

# **CITY OF HICKORY NORTH CAROLINA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR YEAR ENDED JUNE 30, 2020**

**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, 2020

Prepared by the Finance Department



**CITY OF HICKORY, NORTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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## **Introductory Section**





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Finance Department  
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October 16, 2020

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, 2020, 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, 2020, 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, 2020, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

of Governmental Accounting of the American Institute of Certified Public Accountants (AICPA), and *Government Auditing Standards*, issued by the Comptroller General of the United States. Among the other resources used in the preparation of the financial statements, the Finance Department Staff has given particular attention to *Governmental Accounting, Auditing, and Financial Reporting* (GAAFR) issued by the Government Finance Officers Association of the United States and Canada (GFOA), and Governmental Accounting Standards Board (GASB) pronouncements.

The Single Audit Act of 1984 established requirements for state and local governments that receive federal assistance. The audit requirements have also been adopted by the State of North Carolina for state grants. Information related to this single audit, including the schedule of federal and state financial awards, schedule of findings and questioned costs, auditor's report on internal control and compliance with laws and regulations, and other schedules and exhibits necessary to satisfy the requirements of the single audit, are included in the single audit section.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Hickory's MD&A is presented immediately following the report of our independent auditors.

## **Profile of the Government**

The City of Hickory is located in North Carolina's Piedmont region, 50 miles northwest of the City of Charlotte and 80 miles east of Asheville. Hickory was incorporated in 1870 and is the geographic and economic center of North Carolina's eighth largest Metropolitan Statistical Area (MSA). The City spans approximately 29 square miles and is intersected by Interstate 40, US Highway 321, and US Highway 70. The City is sited primarily in Catawba County but its borders extend into portions of Burke and Caldwell Counties.

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

The City provides a full range of services including police and fire protection, emergency management, street maintenance and construction, community development, planning and zoning, engineering, library, cemeteries, sanitation services, airport services, and parks and recreation. Additionally, the City owns and operates a water and sewer system providing services to residents of the City and its environs. The City also extends financial support to certain boards, agencies, and commissions. There are no legally separate entities included in this report.

In government, much more than business, the budget is an integral part of a unit's accounting system and daily operations. An annual or project budget ordinance, as amended by the governing body, creates a legal limit on spending authorizations. For the City of Hickory, annual budgets are adopted for the General, Special Revenue - Capital Reserve, and Enterprise Funds. Financial plans are adopted for the Internal Service Funds. Appropriations are made at the functional cost category level (i.e. general government, public safety, transportation, environmental protection, etc.) for the annually budgeted funds. Project and grant ordinances (multi-year budgets) are adopted for all Special Revenue funds excluding the Capital Reserve Fund, and all Capital Project Funds. The Capital Reserve Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54 it is consolidated in the General Fund. Encumbrances outstanding at June 30, 2020, 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 even during the COVID-19 pandemic. The City experienced a decline in sales tax revenue due to COVID-19, but the decline only affected three months of the City's revenues. 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 377 permits with a value of over \$98 million and 396 additional residential permits with a value of over \$29 million in fiscal year 2019-2020.

Economic development initiatives and activities completed or underway include:

- Cataler North America Corporation was announced as the third tenant for the Trivium Corporate Center business park. The company plans to construct a 100,000 square foot manufacturing facility for the production of automotive catalysts. Over the next five years, Cataler North America plans to create 151 jobs and invest a minimum of \$42 million in new facility construction, machinery, and equipment.

- A strong residential building effort is underway. Current projects include:
  - Preston Ridge Apartments - \$19,850,000
  - One North Center - \$12,000,000
  - The Estates at Legends - \$8,124,000
  - The Lodge - \$8,176,000
  - Woodland Village Apartments - \$8,431,000
- Renovations and expansion of the Hickory's Ridgeview Branch Library will include adding a new community meeting room and group study room, increasing seating and computer space, and modifying existing spaces to maximize efficiency for patrons and City staff. Project cost is estimated at \$1,200,000.
- The City installed a new synthetic turf field at Henry River Fork Park (HRFP) at an approximate cost of \$850,000. The T°Cool evaporative technology reduces synthetic turf surface temperatures by 30 to 50 degrees Fahrenheit. Hickory is the first municipality in the United States to install the T°Cool system. The field will be utilized by the Catawba Valley Youth Soccer Association (CVYSA) and various organizations and high schools for tournaments in the region.
- Construction is moving forward on Phase 1A of the Bruce Meisner Park located at the intersection of NC 127 and Cloninger Mill Road. Phase 1A will include a paved parking lot, picnic shelter, picnic tables, restrooms, playground, walking trail, and fitness equipment at a cost of \$1,000,000.
- Miracle of Hickory park improvements included the relocation of the Tower of Miracles obelisk from Union Square to a new memorial garden area within Jaycee Park. The park incorporated courtyard improvements, landscape additions, and a memorial space to honor the historic location of the 1944 hospital which treated polio patients on the same site.
- An existing picnic shelter at Taft Broome Park was demolished and a new shelter rebuilt at a cost of \$40,300. In addition, new grills, benches, trash receptacles, picnic tables, and a water fountain were installed. Total project cost was \$58,035.
- Two affordable houses are currently under construction at a cost to the City of \$312,642. \$300,000 of the total cost is being funded by the Unifour HOME Consortium through the Western Piedmont Council of Governments. The Consortium was formed in June 1995 with all twenty-eight (28) local governments in the four county area of Alexander, Burke, Caldwell and Catawba. HOME is the largest Federal block grant available to State and local governments designed exclusively to create affordable housing for low-income households. The houses are expected to be completed by October 2020 and sold to qualified homebuyers.

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

## Performance Measurement Program

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

<b><u>Function / Program</u></b>	<b><u>2016-2017</u></b>	<b><u>2017-2018</u></b>	<b><u>2018-2019</u></b>
<b>Police Services</b>			
Cost per call dispatched	\$135	\$138	\$141
Calls dispatched	88,167	90,058	90,024
Uniform Crime Reporting Part I crimes reported	2,175	2,317	1,899
Uniform Crime Reporting Part I crimes per 1,000 population	53.8	57	46.39
Uniform Crime Reporting Part II crimes reported	3,375	3,450	4,064
Traffic Accidents Reported	3,555	3,570	2,438
Sworn Officers	116	116	116
Calls dispatched per sworn officer	760	776	776
Calls dispatched per 1,000 population	2,179	2,215	2,199
Response time to priority calls (minutes)	6.6	7.8	4.4
<b>Emergency Communications</b>			
Total calls per 1,000 population	--- *	--- *	n/a
Calls answered per telecommunicator	--- *	--- *	n/a
Seconds from initial ring to answer	5	5	4.82
Calls answered within three rings	--- *	--- *	n/a
<b>Fire Services</b>			
Cost per response	\$1,555	\$1,680	\$1,998
Actual fires per 1,000 population	4.61	4.22	3.95
Responses per 1,000 population	148	149	146
Fire inspections completed per 1,000 population	114	109	106
Inspections completed per Full Time Employee (FTE)	1,579	1,504	1,481
Average response time to priority 1 calls (minutes)	4.2	4.3	4.4
Fires confined to room(s) involved on arrival	61%	60%	62%
Fires for which cause is determined	92%	85%	95%

**Transportation**

## Asphalt Maintenance and Repair

Cost per ton of asphalt for contract resurfacing	\$76.50	\$90.00	\$182.00
Lane miles maintained per 1,000 population	17.8	17.7	17.6
Potholes repaired within 24 hours	92.0%	94.0%	96.0%
Street segments rated 85% or better (ITRE)	37%	27%	29%

**Recycling**

Cost per ton collected*	\$138	\$136	\$152
Cost per collection point	\$29.70	\$30.47	\$34.00
Tons recyclables per 1,000 population	64.8	65.6	66
Tons Solid Waste Landfilled per 1,000 population	180.3	182	225
Set Out rate	65.0%	63.0%	66.0%
Diversion Rate	26.4%	26.5%	22.5%

**Sanitation**

## Refuse Collection

Cost per ton collected	\$76	\$46	\$39
Cost per ton collection point	\$45	\$28	\$30
Tons per 1,000 population	180	182	225
Tons per 1,000 collection points	598	620	771
Tons collected per F.T.E.	1,945	1,973	2,456

**Yard Waste / Leaf Collection**

Cost per ton collected	\$72	\$120	\$90
Cost per collection point	\$60	\$77	\$77
Tons per 1,000 population	251	189	250
Tons collected per F.T.E.	1,043	790	1,048

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.

- Citywalk, Riverwalk, Streetscapes/Gateways, and Trivium Corporate Center are the four major projects included in the City of Hickory’s \$40 million Economic Development Bond Referendum. All projects are underway and in various stages of the design and construction process. During this fiscal year, a ribbon cutting ceremony was held to celebrate the Union Square renovations which included a complete redesign of the main pedestrian plaza in the Central Business District and streetscape improvements to the surrounding downtown block. New public restrooms, a multi-purpose shade structure, enhanced lighting, additional seating areas, and a multi-tiered structure to showcase the historic cannon were added to enhance the space.
- The Appalachian Regional Commission (ARC) approved a \$1,500,000 grant for Burke County, NC and the City of Hickory to construct access road improvements leading into a proposed industrial park located in the City of Hickory. The ARC funds will be used to widen and improve approximately 0.89 mile of roadway on 9<sup>th</sup> Avenue Drive NW to Goat Farm Road, adjacent to the Hickory Regional Airport.



- The Deidra Lackey Memorial Park is a \$6 million 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 be completed in 2020.
- The City of Hickory conducted a condition assessment of the existing Regional Compost Facility which concluded it is nearing the end of its useful life. It was determined that a new Bio-Solids Facility should be constructed at the City's Henry Fork Wastewater Treatment Facility. A new, modern facility will allow for the continued beneficial reuse of residuals while decreasing both the footprint and operational capital required by the current contracted operation. This new facility is currently under design with an estimated construction cost of \$32 million and funding sources are being explored.
- The City of Hickory is designing the Airport Hangar Water Line Extension which consists of the installation of approximately 5,320 linear feet of distribution system water main. The project will increase the water line sizes to provide necessary fire flows to the new hangar being built at the airport as well as prepare for the future development along that corridor. Construction cost estimate for this project is \$1.75 million.
- The City of Hickory is continuing work on the Murray Basin Sanitary Sewer Project. The project will renew existing infrastructure, return flow to existing City of Hickory facilities, and reduce costs of wastewater treatment by a contracted source. Construction is anticipated to begin in the fall of 2020. State Revolving Funds (SRF) loan funding for construction has been obtained in the amount of \$5,182,700 at 1.04% interest.
- Construction is in progress on a 32,000 square foot hangar to replace the two hangars lost on October 23, 2017 by an EF2 tornado. The new hangar is being constructed within the same footprint of the original hangars located on the North Ramp and will comply with all current codes relating to hangar doors, concrete slab, LED lighting, and foam fire suppression system. Projected completion is by the end of 2020 with an estimated cost of over \$2,600,000.

## **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 ending June 30, 2019. This was the twenty-fourth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

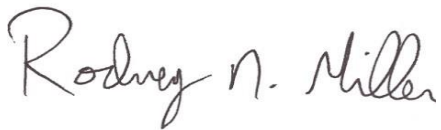
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **Acknowledgements**

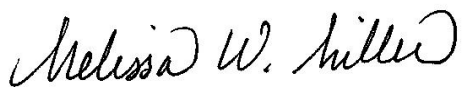
Preparation of this report could not have been accomplished without the professional, efficient, and dedicated efforts of the entire staff of Finance, the Budget Office, the various department heads, budget managers and coworkers who assisted and contributed to its preparation, and our independent auditors,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

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

Respectfully submitted,

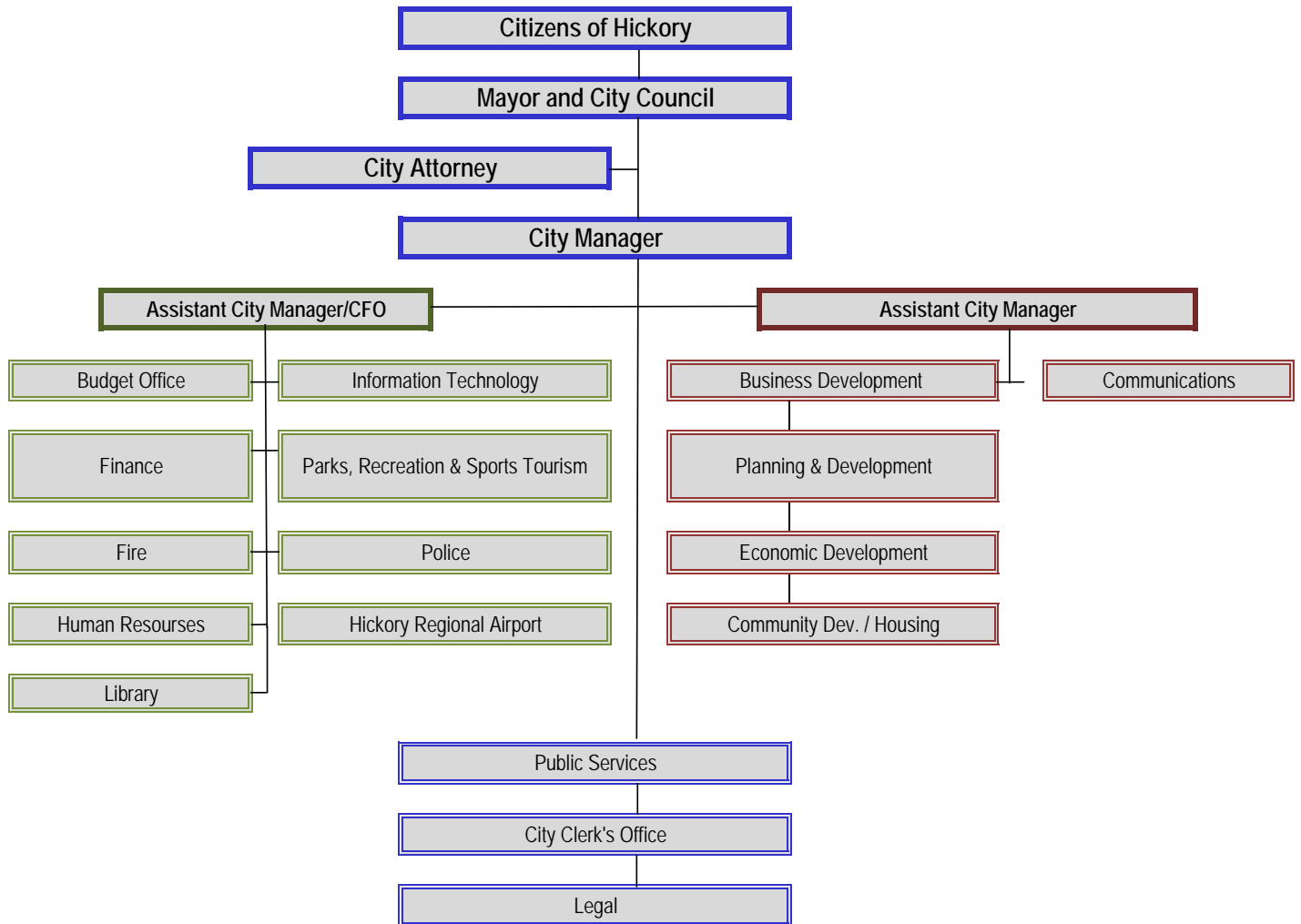
A handwritten signature in dark ink that reads "Rodney N. Miller". The script is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Rodney N. Miller  
Assistant City Manager/CFO

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

Melissa W. Miller  
Finance Officer

City of Hickory  
Department Organizational Chart





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Hickory  
North Carolina**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2019

*Christopher P. Morill*

Executive Director/CEO

**CITY OF HICKORY, NORTH CAROLINA**

**CITY COUNCIL**

**FISCAL YEAR JULY 1, 2019 - JUNE 30, 2020**

**City Council**

Hank Guess	Mayor
Tony Wood	Ward I
Charlotte Williams	Ward II
Danny Seaver	Ward III
David Williams	Ward IV
David Zagaroli	Ward V
Jill Patton	Ward VI



# **CITY OF HICKORY, NORTH CAROLINA**

## **CITY ADMINISTRATION**

**FISCAL YEAR JULY 1, 2019 - JUNE 30, 2020**

### **City Administration**

City Manager	Warren Wood
Assistant City Manager/CFO	Rodney Miller
Assistant City Manager	Rick Beasley
Executive Assistant 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	Matthew Hutchinson
Human Resources Director	Claudia Main
Information Technology Manager	Mike Woods
Library Director	Sarah Greene
Parks, Recreation & Sports Tourism Director	Mark Seaman
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, 2020, 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 from 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedules of 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, and 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 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 basic financial statements and certain additional 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 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, 2020 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, 2020



## 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, 2020. 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 2020

- The assets of the City of Hickory exceeded its liabilities at the close of the most recent fiscal year by \$248,670,237 (net position). Of this amount, \$42,617,259 (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 \$20,117,837.
- As of the close of the current fiscal year, the City of Hickory's governmental funds reported combined ending fund balances of \$58,199,462 an increase of \$5,734,216, in comparison with the prior fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$16,495,086, or 29.2%, of the General Fund budget for the fiscal year 2020-2021.
- The City of Hickory's total debt increased by \$16,554,372, which includes unfunded law enforcement officers' pension, other post-employment benefits (OPEB) and compensated absences liabilities. The City's total indebtedness is \$98,879,921.
- The City's legal debt limit is \$409,658,607 (8% of assessed valuation), and the City's legal debt margin is \$351,067,339. The total legal indebtedness of the City is \$58,591,268, which represents 1.14% 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 31-33 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 105-108 of this report.

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

The basic governmental fund financial statements are located on pages 34-38 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 123-134 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 39-43 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 44-89 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 90-94 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 \$248,670,237 for the fiscal year ended June 30, 2020.

The largest portion of the City of Hickory's net position, 75.9%, 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 69,327,359	\$ 59,040,616	\$ 49,904,550	\$ 45,172,642	\$ 119,231,909	\$ 104,213,258
Notes receivable	1,944,000	2,276,000	-	-	1,944,000	2,276,000
Capital assets	84,108,640	61,798,685	148,283,824	144,745,107	232,392,464	206,543,792
Total assests	155,379,999	123,115,301	198,188,374	189,917,749	353,568,373	313,033,050
Deferred outflows of resources	7,300,027	7,953,261	1,658,646	1,786,893	8,958,673	9,740,154
Total assets and deferred outflows	162,680,026	131,068,562	199,847,020	191,704,642	362,527,046	322,773,204
Long-term liabilities outstanding	37,106,516	21,194,222	24,526,554	26,022,677	61,633,070	47,216,899
Other liabilities	37,296,433	33,491,972	12,050,428	9,979,398	49,346,861	43,471,370
Total liabilities	74,402,949	54,686,194	36,576,982	36,002,075	110,979,931	90,688,269
Deferred inflows of resources	2,288,497	2,788,375	588,381	744,160	2,876,878	3,532,535
Total liabilities and deferred inflows	76,691,446	57,474,569	37,165,363	36,746,235	113,856,809	94,220,804
Net position:						
Net investment in capital assets	64,346,936	53,510,932	124,337,832	119,304,991	188,684,768	172,815,923
Restricted	17,368,210	14,173,415	-	-	17,368,210	14,173,415
Unrestricted	4,273,434	5,909,646	38,343,825	35,653,416	42,617,259	41,563,062
Total net position	\$ 85,988,580	\$ 73,593,993	\$ 162,681,657	\$ 154,958,407	\$ 248,670,237	\$ 228,552,400

An additional portion of the City of Hickory's net position, \$17,368,210 represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position, \$42,617,259, 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 \$100,417,573, which consists of \$58,234,490 from governmental activities and \$42,183,083 from business-type activities. Working capital increased by \$10,379,203 for the fiscal year ended June 30, 2020.

**Current Ratio** – is the ratio of total current assets to current liabilities. This ratio is an indicator of the City's ability to meet its short-term obligations and is expressed as coverage of so many dollars of current assets/current liabilities. The City of Hickory's current ratio is 6.28 on a Citywide basis, 6.16 for governmental activities, and 6.46 for business-type activities. More simply stated, the City has \$6.28 of current assets for each \$1.00 of current liabilities on a Citywide basis. The Citywide current ratio decreased by .94 during FY 2020.



**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 6.19 on a Citywide basis, 5.97 for governmental activities and 6.52 for business-type activities. Or, more simply stated the City has \$6.19 of “quick” assets for each \$1.00 of current liabilities on a Citywide basis. The Citywide quick ratio decreased by \$.91 during FY 2020.

**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 284 days on a Citywide basis, 205 days for governmental activities and 466 days for business-type activities. This measure decreased by 35 days in FY 2020.

**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 45% on a Citywide basis, 87% for governmental activities and 22% for business-type activities. The Citywide ratio increased 5% during FY2020.

**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 31% on a Citywide basis, 48% for governmental activities and 18% for business-type activities. This ratio increased 2% 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 16% on a Citywide basis, 22% for governmental activities and 11% for business-type activities. This ratio increased 3% from the previous fiscal year.

**Days Receivable** – represents the number of days on average it took to collect accounts receivable. This number demonstrates the extent to which current operations are impacted by the collection of accounts receivable. This ratio is provided only for the business-type activities of the City of Hickory, which consist primarily of utility accounts. Days receivable for business-type activities is 37 days for the City of Hickory. Days receivable decreased by 4 days during FY 2020.

**Change in Net Position** - The government's net position increased by \$20,117,837 during the current fiscal year. The governmental activities net position increased \$12,394,587 and the business type activities increased \$7,723,250. This increase represents the degree to which increases in ongoing revenues have exceeded increases in ongoing expenses. A summary of the changes follows:

### Changes in Net Position

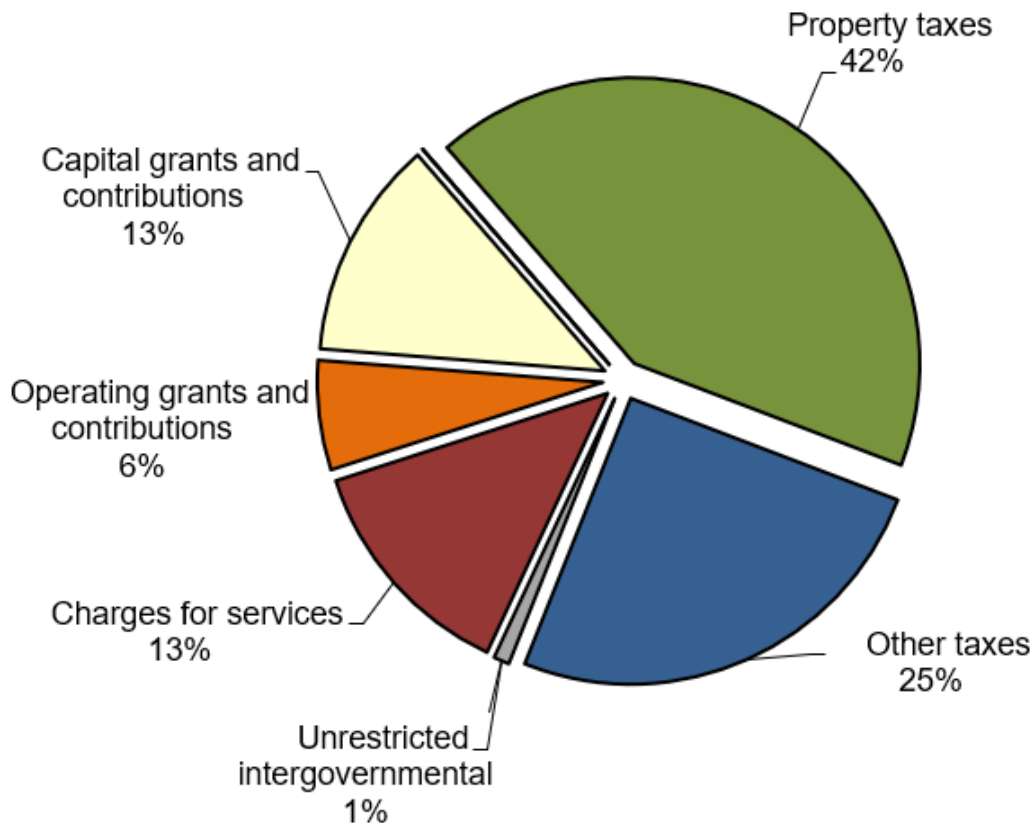
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Revenues:						
Program revenues:						
Charges for services	\$ 9,435,802	\$ 9,768,164	\$ 35,440,746	\$ 33,248,878	\$ 44,876,548	\$ 43,017,042
Operating grants and contributions	4,456,558	3,088,376	2,762,227	2,579,212	7,218,785	5,667,588
Capital grants and contributions	8,921,931	797,726	1,066,074	308,520	9,988,005	1,106,246
General revenues:						
Property taxes	30,367,046	28,019,929	-	-	30,367,046	28,019,929
Other taxes	18,200,509	17,692,047	-	-	18,200,509	17,692,047
Unrestricted intergovernmental	641,067	641,027	-	-	641,067	641,027
Unrestricted investment earnings	1,237,157	1,403,393	996,940	1,155,081	2,234,097	2,558,474
Miscellaneous	-	-	1,149,074	-	1,149,074	-
Total revenues	<u>73,260,070</u>	<u>61,410,662</u>	<u>41,415,061</u>	<u>37,291,691</u>	<u>114,675,131</u>	<u>98,702,353</u>
Expenses:						
General government	13,870,372	13,828,049	-	-	13,870,372	13,828,049
Public safety	25,986,157	24,295,446	-	-	25,986,157	24,295,446
Transportation	6,723,958	6,993,677	-	-	6,723,958	6,993,677
Economic and physical development	4,232,839	4,400,099	-	-	4,232,839	4,400,099
Culture and recreation	7,084,150	7,069,437	-	-	7,084,150	7,069,437
Water	-	-	10,480,158	9,384,793	10,480,158	9,384,793
Sewer	-	-	14,727,277	14,062,054	14,727,277	14,062,054
Sludge composting	-	-	2,300,787	2,033,150	2,300,787	2,033,150
Stormwater	-	-	895,861	541,921	895,861	541,921
Airport	-	-	1,697,583	1,620,372	1,697,583	1,620,372
Recycling	-	-	3,442,487	3,026,079	3,442,487	3,026,079
Sanitation	-	-	2,114,046	1,947,621	2,114,046	1,947,621
Interest on long-term debt	1,001,619	579,073	-	-	1,001,619	579,073
Total expenses	<u>58,899,095</u>	<u>57,165,781</u>	<u>35,658,199</u>	<u>32,615,990</u>	<u>94,557,294</u>	<u>89,781,771</u>
Change in net position before transfers	14,360,975	4,244,881	5,756,862	4,675,701	20,117,837	8,920,582
Transfers	<u>(1,966,388)</u>	<u>(1,578,454)</u>	<u>1,966,388</u>	<u>1,578,454</u>	<u>-</u>	<u>-</u>
Change in net position	12,394,587	2,666,427	7,723,250	6,254,155	20,117,837	8,920,582
Net position, beginning of year	<u>73,593,993</u>	<u>70,927,566</u>	<u>154,958,407</u>	<u>148,704,252</u>	<u>228,552,400</u>	<u>219,631,818</u>
Net position, end of the year	<u>\$ 85,988,580</u>	<u>\$ 73,593,993</u>	<u>\$ 162,681,657</u>	<u>\$ 154,958,407</u>	<u>\$ 248,670,237</u>	<u>\$ 228,552,400</u>

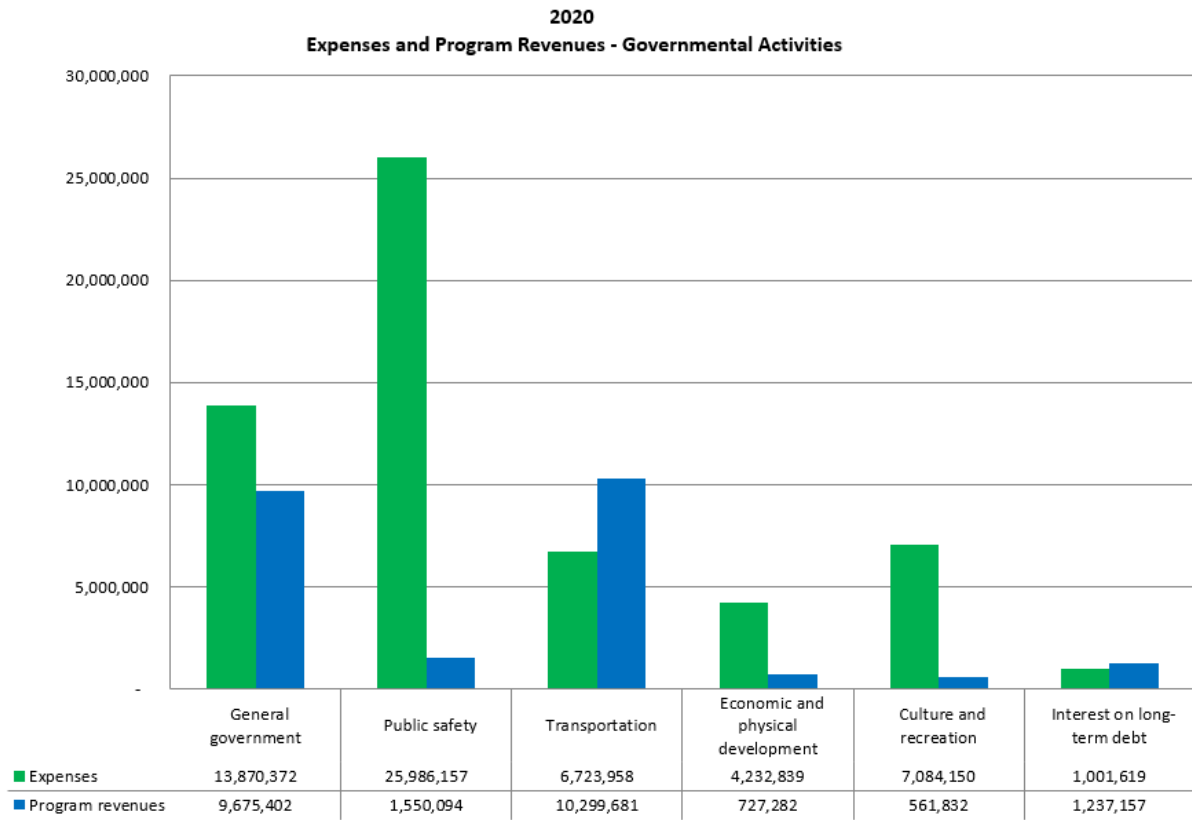
**Governmental Activities** - Governmental activities increased the City of Hickory's net position by \$12,394,587.

Summaries of these include:

- Total expenses increased \$1,832,022, or 3.21%, for fiscal year 2020.
- Overall revenues increased, with program revenues increasing \$9,160,025, or 67%, and general revenues increasing \$2,689,383, or 5.63%.
- Operating grants and contributions for governmental activities totaled \$4,456,558. The grant awards furnished resources to support the following functions: general government (\$1,074,220), police and fire (\$1,326,022), Powell Bill and street maintenance (\$1,317,850), economic and physical development (\$391,145), and culture and recreation (\$369,321).

### **2020 Governmental Activities Revenues - \$73,260,070**



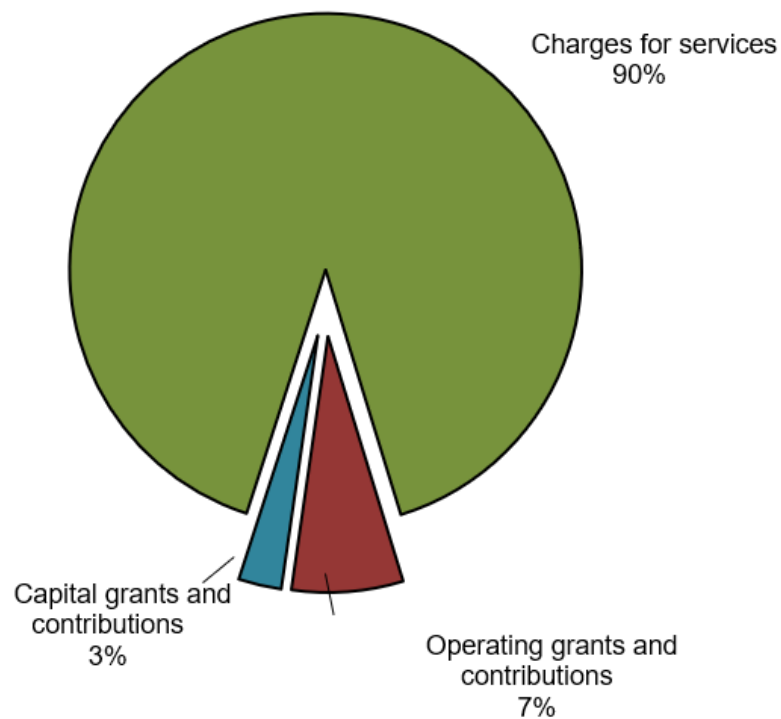


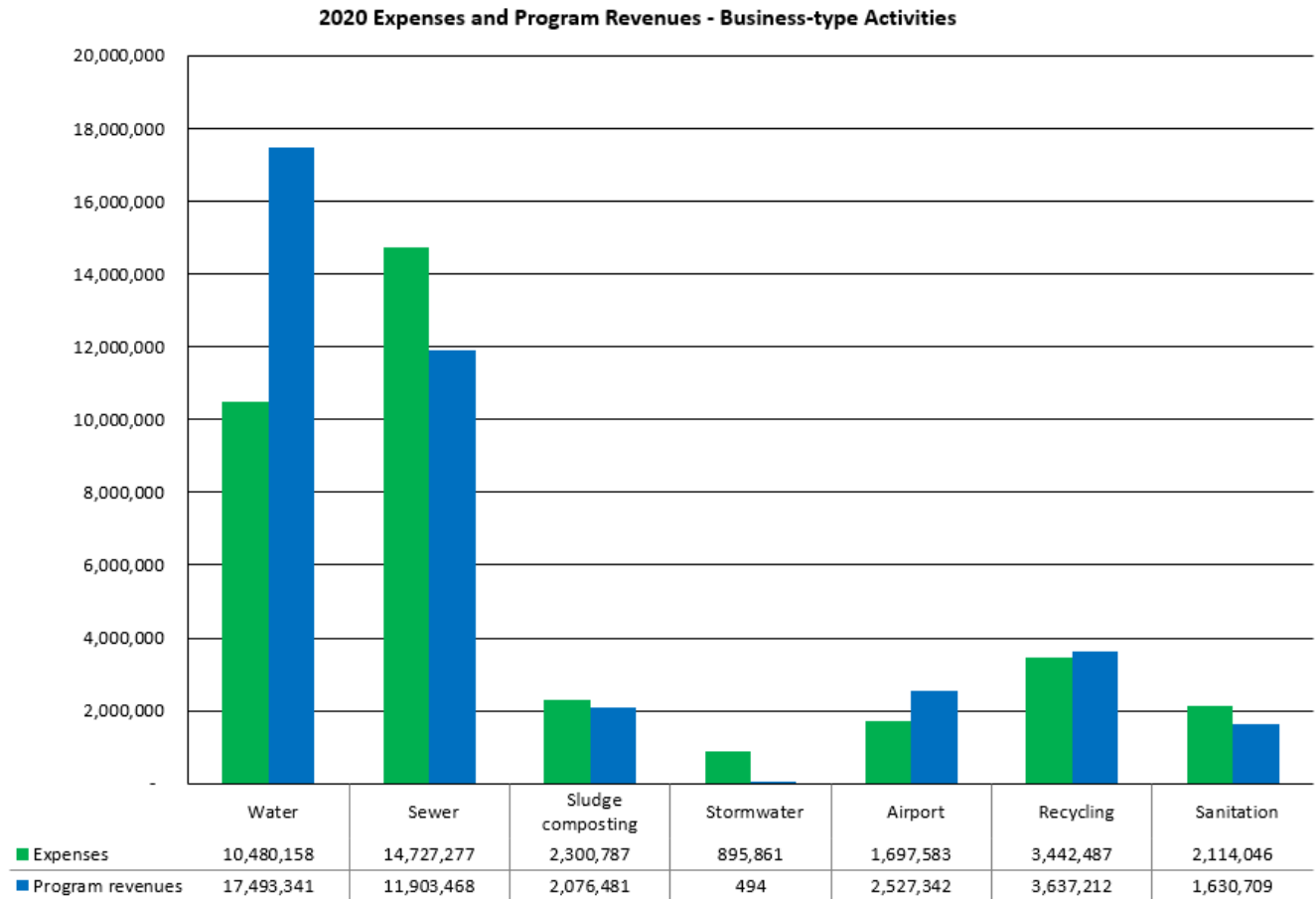
**Business-Type Activities** - Business-type activities increased the City of Hickory's net position by \$7,723,250.

Summaries of these include:

- Programs revenues increased \$3,132,437, or 8.6%.
- Capital grants and contributions for business-type activities totaled \$1,077,074. The grant awards and contributions furnished resources to support the following activities: water \$117,700, sewer \$303,558, and airport \$644,816.
- Transfers to business type activities were \$1,966,388 to fund capital projects.

**2020 Business-type Activities Revenues - \$41,415,061**





## 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 \$58,199,462, an increase of \$5,734,216 in comparison with the prior year. Of this total amount, \$16,381,523 constitutes *unassigned fund balance*, has no constraints on its use. The remainder of fund balance is broken down as follows:

- Non-Spendable: \$2,547,935 - resources not in spendable form, for example, inventories and prepaid items.
- Restricted: \$30,493,395 - resources specifically restricted by provider.
- Committed: \$5,017,933 - resources committed by formal action of governing body.
- Assigned: \$3,758,676 - 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 \$26,678,445. Total fund balance was \$37,101,122. 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 53.8% of total General Fund expenditures, while total fund balance represents 74.8% to that same amount.

The fund balance of the City of Hickory's General Fund decreased by \$1,192,983 during the current fiscal year.

Summaries of these include:

- General government expenditures increased \$648,317 largely due to a purchase of fire rescue truck and improvement to Henry Fork soccer field.
- Transfers out increased \$6,719,366 to fund capital projects.

**General Capital Projects Fund.** The General Capital Projects Fund saw an increase in authorized expenditures of \$16,035,029 for the fiscal year ending June 30, 2020. The following general capital projects contributed to key increases:

- The Trivium bond project, including sub-projects for Robinwood Access Rd and Project Enzyme, authorizations increased \$5,554,482, most of which were related to land and construction.
- City Walk bond project authorizations increased \$4,200,418 for construction and engineering expenditures.
- River Walk bond project authorizations increased \$1,497,313, most of which were related to design and construction.
- Project authorizations increased for multiple other bond projects including the Old Lenoir Rd Multi-Use Trail and Union Square.

**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 \$37,522,822. The total increase in net position was \$5,749,225. The Transportation Fund had an unrestricted net position of \$(969,462), with an increase in net position of \$1,269,336. Unrestricted net position of the Solid Waste Fund amounted to \$820,703, with total net position reflecting a decrease of \$274,877. 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 \$12,753,312, and can be briefly summarized as follows:

- \$1,284,184 in increases allocated to general governmental activities.
- \$956,181 in increases allocated to public safety.
- \$539,374 in increases allocated to transportation.
- \$146,644 in decreases allocated to economic and physical development.
- \$2,218,254 in increases allocated to culture and recreation.
- \$364,509 in decreases for contingency.
- \$8,316,472 in increases allocated to transfers out of General Fund to other funds.
- \$50,000 in increases for debt service.

The General Fund recognized a positive variance of \$6,483,128 between the final amended budget and the total actual expenditures. This variance can be summarized as follows:

- Approximately \$1,031,744 of the variance is due to reduced costs of salary and benefits because of retirements, vacancies and elimination of positions.
- Approximately \$1,996,557 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 including reduced operational costs during the fiscal year.

**General Capital Projects Fund.** The General Capital Projects Fund saw an increase in authorized expenditures of \$16,035,029 for the fiscal year ending June 30, 2020. The following general capital projects contributed to key increases:

- The Trivium bond project, including sub-projects for Robinwood Access Rd and Project Enzyme, authorizations increased \$5,554,482, most of which were related to land and construction.
- City Walk bond project authorizations increased \$4,200,418 for construction and engineering expenditures.
- River Walk bond project authorizations increased \$1,497,313, most of which were related to design and construction.
- Project authorizations increased for multiple other bond projects including the Old Lenoir Rd Multi-Use Trail and Union Square.



## 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, 2020, amounts to \$232,392,464 (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 pothole patcher for the Street Department.
- Updates to Henry Fork soccer fields.
- Construction of City Walk.
- Purchase of a fire rescue truck for the Fire Department.
- Purchase of a Mack garbage truck for the Sanitation Department.
- Management and design of bond projects.
- Construction of an elevated storage tank.
- Improvements to waterlines at Lenoir Rhyne.

### Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 12,870,898	\$ 12,617,156	\$ 5,375,234	\$ 5,329,400	\$ 18,246,132	\$ 17,946,556
Land improvements	-	-	7,068,587	7,068,587	7,068,587	7,068,587
Buildings and improvements	16,730,272	15,707,464	28,320,500	30,198,694	45,050,772	45,906,158
Equipment	3,269,837	3,707,359	5,174,093	5,217,568	8,443,930	8,924,927
Vehicles	3,976,135	4,293,817	2,407,161	2,503,602	6,383,296	6,797,419
Road network	9,833,521	10,742,532	4,197,622	3,022,362	14,031,143	13,764,894
Operating plants	-	-	19,089,857	19,662,610	19,089,857	19,662,610
Waterlines	-	-	25,757,454	24,358,907	25,757,454	24,358,907
Sewerlines	-	-	34,989,928	35,440,613	34,989,928	35,440,613
Construction in progress	37,427,977	14,744,798	15,903,388	11,942,768	53,331,365	26,687,566
Total capital assets	<u>\$ 84,108,640</u>	<u>\$ 61,813,126</u>	<u>\$ 148,283,824</u>	<u>\$ 144,745,111</u>	<u>\$ 232,392,464</u>	<u>\$ 206,558,237</u>

Additional information on the City of Hickory's capital assets can be found in Note 6 on pages 62-66 of this report.

## Debt

The City's bond rating is Aa1 and AA+ by Moody's Investors Service and S&P Global Ratings, respectively. Gross debt obligations of the City are \$55,477,055 as of June 30, 2020. Gross debt consists of installment purchase agreements of \$10,719,690, notes payable of \$15,507,365, and general obligation bonds \$29,250,000.

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, 2020 was \$351,067,339.

Installment purchase agreements related to the Radio System Upgrade and the Convention Center amount to \$2,281,064 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 \$8,438,626 and are obligations of the Water and Sewer Fund. Notes payable amounting to \$15,507,366 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 4% of expenditures of the General Fund and 12% of the Water and Sewer Fund.

At the end of the current fiscal year, the City of Hickory had \$29,250,000 in bonded debt outstanding.

The City of Hickory's total debt increased by \$16,554,372 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 67-72 of this report.

### Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Accrued law enforcement officer's unfunded retirement contribution	\$ 3,582,170	\$ 3,544,975	\$ -	\$ -	\$ 3,582,170	\$ 3,544,975
Compensated absences	2,461,240	2,432,216	580,562	582,561	3,041,802	3,014,777
Unfunded OPEB obligations	16,977,647	16,169,818	5,100,005	4,857,336	22,077,652	21,027,154
Net pension liability (LGERS)	9,382,989	8,531,867	2,204,040	2,004,654	11,587,029	10,536,521
Installment purchase agreements	2,281,064	2,585,887	8,438,626	9,924,882	10,719,690	12,510,769
Issuance discount/premium	3,114,212	1,176,119	-	-	3,114,212	1,176,119
Notes payable	-	-	15,507,366	15,515,234	15,507,366	15,515,234
Bonds payable	29,250,000	15,000,000	-	-	29,250,000	15,000,000
Total	<u>\$ 67,049,322</u>	<u>\$ 49,440,882</u>	<u>\$ 31,830,599</u>	<u>\$ 32,884,667</u>	<u>\$ 98,879,921</u>	<u>\$ 82,325,549</u>

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

- Revenue estimates contained in the City of Hickory's Fiscal Year 2020-2021 Annual Budget were developed conservatively in response to continued uncertain economic factors.
- Due to the COVID-19 pandemic, the City's sales tax revenue declined for three months. City services continued as normal with the exclusion of public events and cultural and recreational activities.
- The City of Hickory's property tax rate is \$0.5875 per \$100 valuation. This rate will provide approximately \$30,100,000 in property tax revenue. The property tax base is estimated to be \$5,283,960,033.
- 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 2021.

In Fiscal Year 2021, the City of Hickory has appropriated \$3,089,001 of unassigned General Fund balance to finance the general operations of the City.

The original budget for Fiscal Year 2021 increased 7% 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, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and cash equivalents	\$ 45,982,321	\$ 45,526,661	\$ 91,508,982
Taxes receivable, net	520,555	-	520,555
Accounts receivable, net	3,296,594	3,530,923	6,827,517
Note receivable	1,944,000	-	1,944,000
Due from other governments	4,402,396	605,250	5,007,646
Internal balances	1,018,900	(1,018,900)	-
Inventories	279,063	480,279	759,342
Prepaid items	635,899	68,310	704,209
Cash and cash equivalents, restricted	13,191,631	712,027	13,903,658
Land and construction in progress	50,298,875	28,347,209	78,646,084
Other capital assets, net of depreciation	33,809,765	119,936,615	153,746,380
Total assets	155,379,999	198,188,374	353,568,373
<b>Deferred Outflows of Resources:</b>			
OPEB deferrals	1,208,824	363,124	1,571,948
Pension deferrals	6,091,203	1,295,522	7,386,725
Total deferred outflows of resources	7,300,027	1,658,646	8,958,673
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	7,279,035	3,950,515	11,229,550
Prepaid fees	8,146	83,841	91,987
Liabilities to be paid from restricted assets:			
Customer deposits	66,446	712,027	778,473
Long-term liabilities:			
Due within one year	3,363,077	2,896,479	6,259,556
Due in more than one year	33,743,439	21,630,075	55,373,514
Net pension liability - LGERS	9,382,989	2,204,040	11,587,029
Total pension liability - LEOSSA	3,582,170	-	3,582,170
Total OPEB liability	16,977,647	5,100,005	22,077,652
Total liabilities	74,402,949	36,576,982	110,979,931
<b>Deferred Inflows of Resources:</b>			
Pension deferrals	576,165	78,605	654,770
OPEB deferrals	1,697,017	509,776	2,206,793
Prepaid taxes	15,315	-	15,315
Total deferred inflows of resources	2,288,497	588,381	2,876,878
<b>Net Position:</b>			
Net investment in capital assets	64,346,936	124,337,832	188,684,768
Restricted for:			
Stabilization for state statute	10,655,052	-	10,655,052
Public safety	599,070	-	599,070
Economic and development	6,114,088	-	6,114,088
Unrestricted	4,273,434	38,343,825	42,617,259
Total net position	\$ 85,988,580	\$ 162,681,657	\$ 248,670,237

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, 2020

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 13,870,372	\$ 8,601,182	\$ 1,074,220	\$ -
Public safety	25,986,157	224,072	1,326,022	-
Transportation	6,723,958	59,900	1,317,850	8,921,931
Economic and physical development	4,232,839	358,137	369,145	-
Culture and recreation	7,084,150	192,511	369,321	-
Interest on long-term debt	1,001,619	-	-	-
Total governmental activities	<u>58,899,095</u>	<u>9,435,802</u>	<u>4,456,558</u>	<u>8,921,931</u>
<b>Business-Type Activities:</b>				
Water	10,480,158	17,136,577	239,064	117,700
Sewer	14,727,277	11,155,934	443,976	303,558
Sludge composting	2,300,787	30,003	2,046,478	-
Stormwater	895,861	494	-	-
Airport	1,697,583	1,873,396	9,130	644,816
Recycling	3,442,487	3,613,633	23,579	-
Sanitation	2,114,046	1,630,709	-	-
Total business-type activities	<u>35,658,199</u>	<u>35,440,746</u>	<u>2,762,227</u>	<u>1,066,074</u>
Total primary government	<u>\$ 94,557,294</u>	<u>\$ 44,876,548</u>	<u>\$ 7,218,785</u>	<u>\$ 9,988,005</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, 2020**

	<b>Net (Expense) Revenue and Changes in Net Position</b>		
	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Functions/Programs:</b>			
<b>Primary Government:</b>			
<b>Governmental Activities:</b>			
General government	\$ (4,194,970)	\$ -	\$ (4,194,970)
Public safety	(24,436,063)	-	(24,436,063)
Transportation	3,575,723	-	3,575,723
Economic and physical development	(3,505,557)	-	(3,505,557)
Culture and recreation	(6,522,318)	-	(6,522,318)
Interest on long-term debt	(1,001,619)	-	(1,001,619)
Total governmental activities	(36,084,804)	-	(36,084,804)
<b>Business-Type Activities:</b>			
Water	-	7,013,183	7,013,183
Sewer	-	(2,823,809)	(2,823,809)
Sludge composting	-	(224,306)	(224,306)
Stormwater	-	(895,367)	(895,367)
Airport	-	829,759	829,759
Recycling	-	194,725	194,725
Sanitation	-	(483,337)	(483,337)
Total business-type activities	-	3,610,848	3,610,848
Total primary government	(36,084,804)	3,610,848	(32,473,956)
<b>General Revenues:</b>			
Ad valorem taxes	30,367,046	-	30,367,046
Sales taxes	11,190,418	-	11,190,418
Franchise taxes	4,304,961	-	4,304,961
Telecommunication tax	720,318	-	720,318
Motel/occupancy tax	1,603,690	-	1,603,690
Vehicle tag tax	171,728	-	171,728
Gross receipts tax	209,394	-	209,394
Unrestricted intergovernmental	641,067	-	641,067
Donations	-	1,149,074	1,149,074
Unrestricted investment earnings	1,237,157	996,940	2,234,097
Total general revenues	50,445,779	2,146,014	52,591,793
Transfers	(1,966,388)	1,966,388	-
Total general revenues and transfers	48,479,391	4,112,402	52,591,793
Change in net position	12,394,587	7,723,250	20,117,837
<b>Net Position:</b>			
Net position, beginning	73,593,993	154,958,407	228,552,400
End of year - June 30	\$ 85,988,580	\$ 162,681,657	\$ 248,670,237

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

CITY OF HICKORY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

	<b>Major</b>		<b>Nonmajor</b>	
	<b>General</b>	<b>Capital</b>	<b>Governmental</b>	<b>Total</b>
	<b>Fund</b>	<b>Projects</b>	<b>Funds</b>	
		<b>Fund</b>		
<b>Assets:</b>				
Current assets:				
Cash and cash equivalents	\$ 31,724,646	\$ 8,505,707	\$ 109,801	\$ 40,340,154
Taxes receivable, net	520,555	-	-	520,555
Accounts receivable, net	341,563	2,164,612	750,395	3,256,570
Notes receivable	200,000	-	-	200,000
Due from other governmental agencies	3,035,381	125,626	154,395	3,315,402
Due from other funds	2,202,403	-	-	2,202,403
Inventory	135,795	-	-	135,795
Prepaid items	466,740	-	1,400	468,140
Restricted cash and equivalents	66,446	13,125,185	-	13,191,631
Total current assets	38,693,529	23,921,130	1,015,991	63,630,650
Notes receivable	1,744,000	-	-	1,744,000
Total assets	<u>\$ 40,437,529</u>	<u>\$ 23,921,130</u>	<u>\$ 1,015,991</u>	<u>\$ 65,374,650</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 2,726,777	\$ 3,291,619	\$ 19,293	\$ 6,037,689
Prepaid fees	7,314	-	-	7,314
Due to other funds	-	-	111,751	111,751
Liabilities to be paid from restricted assets:				
Customer deposits	66,446	-	-	66,446
Total current liabilities	<u>2,800,537</u>	<u>3,291,619</u>	<u>131,044</u>	<u>6,223,200</u>
<b>Deferred Inflows of Resources:</b>				
Property taxes receivable	520,555	-	-	520,555
Prepaid taxes	15,315	-	-	15,315
Economic development receivable	-	-	416,118	416,118
Total deferred inflows of resources	<u>535,870</u>	<u>-</u>	<u>416,118</u>	<u>951,988</u>
<b>Fund Balances:</b>				
Non-spendable	2,546,535	-	1,400	2,547,935
Restricted for:				
Stabilization for state statute	7,876,142	2,290,238	488,672	10,655,052
Restricted, all other	1,499,070	18,339,273	-	19,838,343
Committed	4,925,613	-	92,320	5,017,933
Assigned	3,758,676	-	-	3,758,676
Unassigned	16,495,086	-	(113,563)	16,381,523
Total fund balances	<u>37,101,122</u>	<u>20,629,511</u>	<u>468,829</u>	<u>58,199,462</u>
Total liabilities, deferred inflow of resources, and fund balances	<u>\$ 40,437,529</u>	<u>\$ 23,921,130</u>	<u>\$ 1,015,991</u>	<u>\$ 65,374,650</u>

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

# CITY OF HICKORY, NORTH CAROLINA

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

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

Total fund balances - modified accrual (see above)	\$ 58,199,462
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	84,033,740
Total pension liability - LEOSSA	(3,582,170)
Net pension liability - LGERS	(9,205,602)
Total OPEB liability	(16,575,016)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	2,680,751
OPEB related deferrals	(476,617)
Accrual of interest revenue on delinquent taxes does not represent current financial resources and, therefore, is not reported in the funds.	29,932
Low income housing loans are not available to represent current financial resources and, therefore, are not reported in the funds.	556
Certain intergovernmental revenues are not available to represent current financial resources and, therefore, are not reported in the funds.	1,005,056
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.	(424,226)
Other receivables are not available to pay for current period expenditures and are recognized as deferred inflows in the funds.	935,841
Pension related deferrals	2,741,225
Internal services funds are used by management to charge the costs of insurance and fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position in the fund statements until collected.	3,701,169
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(37,075,521)</u>
Net position of governmental activities	<u>\$ 85,988,580</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, 2020

	Major		Nonmajor	
	General	Capital	Governmental	Total
	Fund	Projects	Funds	
		Fund		
<b>Revenues:</b>				
Ad valorem taxes	\$ 30,360,326	\$ -	\$ -	\$ 30,360,326
Other taxes	17,195,453	-	-	17,195,453
Unrestricted intergovernmental revenues	641,067	-	-	641,067
Restricted intergovernmental revenues	3,416,658	7,135,011	739,707	11,291,376
Licenses and permits	4,480	-	-	4,480
Sales and services	1,141,092	-	-	1,141,092
Investment earnings	724,681	415,381	2,979	1,143,041
Miscellaneous	329,589	1,786,920	190,001	2,306,510
Total revenues	<u>53,813,346</u>	<u>9,337,312</u>	<u>932,687</u>	<u>64,083,345</u>
<b>Expenditures:</b>				
Current:				
General government	6,782,961	-	-	6,782,961
Public safety	23,862,784	-	79,568	23,942,352
Transportation	5,928,785	-	-	5,928,785
Economic and physical development	3,373,629	-	810,251	4,183,880
Culture and recreation	7,551,932	-	-	7,551,932
Capital outlay	-	22,683,179	-	22,683,179
Debt service:				
Principal retirement	1,195,175	-	-	1,195,175
Interest fees	864,353	-	-	864,353
Total expenditures	<u>49,559,619</u>	<u>22,683,179</u>	<u>889,819</u>	<u>73,132,617</u>
Revenues over (under) expenditures	<u>4,253,727</u>	<u>(13,345,867)</u>	<u>42,868</u>	<u>(9,049,272)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	6,488,371	7,095,385	28,196	13,611,952
Transfers out	(12,075,433)	(3,885,282)	(5,000)	(15,965,715)
Issuance of long-term debt	140,352	15,000,000	-	15,140,352
Premium from issuance of bond	-	1,996,899	-	1,996,899
Total other financing sources (uses)	<u>(5,446,710)</u>	<u>20,207,002</u>	<u>23,196</u>	<u>14,783,488</u>
Net change in fund balances	(1,192,983)	6,861,135	66,064	5,734,216
<b>Fund Balances:</b>				
Fund balance, beginning	<u>38,294,105</u>	<u>13,768,376</u>	<u>402,765</u>	<u>52,465,246</u>
End of year - June 30	<u>\$ 37,101,122</u>	<u>\$ 20,629,511</u>	<u>\$ 468,829</u>	<u>\$ 58,199,462</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, 2020**

Net change in fund balances - total governmental funds per Exhibit D	\$ 5,734,216
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	27,502,273
Depreciation expense	(4,997,225)
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	(195,093)
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.	887,568
Pension expense - LGERS	2,135,383
Pension expense - LEOSSA	545,368
Debt proceeds provide current financial resources to governmental funds, but issuance of debt increases long-term liabilities in the Statement of Net Position.	(17,137,251)
Governmental funds report the effect of issuance cost, premium, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.	58,806
OPEB plan expense	1,180,155
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	1,195,175
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.	(23,771)
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.	(5,668,714)
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.	(196,072)
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>1,373,769</u>
Change in net position of governmental activities per Exhibit B	<u>\$ 12,394,587</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, 2020

	General Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 29,525,000	\$ 29,525,000	\$ 30,360,326	\$ 835,326
Other taxes	17,143,213	16,643,213	17,195,453	552,240
Unrestricted intergovernmental revenues	663,000	663,000	641,067	(21,933)
Restricted intergovernmental revenues	2,385,427	2,391,227	3,416,658	1,025,431
Licenses and permits	5,100	5,100	4,480	(620)
Sales and services	1,534,740	1,565,929	1,141,092	(424,837)
Investment earnings	258,036	258,036	617,395	359,359
Miscellaneous	301,000	525,470	639,589	114,119
Total revenues	51,815,516	51,576,975	54,016,060	2,439,085
<b>Expenditures:</b>				
Current:				
General government	6,940,006	8,224,523	6,782,961	1,441,562
Public safety	24,087,158	25,043,006	23,862,784	1,180,222
Transportation	6,599,746	7,139,120	5,928,785	1,210,335
Economic and physical development	3,691,666	3,545,022	3,373,629	171,393
Culture and recreation	6,558,575	8,776,829	7,551,932	1,224,897
Debt service:				
Principal	1,925,000	1,875,000	1,195,175	679,825
Interest and fees	963,404	963,404	864,353	99,051
Contingency	700,000	335,491	-	335,491
Total expenditures	51,465,555	55,902,395	49,559,619	6,342,776
Revenues over (under) expenditures	349,961	(4,325,420)	4,456,441	8,781,861
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	-	858,558	140,352	(718,206)
Transfers in	240,000	4,615,419	4,615,419	-
Transfers (out)	(1,329,961)	(9,436,570)	(9,436,570)	-
Total other financing sources (uses)	(1,089,961)	(3,962,593)	(4,680,799)	(718,206)
Revenues and other financing sources over (under) expenditures and other financing uses	(740,000)	(8,288,013)	(224,358)	8,063,655
Appropriated fund balance	740,000	8,288,013	-	(8,288,013)
Net change in fund balance	\$ -	\$ -	(224,358)	\$ (224,358)
<b>Reconciliation from Budgetary Basis of Accounting to Modified Accrual Basis:</b>				
Current year note receivable payments			(310,000)	
Net change in fund balance modified accrual			(534,358)	
<b>Fund Balance:</b>				
Fund balance - July 1			32,709,867	
End of year - June 30			\$ 32,175,509	

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

## CITY OF HICKORY, NORTH CAROLINA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2020

	Business-Type Activities				Governmental Activities	
	Water and Sewer Fund	Transportation Fund	Solid Waste Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Assets:</b>						
Current assets:						
Cash and cash equivalents	\$ 41,103,309	\$ 674,119	\$ 2,408,336	\$ 1,340,897	\$ 45,526,661	\$ 5,642,167
Accounts receivable, net	3,244,905	52,861	232,154	1,003	3,530,923	9,536
Inventory	437,256	43,023	-	-	480,279	143,268
Due from other governments	313,456	236,620	10,088	45,086	605,250	81,938
Prepaid items	64,267	2,050	75	1,918	68,310	167,759
Restricted cash	699,142	12,885	-	-	712,027	-
Total current assets	45,862,335	1,021,558	2,650,653	1,388,904	50,923,450	6,044,668
Non-current assets:						
Land and construction in progress	14,484,111	13,718,074	-	145,024	28,347,209	-
Other capital assets, net of depreciation	108,801,336	3,593,517	1,767,751	5,774,011	119,936,615	74,900
Total non-current assets	123,285,447	17,311,591	1,767,751	5,919,035	148,283,824	74,900
Total assets	169,147,782	18,333,149	4,418,404	7,307,939	199,207,274	6,119,568
<b>Deferred Outflows of Resources:</b>						
OPEB deferrals	250,844	23,890	86,003	2,387	363,124	28,669
Pension deferrals	896,338	97,709	280,578	20,897	1,295,522	108,801
Total deferred outflows of resources	1,147,182	121,599	366,581	23,284	1,658,646	137,470
<b>Liabilities:</b>						
Current liabilities:						
Accounts payable and accrued liabilities	2,850,884	686,889	263,406	149,336	3,950,515	817,119
Current portion of long-term debt	2,825,761	22,814	47,092	812	2,896,479	17,189
Due to other funds	-	20,555	-	-	20,555	1,290,045
Prepaid fees	83,841	-	-	-	83,841	-
Liabilities to be paid from restricted assets:						
Customer deposits	699,142	12,885	-	-	712,027	-
Total current liabilities	6,459,628	743,143	310,498	150,148	7,663,417	2,124,353
Non-current liabilities:						
Net pension liability	1,531,325	165,895	470,395	36,425	2,204,040	177,387
Total OPEB liability	3,523,029	335,526	1,207,897	33,553	5,100,005	402,632
Compensated absences payable	221,572	48,144	61,756	417	331,889	13,806
Due to other funds	-	780,052	-	-	780,052	-
Non-current portion of long-term debt	21,298,186	-	-	-	21,298,186	-
Total non-current liabilities	26,574,112	1,329,617	1,740,048	70,395	29,714,172	593,825
Total liabilities	33,033,740	2,072,760	2,050,546	220,543	37,377,589	2,718,178
<b>Deferred Inflows of Resources:</b>						
OPEB deferrals	352,148	33,538	120,736	3,354	509,776	40,245
Pension deferrals	46,799	6,321	25,249	236	78,605	15,739
Total deferred inflows of resources	398,947	39,859	145,985	3,590	588,381	55,984
<b>Net Position:</b>						
Net investment in capital assets	99,339,455	17,311,591	1,767,751	5,919,035	124,337,832	74,900
Unrestricted	37,522,822	(969,462)	820,703	1,188,055	38,562,118	3,407,976
Total net position	\$ 136,862,277	\$ 16,342,129	\$ 2,588,454	\$ 7,107,090	\$ 162,899,950	\$ 3,482,876
Total net position - proprietary funds presentation					\$ 162,899,950	
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds					(218,293)	
Net position of business-type activities - government-wide					\$ 162,681,657	

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, 2020

	Business-Type Activities					Governmental Activities
	Water and Sewer Fund	Transportation Fund	Solid Waste Fund	Other Enterprise Funds	Total	Internal Service Funds
<b>Operating Revenues:</b>						
Other taxes	\$ -	\$ -	\$ 23,579	\$ -	\$ 23,579	\$ -
Restricted intergovernmental	-	9,130	-	2,046,478	2,055,608	-
Charges for services	27,837,827	1,851,596	5,166,126	26,593	34,882,142	9,768,576
Other operating revenues	1,112,196	-	1,770	-	1,113,966	469
Total operating revenues	28,950,023	1,860,726	5,191,475	2,073,071	38,075,295	9,769,045
<b>Operating Expenses:</b>						
Administration and engineering	8,916,612	-	-	112,033	9,028,645	-
Collection system	1,863,854	-	-	-	1,863,854	-
Henry Fork plant	1,072,483	-	-	-	1,072,483	-
Northeast plant	990,789	-	-	-	990,789	-
Water treatment plant	2,426,902	-	-	-	2,426,902	-
Pre-treatment and lab	575,867	-	-	-	575,867	-
Distribution	2,898,100	-	-	-	2,898,100	-
Sludge plant	-	-	-	1,959,561	1,959,561	-
Street	-	-	-	63,348	63,348	-
Drainage maintenance	-	-	-	456,955	456,955	-
Claremont sewer lines	306,275	-	-	-	306,275	-
Hickory-Catawba wastewater treatment plant	380,773	-	-	-	380,773	-
Airport	-	649,979	-	-	649,979	-
Airport tower	-	13,794	-	-	13,794	-
Airport FBO	-	680,403	-	-	680,403	-
Recycling	-	-	3,158,279	-	3,158,279	-
Residential sanitation	-	-	941,918	-	941,918	-
Commercial sanitation	-	-	997,595	-	997,595	-
Health insurance	-	-	-	-	-	4,224,489
Property/casualty insurance	-	-	-	-	-	646,654
Workers' compensation	-	-	-	-	-	481,226
Dental insurance	-	-	-	-	-	407,632
Other insurance	-	-	-	-	-	81,711
Fleet maintenance	-	-	-	-	-	2,950,406
Depreciation	5,195,270	353,407	458,741	604,751	6,612,169	23,380
Total operating expenses	24,626,925	1,697,583	5,556,533	3,196,648	35,077,689	8,815,498
Operating income (loss)	4,323,098	163,143	(365,058)	(1,123,577)	2,997,606	953,547

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, 2020

	Business-Type Activities					Governmental Activities
	Water and Sewer Fund	Transportation Fund	Solid Waste Fund	Other Enterprise Funds	Total	Internal Service Funds
<b>Non-Operating</b>						
<b>Revenues (Expenses):</b>						
Donations	986,326	162,748	-	-	1,149,074	-
Investment earnings	909,890	28,520	50,997	7,533	996,940	94,116
Miscellaneous	-	-	10,703	-	10,703	-
Gain (loss) on disposal of capital assets	26,032	13,695	50,725	-	90,452	-
Interest on long-term debt	(606,542)	-	-	-	(606,542)	-
Total non-operating revenues (expenses)	1,315,706	204,963	112,425	7,533	1,640,627	94,116
Income (loss) before capital contributions and transfers	5,638,804	368,106	(252,633)	(1,116,044)	4,638,233	1,047,663
<b>Capital Contributions:</b>						
Capital contributions	421,258	644,816	-	-	1,066,074	-
<b>Transfers:</b>						
Transfers from other funds	2,300,000	1,979,852	-	2,048,213	6,328,065	387,375
Transfers (to) other funds	(2,610,837)	(1,723,438)	(22,244)	(5,158)	(4,361,677)	-
Change in net position	5,749,225	1,269,336	(274,877)	927,011	<u>\$ 7,670,695</u>	1,435,038
<b>Net Position:</b>						
Net position, beginning	131,113,052	15,072,793	2,863,331	6,180,079		2,047,838
End of year - June 30	<u>\$ 136,862,277</u>	<u>\$ 16,342,129</u>	<u>\$ 2,588,454</u>	<u>\$ 7,107,090</u>		<u>\$ 3,482,876</u>
<b>Reconciliation with Exhibit B - Change in Net Position - Business-Type Activities:</b>						
Change in net position - fund perspective					\$ 7,670,695	
Internal Service Fund profits allocated to business-type activities					<u>52,555</u>	
Change in net position - entity-wide perspective - Exhibit B					<u>\$ 7,723,250</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, 2020

	Business-Type Activities				Governmental Activities	
	Water and Sewer Fund	Transportation Fund	Solid Waste Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Cash Flows from Operating Activities:</b>						
Cash received from customers and users	\$ 28,976,623	\$ 1,936,388	\$ 5,205,938	\$ 2,217,890	\$ 38,336,839	\$ 9,772,287
Cash paid to suppliers	(12,718,005)	(303,830)	(3,267,076)	(2,501,737)	(18,790,648)	(8,451,457)
Cash paid to employees	(5,203,142)	(644,031)	(1,709,136)	(81,291)	(7,637,600)	(567,059)
Net cash provided (used) by operating activities	11,055,476	988,527	229,726	(365,138)	11,908,591	753,771
<b>Cash Flows from Non-Capital Financing Activities:</b>						
Changes in due to/from other funds	-	(231,566)	-	-	(231,566)	82,097
Transfers from other funds	2,300,000	1,979,852	-	2,048,213	6,328,065	387,375
Transfers (to) other funds	(2,610,837)	(1,723,438)	(22,244)	(5,158)	(4,361,677)	-
Net cash provided (used) by non-capital financing activities	(310,837)	24,848	(22,244)	2,043,055	1,734,822	469,472
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Acquisition and construction of capital assets	(5,482,128)	(2,654,121)	(575,851)	(1,438,786)	(10,150,886)	(32,094)
Proceeds from sale of assets	26,032	13,695	50,725	-	90,452	-
Principal paid on long-term debt	(2,633,134)	-	-	-	(2,633,134)	-
Interest paid on long-term debt	(618,279)	-	-	-	(618,279)	-
Proceeds from debt issued	1,139,010	-	-	-	1,139,010	-
Donations/contributions	986,326	162,748	10,703	-	1,159,777	-
Capital contributions	421,258	644,816	-	-	1,066,074	-
Net cash provided (used) by capital and related financing activities	(6,160,915)	(1,832,862)	(514,423)	(1,438,786)	(9,946,986)	(32,094)
<b>Cash Flows from Investing Activities:</b>						
Interest on investments	909,890	28,520	50,997	7,533	996,940	94,116
Net cash provided (used) by investing activities	909,890	28,520	50,997	7,533	996,940	94,116
Net increase (decrease) in cash and cash equivalents	5,493,614	(790,967)	(255,944)	246,664	4,693,367	1,285,265
<b>Cash and Cash Equivalents:</b>						
Beginning of year - July 1	36,308,837	1,477,971	2,664,280	1,094,233	41,545,321	4,356,902
End of year - June 30	\$ 41,802,451	\$ 687,004	\$ 2,408,336	\$ 1,340,897	\$ 46,238,688	\$ 5,642,167

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, 2020

	Business-Type Activities				Total	Governmental Activities
	Water and Sewer Fund	Transportation Fund	Solid Waste Fund	Nonmajor Enterprise Funds		Internal Service Funds
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>						
Operating income (loss)	\$ 4,323,098	\$ 163,143	\$ (365,058)	\$ (1,123,577)	\$ 2,997,606	\$ 953,547
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	5,195,270	353,407	458,741	604,751	6,612,169	23,380
Change in net pension liability	138,247	15,021	42,861	3,257	199,386	16,389
Change in assets and liabilities:						
(Increase) decrease in accounts receivables	(23,566)	72,760	13,117	143,783	206,094	(3,971)
(Increase) decrease in prepaid items	8,413	551	504	(164)	9,304	(70,111)
(Increase) decrease in inventories	30,181	-	-	-	30,181	(14,612)
Change in deferred outflows for pensions	166,125	18,051	51,504	3,914	239,594	19,693
Change in deferred inflows for pensions	(76,918)	(7,326)	(3,055)	(732)	(88,031)	(1,168)
Change in deferred outflows for OPEB	(9,854)	(1,071)	(26,371)	(232)	(37,528)	(8,790)
Change in deferred inflows for OPEB	(97,793)	(9,314)	(33,529)	(931)	(141,567)	(11,177)
Increase (decrease) in accounts payable	1,203,366	365,084	16,898	2,294	1,587,642	(173,866)
Increase (decrease) in compensated absences	(18,892)	(646)	16,639	902	(1,997)	5,253
Change in total OPEB liability	167,633	15,965	57,475	1,597	242,670	19,158
Increase (decrease) in customer deposits	33,435	2,902	-	-	36,337	-
Increase (decrease) in prepaid fees	16,731	-	-	-	16,731	46
Net cash provided (used) by operating activities	<u>\$ 11,055,476</u>	<u>\$ 988,527</u>	<u>\$ 229,726</u>	<u>\$ (365,138)</u>	<u>\$ 11,908,591</u>	<u>\$ 753,771</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, 2020

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

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

**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, 2020**

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

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

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

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

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

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 are generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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 \$30,541,371 on June 30, 2020. The NC Capital Management Trust Government Portfolio, an SEC-registered 2a-7 government money market fund, is measured at fair value.

The NCCMT Term Portfolio's securities are valued at fair value.



# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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.

### 2. *Restricted Assets*

Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

Unspent bond proceeds in the General Capital Projects Fund are classified as restricted assets because their use is restricted to the purpose for which the bonds were originally issued.

Restricted cash balance of the City on June 30, 2020 are as follows:

#### **Governmental Activities:**

##### General Fund:

Customer deposits	\$ 66,446
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##### General Capital Projects Fund:

Unexpended debt proceeds	13,125,185
Total governmental activities	<u>\$ 13,191,631</u>

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

##### Water and Sewer Fund:

Customer deposits	\$ 699,142
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##### Transportation Fund:

Customer deposits	12,885
Total business-type activities	<u>\$ 712,027</u>

### 3. *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.”

# **CITY OF HICKORY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020**

### *4. 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, 2019.

### *5. 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.

### *6. 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.

### *7. 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.

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

### 8. *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.

### 9. *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.

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### 10. *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.

### 11. *Net Position/Fund Balances*

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

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

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.	\$ 1,944,000	\$ -
<i>Inventories</i> – portion of fund balance that is <u>not</u> an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.	135,795	-
<i>Prepays</i> – portion of fund balance that is not an available resource because it represents prepaid amounts, which are not spendable resources.	<u>466,740</u>	<u>1,400</u>
Total	<u>\$ 2,546,535</u>	<u>\$ 1,400</u>

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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. The Capital Projects Fund had \$13,125,185 in unspent bond proceeds at June 30, 2020.

Restricted fund balance at June 30, 2020 is as follows:

<b>Purpose</b>	<b>General Fund</b>	<b>General Capital Projects Fund</b>	<b>Total</b>
<b>Restricted, all other:</b>			
Economic development	\$ 900,000	\$ 18,339,273	\$ 19,239,273
Public safety	599,070	-	599,070
<b>Total</b>	<u>\$ 1,499,070</u>	<u>\$ 18,339,273</u>	<u>\$ 19,838,343</u>

Restricted net position on Exhibit A varies from restricted fund balance on Exhibit C by the amount of unspent bond proceeds of \$13,125,185 at June 30, 2020.

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.

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Committed fund balance at June 30, 2020 is as follows:

<b>Purpose</b>	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Economic development	\$ -	\$ 92,320	\$ 92,320
Capital projects	4,925,613	-	4,925,613
Total	<u>\$ 4,925,613</u>	<u>\$ 92,320</u>	<u>\$ 5,017,933</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, 2020 is as follows:

<b>Purpose</b>	<b>General Fund</b>	<b>Total</b>
Subsequent year's expenditures	\$ 3,089,001	\$ 3,089,001
Fuel	669,675	669,675
Total	<u>\$ 3,758,676</u>	<u>\$ 3,758,676</u>

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. Only the General Fund may report a positive unassigned fund balance.

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.

## CITY OF HICKORY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

<b>Total Fund Balance - General Fund</b>	<b>\$ 37,101,122</b>
Less:	
Prepays	(466,740)
Inventory	(135,795)
Notes receivable	(1,944,000)
Stabilization by state statute	(7,876,142)
Public safety	(599,070)
Economic development	(900,000)
Capital projects	(4,925,613)
Appropriated fund balance in 2021 budget	(3,089,001)
Fuel	(669,675)
Fund balance policy - 25% of budgeted expenditures	<u>(13,975,599)</u>
Remaining fund balance	<u><u>\$ 2,519,487</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>\$ 2,296,795</u></u>
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#### *12. 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.

#### *13. 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.

#### *14. Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### 15. 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:

<b>Fund Balance, Ending Exhibit F</b>	<b>\$ 32,175,509</b>
Capital Reserve Fund:	
Investment earnings	107,286
Transfers in/out	(765,911)
Fund balance, beginning, previously reported	<u>5,584,238</u>
<b>Fund Balance, Ending Exhibit D</b>	<b><u>\$ 37,101,122</u></b>

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

The details of this difference are as follows:

Installment purchase payable	\$ 2,281,064
General obligation bonds	29,250,000
Unamortized premium	3,114,212
Compensated absences	2,461,240
Less: effect of Internal Service Fund	<u>(30,995)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<b><u>\$ 37,075,521</u></b>



# **CITY OF HICKORY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020**

### **Note 3 – Stewardship, Compliance, and Accountability**

#### **A. Budgetary Data**

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

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

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

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

#### **B. Encumbrances**

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

### **Note 4 – Deposits and Investments**

#### **A. Deposits**

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

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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, 2020, the carrying amount of the City's deposits with banks was \$6,235,551. Balances with banks equaled \$6,980,423. Of the bank balances, \$500,000 was covered by federal depository insurance, and \$6,480,423 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 \$14,204.

### B. Investments

At June 30, 2020, 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	\$ 30,541,371	\$ -	\$ 3,230,916	\$ 16,989,873	\$ 10,320,582
Commercial Paper	Fair Value-Level 1	15,982,864	15,982,864	-	-	-
NC Capital Management Trust:						
Government Portfolio	Fair Value-Level 1	11,007,941	11,007,941	-	-	-
Term Portfolio*	Fair Value-Level 1	41,630,709	41,630,709	-	-	-
Total investments		<u>\$ 99,162,885</u>	<u>\$ 68,621,514</u>	<u>\$ 3,230,916</u>	<u>\$ 16,989,873</u>	<u>\$ 10,320,582</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.

# **CITY OF HICKORY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020**

*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, 2020. 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 31% of the City's investments are in Federal Home Loan Bank securities, Federal National Mortgage Association securities, Federal Home Loan Mortgage Corporation, and Federal Farm Credit Bank securities.

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### Note 5 – Receivables

#### A. Detail

Receivables at the government-wide level at June 30, 2020 were as follows:

	<u>Taxes</u>	<u>Accounts</u>	<u>Notes</u>	<u>Due From Other Governments</u>	<u>Total</u>
<b>Governmental Activities:</b>					
General	\$ 1,110,971	\$ 483,949	\$ 1,944,000	\$ 4,122,375	\$ 7,661,295
General capital projects	-	2,164,612	-	125,626	2,290,238
Other governmental	-	750,395	-	154,395	904,790
Total receivables	1,110,971	3,398,956	1,944,000	4,402,396	10,856,323
Allowance for doubtful accounts	(590,416)	(102,362)	-	-	(692,778)
Total governmental activities	<u>\$ 520,555</u>	<u>\$ 3,296,594</u>	<u>\$ 1,944,000</u>	<u>\$ 4,402,396</u>	<u>\$ 10,163,545</u>
<b>Business-Type Activities:</b>					
Water and sewer	\$ -	\$ 3,374,068	\$ -	\$ 313,456	\$ 3,687,524
Transportation	-	52,861	-	236,620	289,481
Solid waste	-	267,778	-	10,088	277,866
Other	-	1,003	-	45,086	46,089
Total receivables	-	3,695,710	-	605,250	4,300,960
Allowance for doubtful accounts	-	(164,787)	-	-	(164,787)
Total business-type activities	<u>\$ -</u>	<u>\$ 3,530,923</u>	<u>\$ -</u>	<u>\$ 605,250</u>	<u>\$ 4,136,173</u>

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

Governmental activities	\$ 4,402,396
Business-type activities	605,250
Total due from other governmental agencies	<u>\$ 5,007,646</u>
Local option sales tax	\$ 1,708,275
Street maintenance reimbursements	24,258
Traffic control	94,965
Town of Maiden	62,700
Federal grants	2,027,160
HUD grant	62,789
Other	1,027,499
Total due from other governmental agencies	<u>\$ 5,007,646</u>

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### B. Hickory Metro Convention Center Purchase – Leaseback

In December 1998, the City entered into a transaction with the Hickory-Conover Tourism Development Authority (TDA) to acquire the Hickory Metro Convention Center (Center). To fund this acquisition, the City entered into a financing arrangement to borrow \$5,600,000. This installment agreement required the City to pay semi-annual installments of \$140,000, plus interest at 4.9% through December 2018. In April 2012, the City renegotiated the debt with the lender, and reduced the interest rate to 1.79%. Semi-annual principal payments are \$141,400, and the term of the debt remained the same. In connection with the purchase, the City also entered into a leasing arrangement to lease the Center back to the TDA. Terms of the lease are for the City to receive monthly amounts equal to one-sixth of the next due installment on the City's financing arrangement mentioned above. The terms of the lease agreement are such that the transaction qualifies as a direct financing lease for accounting purposes and; accordingly, a receivable has been recorded at the present value of the future minimum lease payments to be received.

In May 2005, the City entered into another transaction with the Hickory-Conover Tourism Development Authority (TDA) to increase the size of the Hickory Metro Convention Center (Center). To fund the expansion, the City entered into a financing agreement to borrow \$3,300,000. This installment agreement requires the City to pay semi-annual installments of \$110,000, plus interest at 3.91% through December 2019. In April 2012, the City renegotiated the debt with the lender, and reduced the interest rate to 2.09%.

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

The future minimum lease payment to be received and the net present value of these minimum lease receipts as of June 30, 2020 were as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2021	\$ 250,227
2022	244,347
2023	238,467
2024	232,587
2025	232,587
2026-2030	<u>800,534</u>
Total minimum lease receipts	1,998,748
Less amount representing interest	<u>(120,748)</u>
Present value of net minimum lease receipts	<u><u>\$ 1,878,000</u></u>

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### 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 \$0 in the current year leaving an outstanding balance of \$66,000 on the note as of June 30, 2020. The CVYSA will pay the remaining \$66,000 balance in annual installments ending June 30, 2024.

### D. Deferred Outflows and Inflows of Resources

Deferred outflows of resources are comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 2,686,246
Benefit payments and administrative expenses for LEOSSA and OPEB	1,018,098
Differences between expected and actual experience	2,298,210
Changes of assumptions	2,673,495
Net difference between projected and actual changes in proportion and differences between employer contributions and proportionate share of contributions	282,624
Total	<u>\$ 8,958,673</u>

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

Prepaid taxes (General Fund)	\$ 15,315
Taxes receivable, less penalties (General Fund)	520,555
Economic development receivable (Community Development Entitlement Block Grant Fund)	416,118
Changes of assumptions	2,128,206
Differences between expected and actual experience	256,646
Changes in proportion and differences between employer contributions and proportionate share of contributions	476,711
Total	<u>\$ 3,813,551</u>

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### Note 6 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>					
<i>Non-Depreciable Capital Assets:</i>					
Land	\$ 12,617,156	\$ 253,742	\$ -	\$ -	\$ 12,870,898
Construction in progress	14,730,354	22,840,229	(142,606)	-	37,427,977
Total assets non-depreciable	<u>27,347,510</u>	<u>23,093,971</u>	<u>(142,606)</u>	<u>-</u>	<u>50,298,875</u>
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	46,413,849	2,423,384	(27,420)	-	48,809,813
Equipment	13,950,009	602,304	(1,565,327)	(12,551)	12,974,435
Vehicles	17,255,570	1,316,187	(988,872)	(81,817)	17,501,068
Road network	58,333,922	66,427	-	-	58,400,349
Total depreciable assets	<u>135,953,350</u>	<u>4,408,302</u>	<u>(2,581,619)</u>	<u>(94,368)</u>	<u>137,685,665</u>
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	30,706,385	1,399,766	(26,610)	-	32,079,541
Equipment	10,242,649	1,035,326	(1,560,826)	(12,551)	9,704,598
Vehicles	12,961,752	1,586,694	(941,696)	(81,817)	13,524,933
Road network	47,591,389	975,439	-	-	48,566,828
Total accumulated depreciation	<u>101,502,175</u>	<u>4,997,225</u>	<u>(2,529,132)</u>	<u>(94,368)</u>	<u>103,875,900</u>
Total depreciable assets, net	<u>34,451,175</u>	<u>(588,923)</u>	<u>(52,487)</u>	<u>-</u>	<u>33,809,765</u>
Governmental activities capital assets, net	<u>\$ 61,798,685</u>	<u>\$ 22,505,048</u>	<u>\$ (195,093)</u>	<u>\$ -</u>	<u>\$ 84,108,640</u>
<b>Business-Type Activities:</b>					
<b>Water and Sewer:</b>					
<i>Non-Depreciable Capital Assets:</i>					
Land	\$ 1,384,534	\$ 45,834	\$ -	\$ -	\$ 1,430,368
Construction in progress	11,687,456	1,366,287	-	-	13,053,743
Total non-depreciable assets	<u>13,071,990</u>	<u>1,412,121</u>	<u>-</u>	<u>-</u>	<u>14,484,111</u>
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	47,240,177	60,399	(149,567)	-	47,151,009
Equipment	8,590,223	791,716	(33,769)	-	9,348,170
Vehicles	3,126,387	241,376	(84,079)	(32,493)	3,251,191
Operating plants	37,813,328	-	-	-	37,813,328
Water lines	38,785,756	2,217,349	-	-	41,003,105
Sewer lines	60,248,530	759,167	-	-	61,007,697
Total depreciable assets	<u>195,804,401</u>	<u>4,070,007</u>	<u>(267,415)</u>	<u>(32,493)</u>	<u>199,574,500</u>
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	22,551,138	1,369,852	(149,567)	-	23,771,423
Equipment	3,564,483	912,596	(33,769)	-	4,443,310
Vehicles	2,376,696	311,413	(84,079)	(32,493)	2,571,537
Operating plants	18,150,718	572,756	-	-	18,723,474
Water lines	14,426,852	818,799	-	-	15,245,651
Sewer lines	24,807,915	1,209,854	-	-	26,017,769
Total accumulated depreciation	<u>85,877,802</u>	<u>5,195,270</u>	<u>(267,415)</u>	<u>(32,493)</u>	<u>90,773,164</u>
Total depreciable assets, net	<u>109,926,599</u>	<u>(1,125,263)</u>	<u>-</u>	<u>-</u>	<u>108,801,336</u>
Water and Sewer capital assets, net	<u>122,998,589</u>	<u>286,858</u>	<u>-</u>	<u>-</u>	<u>123,285,447</u>

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
<b>Business-Type Activities (continued):</b>					
<b>Sludge Composting:</b>					
<i>Non-Depreciable Capital Assets:</i>					
Land	145,024	-	-	-	145,024
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	10,551,287	-	-	-	10,551,287
Equipment	93,873	-	-	-	93,873
Total depreciable assets	10,645,160	-	-	-	10,645,160
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	8,633,672	341,226	-	-	8,974,898
Equipment	93,873	-	-	-	93,873
Total accumulated depreciation	8,727,545	341,226	-	-	9,068,771
Total depreciable assets, net	1,917,615	(341,226)	-	-	1,576,389
Sludge composting capital assets, net	2,062,639	(341,226)	-	-	1,721,413
<b>Stormwater:</b>					
<i>Depreciable Capital Assets:</i>					
Curb and gutter	17,268,263	-	-	-	17,268,263
Improvements	1,761,641	1,438,786	-	-	3,200,427
Total depreciable assets	19,029,904	1,438,786	-	-	20,468,690
<i>Less Accumulated Depreciation:</i>					
Curb and gutter	15,883,691	263,525	-	-	16,147,216
Improvements	123,852	-	-	-	123,852
Total accumulated depreciation	16,007,543	263,525	-	-	16,271,068
Stormwater capital assets, net	3,022,361	1,175,261	-	-	4,197,622
<b>Transportation:</b>					
<i>Non-Depreciable Capital Assets:</i>					
Land	3,799,842	-	-	-	3,799,842
Land improvements	7,068,587	-	-	-	7,068,587
Construction in progress	255,314	2,594,331	-	-	2,849,645
Total non-depreciable assets	11,123,743	2,594,331	-	-	13,718,074
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	9,237,114	47,949	(148,549)	-	9,136,514
Equipment	2,186,020	11,841	(28,232)	12,551	2,182,180
Vehicles	763,963	-	(259,661)	14,692	518,994
Total depreciable assets	12,187,097	59,790	(436,442)	27,243	11,837,688
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	5,691,340	273,090	(148,549)	-	5,815,881
Equipment	2,092,522	25,236	(28,232)	12,551	2,102,077
Vehicles	516,101	55,081	(259,661)	14,692	326,213
Total accumulated depreciation	8,299,963	353,407	(436,442)	27,243	8,244,171
Total depreciable assets, net	3,887,134	(293,617)	-	-	3,593,517
Transportation capital assets, net	15,010,877	2,300,714	-	-	17,311,591



# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
<b>Business-Type Activities (continued):</b>					
<b>Solid Waste:</b>					
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	259,410	-	-	-	259,410
Equipment	984,006	131,713	(9,848)	-	1,105,871
Vehicles	5,967,623	444,138	(449,753)	99,618	6,061,626
Total depreciable assets	<u>7,211,039</u>	<u>575,851</u>	<u>(459,601)</u>	<u>99,618</u>	<u>7,426,907</u>
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	213,146	2,371	-	-	215,517
Equipment	885,671	40,916	(9,848)	-	916,739
Vehicles	4,461,581	415,454	(449,753)	99,618	4,526,900
Total accumulated depreciation	<u>5,560,398</u>	<u>458,741</u>	<u>(459,601)</u>	<u>99,618</u>	<u>5,659,156</u>
Solid waste capital assets, net	<u>1,650,641</u>	<u>\$ 117,110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,767,751</u>
Business-type activities capital assets, net	<u>\$ 144,745,107</u>				<u>\$ 148,283,824</u>

Depreciation expense was charged to functions/programs as follows:

### Governmental Activities:

General government	\$ 449,514
Public safety	2,018,996
Transportation	1,303,740
Economic and physical development	12,803
Culture and recreation	1,188,793
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	<u>23,379</u>
Total depreciation expense - governmental activities	<u>\$ 4,997,225</u>

### Business-Type Activities:

Water	\$ 1,814,315
Sewer	3,380,955
Sludge composting	341,226
Stormwater	263,525
Transportation	353,407
Solid waste	<u>458,741</u>
Total depreciation expense - business-type activities	<u>\$ 6,612,169</u>

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### Construction Commitments

The City has active construction projects as of June 30, 2020. At year-end, the outstanding commitments with contractors are as follows:

<b>Project</b>	<b>Spent-to-Date</b>	<b>Remaining Commitment</b>
Bond Program - Management-Freese & Nichols	\$ 2,596,249	\$ 97,830
Bond Program - Administration Cost	342,558	-
City Walk	6,803,606	11,628,616
River Walk	3,069,069	5,735,464
GateWays	670,492	-
Wayfinding	468,744	3,750
Build 9th/11th St/Bikeped	1,414,841	952,358
Streetscapes Old Lenior Rd Murtrl	549,121	328,569
Streetscapes 9th St	115,256	109,091
PTI Building Reuse	4,317	-
Design Foundry Bldg Reuse	235,000	-
Trivium Corporate Center (Business Park 1764)	9,382,333	2,410,001
Enzyme Roadway Infrastructure	781,639	1,754,177
Lackey Park	177,629	169,990
Falling Creek Bridge	1,982,056	135,450
Pedestrian Signal Upgrade	91,214	1,314
Police Grant Project	64,820	1,117
Corona Emerg Supp Funding	32,459	-
Ridgeview Library Expansion	69,250	42,207
Land Acq/Obst Rem RW 6-24	574,355	195,424
ALP/Master Plan Update	295,777	91,142
North Ramp Reconstuction	83,163	-
Airport Hangar Replacement	1,906,824	550,683
Public Safety Building	168,515	-
City Hall 2nd Floor Renovations	411,022	-
Convention Center Renovations	234,445	544,386
One North Center	2,670,669	829,332
Geitner Basin	3,371,953	47,150
Central Business District	4,894,673	-
Short Road Sewer	194,698	220,670
Bio Solids Project	1,113,290	635,410
McLin & Lyle Creek WW out	101,511	95,989
Murray Basin Sewerlines	438,833	1,972
Robinwood Access Road	2,710,271	131,613
Union Square	5,797,358	117,594
LR Blvd Gateway	150,313	67,897
Bookwalk	491,285	121,840
NE Sewer Grant Project	2,672,968	46,753
<b>Total</b>	<b>\$ 57,132,576</b>	<b>\$ 27,067,788</b>

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### Net Investment in Capital Assets

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets, net	\$ 84,108,640	\$ 148,283,824
Total debt, gross	(34,645,276)	(23,945,992)
Debt for non-capital assets	1,758,387	-
Unexpended proceeds	13,125,185	-
Total capital debt	<u>(19,761,704)</u>	<u>(23,945,992)</u>
Net investment in capital assets	<u>\$ 64,346,936</u>	<u>\$ 124,337,832</u>

### Note 7 – Liabilities

#### A. Payables

Payables at the government-wide level at June 30, 2020 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Other</u>	<u>Total</u>
<b>Governmental Activities:</b>					
General	\$ 1,699,394	\$ 1,204,589	\$ 424,226	\$ 639,914	\$ 3,968,123
General Capital Projects Fund	3,291,619	-	-	-	3,291,619
Other governmental	19,293	-	-	-	19,293
Total payables	<u>\$ 5,010,306</u>	<u>\$ 1,204,589</u>	<u>\$ 424,226</u>	<u>\$ 639,914</u>	<u>\$ 7,279,035</u>
<b>Business-Type Activities:</b>					
Water and sewer	\$ 2,598,707	\$ 136,824	\$ 115,335	\$ 18	\$ 2,850,884
Transportation	666,854	20,035	-	-	686,889
Solid waste	215,293	44,263	-	3,850	263,406
Other business-type	145,245	4,091	-	-	149,336
Total payables	<u>\$ 3,626,099</u>	<u>\$ 205,213</u>	<u>\$ 115,335</u>	<u>\$ 3,868</u>	<u>\$ 3,950,515</u>

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### 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 2024. For the year ended June 30, 2020, lease expenditures totaled \$57,171. Future minimum lease payments under the above leases as of June 30, 2020 are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2021	\$ 62,493
2022	53,720
2023	36,206
2024	25,397
2025	1,751
Total minimum lease payments	<u>\$ 179,567</u>

#### 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>
<b>Serviced by General Fund:</b>		
\$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	\$ 1,758,387	
\$575,000 2018 radio system upgrade installment purchase agreement due in semi-annual installments of \$57,500 principal plus interest at 2.92% through September 19, 2023.	402,500	
\$140,352 Fire Chest Compression System installment purchase agreement due in annual installments of \$60,088 principal through March 2, 2023.	<u>120,177</u>	<u>\$ 2,281,064</u>

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	<u>Principal Outstanding</u>	<u>Cumulative Total</u>
<b>Serviced by the Water and Sewer Fund:</b>		
\$9,500,000 2005 Henry River basin sewer line installment purchase agreement due in semi-annual installments of \$237,500 principal plus interest at 3.55% through May 19, 2015; rate will reset on May 20, 2015 for another 10-year period; refinanced in April 2012 and reduced interest rate to 3.19% through May 19, 2025	2,375,000	
\$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%	369,045	
\$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, 2028	<u>5,694,581</u>	<u>8,438,626</u>
Total		<u>\$ 10,719,690</u>

The City's outstanding note from direct placements related to governmental activities of \$1,758,387 is secured by a deed of trust on the TDA parking deck located at 1960 13th Ave Dr SE. Upon failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and accrued interest are due. Default on the loan could result in one of the following after a 15 day notice: a) The unpaid principal components immediately due and payable, b) Court action to enforce the City's performance of the applicable covenants of the agreement, c) Escrow Agent could be required to pay over any balance remaining in the Project Fund to be applied against outstanding required payments, d) Execution and foreclosure and recovery of attorney's fees and other expenses.

The City's outstanding note from direct placements related to governmental activities of \$402,500 is an unsecured loan agreement with First National Bank of Pennsylvania on the radio system upgrade located at Hickory Police Department 347 2nd Ave SW. Upon failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and accrued interest are due. In the event of a default the lender refers the note to an attorney for collection or enforcements. The borrower would pay all expenses and costs incurred.

The City's outstanding note from direct placements related to governmental activities of \$120,177 is a secured loan agreement with Flex Financial on the fire chest compression system. Upon failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and accrued interest are due.

The City's outstanding note from direct placements related to governmental activities of \$2,375,000 is secured by a deed of trust on the Henry River basin sewer line located on Robinwood road located in Catawba County. Upon failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and accrued interest are due. Default on the loan could result in one of the following: a) The unpaid principal components immediately due and payable, b) Court action

# **CITY OF HICKORY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020**

to enforce the City's performance of the applicable covenants of the agreement, c) Escrow Agent could be required to pay over any balance remaining in the Project Fund to be applied against outstanding required payments, d) Execution and foreclosure and recovery of attorney's fees and other expenses.

The City's outstanding note from direct placements related to governmental activities of \$369,045 is secured by a deed of trust on the construction of Maiden water line located from Hickory to Maiden. Upon failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and accrued interest are due. Default on the loan could result in one of the following: a) The unpaid principal components immediately due and payable, b) Court action to enforce the City's performance of the applicable covenants of the agreement, c) Escrow Agent could be required to pay over any balance remaining in the Project Fund to be applied against outstanding required payments, d) Execution and foreclosure and recovery of attorney's fees and other expenses.

The City's outstanding note from direct placements related to governmental activities of \$5,694,581 is secured by a deed of trust on the Hickory-Catawba wastewater treatment facility located at 104 6th Ave NE. Default on the loan could result in one of the following: a) The unpaid principal components immediately due and payable, b) Court action to enforce the City's performance of the applicable covenants of the agreement, c) Execution and foreclosure and recovery of attorney's fees and other expenses.

### *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 \$11,375,000 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. The City's outstanding note from direct borrowings related to business-type activities of \$11,375,000 is not secured by a pledge of the faith and credit of the State of North Carolina or of the City but is payable solely from the revenues of the Project or benefited systems, or other available funds. The note contains provisions that an event of default would result in (1) any other monies due to the City from the State may be withheld by the State and applied to the payment of the outstanding debt.

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 \$400,573 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. The City's outstanding note from direct borrowings related to business-type activities of \$400,573 is not secured by a pledge of the faith and credit of the State of North Carolina or of the City but is payable solely from the revenues of the Project or benefited systems, or other available funds. The note contains provisions that an event of default would result in (1) any other monies due to the City from the State may be withheld by the State and applied to the payment of the outstanding debt.

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

On May 3, 2016, the City entered into an agreement for a \$1,364,100 note payable in bi-annual installments of \$68,205, through May 2038, and interest at 1.66% per year for the Central Business District. The City currently owes \$1,227,690 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. The City's outstanding note from direct borrowings related to business-type activities of \$1,227,690 is not secured by a pledge of the faith and credit of the State of North Carolina or of the City but is payable solely from the revenues of the Project or benefited systems, or other available funds. The note contains provisions that an event of default would result in (1) any other monies due to the City from the State may be withheld by the State and applied to the payment of the outstanding debt.

On May 3, 2016, the City entered into an agreement for a \$3,272,322 note payable in bi-annual installments of \$163,616, through May 2038, and interest at 1.66% per year for Geitner Basin. The City currently owes \$2,504,103 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. The City's outstanding note from direct borrowings related to business-type activities of \$2,504,103 is not secured by a pledge of the faith and credit of the State of North Carolina or of the City but is payable solely from the revenues of the Project or benefited systems, or other available funds. The note contains provisions that an event of default would result in (1) any other monies due to the City from the State may be withheld by the State and applied to the payment of the outstanding debt.

### *4. General Obligation Indebtedness*

General obligation bonds are collateralized by the full faith, credit, and taxing power of the County. Principal and interest requirements will be provided by appropriation in the year in which they become due.

<u>General Obligation Indebtedness</u>	<u>Principal Outstanding</u>	<u>Cumulative Fund Total</u>
<b>Serviced by General Fund:</b>		
\$15,000,000 General Obligation Bonds, Series 2018: Principal due in annual installments of \$750,000 through June 30, 2039. Interest payable semi-annually (March and September) ranges from 3.0% to 5.0% issued March 2019.	\$ 14,250,000	
\$15,000,000 General Obligation Bonds, Series 2019: Principal due in annual installments of \$750,000 through June 30, 2040. Interest payable semi-annually (March and September) ranges from 2.65% to 5.0% issued March 2020.	<u>15,000,000</u>	<u>\$ 29,250,000</u>

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### 5. Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2020:

	Long-Term Debt			Long-Term Debt	Due Within
	June 30, 2019	Additions	Retirements	June 30, 2020	One Year
<b>Governmental Activities:</b>					
Accrued liability law enforcement officers'					
Total pension liability (LEOSSA)	\$ 3,544,975	\$ 37,195	\$ -	\$ 3,582,170	\$ -
Compensated absences	2,432,216	110,406	81,382	2,461,240	1,329,338
Total OPEB liability	16,169,818	807,829	-	16,977,647	-
Bonds payable:					
General obligation bonds	15,000,000	15,000,000	750,000	29,250,000	1,500,000
Less deferred amounts:					
Issuance discount/premium	1,176,119	1,996,899	58,806	3,114,212	158,651
Net pension liability (LGERS)	8,531,867	851,122	-	9,382,989	-
Direct placement installment purchase	2,585,887	140,352	445,175	2,281,064	375,088
Governmental activities					
long-term liabilities	<u>\$ 49,440,882</u>	<u>\$ 18,943,803</u>	<u>\$ 1,335,363</u>	<u>\$ 67,049,322</u>	<u>\$ 3,363,077</u>
<b>Business-Type Activities:</b>					
<b>Water and Sewer:</b>					
Compensated absences	\$ 418,421	\$ 178,838	\$ 197,730	\$ 399,529	\$ 177,957
Net pension liability (LGERS)	1,393,078	138,247	-	1,531,325	-
Total OPEB liability	3,355,397	167,633	-	3,523,030	-
Direct placement installment purchase	9,924,882	-	1,486,256	8,438,626	1,500,920
Notes from direct borrowings	15,515,234	1,139,010	1,146,878	15,507,366	1,146,884
Water and sewer long-term liabilities	<u>30,607,012</u>	<u>1,623,728</u>	<u>2,830,864</u>	<u>29,399,876</u>	<u>2,825,761</u>
<b>Other Enterprise Funds:</b>					
Compensated absences	164,140	94,567	77,674	181,033	70,718
Net pension liability (LGERS)	611,576	61,139	-	672,715	-
Total OPEB liability	1,501,939	75,036	-	1,576,975	-
Other enterprise funds long-term liabilities	<u>2,277,655</u>	<u>230,742</u>	<u>77,674</u>	<u>2,430,723</u>	<u>70,718</u>
Business-type activities					
long-term liabilities	<u>\$ 32,884,667</u>	<u>\$ 1,854,470</u>	<u>\$ 2,908,538</u>	<u>\$ 31,830,599</u>	<u>\$ 2,896,479</u>

Compensated absences and the law enforcement officers' pension liability have typically been liquidated in the General Fund for governmental activities. At June 30, 2020, the City had a legal debt margin of \$351,067,339.



# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### 6. 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):

	General Obligation Bonds		Note from Direct Borrowings		Direct Placement Installment Purchase Agreements		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
<b>Governmental</b>								
<b>Activities:</b>								
2021	\$ 1,500,000	\$ 1,181,625	\$ -	\$ -	\$ 375,088	\$ 61,140	\$ 1,875,088	\$ 1,242,765
2022	1,500,000	1,106,625	-	-	375,088	51,902	1,875,088	1,158,527
2023	1,500,000	1,031,625	-	-	315,000	42,664	1,815,000	1,074,289
2024	1,500,000	956,625	-	-	257,500	33,426	1,757,500	990,051
2025	1,500,000	881,625	-	-	200,000	26,707	1,700,000	908,332
2026-2030	7,500,000	3,283,125	-	-	758,388	48,026	8,258,388	3,331,151
2031-2035	7,500,000	1,375,875	-	-	-	-	7,500,000	1,375,875
2036-2040	6,750,000	443,625	-	-	-	-	6,750,000	443,625
	<u>29,250,000</u>	<u>10,260,750</u>	<u>-</u>	<u>-</u>	<u>2,281,064</u>	<u>263,865</u>	<u>31,531,064</u>	<u>10,524,615</u>
<b>Business-Type</b>								
<b>Activities:</b>								
2021	-	-	1,146,884	351,368	1,500,920	203,541	2,647,804	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	-	-	1,146,878	274,723	1,177,894	106,055	2,324,772	380,778
2025	-	-	1,146,878	249,175	1,193,940	74,857	2,340,818	324,032
2026-2030	-	-	5,734,392	862,653	2,256,799	90,495	7,991,191	953,148
2031-2035	-	-	4,038,578	268,736	-	-	4,038,578	268,736
	<u>-</u>	<u>-</u>	<u>15,507,366</u>	<u>2,632,747</u>	<u>8,438,626</u>	<u>779,231</u>	<u>23,945,992</u>	<u>3,411,978</u>
Total	<u>\$ 29,250,000</u>	<u>\$ 10,260,750</u>	<u>\$ 15,507,366</u>	<u>\$ 2,632,747</u>	<u>\$ 10,719,690</u>	<u>\$ 1,043,096</u>	<u>\$ 55,477,056</u>	<u>\$ 13,936,593</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, 2020**

Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The state's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

### *2. Benefits Provided*

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

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

### *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, 2020, was 9.70% of compensation for law enforcement officers and 8.95% 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 \$2,686,246 for the year ended June 30, 2020.

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### *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, 2020, the City reported a liability of \$11,587,029 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2019, the City's proportion was 0.424%, which was a decrease of 0.012% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of \$4,924,220. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,983,993	\$ -
Changes of assumptions	1,888,494	-
Net difference between projected and actual earnings on pension plan investments	282,624	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	476,711
City contributions subsequent to the measurement date	2,686,246	-
Total	<u>\$ 6,841,357</u>	<u>\$ 476,711</u>

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

\$2,686,246 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, 2021. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending</b>	
<b>June 30</b>	<b>Amount</b>
2021	\$ 1,866,154
2022	507,867
2023	1,031,428
2024	272,951
2025	-
Thereafter	-
Total	<u>\$ 3,678,400</u>

### 5. Actuarial Assumptions

The total pension liability in the December 31, 2018 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 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 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, 2018 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

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 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 7.00%. 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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
City's proportionate share of the net pension liability (asset)	\$ 26,501,654	\$ 11,587,029	\$ (810,046)

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### 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, 2018, the Separation Allowance's membership consisted of:

Retirees currently receiving benefits	16
Non-vested	<u>106</u>
Total	<u><u>122</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.

#### 3. Actuarial Assumptions

The entry age normal method was used in the December 31, 2018 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	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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, 2018 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 the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 104% for males and 100% for females.

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

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

**DEATHS AFTER RETIREMENT (DISABLED):** RP-2014 Disabled Retiree base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date 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 \$275,209 as benefits came due for the reporting period.

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

At June 30, 2020, the City reported a total pension liability of \$3,582,170. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the City recognized pension expense of \$343,322.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Benefit payments and administrative costs subsequent to measurement date	\$ 153,405	\$ -
Changes of assumptions and other inputs	189,993	117,927
Differences between expected and actual experience	201,970	60,132
Total	<u>\$ 545,368</u>	<u>\$ 178,059</u>

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

\$153,405 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2021	\$ 66,355
2022	66,355
2023	68,710
2024	6,228
2025	6,134
Thereafter	122
Total	<u>\$ 213,904</u>

*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 3.26%, 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 (2.26%) or 1-percentage-point higher (4.26%) than the current rate:

	1% Decrease (2.26)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	<u>\$ 3,888,299</u>	<u>\$ 3,582,170</u>	<u>\$ 3,303,509</u>

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

Beginning balance	<u>\$ 3,544,975</u>
Service cost	151,450
Interest on the total pension liability	124,028
Difference between expected and actual experience	(72,110)
Changes of assumptions and other inputs	109,036
Benefit payments made	<u>(275,209)</u>
Net change in total pension liability	<u>37,195</u>
Ending balance of the total pension liability	<u>\$ 3,582,170</u>

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



# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2014.

### 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	\$ 4,924,220	\$ 343,322	\$ 5,267,542
Pension liability	11,587,029	3,582,170	15,169,199
Proportion of the net pension liability (asset)	0.42429%	N/A	-

### Deferred Outflows of Resources

Differences between expected and actual experience	\$ 1,983,993	\$ 201,970	\$ 2,185,963
Changes of assumptions	1,888,494	189,993	2,078,487
Net difference between projected and actual earnings on pension plan investments	282,624	-	282,624
Employer contributions (LGERS) and benefit payments and administration costs (LEOSSA) subsequent to the measurement date	<u>2,686,246</u>	<u>153,405</u>	<u>2,839,651</u>
	<u>\$ 6,841,357</u>	<u>\$ 545,368</u>	<u>\$ 7,386,725</u>

### Deferred Inflows of Resources

Differences between expected and actual experience	\$ -	\$ 60,132	\$ 60,132
Changes of assumptions	-	117,927	117,927
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>476,711</u>	<u>-</u>	<u>476,711</u>
	<u>\$ 476,711</u>	<u>\$ 178,059</u>	<u>\$ 654,770</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 Trust Fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the

# **CITY OF HICKORY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020**

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, 2020 were \$413,022, which consisted of \$288,060 from the City and \$124,962 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, 2020

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, 2018, the date of the latest actuarial valuation:

Retirees receiving benefits	83
Active members	<u>274</u>
Total	<u><u>357</u></u>

### B. Funding Policy

The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees as authorized by the approved personnel ordinance. In addition, the budget for these expenditures is approved, along with other healthcare expenditures as part of the annual budget process. In addition to coverage for employees, the City's members can elect to pay for spouse, dependent, or family coverage. For fiscal year 2020, 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 \$22,077,652 was measured as of June 30, 2018 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, 2020

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 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	3.89 percent
Measurement Date	3.50 percent
Healthcare cost trend rates:	
Pre-Medicare	7.25 percent for 2018 decreasing to an ultimate rate of 4.75 percent by 2028
Dental	4.00 percent

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

	<b>Total OPEB Liability</b>
Balance at July 1, 2019	\$ 21,027,154
Changes for the year:	
Service cost	467,682
Interest	799,322
Differences between expected and actual experience	28,634
Changes of assumptions or other inputs	722,147
Benefit payments	(967,287)
Net changes	1,050,498
Balance at June 30, 2020	\$ 22,077,652

Changes in assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 3.89% to 3.50%.

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, 2020

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2018 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, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 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 (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	<b>1% Decrease (2.50%)</b>	<b>Discount Rate (3.50%)</b>	<b>1% Increase (4.50%)</b>
Total OPEB liability	<u>\$ 24,056,124</u>	<u>\$ 22,077,652</u>	<u>\$ 20,279,390</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:

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
Total OPEB liability	<u>\$ 19,807,735</u>	<u>\$ 22,077,652</u>	<u>\$ 24,689,813</u>

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$821,570. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 112,247	\$ 196,514
Changes of assumptions	595,008	2,010,279
Benefit payments and plan administrative expense made subsequent to the measurement date	<u>864,693</u>	<u>-</u>
Total	<u>\$ 1,571,948</u>	<u>\$ 2,206,793</u>

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

\$864,693 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 OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ending</b>	
<b>June 30</b>	<b>Total</b>
2021	\$ (454,734)
2022	(454,734)
2023	(454,734)
2024	(225,218)
2025	89,882
Thereafter	-
Total	<u>\$ (1,499,538)</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 \$214,320 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, 2020

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 \$425,594 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 \$5,000 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, 2020</u>	<u>June 30, 2019</u>
Unpaid claims, beginning of fiscal year	\$ 862,592	\$ 1,167,006
Incurred claims (including IBNRs)	3,496,604	4,002,260
Claim payments	<u>(3,719,282)</u>	<u>(4,306,674)</u>
Unpaid claims, end of fiscal year	<u>\$ 639,914</u>	<u>\$ 862,592</u>

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### Note 13 – Interfund Activity

The transfers to/from other funds at June 30, 2020 consist of the following:

From General Fund to Transportation Capital	
Project Fund for capital expenditures for grant matching	\$ 51,311
From General Fund to Transportation Fund for future capital expenditures	23,000
From General Fund to General Capital Project Fund for capital needs	
to close projects	6,951,620
From Water and Sewer Fund to Stormwater Fund for operational needs	129,961
From Water and Sewer Fund to Stormwater Fund for capital expenditures	564,630
From Water and Sewer Fund to Water and Sewer Capital Reserve Fund for	
future capital expenditures	515,103
From Water and Sewer Fund to Sludge Fund for capital expenditures	229,268
From Water and Sewer Fund to General Capital Projects Fund for	
for capital project expenditures	143,765
From Water and Sewer Fund to Capital Reserve Fund for capital needs	940,000
From General Fund to Multi-Year Grant Project Fund for	
grant matching requirements	23,196
From General Fund to Capital Reserve Fund for	
future capital expenditures	1,263,089
From General Fund to Insurance Fund for operational needs	209,863
From Water and Sewer Fund to Insurance Fund for operational needs	146,438
From Stormwater Fund to Insurance Fund for operational needs	5,158
From Transportation Fund to Insurance Fund for operational needs	3,672
From Solid Waste Fund to Insurance Fund for operational needs	22,244
From Home Consortium Grant Fund to NCHFA Rental Rehabilitation Grant Fund	
for operational needs	5,000
From General Capital Project Fund to General Fund to close projects	3,885,282
From Capital Reserve Fund to Water and Sewer Capital Project Fund	
for future capital expenditures	16,000
From Water and Sewer Fund to Transportation Capital Project Fund for	
grant matching	72,775
From General Fund to Stormwater Fund for operational needs	1,124,354
From Water and Sewer Fund to Water and Sewer Capital Project Fund for	
capital project expenditures	2,176,583
From Transportation Fund to Transportation Capital Project Fund	
capital project expenditures	1,719,766
From Water and Sewer Fund to General Fund for operational needs	400,000
From Capital Reserve Fund to Transportation Fund	
for future capital expenditures	113,000
From Capital Reserve Fund to General Fund for capital expenditures	540,000
From Capital Reserve Fund to Water and Sewer Fund for	
for capital project expenditures	2,300,000
Total interfund transfers	<u>\$ 23,575,078</u>



# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The due to/from other funds at June 30, 2020 consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fleet management	\$ 1,290,045
General Fund	Community Development Entitlement Block Grant	64,539
General Fund	Home Consortium Grant	47,212
General Fund	Transportation Fund	800,607
		<u>\$ 2,202,403</u>

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, 2020, the City was involved in several lawsuits involving damages and potential claims. The exact amount of any claim cannot be determined at this time. 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.

# **CITY OF HICKORY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020**

### **Note 17 – Agreements with Other Organizations**

#### **A. Hickory-Conover Tourism Development Authority**

The City of Hickory, the City of Conover, and the Catawba County Chamber of Commerce established the Hickory-Conover Tourism Development Authority (TDA) under session law SL 2009-45, Sec.29. The Board of the TDA consists of nine members - three appointed by the Hickory City Council, two by the Conover City Council, and one by the Chamber of Commerce. In addition, three ex-officio members are appointed: the City Managers of Hickory and Conover, along with the Executive Vice-President of the Catawba County Chamber of Commerce. The TDA was formed to promote tourism and economic development. The TDA is funded by an occupancy tax approved by the North Carolina State Legislature. The City of Hickory collects the tax and passes it directly to the TDA. No City funds are used to support the TDA. The Authority approves its own budget, is entitled to any surpluses or must finance any deficits, is legally responsible for its own debts, and designates its own management. Complete financial statements for the TDA may be obtained from the TDA's administrative offices at 470 Highway 70, SW, Hickory, North Carolina, or by writing P.O. Box 1828, Hickory, North Carolina 28603.

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

The Western Piedmont Council of Governments is a voluntary association of four counties and 24 municipalities. The Council was established by the participating governments to coordinate funding from federal and state agencies. Each county or municipality appoints one member to the Council's governing board, whose responsibilities include approving the budget and designating the management of the Council. The City paid membership dues of \$45,364 during the fiscal year ended June 30, 2020.

#### **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 \$1,546,646 for operations for the year ended June 30, 2020. The complete sludge facility financial statements are shown in the financial section under combining and individual fund financial statements and schedules.

### **Note 18 – Subsequent Events**

In March 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19), a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact City revenues. At the current time, we are unable to quantify the potential effects of this pandemic.

## **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 FOUR FISCAL YEARS\***

<b>Law Enforcement Officers' Special Separation Allowance</b>				
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 3,544,975	\$ 3,559,244	\$ 3,190,102	\$ 3,299,125
Service cost	151,450	164,385	135,028	146,016
Interest on the total pension liability	124,028	107,935	117,164	112,568
Difference between expected and actual experience	(72,110)	138,715	224,590	-
Changes in assumptions or other inputs	109,036	(138,126)	201,909	(75,701)
Benefit payments	(275,209)	(287,178)	(309,549)	(291,906)
Ending balance of the total pension liability	<u>\$ 3,582,170</u>	<u>\$ 3,544,975</u>	<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 FOUR FISCAL YEARS**

	<b>Law Enforcement Officers' Special Separation Allowance</b>			
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 3,582,170	\$ 3,544,975	\$ 3,559,244	\$ 3,190,102
Covered payroll	5,431,591	5,441,525	5,231,012	5,373,660
Total pension liability as a percentage of covered payroll	65.95%	65.15%	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

## LAST THREE FISCAL YEARS

Other Post-Employment Benefits			
	2020	2019	2018
Service cost	\$ 467,682	\$ 661,419	\$ 718,706
Interest	799,322	803,208	698,414
Differences between expected and actual experience	28,634	(303,316)	166,419
Changes of assumptions or other inputs	722,147	(2,119,216)	(1,196,267)
Benefit payments	(967,287)	(1,143,915)	(916,075)
Net change in total OPEB liability	1,050,498	(2,101,820)	(528,803)
Total OPEB liability - beginning	21,027,154	23,128,974	23,657,777
Total OPEB liability - ending	<u>\$ 22,077,652</u>	<u>\$ 21,027,154</u>	<u>\$ 23,128,974</u>
Covered payroll	\$ 13,499,380	\$ 13,499,380	\$ 15,733,224
Total OPEB liability as a percentage of covered payroll	163.55%	155.76%	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
2020	3.50%
2019	3.89%
2018	3.56%

## CITY OF HICKORY, NORTH CAROLINA

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

	<b>Local Government Employees' Retirement System</b>						
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Hickory's proportion of the net pension liability (asset) (%)	0.42429%	0.44414%	0.45556%	0.46454%	0.50266%	0.50893%	0.50100%
Hickory's proportion of the net pension liability (asset) (\$)	\$ 11,587,029	\$ 10,536,521	\$ 6,959,696	\$ 9,394,282	\$ 2,255,905	\$ (3,001,397)	\$ 6,038,974
Hickory's covered payroll	28,267,776	27,019,564	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 payroll	40.99%	39.00%	26.07%	35.84%	8.71%	11.73%	25.61%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	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 SEVEN FISCAL YEARS

	<b>Local Government Employees' Retirement System</b>						
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 2,686,246	\$ 2,235,832	\$ 2,079,421	\$ 1,991,269	\$ 1,571,948	\$ 1,848,000	\$ 1,819,354
Contributions in relation to the contractually required contribution	2,686,246	2,235,832	2,079,421	1,991,269	1,571,948	1,848,000	1,819,354
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hickory's covered payroll	\$ 29,488,169	\$ 28,267,776	\$ 27,019,564	\$ 26,694,921	\$ 26,213,071	\$ 25,900,959	\$ 25,586,063
Contributions as a percentage of covered payroll	9.11%	7.91%	7.70%	7.46%	6.00%	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, 2020**

	<b>General Fund</b>	<b>Capital Reserve Fund</b>	<b>Eliminations</b>	<b>Total General Fund</b>
<b>Revenues:</b>				
Ad valorem taxes	\$ 30,360,326	\$ -	\$ -	\$ 30,360,326
Other taxes	17,195,453	-	-	17,195,453
Unrestricted intergovernmental revenues	641,067	-	-	641,067
Restricted intergovernmental revenues	3,416,658	-	-	3,416,658
Licenses and permits	4,480	-	-	4,480
Sales and services	1,141,092	-	-	1,141,092
Investment earnings	617,395	107,286	-	724,681
Miscellaneous	639,589	-	-	639,589
Total revenues	<u>54,016,060</u>	<u>107,286</u>	<u>-</u>	<u>54,123,346</u>
<b>Expenditures:</b>				
Current:				
General government	6,782,961	-	-	6,782,961
Public safety	23,862,784	-	-	23,862,784
Transportation	5,928,785	-	-	5,928,785
Economic and physical development	3,373,629	-	-	3,373,629
Culture and recreation	7,551,932	-	-	7,551,932
Debt service:				
Principal retirement	1,195,175	-	-	1,195,175
Interest fees	864,353	-	-	864,353
Total expenditures	<u>49,559,619</u>	<u>-</u>	<u>-</u>	<u>49,559,619</u>
Revenues over (under) expenditures	<u>4,456,441</u>	<u>107,286</u>	<u>-</u>	<u>4,563,727</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	4,825,282	2,203,089	(540,000)	6,488,371
Transfers out	<u>(9,646,433)</u>	<u>(2,969,000)</u>	<u>540,000</u>	<u>(12,075,433)</u>
Total other financing sources (uses)	<u>(4,680,799)</u>	<u>(765,911)</u>	<u>-</u>	<u>(5,446,710)</u>
Net change in fund balances	(224,358)	(658,625)	-	(882,983)
<b>Reconciliation from Budgetary Basis of Accounting to Modified Accrual Basis:</b>				
Current year note receivable payments	<u>(310,000)</u>	<u>-</u>	<u>-</u>	<u>(310,000)</u>
Net change in fund balance modified accrual	(534,358)	(658,625)	-	(1,192,983)
<b>Fund Balance:</b>				
Fund balance, beginning	<u>32,709,867</u>	<u>5,584,238</u>	<u>-</u>	<u>38,294,105</u>
End of year - June 30	<u>\$ 32,175,509</u>	<u>\$ 4,925,613</u>	<u>\$ -</u>	<u>\$ 37,101,122</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, 2020

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Final Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Current year	\$ 28,975,000	\$ 29,858,536	\$ 883,536	\$ 27,524,478
Prior years	425,000	359,547	(65,453)	429,373
Penalties and interest	125,000	142,243	17,243	147,093
Total	29,525,000	30,360,326	835,326	28,100,944
<b>Other Taxes:</b>				
Local option sales tax	10,653,213	11,190,418	537,205	11,016,777
Franchise tax	3,250,000	3,299,905	49,905	3,349,937
Telecommunication tax	800,000	720,318	(79,682)	793,021
Hickory-Conover motel/occupancy tax	1,600,000	1,603,690	3,690	2,177,957
Vehicle tag tax	180,000	171,728	(8,272)	185,639
Gross receipts tax	160,000	209,394	49,394	168,716
Total	16,643,213	17,195,453	552,240	17,692,047
<b>Unrestricted Intergovernmental Revenues:</b>				
Payments in lieu of taxes	23,000	6,684	(16,316)	11,047
Beer and wine	180,000	176,051	(3,949)	175,642
Traffic control	370,000	366,082	(3,918)	364,338
Public school resource officer	90,000	92,250	2,250	90,000
Total	663,000	641,067	(21,933)	641,027
<b>Restricted Intergovernmental Revenues:</b>				
Federal grants	-	851,567	851,567	39,895
State grants	1,358,517	1,383,249	24,732	1,399,510
Local grants	-	30,905	30,905	18,855
Catawba County for library	219,000	222,455	3,455	220,902
Catawba County for police	213,786	213,786	-	209,481
Catawba County fire district tax	528,315	675,174	146,859	527,775
Catawba County for volunteer fire	8,400	8,400	-	8,400
Catawba County for convention center	63,209	31,122	(32,087)	63,209
Total	2,391,227	3,416,658	1,025,431	2,488,027
<b>Licenses and Permits:</b>				
Privilege licenses	-	-	-	1
Beer and wine licenses	4,500	4,370	(130)	4,679
Taxi permits	600	60	(540)	77
Miscellaneous permits	-	50	50	75
Total	5,100	4,480	(620)	4,832

**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, 2020**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019**

	<b>2020</b>			<b>2019</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Sales and Services:</b>				
Recreation services	227,345	176,630	(50,715)	236,872
Fire department services	163,000	183,378	20,378	174,601
Police department services	48,450	33,177	(15,273)	32,079
Street paving	10,000	59,900	49,900	34,405
Parking rentals	56,000	40,489	(15,511)	47,595
Library services	43,294	15,881	(27,413)	42,161
Rents and royalties	957,840	552,077	(405,763)	781,396
Cemetery plots	30,000	42,001	12,001	47,128
District court fees	-	7,517	7,517	8,715
Communications	-	-	-	286
Plan reviews	30,000	30,042	42	32,960
Total	<u>1,565,929</u>	<u>1,141,092</u>	<u>(424,837)</u>	<u>1,438,198</u>
<b>Investment Earnings</b>	<u>258,036</u>	<u>617,395</u>	<u>359,359</u>	<u>822,950</u>
<b>Miscellaneous:</b>				
Donations	106,766	142,609	35,843	55,903
Advertising fees	-	800	800	1,150
Insurance claims	166,800	193,868	27,068	70,694
Sale of properties	36,600	105,003	68,403	86,561
Other	215,304	197,309	(17,995)	757,612
Total	<u>525,470</u>	<u>639,589</u>	<u>114,119</u>	<u>971,920</u>
Total revenues	<u>51,576,975</u>	<u>54,016,060</u>	<u>2,439,085</u>	<u>52,159,945</u>
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Governing Body:</b>				
Salaries and employee benefits	683,768	519,213	164,555	534,287
Operating expenditures	244,729	191,467	53,262	223,778
Administrative reimbursement	(200,030)	(200,030)	-	(196,108)
Total	<u>728,467</u>	<u>510,650</u>	<u>217,817</u>	<u>561,957</u>
<b>Administration:</b>				
Salaries and employee benefits	1,232,832	1,236,152	(3,320)	1,164,163
Operating expenditures	232,374	147,181	85,193	176,772
Capital outlay	2,075	2,075	-	13,721
Administrative reimbursement	(256,784)	(256,164)	(620)	(251,748)
Total	<u>1,210,497</u>	<u>1,129,244</u>	<u>81,253</u>	<u>1,102,908</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, 2020**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019**

	<b>2020</b>			<b>2019</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Budget and Administration:</b>				
Salaries and employee benefits	665,023	678,625	(13,602)	638,996
Operating expenditures	153,599	117,844	35,755	105,974
Capital outlay	1,189	1,189	-	10,360
Administrative reimbursement	(284,561)	(284,561)	-	(278,980)
Total	<u>535,250</u>	<u>513,097</u>	<u>22,153</u>	<u>476,350</u>
<b>Finance:</b>				
Salaries and employee benefits	991,110	985,144	5,966	877,759
Operating expenditures	428,495	403,142	25,353	373,183
Capital outlay	-	-	-	28,890
Administrative reimbursement	(1,429,304)	(1,428,064)	(1,240)	(1,401,279)
Total	<u>(9,699)</u>	<u>(39,778)</u>	<u>30,079</u>	<u>(121,447)</u>
<b>Information Technology:</b>				
Salaries and employee benefits	736,429	690,454	45,975	571,898
Operating expenditures	764,306	665,314	98,992	969,023
Capital outlay	33,158	21,972	11,186	284,591
Administrative reimbursement	(131,472)	(131,472)	-	(128,895)
Total	<u>1,402,421</u>	<u>1,246,268</u>	<u>156,153</u>	<u>1,696,617</u>
<b>City Clerk:</b>				
Salaries and employee benefits	92,921	94,632	(1,711)	92,461
Operating expenditures	23,820	13,674	10,146	14,686
Administrative reimbursement	(62,795)	(62,795)	-	(61,563)
Total	<u>53,946</u>	<u>45,511</u>	<u>8,435</u>	<u>45,584</u>
<b>Legal:</b>				
Salaries and employee benefits	196,172	200,956	(4,784)	192,174
Operating expenditures	146,053	125,921	20,132	125,619
Capital outlay	4,750	4,750	-	3,116
Administrative reimbursement	(63,879)	(63,879)	-	(62,626)
Total	<u>283,096</u>	<u>267,748</u>	<u>15,348</u>	<u>258,283</u>
<b>Engineering:</b>				
Salaries and employee benefits	424,527	381,460	43,067	342,877
Operating expenditures	51,306	38,970	12,336	35,408
Capital outlay	-	-	-	13,752
Administrative reimbursement	(131,723)	(131,723)	-	(129,140)
Total	<u>344,110</u>	<u>288,707</u>	<u>55,403</u>	<u>262,897</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, 2020**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019**

	<b>2020</b>			<b>2019</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Building Services:</b>				
Salaries and employee benefits	340,009	317,116	22,893	277,760
Operating expenditures	69,186	49,673	19,513	53,918
Capital outlay	43,395	41,597	1,798	31,858
Administrative reimbursement	(325,604)	(324,984)	(620)	(319,218)
Total	126,986	83,402	43,584	44,318
<b>Central Services:</b>				
Salaries and employee benefits	522,424	514,609	7,815	510,910
Operating expenditures	159,775	118,955	40,820	112,058
Capital outlay	75,527	527	75,000	18,413
Administrative reimbursement	(275,903)	(275,903)	-	(270,493)
Total	481,823	358,188	123,635	370,888
<b>Public Buildings:</b>				
Salaries and employee benefits	27,572	21,809	5,763	18,265
Operating expenditures	541,116	465,916	75,200	289,444
Capital outlay	962,801	645,541	317,260	-
Administrative reimbursement	(8,742)	(8,742)	-	(8,570)
Total	1,522,747	1,124,524	398,223	299,139
<b>Landscape Services:</b>				
Salaries and employee benefits	796,425	786,133	10,292	717,966
Operating expenditures	638,241	445,127	193,114	359,035
Capital outlay	213,095	126,450	86,645	159,248
Administrative reimbursement	(130,179)	(130,179)	-	(127,626)
Total	1,517,582	1,227,531	290,051	1,108,623
<b>District Court:</b>				
Operating expenditures	25,333	25,905	(572)	26,602
Administrative reimbursement	1,964	1,964	-	1,925
Total	27,297	27,869	(572)	28,527
Total general government	8,224,523	6,782,961	1,441,562	6,134,644
<b>Public Safety:</b>				
<b>Police:</b>				
Salaries and employee benefits	10,175,793	10,099,082	76,711	9,513,910
Operating expenditures	2,194,378	2,041,102	153,276	2,228,216
Capital outlay	973,325	516,591	456,734	1,393,922
Administrative reimbursement	2,769	2,769	-	2,715
Total	13,346,265	12,659,544	686,721	13,138,763

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, 2020

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Final Budget	Actual	Variance Over/Under	Actual
<b>Department of Justice:</b>				
Operating expenditures	-	-	-	4,750
Capital outlay	-	-	-	11,500
Total	-	-	-	16,250
<b>NC Unauthorized Substance Tax:</b>				
Operating expenditures	20,574	20,573	1	12,180
Capital outlay	7,052	7,052	-	-
Total	27,626	27,625	1	12,180
<b>Police - Secondary PSAP:</b>				
Operating expenditures	235,305	151,341	83,964	68,675
Capital outlay	2,730	2,729	1	123,190
Total	238,035	154,070	83,965	191,865
<b>Police - HPD Community Navigator:</b>				
Operating expenditures	3,830	356	3,474	-
Total	3,830	356	3,474	-
<b>Fire:</b>				
Salaries and employee benefits	9,062,179	8,932,034	130,145	8,829,839
Operating expenditures	1,637,474	1,277,449	360,025	1,254,690
Capital outlay	764,863	848,972	(84,109)	1,457,731
Administrative reimbursement	(37,266)	(37,266)	-	(36,535)
Total	11,427,250	11,021,189	406,061	11,505,725
Total public safety	25,043,006	23,862,784	1,180,222	24,864,783
<b>Transportation:</b>				
<b>Traffic:</b>				
Salaries and employee benefits	689,590	701,093	(11,503)	649,989
Operating expenditures	1,288,351	1,079,306	209,045	1,166,063
Capital outlay	54,000	53,912	88	30,346
Administrative reimbursement	(15,315)	(15,315)	-	(15,015)
Total	2,016,626	1,818,996	197,630	1,831,383
<b>Street:</b>				
Salaries and employee benefits	2,028,522	1,671,626	356,896	1,609,870
Operating expenditures	2,197,819	2,015,129	182,690	2,284,994
Capital outlay	957,724	484,605	473,119	373,165
Administrative reimbursement	(61,571)	(61,571)	-	(60,364)
Total	5,122,494	4,109,789	1,012,705	4,207,665
Total transportation	7,139,120	5,928,785	1,210,335	6,039,048

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, 2020

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Final Budget	Actual	Variance Over/Under	Actual
<b>Economic and Physical Development:</b>				
<b>Planning:</b>				
Salaries and employee benefits	828,244	852,846	(24,602)	777,925
Operating expenditures	74,992	79,883	(4,891)	68,944
Capital outlay	2,953	2,953	-	34,778
Administrative reimbursement	(32,218)	(32,218)	-	(31,586)
Total	873,971	903,464	(29,493)	850,061
<b>Economic and Business Development:</b>				
Operating expenditures	2,671,051	2,470,165	200,886	2,855,136
Total	2,671,051	2,470,165	200,886	2,855,136
Total economic and physical development	3,545,022	3,373,629	171,393	3,705,197
<b>Culture and Recreation:</b>				
<b>Recreation:</b>				
Salaries and employee benefits	2,380,287	2,136,325	243,962	2,153,580
Operating expenditures	1,439,957	1,322,353	117,604	1,516,564
Capital outlay	2,306,076	1,786,562	519,514	734,011
Administrative reimbursement	45,672	45,672	-	44,776
Total	6,171,992	5,290,912	881,080	4,448,931
<b>Library:</b>				
Salaries and employee benefits	1,317,813	1,278,774	39,039	1,254,865
Operating expenditures	1,157,246	853,649	303,597	828,540
Capital outlay	127,961	126,780	1,181	13,085
Administrative reimbursement	1,817	1,817	-	1,781
Total	2,604,837	2,261,020	343,817	2,098,271
Total culture and recreation	8,776,829	7,551,932	1,224,897	6,547,202
<b>Debt Service:</b>				
Principal	1,875,000	1,195,175	679,825	671,034
Interest	963,404	864,353	99,051	363,015
Bond issuance costs	-	-	-	1
Total	2,838,404	2,059,528	778,876	1,034,050

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, 2020

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Final Budget	Actual	Variance Over/Under	Actual
Contingency	335,491	-	335,491	-
Total expenditures	55,902,395	49,559,619	6,342,776	48,324,924
Revenues over (under) expenditures	(4,325,420)	4,456,441	8,781,861	3,835,021
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	858,558	140,352	(718,206)	575,000
Transfers in (out):				
Capital Reserve Fund	540,000	540,000	-	760,000
Water and Sewer Fund	400,000	400,000	-	-
General Capital Projects Fund	3,885,282	3,885,282	-	142,802
Multi-Year Grant Projects Fund	-	-	-	2,173
Insurance Fund	(209,863)	(209,863)	-	(200,000)
General Capital Projects Fund	(6,951,620)	(6,951,620)	-	(1,822,017)
Multi-Year Grant Projects Fund	(23,196)	(23,196)	-	(18,138)
Capital Reserve Fund	(1,263,089)	(1,263,089)	-	(997,458)
Stormwater Fund	(1,124,354)	(1,124,354)	-	(118,454)
Transportation Fund	(23,000)	(23,000)	-	-
Transportation Capital Projects Fund	(51,311)	(51,311)	-	-
Total other financing sources (uses)	(3,962,593)	(4,680,799)	(718,206)	(1,676,092)
Revenues and other financing sources over (under) expenditures and other financing uses	(8,288,013)	(224,358)	8,063,655	2,158,929
Appropriated fund balance	8,288,013	-	(8,288,013)	-
Net change in fund balance	\$ -	(224,358)	\$ (224,358)	2,158,929
<b>Reconciliation from Budgetary Basis of Accounting to Modified Accrual Basis:</b>				
Current year note receivable payments		(310,000)		(561,400)
Net change in fund balance modified accrual		(534,358)		1,597,529
<b>Fund Balance:</b>				
Fund balance, beginning		32,709,867		31,112,338
End of year - June 30		\$ 32,175,509		32,709,867

## 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, 2020

	Capital Reserve Fund		
	Budget	Actual	Variance with Final Budget Over/Under
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 107,286	\$ 107,286
Total revenues	-	107,286	107,286
<b>Expenditures:</b>			
Current:			
General government	1,087,000	-	1,087,000
Transportation	63,089	-	63,089
Environmental protection	940,000	-	940,000
Total expenditures	2,090,089	-	2,090,089
Revenues over (under) expenditures	(2,090,089)	107,286	2,197,375
<b>Other Financing Sources (Uses):</b>			
Transfers out	(2,969,000)	(2,969,000)	-
Transfers in	2,203,089	2,203,089	-
Total other financing sources (uses)	(765,911)	(765,911)	-
Revenues and other financing sources over (under) expenditures and other financing uses	(2,856,000)	(658,625)	2,197,375
Appropriated fund balance	2,856,000	-	(2,856,000)
Net change in fund balance	\$ -	(658,625)	\$ (658,625)
<b>Fund Balance:</b>			
Beginning of year - July 1		5,584,238	
End of year - June 30		\$ 4,925,613	



## **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, 2020**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
Federal grants	\$ 49,187,381	\$ 1,684,842	\$ 3,139,764	\$ 4,824,606	\$ (44,362,775)
State grants	2,434,360	671,920	-	671,920	(1,762,440)
County contributions	5,838,305	541,162	3,995,247	4,536,409	(1,301,896)
Investment earnings	278,809	336,392	415,381	751,773	472,964
Miscellaneous	752,334	862	1,786,920	1,787,782	1,035,448
Total revenues	<u>58,491,189</u>	<u>3,235,178</u>	<u>9,337,312</u>	<u>12,572,490</u>	<u>(45,918,699)</u>
<b>Expenditures:</b>					
Capital outlay:					
General government:					
City Hall 2 <sup>nd</sup> Floor Renovations	3,885,413	219,340	2,862,351	3,081,691	803,722
Convention Center Renovations	778,750	-	234,445	234,445	544,305
Public safety:					
Radio system upgrade	169,297	167,970	545	168,515	782
Transportation:					
Sandy Ridge intersection	2,691,250	-	-	-	2,691,250
Downtown lighting	402,500	-	91,214	91,214	311,286
Falling Creek bridge	2,133,055	1,979,718	2,338	1,982,056	150,999
ARC Grant-9th Av Dr NW	2,661,216	-	-	-	2,661,216
Bond projects:					
Management	2,601,950	1,400,779	326,528	1,727,307	874,643
Citywalk	24,165,000	2,912,092	8,593,721	11,505,813	12,659,187
Riverwalk	10,189,359	773,191	1,497,314	2,270,505	7,918,854
Trivium Corporate Center	17,314,579	6,118,529	6,208,329	12,326,858	4,987,721
Wayfinding	523,000	468,744	-	468,744	54,256
Gateways	573,210	344,310	143,813	488,123	85,087
Streetscapes	10,600,000	-	664,376	664,376	9,935,624
Bookwalk	6,500,000	159	491,126	491,285	6,008,715
Build Grant	19,019,325	-	1,414,841	1,414,841	17,604,484
Culture and recreation:					
Lackey Park	345,700	94,641	82,988	177,629	168,071
Ridgeview Library Expansion	120,507	-	69,250	69,250	51,257
Total expenditures	<u>104,674,111</u>	<u>14,479,473</u>	<u>22,683,179</u>	<u>37,162,652</u>	<u>67,511,459</u>
Revenues over (under) expenditures	<u>(46,182,922)</u>	<u>(11,244,295)</u>	<u>(13,345,867)</u>	<u>(24,590,162)</u>	<u>21,592,760</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	16,106,937	9,011,552	7,095,385	16,106,937	-
Transfers (out)	(4,060,282)	(175,000)	(3,885,282)	(4,060,282)	-
Issuance of debt	30,963,250	15,000,000	15,000,000	30,000,000	(963,250)
Premium on bond issuance	3,173,017	1,176,119	1,996,899	3,173,018	1
Total other financing sources (uses)	<u>46,182,922</u>	<u>25,012,671</u>	<u>20,207,002</u>	<u>45,219,673</u>	<u>(963,249)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 13,768,376</u>	<u>\$ 6,861,135</u>	<u>\$ 20,629,511</u>	<u>\$ 20,629,511</u>



## **Nonmajor Governmental Funds**

# CITY OF HICKORY, NORTH CAROLINA

## COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2020

	<b>Community Development Entitlement Block Grant</b>	<b>Home Consortium Grant</b>	<b>NCHFA Rental Rehabilitation Grant</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ -	\$ -	\$ 96,746
Accounts receivable, net	602,374	78,993	69,028
Due from other governmental agencies	62,789	-	-
Prepaid	1,400	-	-
Total assets	<u>\$ 666,563</u>	<u>\$ 78,993</u>	<u>\$ 165,774</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 636	\$ -	\$ 4,426
Due to other funds	64,539	47,212	-
Total liabilities	<u>65,175</u>	<u>47,212</u>	<u>4,426</u>
<b>Deferred Inflows of Resources:</b>			
Economic development receivable	<u>347,254</u>	<u>-</u>	<u>68,864</u>
<b>Fund Balances:</b>			
Non-spendable	1,400	-	-
Restricted for stabilization for state statute	317,909	78,993	164
Committed for economic development	-	-	92,320
Unassigned	(65,175)	(47,212)	-
Total fund balances	<u>254,134</u>	<u>31,781</u>	<u>92,484</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 666,563</u>	<u>\$ 78,993</u>	<u>\$ 165,774</u>

# CITY OF HICKORY, NORTH CAROLINA

## COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2020

	<b>Multi-Year Grant Projects</b>	<b>Total</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 13,055	\$ 109,801
Accounts receivable, net	-	750,395
Due from other governmental agencies	91,606	154,395
Prepaid	-	1,400
Total assets	<u>\$ 104,661</u>	<u>\$ 1,015,991</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 14,231	\$ 19,293
Due to other funds	-	111,751
Total liabilities	<u>14,231</u>	<u>131,044</u>
<b>Deferred Inflows of Resources:</b>		
Economic development receivable	<u>-</u>	<u>416,118</u>
<b>Fund Balances:</b>		
Non-spendable	-	1,400
Restricted for stabilization for state statute	91,606	488,672
Committed for economic development	-	92,320
Unassigned	(1,176)	(113,563)
Total fund balances	<u>90,430</u>	<u>468,829</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 104,661</u>	<u>\$ 1,015,991</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, 2020**

	<b>Community Development Entitlement Block Grant</b>	<b>Home Consortium Grant</b>	<b>NCHFA Rental Rehabilitation Grant</b>
<b>Revenues:</b>			
Restricted intergovernmental	\$ 336,807	\$ -	\$ 25,000
Investment earnings	-	401	2,091
Miscellaneous	91,416	83,003	15,582
Total revenues	<u>428,223</u>	<u>83,404</u>	<u>42,673</u>
<b>Expenditures:</b>			
Public safety	-	-	-
Economic and physical development	426,142	82,541	62,251
Total expenditures	<u>426,142</u>	<u>82,541</u>	<u>62,251</u>
Revenues over (under) expenditures	<u>2,081</u>	<u>863</u>	<u>(19,578)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	5,000
Transfers (out)	-	(5,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(5,000)</u>	<u>5,000</u>
Net change in fund balances	2,081	(4,137)	(14,578)
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>252,053</u>	<u>35,918</u>	<u>107,062</u>
End of year - June 30	<u>\$ 254,134</u>	<u>\$ 31,781</u>	<u>\$ 92,484</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, 2020

	<b>Multi-Year Grant Projects</b>	<b>Total</b>
<b>Revenues:</b>		
Restricted intergovernmental	\$ 377,900	\$ 739,707
Investment earnings	487	2,979
Miscellaneous	-	190,001
Total revenues	<u>378,387</u>	<u>932,687</u>
<b>Expenditures:</b>		
Public safety	79,568	79,568
Economic and physical development	<u>239,317</u>	<u>810,251</u>
Total expenditures	<u>318,885</u>	<u>889,819</u>
Revenues over (under) expenditures	<u>59,502</u>	<u>42,868</u>
<b>Other Financing Sources (Uses):</b>		
Transfers in	23,196	28,196
Transfers (out)	-	(5,000)
Total other financing sources (uses)	<u>23,196</u>	<u>23,196</u>
Net change in fund balances	82,698	66,064
<b>Fund Balances:</b>		
Beginning of year - July 1	<u>7,732</u>	<u>402,765</u>
End of year - June 30	<u>\$ 90,430</u>	<u>\$ 468,829</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, 2020

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental:					
Federal grants					
2015 Entitlement Block grant	\$ -	\$ 100,611	\$ 4,805	\$ 105,416	\$ 105,416
2016 Entitlement Block grant	280,251	257,798	22,453	280,251	-
2017 Entitlement Block grant	280,724	265,187	15,537	280,724	-
2018 Entitlement Block grant	307,542	150,628	156,914	307,542	-
2019 Entitlement Block grant	316,023	-	137,098	137,098	(178,925)
Miscellaneous	789,604	621,100	91,416	712,516	(77,088)
Total revenues	1,974,144	1,395,324	428,223	1,823,547	(150,597)
Expenditures:					
Economic and physical development	1,974,144	1,143,271	426,142	1,569,413	404,731
Total expenditures	1,974,144	1,143,271	426,142	1,569,413	404,731
Net change in fund balance	\$ -	\$ 252,053	\$ 2,081	\$ 254,134	\$ 254,134

## 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, 2020

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
<b>Revenues:</b>					
Investment earnings	\$ -	\$ 1,148	\$ 401	\$ 1,549	\$ 1,549
Miscellaneous	332,524	38,473	83,003	121,476	(211,048)
Total revenues	332,524	39,621	83,404	123,025	(209,499)
<b>Expenditures:</b>					
Economic and physical development	327,524	3,703	82,541	86,244	241,280
Revenues over (under) expenditures	5,000	35,918	863	36,781	31,781
<b>Other Financing Sources (Uses):</b>					
Transfers (out)	(5,000)	-	(5,000)	(5,000)	-
Net change in fund balance	\$ -	\$ 35,918	\$ (4,137)	\$ 31,781	\$ 31,781

## 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, 2020**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
Restricted intergovernmental:					
State grants	\$ 125,000	\$ 25,000	\$ 25,000	\$ 50,000	\$ (75,000)
Investment earnings	-	4,444	2,091	6,535	6,535
Miscellaneous	234,115	230,773	15,582	246,355	12,240
Total revenues	<u>359,115</u>	<u>260,217</u>	<u>42,673</u>	<u>302,890</u>	<u>(56,225)</u>
<b>Expenditures:</b>					
Economic and physical development	<u>364,115</u>	<u>153,155</u>	<u>62,251</u>	<u>215,406</u>	<u>148,709</u>
Revenues over (under) expenditures	(5,000)	107,062	(19,578)	87,484	92,484
<b>Other Financing Sources (Uses):</b>					
Transfers in	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 107,062</u>	<u>\$ (14,578)</u>	<u>\$ 92,484</u>	<u>\$ 92,484</u>

## CITY OF HICKORY, NORTH CAROLINA

**MULTI-YEAR GRANT PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020**

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
<b>Revenues:</b>					
Restricted intergovernmental:					
Federal grants	\$ 117,042	\$ 27,881	\$ 68,100	\$ 95,981	\$ (21,061)
State grants	752,650	-	309,800	309,800	(442,850)
Total	869,692	27,881	377,900	405,781	(463,911)
Miscellaneous:					
Investment earnings	14,375	156	487	643	(13,732)
Total	14,375	156	487	643	(13,732)
Total revenues	884,067	28,037	378,387	406,424	(477,643)
<b>Expenditures:</b>					
Economic and physical development					
PTI Building Reuse Grant	187,000	-	4,317	4,317	182,683
Design Foundry Building ReUse	603,750	-	235,000	235,000	368,750
Public safety:					
Bulletproof Vest Partnership 2018	17,175	12,029	5,121	17,150	25
Bulletproof Vest Partnership 2019	17,642	-	16,525	16,525	1,117
Justice Assistance Grant (JAG) 2017	15,205	15,205	-	15,205	-
Justice Assistance Grant (JAG) 2018	15,028	10,948	9,025	19,973	(4,945)
Justice Assistance Grant (JAG) 2019	16,438	-	16,438	16,438	-
Corona Emergency Supply Funding	52,963	-	32,459	32,459	20,504
Total expenditures	925,201	38,182	318,885	357,067	568,134
Revenues over (under) expenditures	(41,134)	(10,145)	59,502	49,357	90,491
<b>Other Financing Sources (Uses):</b>					
Transfers (out)	-	(61)	-	(61)	(61)
Transfers in	41,134	17,938	23,196	41,134	-
Total other financing sources (uses)	41,134	17,877	23,196	41,073	(61)
Net change in fund balance	\$ -	\$ 7,732	\$ 82,698	\$ 90,430	\$ 90,430

## **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, 2020**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019**

	<b>2020</b>			<b>2019</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Revenues:</b>				
Charges for services:				
Water charges	\$ 14,459,217	\$ 16,872,465	\$ 2,413,248	\$ 16,178,830
Sewer charges	9,516,380	10,965,362	1,448,982	10,381,230
Total	23,975,597	27,837,827	3,862,230	26,560,060
Water taps	110,000	238,584	128,584	194,111
Sewer taps	90,000	190,572	100,572	161,339
Other operating revenues	237,402	683,040	445,638	556,145
Total operating revenues	437,402	1,112,196	674,794	911,595
Non-operating revenues:				
Donations/contributions	372,345	986,326	613,981	(136,000)
Interest earned on investments	60,000	909,890	849,890	1,030,290
Total non-operating revenues	432,345	1,896,216	1,463,871	894,290
Total revenues	24,845,344	30,846,239	6,000,895	28,365,945
<b>Expenditures:</b>				
Environmental protection:				
Administration:				
Salaries and employee benefits	746,866	707,909	38,957	977,860
Other operating expenditures	4,140,373	4,208,589	(68,216)	3,784,547
Capital outlay	170,033	68,668	101,365	22,660
Administrative reimbursement	3,620,817	3,993,358	(372,541)	3,712,967
Total	8,678,089	8,978,524	(300,435)	8,498,034
Collection system:				
Salaries and employee benefits	967,305	891,112	76,193	825,137
Other operating expenditures	1,074,986	940,017	134,969	720,592
Capital outlay	252,325	234,601	17,724	122,883
Total	2,294,616	2,065,730	228,886	1,668,612
Henry Fork plant:				
Salaries and employee benefits	564,193	517,244	46,949	520,654
Other operating expenditures	587,333	522,514	64,819	511,731
Capital outlay	139,219	132,908	6,311	466,195
Total	1,290,745	1,172,666	118,079	1,498,580

# **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, 2020**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019**

	<b>2020</b>			<b>2019</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
Northeast plant:				
Salaries and employee benefits	601,891	556,532	45,359	546,568
Other operating expenditures	480,147	401,532	78,615	456,113
Capital outlay	54,000	52,261	1,739	43,953
Total	1,136,038	1,010,325	125,713	1,046,634
Water treatment plant:				
Salaries and employee benefits	668,257	560,365	107,892	554,829
Other operating expenditures	2,030,330	1,833,812	196,518	1,824,952
Capital outlay	1,041,471	377,235	664,236	534,400
Total	3,740,058	2,771,412	968,646	2,914,181
Pre-treatment and lab:				
Salaries and employee benefits	427,416	398,019	29,397	365,932
Other operating expenditures	191,930	145,123	46,807	147,826
Capital outlay	23,224	23,223	1	24,531
Total	642,570	566,365	76,205	538,289
Claremont sewer lines:				
Salaries and employee benefits	149,719	135,850	13,869	104,445
Other operating expenditures	307,180	137,700	169,480	137,966
Capital outlay	40,700	40,578	122	25,750
Total	497,599	314,128	183,471	268,161
Distribution:				
Salaries and employee benefits	1,834,935	1,549,605	285,330	1,528,007
Other operating expenditures	1,763,579	1,315,778	447,801	537,099
Capital outlay	12,583,144	3,068,664	9,514,480	2,924,318
Total	16,181,658	5,934,047	10,247,611	4,989,424
Hickory-Catawba wastewater treatment plant:				
Salaries and employee benefits	178,302	155,054	23,248	145,020
Other operating expenditures	279,209	192,997	86,212	209,678
Total	457,511	348,051	109,460	354,698
Total environmental protection	34,918,884	23,161,248	11,757,636	21,776,613
Debt service:				
Principal retirement	2,732,874	2,633,134	99,740	2,718,538
Interest on long-term debt	619,174	618,279	895	712,623
Total	3,352,048	3,251,413	100,635	3,431,161

**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, 2020**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019**

	<b>2020</b>			<b>2019</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
Contingency	73,000	-	73,000	-
Total expenditures	38,343,932	26,412,661	11,931,271	25,207,774
Revenues over (under) expenditures	(13,498,588)	4,433,578	17,932,166	3,158,171
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	2,300,000	2,300,000	-	2,200,000
Transfers (to) other funds	(5,318,523)	(5,318,523)	-	(1,148,954)
Appropriated net position	16,517,111	-	(16,517,111)	-
Total other financing sources (uses)	13,498,588	(3,018,523)	(16,517,111)	1,051,046
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 1,415,055	\$ 1,415,055	\$ 4,209,217

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

**to Full Accrual Basis:**

Revenues and other financing sources over (under) expenditures and other financing uses	\$ 1,415,055
Reconciling items:	
Depreciation and amortization	(5,195,270)
Long-term debt principal repayments	2,633,134
Gain (loss) on sale of assets	26,032
Capital project revenues	303,558
Capital projects - transfers from (to) other funds	2,707,686
Change in net pension liability	(138,247)
Change in deferred outflows of resources for pensions	(166,125)
Change in deferred inflows of resources for pensions	9,854
Change in deferred outflows of resources for OPEB	76,918
Change in deferred inflows of resources for OPEB	97,793
Capital assets purchased/capitalized	4,115,841
Change in accrued vacation pay	18,892
Change in accrued interest payable	11,737
Change in total OPEB liability	(167,633)
Change in net position	\$ 5,749,225

## 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, 2020

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
<b>Revenues:</b>					
Restricted intergovernmental:					
State grants	\$ 3,025,023	\$ 2,366,545	\$ 303,558	\$ 2,670,103	\$ (354,920)
Total	<u>3,025,023</u>	<u>2,366,545</u>	<u>303,558</u>	<u>2,670,103</u>	<u>(354,920)</u>
Miscellaneous:					
Investment earnings	-	10,491	-	10,491	10,491
Total revenues	<u>3,025,023</u>	<u>2,377,036</u>	<u>303,558</u>	<u>2,680,594</u>	<u>(344,429)</u>
<b>Expenditures:</b>					
Capital outlay:					
Northeast sewer grant project	2,946,043	2,667,607	5,841	2,673,448	272,595
Geitner basin	3,867,715	3,371,952	-	3,371,952	495,763
Central business district	5,361,176	4,894,673	-	4,894,673	466,503
Short road sewer project	431,883	54,500	140,198	194,698	237,185
McLin and Lyle Creek	197,500	78,558	22,953	101,511	95,989
Murray basin sewer project	440,805	354,828	84,005	438,833	1,972
Bio Solids project	1,748,700	-	1,113,290	1,113,290	635,410
Total expenditures	<u>14,993,822</u>	<u>11,422,118</u>	<u>1,366,287</u>	<u>12,788,405</u>	<u>2,205,417</u>
Revenues over (under) expenditures	<u>(11,968,799)</u>	<u>(9,045,082)</u>	<u>(1,062,729)</u>	<u>(10,107,811)</u>	<u>1,860,988</u>
<b>Other Financing Sources (Uses):</b>					
Transfers from other funds	7,085,224	4,892,641	2,192,583	7,085,224	-
Issuance of long-term debt	4,883,575	3,056,424	1,139,010	4,195,434	(688,141)
Total other financing sources (uses)	<u>11,968,799</u>	<u>7,949,065</u>	<u>3,331,593</u>	<u>11,280,658</u>	<u>(688,141)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (1,096,017)</u>	<u>\$ 2,268,864</u>	<u>\$ 1,172,847</u>	<u>\$ 1,172,847</u>

## CITY OF HICKORY, NORTH CAROLINA

WATER AND SEWER CAPITAL RESERVE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2020

	Capital Reserve Fund		
	Budget	Actual	Variance with Final Budget Over/Under
<b>Expenditures:</b>			
Future capital projects	\$ 515,103	\$ -	\$ 515,103
Total expenditures	515,103	-	515,103
Revenues over (under) expenditures	(515,103)	-	515,103
<b>Other Financing Sources (Uses):</b>			
Transfers in	515,103	515,103	-
Total other financing sources (uses)	515,103	515,103	-
Net change in fund balance	\$ -	515,103	\$ 515,103
<b>Fund Balance:</b>			
Beginning of year - July 1		-	
End of year - June 30		\$ 515,103	

**CITY OF HICKORY, NORTH CAROLINA**

**TRANSPORTATION FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2020  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019**

	<b>2020</b>			<b>2019</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Revenues:</b>				
Operating revenues:				
Restricted intergovernmental:				
Airport	\$ 6,365	\$ 9,130	\$ 2,765	\$ 9,130
Airport services	4,335,999	1,851,596	(2,484,403)	1,177,501
Total operating revenues	4,342,364	1,860,726	(2,481,638)	1,186,631
Non-operating revenues:				
Donations/contributions	5,400	162,748	157,348	-
Investment earnings	10,000	13,075	3,075	33,563
Total non-operating revenues	15,400	175,823	160,423	33,563
Total revenues	4,357,764	2,036,549	(2,321,215)	1,220,194
<b>Expenditures:</b>				
Airport:				
Salaries and employee benefits	239,140	239,145	(5)	223,157
Other operating expenditures	270,875	253,375	17,500	226,802
Capital outlay	-	-	-	8,880
Administrative reimbursement	126,779	126,779	-	124,293
Total airport	636,794	619,299	17,495	583,132
Airport tower:				
Other operating expenditures	15,267	13,794	1,473	14,974
Capital outlay	6,000	5,840	160	-
Total airport tower	21,267	19,634	1,633	14,974
Airport FBO:				
Salaries and employee benefits	375,315	435,566	(60,251)	355,910
Other operating expenditures	1,714,295	244,837	1,469,458	316,946
Capital outlay	53,950	53,950	-	37,839
Total airport FBO	2,143,560	734,353	1,409,207	710,695
Total expenditures	2,801,621	1,373,286	1,428,335	1,308,801
Revenues over (under) expenditures	1,556,143	663,263	(892,880)	(88,607)

**CITY OF HICKORY, NORTH CAROLINA**

**TRANSPORTATION FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES -**

**BUDGET AND ACTUAL (NON-GAAP)**

**FOR THE YEAR ENDED JUNE 30, 2020**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019**

	<b>2020</b>			<b>2019</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	(1,723,438)	(1,723,438)	-	(50,173)
Transfers from other funds	136,000	136,000	-	-
Appropriated net position	31,295	-	(31,295)	-
Total other financing sources (uses)	<u>(1,556,143)</u>	<u>(1,587,438)</u>	<u>(31,295)</u>	<u>(50,173)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (924,175)</u>	<u>\$ (924,175)</u>	<u>\$ (138,780)</u>

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

**to Full Accrual Basis:**

Revenues and other financing sources over (under) expenditures and other financing uses	\$ (924,175)
Reconciling items:	
Depreciation	(353,407)
Gain on disposal of capital assets	13,695
Change in net pension liability	(15,021)
Change in deferred outflows for pensions	(18,051)
Change in deferred inflows for pensions	1,071
Change in deferred outflows for OPEB	7,326
Change in deferred inflows for OPEB	9,314
Capital project revenues	644,816
Capital project interest	15,445
Capital projects - transfers from (to) other funds	1,843,852
Capital assets purchased/capitalized	59,790
Change in accrued vacation pay	646
Change in total OPEB liability	<u>(15,965)</u>
Change in net position	<u>\$ 1,269,336</u>

## CITY OF HICKORY, NORTH CAROLINA

TRANSPORTATION CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
<b>Revenues:</b>					
Restricted intergovernmental:					
Federal grants	\$ 279,449	\$ 74,148	\$ 216,882	\$ 291,030	\$ 11,581
State grants	1,520,280	87,218	427,934	515,152	(1,005,128)
Total	1,799,729	161,366	644,816	806,182	(993,547)
Investment earnings	-	690	15,445	16,135	16,135
Total revenues	1,799,729	162,056	660,261	822,317	(977,412)
<b>Expenditures:</b>					
Capital outlay:					
Transportation:					
Airport improvements	3,721,739	265,789	2,594,331	2,860,120	861,619
Total expenditures	3,721,739	265,789	2,594,331	2,860,120	861,619
Revenues over (under) expenditures	(1,922,010)	(103,733)	(1,934,070)	(2,037,803)	(115,793)
<b>Other Financing Sources (Uses):</b>					
Intrafund transfer in	1,960,302	78,158	1,843,852	1,922,010	(38,292)
Intrafund transfer out	(38,292)	-	-	-	38,292
Total other financing sources (uses)	1,922,010	78,158	1,843,852	1,922,010	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (25,575)	\$ (90,218)	\$ (115,793)	\$ (115,793)



**CITY OF HICKORY, NORTH CAROLINA**

**SOLID WASTE FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES -**

**BUDGET AND ACTUAL (NON-GAAP)**

**FOR THE YEAR ENDED JUNE 30, 2020**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019**

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Other taxes:				
Solid waste excise tax	\$ 25,000	\$ 23,579	\$ (1,421)	\$ 22,678
Charges for services:				
Recycling fees	3,610,000	3,553,171	(56,829)	3,549,638
Dumpster rentals	527,000	519,173	(7,827)	442,918
Refuse fees	1,040,000	1,093,782	53,782	977,245
Total	5,177,000	5,166,126	(10,874)	4,969,801
Other operating revenues	2,500	1,770	(730)	30,935
Total operating revenues	5,204,500	5,191,475	(13,025)	5,023,414
Non-operating revenues:				
Investment earnings	24,000	50,997	26,997	67,903
Miscellaneous	2,659	10,703	8,044	1,409
Total non-operating revenues	26,659	61,700	35,041	69,312
Total revenues	5,231,159	5,253,175	22,016	5,092,726
<b>Expenditures:</b>				
Environmental protection:				
Recycling services:				
Salaries and employee benefits	684,398	678,405	5,993	571,901
Other operating expenditures	1,850,586	1,864,494	(13,908)	1,652,192
Capital outlay	135,550	131,712	3,838	156,194
Administrative reimbursement	507,431	507,431	-	497,482
Total	3,177,965	3,182,042	(4,077)	2,877,769
Residential sanitation:				
Salaries and employee benefits	578,483	574,018	4,465	500,721
Other operating expenditures	390,609	370,325	20,284	401,572
Capital outlay	257,275	165,539	91,736	424,077
Total	1,226,367	1,109,882	116,485	1,326,370

**CITY OF HICKORY, NORTH CAROLINA**

**SOLID WASTE FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES -**

**BUDGET AND ACTUAL (NON-GAAP)**

**FOR THE YEAR ENDED JUNE 30, 2020**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019**

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
Commercial sanitation:				
Salaries and employee benefits	549,184	562,237	(13,053)	473,528
Other operating expenditures	574,029	524,724	49,305	482,085
Capital outlay	278,600	278,600	-	333,236
Administrative reimbursement	(89,366)	(89,366)	-	(87,613)
Total	1,312,447	1,276,195	36,252	1,201,236
 Total environmental protection	 5,716,779	 5,568,119	 148,660	 5,405,375
 Revenues over (under) expenditures	 (485,620)	 (314,944)	 170,676	 (312,649)
 <b>Other Financing Sources (Uses):</b>				
Transfers to other funds	(22,244)	(22,244)	-	(26,000)
Appropriated net position	507,864	-	(507,864)	-
Total other financing sources (uses)	485,620	(22,244)	(507,864)	(26,000)
 Revenues and other financing sources over (under) expenditures and other financing uses	 \$ -	 \$ (337,188)	 \$ (337,188)	 \$ (338,649)

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

Revenues and other financing sources over (under) expenditures and other financing uses	\$ (337,188)
Reconciling items:	
Depreciation	(458,741)
Change in net pension liability	(42,861)
Change in deferred outflows for pensions	(51,504)
Change in deferred inflows for pensions	3,055
Change in deferred outflows for OPEB	26,371
Change in deferred inflows for OPEB	33,529
Capital assets purchased/capitalized	575,851
Change in accrued vacation pay	(16,639)
Gain on disposal of assets	50,725
Change in total OPEB liability	(57,475)
 Change in net position	 \$ (274,877)

## **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, 2020

	Sludge Composting Fund	Stormwater Fund	Total Nonmajor Enterprise Funds
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 749,935	\$ 590,962	\$ 1,340,897
Accounts receivable, net	-	1,003	1,003
Due from other governments	41,360	3,726	45,086
Prepaid items	873	1,045	1,918
Total current assets	792,168	596,736	1,388,904
Non-current assets:			
Land and construction in progress	145,024	-	145,024
Other capital assets, net of depreciation	1,576,389	4,197,622	5,774,011
Total non-current assets	1,721,413	4,197,622	5,919,035
Total assets	2,513,581	4,794,358	7,307,939
<b>Deferred Outflows of Resources:</b>			
OPEB deferrals	-	2,387	2,387
Pension deferrals	-	20,897	20,897
Total deferred outflows of resources	-	23,284	23,284
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued liabilities	128,347	20,989	149,336
Current portion of long-term debt	-	812	812
Total current liabilities	128,347	21,801	150,148
Non-current liabilities:			
Net pension liability	-	36,425	36,425
Compensated absences payable	-	417	417
Total OPEB liability	-	33,553	33,553
Total non-current liabilities	-	70,395	70,395
Total liabilities	128,347	92,196	220,543
<b>Deferred Inflows of Resources:</b>			
OPEB deferrals	-	3,354	3,354
Pension deferrals	-	236	236
Total deferred inflows of resources	-	3,590	3,590
<b>Net Position:</b>			
Net investment in capital assets	1,721,413	4,197,622	5,919,035
Unrestricted	663,821	524,234	1,188,055
Total net position	\$ 2,385,234	\$ 4,721,856	\$ 7,107,090

## 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, 2020**

	<b>Sludge Composting Fund</b>	<b>Stormwater Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>Operating Revenues:</b>			
Restricted intergovernmental	\$ 2,046,478	\$ -	\$ 2,046,478
Sludge charges	26,593	-	26,593
Total operating revenues	<u>2,073,071</u>	<u>-</u>	<u>2,073,071</u>
<b>Operating Expenses:</b>			
Administration and engineering	-	112,033	112,033
Sludge plant	1,959,561	-	1,959,561
Street	-	63,348	63,348
Drainage maintenance	-	456,955	456,955
Depreciation	341,226	263,525	604,751
Total operating expenses	<u>2,300,787</u>	<u>895,861</u>	<u>3,196,648</u>
Operating income (loss)	<u>(227,716)</u>	<u>(895,861)</u>	<u>(1,123,577)</u>
Non-operating revenues (expenses):			
Interest earned on investments	-	7,533	7,533
Total non-operating revenues (expenses)	<u>-</u>	<u>7,533</u>	<u>7,533</u>
Income (loss) before transfers	(227,716)	(888,328)	(1,116,044)
<b>Transfers:</b>			
Transfers in	229,268	1,818,945	2,048,213
Transfers out	<u>-</u>	<u>(5,158)</u>	<u>(5,158)</u>
Change in net position	1,552	925,459	927,011
<b>Net Position:</b>			
Net position, beginning	<u>2,383,682</u>	<u>3,796,397</u>	<u>6,180,079</u>
End of year - June 30	<u>\$ 2,385,234</u>	<u>\$ 4,721,856</u>	<u>\$ 7,107,090</u>

## CITY OF HICKORY, NORTH CAROLINA

**NONMAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<b>Sludge Composting Fund</b>	<b>Stormwater Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers and users	\$ 2,217,890	\$ -	\$ 2,217,890
Cash paid to suppliers	(1,974,841)	(526,896)	(2,501,737)
Cash paid to employees	-	(81,291)	(81,291)
Net cash provided (used) by operating activities	<u>243,049</u>	<u>(608,187)</u>	<u>(365,138)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Transfers from other funds	229,268	1,818,945	2,048,213
Transfers to other funds	-	(5,158)	(5,158)
Net cash provided (used) by non-capital financing activities	<u>229,268</u>	<u>1,813,787</u>	<u>2,043,055</u>
<b>Cash Flows from Capital And Related Financing Activities:</b>			
Acquisition and construction of capital assets	-	(1,438,786)	(1,438,786)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(1,438,786)</u>	<u>(1,438,786)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest on investments	-	7,533	7,533
Net cash provided (used) by investing activities	<u>-</u>	<u>7,533</u>	<u>7,533</u>
Net increase (decrease) in cash and cash equivalents	472,317	(225,653)	246,664
<b>Cash and Cash Equivalents:</b>			
Beginning of year - July 1	<u>277,618</u>	<u>816,615</u>	<u>1,094,233</u>
End of year - June 30	<u>\$ 749,935</u>	<u>\$ 590,962</u>	<u>\$ 1,340,897</u>

CITY OF HICKORY, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2020

	Sludge Composting Fund	Stormwater Fund	Total Nonmajor Enterprise Funds
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (227,716)	\$ (895,861)	\$ (1,123,577)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	341,226	263,525	604,751
Change in net pension liability	-	3,257	3,257
Change in assets and liabilities:			
(Increase) decrease in accounts receivables	144,819	(1,036)	143,783
(Increase) decrease in prepaid items	-	(164)	(164)
Change in deferred outflows for pensions	-	3,914	3,914
Change in deferred inflows for pensions	-	(732)	(732)
Change in deferred outflows for OPEB	-	(232)	(232)
Change in deferred inflows for OPEB	-	(931)	(931)
Increase (decrease) in accounts payable	(15,280)	17,574	2,294
Increase (decrease) in compensated absences	-	902	902
Change in total OPEB liability	-	1,597	1,597
Net cash provided (used) by operating activities	<u>\$ 243,049</u>	<u>\$ (608,187)</u>	<u>\$ (365,138)</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, 2020

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Restricted intergovernmental:				
Local grants	\$ 1,818,579	\$ 2,046,478	\$ 227,899	\$ 1,991,259
Charges for services:				
Sludge charges	-	26,593	26,593	94,039
Total revenues	<u>1,818,579</u>	<u>2,073,071</u>	<u>254,492</u>	<u>2,085,298</u>
<b>Expenditures:</b>				
Environmental protection:				
Other operating expenditures	1,871,692	1,833,406	38,286	1,567,349
Capital outlay	50,000	-	50,000	155,723
Administrative reimbursement	126,155	126,155	-	126,114
Total environmental protection	<u>2,047,847</u>	<u>1,959,561</u>	<u>88,286</u>	<u>1,849,186</u>
Total expenditures	<u>2,047,847</u>	<u>1,959,561</u>	<u>88,286</u>	<u>1,849,186</u>
Revenues over (under) expenditures	<u>(229,268)</u>	<u>113,510</u>	<u>342,778</u>	<u>236,112</u>
<b>Other Financing Sources (Uses):</b>				
Intrafund transfer in	229,268	229,268	-	-
Total other financing sources (uses)	<u>229,268</u>	<u>229,268</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 342,778</u>	<u>\$ 342,778</u>	<u>\$ 236,112</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 342,778		
Reconciling items:				
Depreciation		<u>(341,226)</u>		
Change in net position		<u>\$ 1,552</u>		

**CITY OF HICKORY, NORTH CAROLINA**

**STORMWATER FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES -**

**BUDGET AND ACTUAL (NON-GAAP)**

**FOR THE YEAR ENDED JUNE 30, 2020**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2020</u>			<u>2019</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Revenues:</b>				
Non-operating revenues:				
Interest earned on investments	\$ -	\$ 7,533	\$ 7,533	\$ 20,005
Total non-operating revenues	-	7,533	7,533	20,005
 Total revenues	-	7,533	7,533	20,005
 <b>Expenditures:</b>				
Environmental protection:				
Engineering:				
Salaries and benefits	128,196	89,066	39,130	87,317
Other operating expenditures	25,198	15,192	10,006	14,362
Total	153,394	104,258	49,136	101,679
 Street:				
Other operating expenditures	74,868	63,348	11,520	91,187
Total	74,868	63,348	11,520	91,187
 Drainage maintenance:				
Other operating expenditures	456,956	456,955	1	85,207
Capital outlay	1,438,786	1,438,786	-	-
Total	1,895,742	1,895,741	1	85,207
 Total environmental protection	2,124,004	2,063,347	60,657	278,073
 Revenues over (under) expenditures	(2,124,004)	(2,055,814)	68,190	(258,068)
 <b>Other Financing Sources (Uses):</b>				
Transfers in	1,818,945	1,818,945	-	262,908
Transfers out	(5,158)	(5,158)	-	(5,158)
Appropriated net position	310,217	-	(310,217)	-
Total other financing sources (uses)	2,124,004	1,813,787	(310,217)	257,750
 Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (242,027)	\$ (242,027)	\$ (318)

**CITY OF HICKORY, NORTH CAROLINA**

**STORMWATER FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES -**

**BUDGET AND ACTUAL (NON-GAAP)**

**FOR THE YEAR ENDED JUNE 30, 2020**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2020</u>			<u>2019</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ (242,027)		
Reconciling items:				
Depreciation		(263,525)		
Change in net pension liability		(3,257)		
Change in deferred outflows of resources for pensions		(3,914)		
Change in deferred inflows of resources for pensions		232		
Change in deferred outflows of resources for OPEB		732		
Change in deferred inflows of resources for OPEB		931		
Capital assets purchased/capitalized		1,438,786		
Change in accrued vacation pay		(902)		
Change in total OPEB liability		<u>(1,597)</u>		
Change in net position		<u>\$ 925,459</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, 2020

	Insurance Fund	Fleet Maintenance Fund	Total
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 5,642,167	\$ -	\$ 5,642,167
Accounts receivable, net	9,536	-	9,536
Due from other governments	-	81,938	81,938
Inventory	-	143,268	143,268
Prepaid items	165,379	2,380	167,759
Total current assets	<u>5,817,082</u>	<u>227,586</u>	<u>6,044,668</u>
Non-current assets:			
Depreciable capital assets, net	-	74,900	74,900
Total non-current assets	<u>-</u>	<u>74,900</u>	<u>74,900</u>
Total assets	<u>5,817,082</u>	<u>302,486</u>	<u>6,119,568</u>
<b>Deferred Outflows of Resources:</b>			
OPEB deferrals	-	28,669	28,669
Pension deferrals	-	108,801	108,801
Total deferred outflows of resources	<u>-</u>	<u>137,470</u>	<u>137,470</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued liabilities	746,016	71,103	817,119
Due to other funds	-	1,290,045	1,290,045
Current portion of long-term debt	-	17,189	17,189
Total current liabilities	<u>746,016</u>	<u>1,378,337</u>	<u>2,124,353</u>
Non-current liabilities:			
Net pension liability	-	177,387	177,387
Compensated absences, noncurrent	-	13,806	13,806
Total OPEB liability	-	402,632	402,632
Total non-current liabilities	<u>-</u>	<u>593,825</u>	<u>593,825</u>
Total liabilities	<u>746,016</u>	<u>1,972,162</u>	<u>2,718,178</u>
<b>Deferred Inflows of Resources:</b>			
OPEB deferrals	-	40,245	40,245
Pension deferrals	-	15,739	15,739
Total deferred inflows of resources	<u>-</u>	<u>55,984</u>	<u>55,984</u>
<b>Net Position:</b>			
Net investment in capital assets	-	74,900	74,900
Unrestricted	<u>5,071,066</u>	<u>(1,663,090)</u>	<u>3,407,976</u>
Total net position	<u>\$ 5,071,066</u>	<u>\$ (1,588,190)</u>	<u>\$ 3,482,876</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, 2020

	Insurance Fund	Fleet Maintenance Fund	Total
<b>Operating Revenues:</b>			
Charges for services	\$ 6,916,281	\$ 2,852,295	\$ 9,768,576
Other operating revenues	-	469	469
Total operating revenues	<u>6,916,281</u>	<u>2,852,764</u>	<u>9,769,045</u>
<b>Operating Expenses:</b>			
Health insurance	4,224,489	-	4,224,489
Property/casualty insurance	646,654	-	646,654
Workers' compensation	481,226	-	481,226
Dental insurance	407,632	-	407,632
Other insurance	81,711	-	81,711
Fleet maintenance	-	2,950,406	2,950,406
Depreciation	-	23,380	23,380
Total operating expenses	<u>5,841,712</u>	<u>2,973,786</u>	<u>8,815,498</u>
Operating income (loss)	<u>1,074,569</u>	<u>(121,022)</u>	<u>953,547</u>
<b>Non-Operating Revenues (Expenses):</b>			
Investment earnings	93,316	800	94,116
Transfers from other funds	<u>387,375</u>	-	<u>387,375</u>
Total non-operating revenues (expenses)	<u>480,691</u>	<u>800</u>	<u>481,491</u>
Change in net position	1,555,260	(120,222)	1,435,038
<b>Net Position:</b>			
Net position, beginning	<u>3,515,806</u>	<u>(1,467,968)</u>	<u>2,047,838</u>
End of year - June 30	<u>\$ 5,071,066</u>	<u>\$ (1,588,190)</u>	<u>\$ 3,482,876</u>



## CITY OF HICKORY, NORTH CAROLINA

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020

	Insurance Fund	Fleet Maintenance Fund	Total
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers and users	\$ 6,919,523	\$ 2,852,764	\$ 9,772,287
Cash paid to suppliers	(6,114,949)	(2,336,508)	(8,451,457)
Cash paid to employees	-	(567,059)	(567,059)
Net cash provided (used) by operating activities	804,574	(50,803)	753,771
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Changes in due to/from other funds	-	82,097	82,097
Transfers from other funds	387,375	-	387,375
Net cash provided (used) by non-capital financing activities	387,375	82,097	469,472
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	-	(32,094)	(32,094)
Net cash provided (used) by capital and related financing activities	-	(32,094)	(32,094)
<b>Cash Flows from Investing Activities:</b>			
Interest on investments	93,316	800	94,116
Net cash provided (used) by investing activities	93,316	800	94,116
Net increase (decrease) in cash and cash equivalents	1,285,265	-	1,285,265
<b>Cash and Cash Equivalents:</b>			
Beginning of year - July 1	4,356,902	-	4,356,902
End of year - June 30	\$ 5,642,167	\$ -	\$ 5,642,167
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 1,074,569	\$ (121,022)	\$ 953,547
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	23,380	23,380
Change in net pension liability	-	16,389	16,389
Change in assets and liabilities:			
(Increase) decrease in accounts receivables	3,196	(7,167)	(3,971)
(Increase) decrease in prepaid items	(68,676)	(1,435)	(70,111)
(Increase) decrease in inventories	-	(14,612)	(14,612)
Increase (decrease) in accounts payable	(204,561)	30,695	(173,866)
Change in deferred outflows of resources for pensions	-	19,693	19,693
Change in deferred inflows of resources for pensions	-	(1,168)	(1,168)
Change in deferred outflows of resources for OPEB	-	(8,790)	(8,790)
Change in deferred inflows of resources for OPEB	-	(11,177)	(11,177)
Increase (decrease) in prepaid fees	46	-	46
Increase (decrease) in compensated absences	-	5,253	5,253
Change in total OPEB liability	-	19,158	19,158
Net cash provided (used) by operating activities	\$ 804,574	\$ (50,803)	\$ 753,771

## CITY OF HICKORY, NORTH CAROLINA

## INSURANCE FUND

## SCHEDULE OF REVENUES AND EXPENDITURES -

## FINANCIAL PLAN AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2020

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Financial Plan	Actual	Variance Over/Under	Actual
<b>Operating Revenues:</b>				
Charges for services	\$ 7,216,917	\$ 6,916,281	\$ (300,636)	\$ 6,578,623
Other operating revenues	-	-	-	9,988
Total operating revenues	7,216,917	6,916,281	(300,636)	6,588,611
<b>Non-Operating Revenues:</b>				
Investment earnings	30,000	93,316	63,316	120,514
Total non-operating revenues	30,000	93,316	63,316	120,514
Total revenues	7,246,917	7,009,597	(237,320)	6,709,125
<b>Expenditures:</b>				
General government:				
Health insurance	5,887,375	4,224,489	1,662,886	4,406,940
Property/casualty insurance	697,290	646,654	50,636	654,918
Dental insurance	425,000	407,632	17,368	429,825
Other insurance	75,000	81,711	(6,711)	84,617
Workers' compensation	650,000	481,226	168,774	357,504
Total expenditures	7,734,665	5,841,712	1,892,953	5,933,804
Revenues over (under) expenditures	(487,748)	1,167,885	1,655,633	775,321
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	387,375	387,375	-	200,000
Appropriated net position	100,373	-	(100,373)	-
Total other financing sources (uses)	487,748	387,375	(100,373)	200,000
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 1,555,260	\$ 1,555,260	\$ 975,321

## 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, 2020

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Financial Plan	Actual	Variance Over/Under	Actual
<b>Operating Revenues:</b>				
Charges for services	\$ 2,796,782	\$ 2,852,295	\$ 55,513	\$ 2,809,350
Other operating revenues	-	469	469	1,173
Total operating revenues	<u>2,796,782</u>	<u>2,852,764</u>	<u>55,982</u>	<u>2,810,523</u>
<b>Non-Operating Revenues:</b>				
Investment earnings	-	800	800	-
Total non-operating revenues	<u>-</u>	<u>800</u>	<u>800</u>	<u>-</u>
Total revenues	<u>2,796,782</u>	<u>2,853,564</u>	<u>56,782</u>	<u>2,810,523</u>
<b>Expenditures:</b>				
General government				
Salaries and benefits	679,369	606,417	72,952	584,037
Other operating expenditures	1,759,604	2,028,253	(268,649)	2,094,658
Capital outlay	84,130	33,544	50,586	63,721
Administrative reimbursement	274,928	274,928	-	269,539
Total expenditures	<u>2,798,031</u>	<u>2,943,142</u>	<u>(145,111)</u>	<u>3,011,955</u>
Revenues over (under) expenditures	(1,249)	(89,578)	(88,329)	(201,432)
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	<u>1,249</u>	<u>-</u>	<u>(1,249)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (89,578)</u>	<u>\$ (89,578)</u>	<u>\$ (201,432)</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ (89,578)		
Reconciling items:				
Depreciation and amortization		(23,380)		
Change in net pension liability		(16,389)		
Change in deferred outflows of resources for pensions		(19,693)		
Change in deferred inflows of resources for pensions		1,168		
Capital assets purchased/capitalized		32,094		
Change in deferred outflows of resources for OPEB		8,790		
Change in deferred inflows of resources for OPEB		11,177		
Change in accrued vacation pay		(5,253)		
Change in total OPEB liability		<u>(19,158)</u>		
Change in net position		<u>\$ (120,222)</u>		



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



**CITY OF HICKORY, NORTH CAROLINA****CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY SOURCE<sup>1</sup>****JUNE 30, 2020****Governmental Funds Capital Assets:**

Land	\$ 12,870,898
Buildings	31,985,251
Other improvements	16,478,642
Equipment	12,359,976
Vehicles and motorized equipment	17,288,676
Streets	45,965,178
Traffic signals	2,433,033
Bridges	2,184,024
Sidewalks	7,818,114
Construction in progress	37,427,977
Total governmental funds capital assets	<u>\$ 186,811,768</u>

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

General Fund	\$ 126,920,025
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>\$ 186,811,768</u>

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

## CITY OF HICKORY, NORTH CAROLINA

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY<sup>1</sup>**  
**FOR THE YEAR ENDED JUNE 30, 2020**

<b>By Function and Activity</b>	<b>Governmental Funds Capital Assets June 30, 2019</b>	<b>Additions</b>	<b>Deductions</b>	<b>Governmental Funds Capital Assets June 30, 2020</b>
<b>General Government:</b>				
Administration	\$ 54,375	\$ -	\$ -	\$ 54,375
Budget and administration	27,263	-	-	27,263
Finance	19,223	-	(7,028)	12,195
Technology services	1,689,773	17,160	(266,974)	1,439,959
Engineering	183,246	-	-	183,246
Building services	224,005	33,395	-	257,400
Central services	2,608,458	15,062	(14,153)	2,609,367
Public buildings	8,305,487	826,457	-	9,131,944
Buildings and grounds	1,368,056	114,624	(143,628)	1,339,052
District court	728,810	-	-	728,810
Total general government	<u>15,208,696</u>	<u>1,006,698</u>	<u>(431,783)</u>	<u>15,783,611</u>
<b>Public Safety:</b>				
Police	15,329,361	498,294	(1,400,443)	14,427,212
Code enforcement	139,148	-	-	139,148
Fire	13,606,140	734,475	(589,977)	13,750,638
Total public safety	<u>29,074,649</u>	<u>1,232,769</u>	<u>(1,990,420)</u>	<u>28,316,998</u>
<b>Transportation:</b>				
Traffic	3,210,085	53,912	(18,734)	3,245,263
Street	61,198,653	482,419	(253,743)	61,427,329
Total transportation	<u>64,408,738</u>	<u>536,330</u>	<u>(272,477)</u>	<u>64,672,591</u>
<b>Economic and Physical Development:</b>				
Planning and development	2,639,231	7,111	(29,082)	2,617,260
Economic and community	2,861,105	-	-	2,861,105
Total economic and physical development	<u>5,500,336</u>	<u>7,111</u>	<u>(29,082)</u>	<u>5,478,365</u>
<b>Culture and Recreation:</b>				
Recreation	27,081,944	1,753,879	(36,220)	28,799,603
Library	6,195,841	136,780	-	6,332,621
Total culture and recreation	<u>33,277,785</u>	<u>1,890,659</u>	<u>(36,220)</u>	<u>35,132,224</u>
<b>Construction in Progress</b>	<u>14,730,355</u>	<u>22,840,229</u>	<u>(142,606)</u>	<u>37,427,978</u>
Total government funds capital assets	<u>\$ 162,200,559</u>	<u>\$ 27,513,796</u>	<u>\$ (2,902,588)</u>	<u>\$ 186,811,768</u>

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



CITY OF HICKORY, NORTH CAROLINA

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION AND ACTIVITY<sup>1</sup>  
JUNE 30, 2020

By Function and Activity	Land	Buildings	Other Improvements	Equipment	Vehicles and Motorized Equipment
<b>General Government:</b>					
Governing body	\$ -	\$ -	\$ -	\$ -	\$ 54,375
Risk	-	-	-	-	27,263
Finance	-	-	-	12,195	-
Technology services	-	-	-	1,422,700	17,259
Engineering	-	-	-	102,700	80,546
Building services	-	-	-	20,075	237,325
Central services	744,781	1,801,592	506	47,955	14,535
Public buildings	2,769,365	3,323,290	2,647,278	392,012	-
Building and grounds	413,573	247,374	114,702	209,686	353,717
District court	28,000	693,531	-	7,279	-
Total general government	<u>3,955,719</u>	<u>6,065,787</u>	<u>2,762,486</u>	<u>2,214,602</u>	<u>785,020</u>
<b>Public Safety:</b>					
Police	133,615	5,059,563	312,818	3,859,904	5,061,311
Code enforcement	-	-	1,620	-	137,528
Fire	<u>239,692</u>	<u>3,254,596</u>	<u>1,332,666</u>	<u>1,227,206</u>	<u>7,696,481</u>
Total public safety	<u>373,307</u>	<u>8,314,159</u>	<u>1,647,104</u>	<u>5,087,110</u>	<u>12,895,320</u>
<b>Transportation:</b>					
Traffic	13,036	82,805	-	176,196	550,195
Street	<u>615,674</u>	<u>-</u>	<u>589,222</u>	<u>1,954,098</u>	<u>2,291,017</u>
Total transportation	<u>628,710</u>	<u>82,805</u>	<u>589,222</u>	<u>2,130,294</u>	<u>2,841,212</u>
<b>Economic and Physical Development:</b>					
Planning and development	2,133,812	420,636	-	-	62,811
Economic and community	<u>2,861,105</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total economic and physical development	<u>4,994,917</u>	<u>420,636</u>	<u>-</u>	<u>-</u>	<u>62,811</u>
<b>Culture and Recreation:</b>					
Recreation	2,918,244	12,016,380	11,073,567	2,127,124	664,286
Library	<u>-</u>	<u>5,085,484</u>	<u>406,264</u>	<u>800,843</u>	<u>40,030</u>
Total culture and recreation	<u>2,918,244</u>	<u>17,101,864</u>	<u>11,479,831</u>	<u>2,927,967</u>	<u>704,316</u>
<b>Construction in Progress</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental funds capital assets	<u>\$ 12,870,897</u>	<u>\$ 31,985,251</u>	<u>\$ 16,478,643</u>	<u>\$ 12,359,973</u>	<u>\$ 17,288,679</u>

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

CITY OF HICKORY, NORTH CAROLINA

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION AND ACTIVITY<sup>1</sup>  
JUNE 30, 2020

By Function and Activity	Streets	Traffic Signals	Bridges	Sidewalks	Construction in Progress	Total
<b>General Government:</b>						
Governing body	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,375
Risk	-	-	-	-	-	27,263
Finance	-	-	-	-	-	12,195
Technology services	-	-	-	-	-	1,439,959
Engineering	-	-	-	-	-	183,246
Building services	-	-	-	-	-	257,400
Central services	-	-	-	-	-	2,609,369
Public buildings	-	-	-	-	-	9,131,945
Building and grounds	-	-	-	-	-	1,339,052
District court	-	-	-	-	-	728,810
Total general government	-	-	-	-	-	15,783,614
<b>Public Safety:</b>						
Police	-	-	-	-	-	14,427,211
Code enforcement	-	-	-	-	-	139,148
Fire	-	-	-	-	-	13,750,641
Total public safety	-	-	-	-	-	28,317,000
<b>Transportation:</b>						
Traffic	-	2,423,032	-	-	-	3,245,264
Street	45,965,178	10,000	2,184,024	7,818,114	-	61,427,327
Total transportation	45,965,178	2,433,032	2,184,024	7,818,114	-	64,672,591
<b>Economic and Physical Development:</b>						
Planning and development	-	-	-	-	-	2,617,259
Economic and community	-	-	-	-	-	2,861,105
Total economic and physical development	-	-	-	-	-	5,478,364
<b>Culture and Recreation:</b>						
Recreation	-	-	-	-	-	28,799,601
Library	-	-	-	-	-	6,332,621
Total culture and recreation	-	-	-	-	-	35,132,222
<b>Construction in Progress</b>	-	-	-	-	37,427,977	37,427,977
Total governmental funds capital assets	\$ 45,965,178	\$ 2,433,032	\$ 2,184,024	\$ 7,818,114	\$ 37,427,977	\$ 186,811,768

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

## **Supplemental Financial Data**

This section contains supplemental information on property taxes.

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

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



## CITY OF HICKORY, NORTH CAROLINA

## GENERAL FUND

## SCHEDULE OF AD VALOREM TAXES RECEIVABLE

JUNE 30, 2020

<b>Fiscal Year</b>	<b>Uncollected Balance July 1, 2019</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2020</b>
2019-2020	\$ -	\$ 30,248,713	\$ 29,858,536	\$ 390,177
2018-2019	356,527	-	189,079	167,448
2017-2018	160,338	-	65,750	94,588
2016-2017	88,118	-	25,326	62,792
2015-2016	62,101	-	15,158	46,943
2014-2015	63,342	-	14,214	49,128
2013-2014	119,777	-	14,899	104,878
2012-2013	113,363	-	13,809	99,554
2011-2012	107,574	-	12,111	95,463
2010-2011	93,942	-	93,942	-
Total	<u>\$ 1,165,082</u>	<u>\$ 30,248,713</u>	<u>\$ 30,302,824</u>	1,110,971
Less allowance for uncollectible ad valorem taxes receivable				<u>(590,416)</u>
Ad valorem taxes receivable, net				<u>\$ 520,555</u>
<b>Reconciliation of Collections and Credits with Revenues:</b>				
Ad valorem taxes				\$ 30,360,326
Reconciling items:				
Interest and penalties collected				(142,243)
Prior year releases/adjustments				1,360
Amounts written off per Statute of Limitations				<u>83,381</u>
Total collections and credits				<u>\$ 30,302,824</u>

## CITY OF HICKORY, NORTH CAROLINA

## ANALYSIS OF CURRENT TAX LEVY

## CITY-WIDE LEVY

FOR THE YEAR ENDED JUNE 30, 2020

	City-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
County-wide:					
Property taxed at current year's rate	\$ 5,135,733,572	\$ 0.5875	\$ 30,172,435	\$ 27,729,952	\$ 2,442,483
Penalties	-		133,913	133,913	-
Total original levy	<u>5,135,733,572</u>		<u>30,306,348</u>	<u>27,863,865</u>	<u>2,442,483</u>
<b>Discoveries:</b>					
Current year's taxes	3,766,630	\$ 0.5875	22,129	22,129	-
Penalties	-		30,496	30,496	-
Total	<u>3,766,630</u>		<u>52,625</u>	<u>52,625</u>	<u>-</u>
<b>Releases</b>	<u>(18,767,612)</u>		<u>(110,260)</u>	<u>(99,786)</u>	<u>(10,474)</u>
Total property valuation	<u>\$ 5,120,732,590</u>				
<b>Net Levy</b>			30,248,713	27,816,704	2,432,009
Uncollected taxes at June 30, 2020			<u>(390,177)</u>	<u>(390,177)</u>	<u>-</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 29,858,536</u>	<u>\$ 27,426,527</u>	<u>\$ 2,432,009</u>
<b>Current Levy Collection Percentage</b>			<u>98.71%</u>	<u>98.60%</u>	<u>100.00%</u>

**CITY OF HICKORY, NORTH CAROLINA**
**ANALYSIS OF CURRENT TAX LEVY**  
**CITY-WIDE LEVY**  
**FOR THE YEAR ENDED JUNE 30, 2020**
**Secondary Market Disclosures:****Assessed Valuation:**

Assessment ratio	<u>100.00%</u>
Real property	\$ 3,856,929,203
Personal property	1,108,670,197
Public service companies	<u>155,133,190</u>
Total assessed valuation	<u>\$ 5,120,732,590</u>
Tax rate per \$100	0.5875
Levy (includes discoveries, releases, penalties and abatements)	<u>\$ 30,248,713</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

(accural basis of accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Governmental activities</b>										
Net investment in capital assets	\$ 54,657,990	\$ 53,280,737	\$ 51,209,146	\$ 49,614,181	\$ 50,663,986	\$ 49,943,126	\$ 46,859,734	\$ 55,745,847	\$ 53,510,932	\$ 64,346,936
Restricted	6,113,772	4,635,971	3,850,331	4,332,435	7,269,145	8,742,074	10,627,844	9,204,898	14,173,415	17,368,210
Unrestricted	21,910,602	26,206,217	26,754,779	27,084,992	24,833,580	16,629,980	16,787,495	5,976,821	5,909,646	4,273,434
Total governmental activities net position	82,682,364	84,122,925	81,814,256	81,031,608	82,766,711	75,315,180	74,275,073	70,927,566	73,593,993	85,988,580
<b>Business-type activities</b>										
Net investment in capital assets	96,335,895	98,927,587	102,454,796	102,229,159	102,857,014	106,538,651	112,695,429	116,724,413	119,304,991	124,337,832
Unrestricted	22,320,452	20,387,604	21,594,548	23,347,107	27,199,498	36,224,946	34,403,513	31,979,839	35,653,416	38,343,825
Total business-type activities net position	118,656,347	119,315,191	124,049,344	125,576,266	130,056,512	142,763,597	147,098,942	148,704,252	154,958,407	162,681,657
<b>Primary government</b>										
Net investment in capital assets	150,993,885	152,208,324	153,663,942	151,843,340	153,521,000	156,481,777	159,555,163	172,470,260	172,815,923	188,684,768
Restricted	6,113,772	4,635,971	3,850,331	4,332,435	7,269,145	8,742,074	10,627,844	9,204,898	14,173,415	17,368,210
Unrestricted	44,231,054	46,593,821	48,349,327	50,432,099	52,033,078	52,854,926	51,191,008	37,956,660	41,563,062	42,617,259
Total primary government net position	\$ 201,338,711	\$ 203,438,116	\$ 205,863,600	\$ 206,607,874	\$ 212,823,223	\$ 218,078,777	\$ 221,374,015	\$ 219,631,818	\$ 228,552,400	\$ 248,670,237

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Expenses</b>										
Governmental activities										
General government										
Public safety	\$ 8,746,016	\$ 9,413,598	\$ 10,073,852	\$ 9,709,451	\$ 10,714,412	\$ 17,241,713	\$ 15,600,080	\$ 12,767,254	\$ 13,828,049	\$ 13,870,372
Transportation	21,664,475	21,760,119	21,240,572	21,616,699	20,325,286	21,590,589	22,866,317	23,107,639	24,295,446	25,986,157
Economic and physical development	7,433,400	7,250,223	6,974,527	7,990,209	7,728,201	5,434,930	6,085,304	6,258,370	6,993,677	6,723,958
Culture and recreation	3,361,684	3,382,327	3,145,584	3,152,928	3,982,537	4,046,041	3,569,329	3,737,258	4,301,391	4,232,839
Interest on long-term debt	6,191,485	6,379,277	6,349,079	6,986,803	5,975,527	6,355,499	6,391,994	6,742,733	7,069,437	7,084,150
Total governmental activities expenses	320,309	241,951	119,963	99,172	148,214	151,691	99,067	88,128	579,073	1,001,619
	47,717,369	48,427,495	47,903,577	49,555,262	48,874,177	54,820,463	54,612,091	52,701,382	57,067,073	58,899,095
Business-type activities										
Water	8,317,021	9,315,408	8,116,096	8,148,870	7,583,247	8,206,452	8,383,437	8,346,934	9,384,793	10,480,158
Sewer	8,912,147	8,824,971	9,799,731	11,911,880	11,499,020	11,709,085	12,077,346	12,765,273	14,062,054	14,727,277
Sludge composting	1,909,927	1,920,662	1,850,556	1,894,229	1,911,962	2,010,155	1,944,219	1,980,531	2,033,150	2,300,787
Stormwater	471,708	477,389	503,152	752,443	604,777	526,080	533,405	457,877	541,921	895,861
Airport	929,123	2,509,770	2,872,189	2,615,292	2,297,924	1,419,481	1,431,740	1,523,461	1,620,372	1,697,583
Recycling	2,638,473	2,785,282	2,652,882	3,014,427	3,591,441	2,817,888	2,815,271	2,917,593	3,026,079	3,442,487
Sanitation	1,621,112	1,621,112	1,953,736	1,773,653	1,638,769	1,774,541	1,878,024	1,822,792	1,947,621	2,114,046
Total business-type activities expenses	24,799,511	27,454,594	27,748,342	30,110,794	29,127,140	28,463,682	29,063,442	29,814,461	32,615,990	35,658,199
Total primary government expenses	72,516,880	75,882,089	75,651,919	79,666,056	78,001,317	83,284,145	83,675,533	82,515,843	89,683,063	94,557,294
Program revenues										
Governmental activities										
Charges for services										
General government	5,215,920	5,221,780	5,570,929	5,988,830	5,733,999	7,771,103	7,713,582	8,079,589	8,842,670	8,601,182
Public safety	344,906	367,049	305,427	367,312	235,616	309,458	268,252	258,389	215,395	224,072
Transportation	10,331	26,884	9,906	21,031	18,332	5,388	43,276	11,787	34,405	59,900
Economic and physical development	232,608	477,367	157,944	234,406	142,090	286,811	242,930	190,794	396,661	358,137
Culture and recreation	295,039	306,901	273,434	239,691	257,226	257,945	232,728	254,501	279,033	192,511
Operating grants and contributions	4,673,239	5,526,174	3,604,537	3,683,027	4,362,347	3,229,321	2,925,291	3,172,997	2,989,668	4,456,558
Capital grants and contributions	-	-	1,044	269,944	5,894,084	80,679	29,051	2,113,962	797,726	8,921,931
Total governmental activities program revenues	10,772,043	11,926,155	9,923,221	10,804,241	16,643,694	11,940,705	11,455,110	14,082,019	13,555,558	22,814,291
Business-type activities										
Charges for services										
Water	12,719,899	12,747,416	13,080,132	13,517,990	13,946,763	14,301,744	14,963,171	16,008,741	16,328,976	17,136,577
Sewer	8,520,966	8,520,966	8,734,523	9,172,139	9,293,174	9,628,631	9,628,631	9,876,273	10,542,569	11,155,934
Sludge composting	48,640	59,332	60,681	38,197	25,237	39,910	61,251	65,308	96,243	30,003
Stormwater	1,947	844	1,773	58,207	(3,318)	(1,987)	249,345	251	319	494
Airport	294,912	1,293,487	2,376,811	2,186,700	1,145,669	1,318,045	1,338,980	1,281,618	1,182,435	1,873,396
Recycling	2,204,665	2,202,781	2,249,802	2,463,873	2,541,569	2,762,756	3,076,527	3,310,288	3,644,212	3,613,633
Sanitation	1,290,053	1,290,053	1,292,802	1,235,322	1,203,656	1,238,614	1,297,285	1,317,459	1,454,124	1,630,709
Operating grants and contributions	1,494,618	1,555,849	1,777,298	2,069,562	2,177,589	2,136,861	2,004,532	1,987,390	2,579,212	2,762,227
Capital grants and contributions	1,809,218	740,890	1,322,552	260,319	2,318,933	2,735,512	464,582	760,895	308,520	1,006,074
Total business-type activities program revenues	28,384,918	28,411,618	30,896,374	31,002,309	32,579,272	34,160,086	33,084,304	34,608,223	36,136,610	39,209,047
Total primary government program revenues	39,156,961	40,337,773	40,819,595	41,806,550	49,222,966	46,100,791	44,539,414	48,690,242	49,692,168	62,023,338

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net (expense)/revenue										
Governmental activities	(36,945,326)	(36,501,340)	(37,980,356)	(38,751,021)	(32,230,483)	(42,879,758)	(43,156,981)	(38,619,363)	(43,511,515)	(36,084,804)
Business-type activities	3,585,407	957,024	3,148,033	891,515	3,452,132	54,696,404	4,074,667	4,793,762	3,520,620	3,610,848
Total primary government net expense	(33,359,919)	(35,544,316)	(34,832,323)	(37,859,506)	(28,778,351)	11,816,646	(39,082,314)	(33,825,601)	(39,990,895)	(32,473,956)
General revenues and other changes in net position										
Governmental activities										
Taxes										
Ad valorem property taxes	23,697,141	23,403,514	23,579,201	24,073,395	23,854,614	25,801,419	26,705,834	27,222,941	28,019,929	30,367,046
Local option sales tax	7,640,291	7,930,115	8,016,018	8,322,152	8,950,747	9,698,345	10,189,172	10,380,928	11,016,777	11,190,418
Franchise tax	2,162,776	2,002,971	2,290,781	2,340,431	2,057,565	3,072,413	3,152,989	3,234,684	3,349,937	4,304,961
Telecommunication tax	1,137,974	1,158,209	1,033,987	1,025,018	1,010,313	894,621	896,481	839,810	793,021	720,318
Motel/occupancy tax	1,231,459	1,302,526	1,322,744	1,418,592	1,616,179	1,888,878	1,927,878	2,050,198	2,177,957	1,603,690
Vehicle tag tax	153,545	157,362	161,025	209,966	170,479	174,458	193,001	184,709	185,639	171,728
Gross receipts tax	103,676	110,711	115,674	136,237	131,412	149,050	161,557	163,224	168,716	209,394
Unrestricted intergovernmental	934,256	948,165	772,566	787,532	675,846	595,737	650,281	660,473	641,027	641,067
Unrestricted investment earnings	382,329	413,155	(38,998)	174,060	150,105	326,559	85,599	195,769	1,403,393	1,237,157
Miscellaneous	989,278	-	-	-	-	-	-	-	-	-
Transfers	235,578	515,173	(1,581,311)	(519,010)	(1,720,158)	(6,679,253)	(169,567)	494,163	(1,578,454)	(1,966,388)
Total governmental activities	38,668,303	37,941,901	35,671,687	37,968,373	36,897,102	35,922,227	43,793,225	45,426,899	46,177,942	48,479,391
Business-type activities										
Unrestricted investment earnings	228,291	216,993	4,809	116,397	92,491	329,538	91,111	173,555	1,155,081	996,940
Donations	-	-	-	-	9,570	1,890	-	-	-	1,149,074
Transfers	(235,578)	(515,173)	1,581,311	519,010	1,720,158	6,679,253	169,567	(494,163)	1,578,454	1,966,388
Total business-type activities	(7,287)	(298,180)	1,586,120	635,407	1,822,219	7,010,681	260,678	(320,608)	2,733,535	4,112,402
Change in Net Position										
Governmental activities	1,722,977	1,440,561	(2,308,669)	(782,648)	4,666,619	5,160,619	636,244	6,807,536	2,666,427	12,394,587
Business-type activities	3,578,120	658,844	4,734,153	1,526,922	5,274,351	61,707,085	4,335,345	4,473,154	6,254,155	7,723,250
Total primary government	\$ 5,301,097	\$ 2,099,405	\$ 2,425,484	\$ 744,274	\$ 9,940,970	\$ 66,867,704	\$ 4,971,589	\$ 11,280,690	\$ 8,920,582	\$ 20,117,837

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>General Fund</b>										
Nonspendable	\$ 363,066	\$ 296,769	\$ 295,503	\$ 409,899	\$ 5,402,181	\$ 4,885,591	\$ 4,274,339	\$ 3,294,920	\$ 2,757,181	\$ 2,546,535
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	8,426,110	9,375,212
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	5,584,238	4,925,613
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	1,409,675	3,758,676
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	20,116,901	16,495,086
<b>Total General Fund</b>	<b>\$ 28,227,779</b>	<b>\$ 31,882,614</b>	<b>\$ 32,111,063</b>	<b>\$ 34,366,115</b>	<b>\$ 40,660,222</b>	<b>\$ 33,385,599</b>	<b>\$ 36,082,126</b>	<b>\$ 37,778,669</b>	<b>\$ 38,294,105</b>	<b>\$ 37,101,122</b>
<b>Capital Projects Fund</b>										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,447,185	\$ 13,768,376	\$ 20,629,511
<b>Total Capital Projects Fund</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,447,185</b>	<b>\$ 13,768,376</b>	<b>\$ 20,629,511</b>
<b>All other governmental funds</b>										
Nonspendable	\$ -	\$ -	\$ 158	\$ 158	\$ 879	\$ 330	\$ 321	\$ 158	\$ 228	\$ 1,400
Restricted	1,848,375	836,765	307,464	338,705	1,973,118	1,978,451	3,558,664	274,533	384,795	488,672
Committed	254,972	256,491	39,683	11,509	30,398	168,731	138,565	133,743	116,851	92,320
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	(1,609,530)	(677,129)	(72,230)	(726,139)	(43,256)	(140,933)	(43,249)	(20,896)	(99,109)	(113,563)
<b>Total all other governmental funds</b>	<b>\$ 493,817</b>	<b>\$ 416,127</b>	<b>\$ 275,075</b>	<b>\$ (375,767)</b>	<b>\$ 1,961,139</b>	<b>\$ 2,006,579</b>	<b>\$ 3,654,301</b>	<b>\$ 387,538</b>	<b>\$ 402,765</b>	<b>\$ 468,829</b>

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Revenues</b>										
Ad valorem taxes	\$ 23,584,753	\$ 23,228,814	\$ 23,531,983	\$ 24,245,897	\$ 24,206,333	\$ 25,913,125	\$ 26,857,749	\$ 27,349,367	\$ 28,100,944	\$ 30,360,326
Other taxes	12,394,721	12,636,894	12,905,229	13,439,396	14,774,695	15,877,765	16,521,078	16,853,553	17,692,047	17,195,453
Unrestricted intergovernmental	934,256	948,165	772,566	787,532	675,846	595,737	650,281	660,473	641,027	641,067
Restricted intergovernmental	4,649,251	4,197,464	2,854,565	2,980,942	5,999,698	3,122,710	2,753,943	5,060,098	3,653,856	11,291,376
Licenses and permits	1,077,254	1,123,968	1,142,332	1,144,090	1,116,114	7,886	5,912	4,852	4,832	4,480
Sales and services	1,630,917	1,670,625	1,557,362	1,569,254	1,670,000	1,845,522	1,719,587	1,674,129	1,438,198	1,141,092
Investment earnings	312,993	343,425	(39,814)	141,156	126,225	280,702	74,610	177,560	1,282,879	1,143,041
Miscellaneous	1,250,377	1,373,150	988,144	1,329,129	4,413,948	875,945	742,840	37,221	704,871	2,306,510
<b>Total revenues</b>	<b>45,834,522</b>	<b>45,542,505</b>	<b>\$ 43,712,367</b>	<b>\$ 45,637,396</b>	<b>\$ 52,982,859</b>	<b>\$ 48,519,392</b>	<b>\$ 49,326,000</b>	<b>\$ 51,817,253</b>	<b>\$ 53,518,654</b>	<b>\$ 64,083,345</b>
<b>Expenditures</b>										
<b>Current</b>										
General government	5,212,701	5,273,012	5,478,568	5,179,041	5,432,152	8,032,108	4,818,329	5,503,444	6,134,644	6,782,961
Public safety	20,852,112	20,444,511	21,504,472	20,920,672	21,040,948	22,807,712	21,714,028	22,909,192	24,911,874	23,942,352
Transportation	6,011,353	5,834,329	4,785,962	5,053,939	5,273,526	5,223,283	5,423,885	5,364,681	6,039,048	5,928,785
Economic and physical development	3,082,902	3,350,335	3,138,492	3,131,810	4,001,342	4,045,630	3,542,887	3,747,416	4,324,497	4,183,880
Culture and recreation	5,250,988	5,657,529	5,676,519	6,635,741	5,867,815	5,789,241	6,060,612	7,657,917	6,547,202	7,551,932
Capital outlay	1,556,918	422,028	346,333	1,484,787	5,271,468	1,121,950	1,113,055	6,355,253	6,648,150	22,683,179
Debt Service										-
Principal retirement	1,739,020	1,280,343	992,687	992,686	1,092,687	1,895,487	2,037,099	807,069	671,034	1,195,175
Interest and fees	326,481	252,784	120,628	100,500	134,350	153,911	102,289	89,479	76,984	864,353
Bond issuance cost	-	-	-	-	-	-	-	-	286,032	-
<b>Total expenditures</b>	<b>44,032,475</b>	<b>42,514,871</b>	<b>42,043,661</b>	<b>43,499,176</b>	<b>48,114,288</b>	<b>49,069,322</b>	<b>44,812,184</b>	<b>52,434,451</b>	<b>55,639,465</b>	<b>73,132,617</b>
<b>Excess(deficiency) of revenues over(under) expenditures</b>	<b>1,802,047</b>	<b>3,027,634</b>	<b>1,668,706</b>	<b>2,138,220</b>	<b>4,868,571</b>	<b>(549,930)</b>	<b>4,513,816</b>	<b>(617,198)</b>	<b>(2,120,811)</b>	<b>(9,049,272)</b>
<b>Other financing sources(uses)</b>										
Transfers - in	3,558,790	3,885,679	3,095,433	2,603,804	3,734,816	2,151,863	4,449,778	4,201,904	3,722,588	13,611,952
Transfers - (out)	(3,323,212)	(3,336,168)	(4,676,744)	(3,137,814)	(5,454,974)	(8,831,116)	(4,619,345)	(3,707,741)	(5,501,042)	(15,965,715)
Issuance of debt	-	-	-	-	3,000,000	-	-	-	15,575,000	15,140,352
Premium from issuance of bond	-	-	-	-	-	-	-	-	1,176,119	1,996,899
<b>Total other financing sources(uses)</b>	<b>235,578</b>	<b>549,511</b>	<b>(1,581,311)</b>	<b>(534,010)</b>	<b>1,279,842</b>	<b>(6,679,253)</b>	<b>(169,567)</b>	<b>494,163</b>	<b>14,972,665</b>	<b>14,783,488</b>
<b>Net change in fund balance</b>	<b>\$ 2,037,625</b>	<b>\$ 3,577,145</b>	<b>\$ 87,395</b>	<b>\$ 1,604,210</b>	<b>\$ 6,148,413</b>	<b>\$ (7,229,183)</b>	<b>\$ 4,344,249</b>	<b>\$ (123,035)</b>	<b>\$ 12,851,854</b>	<b>\$ 5,734,216</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>4.86%</b>	<b>3.64%</b>	<b>2.67%</b>	<b>2.60%</b>	<b>2.86%</b>	<b>4.27%</b>	<b>4.90%</b>	<b>1.95%</b>	<b>1.53%</b>	<b>4.08%</b>

**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 <sup>1</sup> as a Percentage of Actual Value
	Residential/Commercial Property		Motor Vehicles	Other					
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	676,481,117	27,943,665	4,659,870,000	0.5665	4,721,279,385	99.29%	
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%	
2019	3,760,989,527	416,093,733	757,397,508	37,395,702	4,897,085,066	0.5665	5,240,744,974	94.16%	
2020	3,894,880,455	415,741,707	848,061,680	37,951,252	5,120,732,590	0.5875	5,235,739,401	98.53%	

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

<sup>1</sup> Includes tax-exempt property



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

Fiscal Year Ended June 30	Name of Government					Maximum Overlapping Rate
	City of Hickory <sup>1</sup>	Burke County	Caldwell County	Catawba County		
2011	\$ 0.5000	\$ 0.5200	\$ 0.6599	\$ 0.5350	\$	1.1599
2012	0.5000	0.5200	0.6599	0.5300		1.1599
2013	0.5000	0.5200	0.6299	0.5300		1.1299
2014	0.5000	0.6800	0.6000	0.5300		1.1800
2015	0.5000	0.6800	0.6000	0.5300		1.1800
2016	0.5665	0.6800	0.6000	0.5750		1.2465
2017	0.5665	0.6800	0.6300	0.5750		1.2465
2018	0.5665	0.6950	0.6300	0.5750		1.2615
2019	0.5665	0.6950	0.6300	0.5750		1.2615
2020	0.5875	0.6950	0.6300	0.5750		1.2825

Source: North Carolina Department of Revenue

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

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

Taxpayer	2020			2011		
	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	\$ 136,239,303	1	2.66%	\$ 119,954,296	1	2.53%
Corning Optical Communications LLC	96,897,353	2	1.89%	60,918,715	2	1.29%
DLP Frye Regional Medical Center LLC	81,159,218	3	1.58%	40,894,400	4	0.86%
Duke Energy Carolinas LLC	56,607,388	4	1.11%	36,810,660	6	0.78%
Shurtape Technologies Inc	37,816,058	5	0.74%	28,837,079	8	0.61%
Tate Boulevard I, II, III & IV LLC	31,725,100	6	0.62%	32,363,200	7	0.68%
Valley Hills Mall LLC	28,700,000	7	0.56%	49,921,100	3	1.05%
Hickory Springs Mfg Co	25,018,507	8	0.49%	27,729,015	10	0.59%
Health Care Property Investors	23,837,400	9	0.47%			
Legends of Hickory, LLC	23,056,600	10	0.45%			
American Med International				40,795,592	5	0.86%
Inland Western Hickory-Catawba LLC				28,292,900	9	0.60%
Total	\$ 541,056,927		10.57%	\$ 466,516,957		9.85%

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

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the			Collections in Subsequent Years	Total Collections to Date	
		Fiscal Year of the Levy		Percentage of Levy		Amount	Percentage of Levy
		Amount					
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%	
2019	27,881,005	27,524,478	98.72%	557,267	28,081,745	100.72%	
2020	30,248,713	29,858,536	98.71%	444,288	30,302,824	100.18%	

\* 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 <sup>1</sup>	Per Capita <sup>1</sup>
	General		Installment		General		Installment				
	Obligation Bonds	Purchase Agreements	Notes Payable	Capitalized Leases	Obligation Bonds	Purchase Agreements	Notes Payable				
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	31,172,054	2.18%	772	
2018	-	2,681,921	-	-	-	11,496,541	16,662,111	30,840,573	2.08%	759	
2019	15,000,000	2,585,887	-	-	-	9,924,882	15,515,234	43,026,003	2.74%	1,051	
2020	29,250,000	2,281,064	-	-	-	8,438,626	15,507,365	55,477,054	3.38%	1,347	

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

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

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

Fiscal Year Ended June 30	General Obligation Bonds	Percentage of Estimated Actual Taxable Value <sup>1</sup> of Property		Percentage of Personal Income	Per Capita <sup>2</sup>
2011	\$ 160,000		0.00%	0.01%	4
2012	-		0.00%	0.00%	0
2013	-		0.00%	0.00%	0
2014	-		0.00%	0.00%	0
2015	-		0.00%	0.00%	0
2016	-		0.00%	0.00%	0
2017	-		0.00%	0.00%	0
2018	-		0.00%	0.00%	0
2019	15,000,000		0.00%	0.00%	367
2020	29,250,000		0.00%	0.00%	710

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

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

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

**CITY OF HICKORY, NORTH CAROLINA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF JUNE 30, 2020**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable <sup>1</sup>	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
Burke County	\$ 58,050,340	0.82%	\$ 476,013
Caldwell County	40,019,203	1.82%	728,349
Catawba County	166,797,724	26.96%	44,968,666
Subtotal, overlapping debt			<u>45,697,015</u>
City direct debt			<u>31,531,064</u>
Total direct and overlapping debt			<u>\$ 77,228,079</u>

## Sources:

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

<sup>1</sup> For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is 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**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt limit	\$ 379,065,660	\$ 375,580,028	\$ 377,581,017	\$ 383,754,992	\$ 379,528,028	\$ 363,175,123	\$ 372,328,057	\$ 384,391,327	\$ 391,766,805	\$ 409,658,607
Total net debt applicable to limit	37,650,123	37,998,427	45,103,768	-	-	-	31,172,053	32,420,573	43,026,003	58,591,268
Legal debt margin	\$ 341,415,537	\$ 337,581,601	\$ 332,477,249	\$ 383,754,992	\$ 379,528,028	\$ 363,175,123	\$ 341,156,004	\$ 351,970,754	\$ 348,740,802	\$ 351,067,339
Total net debt applicable to the limit as a percentage of debt limit	9.93%	10.12%	11.95%	0.00%	0.00%	0.00%	8.37%	8.43%	10.98%	14.30%

**Legal Debt Margin Calculation for Fiscal Year 2020**

Assessed value of taxable property	\$ 5,120,732,590
Debt limit - 8 percent of assessed value	\$ 409,658,607
Debt applicable to limit:	
Gross debt	58,591,268
Less - water bonds	-
Total net debt applicable to limit	58,591,268
Legal debt margin	\$ 351,067,339

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

Fiscal Year Ended June 30	Population <sup>1</sup>	Personal Income ( <i>thousands of dollars</i> )	Per Capita Personal Income <sup>2</sup>	Median Age <sup>3</sup>	School Enrollment <sup>4</sup>	Unemployment Rate <sup>5</sup>
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%
2019	40,925	1,570,661	38,379	38.2	4,267	4.2%
2020	41,171	1,640,623	39,849	38.2	3,912	8.2%

Note: N/A - not available

Sources:

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

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

<sup>3</sup> US Census Bureau

<sup>4</sup> Hickory City Schools

<sup>5</sup> Employment Security Commission, North Carolina

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



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

Employer <sup>(1)</sup>	2020			2011		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Catawba Valley Medical Center	1000+	1	3.02%	1000+	2	1.56%
Catawba County Schools	1000+	2	2.96%			
Frye Regional Medical Center	1000+	3	2.27%	1000+	3	1.56%
Catawba County	1000+	4	1.96%			
Merchants Distributors Inc. <sup>(2)</sup>	1000+	5	1.83%	1000+	1	3.16%
Commscope	1000+	6	1.78%	1000+	4	1.56%
Corning Cable Systems LLC	1000+	7	1.71%	1000+	6	1.56%
Hickory Springs Mfg. Co.	500-999	8	1.26%	500-999	8	0.78%-1.55%
Cargo Integrated Logistics	500-999	9	1.07%			
Ethan Allen Retail Inc	500-999	10	1.04%	500-999	9	0.78%-1.55%
Wal-Mart Associates Inc.				1000+	5	1.56%
Catawba Valley Community College				500-999	7	0.78%-1.55%
HDM Furniture Industries Inc				500-999	10	0.78%-1.55%

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

<sup>2</sup> 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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government										
Administration	7	8	8	8	8	8	9	10	9	9
Budget, administration, and HR	7	7	7	7	7	8	8	9	9	9
Finance	20	21	20	20	21	17	15	17	17	17
Information technology	9	8	5	7	8	6	7	7	7	7
City clerk	1	0	1	1	1	1	1	1	1	1
Legal	2	2	2	2	2	2	2	2	2	2
Engineering	9	8	7	6	8	5	3	5	5	5
Building services	5	6	6	5	6	5	5	5	5	5
Central services	7	7	7	6	7	7	6	7	7	6
Buildings and grounds	12	13	14	15	17	16	13	14	16	15
Fleet Maintenance	10	11	11	12	11	10	10	10	11	10
Public Safety										
Police	145	143	142	141	147	134	133	137	140	144
Fire	136	135	134	134	135	133	130	131	131	138
Building inspections	-	-	-	-	-	-	-	-	-	-
Code enforcement	-	-	-	5	5	-	-	-	-	-
Development assistance center	-	-	-	-	-	-	-	-	-	-
Transportation										
Traffic	9	9	9	10	11	10	10	9	11	10
Street	38	40	39	36	43	36	32	31	35	33
Planning and development	9	8	7	7	8	7	8	10	10	10
Culture and recreation										
Recreation	39	40	40	40	42	40	40	38	38	38
Library	17	17	17	17	18	16	17	17	17	17
Water/Sewer	93	93	90	88	98	89	91	93	99	100
Stormwater	1	1	1	1	1	1	1	0	1	1
Public Transit	-	-	-	-	-	-	-	-	-	-
Airport	2	7	7	8	8	8	8	10	11	11
Recycling	13	13	13	14	16	13	13	10	12	11
Sanitation - commercial	11	10	10	10	12	10	11	11	11	10
Sanitation - residential	7	8	8	7	8	10	9	12	10	10
Total	609	615	605	607	648	592	582	596	615	619

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	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Public Safety</b>										
<b>Police Services</b>										
Cost per call dispatched	\$ 139	\$ 153	\$ 148	\$ 155	\$ 152	\$ 149	\$ 125	\$ 135	\$ 138	\$ 141
Calls dispatched	72,099	64,668	66,707	67,930	73,396	72,796	90,929	88,167	90,058	90,024
Uniform Crime Reporting Part I crimes reported	3,197	2,547	3,037	2,598	2,415	1,914	2,186	2,175	2,317	1,899
Uniform Crime Reporting Part I crimes per 1,000 pop.	78	64	76	64.9	60.0	47.5	54.2	53.8	57.0	46.4
Uniform Crime Reporting Part II crimes reported	3,937	3,392	3,618	3,462	3,146	3,348	3,357	3,375	3,450	4,064
Traffic accidents reported	1,939	1,937	2,053	3,276	2,271	3,359	3,706	3,555	3,570	2,438
Sworn Officers	118	118	118	118	117	117	116	116	116	116
Calls dispatched per sworn officer	611	548	565	576	627	622	784	760	776	776
Calls dispatched per 1,000 population	1,752	1,613	1,664	1,697	1,825	1,805	2,253	2,179	2,215	2,199
Response time to priority calls (minutes)	4	4	3	4.4	3.3	6.3	6.3	6.6	7.8	4.4
<b>Emergency Communications</b>										
Total calls per 1,000 population	2,670	2,947	---	2,291	2,543	---	---	---	---	---
Calls answered per telecommunicator	8,450	9,086	---	6,553	7,306	---	---	---	---	---
Seconds from initial ring to answer	n/a	n/a	---	n/a	n/a	---	---	5	5	5
Calls answered within three rings	n/a	n/a	---	n/a	n/a	---	---	---	---	---
E911 calls answered within 20 seconds**	---	---	---	99.8%	n/a	---	---	---	---	---
<b>Fire Services</b>										
Cost per response	\$ 1,639	\$ 1,629	\$ 1,635	\$ 1,638	\$ 1,565	\$ 1,524	\$ 1,575	\$ 1,555	\$ 1,680	\$ 1,998
Actual fires per 1,000 population	5	5	5	5	5	5	5	5	4	4
Responses per 1,000 population	131	133	136	135	137	145	146	148	149	146
Fire inspections completed per 1,000 population	104	114	123	116	123	115	118	114	109	106
Inspections completed per Full Time Employee (FTE)	1,863	2,054	2,215	2,086	1,918	1,686	1,667	1,579	1,504	1,481
Average response time to priority 1 calls (minutes)	4.5	4.5	4.6	4.6	4.5	4.3	4.4	4.2	4.3	4.4
Fires confined to room(s) involved on arrival	68%	54%	51%	55%	54%	51%	68%	61%	60%	62%
Fires for which cause is determined	98%	95%	91%	97%	93%	93%	93%	92%	85%	95%
<b>Transportation</b>										
<b>Asphalt Maintenance and Repair</b>										
Cost per ton of asphalt for contract resurfacing	\$ 81	\$ 83	\$ 83	\$ 76	\$ 77	\$ 77	\$ 77	\$ 77	\$ 90	\$ 182
Lane miles maintained per 1,000 population	18.0	17.9	18.0	18.0	17.9	17.8	17.8	18.0	17.7	17.6
Potholes repaired within 24 hours	94%	96%	94%	95%	94%	n/a	94%	92%	94%	96%
Street segments rated 85% or better (ITRE)	46%	39%	39%	39%	39%	38%	39%	37%	27%	29%

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

Function/Program	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Recycling</b>										
Cost per ton collected	\$ 232	\$ 209	\$ 256	\$ 359	\$ 377	\$ 763	\$ 171	\$ 138	\$ 136	\$ 152
Cost per collection point	\$ 30	\$ 31	\$ 32	\$ 44	\$ 41	\$ 94	\$ 35	\$ 30	\$ 30	\$ 34
Tons recyclables per 1,000 population	36	45	37	37	33	37	63	65	66	66
Tons Solid Waste Landfilled per 1,000 population	236	232	212	224	215	210	175	180	182	225
Set out Rate	77%	80%	76%	78%	81%	84%	67%	65%	63%	66%
Diversion Rate	13%	16%	15%	14%	13%	15%	26%	26%	27%	23%
<b>Sanitation</b>										
<b>Refuse Collection</b>										
Cost per ton collected	\$ 57	\$ 61	\$ 72	\$ 65	\$ 72	\$ 63	\$ 79	\$ 76	\$ 46	\$ 39
Cost per collection point	\$ 48	\$ 47	\$ 50	\$ 49	\$ 51	\$ 44	\$ 46	\$ 45	\$ 28	\$ 30
Tons per 1,000 population	236	232	212	224	215	210	175	180	182	225
Tons per 1,000 collection points	839	769	702	742	708	694	579	598	620	771
Tons collected per F.T.E.	1,946	2,190	2,264	2,395	2,305	2,259	1,883	1,945	1,973	2,456
<b>Yard Waste/Leaf Collection</b>										
Cost per ton collected	\$ 134	\$ 140	\$ 131	\$ 143	\$ 131	\$ 92	\$ 100	\$ 72	\$ 120	\$ 90
Cost per collection point	\$ 72	\$ 74	\$ 71	\$ 81	\$ 72	\$ 52	\$ 54	\$ 60	\$ 77	\$ 77
Tons collected per 1,000 population	151	160	164	171	166	173	164	251	189	250
Tons collected per F.T.E.	957	1,606	1,646	1,709	1,667	1,741	1,657	1,043	790	1,048

\* 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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	175	152	153	153	153	152	151	149	156	164
Fire										
Stations	7	7	7	7	7	7	7	7	7	7
Transportation										
Traffic										
Traffic signals	196	196	196	196	196	196	196	196	196	195
Street										
Miles of paved streets	235.89	235.89	235.89	235.82	238.39	239.74	239.74	239.74	239.74	239.63
Miles of unpaved streets	1.33	1.19	1.19	1.24	1.24	2.10	2.10	2.10	2.10	1.08
Culture and recreation										
Recreation										
Park acreage	416	428	428	428	428	428	429	450	450	448
Parks	18	23	23	23	23	23	24	24	24	
Recreation centers	5	6	6	6	6	6	6	6	6	5
Senior citizen centers	2	2	2	2	2	2	2	2	2	2
Swimming pools	-	-	-	-	-	-	-	-	-	-
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	903	921	925	926	932	937	942	945	947	947
Fire hydrants	9,500	9,566	9,576	9,583	9,625	9,649	9,675	9,691	9,699	4,826
Maximum daily capacity in MGD <sup>1</sup>	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00
Sewer										
Miles of sewer mains	511	490	492	492	493.5	499	499	540	541	501
Maximum daily treatment capacity in MGD <sup>1</sup>	15.23	15.25	15.25	15.25	16.5	16.5	16.5	16.5	16.5	16.5
Recycling										
Collection trucks	14	15	15	15	15	15	15	15	15	15
Sanitation										
Refuse trucks	20	27	29	29	29	29	29	29	35	35

Sources: Various city departments

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



**Single Audit Section**





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

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

## **Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2020, 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, 2020.

### **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) as a basis for designing 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Hickory's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. 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*.

## **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, 2020

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

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

## **Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the 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, 2020. 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 and state statutes, regulations, and 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, 2020.

### **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, 2020

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

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

## **Report on Compliance for Each Major State Program and Report on Internal Control over Compliance; Required by the 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, 2020. 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 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, 2020.

### **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, 2020

# CITY OF HICKORY, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020

### 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? No
- 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>
---------------------	---------------

CDBG Entitlement Grants Cluster	14.218
Coronavirus Relief Fund	21.019
National Infrastructure Investments	20.933

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

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, 2020

### 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



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

### **SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020**

#### **1. Financial Statements Findings**

None reported.

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

None reported.

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

None reported.

**CITY OF HICKORY, NORTH CAROLINA**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

None reported.

**CITY OF HICKORY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL AWARD**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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
<b>Federal Assistance</b>					
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	\$ 336,807	\$ -	\$ -
Total CDBG Entitlement Grants Cluster			<u>336,807</u>	<u>-</u>	<u>-</u>
Total United States Department of Housing and Urban Development			<u>336,807</u>	<u>-</u>	<u>-</u>
United States Department of Justice Direct Program:					
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738		24,929	-	-
COVID-19 BJA FY 20 Coronavirus Emergency					
Supplemental Funding Program	16.034		32,459	-	-
Bulletproof Vest Partnership Program	16.607	2018 & 2019	<u>10,712</u>	<u>-</u>	<u>-</u>
Total United States Department of Justice			<u>68,100</u>	<u>-</u>	<u>-</u>
United States Department of Treasury					
Passed-through the Office of State Budget and Management:					
NC Pandemic Recovery Office					
Passed-through Catawba County:					
COVID-19 Coronavirus Relief Fund	21.019	2020	<u>839,173</u>	<u>-</u>	<u>-</u>
Total United States Department of Treasury			<u>839,173</u>	<u>-</u>	<u>-</u>
United States Department of Transportation					
Passed-through North Carolina Department of Transportation					
Airport Improvement Program					
North Ramp Reconstruction	20.106	36237.66.6.1	699	-	-
Land Acq/Obst Remo RW 6-24	20.106	36237.66.7.1 & 36237.66.7.2	216,183	-	-
Master Plan Update	20.106	36237.66.6.2	74,875	140,301	-
COVID-19 CARES Grant	20.106	36237.66.7.3	<u>157,000</u>	<u>-</u>	<u>-</u>
Total Airport Improvement Program			<u>448,757</u>	<u>140,301</u>	<u>-</u>
Federal Highway Administration					
National Infrastructure Investments					
BUILD Discretionary Grants - 9TH St NW and 11St NE Connector					
and US 321 Multi Use Trail	20.933	1143024	1,127,922	-	-
Highway Planning and Construction Cluster					
Highway Planning and Construction					
Falling Creek Bridge	20.205	BRSTP-1216(21)	369,880	-	-
Pedestrian Signal Upgrade	20.205	STBGDA-1229(22)	72,000	-	-
Citywalk	20.205	TAP-1216	750,753	-	-
Old Lenoir Road Multi-Use Trail	20.205	TAP-1143(018)	411,444	-	-
9th St Streetscapes	20.205	BGDA-1143(021)	86,081	-	-
Bookwalk	20.205	STBGDA-1143(016)	179,347	-	-
Bookwalk South	20.205	STBGDA-1143(015)	<u>142,337</u>	<u>-</u>	<u>-</u>
Total Highway Planning and Construction Cluster			<u>2,011,842</u>	<u>-</u>	<u>-</u>
Total United States Department of Transportation			<u>3,588,521</u>	<u>140,301</u>	<u>-</u>
Total Federal Assistance			<u>\$ 4,832,601</u>	<u>\$ 140,301</u>	<u>\$ -</u>

**CITY OF HICKORY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL AWARD**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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
<b>State Assistance</b>					
North Carolina Department of Cultural and Natural Resources					
Aid to Public Libraries		N/A		27,233	-
LSTA Library Grant		N/A		3,628	-
				<u>30,861</u>	<u>-</u>
North Carolina Department of Environmental Quality					
High Unit Cost Grant - Sanitary Sewer Service to Eastwood, Randwom Woods and Sherwood Forest		E-SRG-T-08-0140		5,841	-
North Carolina Department of Revenue					
Unauthorized Substances Tax		N/A		27,625	-
North Carolina Department of Transportation					
Direct Program:					
Powell Bill		N/A		1,242,054	-
Division of Aviation					
State Aid to Airports - Obstruction Removal		36244.33.12.1		212,758	-
Total North Carolina Department of Transportation				<u>1,454,812</u>	<u>-</u>
North Carolina Department of Commerce					
Design Foundry Building Reuse Grant		2019-115-3201-2587		235,000	235,000
PTI Building Reuse Grant		2019-086-3201-2587		4,317	4,317
Total North Carolina Department of Commerce				<u>239,317</u>	<u>239,317</u>
North Carolina Housing Finance Agency					
Urgent Repair Program-North Carolina Housing Trust Funds		URP1713&1812		25,000	-
North Carolina Office of Information Technology Services					
Passed-through Catawba County					
Public Safety Answering Point		N/A		154,070	-
Total State Assistance			\$ -	\$ 2,077,827	\$ 239,317

**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 period ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Hickory, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Hickory.

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

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

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

**Note 3 - Coronavirus Relief Funds**

City of Hickory received \$839,173 of funding from the Coronavirus Relief Fund (21.019) from Catwaba County in accordance with HB 1043 and HB 1023. Hickory has a plan to spend these funds approved by OSBM. According to the Office of State Budget and Management, the State's pass-through agency, municipalities are considered subrecipients of the Counties; however, municipalities are not liable to the County for any misused or misspent funds. CRF must be spent during the period March 1, 2020 to December 30, 2020.

**Note 4 - Loans Outstanding**

City of Hickory has the following loan balances outstanding at June 30, 2020 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2020 consist of:

Program Name	CFDA Number	Amount Outstanding
Geitner Basin Sewer System Rehab	66.458	\$2,504,103
Central Business District Infrastructure Rehabilitation	66.458	\$1,227,690