,863,600	\$ 206,607,874	\$ 212,823,223	\$ 218,078,777	\$ 221,374,015	\$ 219,631,818

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities										
General government	\$ 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	\$ 12,767,254
Public safety	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	23,107,639
Transportation	6,258,522	6,715,050	7,433,400	7,250,223	6,974,527	7,990,209	7,728,201	5,434,930	6,085,304	6,258,370
Economic and physical development	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	3,737,258
Culture and recreation	6,541,146	6,203,497	6,191,485	6,379,277	6,349,079	6,986,803	5,975,527	6,355,499	6,391,994	6,742,733
Interest on long-term debt	411,980	376,028	320,309	241,951	119,963	99,172	148,214	151,691	99,067	88,128
Total governmental activities expenses	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	52,701,382
Business-type activities										
Water	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	8,346,934
Sewer	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	12,765,273
Sludge composting	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	1,980,531
Stormwater	765,923	779,361	471,708	477,389	503,152	752,443	604,777	526,080	533,405	457,877
Public transit	1,167,841	-	-	-	-	-	-	-	-	-
Airport	1,280,587	1,162,141	929,123	2,509,770	2,872,189	2,615,292	2,297,924	1,419,481	1,431,740	1,523,461
Recycling	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	2,917,593
Sanitation	1,769,863	1,665,465	1,621,112	1,621,112	1,953,736	1,773,653	1,638,769	1,774,541	1,878,024	1,822,792
Total business-type activities expenses	25,969,658	25,045,906	24,799,511	27,454,594	27,748,342	30,110,794	29,127,140	28,463,682	29,063,442	29,814,461
Total primary government expenses	76,853,132	72,666,148	72,516,880	75,882,089	75,651,919	79,666,056	78,001,317	83,284,145	83,675,533	82,515,843
Program revenues										
Governmental activities										
Charges for services										
General government	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	8,079,589
Public safety	372,838	288,303	344,906	367,049	305,427	367,312	235,616	309,458	268,252	258,389
Transportation	39,070	1,630	10,331	26,884	9,906	21,031	18,332	5,388	43,276	11,787
Economic and physical development	234,707	837,914	232,608	477,367	157,944	234,406	142,090	286,811	242,930	190,794
Culture and recreation	304,826	277,887	295,039	306,901	273,434	239,691	257,226	257,945	232,728	254,501
Operating grants and contributions	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	3,172,997
Capital grants and contributions	431,894	80,000	-	-	1,044	269,944	5,894,084	80,679	29,051	2,113,962
Total governmental activities program revenues	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	14,082,019
Business-type activities										
Charges for services										
Water	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	16,008,741
Sewer	7,734,699	8,291,528	8,520,966	8,520,966	8,734,523	9,172,139	9,293,174	9,628,631	9,628,631	9,876,273
Sludge composting	44,384	51,416	48,640	59,332	60,681	38,197	25,237	39,910	61,251	65,308
Stormwater	4,566	5,616	1,947	844	1,773	58,207	(3,318)	(1,987)	249,345	251
Public transit	6,680	-	-	-	-	-	-	-	-	-
Airport	369,371	364,004	294,912	1,293,487	2,376,811	2,186,700	1,145,669	1,318,045	1,338,980	1,281,618
Recycling	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	3,310,288
Sanitation	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	1,317,459
Operating grants and contributions	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	1,987,390
Capital grants and contributions	1,616,976	2,545,390	1,809,218	740,890	1,322,552	260,319	2,318,933	2,735,512	464,582	760,895
Total business-type activities program revenues	26,109,645	28,172,456	28,384,918	28,411,618	30,896,374	31,002,309	32,579,272	34,160,086	33,084,304	34,608,223
Total primary government program revenues	39,877,064	37,916,445	39,156,961	40,337,773	40,819,595	41,806,550	49,222,966	46,100,791	44,539,414	48,690,242
Net (expense)/revenue										
Governmental activities	(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)	(38,619,363)
Business-type activities	139,987	3,126,550	3,585,407	957,024	3,148,033	891,515	3,452,132	54,696,404	4,074,667	4,793,762
Total primary government net expense	(36,976,068)	(34,749,703)	(33,359,919)	(35,544,316)	(34,832,323)	(37,859,506)	(28,778,351)	11,816,646	(39,082,314)	(33,825,601)

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General revenues and other changes in net position										
Governmental activities										
Taxes										
Ad valorem property taxes	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	27,222,941
Local option sales tax	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	10,380,928
Franchise tax	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	3,234,684
Telecommunication tax	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	839,810
Motel/Occupancy tax	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	2,050,198
Vehicle tag tax	150,895	151,761	153,545	157,362	161,025	209,966	170,479	174,458	193,001	184,709
Gross receipts tax	73,527	82,397	103,676	110,711	115,674	136,237	131,412	149,050	161,557	163,224
Unrestricted intergovernmental	594,141	804,822	934,256	948,165	772,566	787,532	675,846	595,737	650,281	660,473
Unrestricted investment earnings	1,169,208	778,780	382,329	413,155	(38,998)	174,060	150,105	326,559	85,599	195,769
Miscellaneous	396,230	1,000,761	989,278	-	-	-	-	-	-	-
Transfers	518,671	(5,359,951)	235,578	515,173	(1,581,311)	(519,010)	(1,720,158)	(6,679,253)	(169,567)	494,163
Total governmental activities	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	45,426,899
Business-type activities										
Unrestricted investment earnings	427,640	340,542	228,291	216,993	4,809	116,397	92,491	329,538	91,111	173,555
Donations	-	-	-	-	-	-	9,570	1,890	-	-
Transfers	(518,671)	5,359,951	(235,578)	(515,173)	1,581,311	519,010	1,720,158	6,679,253	169,567	(494,163)
Total business-type activities	(91,031)	5,700,493	(7,287)	(298,180)	1,586,120	635,407	1,822,219	7,010,681	260,678	(320,608)
Change in Net Position	1,700,078	(4,701,203)	1,722,977	1,440,561	(2,308,669)	(782,648)	4,666,619	5,160,619	636,244	6,807,536
Governmental activities	48,956	8,827,043	3,578,120	658,844	4,734,153	1,526,922	5,274,351	61,707,085	4,335,345	4,473,154
Business-type activities	1,749,034	\$ 4,125,840	\$ 5,301,097	\$ 2,099,405	\$ 2,425,484	\$ 744,274	\$ 9,940,970	\$ 66,867,704	\$ 4,971,589	\$ 11,280,690
Total primary government										

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

	2009	2010		2011	2012	2013	2014	2015	2016	2017	2018
General Fund											
Reserved	\$ 3,106,380	\$ 4,351,129									
Unreserved	13,714,939	13,337,503									
Total General Fund	<u>\$ 16,821,319</u>	<u>\$ 17,688,632</u>									
All other governmental funds											
Reserved	\$ 1,628,642	\$ 3,069,226									
Unreserved, reported in:											
Special revenue funds	10,416,107	5,724,561									
Capital project funds	2,021,725	201,552									
Total all other governmental funds	<u>\$ 14,066,474</u>	<u>\$ 8,995,339</u>									
General Fund											
Nonspendable	\$ 363,066	\$ 296,769	\$ 295,503	\$ 409,899	\$ 5,402,181	\$ 4,885,591	\$ 4,274,339	\$ 3,294,920			
Restricted	4,265,397	3,799,206	3,542,867	3,993,730	6,977,246	6,934,665	7,639,419	7,483,180			
Committed	9,785,643	11,995,937	13,322,724	13,381,759	11,437,451	4,810,507	5,835,895	6,666,331			
Assigned	2,167,510	3,856,360	1,877,185	3,065,661	2,811,908	2,620,872	2,383,687	2,462,028			
Unassigned	11,646,163	11,934,342	13,072,784	13,515,066	14,031,436	14,133,964	15,948,786	17,872,210			
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>	<u>\$ 37,778,669</u>			
Capital Projects Fund											
Restricted	-	-	-	-	-	-	-	-			
Total Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,447,185</u>			
All other governmental funds											
Nonspendable	\$ -	\$ -	\$ 158	\$ 158	\$ 879	\$ 330	\$ 321	\$ 158			
Restricted	1,848,375	836,765	307,464	338,705	1,973,118	1,978,451	3,558,664	274,533			
Committed	254,972	256,491	39,683	11,509	30,398	168,731	138,565	133,743			
Assigned	-	-	-	-	-	-	-	-			
Unassigned	(1,609,530)	(677,129)	(72,230)	(726,139)	(43,256)	(140,933)	(43,249)	(20,896)			
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>	<u>\$ 387,538</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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Ad valorem taxes	\$ 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	\$ 27,349,367
Other taxes	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	16,853,553
Unrestricted intergovernmental	594,141	804,822	934,256	948,165	772,566	787,532	675,846	595,737	650,281	660,473
Restricted intergovernmental	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	5,060,098
Licenses and permits	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	4,852
Sales and services	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	1,674,129
Investment earnings	1,040,634	676,256	312,993	343,425	(39,814)	141,156	126,225	280,702	74,610	177,560
Miscellaneous	777,926	1,330,532	1,250,377	1,373,150	988,144	1,329,129	4,413,948	875,945	742,840	37,221
Total revenues	44,221,934	45,232,493	45,834,522	45,542,505	\$ 43,712,367	\$ 45,637,396	\$ 52,982,859	\$ 48,519,392	\$ 49,326,000	\$ 51,817,253
Expenditures										
Current										
General government	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	5,503,444
Public safety	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	22,909,192
Transportation	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	5,364,681
Economic and physical development	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	3,747,416
Culture and recreation	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	7,657,917
Capital outlay	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	6,355,253
Debt Service										
Principal retirement	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	807,069
Interest and fees	415,847	381,674	326,481	252,784	120,628	100,500	134,350	153,911	102,289	89,479
Total expenditures	42,799,827	44,076,365	44,032,475	42,514,871	42,043,661	43,499,176	48,114,288	49,069,322	44,812,184	52,434,451
Excess(deficiency) of revenues over(under) expenditures	1,422,107	1,156,128	1,802,047	3,027,634	1,668,706	2,138,220	4,868,571	(549,930)	4,513,816	(617,198)
Other financing sources(uses)										
Transfers - in	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	4,201,904
Transfers - (out)	(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)	(3,707,741)
Issuance of debt	1,042,685	-	-	-	-	-	3,000,000	-	-	-
Payment to escrow agent	-	-	-	-	-	-	-	-	-	-
Total other financing sources(uses)	1,561,356	(5,359,951)	235,578	549,511	(1,581,311)	(534,010)	1,279,842	(6,679,253)	(169,567)	494,163
Net change in fund balance	\$ 2,983,463	\$ (4,203,823)	\$ 2,037,625	\$ 3,577,145	\$ 87,395	\$ 1,604,210	\$ 6,148,413	\$ (7,229,183)	\$ 4,344,249	\$ (123,035)
Debt service as a percentage of noncapital expenditures	5.16%	4.82%	5.08%	3.77%	2.77%	2.79%	3.08%	4.73%	5.18%	1.83%

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	Other					
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%
2018	3,671,663,581	405,627,891	736,064,765		36,880,357	4,776,475,880	0.5665	4,975,927,807	96.73%

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

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

¹ Includes tax-exempt property

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

Fiscal Year Ended June 30	Name of Government				Maximum Overlapping Rate
	City of Hickory ¹	Burke County	Caldwell County	Catawba County	
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	0.6950	0.6300	0.5750	1.2465
2018	0.5665	0.6950	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.

www.dor.state.nc.us/publications/2017-18_taxrates.pdf
or call Sharon Phelan 919-814-1144

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

Taxpayer	2018			2009		
	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	2.57%	\$ 122,128,597	1	2.56%
Corning Cable Systems LLC	117,726,212	2	2.47%	76,907,533	2	1.61%
Duke Energy Carolinas LLC	47,678,460	3	1.00%	38,173,918	6	0.80%
Valley Hills Mall LLC	38,553,000	4	0.81%	50,210,231	3	1.05%
DLP Frye Regional Medical Center	33,950,834	5	0.71%	38,376,000	5	0.81%
Shurtape Technologies Inc	32,201,399	6	0.68%	29,907,532	9	0.63%
Tate Boulevard, LLC	31,541,900	7	0.66%	32,218,000	8	0.68%
Hickory Springs	27,247,718	8	0.57%	33,238,658	7	0.70%
Hickory Ridge Owner LLC	24,021,500	9	0.50%			
Health Care Property Investors	23,636,500	10	0.50%			
American Med International				42,071,660	4	0.88%
Inland Western Hickory-Catawba LLC				28,292,900	10	0.59%
Total	\$ 498,835,166		10.47%	\$ 491,525,029		10.31%

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
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%
2018	27,122,956	26,760,607	98.66%	567,083	27,327,690	100.75%

* 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				
2009	669,000	10,000,757	-	-	1,801,000	13,923,554	5,115,955	31,510,266	2.63%	773	
2010	468,000	8,645,399	-	-	782,000	12,880,033	5,039,568	27,815,000	2.24%	676	
2011	96,000	7,278,379	-	-	64,000	11,836,513	18,450,731	37,725,623	2.84%	914	
2012	-	6,094,036	-	-	-	10,792,993	21,111,398	37,998,427	2.75%	949	
2013	-	5,101,349	-	-	-	9,749,473	30,252,946	45,103,768	3.65%	1,126	
2014	-	4,108,664	494,000	-	-	18,045,086	18,719,495	41,367,245	3.18%	1,025	
2015	-	6,015,976	-	-	-	16,427,895	17,086,042	39,529,913	2.97%	985	
2016	-	4,823,290	-	-	-	14,797,607	15,452,591	35,073,488	2.58%	869	
2017	-	3,488,990	-	-	-	13,153,925	14,529,139	31,313,667	2.18%	772	
2018	-	2,681,921	-	-	-	11,496,541	16,662,111	30,840,573	2.08%	759	

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 Estimated Actual Taxable Value ¹ of		Percentage of Personal Income	Per Capita ²
		Property			
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%	-
2018	-	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, 2018

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable ¹	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
Burke County	N/A	1.03%	-
Caldwell County	34,241,877	1.88%	643,747
Catawba County	198,869,190	27.14%	53,973,098
Subtotal, overlapping debt			54,616,845
City direct debt			2,681,921.00
Total direct and overlapping debt			\$ 57,298,766

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 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	382,118,070
Total net debt applicable to limit	29,736,186	27,109,306	37,650,123	37,998,427	45,103,768	17,086,042	15,452,591	14,529,139	31,172,053	30,840,573
Legal debt margin	\$ 351,291,227	\$ 355,213,881	\$ 341,415,537	\$ 337,581,601	\$ 332,477,249	\$ 366,668,950	\$ 364,075,437	\$ 348,645,984	\$ 341,156,004	\$ 351,277,497
Total net debt applicable to the limit as a percentage of debt limit	7.80%	7.09%	9.93%	10.12%	11.95%	4.45%	4.07%	4.00%	8.37%	8.07%

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed value of taxable property	\$ 4,776,475,880
Debt limit - 8 percent of assessed value	382,118,070
Debt applicable to limit:	
Gross debt	30,840,573
Less - water bonds	-
Total net debt applicable to limit	30,840,573
Legal debt margin	\$ 351,277,497

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

Fiscal Year Ended June 30	Population ¹	Personal Income (<i>thousands of dollars</i>)	Per Capita Personal Income ²	Median Age ³	School Enrollment ⁴	Unemployment Rate ⁵
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%
2018	40,611	1,483,357	36,526	37.6	4,239	3.7%

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⁾	2018			2009		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Catawba County Schools	1500+	1	2.76%	-		-
Catawba Valley Medical Center	1500+	2	2.23%	1000+	3	1.54%
Commscope	1000+	3	1.90%	1000+	2	1.54%
Merchant Distributors Inc. ⁽²⁾	1000+	4	1.60%	1000+	1	3.12%
Catawba County	1000+	5	1.49%	-		-
Frye Regional Medical Center	1500+	6	1.45%	1000+	4	1.54%
Hickory Springs Mfg Company	1000+	7	1.34%	500-999	7	.77%-1.53%
Corning Cable Systems LLC	1000+	8	1.00%	1000+	5	1.54%
Tyson Foods Inc.	500-999	9	0.87%	-		-
Ethan Allen	500-999	10	0.69%	-		-
Walmart Associates Inc.	-		-	500-999	6	.77%-1.53%
Century Furniture LLC	-		-	500-999	8	.77%-1.53%
Hickory City Schools	-		-	500-999	10	.77%-1.53%
Catawba Valley Community College	-		-	500-999	9	.77%-1.53%

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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
Administration	8	6	7	8	8	8	8	8	9	10
Budget, administration, and HR	9	7	7	7	7	7	7	8	8	9
Finance	21	20	20	21	20	20	21	17	15	17
Information technology	9	9	9	8	5	7	8	6	7	7
City clerk	2	2	1	0	1	1	1	1	1	1
Legal	2	2	2	2	2	2	2	2	2	2
Engineering	10	9	9	8	7	6	8	5	3	5
Building services	6	6	5	6	6	5	6	5	5	5
Central services	7	7	7	7	7	6	7	7	6	7
Buildings and grounds	16	12	12	13	14	15	17	16	13	14
Fleet Maintenance	11	10	10	11	11	12	11	10	10	10
Public Safety										
Police	144	141	145	143	142	141	147	134	133	137
Fire	118	132	136	135	134	134	135	133	130	131
Building inspections	-	-	-	-	-	-	-	-	-	-
Code enforcement	-	-	-	-	-	5	5	-	-	-
Development assistance center	-	-	-	-	-	-	-	-	-	-
Transportation										
Traffic	11	10	9	9	9	10	11	10	10	9
Street	41	40	38	40	39	36	43	36	32	31
Planning and development	13	9	9	8	7	7	8	7	8	10
Culture and recreation										
Recreation	39	42	39	40	40	40	42	40	40	38
Library	20	18	17	17	17	17	18	16	17	17
Water/Sewer	92	93	93	93	90	88	98	89	91	93
Stormwater	1	1	1	1	1	1	1	1	1	0
Public Transit	-	-	-	-	-	-	-	-	-	-
Airport	4	3	2	7	7	8	8	8	8	10
Recycling	16	12	13	13	13	14	16	13	13	10
Sanitation - commercial	11	9	11	10	10	10	12	10	11	11
Sanitation - residential	8	6	7	8	8	7	8	10	9	12
Total	619	606	609	615	605	607	648	592	582	596

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	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Public Safety										
Police Services										
Cost per call dispatched	\$ 135	\$ 140	\$ 139	\$ 153	\$ 148	\$ 155	\$ 152	\$ 149	\$ 125	\$ 135
Calls dispatched	71,510	72,048	72,099	64,668	66,707	67,930	73,396	72,796	90,929	88,167
Uniform Crime Reporting Part I crimes reported	3,723	3,287	3,197	2,547	3,037	2,598	2,415	1,914	2,186	2,175
Uniform Crime Reporting Part I crimes per 1,000 pop.	91.9	80.6	78	64	76	64.9	60.0	47.5	54.2	53.8
Uniform Crime Reporting Part II crimes reported	3,937	3,840	3,937	3,392	3,618	3,462	3,146	3,348	3,357	3,375
Traffic accidents reported	2,189	2,023	1,939	1,937	2,053	3,276	2,271	3,359	3,706	3,555
Sworn Officers	118	118	118	118	118	118	117	117	116	116
Calls dispatched per sworn officer	606	611	611	548	565	576	627	622	784	760
Calls dispatched per 1,000 population	1,765	1,767	1,752	1,613	1,664	1,697	1,825	1,805	2,253	2,179
Response time to priority calls (minutes)	4.1	4.2	4	4	3	4.4	3.3	6.3	6.3	6.6
Emergency Communications										
Total calls per 1,000 population	3,726	3,411	2,670	2,947	---	2,291	2,543	---	---	---
Calls answered per telecommunicator	12,583	11,587	8,450	9,086	---	6,553	7,306	---	---	---
Seconds from initial ring to answer	12	12	n/a	n/a	---	n/a	n/a	---	---	5
Calls answered within three rings	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	\$ 1,491	\$ 1,597	\$ 1,639	\$ 1,629	\$ 1,635	\$ 1,638	\$ 1,565	\$ 1,524	\$ 1,575	\$ 1,555
Actual fires per 1,000 population	6	5	5	5	5	5	5	5	5	5
Responses per 1,000 population	130	127	131	133	136	135	137	145	146	148
Fire inspections completed per 1,000 population	116	122	104	114	123	116	123	115	118	114
Inspections completed per Full Time Employee(FTE)	1,512	1,593	1,863	2,054	2,215	2,086	1,918	1,686	1,667	1,579
Average response time to priority 1 calls (minutes)	4.2	4.4	4.5	4.5	4.6	4.6	4.5	4.3	4.4	4.2
Fires confined to room(s) involved on arrival	67%	61%	68%	54%	51%	55%	54%	51%	68%	61%
Fires for which cause is determined	100%	98%	98%	95%	91%	97%	93%	93%	93%	92%
Transportation										
Asphalt Maintenance and Repair										
Cost per ton of asphalt for contract resurfacing	\$ 62	\$ 65	\$ 81	\$ 83	\$ 83	\$ 76	\$ 77	\$ 77	\$ 77	\$ 77
Lane miles maintained per 1,000 population	17.7	17.6	18.0	17.9	18.0	18.0	17.9	17.8	17.8	18.0
Potholes repaired within 24 hours	97%	96%	94%	96%	94%	95%	94%	n/a	94%	92%
Street segments rated 85% or better (ITRE)	46%	46%	46%	39%	39%	39%	39%	38%	39%	37%
Recycling										
Cost per ton collected	\$ 195	\$ 199	\$ 232	\$ 209	\$ 256	\$ 359	\$ 377	\$ 763	\$ 171	\$ 138
Cost per collection point	\$ 32	\$ 34	\$ 30	\$ 31	\$ 32	\$ 44	\$ 41	\$ 94	\$ 35	\$ 30
Tons recyclables per 1,000 population	47	49	36	45	37	37	33	37	63	65
Tons Solid Waste Landfilled per 1,000 population	233	237	236	232	212	224	215	210	175	180
Set out Rate	65%	65%	77%	80%	76%	78%	81%	84%	67%	65%
Diversion Rate	17%	17%	13%	16%	15%	14%	13%	15%	26%	26%

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

Function/Program	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Sanitation										
Refuse Collection										
Cost per ton collected	\$ 64	\$ 54	\$ 57	\$ 61	\$ 72	\$ 65	\$ 72	\$ 63	\$ 79	\$ 76
Cost per collection point	\$ 53	\$ 45	\$ 48	\$ 47	\$ 50	\$ 49	\$ 51	\$ 44	\$ 46	\$ 45
Tons per 1,000 population	233	237	236	232	212	224	215	210	175	180
Tons per 1,000 collection points	816	833	839	769	702	742	708	694	579	598
Tons collected per F.T.E.	2,226	2,273	1,946	2,190	2,264	2,395	2,305	2,259	1,883	1,945
Yard Waste/Leaf Collection										
Cost per ton collected	\$ 113	\$ 116	\$ 134	\$ 140	\$ 131	\$ 143	\$ 131	\$ 92	\$ 100	\$ 72
Cost per collection point	\$ 61	\$ 63	\$ 72	\$ 74	\$ 71	\$ 81	\$ 72	\$ 52	\$ 54	\$ 60
Tons collected per 1,000 population	155	154	151	160	164	171	166	173	164	251
Tons collected per F.T.E.	628	749	957	1,606	1,646	1,709	1,667	1,741	1,657	1,043

* 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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	170	170	175	152	153	153	153	152	151	149
Fire										
Stations	7	7	7	7	7	7	7	7	7	7
Transportation										
Traffic										
Traffic signals	26	27	196	196	196	196	196	196	196	196
Street										
Miles of paved streets	235.11	236.04	235.89	235.89	235.89	235.82	238.39	239.74	239.74	239.74
Miles of unpaved streets	1.33	1.33	1.33	1.19	1.19	1.24	1.24	2.10	2.10	2.10
Culture and recreation										
Recreation										
Park acreage	473	416	416	428	428	428	428	428	429	450
Parks	18	18	18	23	23	23	23	23	24	24
Recreation centers	5	5	5	6	6	6	6	6	6	6
Senior citizen centers	2	2	2	2	2	2	2	2	2	2
Swimming pools	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	890	893	903	921	925	926	932	937	942	945
Fire hydrants	5,804	5,824	9,500	9,566	9,576	9,583	9,625	9,649	9,675	9,691
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	497	499	511	490	492	492	493.5	499	499	540
Maximum daily treatment capacity in MGD ¹	15.23	15.00	15.23	15.25	15.25	15.25	16.5	16.5	16.5	16.5
Recycling										
Collection trucks	14	14	14	15	15	15	15	15	15	15
Sanitation										
Refuse trucks	18	20	20	27	29	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 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 16, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Hickory's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hickory's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Hickory's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant

deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings, Responses, and Questioned Costs as 2018-001 that we consider to be a material weaknesses.

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*.

Response to Finding

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

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
Hickory, NC
October 16, 2018

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

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

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Hickory, North Carolina's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Hickory's major federal programs for the year ended June 30, 2018. The City of Hickory's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and grants the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Hickory's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Hickory's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Hickory complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
Hickory, NC
October 16, 2018

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

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Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With 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, 2018. 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 state statutes, regulations, and grants the terms and conditions of its state awards 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, 2018.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material non-compliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
Hickory, NC
October 16, 2018

CITY OF HICKORY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

1. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

Non-compliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA #</u>
---------------------	---------------

Clean Water State Revolving Fund	66.458
Highway Planning and Construction Cluster	20.205

Dollar threshold used to distinguish between Type A and Type B Programs	<u>\$ 750,000</u>
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Auditee qualified as low-risk auditee? No

CITY OF HICKORY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

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

State Awards

Internal control over major state programs:

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

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

Unmodified

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

No

Identification of major state programs:

Program Name

Powell Bill

High Unit Cost Grant - Sanitary Sewer Service to Eastwood,
Random Woods and Sherwood Forest

CITY OF HICKORY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

1. Financial Statements Findings

Material Weakness

Finding 2018-001

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

Condition: A significant audit adjustment is a proposed correction of the basic financial statements that, in our 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.

Identification of Repeat Finding: This is a repeat finding from the immediate previous audit, 2017-003.

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.

CITY OF HICKORY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

2. Federal Award Findings and Questioned Costs

None reported.

3. State Award Findings and Questioned Costs

None reported.



City of Hickory
Finance Department
PO Box 398
Hickory, NC 28603
Phone: (828) 323-7545
Fax: (828) 323-7550
Email: mmiller@hickorync.gov

Corrective Action Plan

Financial Statement Findings

Material Weakness

Finding 2018-001

Name of Contact Person: Melissa Miller, Finance Officer

Corrective Action: The Finance Department staff will ensure that all journal entries are recorded to the proper project and reviewed at year end to ensure any adjustments are processed prior to the closing of the fiscal year.

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

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

Thank you,

A handwritten signature in black ink that reads "Melissa W. Miller". The signature is written in a cursive style with a large, looped "M" and a trailing "W".

Melissa W. Miller
Finance Officer
City of Hickory

CITY OF HICKORY, NORTH CAROLINA

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

Finding 2017-001

Status: Corrected.

Finding 2017-002

Status: Corrected.

Finding 2017-003

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

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.

Finding 2017-004

Status: Corrected.

CITY OF HICKORY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

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 Homeland Security					
Assistance to Firefighters Grant	97.044	EMW-2013-FR-00138	\$ 297,736	\$ -	\$ 244,878
Passed through North Carolina Department of Public Safety					
Disaster Grants - Public Assistance - July 2013 Storms	97.036	FEMA-4153-DR-NC	152,373	-	-
Total United States Department of Homeland Security			450,109	-	244,878
United States Environmental Protection Agency					
Passed through North Carolina Department of Environmental Quality					
Clean Water State Revolving Funds Cluster					
Capitalization Grants for Clean Water State Revolving Funds					
Geitner Basin - Sewer System Rehab	66.458	CS370389-21	2,219,905	-	-
Capitalization Grants for Clean Water State Revolving Funds					
Central Business District Infrastructure Rehabilitation	66.458	CS370389-20	1,346,100	-	-
Total Clean Water State Revolving Funds Cluster			3,566,005	-	-
United States Department of Housing and Urban Development					
CDBG Entitlement Grants Cluster:					
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-37-0013	317,809	-	-
Total United States Department of Housing and Urban Development			317,809	-	-
United States Department of Justice Direct Program:					
Equitable Sharing Program	16.922	NC0180200	13,954		
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738		353	-	-
Bulletproof Vest Partnership Program	16.607	2015	15,108	-	-
Total United States Department of Justice			29,415	-	-
United States Department of Transportation					
Highway Planning and Construction Cluster					
Passed-through North Carolina Department of Transportation					
Federal Highway Administration - Falling Creek Bridge					
Falling Creek Bridge	20.205	BRSTP-1216(21)	753,043	-	-
Total Highway Planning and Construction Cluster			753,043	-	-
Total United States Department of Transportation			753,043	-	-
United States Environmental Protection Agency					
Brownfields Training, Research, and Technical Assistance Grants and					
Cooperative Agreements	66.814	00D31715	16,281	-	-
Total Federal Assistance			\$ 5,132,662	\$ -	\$ 244,878
State Assistance:					
North Carolina Department of Cultural and Natural Resources					
Aid to Public Libraries		N/A		\$ 27,166	\$ -
North Carolina Department of Environmental Quality					
High Unit Cost Grant - Sanitary Sewer Service to Eastwood, Random Woods					
and Sherwood Forest		E-SRG-T-08-0140		756,301	-
North Carolina Department of Transportation					
Land/Easement Acquisition and Obstruction Removal - Runway 6-24 and					
Runway 1-19 (Phase 1)		N/A		5,340	-
North Carolina Department of Public Safety					
Public Assistance - July 2013 Storms		FEMA-4153-DR-NC		50,791	-

CITY OF HICKORY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

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
North Carolina Department of Revenue Unauthorized Substances Tax		N/A		30,715	-
North Carolina Department of Transportation Direct Program: Powell Bill		N/A		1,209,320	-
North Carolina Housing Finance Agency Urgent Repair Program-North Carolina Housing Trust Funds		URP1413		50,973	-
North Carolina Office of Information Technology Services Passed-through Catawba County Public Safety Answering Point		N/A		52,772	-
Total State Assistance				\$ 2,183,378	\$ -

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, 2018. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Hickory, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Hickory.

Note 2 - Summary of Significant Accounting Policies

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

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