

REVIEWED

By SLGFD at 4:24 pm, Dec 09, 2021

CITY OF HICKORY NORTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR YEAR ENDED JUNE 30, 2021

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



CITY OF HICKORY, NORTH CAROLINA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For Fiscal Year Ended June 30, 2021

Prepared by the Finance Department



CITY OF HICKORY, NORTH CAROLINA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

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Introductory Section





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Finance Department
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November 19, 2021

The Honorable Mayor Hank Guess,
City Council, City Manager, and the Citizens
of the City of Hickory, North Carolina

The Annual Comprehensive Financial Report (ACFR) for the City of Hickory, North Carolina, for the fiscal year ended June 30, 2021, 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, 2021, 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, 2021, 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 Annual Comprehensive Financial Report (ACFR) 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, 2021, are reported separately in the notes to the financial statements.

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

Local Economy

The City of Hickory is the economic hub of the "Greater Hickory Metro". Economic activity in the City continues to grow, as well as its population, as evidenced by the results from the 2020 census. Hickory grew by almost 3,500 residents since the last census and numerous residential and commercial projects have been completed or underway in the last few years. Commercial construction activity included 278 permits with a value of over \$130 million and 502 additional residential permits with a value of over \$45 million in fiscal year 2020-2021

The City remains financially sound in spite of the COVID-19 pandemic with property tax and sales tax revenue growth over the past year. The City's continued commitment to conservative financial policies and practices has served Hickory well and puts it in the best position to lead the region to economic strength and security.

Economic development initiatives and activities completed or underway include:

- American Fuji Seal Inc was announced as the fourth tenant for the Trivium Corporate Center business park. The company plans to construct a 260,000 square foot manufacturing facility to produce shrink sleeve labels for the food, beverage, home, and personal care, and pharmaceutical industries. Over the next five years, American Fuji Seal plans to create 101 jobs and invest a minimum of \$52 million in new facility construction, machinery, and equipment.

- Gusmer Enterprises Inc, a manufacturer of filtration and fermentation products, will create 73 new jobs in Catawba County. The company will invest \$26.5 million to build a production facility in Hickory. Gusmer Enterprises will be the fifth tenant in Trivium Corporate Center.
- Lake Park 321, LLC announced plans to construct a 40,000 square foot speculative building. The building represents an investment of approximately \$2.2 million and will be marketed to manufacturing businesses upon completion.
- Merchants Distributors Inc, MDI, announced plans to expand its facilities in Caldwell County in late 2020. The expansion of the wholesale grocery distributor's services and operations will result in a \$120 million investment and 111 new jobs, The project will be the largest economic development investment in Hickory's history.
- A strong residential building effort is underway. Current projects include:
 - Center Crossing - \$7,000,000
 - One North Center - \$19,000,000
 - The Estates at Legends - \$8,124,000
 - The Lodge - \$8,176,000
 - Woodland Village Apartments - \$8,431,000
- An expansion of Hickory's Ridgeview Branch Library began in August 2020 and is scheduled for completion in Fall 2021. The project includes adding a new community meeting room and group study room, increasing seating and computer space, and renovation of existing spaces to maximize efficiency for patrons and City staff. Project cost is estimated at \$1,200,000.
- The City is in the process of constructing the second new synthetic turf field at Henry Fork River Park (HFRP) at an approximate cost of \$1,000,000. The field will be utilized by the Catawba Valley Youth Soccer Association (CVYSA) and various organizations and high schools for soccer and lacrosse tournaments in the region.
- Phase 1A construction of the Bruce Meisner Park, located at the intersection of NC 127 and Cloninger Mill Road, is almost complete. 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.
- Various City parks and recreation center projects were completed during the year including resurfacing of tennis courts at several parks, conversion of two Westmont tennis courts to pickle ball courts, TRX workout room addition, scoreboard replacements, Skatepark renovations and community garden upgrades.

- A new parking lot was constructed at Taft Broome Park and Ridgeview Library to serve as overflow parking for the library expansion and new park amenities.

The City is continuing its commitment to “Quality of Life” amenities through the implementation of the City’s Master Plans and Initiatives that have been developed to 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.

<u>Function / Program</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>
Police Services			
Cost per call dispatched	\$138	\$141	\$142
Calls dispatched	90,058	90,024	98,159
Uniform Crime Reporting Part I crimes reported	2,317	1,899	1,953
Uniform Crime Reporting Part I crimes per 1,000 population	57	46.39	47.2
Uniform Crime Reporting Part II crimes reported	3,450	4,064	4,324
Traffic Accidents Reported	3,570	2,438	2,321
Sworn Officers	116	116	116
Calls dispatched per sworn officer	776	776	846
Calls dispatched per 1,000 population	2,215	2,199	2,370
Response time to priority calls (minutes)	7.8	4.4	4.3
Emergency Communications			
Total calls per 1,000 population	--- *	n/a	n/a
Calls answered per telecommunicator	--- *	n/a	n/a
Seconds from initial ring to answer	5	4.82	4.00
Calls answered within three rings	--- *	n/a	n/a
Fire Services			
Cost per response	\$1,680	\$1,998	\$2,133
Actual fires per 1,000 population	4.22	3.95	4.66
Responses per 1,000 population	149	146	122
Fire inspections completed per 1,000 population	109	106	110
Inspections completed per Full Time Employee (FTE)	1,504	1,481	1,708
Average response time to priority 1 calls (minutes)	4.3	4.4	4.4
Fires confined to room(s) involved on arrival	60%	62%	62%
Fires for which cause is determined	85%	95%	91%

Transportation

Asphalt Maintenance and Repair

Cost per ton of asphalt for contract resurfacing	\$90.00	\$182.00	\$183.00
Lane miles maintained per 1,000 population	17.7	17.6	17.4
Potholes repaired within 24 hours	94.0%	96.0%	92.0%
Street segments rated 85% or better (ITRE)	27%	29%	37%

Recycling

Cost per ton collected*	\$136	\$152	\$185
Cost per collection point	\$30.47	\$34.07	\$40.84
Tons recyclables per 1,000 population	65.6	66	64.7
Tons Solid Waste Landfilled per 1,000 population	182	225	221
Set Out rate	63.0%	66.0%	68.9%
Diversion Rate	26.5%	22.5%	20.9%

Sanitation

Refuse Collection

Cost per ton collected	\$46	\$39	\$40
Cost per ton collection point	\$28	\$30	\$34
Tons per 1,000 population	182	225	245
Tons per 1,000 collection points	620	771	838
Tons collected per F.T.E.	1,973	2,456	2,709

Yard Waste / Leaf Collection

Cost per ton collected	\$120	\$90	\$62
Cost per collection point	\$77	\$77	\$77
Tons per 1,000 population	189	250	360
Tons collected per F.T.E.	790	1,048	1,528

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. The Citywalk is the centerpiece of the Hickory Bond projects and is currently at 85% completion. The project cost is approximately \$14.2 million. The third and final bond issue will occur in September 2021 and will include funding for Old Lenoir Road (OLLE) Art Walk, Historic Ridgeview Walk, and the Aviation Walk.
- 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 9th Avenue Drive NW to Goat Farm Road, adjacent to the Hickory Regional Airport.

- The Deidra Lackey Memorial Park is a planned \$10 million investment by the Robert Lackey family to honor Robert's late wife. The project will include the addition of a Lake House event center, which will include a wedding venue, corporate retreat destination, and gathering location complete with a full-service restaurant. It will also include an event space with an amphitheater and seating for approximately 1,000 people. The second phase will include a Conservatory with extensive landscaping and gardens that will provide a scenic resting place for visitors. The City will complement this investment with a \$3 million project at Geitner Park consisting of a new boat dock, canoe/kayak launch, group picnic shelter, fishing pier, and restroom facility. Design development of the park is expected to be completed by the end of 2021.
- The Public Utilities Biosolids facility has been designed and permitted by the North Carolina Department of Natural Resources. This facility will replace the aging composting facility to ensure continued sludge management practices for the City of Hickory and ensure an economic solution for the future. Up to \$30,000,000 in State Revolving Loan Funds have been approved for this project at 0.1% interest.
- 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 was awarded in May 2021 for \$5,624,051.11. 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 new 12,000 square foot hangar that will be located on the west ramp adjacent to three existing hangars. The hangar will include LED lighting, heated space, a concrete floor and a new hangar door that will accommodate larger aircraft. Estimated cost of the new hangar will be \$1.5 million. Additional airport projects include the design and construction of new T-hangars for smaller individual aircraft to be located on the north ramp of the airport. The new hangar development aligns with the recommendations of the Hickory Regional Airport Task Force Report to promote and expand the assets at the airport to increase revenues through expansion of the number of base aircraft.

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 Annual Comprehensive Financial Report for the fiscal year ending June 30, 2020. This was the twenty-fifth consecutive year that the City has achieved this prestigious award. 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.

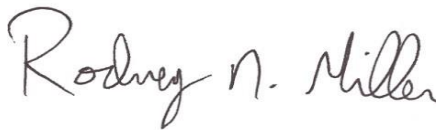
A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

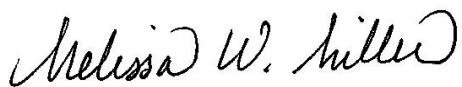
Preparation of this report could not have been accomplished without the professional, efficient, and dedicated efforts of the entire staff of Finance, the Budget Office, the various department heads, budget managers and coworkers who assisted and contributed to its preparation, and our independent auditors, 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, reading "Rodney N. Miller". The signature is written in a cursive style with a large, stylized 'R' and 'M'.

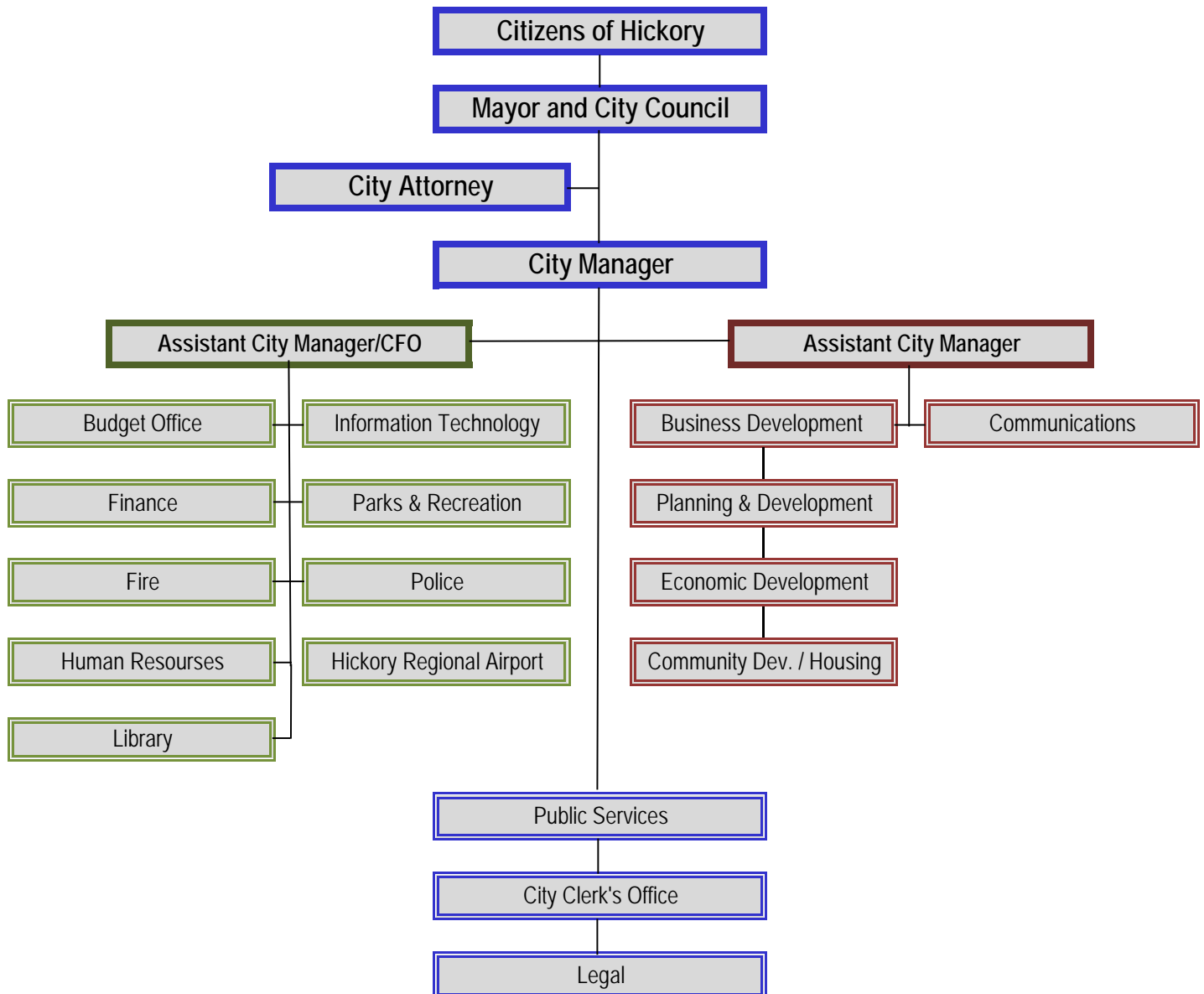
Rodney N. Miller
Deputy City Manager/CFO

A handwritten signature in dark ink, reading "Melissa W. Miller". The signature is written in a cursive style with a large, stylized 'M' and 'W'.

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, 2020

Christopher P. Morill

Executive Director/CEO

CITY OF HICKORY, NORTH CAROLINA

CITY COUNCIL

FISCAL YEAR JULY 1, 2020 - JUNE 30, 2021

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, 2020 - JUNE 30, 2021

City Administration

City Manager	Warren Wood
Deputy 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 Utilities Director	Shawn Pennell
Public Works Director	Steve Miller



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, 2021, 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, 2021, 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 Employee 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 November 19, 2021 on our consideration of the City of Hickory's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Hickory's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hickory's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 19, 2021



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, 2021. 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 2021

- The assets and deferred outflows of the City of Hickory exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$269,840,610 (net position). Of this amount, \$34,577,116 (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 \$21,170,373.
- As of the close of the current fiscal year, the City of Hickory's governmental funds reported combined ending fund balances of \$58,730,616 an increase of \$531,154, in comparison with the prior fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$15,614,888, or 27.31%, of the General Fund budget for the fiscal year 2021-2022.
- The City of Hickory's total debt increased by \$7,041,159, which includes unfunded law enforcement officers' pension, other post-employment benefits (OPEB) and compensated absences liabilities. The City's total indebtedness is \$105,921,080.
- The City's legal debt limit is \$424,185,891 (8% of assessed valuation), and the City's legal debt margin is \$362,105,817. The total legal indebtedness of the City is \$62,080,074, which represents 1.17% of assessed valuation.

Using the Financial Section of this Annual Comprehensive Financial Report

The Annual Comprehensive Financial Report 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 ACFR 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 110-113 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 34-39 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 123-139 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 40-44 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 45-91 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 92-98 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 \$269,840,610 for the fiscal year ended June 30, 2021.

The largest portion of the City of Hickory's net position, 75%, 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	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 75,046,148	\$ 69,327,359	\$ 44,873,306	\$ 49,904,550	\$ 119,919,454	\$ 119,231,909
Notes receivable	1,744,000	1,944,000	-	-	1,744,000	1,944,000
Capital assets	110,832,488	84,108,640	152,660,929	148,283,824	263,493,417	232,392,464
Deferred outflows of resources	10,833,841	7,300,027	2,340,502	1,658,646	13,174,343	8,958,673
Total assets and deferred outflows of resources	198,456,477	162,680,026	199,874,737	199,847,020	398,331,214	362,527,046
Long-term liabilities outstanding	42,589,432	37,106,516	22,708,732	24,526,554	65,298,164	61,633,070
Other liabilities	45,667,627	37,296,433	11,705,374	12,050,428	57,373,001	49,346,861
Deferred inflows of resources	4,530,382	2,288,497	1,289,057	588,381	5,819,439	2,876,878
Total liabilities and deferred inflows of resources	92,787,441	76,691,446	35,703,163	37,165,363	128,490,604	113,856,809
Net position:						
Net investment in capital assets	72,725,989	64,346,936	130,596,390	124,337,832	203,322,379	188,684,768
Restricted	31,941,115	17,368,210	-	-	31,941,115	17,368,210
Unrestricted	1,001,932	4,273,434	33,575,184	38,343,825	34,577,116	42,617,259
Total net position	\$ 105,669,036	\$ 85,988,580	\$ 164,171,574	\$ 162,681,657	\$ 269,840,610	\$ 248,670,237

An additional portion of the City of Hickory's net position, \$31,941,115 represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position, \$34,577,116, 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 \$100,530,524, which consists of \$62,522,110 from governmental activities and \$38,008,414 from business-type activities. Working capital increased by \$112,951 for the fiscal year ended June 30, 2021.

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 6.13 on a Citywide basis, 5.91 for governmental activities, and 6.54 for business-type activities. More simply stated, the City has \$6.13 of current assets for each \$1.00 of current liabilities on a Citywide basis. The Citywide current ratio decreased by .15 during FY 2021.

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 6.04 on a Citywide basis, 5.71 for governmental activities and 6.64 for business-type activities. Or, more simply stated the City has \$6.04 of “quick” assets for each \$1.00 of current liabilities on a Citywide basis. The Citywide quick ratio decreased by \$.16 during FY 2021.

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 286 days on a Citywide basis, 239 days for governmental activities and 403 days for business-type activities. This measure increased by 2 days in FY 2021.

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, 84% for governmental activities and 21% for business-type activities. The Citywide ratio increased 1% during FY2021.

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 32% on a Citywide basis, 47% for governmental activities and 17% for business-type activities. This ratio stayed the same 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 15% on a Citywide basis, 21% for governmental activities and 10% for business-type activities. This ratio stayed the same 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 36 days for the City of Hickory. Days receivable decreased by 1 day during FY 2021.

Change in Net Position - The government's net position increased by \$21,170,373 during the current fiscal year. The governmental activities net position increased \$19,680,456 and the business type activities increased \$1,489,917. This increase represents the degree to which increases in ongoing revenues have exceeded increases in ongoing expenses. A summary of the changes follows:

Changes in Net Position

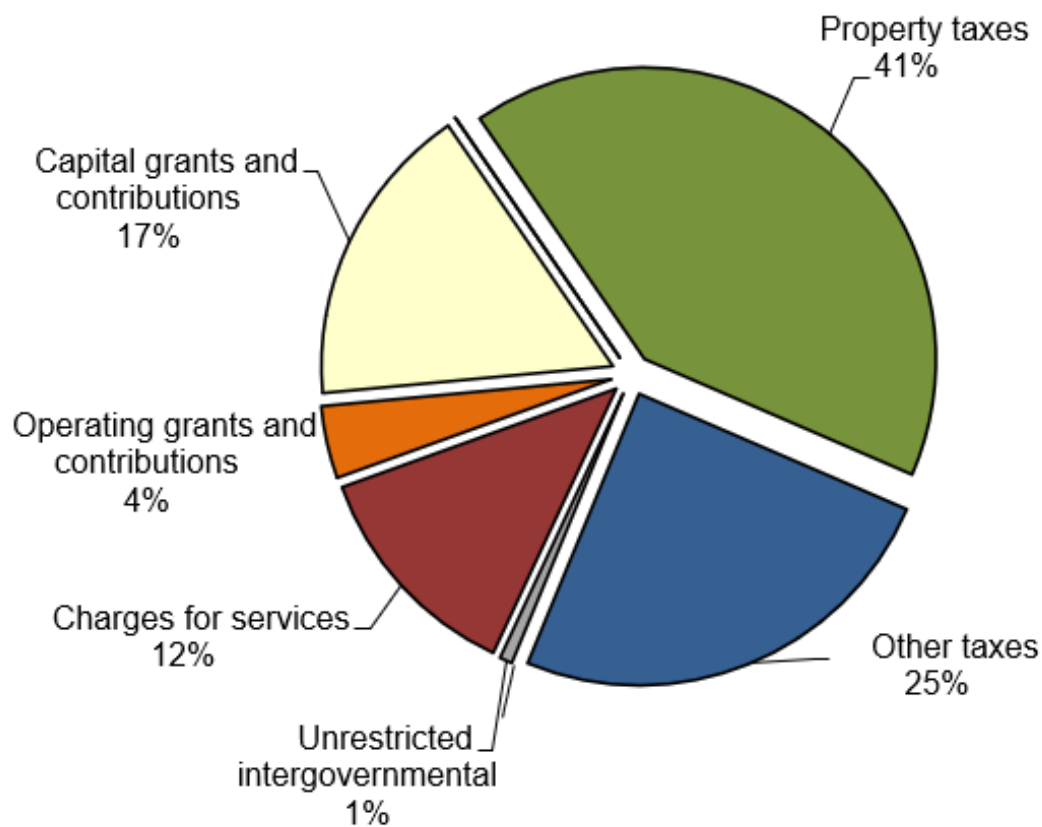
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 9,656,579	\$ 9,435,802	\$ 38,212,477	\$ 35,440,746	\$ 47,869,056	\$ 44,876,548
Operating grants and contributions	3,087,628	4,456,558	2,444,703	2,762,227	5,532,331	7,218,785
Capital grants and contributions	12,994,689	8,921,931	1,363,076	1,066,074	14,357,765	9,988,005
General revenues:						
Property taxes	31,544,287	30,367,046	-	-	31,544,287	30,367,046
Other taxes	19,030,748	18,200,509	-	-	19,030,748	18,200,509
Unrestricted intergovernmental	536,222	641,067	-	-	536,222	641,067
Unrestricted investment earnings	28,974	1,237,157	(5,460)	996,940	23,514	2,234,097
Miscellaneous	-	-	188,400	1,149,074	188,400	1,149,074
Total revenues	<u>76,879,127</u>	<u>73,260,070</u>	<u>42,203,196</u>	<u>41,415,061</u>	<u>119,082,323</u>	<u>114,675,131</u>
Expenses:						
General government	20,621,801	13,870,372	-	-	20,621,801	13,870,372
Public safety	27,046,269	25,986,157	-	-	27,046,269	25,986,157
Transportation	6,131,073	6,723,958	-	-	6,131,073	6,723,958
Economic and physical development	4,226,519	4,232,839	-	-	4,226,519	4,232,839
Culture and recreation	2,120,038	7,084,150	-	-	2,120,038	7,084,150
Water	-	-	10,991,533	10,480,158	10,991,533	10,480,158
Sewer	-	-	15,168,416	14,727,277	15,168,416	14,727,277
Sludge composting	-	-	2,066,217	2,300,787	2,066,217	2,300,787
Stormwater	-	-	525,297	895,861	525,297	895,861
Airport	-	-	1,771,127	1,697,583	1,771,127	1,697,583
Recycling	-	-	4,144,494	3,442,487	4,144,494	3,442,487
Sanitation	-	-	2,185,919	2,114,046	2,185,919	2,114,046
Interest on long-term debt	913,247	1,001,619	-	-	913,247	1,001,619
Total expenses	<u>61,058,947</u>	<u>58,899,095</u>	<u>36,853,003</u>	<u>35,658,199</u>	<u>97,911,950</u>	<u>94,557,294</u>
Change in net position before transfers	<u>15,820,180</u>	<u>14,360,975</u>	<u>5,350,193</u>	<u>5,756,862</u>	<u>21,170,373</u>	<u>20,117,837</u>
Transfers	<u>3,860,276</u>	<u>(1,966,388)</u>	<u>(3,860,276)</u>	<u>1,966,388</u>	<u>-</u>	<u>-</u>
Change in net position	<u>19,680,456</u>	<u>12,394,587</u>	<u>1,489,917</u>	<u>7,723,250</u>	<u>21,170,373</u>	<u>20,117,837</u>
Net position, previously reported	85,988,580	73,593,993	162,681,657	154,958,407	248,670,237	228,552,400
Restatement	-	-	-	-	-	-
Net position, beginning, restated	<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>
Net position, end of the year	<u>\$ 105,669,036</u>	<u>\$ 85,988,580</u>	<u>\$ 164,171,574</u>	<u>\$ 162,681,657</u>	<u>\$ 269,840,610</u>	<u>\$ 248,670,237</u>

Governmental Activities - Governmental activities increased the City of Hickory's net position by \$19,680,456.

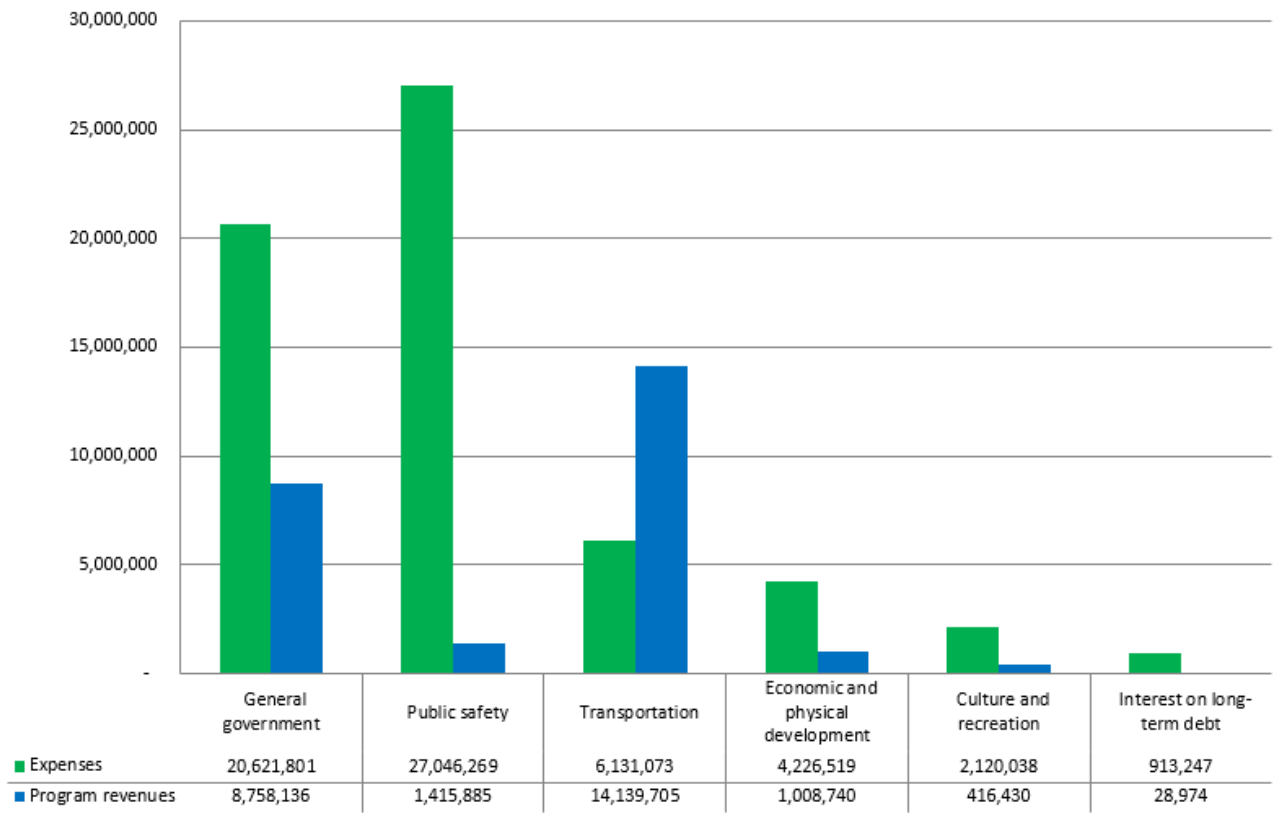
Summaries of these include:

- Total expenses increased \$2,159,852, or 10%, for fiscal year 2021.
- Overall revenues increased, with program revenues increasing \$12,183,338, or 53%, and general revenues increasing \$3,383,835, or 6.7%.
- Operating grants and contributions for governmental activities totaled \$3,087,628. The grant awards furnished resources to support the following functions: general government (\$89,950), police and fire (\$1,022,917), Powell Bill and street maintenance (\$1,118,766), economic and physical development (\$574,901), and culture and recreation (\$281,094).

2021 Governmental Activities Revenues - \$76,879,127



2021
Expenses and Program Revenues - Governmental Activities

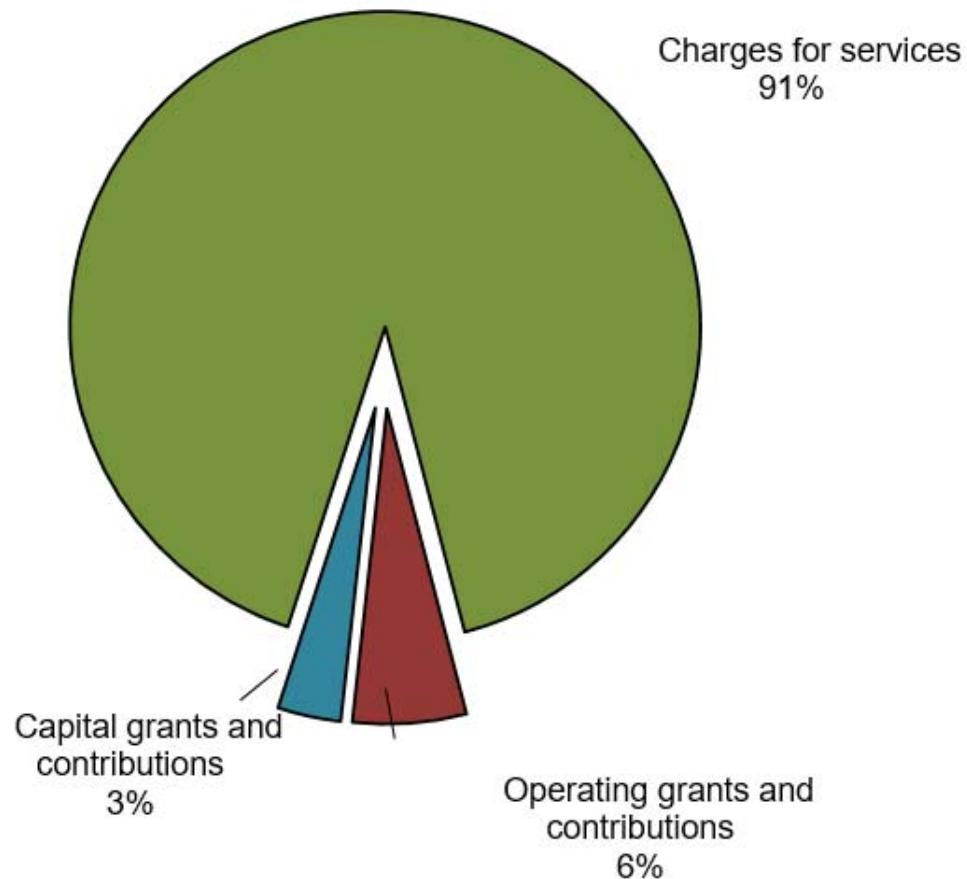


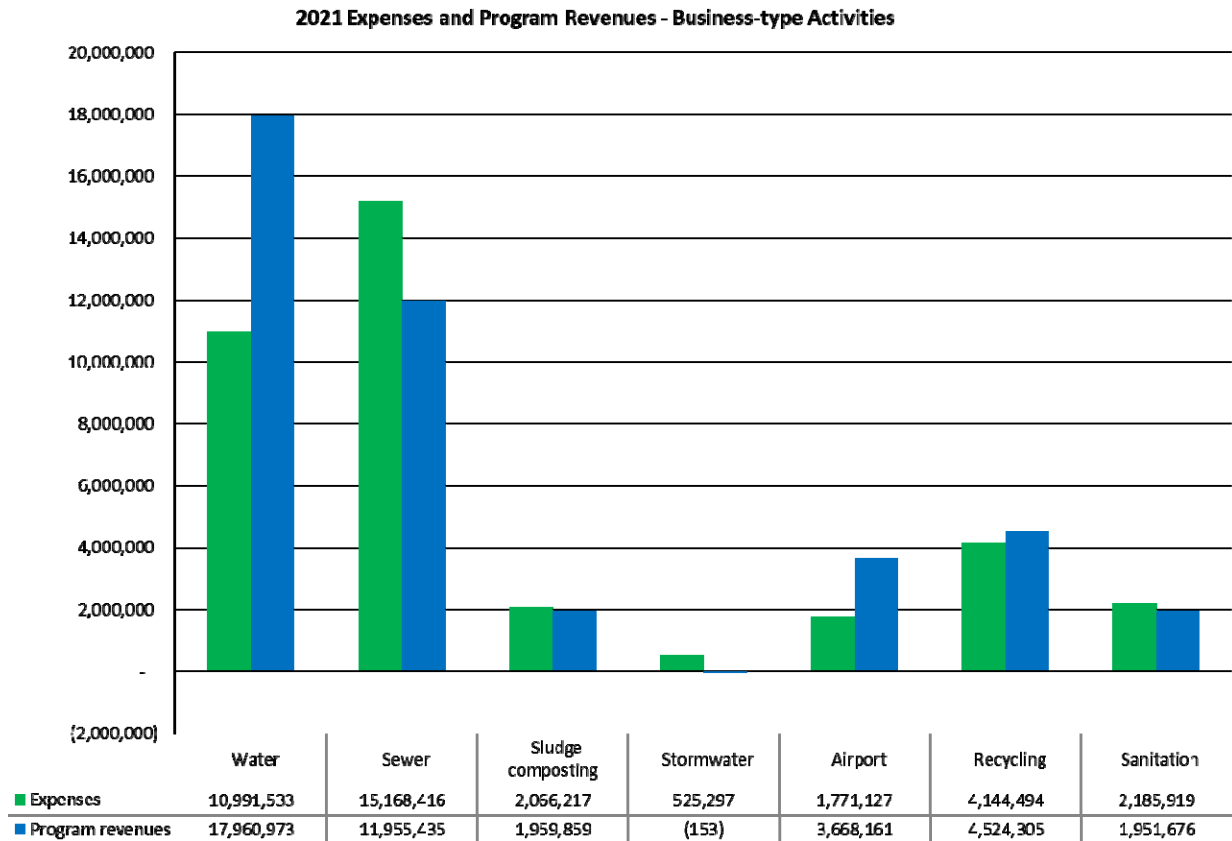
Business-Type Activities - Business-type activities increased the City of Hickory's net position by \$1,489,917.

Summaries of these include:

- Programs revenues increased \$6,233,333, or 12%.
- Capital grants and contributions for business-type activities totaled \$1,363,076. The grant awards and contributions furnished resources to support the following activities: water \$156,437, sewer \$290,525, and airport \$10,400.
- Transfers to business type activities were \$3,860,276 to fund capital projects.

2021 Business-type Activities Revenues - \$42,203,196





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 \$58,730,616, an increase of \$531,154 in comparison with the prior year. Of this total amount, \$15,425,975 constitutes *unassigned fund balance*, has no constraints on its use. The remainder of fund balance is broken down as follows:

- Non-Spendable: \$2,733,563 - resources not in spendable form, for example, inventories and prepaid items.
- Restricted: \$32,137,766 - resources specifically restricted by provider.
- Committed: \$6,191,552 - resources committed by formal action of governing body.
- Assigned: \$2,241,760 - 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 \$25,224,133. Total fund balance was \$37,412,642. 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 41.3% of total General Fund expenditures, while total fund balance represents 72.7% to that same amount.

The fund balance of the City of Hickory's General Fund increased by \$311,520 during the current fiscal year.

Summaries of these include:

- General government expenditures increased \$1,888,116 largely due to beginning the annual debt service payments on the 2019 General Obligation Bond issue. Due to COVID-19, the City delayed a previously scheduled property tax-rate increase to accommodate this \$1.4 million debt payment. In lieu of raising taxes during this difficult economic time, the City instead utilized a combination of Fund Balance and other budget adjustments to absorb the payment during FY20-21.

General Capital Projects Fund. The General Capital Projects Fund saw an increase in authorized expenditures of \$26,110,800 for the fiscal year ending June 30, 2021. The following general capital projects contributed to key increases:

- The Trivium Bond Project, including sub-projects for Project Enzyme and Trivium East increased its total authorizations by \$7,552,214. Funding sources include City and County funds, NCDOT grants, Golden Leaf grants, and revenues from land sales within the Trivium Corporate Center campus.
- The BUILD 9th/11th Street/BikePed Project increased its authorizations by \$7,318,646. Of this total, \$318,646 comes from the 2021 Bond issue and \$7 million from the General Fund and Water & Sewer Fund to serve as the City's local match to a federal grant on the Aviation Walk.
- The Riverwalk Bond Project added \$3,813,265 from 2021 Bond funds towards engineering and construction.
- The Lackey Project increased authorizations by \$2,960,697 from financing proceeds and insurance proceeds received towards the project construction.
- The Ridgeview Library Expansion Project increased by \$1,420,507 for its construction, with funds received through financing proceeds.
- The ARC 9th Avenue Drive NW Project increased by \$1,300,000 with the receipt of financing proceeds.
- The Bruce Meisner Park Project received a total of \$1,274,010 from the General Fund and Water & Sewer Funds for construction of restrooms and a park shelter.
- The Lenoir-Rhyne Blvd. Gateway Project increased its budget by \$237,451 for a landscaping construction contract.

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 \$30,927,251. The total decrease in net position was \$469,377. The Transportation Fund had an unrestricted net position of \$959,513, with an increase in net position of \$2,314,419. Unrestricted net position of the Solid Waste Fund amounted to \$668,428, with total net position reflecting an increase of \$148,141. 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 \$14,614,503 and can be briefly summarized as follows:

- \$3,325,098 in increases allocated to general governmental activities.
- \$1,612,326 in increases allocated to public safety.
- \$516,060 in increases allocated to transportation.
- \$628,800 in decreases allocated to economic and physical development.
- \$1,762,651 in increases allocated to culture and recreation.
- \$660,274 in decreases for contingency.
- \$7,378,509 in increases allocated to transfers out of General Fund to other funds.
- \$51,333 in increases for debt service.

The General Fund recognized a positive variance of \$10,460,732 between the final amended budget and the total actual expenditures. This variance can be summarized as follows:

- Approximately \$2,702,296 of the variance is due to reduced costs of salary and benefits because of retirements, vacancies, and elimination of positions.
- Approximately \$3,915,276 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 \$26,110,800 for the fiscal year ending June 30, 2021. The following general capital projects contributed to key increases:

- Trivium Bond Project, including sub-projects for Project Enzyme and Trivium East increased its total authorizations by \$7,552,214. Funding sources include City and County funds, NCDOT grants, Golden Leaf grants, and revenues from land sales within the Trivium Corporate Center campus.
- The BUILD 9th/11th Street/BikePed Project increased its authorizations by \$7,318,646. Of this total, \$318,646 comes from the 2021 Bond issue and \$7 million from the General Fund and Water & Sewer Fund to serve as the City's local match to a federal grant on the Aviation Walk.
- The Riverwalk Bond Project added \$3,813,265 from 2021 Bond funds towards engineering and construction.
- The Lackey Project increased authorizations by \$2,960,697 from financing proceeds and insurance proceeds received towards the project construction.
- The Ridgeview Library Expansion Project increased by \$1,420,507 for its construction, with funds received through financing proceeds.
- The ARC 9th Avenue Drive NW Project increased by \$1,300,000 with the receipt of financing proceeds.
- The Bruce Meisner Park Project received a total of \$1,274,010 from the General Fund and Water & Sewer Funds for construction of restrooms and a park shelter.
- The Lenoir-Rhyne Blvd. Gateway Project increased its budget by \$237,451 for a landscaping construction contract.

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, 2021, amounts to \$263,493,417 (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 replacement Fire Engine 5 for the Fire Department.
- Purchase of replacement backhoe for Street Department.
- Downtown Project Metro construction.
- Various equipment replacements in Landscape & Parks Division, including dump trucks, mowers, and service trucks.
- Bruce Meisner Park under construction.
- Ongoing implementation of Bond Projects.
- Waterline rehabilitations on Old Lenoir Road / Riverwalk, Main Avenue Dr. NW, and 18th Avenue & 1st Street NE.
- Sewerline replacements on Old Lenoir Road / Riverwalk.
- Wastewater Pumpstation rebuilds: Shuford #3, Moore's Ferry #3, and Moose Club.
- Purchase of garbage and recycling trucks for the Sanitation Department.

Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 14,813,632	\$ 12,870,898	\$ 5,812,743	\$ 5,375,234	\$ 20,626,375	\$ 18,246,132
Land improvements	-	-	7,068,587	7,068,587	7,068,587	7,068,587
Buildings and improvements	17,322,985	16,730,272	26,608,452	28,320,498	43,931,437	45,050,770
Equipment	3,040,745	3,269,837	5,996,239	5,174,093	9,036,984	8,443,930
Vehicles	3,290,722	3,976,135	2,477,222	2,407,161	5,767,944	6,383,296
Road network	9,053,510	9,833,521	3,934,100	4,197,622	12,987,610	14,031,143
Operating plants	-	-	18,517,098	19,089,857	18,517,098	19,089,857
Waterlines	-	-	29,593,073	25,757,454	29,593,073	25,757,454
Sewerlines	-	-	35,070,086	34,989,928	35,070,086	34,989,928
Construction in progress	63,310,894	37,427,977	17,583,329	15,903,388	80,894,223	53,331,365
Total Capital Assets	<u>\$ 110,832,488</u>	<u>\$ 84,108,640</u>	<u>\$ 152,660,929</u>	<u>\$ 148,283,822</u>	<u>\$ 263,493,417</u>	<u>\$ 232,392,462</u>

Additional information on the City of Hickory's capital assets can be found in Note 6 on pages 63-67 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 \$52,186,807 as of June 30, 2021. Gross debt consists of installment purchase agreements of \$9,748,507, notes payable of \$14,688,300, and general obligation bonds \$27,750,000.

The City's legal debt cannot exceed 8% of the assessed value of taxable property. The City's legal debt limit is \$424,185,891 (8% of assessed valuation), and the City's legal debt margin is \$362,105,817.

Installment purchase agreements related to the Radio System Upgrade, Convention Center, and Multiple General Funds amount to \$9,309,974 and are obligations of the General Fund. Water and sewer line extensions related to Annexation Area II, and Henry River Basin sewer, along with upgrades to the Hickory-Catawba Wastewater Treatment Plant amount to \$7,376,239 and are obligations of the Water and Sewer Fund and Solid Waste Fund. Notes payable amounting to \$14,688,300 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 7% of expenditures of the General Fund and 11% of the Water and Sewer Fund.

At the end of the current fiscal year, the City of Hickory had \$27,750,000 in bonded debt outstanding.

The City of Hickory's total debt increased by \$7,041,159 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 68-73 of this report.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Accrued law enforcement officer's unfunded retirement contribution	\$ 4,897,373	\$ 3,582,170	\$ -	\$ -	\$ 4,897,373	\$ 3,582,170
Compensated absences	2,573,897	2,461,240	644,193	580,562	3,218,090	3,041,802
Unfunded OPEB obligations	15,470,047	16,977,647	4,647,129	5,100,005	20,117,176	22,077,652
Net pension liability (LGRS)	12,641,077	9,382,989	2,967,290	2,204,040	15,608,367	11,587,029
Installment purchase agreements	9,309,974	2,281,064	7,376,239	8,438,626	16,686,213	10,719,690
Notes Payable	-	-	14,688,300	15,507,366	14,688,300	15,507,366
Bonds Payable	27,750,000	29,250,000	-	-	27,750,000	29,250,000
Unamortized Discount/Premium	2,955,561	3,114,212	-	-	2,955,561	3,114,212
Total	<u>\$ 75,597,929</u>	<u>\$ 67,049,322</u>	<u>\$ 30,323,151</u>	<u>\$ 31,830,599</u>	<u>\$ 105,921,080</u>	<u>\$ 98,879,921</u>

Economic Factors and Next Year's Budget and Rates

- Revenue estimates contained in the City of Hickory's Fiscal Year 2021-2022 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 \$0.6275 per \$100 valuation. This rate will provide approximately \$33,048,000 in property tax revenue. The property tax base is estimated to be \$5,149,380,182.
- 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 2022.

In Fiscal Year 2022, the City of Hickory has appropriated \$1,572,085 of unassigned General Fund balance to finance the general operations of the City.

The original budget for Fiscal Year 2022 increased 3.9% 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, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 58,988,978	\$ 40,748,540	\$ 99,737,518
Taxes receivable, net	439,771	-	439,771
Accounts receivable, net	4,760,871	3,718,082	8,478,953
Note receivable	1,744,000	-	1,744,000
Due from other governments	4,115,399	413,197	4,528,596
Internal balances	1,214,168	(1,214,168)	-
Inventories	276,401	462,541	738,942
Prepaid items	857,488	52,737	910,225
Cash and cash equivalents, restricted	4,393,072	692,377	5,085,449
Land and construction in progress	78,124,526	30,464,659	108,589,185
Other capital assets, net of depreciation	32,707,962	122,196,270	154,904,232
Total assets	187,622,636	197,534,235	385,156,871
Deferred Outflows of Resources:			
OPEB deferrals	2,429,227	729,728	3,158,955
Pension deferrals	8,404,614	1,610,774	10,015,388
Total deferred outflows of resources	10,833,841	2,340,502	13,174,343
Liabilities:			
Accounts payable and accrued liabilities	8,422,351	3,288,551	11,710,902
Prepaid fees	40,358	110,027	150,385
Liabilities to be paid from restricted assets:			
Customer deposits	77,920	692,377	770,297
Advance from grantor	4,118,501	-	4,118,501
Long-term liabilities:			
Due within one year	3,820,507	2,734,131	6,554,638
Due in more than one year	38,768,925	19,974,601	58,743,526
Net pension liability - LGERS	12,641,077	2,967,290	15,608,367
Total pension liability - LEOSSA	4,897,373	-	4,897,373
Total OPEB liability	15,470,047	4,647,129	20,117,176
Total liabilities	88,257,059	34,414,106	122,671,165
Deferred Inflows of Resources:			
Pension deferrals	362,902	39,806	402,708
OPEB deferrals	4,158,690	1,249,251	5,407,941
Prepaid taxes	8,790	-	8,790
Total deferred inflows of resources	4,530,382	1,289,057	5,819,439
Net Position:			
Net investment in capital assets	72,725,989	130,596,390	203,322,379
Restricted for:			
Stabilization by state statute	13,679,418	-	13,679,418
Public safety	384,417	-	384,417
Economic and development	900,000	-	900,000
General government	16,977,280	-	16,977,280
Unrestricted	1,001,932	33,575,184	34,577,116
Total net position	\$ 105,669,036	\$ 164,171,574	\$ 269,840,610

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, 2021

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 20,621,801	\$ 8,668,186	\$ 89,950	\$ -
Public safety	27,046,269	392,968	1,022,917	-
Transportation	6,131,073	26,250	1,118,766	12,994,689
Economic and physical development	4,226,519	433,839	574,901	-
Culture and recreation	2,120,038	135,336	281,094	-
Interest on long-term debt	913,247	-	-	-
Total governmental activities	61,058,947	9,656,579	3,087,628	12,994,689
Business-Type Activities:				
Water	10,991,533	17,374,297	156,437	430,239
Sewer	15,168,416	11,664,910	290,525	-
Sludge composting	2,066,217	3,043	1,956,816	-
Stormwater	525,297	(153)	-	-
Airport	1,771,127	2,752,582	10,400	905,179
Recycling	4,144,494	4,466,122	30,525	27,658
Sanitation	2,185,919	1,951,676	-	-
Total business-type activities	36,853,003	38,212,477	2,444,703	1,363,076
Total primary government	\$ 97,911,950	\$ 47,869,056	\$ 5,532,331	\$ 14,357,765

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, 2021

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Functions/Programs:			
Primary Government:			
Governmental Activities:			
General government	\$ (11,863,665)	\$ -	\$ (11,863,665)
Public safety	(25,630,384)	-	(25,630,384)
Transportation	8,008,632	-	8,008,632
Economic and physical development	(3,217,779)	-	(3,217,779)
Culture and recreation	(1,703,608)	-	(1,703,608)
Interest on long-term debt	(913,247)	-	(913,247)
Total governmental activities	(35,320,051)	-	(35,320,051)
Business-Type Activities:			
Water	-	6,969,440	6,969,440
Sewer	-	(3,212,981)	(3,212,981)
Sludge composting	-	(106,358)	(106,358)
Stormwater	-	(525,450)	(525,450)
Airport	-	1,897,034	1,897,034
Recycling	-	379,811	379,811
Sanitation	-	(234,243)	(234,243)
Total business-type activities	-	5,167,253	5,167,253
Total primary government	(35,320,051)	5,167,253	(30,152,798)
General Revenues:			
Ad valorem taxes	31,544,287	-	31,544,287
Sales taxes	13,118,310	-	13,118,310
Franchise taxes	3,315,897	-	3,315,897
Telecommunication tax	653,165	-	653,165
Motel/occupancy tax	1,472,285	-	1,472,285
Vehicle tag tax	198,239	-	198,239
Gross receipts tax	272,852	-	272,852
Unrestricted intergovernmental	536,222	-	536,222
Donations	-	188,400	188,400
Unrestricted investment earnings	28,974	(5,460)	23,514
Total general revenues, excluding transfers	51,140,231	182,940	51,323,171
Transfers	3,860,276	(3,860,276)	-
Total general revenues and transfers	55,000,507	(3,677,336)	51,323,171
Change in net position	19,680,456	1,489,917	21,170,373
Net Position:			
Net position, beginning	85,988,580	162,681,657	248,670,237
End of year - June 30	\$ 105,669,036	\$ 164,171,574	\$ 269,840,610

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

CITY OF HICKORY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

	Major				
	General Fund	Capital Projects Fund	American Rescue Plan Act Fund	Nonmajor Governmental Funds	Total
Assets:					
Current assets:					
Cash and cash equivalents	\$ 33,370,776	\$ 19,428,326	\$ -	\$ 131,554	\$ 52,930,656
Taxes receivable, net	439,771	-	-	-	439,771
Accounts receivable, net	395,542	3,655,970	-	677,414	4,728,926
Notes receivable	200,000	-	-	-	200,000
Due from other governmental agencies	2,677,808	310,242	-	776	2,988,826
Due from other funds	2,278,321	-	-	-	2,278,321
Inventory	137,079	-	-	-	137,079
Prepaid items	852,484	-	-	-	852,484
Restricted cash and equivalents	77,920	196,651	4,118,501	-	4,393,072
Total current assets	40,429,701	23,591,189	4,118,501	809,744	68,949,135
Notes receivable	1,544,000	-	-	-	1,544,000
Total assets	\$ 41,973,701	\$ 23,591,189	\$ 4,118,501	\$ 809,744	\$ 70,493,135
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 3,994,220	\$ 2,451,046	\$ -	\$ 211,983	\$ 6,657,249
Prepaid fees	40,358	-	-	-	40,358
Liabilities to be paid from restricted assets:					
Advance from grantor	-	-	4,118,501	-	4,118,501
Customer deposits	77,920	-	-	-	77,920
Total current liabilities	4,112,498	2,451,046	4,118,501	211,983	10,894,028
Deferred Inflows of Resources:					
Property taxes receivable	439,771	-	-	-	439,771
Prepaid taxes	8,790	-	-	-	8,790
Economic development receivable	-	-	-	419,930	419,930
Total deferred inflows of resources	448,561	-	-	419,930	868,491
Fund Balances:					
Non-spendable	2,733,563	-	-	-	2,733,563
Restricted for:					
Stabilization by state statute	9,454,946	3,966,212	-	258,260	13,679,418
Restricted, all other	1,284,417	17,173,931	-	-	18,458,348
Committed	6,083,068	-	-	108,484	6,191,552
Assigned	2,241,760	-	-	-	2,241,760
Unassigned	15,614,888	-	-	(188,913)	15,425,975
Total fund balances	37,412,642	21,140,143	-	177,831	58,730,616
Total liabilities, deferred inflow of resources, and fund balances	\$ 41,973,701	\$ 23,591,189	\$ 4,118,501	\$ 809,744	\$ 70,493,135

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

CITY OF HICKORY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

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

Total fund balances - modified accrual (see above)	\$ 58,730,616
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	110,693,043
Total pension liability - LEOSSA	(4,897,373)
Net pension liability - LGERS	(12,400,957)
Total OPEB liability	(15,103,169)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	3,946,358
OPEB related deferrals	(1,688,449)
Accrual of interest revenue on delinquent taxes does not represent current financial resources and, therefore, is not reported in the funds.	25,287
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.	1,051,989
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.	(207,266)
Other receivables are not available to pay for current period expenditures and are recognized as deferred inflows in the funds.	859,701
Pension related deferrals	3,973,192
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.	3,238,395
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(42,552,887)
Net position of governmental activities	<u>\$ 105,669,036</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, 2021

	Major				
	General Fund	Capital Projects Fund	American Rescue Plan Act Fund	Nonmajor Governmental Funds	Total
Revenues:					
Ad valorem taxes	\$ 31,629,716	\$ -	\$ -	\$ -	\$ 31,629,716
Other taxes	18,983,815	-	-	-	18,983,815
Unrestricted intergovernmental revenues	536,222	-	-	-	536,222
Restricted intergovernmental revenues	2,382,861	11,211,600	-	524,321	14,118,782
Licenses and permits	4,882	-	-	-	4,882
Sales and services	1,155,955	-	-	-	1,155,955
Investment earnings	(12,639)	-	-	113	(12,526)
Miscellaneous	348,735	1,783,089	-	351,948	2,483,772
Total revenues	<u>55,029,547</u>	<u>12,994,689</u>	<u>-</u>	<u>876,382</u>	<u>68,900,618</u>
Expenditures:					
Current:					
General government	9,712,789	-	-	-	9,712,789
Public safety	24,800,791	-	-	32,707	24,833,498
Transportation	5,705,133	-	-	-	5,705,133
Economic and physical development	3,039,350	-	-	1,143,525	4,182,875
Culture and recreation	4,724,393	-	-	-	4,724,393
Capital outlay	-	27,281,104	-	-	27,281,104
Debt service:					
Principal retirement	2,176,421	-	-	-	2,176,421
Interest fees	1,288,858	-	-	-	1,288,858
Total expenditures	<u>51,447,735</u>	<u>27,281,104</u>	<u>-</u>	<u>1,176,232</u>	<u>79,905,071</u>
Revenues over (under) expenditures	<u>3,581,812</u>	<u>(14,286,415)</u>	<u>-</u>	<u>(299,850)</u>	<u>(11,004,453)</u>
Other Financing Sources (Uses):					
Transfers in	4,213,693	10,774,970	-	9,295	14,997,958
Transfers out	(9,589,316)	(1,577,923)	-	(443)	(11,167,682)
Issuance of long-term debt	2,105,331	5,600,000	-	-	7,705,331
Total other financing sources (uses)	<u>(3,270,292)</u>	<u>14,797,047</u>	<u>-</u>	<u>8,852</u>	<u>11,535,607</u>
Net change in fund balances	311,520	510,632	-	(290,998)	531,154
Fund Balances:					
Fund balance, beginning	<u>37,101,122</u>	<u>20,629,511</u>	<u>-</u>	<u>468,829</u>	<u>58,199,462</u>
End of year - June 30	<u>\$ 37,412,642</u>	<u>\$ 21,140,143</u>	<u>\$ -</u>	<u>\$ 177,831</u>	<u>\$ 58,730,616</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, 2021**

Net change in fund balances - total governmental funds per Exhibit D	\$ 531,154
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	31,951,663
Depreciation expense	(5,186,068)
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	(14,089)
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.	(33,852)
Pension expense - LGERS	2,433,303
Pension expense - LEOSSA	1,513,055
Debt proceeds provide current financial resources to governmental funds, but issuance of debt increases long-term liabilities in the Statement of Net Position.	(7,705,331)
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.	158,651
OPEB plan expense	2,371,616
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	2,176,421
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.	(107,107)
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.	(8,070,943)
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.	216,960
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.	(554,977)
Change in net position of governmental activities per Exhibit B	<u>\$ 19,680,456</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, 2021

	General Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 30,640,000	\$ 30,640,000	\$ 31,629,716	\$ 989,716
Other taxes	16,510,000	16,760,000	18,983,815	2,223,815
Unrestricted intergovernmental revenues	660,000	660,000	536,222	(123,778)
Restricted intergovernmental revenues	2,335,841	2,391,695	2,382,861	(8,834)
Licenses and permits	4,575	4,575	4,882	307
Sales and services	1,222,428	1,225,063	1,155,955	(69,108)
Investment earnings	300,000	300,000	(13,191)	(313,191)
Miscellaneous	722,000	819,248	548,735	(270,513)
Total revenues	52,394,844	52,800,581	55,228,995	2,428,414
Expenditures:				
Current:				
General government	9,615,070	12,940,168	9,712,789	3,227,379
Public safety	26,151,741	27,764,067	24,800,791	2,963,276
Transportation	7,235,097	7,751,157	5,705,133	2,046,024
Economic and physical development	2,732,844	3,361,644	3,039,350	322,294
Culture and recreation	4,245,027	6,007,678	4,724,393	1,283,285
Debt service:				
Principal	2,760,000	2,811,333	2,176,421	634,912
Interest and fees	1,242,768	1,242,768	1,288,858	(46,090)
Contingency	700,000	39,726	-	39,726
Total expenditures	54,682,547	61,918,541	51,447,735	10,470,806
Revenues over (under) expenditures	(2,287,703)	(9,117,960)	3,781,260	12,899,220
Other Financing Sources (Uses):				
Issuance of long-term debt	-	2,120,000	2,105,331	(14,669)
Transfers in	1,000,000	2,647,281	2,647,281	-
Transfers (out)	(1,801,298)	(9,179,807)	(9,179,807)	-
Total other financing sources (uses)	(801,298)	(4,412,526)	(4,427,195)	(14,669)
Revenues and other financing sources over (under) expenditures and other financing uses	(3,089,001)	(13,530,486)	(645,935)	12,884,551
Appropriated fund balance	3,089,001	13,530,486	-	(13,530,486)
Net change in fund balance	\$ -	\$ -	(645,935)	\$ (645,935)
Reconciliation from Budgetary Basis of Accounting to Modified Accrual Basis:				
Current year note receivable payments			(200,000)	
Net change in fund balance modified accrual			(845,935)	
Fund Balance:				
Fund balance, beginning			32,175,509	
End of year - June 30			\$ 31,329,574	

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, 2021**

	General Fund			
	Budgeted Amounts			Variance with Final Budget Over/Under
	Original	Final	Actual	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Revenue			\$ 552	
Transfer to other funds			(1,464,424)	
Transfer from other funds			2,621,327	
Fund balance, beginning of year - Capital Reserve Fund			<u>4,925,613</u>	
Fund balance, end of year - Combined General Fund			\$ 37,412,642	

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

CITY OF HICKORY, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	Business-Type Activities					Governmental Activities
	Water and Sewer Fund	Transportation Fund	Solid Waste Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets:						
Current assets:						
Cash and cash equivalents	\$ 34,193,984	\$ 2,259,836	\$ 2,705,733	\$ 1,588,987	\$ 40,748,540	\$ 6,058,322
Accounts receivable, net	3,349,953	125,706	241,887	536	3,718,082	6,102
Inventory	417,896	44,645	-	-	462,541	139,322
Due from other governments	319,501	31,570	25,016	37,110	413,197	74,584
Prepaid items	51,447	417	-	873	52,737	5,004
Restricted cash	686,730	5,647	-	-	692,377	-
Total current assets	39,019,511	2,467,821	2,972,636	1,627,506	46,087,474	6,283,334
Non-current assets:						
Land and construction in progress	15,922,919	14,396,716	-	145,024	30,464,659	-
Other capital assets, net of depreciation	111,607,269	3,300,319	2,068,167	5,220,515	122,196,270	139,445
Total non-current assets	127,530,188	17,697,035	2,068,167	5,365,539	152,660,929	139,445
Total assets	166,549,699	20,164,856	5,040,803	6,993,045	198,748,403	6,422,779
Deferred Outflows of Resources:						
OPEB deferrals	504,089	48,009	172,830	4,800	729,728	57,611
Pension deferrals	1,114,922	121,460	348,346	26,046	1,610,774	134,712
Total deferred outflows of resources	1,619,011	169,469	521,176	30,846	2,340,502	192,323
Liabilities:						
Current liabilities:						
Accounts payable and accrued liabilities	2,744,918	189,490	217,306	136,837	3,288,551	1,557,836
Current portion of long-term debt	2,479,803	28,039	225,792	497	2,734,131	18,461
Due to other funds	-	20,555	-	-	20,555	1,477,714
Prepaid fees	110,027	-	-	-	110,027	-
Liabilities to be paid from restricted assets:						
Customer deposits	686,730	5,647	-	-	692,377	-
Total current liabilities	6,021,478	243,731	443,098	137,334	6,845,641	3,054,011
Non-current liabilities due in more than one year:						
Net pension liability	2,060,533	223,400	634,466	48,891	2,967,290	240,120
Total OPEB liability	3,210,187	305,731	1,100,637	30,574	4,647,129	366,879
Compensated absences payable	318,888	39,277	65,621	179	423,965	18,084
Due to other funds	-	780,052	-	-	780,052	-
Non-current portion of long-term debt	19,281,858	-	268,778	-	19,550,636	-
Total non-current liabilities	24,871,466	1,348,460	2,069,502	79,644	28,369,072	625,083
Total liabilities	30,892,944	1,592,191	2,512,600	216,978	35,214,713	3,679,094
Deferred Inflows of Resources:						
OPEB deferrals	862,969	82,188	295,875	8,219	1,249,251	98,625
Pension deferrals	19,897	3,398	16,909	(398)	39,806	12,550
Total deferred inflows of resources	882,866	85,586	312,784	7,821	1,289,057	111,175
Net Position:						
Net investment in capital assets	105,465,649	17,697,035	2,068,167	5,365,539	130,596,390	139,445
Unrestricted	30,927,251	959,513	668,428	1,433,553	33,988,745	2,685,388
Total net position	\$ 136,392,900	\$ 18,656,548	\$ 2,736,595	\$ 6,799,092	\$ 164,585,135	\$ 2,824,833
Total net position - proprietary funds presentation					\$ 164,585,135	
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds					(413,561)	
Net position of business-type activities - government-wide					\$ 164,171,574	

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, 2021

	Business-Type Activities					Governmental Activities
	Water and Sewer Fund	Transportation Fund	Solid Waste Fund	Other Enterprise Funds	Total	Internal Service Funds
Operating Revenues:						
Other taxes	\$ -	\$ -	\$ 30,525	\$ -	\$ 30,525	\$ -
Restricted intergovernmental	-	10,400	-	1,956,816	1,967,216	-
Charges for services	28,777,645	2,756,572	6,332,685	4,127	37,871,029	9,607,438
Other operating revenues	865,529	-	6,386	-	871,915	5,881
Total operating revenues	29,643,174	2,766,972	6,369,596	1,960,943	40,740,685	9,613,319
Operating Expenses:						
Administration and engineering	9,277,810	-	-	121,527	9,399,337	-
Collection system	1,951,933	-	-	-	1,951,933	-
Henry Fork plant	1,085,893	-	-	-	1,085,893	-
Northeast plant	1,045,957	-	-	-	1,045,957	-
Water treatment plant	2,337,949	-	-	-	2,337,949	-
Pre-treatment and lab	556,242	-	-	-	556,242	-
Distribution	3,140,797	-	-	-	3,140,797	-
Sludge plant	-	-	-	1,731,482	1,731,482	-
Street	-	-	-	50,548	50,548	-
Drainage maintenance	-	-	-	89,699	89,699	-
Claremont sewer lines	354,953	-	-	-	354,953	-
Hickory-Catawba wastewater treatment plant	421,763	-	-	-	421,763	-
Airport	-	642,927	-	-	642,927	-
Airport tower	-	16,751	-	-	16,751	-
Airport FBO	-	748,614	-	-	748,614	-
Recycling	-	-	3,795,273	-	3,795,273	-
Residential sanitation	-	-	969,613	-	969,613	-
Commercial sanitation	-	-	1,032,117	-	1,032,117	-
Health insurance	-	-	-	-	-	5,556,479
Property/casualty insurance	-	-	-	-	-	738,914
Workers' compensation	-	-	-	-	-	579,372
Dental insurance	-	-	-	-	-	438,577
Other insurance	-	-	-	-	-	83,701
Fleet maintenance	-	-	-	-	-	2,887,200
Depreciation	5,461,352	362,835	533,410	598,258	6,955,855	58,619
Total operating expenses	25,634,649	1,771,127	6,330,413	2,591,514	36,327,703	10,342,862
Operating income (loss)	4,008,525	995,845	39,183	(630,571)	4,412,982	(729,543)

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, 2021**

	Business-Type Activities					Governmental Activities
	Water and Sewer Fund	Transportation Fund	Solid Waste Fund	Other Enterprise Funds	Total	Internal Service Funds
Non-Operating						
Revenues (Expenses):						
Donations	188,400	-	-	-	188,400	-
Investment earnings	(2,644)	(2,470)	(346)	-	(5,460)	41,500
Miscellaneous	-	118	2,485	-	2,603	-
Gain (loss) on disposal of capital assets	15,780	-	109,161	-	124,941	-
Interest on long-term debt	(541,081)	-	-	-	(541,081)	-
Total non-operating revenues (expenses)	(339,545)	(2,352)	111,300	-	(230,597)	41,500
Income (loss) before capital contributions and transfers	3,668,980	993,493	150,483	(630,571)	4,182,385	(688,043)
Capital Contributions:						
Capital contributions	430,239	905,179	-	-	1,335,418	-
Non-cash transfer of assets	-	-	27,658	-	27,658	-
Transfers:						
Transfers from other funds	305,855	1,588,555	-	322,573	2,216,983	30,000
Transfers (to) other funds	(4,874,451)	(1,172,808)	(30,000)	-	(6,077,259)	-
Change in net position	(469,377)	2,314,419	148,141	(307,998)	<u>\$ 1,685,185</u>	(658,043)
Net Position:						
Net position, beginning	<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>
End of year - June 30	<u>\$ 136,392,900</u>	<u>\$ 18,656,548</u>	<u>\$ 2,736,595</u>	<u>\$ 6,799,092</u>		<u>\$ 2,824,833</u>
Reconciliation with Exhibit B - Change in Net Position - Business-Type Activities:						
Change in net position - fund perspective					\$ 1,685,185	
Internal Service Fund profits allocated to business-type activities					<u>(195,268)</u>	
Change in net position - entity-wide perspective - Exhibit B					<u>\$ 1,489,917</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, 2021

	Business-Type Activities				Governmental Activities	
	Water and Sewer Fund	Transportation Fund	Solid Waste Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash Flows from Operating Activities:						
Cash received from customers and users	\$ 29,545,855	\$ 2,685,385	\$ 6,362,348	\$ 1,967,218	\$ 40,560,806	\$ 9,616,799
Cash paid to suppliers	(14,512,845)	(1,193,185)	(3,869,600)	(1,900,802)	(21,476,432)	(8,773,796)
Cash paid to employees	(5,467,721)	(688,949)	(1,906,529)	(96,138)	(8,159,337)	(590,511)
Net cash provided (used) by operating activities	9,565,289	803,251	586,219	(29,722)	10,925,037	252,492
Cash Flows from Non-Capital Financing Activities:						
Donations	188,400	-	-	-	188,400	-
Changes in due to/from other funds	-	205,050	-	-	205,050	187,669
Transfers from other funds	305,855	1,588,555	-	322,573	2,216,983	30,000
Transfers (to) other funds	(4,874,451)	(1,172,808)	(30,000)	-	(6,077,259)	-
Net cash provided (used) by non-capital financing activities	(4,380,196)	620,797	(30,000)	322,573	(3,466,826)	217,669
Cash Flows from Capital and Related Financing Activities:						
Acquisition and construction of capital assets	(9,275,856)	(748,278)	(806,170)	(44,761)	(10,875,065)	(95,506)
Proceeds from sale of assets	15,780	-	109,161	-	124,941	-
Principal paid on long-term debt	(13,104,004)	-	(70,731)	-	(13,174,735)	-
Interest paid on long-term debt	(524,124)	-	-	-	(524,124)	-
Proceeds from debt issued	10,784,018	-	509,264	-	11,293,282	-
Capital contributions	-	905,179	-	-	905,179	-
Net cash provided (used) by capital and related financing activities	(12,104,186)	156,901	(258,476)	(44,761)	(12,250,522)	(95,506)
Cash Flows from Investing Activities:						
Interest on investments	(2,644)	(2,470)	(346)	-	(5,460)	41,500
Net cash provided (used) by investing activities	(2,644)	(2,470)	(346)	-	(5,460)	41,500
Net increase (decrease) in cash and cash equivalents	(6,921,737)	1,578,479	297,397	248,090	(4,797,771)	416,155
Cash and Cash Equivalents:						
Beginning of year - July 1	41,802,451	687,004	2,408,336	1,340,897	46,238,688	5,642,167
End of year - June 30	\$ 34,880,714	\$ 2,265,483	\$ 2,705,733	\$ 1,588,987	\$ 41,440,917	\$ 6,058,322

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, 2021

	Business-Type Activities					Governmental Activities
	Water and Sewer Fund	Transportation Fund	Solid Waste Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ 4,008,525	\$ 995,845	\$ 39,183	\$ (630,571)	\$ 4,412,982	\$ (729,543)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	5,461,352	362,835	533,410	598,258	6,955,855	58,619
Change in net pension liability	529,208	57,505	164,071	12,466	763,250	62,733
Change in assets and liabilities:						
(Increase) decrease in accounts receivables	(111,093)	(74,349)	(22,176)	8,443	(199,175)	10,788
(Increase) decrease in prepaid items	12,820	1,633	75	1,045	15,573	162,755
(Increase) decrease in inventories	19,360	-	-	-	19,360	3,946
Change in deferred outflows for pensions	(218,584)	(23,751)	(67,768)	(5,149)	(315,252)	(25,911)
Change in deferred inflows for pensions	(253,245)	(24,119)	(8,340)	(2,413)	(288,117)	(3,189)
Change in deferred outflows for OPEB	(26,902)	(2,923)	(86,827)	(634)	(117,286)	(28,942)
Change in deferred inflows for OPEB	510,821	48,650	175,139	4,865	739,475	58,380
Increase (decrease) in accounts payable	(122,919)	(497,400)	(46,098)	(12,500)	(678,917)	713,013
Increase (decrease) in compensated absences	55,015	(3,642)	12,810	(553)	63,630	5,550
Change in total OPEB liability	(312,843)	(29,795)	(107,260)	(2,979)	(452,877)	(35,753)
Increase (decrease) in customer deposits	(12,412)	(7,238)	-	-	(19,650)	-
Increase (decrease) in prepaid fees	26,186	-	-	-	26,186	46
Net cash provided (used) by operating activities	\$ 9,565,289	\$ 803,251	\$ 586,219	\$ (29,722)	\$ 10,925,037	\$ 252,492
Non-Cash Transactions:						
Transfer of capital assets from other funds	\$ -	\$ -	\$ 27,658	\$ -	\$ 27,658	\$ -
Contribution of assets from developers	\$ 430,239	\$ -	\$ -	\$ -	\$ 430,239	\$ -

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, 2021

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, 2021

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.

American Rescue Plan Act Fund - The American Rescue Plan Act Fund is used to account for the receipt of federal grant funds distributed through the Federal American Rescue Plan (ARP). This program was designed in response to the negative economic impacts suffered by local governments due to the COVID-19 pandemic.

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

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

related cash flows. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

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

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

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

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

1. Deposits and Investments

All deposits of the City with banks and savings associations are made in Board-designated official depositories and are secured as required by North Carolina G.S. 159-31. The City may designate as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit. G.S. 159-30 authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The City's investments are generally reported at fair value. The NCCMT Government Portfolio, an SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is 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 \$32,227,880 on June 30, 2021.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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.

Advance from grantor in the American Rescue Plan Act Fund is classified as restricted assets because its use is restricted to the purpose for which the grant was issued.

Restricted cash balance of the City on June 30, 2021 are as follows:

Governmental Activities:

General Fund:

Customer deposits	\$ 77,920
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General Capital Projects Fund:

Unexpended debt proceeds	196,651
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American Rescue Plan Act Fund:

Advance from grantor	4,118,501
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Total governmental activities	<u>\$ 4,393,072</u>
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Business-Type Activities:

Water and Sewer Fund:

Customer deposits	\$ 686,730
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Transportation Fund:

Customer deposits	5,647
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Total business-type activities	<u>\$ 692,377</u>
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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, 2021

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, 2020.

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, 2021

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

Asset	Estimated Useful Lives
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, 2021

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>
<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.	\$ 1,744,000
<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.	137,079
<i>Prepays</i> – portion of fund balance that is not an available resource because it represents prepaid amounts, which are not spendable resources.	<u>852,484</u>
Total	<u>\$ 2,733,563</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by state statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by state statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

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 \$196,651 in unspent bond proceeds at June 30, 2021.

Restricted fund balance at June 30, 2021 is as follows:

Purpose	General Fund	General Capital Projects Fund	Total
Restricted, all other:			
Economic development	\$ 900,000	\$ 17,173,931	\$ 18,073,931
Public safety	384,417	-	384,417
Total	\$ 1,284,417	\$ 17,173,931	\$ 18,458,348

Restricted net position on Exhibit A varies from restricted fund balance on Exhibit C by the amount of unspent bond proceeds of \$196,651 at June 30, 2021.

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.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Committed for Capital Projects – represents the portion of fund balance committed by the governing body for future capital related activities and projects.

Committed fund balance at June 30, 2021 is as follows:

Purpose	General Fund	Other Governmental Funds	Total
Economic development	\$ -	\$ 108,484	\$ 108,484
Capital projects	6,083,068	-	6,083,068
Total	<u>\$ 6,083,068</u>	<u>\$ 108,484</u>	<u>\$ 6,191,552</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, 2021 is as follows:

Purpose	General Fund	Total
Subsequent year's expenditures	\$ 1,572,085	\$ 1,572,085
Fuel	669,675	669,675
Total	<u>\$ 2,241,760</u>	<u>\$ 2,241,760</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, 2021

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

Total Fund Balance - General Fund	\$ 37,412,642
Less:	
Prepays	(852,484)
Inventory	(137,079)
Notes receivable	(1,744,000)
Stabilization by state statute	(9,454,946)
Public safety	(384,417)
Economic development	(900,000)
Capital projects	(6,083,068)
Appropriated fund balance in 2022 budget	(1,572,085)
Fuel	(669,675)
Fund balance policy - 25% of budgeted expenditures	<u>(15,479,635)</u>
Remaining fund balance	<u><u>\$ 135,253</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>\$ 4,103,275</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, 2021

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:

Fund Balance, Ending Exhibit F	\$ 31,329,574
Capital Reserve Fund:	
Investment earnings	552
Transfers in/out	1,156,903
Fund balance, beginning, previously reported	<u>4,925,613</u>
Fund Balance, Ending Exhibit D	<u>\$ 37,412,642</u>

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

The details of this difference are as follows:

Installment purchase payable	\$ 9,309,974
General obligation bonds	27,750,000
Unamortized premium	2,955,561
Compensated absences	2,573,897
Less: effect of Internal Service Fund	<u>(36,545)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 42,552,887</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021

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, 2021, the carrying amount of the City's deposits with banks was \$23,782,461. Balances with banks equaled \$24,238,653. Of the bank balances, \$500,000 was covered by federal depository insurance, and \$23,738,653 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 \$10,182.

B. Investments

At June 30, 2021, the City's investments consisted of the following:

Investment Type	Valuation	Book Value	Less Than 6 Months	6-12 Months	1-3 Years	4-5 Years
	Measurement Method					
US government agencies	Fair Value-Level 1	\$ 32,227,880	\$ -	\$ 1,641,843	\$ 18,133,080	\$ 12,452,958
Commercial paper	Fair Value-Level 1	9,997,706	9,997,706	-	-	-
NC Capital Management Trust:						
Government Portfolio	Fair Value-Level 1	38,804,738	38,804,738	-	-	-
Total investments		<u>\$ 81,030,324</u>	<u>\$ 48,802,444</u>	<u>\$ 1,641,843</u>	<u>\$ 18,133,080</u>	<u>\$ 12,452,958</u>

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, 2021

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 and AAA-mf by Moody's Investors Service as of June 30, 2021. 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. The Commercial Paper is a mixture of investments in Bayerische Landesbank, Natixis and Credit Suisse. All of the City of Hickory's investments are rated A-1, P-1, and F-1 by Standard and Poor's, Moody's, and Fitch Ratings.

Custodial Credit Risk. For an investment, the custodial risk is the risk that in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk. The City places no limit on the amount that the City may invest in any one issuer. More than 40% of the City's investments are in Federal Home Loan Bank securities, Federal National Mortgage Association securities, Federal Home Loan Mortgage Corporation, and Federal Farm Credit Bank securities. These investments are 6%, 20%, 6%, and 8%, respectively, of the City's total investments.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Note 5 – Receivables

A. Detail

Receivables at the government-wide level at June 30, 2021 were as follows:

	<u>Taxes</u>	<u>Accounts</u>	<u>Notes</u>	<u>Due From Other Governments</u>	<u>Total</u>
Governmental Activities:					
General	\$ 924,039	\$ 531,564	\$ 1,744,000	\$ 3,804,381	\$ 7,003,984
General capital projects	-	3,655,970	-	310,242	3,966,212
Other governmental	-	677,414	-	776	678,190
Total receivables	924,039	4,864,948	1,744,000	4,115,399	11,648,386
Allowance for doubtful accounts	(484,268)	(104,077)	-	-	(588,345)
Total governmental activities	<u>\$ 439,771</u>	<u>\$ 4,760,871</u>	<u>\$ 1,744,000</u>	<u>\$ 4,115,399</u>	<u>\$ 11,060,041</u>
Business-Type Activities:					
Water and sewer	\$ -	\$ 3,443,268	\$ -	\$ 319,501	\$ 3,762,769
Transportation	-	125,706	-	31,570	157,276
Solid waste	-	264,288	-	25,016	289,304
Other	-	536	-	37,110	37,646
Total receivables	-	3,833,798	-	413,197	4,246,995
Allowance for doubtful accounts	-	(115,716)	-	-	(115,716)
Total business-type activities	<u>\$ -</u>	<u>\$ 3,718,082</u>	<u>\$ -</u>	<u>\$ 413,197</u>	<u>\$ 4,131,279</u>

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

Governmental activities	\$ 4,115,399
Business-type activities	413,197
Total due from other governmental agencies	<u>\$ 4,528,596</u>
Local option sales tax	\$ 2,282,440
County tax collections	75,906
Federal grants	2,170,250
Total due from other governmental agencies	<u>\$ 4,528,596</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021 were as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2022	\$ 244,347
2023	238,467
2024	232,587
2025	232,587
2026	232,587
2027-2029	567,947
Total minimum lease receipts	1,748,522
Less amount representing interest	(70,522)
Present value of net minimum lease receipts	<u>\$ 1,678,000</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021. 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	\$ 3,061,176
Benefit payments and administrative expenses for LEOSA and OPEB	854,711
Differences between expected and actual experience	2,215,567
Changes of assumptions	4,734,365
Changes in proportion and differences between City contributions and proportionate share of contributions	112,065
Net difference between projected and actual changes in proportion and differences between employer contributions and proportionate share of contributions	2,196,459
Total	<u>\$ 13,174,343</u>

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

Prepaid taxes (General Fund)	\$ 8,790
Taxes receivable, less penalties (General Fund)	439,771
Economic development receivable (Community Development Entitlement Block Grant Fund)	419,930
Changes of assumptions	1,533,110
Differences between expected and actual experience	4,005,251
Changes in proportion and differences between employer contributions and proportionate share of contributions	272,288
Total	<u>\$ 6,679,140</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Note 6 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021 was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental Activities:					
<i>Non-Depreciable Capital Assets:</i>					
Land	\$ 12,870,898	\$ 1,942,734	\$ -	\$ -	\$ 14,813,632
Construction in progress	37,427,977	25,882,917	-	-	63,310,894
Total assets non-depreciable	<u>50,298,875</u>	<u>27,825,651</u>	<u>-</u>	<u>-</u>	<u>78,124,526</u>
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	48,809,813	2,127,152	-	-	50,936,965
Equipment	12,974,435	849,528	(653,124)	-	13,170,839
Vehicles	17,501,068	987,009	(797,953)	(30,731)	17,659,393
Road network	58,400,349	162,323	-	-	58,562,672
Total depreciable assets	<u>137,685,665</u>	<u>4,126,012</u>	<u>(1,451,077)</u>	<u>(30,731)</u>	<u>140,329,869</u>
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	32,079,541	1,534,439	-	-	33,613,980
Equipment	9,704,598	1,075,085	(649,589)	-	10,130,094
Vehicles	13,524,933	1,634,210	(787,399)	(3,073)	14,368,671
Road network	48,566,828	942,334	-	-	49,509,162
Total accumulated depreciation	<u>103,875,900</u>	<u>5,186,068</u>	<u>(1,436,988)</u>	<u>(3,073)</u>	<u>107,621,907</u>
Total depreciable assets, net	<u>33,809,765</u>	<u>(1,060,056)</u>	<u>(14,089)</u>	<u>(27,658)</u>	<u>32,707,962</u>
Governmental activities capital assets, net	<u>\$ 84,108,640</u>	<u>\$ 26,765,595</u>	<u>\$ (14,089)</u>	<u>\$ (27,658)</u>	<u>\$ 110,832,488</u>
Business-Type Activities:					
Water and Sewer:					
<i>Non-Depreciable Capital Assets:</i>					
Land	\$ 1,430,368	\$ 437,509	\$ -	\$ -	\$ 1,867,877
Construction in progress	13,053,743	1,001,299	-	-	14,055,042
Total non-depreciable assets	<u>14,484,111</u>	<u>1,438,808</u>	<u>-</u>	<u>-</u>	<u>15,922,919</u>
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	47,151,009	223,304	-	-	47,374,313
Equipment	9,348,170	1,803,609	(30,088)	(37,342)	11,084,349
Vehicles	3,251,189	135,364	(35,431)	-	3,351,122
Operating plants	37,813,328	-	-	-	37,813,328
Water lines	41,003,105	4,783,487	-	-	45,786,592
Sewer lines	61,007,697	1,321,523	-	-	62,329,220
Total depreciable assets	<u>199,574,498</u>	<u>8,267,287</u>	<u>(65,519)</u>	<u>(37,342)</u>	<u>207,738,924</u>
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	23,771,423	1,366,244	-	-	25,137,667
Equipment	4,443,310	1,033,694	(30,088)	(37,342)	5,409,574
Vehicles	2,571,537	299,425	(35,431)	-	2,835,531
Operating plants	18,723,474	572,756	-	-	19,296,230
Water lines	15,245,651	947,868	-	-	16,193,519
Sewer lines	26,017,769	1,241,365	-	-	27,259,134
Total accumulated depreciation	<u>90,773,164</u>	<u>5,461,352</u>	<u>(65,519)</u>	<u>(37,342)</u>	<u>96,131,655</u>
Total depreciable assets, net	<u>108,801,334</u>	<u>2,805,935</u>	<u>-</u>	<u>-</u>	<u>111,607,269</u>
Water and Sewer capital assets, net	<u>123,285,445</u>	<u>4,244,743</u>	<u>-</u>	<u>-</u>	<u>127,530,188</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Business-Type Activities (continued):					
Sludge Composting:					
<i>Non-Depreciable Capital Assets:</i>					
Land	145,024	-	-	-	145,024
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	10,551,287	44,761	-	-	10,596,048
Equipment	93,873	-	-	-	93,873
Total depreciable assets	10,645,160	44,761	-	-	10,689,921
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	8,974,898	334,735	-	-	9,309,633
Equipment	93,873	-	-	-	93,873
Total accumulated depreciation	9,068,771	334,735	-	-	9,403,506
Total depreciable assets, net	1,576,389	(289,974)	-	-	1,286,415
Sludge composting capital assets, net	1,721,413	(289,974)	-	-	1,431,439
Stormwater:					
<i>Depreciable Capital Assets:</i>					
Curb and gutter	17,268,263	-	-	-	17,268,263
Improvements	3,200,427	-	-	-	3,200,427
Total depreciable assets	20,468,690	-	-	-	20,468,690
<i>Less Accumulated Depreciation:</i>					
Curb and gutter	16,147,216	66,486	-	-	16,213,702
Improvements	123,851	197,037	-	-	320,888
Total accumulated depreciation	16,271,067	263,523	-	-	16,534,590
Stormwater capital assets, net	4,197,623	(263,523)	-	-	3,934,100
Transportation:					
<i>Non-Depreciable Capital Assets:</i>					
Land	3,799,842	-	-	-	3,799,842
Land improvements	7,068,587	-	-	-	7,068,587
Construction in progress	2,849,645	678,642	-	-	3,528,287
Total non-depreciable assets	13,718,074	678,642	-	-	14,396,716
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	9,136,515	-	-	-	9,136,515
Equipment	2,182,180	69,636	-	-	2,251,816
Vehicles	518,994	-	-	-	518,994
Total depreciable assets	11,837,689	69,636	-	-	11,907,325
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	5,815,881	276,761	-	-	6,092,642
Equipment	2,102,077	30,994	-	-	2,133,071
Vehicles	326,213	55,080	-	-	381,293
Total accumulated depreciation	8,244,171	362,835	-	-	8,607,006
Total depreciable assets, net	3,593,518	(293,199)	-	-	3,300,319
Transportation capital assets, net	17,311,592	385,443	-	-	17,697,035

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Business-Type Activities (continued):					
Solid Waste:					
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	259,410	-	-	-	259,410
Equipment	1,105,870	55,486	(52,703)	37,342	1,145,995
Vehicles	6,061,625	750,684	(459,299)	30,731	6,383,741
Total depreciable assets	<u>7,426,905</u>	<u>806,170</u>	<u>(512,002)</u>	<u>68,073</u>	<u>7,789,146</u>
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	215,519	2,373	-	-	217,892
Equipment	916,739	41,898	(52,703)	37,342	943,276
Vehicles	4,526,898	489,139	(459,299)	3,073	4,559,811
Total accumulated depreciation	<u>5,659,156</u>	<u>533,410</u>	<u>(512,002)</u>	<u>40,415</u>	<u>5,720,979</u>
Solid waste capital assets, net	<u>1,767,749</u>	<u>\$ 272,760</u>	<u>\$ -</u>	<u>\$ 27,658</u>	<u>2,068,167</u>
Business-type activities capital assets, net	<u>\$ 148,283,822</u>				<u>\$ 152,660,929</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 859,182
Public safety	2,136,187
Transportation	932,273
Economic and physical development	8,584
Culture and recreation	1,221,955
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	<u>27,887</u>
Total depreciation expense - governmental activities	<u>\$ 5,186,068</u>
Business-Type Activities:	
Water	\$ 2,486,832
Sewer	2,974,520
Sludge composting	334,735
Stormwater	263,523
Transportation	362,835
Solid waste	533,410
Total depreciation expense - business-type activities	<u>\$ 6,955,855</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Construction Commitments

The City has active construction projects as of June 30, 2021. At year-end, the outstanding commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
ARC Grant 9th Ave Dr NW	\$ 1,161,216	\$ -
Airport Hangar Replacement	2,701,062	291,132
ALP/Master Plan Update	386,918	8,165
Bio Solids project	1,748,700	123,270
Bond Program - Administration Cost	345,158	-
Bookwalk	330,457	215,169
Bookwalk South	35,888	32,888
Bookwalk NCDOT EB 5937	392,298	69,068
Bookwalk STH NCDOT EB5938	331,835	66,399
Bruce Meisner Park	1,274,260	548,032
Build 9th/11th St/Bikeped	5,014,169	21,842,315
9th St StrrtScapes EB5977	244,225	13,231
Central Business District	4,894,673	-
City Hall 2nd Floor Renovations	411,022	-
City Walk	18,729,382	3,942,568
Convention Center Renovations	778,831	75,669
Corona Emerg Supp Funding	52,963	-
Design Foundry Bldg Reuse	260,000	-
Enzyme Roadway Infrastructure	4,770,027	1,357,789
Falling Creek Bridge	2,117,506	135,450
Freese and Nichols	2,694,079	23,223
Hwy 321/70 Gateway	670,492	-
Lenoir Rhyne Blvd Gateway	436,847	7,000
Old Lenoir Rd MUTRL EB5911	1,225,699	226,368
Geitner Basin	3,419,103	47,150
JAG 2020	10,785	-
Lackey Park	645,279	142,509
Land Acq/Obst Rem RW 6-24	771,309	104,393
McLin & Lyle Creek WW out	281,250	107,468
Murray Basin Sewerlines	574,869	-
NE Sewer Grant Project	2,733,992	585
North Ramp Reconstuction	83,163	-
One North Center	3,500,000	175,000
Pedestrian Signal Upgrade	92,528	-
Police Grant Project	17,643	-
Police Grant Project	17,369	17,369
PTI Building Reuse	7,234	-
Public Safety Building	266,242	96,687
Ridgeview Library Expansion	1,541,013	286,672
Riding The Rails Bldg ReUse	3,384	-
River Walk	8,829,709	2,219,431
River Walk NCDOT EB 5939	7,817,585	6,821,110
Robinwood Access Road	2,842,628	-
Short Road Sewer	448,868	34,276
Trivium Corporate Center (Business Park 1764)	15,188,751	548,038
Trivium East	54,850	14,180
Union Square	5,945,052	107,244
Wayfinding	472,494	3,750
Total	<u>\$ 106,572,807</u>	<u>\$ 39,703,598</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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	\$ 110,832,488	\$ 152,660,929
Total debt, gross	(40,015,535)	(22,064,539)
Debt for non-capital assets	1,712,385	-
Unexpended proceeds	196,651	-
Total capital debt	<u>(38,106,499)</u>	<u>(22,064,539)</u>
Net investment in capital assets	<u>\$ 72,725,989</u>	<u>\$ 130,596,390</u>

Note 7 – Liabilities

A. Payables

Payables at the government-wide level at June 30, 2021 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:					
General	\$ 2,976,593	\$ 1,351,488	\$ 207,266	\$ 1,223,975	\$ 5,759,322
General Capital Projects Fund	2,451,046	-	-	-	2,451,046
Other governmental	211,983	-	-	-	211,983
Total payables	<u>\$ 5,639,622</u>	<u>\$ 1,351,488</u>	<u>\$ 207,266</u>	<u>\$ 1,223,975</u>	<u>\$ 8,422,351</u>
Business-Type Activities:					
Water and sewer	\$ 2,450,610	\$ 161,817	\$ 132,292	\$ 199	\$ 2,744,918
Transportation	165,182	24,308	-	-	189,490
Solid waste	168,174	45,342	-	3,790	217,306
Other business-type	133,116	3,721	-	-	136,837
Total payables	<u>\$ 2,917,082</u>	<u>\$ 235,188</u>	<u>\$ 132,292</u>	<u>\$ 3,989</u>	<u>\$ 3,288,551</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021, lease expenditures totaled \$9,446. Future minimum lease payments under the above leases as of June 30, 2021 are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2022	\$ 42,835
2023	34,399
2024	<u>14,007</u>
Total minimum lease payments	<u>\$ 91,241</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.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

<u>Installment Purchase Agreement</u>	<u>Principal Outstanding</u>	<u>Cumulative Fund Total</u>
Serviced by General Fund:		
\$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	\$ 1,558,387	
\$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.	287,500	
\$140,352 Fire Chest Compression System installment purchase agreement due in annual installments of \$60,088 principal through March 2, 2023.	60,089	
\$7,500,000 2020 Financing for Various City Projects installment agreement due in semi-annual installments of \$250,000 principal plus interest at 1.69% through December 16, 2035.	7,250,000	
\$205,331 2020 Equipment lease installment purchase agreement due in annual installments of \$54,999 principal plus interest at 4.8% through September 1, 2024; non-capital debt for the City of Hickory	<u>153,998</u>	<u>9,309,974</u>
Serviced by the Water and Sewer Fund:		
\$9,500,000 2005 Henry River basin sewer line installment purchase agreement due in semi-annual installments of \$237,500 principal plus interest at 3.55% through May 19, 2015; rate will reset on May 20, 2015 for another 10-year period; refinanced in April 2012 and reduced interest rate to 3.19% through May 19, 2025	1,900,000	
\$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>5,037,706</u>	<u>6,937,706</u>
Serviced by the Solid Waste Fund:		
\$509,264 Equipment lease installment purchase agreement due in monthly installments of \$14,146 principal plus interest through 2023	<u>438,533</u>	<u>438,533</u>
Total		<u>\$ 16,686,213</u>

The City's outstanding note from direct placements related to governmental activities of \$1,558,387 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 \$287,500 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 \$60,089 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.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The City's outstanding note from direct placements related to governmental activities of \$7,250,000 is secured by a deed of trust loan agreement with Truist Bank for various City projects. 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 \$153,998 is a secured loan agreement with Dell Financial for police laptops. 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 \$1,900,000 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 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 \$5,037,706 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.

The City's outstanding note from direct placements related to governmental activities of \$438,533 is secured by a loan agreement with DeLage Landen Financial for equipment. 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.

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 amount was refinanced on June 15, 2021 at a rate of 1.75%. The City currently owes \$10,635,000 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 \$10,635,000 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

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

\$40,057 with no interest. The City currently owes \$360,516 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 \$360,516 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 \$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 \$1,159,485 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 \$1,159,485 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 \$2,533,299 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 \$2,533,299 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>
Serviced by General Fund:		
\$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.	\$ 13,500,000	
\$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>14,250,000</u>	<u>\$ 27,750,000</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

5. Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2021:

	Long-Term Debt			Long-Term Debt	Due Within
	June 30, 2020	Additions	Retirements	June 30, 2021	One Year
Governmental Activities:					
Accrued liability law enforcement officers'					
Total pension liability (LEOSSA)	\$ 3,582,170	\$ 1,315,203	\$ -	\$ 4,897,373	\$ -
Compensated absences	2,461,240	1,485,363	1,372,706	2,573,897	1,235,435
Total OPEB liability	16,977,647	-	1,507,600	15,470,047	-
Bonds payable:					
General obligation bonds	29,250,000	-	1,500,000	27,750,000	1,500,000
Less deferred amounts:					
Issuance discount/premium	3,114,212	-	158,651	2,955,561	158,651
Net pension liability (LGERS)	9,382,989	3,258,088	-	12,641,077	-
Direct placement installment purchase	2,281,064	7,705,331	676,421	9,309,974	926,421
Governmental activities					
long-term liabilities	<u>\$ 67,049,322</u>	<u>\$ 13,763,985</u>	<u>\$ 5,215,378</u>	<u>\$ 75,597,929</u>	<u>\$ 3,820,507</u>
Business-Type Activities:					
Water and Sewer:					
Compensated absences	\$ 399,529	\$ 205,743	\$ 150,728	\$ 454,544	\$ 135,656
Net pension liability (LGERS)	1,531,325	529,208	-	2,060,533	-
Total OPEB liability	3,523,030	-	312,843	3,210,187	-
Direct placement installment purchase	8,438,626	-	1,500,920	6,937,706	1,260,038
Notes from direct borrowings	15,507,366	10,784,018	11,603,084	14,688,300	1,197,280
Water and sewer long-term liabilities	<u>29,399,876</u>	<u>11,518,969</u>	<u>13,567,575</u>	<u>27,351,270</u>	<u>2,592,974</u>
Other Enterprise Funds:					
Compensated absences	181,033	102,587	93,971	189,649	84,572
Net pension liability (LGERS)	672,715	234,042	-	906,757	-
Total OPEB liability	1,576,975	-	140,033	1,436,942	-
Direct placement installment purchase	-	509,264	70,731	438,533	56,585
Other enterprise funds long-term liabilities	<u>2,430,723</u>	<u>845,893</u>	<u>304,735</u>	<u>2,971,881</u>	<u>141,157</u>
Business-type activities					
long-term liabilities	<u>\$ 31,830,599</u>	<u>\$ 12,364,862</u>	<u>\$ 13,872,310</u>	<u>\$ 30,323,151</u>	<u>\$ 2,734,131</u>

Compensated absences and the law enforcement officers' pension liability have typically been liquidated in the General Fund for governmental activities. At June 30, 2021, the City had a legal debt margin of \$362,105,817.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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		Note from		Direct Placement Installment		Total	
	Bonds		Direct Borrowings		Purchase Agreements			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental								
Activities:								
2022	\$ 1,500,000	\$ 1,106,625	\$ -	\$ -	\$ 926,421	\$ 161,501	\$ 2,426,421	\$ 1,268,126
2023	1,500,000	1,031,625	-	-	866,333	145,733	2,366,333	1,177,358
2024	1,500,000	956,625	-	-	808,833	129,965	2,308,833	1,086,590
2025	1,500,000	881,625	-	-	700,000	113,049	2,200,000	994,674
2026	1,500,000	806,625	-	-	700,000	100,639	2,200,000	907,264
2027-2031	7,500,000	2,908,125	-	-	3,058,387	324,631	10,558,387	3,232,756
2032-2036	6,750,000	1,171,499	-	-	2,250,000	95,063	9,000,000	1,266,562
2037-2039	6,000,000	443,626	-	-	-	-	6,000,000	443,626
	<u>27,750,000</u>	<u>9,306,375</u>	<u>-</u>	<u>-</u>	<u>9,309,974</u>	<u>1,070,580</u>	<u>37,059,974</u>	<u>10,376,955</u>
Business-Type								
Activities:								
2022	-	-	1,197,280	224,665	1,316,623	140,312	2,513,903	364,977
2023	-	-	1,167,280	227,357	1,331,960	117,041	2,499,240	344,398
2024	-	-	1,162,280	207,825	1,276,918	93,420	2,439,198	301,245
2025	-	-	1,157,280	188,383	1,193,940	69,442	2,351,220	257,825
2026	-	-	1,152,280	169,026	735,352	47,079	1,887,632	216,105
2027-2031	-	-	5,626,342	558,381	1,521,446	43,415	7,147,788	601,796
2032-2036	-	-	2,761,916	134,133	-	-	2,761,916	134,133
2037-2038	-	-	463,642	11,544	-	-	463,642	11,544
	<u>-</u>	<u>-</u>	<u>14,688,300</u>	<u>1,721,314</u>	<u>7,376,239</u>	<u>510,709</u>	<u>22,064,539</u>	<u>2,232,023</u>
Total	<u>\$ 27,750,000</u>	<u>\$ 9,306,375</u>	<u>\$ 14,688,300</u>	<u>\$ 1,721,314</u>	<u>\$ 16,686,213</u>	<u>\$ 1,581,289</u>	<u>\$ 59,124,513</u>	<u>\$ 12,608,978</u>

Note 8 – Pension Plan Obligations

A. Local Government Employees' Retirement System

1. Description

The City of Hickory is a participating employer in the statewide 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, 2021

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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The state's ACFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

2. Benefits Provided

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

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

3. Contributions

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Hickory employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Hickory's contractually required contribution rate for the year ended June 30, 2021, was 10.9% of compensation for law enforcement officers and 10.15% 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 \$3,061,176 for the year ended June 30, 2021.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021, the City reported a liability of \$15,608,367 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2020 (measurement date), the City's proportion was 0.437%, which was an increase of 0.013% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized pension expense of \$5,217,116. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,971,064	\$ -
Changes of assumptions	1,161,569	-
Net difference between projected and actual earnings on pension plan investments	2,196,459	-
Changes in proportion and differences between City contributions and proportionate share of contributions	112,065	272,288
City contributions subsequent to the measurement date	3,061,176	-
Total	<u>\$ 8,502,333</u>	<u>\$ 272,288</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

\$3,061,176 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, 2022. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Amount
2022	\$ 1,408,456
2023	1,946,249
2024	1,164,124
2025	650,040
2026	-
Thereafter	-
Total	<u>\$ 5,168,869</u>

5. Actuarial Assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

inflation	5.0 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, 2019 valuation, with the exception of the discount rate, were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2020 are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 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:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	<u>\$ 31,667,677</u>	<u>\$ 15,608,367</u>	<u>\$ 2,261,952</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

8. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report (ACFR) 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, 2019, the Separation Allowance's membership consisted of:

Retirees currently receiving benefits	17
Non-vested	<u>113</u>
Total	<u><u>130</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, 2019 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	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2019 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 ended December 31, 2019.

Mortality Assumption: All mortality rates use Pub-2010 amount-weighted tables.

Mortality Projection: All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

Deaths After Retirement (Healthy): Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

Deaths After Retirement (Disabled Members at Retirement): Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are Set Back 3 years for all ages.

Deaths After Retirement (Survivors of Deceased Members): Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are Set Forward 3 years. Rates for female members are Set Forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

Deaths Prior To Retirements: Mortality rates are based on the Safety Mortality Table for Employees.

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 \$289,717 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, 2021, the City reported a total pension liability of \$4,897,373. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the City recognized pension expense of \$568,752.

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Benefit payments and administrative costs subsequent to measurement date	\$ 131,076	\$ -
Changes of assumptions and other inputs	1,218,759	82,266
Differences between expected and actual experience	<u>163,220</u>	<u>48,154</u>
Total	<u><u>\$ 1,513,055</u></u>	<u><u>\$ 130,420</u></u>

\$131,076 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2022	279,896
2023	282,251
2024	219,769
2025	219,675
2026	213,663
Thereafter	<u>36,305</u>
Total	<u><u>\$ 1,251,559</u></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 1.93%, 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 (0.93%) or 1-percentage-point higher (2.93%) than the current rate:

	<u>1% Decrease (0.93)</u>	<u>Discount Rate (1.93%)</u>	<u>1% Increase (2.93%)</u>
Total pension liability	<u><u>\$ 5,341,823</u></u>	<u><u>\$ 4,897,373</u></u>	<u><u>\$ 4,492,726</u></u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

Beginning balance	<u>\$ 3,582,170</u>
Service cost	175,313
Interest on the total pension liability	112,056
Difference between expected and actual experience	27,272
Changes of assumptions and other inputs	1,290,279
Benefit payments made	<u>(289,717)</u>
Net change in total pension liability	<u>1,315,203</u>
Ending balance of the total pension liability	<u><u>\$ 4,897,373</u></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, 2021

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	\$ 5,217,116	\$ 568,752	\$ 5,785,868
Pension liability	15,608,367	4,897,373	20,505,740
Proportion of the net pension liability (asset)	0.43679%	N/A	-
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$ 1,971,064	\$ 163,220	\$ 2,134,284
Changes of assumptions	1,161,569	1,218,759	2,380,328
Net difference between projected and actual earnings on pension plan investments	2,196,459	-	2,196,459
Changes in proportion and differences between employer contributions and proportionate share of contributions	112,065	-	112,065
Employer contributions (LGERS) and benefit payments and administration costs (LEOSSA) subsequent to the measurement date	<u>3,061,176</u>	<u>131,076</u>	<u>3,192,252</u>
	<u>\$ 8,502,333</u>	<u>\$ 1,513,055</u>	<u>\$ 10,015,388</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ -	\$ 48,154	\$ 48,154
Changes of assumptions	-	82,266	82,266
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>272,288</u>	<u>-</u>	<u>272,288</u>
	<u>\$ 272,288</u>	<u>\$ 130,420</u>	<u>\$ 402,708</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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The state's ACFR 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, 2021

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, 2021 were \$455,647, which consisted of \$296,648 from the City and \$158,999 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 (LERS) 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, 2021

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, 2020, the date of the latest actuarial valuation:

Retirees receiving benefits	91
Active members	<u>231</u>
Total	<u><u>322</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 2021, 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 \$20,117,176 was measured as of June 30, 2020 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, 2021

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2020 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	3.50 percent
Measurement date	2.21 percent
Healthcare cost trend rates:	
Pre-Medicare	7.00 percent for 2020 decreasing to an ultimate rate of 4.50 percent by 2030
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

	Total OPEB Liability
Balance at July 1, 2020	\$ 22,077,652
Changes for the year:	
Service cost	509,332
Interest	775,704
Differences between expected and actual experience	(4,728,608)
Changes of assumptions or other inputs	2,338,485
Benefit payments	(855,389)
Net changes	(1,960,476)
Balance at June 30, 2021	\$ 20,117,176

Changes in assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 3.50% to 2.21%.

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, 2021

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2020 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, healthcare cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 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 (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	<u>\$ 21,971,663</u>	<u>\$ 20,117,176</u>	<u>\$ 18,421,535</u>

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

	1% Decrease	Current	1% Increase
Total OPEB liability	<u>\$ 18,097,222</u>	<u>\$ 20,117,176</u>	<u>\$ 22,429,088</u>

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$377,540. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 81,283	\$ 3,957,097
Changes of assumptions	2,354,037	1,450,844
Benefit payments and plan administrative expense made subsequent to the measurement date	<u>723,635</u>	<u>-</u>
Total	<u>\$ 3,158,955</u>	<u>\$ 5,407,941</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

\$723,635 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 ending June 30, 2022. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending	
June 30	Total
2022	\$ (917,040)
2023	(917,040)
2024	(687,524)
2025	(372,425)
2026	(78,592)
Thereafter	-
Total	<u>\$ (2,972,621)</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 \$265,845 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, 2021

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 \$958,129 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, 2021</u>	<u>June 30, 2020</u>
Unpaid claims, beginning of fiscal year	\$ 639,914	\$ 862,592
Incurred claims (including IBNRs)	3,253,352	3,496,604
Claim payments	<u>(2,669,292)</u>	<u>(3,719,282)</u>
Unpaid claims, end of fiscal year	<u>\$ 1,223,974</u>	<u>\$ 639,914</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Note 13 – Interfund Activity

The transfers to/from other funds during the year ended June 30, 2021 consist of the following:

From General Fund to Transportation Capital	
Project Fund for capital expenditures for grant matching	\$ 126,132
From General Fund to Transportation Fund for future capital expenditures	256,413
From General Fund to General Capital Project Fund for capital needs	
to close projects	7,111,365
From General Fund to Stormwater Fund for capital expenditures	195,275
From Water and Sewer Fund to General Capital Projects Fund for	
for capital project expenditures	3,663,605
From Water and Sewer Fund to Water Sewer Capital Reserve Fund for capital needs	
for capital needs	757,259
From General Fund to Multi-Year Grant Project Fund for	
grant matching requirements	9,295
From General Fund to Capital Reserve Fund for	
future capital expenditures	1,481,327
From Solid Waste Fund to Fleet Maintenance for operational needs	30,000
From Home Consortium Grant Fund to NCHFA Rental Rehabilitation Grant Fund	
From Multi-Year Grant Project Fund to General Fund to close projects	443
From General Capital Project Fund to General Fund to close projects	1,577,923
From Capital Reserve Fund to Water and Sewer Capital Project Fund	
for future capital expenditures	103,654
From Water and Sewer Fund to Capital Reserve Fund	
for future capital expenditures	1,140,000
From Water and Sewer Fund to Transportation Capital Project Fund for	
grant matching	33,202
From Water and Sewer Fund to Water and Sewer Capital Project Fund for	
capital project expenditures	718,000
From Transportation Fund to Transportation Capital Project Fund	
capital project expenditures	1,172,808
From Water and Sewer Fund to General Fund for operational needs	14,000
From Capital Reserve Fund to General Fund for capital expenditures	1,054,915
From Capital Reserve Fund to Water and Sewer Fund for	
for capital project expenditures	305,855
From Water and Sewer Fund to Stormwater Fund for	
operational needs	127,298
Total interfund transfers	<u>\$ 19,878,769</u>

CITY OF HICKORY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The due to/from other funds at June 30, 2021 consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fleet management	\$ 1,477,714
General Fund	Transportation Fund	800,607
		<u>\$ 2,278,321</u>

These balances 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, 2021, 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.

The City of Hickory was awarded \$4,118,501 on June 29, 2021 from the Federal American Rescue Plan (ARP). The remaining amount of \$4,118,501 is expected to be received within the next 12 months.

During the fiscal year 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic has had significant effects on global markets, supply chains, businesses, and communities. Specific to the City, COVID-19 is expected to impact various parts of its fiscal year 2021-22 operations and financial results. Management believes the City is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as events associated with the pandemic continue to develop.

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, 2021

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 \$48,1367 during the fiscal year ended June 30, 2021.

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 84.5% from the City of Hickory and 15.5% from the City of Conover, for all costs of construction and operations of the facility. The City was required to pay \$1,459,619 for operations for the year ended June 30, 2021. The complete sludge facility financial statements are shown in the financial section under combining and individual fund financial statements and schedules.



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 FIVE FISCAL YEARS*

	Law Enforcement Officers' Special Separation Allowance				
	2021	2020	2019	2018	2017
Beginning balance	\$ 3,582,170	\$ 3,544,975	\$ 3,559,244	\$ 3,190,102	\$ 3,299,125
Service cost	175,313	151,450	164,385	135,028	146,016
Interest on the total pension liability	112,056	124,028	107,935	117,164	112,568
Difference between expected and actual experienc	27,272	(72,110)	138,715	224,590	-
Changes in assumptions or other inputs	1,290,279	109,036	(138,126)	201,909	(75,701)
Benefit payments	(289,717)	(275,209)	(287,178)	(309,549)	(291,906)
Ending balance of the total pension liability	<u>\$ 4,897,373</u>	<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 EMPLOYEE PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST FIVE FISCAL YEARS

	Law Enforcement Officers' Special Separation Allowance				
	2021	2020	2019	2018	2017
Total pension liability	\$ 4,897,373	\$ 3,582,170	\$ 3,544,975	\$ 3,559,244	\$ 3,190,102
Covered employee payroll*	5,855,795	5,431,591	5,441,525	5,231,012	5,373,660
Total pension liability as a percentage of covered employee payroll	83.63%	65.95%	65.15%	68.04%	59.37%

*Valuation payroll

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 FOUR FISCAL YEARS

Other Post-Employment Benefits				
	2021	2020	2019	2018
Service cost	\$ 509,332	\$ 467,682	\$ 661,419	\$ 718,706
Interest	775,704	799,322	803,208	698,414
Differences between expected and actual experience	(4,728,608)	28,634	(303,316)	166,419
Changes of assumptions or other inputs	2,338,485	722,147	(2,119,216)	(1,196,267)
Benefit payments	(855,389)	(967,287)	(1,143,915)	(916,075)
Net change in total OPEB liability	(1,960,476)	1,050,498	(2,101,820)	(528,803)
Total OPEB liability - beginning	22,077,652	21,027,154	23,128,974	23,657,777
Total OPEB liability - ending	<u>\$ 20,117,176</u>	<u>\$ 22,077,652</u>	<u>\$ 21,027,154</u>	<u>\$ 23,128,974</u>
Covered payroll	\$ 11,959,233	\$ 13,499,380	\$ 13,499,380	\$ 15,733,224
Total OPEB liability as a percentage of covered payroll	168.21%	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
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

Note: The OPEB 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 PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) REQUIRED SUPPLEMENTARY INFORMATION LAST EIGHT FISCAL YEARS*

	Local Government Employees' Retirement System			
	2021	2020	2019	2018
Hickory's proportion of the net pension liability (asset) (%)	0.43679%	0.42429%	0.44414%	0.45556%
Hickory's proportion of the net pension liability (asset) (\$)	\$ 15,608,367	\$ 11,587,029	\$ 10,536,521	\$ 6,959,696
Hickory's covered payroll	29,488,169	28,267,776	27,019,564	26,694,921
Hickory's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	52.93%	40.99%	39.00%	26.07%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%

* 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 PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST EIGHT FISCAL YEARS***

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

CITY OF HICKORY, NORTH CAROLINA

**CITY OF HICKORY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST EIGHT FISCAL YEARS**

Local Government Employees' Retirement System				
	2021	2020	2019	2018
Contractually required contribution	\$ 3,061,176	\$ 2,686,246	\$ 2,235,832	\$ 2,079,421
Contributions in relation to the contractually required contribution	<u>3,061,176</u>	<u>2,686,246</u>	<u>2,235,832</u>	<u>2,079,421</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hickory's covered payroll	\$ 29,742,913	\$ 29,488,169	\$ 28,267,776	\$ 27,019,564
Contributions as a percentage of covered payroll	10.29%	9.11%	7.91%	7.70%

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 EIGHT FISCAL YEARS**

Local Government Employees' Retirement System				
	2017	2016	2015	2014
Contractually required contribution	\$ 1,991,269	\$ -	\$ 1,848,000	\$ 1,819,354
Contributions in relation to the contractually required contribution	<u>1,991,269</u>	<u>-</u>	<u>1,848,000</u>	<u>1,819,354</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hickory's covered payroll	\$ 26,694,921	\$ 26,213,071	\$ 25,900,959	\$ 25,586,063
Contributions as a percentage of covered payroll	7.46%	0.00%	7.13%	7.11%



General Fund

The General Fund accounts for all financial resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.



CITY OF HICKORY, NORTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ACTUAL - GENERAL FUND CONSOLIDATED
FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund	Capital Reserve Fund	Eliminations	Total General Fund
Revenues:				
Ad valorem taxes	\$ 31,629,716	\$ -	\$ -	\$ 31,629,716
Other taxes	18,983,815	-	-	18,983,815
Unrestricted intergovernmental revenues	536,222	-	-	536,222
Restricted intergovernmental revenues	2,382,861	-	-	2,382,861
Licenses and permits	4,882	-	-	4,882
Sales and services	1,155,955	-	-	1,155,955
Investment earnings	(13,191)	552	-	(12,639)
Miscellaneous	548,735	-	-	548,735
Total revenues	<u>55,228,995</u>	<u>552</u>	<u>-</u>	<u>55,229,547</u>
Expenditures:				
Current:				
General government	9,712,789	-	-	9,712,789
Public safety	24,800,791	-	-	24,800,791
Transportation	5,705,133	-	-	5,705,133
Economic and physical development	3,039,350	-	-	3,039,350
Culture and recreation	4,724,393	-	-	4,724,393
Debt service:				
Principal retirement	2,176,421	-	-	2,176,421
Interest fees	1,288,858	-	-	1,288,858
Total expenditures	<u>51,447,735</u>	<u>-</u>	<u>-</u>	<u>51,447,735</u>
Revenues over (under) expenditures	<u>3,781,260</u>	<u>552</u>	<u>-</u>	<u>3,781,812</u>
Other Financing Sources (Uses):				
Transfers in	2,647,281	2,621,327	(1,054,915)	4,213,693
Transfers out	(9,179,807)	(1,464,424)	1,054,915	(9,589,316)
Issuance of long-term debt	2,105,331	-	-	2,105,331
Total other financing sources (uses)	<u>(4,427,195)</u>	<u>1,156,903</u>	<u>-</u>	<u>(3,270,292)</u>
Net change in fund balances	(645,935)	1,157,455	-	511,520
Reconciliation from Budgetary Basis of Accounting to Modified Accrual Basis:				
Current year note receivable payments	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>
Net change in fund balance modified accrual	(845,935)	1,157,455	-	311,520
Fund Balance:				
Fund balance, beginning	<u>32,175,509</u>	<u>4,925,613</u>	<u>-</u>	<u>37,101,122</u>
End of year - June 30	<u>\$ 31,329,574</u>	<u>\$ 6,083,068</u>	<u>\$ -</u>	<u>\$ 37,412,642</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, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Final Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Current year	\$ 30,100,000	\$ 31,110,448	\$ 1,010,448	\$ 29,858,536
Prior years	400,000	388,575	(11,425)	359,547
Penalties and interest	140,000	130,693	(9,307)	142,243
Total	30,640,000	31,629,716	989,716	30,360,326
Other Taxes:				
Local option sales tax	11,100,000	13,118,310	2,018,310	11,190,418
Franchise tax	3,300,000	3,268,964	(31,036)	3,299,905
Telecommunication tax	755,000	653,165	(101,835)	720,318
Hickory-Conover motel/occupancy tax	1,250,000	1,472,285	222,285	1,603,690
Vehicle tag tax	180,000	198,239	18,239	171,728
Gross receipts tax	175,000	272,852	97,852	209,394
Total	16,760,000	18,983,815	2,223,815	17,195,453
Unrestricted Intergovernmental Revenues:				
Payments in lieu of taxes	20,000	-	(20,000)	6,684
Beer and wine	180,000	172,947	(7,053)	176,051
Traffic control	370,000	271,025	(98,975)	366,082
Public school resource officer	90,000	92,250	2,250	92,250
Total	660,000	536,222	(123,778)	641,067
Restricted Intergovernmental Revenues:				
Federal grants	51,854	109,194	57,340	851,567
State grants	1,353,217	1,188,375	(164,842)	1,383,249
Local grants	-	39,761	39,761	30,905
Catawba County for library	220,000	225,289	5,289	222,455
Catawba County for police	90,724	90,725	1	213,786
Catawba County fire district tax	665,000	718,617	53,617	675,174
Catawba County for volunteer fire	10,900	10,900	-	8,400
Catawba County for convention center	-	-	-	31,122
Total	2,391,695	2,382,861	(8,834)	3,416,658
Licenses and Permits:				
Privilege licenses	-	-	-	1
Beer and wine licenses	4,500	4,775	275	4,369
Taxi permits	75	107	32	60
Miscellaneous permits	-	-	-	50
Total	4,575	4,882	307	4,480

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, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Final Budget	Actual	Variance Over/Under	Actual
Sales and Services:				
Recreation services	219,635	125,851	(93,784)	176,630
Fire department services	168,000	167,951	(49)	183,378
Police department services	208,200	218,503	10,303	33,177
Street paving	10,000	26,250	16,250	59,900
Parking rentals	56,000	38,873	(17,127)	40,489
Library services	41,000	9,485	(31,515)	15,881
Rents and royalties	462,228	476,672	14,444	552,077
Cemetery plots	30,000	54,058	24,058	42,001
District court fees	-	6,514	6,514	7,517
Plan reviews	30,000	31,798	1,798	30,042
Total	1,225,063	1,155,955	(69,108)	1,141,092
Investment Earnings	300,000	(13,191)	(313,191)	617,395
Miscellaneous:				
Donations	56,801	53,882	(2,919)	142,609
Advertising fees	-	-	-	800
Insurance claims	110,697	44,272	(66,425)	193,868
Sale of properties	499,750	208,140	(291,610)	105,003
Other	152,000	242,441	90,441	197,309
Total	819,248	548,735	(270,513)	639,589
Total revenues	52,800,581	55,228,995	2,428,414	54,016,060
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits	633,376	483,100	150,276	519,213
Operating expenditures	224,136	165,415	58,721	191,467
Capital outlay	8,710	8,540	170	-
Administrative reimbursement	(204,031)	(204,031)	-	(200,030)
Total	662,191	453,024	209,167	510,650
Administration:				
Salaries and employee benefits	1,345,702	1,291,836	53,866	1,236,152
Operating expenditures	235,048	179,877	55,171	147,181
Capital outlay	19,275	18,315	960	2,075
Administrative reimbursement	(261,920)	(261,920)	-	(256,164)
Total	1,338,105	1,228,108	109,997	1,129,244

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, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Final Budget	Actual	Variance Over/Under	Actual
Budget and Administration:				
Salaries and employee benefits	732,555	690,422	42,133	678,625
Operating expenditures	218,604	100,090	118,514	117,844
Capital outlay	2,725	2,622	103	1,189
Administrative reimbursement	(265,014)	(265,014)	-	(284,561)
Total	688,870	528,120	160,750	513,097
Finance:				
Salaries and employee benefits	1,052,349	1,030,444	21,905	985,144
Operating expenditures	417,129	427,548	(10,419)	403,142
Capital outlay	9,495	9,495	-	-
Administrative reimbursement	(1,457,890)	(1,457,890)	-	(1,428,064)
Total	21,083	9,597	11,486	(39,778)
Information Technology:				
Salaries and employee benefits	743,771	649,103	94,668	690,454
Operating expenditures	802,428	731,451	70,977	665,314
Capital outlay	217,678	149,866	67,812	21,972
Administrative reimbursement	(134,101)	(134,101)	-	(131,472)
Total	1,629,776	1,396,319	233,457	1,246,268
City Clerk:				
Salaries and employee benefits	98,155	95,576	2,579	94,632
Operating expenditures	22,980	13,761	9,219	13,674
Capital outlay	1,400	1,347	53	-
Administrative reimbursement	(64,051)	(64,051)	-	(62,795)
Total	58,484	46,633	11,851	45,511
Legal:				
Salaries and employee benefits	209,249	206,693	2,556	200,956
Operating expenditures	138,829	142,718	(3,889)	125,921
Capital outlay	1,500	-	1,500	4,750
Administrative reimbursement	(65,156)	(65,156)	-	(63,879)
Total	284,422	284,255	167	267,748
Engineering:				
Salaries and employee benefits	450,850	396,703	54,147	381,460
Operating expenditures	51,802	41,838	9,964	38,970
Capital outlay	7,973	7,973	-	-
Administrative reimbursement	(134,358)	(134,358)	-	(131,723)
Total	376,267	312,156	64,111	288,707

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, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Final Budget	Actual	Variance Over/Under	Actual
Building Services:				
Salaries and employee benefits	544,342	501,221	43,121	317,116
Operating expenditures	61,866	51,756	10,110	49,673
Capital outlay	126,813	29,326	97,487	41,597
Administrative reimbursement	(332,115)	(332,115)	-	(324,984)
Total	400,906	250,188	150,718	83,402
Central Services:				
Salaries and employee benefits	537,584	475,651	61,933	514,609
Operating expenditures	217,631	145,971	71,660	118,955
Capital outlay	199,940	24,312	175,628	527
Administrative reimbursement	(281,421)	(281,421)	-	(275,903)
Total	673,734	364,513	309,221	358,188
Public Buildings:				
Salaries and employee benefits	28,123	26,977	1,146	21,809
Operating expenditures	575,951	505,852	70,099	465,916
Capital outlay	877,748	667,510	210,238	645,541
Administrative reimbursement	(8,917)	(8,917)	-	(8,742)
Total	1,472,905	1,191,422	281,483	1,124,524
Landscape Services:				
Salaries and employee benefits	1,864,902	1,610,722	254,180	786,133
Operating expenditures	1,437,627	1,199,596	238,031	445,127
Capital outlay	2,137,041	943,334	1,193,707	126,450
Administrative reimbursement	(132,783)	(132,783)	-	(130,179)
Total	5,306,787	3,620,869	1,685,918	1,227,531
District Court:				
Operating expenditures	24,635	25,582	(947)	25,905
Administrative reimbursement	2,003	2,003	-	1,964
Total	26,638	27,585	(947)	27,869
Total general government	12,940,168	9,712,789	3,227,379	6,782,961
Public Safety:				
Police:				
Salaries and employee benefits	10,784,848	10,303,257	481,591	10,099,082
Operating expenditures	2,387,384	2,076,451	310,933	2,041,102
Capital outlay	1,578,795	1,449,308	129,487	516,591
Administrative reimbursement	(2,824)	(2,824)	-	2,769
Total	14,748,203	13,826,192	922,011	12,659,544

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, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Final Budget	Actual	Variance Over/Under	Actual
NC Unauthorized Substance Tax:				
Operating expenditures	21,330	21,270	60	20,573
Capital outlay	9,978	9,936	42	7,052
Total	31,308	31,206	102	27,625
Police - Secondary PSAP:				
Operating expenditures	90,724	78,916	11,808	151,341
Capital outlay	-	-	-	2,729
Total	90,724	78,916	11,808	154,070
Police - HPD Community Navigator:				
Operating expenditures	4,474	3,306	1,168	356
Fire:				
Salaries and employee benefits	9,296,541	9,217,775	78,766	8,932,034
Operating expenditures	1,990,016	1,550,076	439,940	1,277,449
Capital outlay	1,667,184	157,703	1,509,481	848,972
Administrative reimbursement	(64,383)	(64,383)	-	(37,266)
Total	12,889,358	10,861,171	2,028,187	11,021,189
Total public safety	27,764,067	24,800,791	2,963,276	23,862,784
Transportation:				
Traffic:				
Salaries and employee benefits	729,463	635,848	93,615	701,093
Operating expenditures	1,348,313	1,094,505	253,808	1,079,306
Capital outlay	70,750	19,404	51,346	53,912
Administrative reimbursement	(15,621)	(15,621)	-	(15,315)
Total	2,132,905	1,734,136	398,769	1,818,996
Street:				
Salaries and employee benefits	2,281,859	1,645,841	636,018	1,671,626
Operating expenditures	2,068,537	1,889,706	178,831	2,015,129
Capital outlay	1,330,658	498,252	832,406	484,605
Administrative reimbursement	(62,802)	(62,802)	-	(61,571)
Total	5,618,252	3,970,997	1,647,255	4,109,789
Total transportation	7,751,157	5,705,133	2,046,024	5,928,785

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, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Final Budget	Actual	Variance Over/Under	Actual
Economic and Physical Development:				
Planning:				
Salaries and employee benefits	860,564	827,649	32,915	852,846
Operating expenditures	88,021	65,049	22,972	79,883
Capital outlay	8,599	8,600	(1)	2,953
Administrative reimbursement	(32,862)	(32,862)	-	(32,218)
Total	<u>924,322</u>	<u>868,436</u>	<u>55,886</u>	<u>903,464</u>
Economic and Business Development:				
Operating expenditures	2,279,322	2,170,914	108,408	2,470,165
Capital outlay	<u>158,000</u>	<u>-</u>	<u>158,000</u>	<u>-</u>
Total	<u>2,437,322</u>	<u>2,170,914</u>	<u>266,408</u>	<u>2,470,165</u>
Total economic and physical development	<u>3,361,644</u>	<u>3,039,350</u>	<u>322,294</u>	<u>3,373,629</u>
Culture and Recreation:				
Recreation:				
Salaries and employee benefits	1,416,284	927,409	488,875	2,136,325
Operating expenditures	456,571	333,892	122,679	1,322,353
Capital outlay	1,548,270	1,306,299	241,971	1,786,562
Administrative reimbursement	<u>46,585</u>	<u>46,585</u>	<u>-</u>	<u>45,672</u>
Total	<u>3,467,710</u>	<u>2,614,185</u>	<u>853,525</u>	<u>5,290,912</u>
Library:				
Salaries and employee benefits	1,373,494	1,160,627	212,867	1,278,774
Operating expenditures	1,133,926	935,182	198,744	853,649
Capital outlay	30,695	12,546	18,149	126,780
Administrative reimbursement	<u>1,853</u>	<u>1,853</u>	<u>-</u>	<u>1,817</u>
Total	<u>2,539,968</u>	<u>2,110,208</u>	<u>429,760</u>	<u>2,261,020</u>
Total culture and recreation	<u>6,007,678</u>	<u>4,724,393</u>	<u>1,283,285</u>	<u>7,551,932</u>
Debt Service:				
Principal	2,811,333	2,176,421	634,912	1,195,175
Interest	<u>1,242,768</u>	<u>1,288,858</u>	<u>(46,090)</u>	<u>864,353</u>
Total	<u>4,054,101</u>	<u>3,465,279</u>	<u>588,822</u>	<u>2,059,528</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, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Final Budget	Actual	Variance Over/Under	Actual
Contingency	39,726	-	39,726	-
Total expenditures	61,918,541	51,447,735	10,470,806	49,559,619
Revenues over (under) expenditures	(9,117,960)	3,781,260	12,899,220	4,456,441
Other Financing Sources (Uses):				
Issuance of long-term debt	2,120,000	2,105,331	(14,669)	140,352
Transfers in (out):				
Capital Reserve Fund	1,054,915	1,054,915	-	540,000
Water and Sewer Fund	14,000	14,000	-	400,000
General Capital Projects Fund	1,577,923	1,577,923	-	3,885,282
Multi-Year Grant Projects Fund	443	443	-	-
Insurance Fund	-	-	-	(209,863)
General Capital Projects Fund	(7,111,365)	(7,111,365)	-	(6,951,620)
Multi-Year Grant Projects Fund	(9,295)	(9,295)	-	(23,196)
Capital Reserve Fund	(1,481,327)	(1,481,327)	-	(1,263,089)
Stormwater Fund	(195,275)	(195,275)	-	(1,124,354)
Transportation Fund	(256,413)	(256,413)	-	(23,000)
Transportation Capital Projects Fund	(126,132)	(126,132)	-	(51,311)
Total other financing sources (uses)	(4,412,526)	(4,427,195)	(14,669)	(4,680,799)
Revenues and other financing sources over (under) expenditures and other financing uses	(13,530,486)	(645,935)	12,884,551	(224,358)
Appropriated fund balance	13,530,486	-	(13,530,486)	-
Net change in fund balance	\$ -	(645,935)	\$ (645,935)	(224,358)
Reconciliation from Budgetary Basis of Accounting to Modified Accrual Basis:				
Current year note receivable payments		(200,000)		(310,000)
Net change in fund balance modified accrual		(845,935)		(534,358)
Fund Balance:				
Fund balance, beginning		32,175,509		32,709,867
End of year - June 30		\$ 31,329,574		32,175,509

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, 2021

	Capital Reserve Fund		
	Budget	Actual	Variance with Final Budget Over/Under
Revenues:			
Investment earnings	\$ -	\$ 552	\$ 552
Expenditures:			
Current:			
General government	1,424,000	-	1,424,000
Transportation	57,327	-	57,327
Environmental protection	1,140,000	-	1,140,000
Total expenditures	2,621,327	-	2,621,327
Revenues over (under) expenditures	(2,621,327)	552	2,621,879
Other Financing Sources (Uses):			
Transfers out	(1,770,279)	(1,464,424)	305,855
Transfers in	2,621,327	2,621,327	-
Total other financing sources (uses)	851,048	1,156,903	305,855
Revenues and other financing sources over (under) expenditures and other financing uses	(1,770,279)	1,157,455	2,927,734
Appropriated fund balance	1,770,279	-	(1,770,279)
Net change in fund balance	\$ -	1,157,455	\$ 1,157,455
Fund Balance:			
Beginning of year - July 1		4,925,613	
End of year - June 30		\$ 6,083,068	



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, 2021

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Federal grants	\$ 51,594,032	\$ 4,824,606	\$ 9,433,806	\$ 14,258,412	\$ (37,335,620)
State grants	3,750,795	671,920	225,000	896,920	(2,853,875)
County contributions	5,838,305	4,536,409	1,552,794	6,089,203	250,898
Investment earnings	388,943	751,773	-	751,773	362,830
Miscellaneous	2,469,660	1,787,782	1,783,089	3,570,871	1,101,211
Total revenues	64,041,735	12,572,490	12,994,689	25,567,179	(38,474,556)
Expenditures:					
Capital outlay:					
General government:					
City Hall 2 nd floor renovations	3,885,413	3,081,691	654,331	3,736,022	149,391
Convention center renovations	778,750	234,445	468,717	703,162	75,588
Public safety:					
Radio system upgrade	255,207	168,515	1,040	169,555	85,652
Transportation:					
Clement Boulevard extension	138,784	-	-	-	138,784
Sandy Ridge intersection	2,691,250	-	-	-	2,691,250
Downtown lighting	402,500	91,214	1,314	92,528	309,972
Falling Creek bridge	2,133,055	1,982,056	-	1,982,056	150,999
Economic and physical development:					
ARC Grant-9th Av Dr NW	2,661,216	-	-	-	2,661,216
Bond projects:					
Management	2,601,950	1,727,307	77,208	1,804,515	797,435
Citywalk	24,165,000	11,505,813	8,023,659	19,529,472	4,635,528
Riverwalk	14,002,624	2,270,505	4,537,684	6,808,189	7,194,435
Trivium Corporate Center	24,921,643	12,326,858	8,040,422	20,367,280	4,554,363
Wayfinding	523,000	468,744	-	468,744	54,256
Gateways	810,661	488,123	279,534	767,657	43,004
Streetscapes	10,600,000	664,376	565,949	1,230,325	9,369,675
Bookwalk	6,500,000	491,285	215,670	706,955	5,793,045
Build Grant	26,337,971	1,414,841	2,595,824	4,010,665	22,327,306
Culture and recreation:					
Lackey Park	4,284,957	177,629	755,169	932,798	3,352,159
Ridgeview Library expansion	1,420,507	69,250	1,064,583	1,133,833	286,674
Total expenditures	129,114,488	37,162,652	27,281,104	64,443,756	64,670,732
Revenues over (under) expenditures	(65,072,753)	(24,590,162)	(14,286,415)	(38,876,577)	26,196,176
Other Financing Sources (Uses):					
Transfers in	26,881,907	16,106,937	10,774,970	26,881,907	-
Transfers (out)	(5,638,205)	(4,060,282)	(1,577,923)	(5,638,205)	-
Issuance of debt	40,656,034	30,000,000	5,600,000	35,600,000	(5,056,034)
Premium on bond issuance	3,173,017	3,173,018	-	3,173,018	1
Total other financing sources (uses)	65,072,753	45,219,673	14,797,047	60,016,720	(5,056,033)
Net change in fund balance	\$ -	\$ 20,629,511	\$ 510,632	\$ 21,140,143	\$ 21,140,143



Major Special Revenue Fund

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

Individual Fund Description:

American Rescue Plan Act Fund - used to account for the receipt of federal grant funds distributed through American Rescue Plan (ARP) program.



CITY OF HICKORY, NORTH CAROLINA

AMERICAN RESCUE PLAN ACT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental:					
Federal grants	\$ 4,118,501	\$ -	\$ -	\$ -	\$ (4,118,501)
Total revenues	<u>4,118,501</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,118,501)</u>
Expenditures:					
General government	<u>4,118,501</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,118,501</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



Nonmajor Governmental Funds

CITY OF HICKORY, NORTH CAROLINA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021**

	Community Development Entitlement Block Grant	Home Consortium Grant	NCHFA Rental Rehabilitation Grant
Assets:			
Cash and cash equivalents	\$ 2,402	\$ 16,874	\$ 92,367
Accounts receivable, net	615,012	843	61,559
Due from other governmental agencies	-	-	-
Total assets	\$ 617,414	\$ 17,717	\$ 153,926
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 182,838	\$ -	\$ 757
Total liabilities	182,838	-	757
Deferred Inflows of Resources:			
Economic development receivable	358,442	-	61,488
Fund Balances:			
Restricted for stabilization by state statute	256,570	843	71
Committed for economic development	-	16,874	91,610
Unassigned	(180,436)	-	-
Total fund balances	76,134	17,717	91,681
Total liabilities, deferred inflows of resources, and fund balances	\$ 617,414	\$ 17,717	\$ 153,926

CITY OF HICKORY, NORTH CAROLINA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021**

	Multi-Year Grant Projects	Total
Assets:		
Cash and cash equivalents	\$ 19,911	\$ 131,554
Accounts receivable, net	-	677,414
Due from other governmental agencies	<u>776</u>	<u>776</u>
 Total assets	 <u>\$ 20,687</u>	 <u>\$ 809,744</u>
 Liabilities, Deferred Inflows of Resources, and Fund Balances:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 28,388	\$ 211,983
Total liabilities	<u>28,388</u>	<u>211,983</u>
 Deferred Inflows of Resources:		
Economic development receivable	<u>-</u>	<u>419,930</u>
 Fund Balances:		
Restricted for stabilization by state statute	776	258,260
Committed for economic development	-	108,484
Unassigned	<u>(8,477)</u>	<u>(188,913)</u>
Total fund balances	<u>(7,701)</u>	<u>177,831</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 20,687</u>	 <u>\$ 809,744</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, 2021**

	Community Development Entitlement Block Grant	Home Consortium Grant	NCHFA Rental Rehabilitation Grant
Revenues:			
Restricted intergovernmental	\$ 426,251	\$ -	\$ 66,358
Investment earnings	-	-	-
Miscellaneous	218,462	130,559	2,927
Total revenues	<u>644,713</u>	<u>130,559</u>	<u>69,285</u>
Expenditures:			
Public safety	-	-	-
Economic and physical development	822,713	144,623	70,088
Total expenditures	<u>822,713</u>	<u>144,623</u>	<u>70,088</u>
Revenues over (under) expenditures	<u>(178,000)</u>	<u>(14,064)</u>	<u>(803)</u>
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers (out)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(178,000)	(14,064)	(803)
Fund Balances:			
Beginning of year - July 1	<u>254,134</u>	<u>31,781</u>	<u>92,484</u>
End of year - June 30	<u>\$ 76,134</u>	<u>\$ 17,717</u>	<u>\$ 91,681</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, 2021**

	Multi-Year Grant Projects	Total
Revenues:		
Restricted intergovernmental	\$ 31,712	\$ 524,321
Investment earnings	113	113
Miscellaneous	-	351,948
Total revenues	<u>31,825</u>	<u>876,382</u>
Expenditures:		
Public safety	32,707	32,707
Economic and physical development	<u>106,101</u>	<u>1,143,525</u>
Total expenditures	<u>138,808</u>	<u>1,176,232</u>
Revenues over (under) expenditures	<u>(106,983)</u>	<u>(299,850)</u>
Other Financing Sources (Uses):		
Transfers in	9,295	9,295
Transfers (out)	<u>(443)</u>	<u>(443)</u>
Total other financing sources (uses)	<u>8,852</u>	<u>8,852</u>
Net change in fund balances	(98,131)	(290,998)
Fund Balances:		
Beginning of year - July 1	<u>90,430</u>	<u>468,829</u>
End of year - June 30	<u>\$ (7,701)</u>	<u>\$ 177,831</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, 2021

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental:					
Federal grants					
2018 Entitlement Block grant	\$ 307,542	\$ 307,542	\$ -	\$ 307,542	\$ -
2019 Entitlement Block grant	316,023	137,098	178,925	316,023	-
2020 Entitlement Block grant	330,758	-	247,326	247,326	(83,432)
Miscellaneous	783,830	342,521	218,462	560,983	(222,847)
Total revenues	<u>1,738,153</u>	<u>787,161</u>	<u>644,713</u>	<u>1,431,874</u>	<u>(306,279)</u>
Expenditures:					
Economic and physical development	<u>1,738,153</u>	<u>533,027</u>	<u>822,713</u>	<u>1,355,740</u>	<u>382,413</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 254,134</u>	<u>\$ (178,000)</u>	<u>\$ 76,134</u>	<u>\$ 76,134</u>

CITY OF HICKORY, NORTH CAROLINA

HOME CONSORTIUM GRANT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Investment earnings	\$ -	\$ 1,549	\$ -	\$ 1,549	\$ 1,549
Miscellaneous	244,983	121,476	130,559	252,035	7,052
Total revenues	244,983	123,025	130,559	253,584	8,601
Expenditures:					
Economic and physical development	244,983	91,244	144,623	235,867	9,116
Net change in fund balance	\$ -	\$ 31,781	\$ (14,064)	\$ 17,717	\$ 17,717

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, 2021

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental:					
State grants	\$ 191,358	\$ 50,000	\$ 66,358	\$ 116,358	\$ (75,000)
Investment earnings	-	6,512	-	6,512	6,512
Miscellaneous	179,973	191,175	2,927	194,102	14,129
Total revenues	<u>371,331</u>	<u>247,687</u>	<u>69,285</u>	<u>316,972</u>	<u>(54,359)</u>
Expenditures:					
Economic and physical development	<u>376,331</u>	<u>160,203</u>	<u>70,088</u>	<u>230,291</u>	<u>146,040</u>
Revenues over (under) expenditures	(5,000)	87,484	(803)	86,681	91,681
Other Financing Sources (Uses):					
Transfers in	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 92,484</u>	<u>\$ (803)</u>	<u>\$ 91,681</u>	<u>\$ 91,681</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, 2021

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental:					
Federal grants	\$ 126,794	\$ 95,981	\$ 21,705	\$ 117,686	\$ (9,108)
State grants	752,650	294,595	10,007	304,602	(448,048)
Total	879,444	390,576	31,712	422,288	(457,156)
Miscellaneous:					
Investment earnings	14,375	643	113	756	(13,619)
Total revenues	893,819	391,219	31,825	423,044	(470,775)
Expenditures:					
Economic and physical development					
PTI Building Reuse Grant	187,000	4,317	77,717	82,034	104,966
Design Foundry Building ReUse	525,000	235,000	25,000	260,000	265,000
Riding the Rails Building ReUse	78,750	-	3,384	3,384	75,366
Public safety:					
Bulletproof Vest Partnership 2018	17,175	17,150	-	17,150	25
Bulletproof Vest Partnership 2019	17,942	16,525	1,418	17,943	(1)
Bulletproof Vest Partnership 2020	17,990	-	-	-	17,990
Justice Assistance Grant (JAG) 2018	15,028	19,973	-	19,973	(4,945)
Justice Assistance Grant (JAG) 2019	16,438	16,438	-	16,438	-
Justice Assistance Grant (JAG) 2020	15,458	-	10,785	10,785	4,673
Corona Emergency Supply Funding	52,963	32,459	20,504	52,963	-
Total expenditures	943,744	341,862	138,808	480,670	463,074
Revenues over (under) expenditures	(49,925)	49,357	(106,983)	(57,626)	(7,701)
Other Financing Sources (Uses):					
Transfers (out)	(504)	(61)	(443)	(504)	-
Transfers in	50,429	41,134	9,295	50,429	-
Total other financing sources (uses)	49,925	41,073	8,852	49,925	-
Net change in fund balance	\$ -	\$ 90,430	\$ (98,131)	\$ (7,701)	\$ (7,701)

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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020**

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Charges for services:				
Water charges	\$ 15,384,217	\$ 17,297,660	\$ 1,913,443	\$ 16,872,465
Sewer charges	9,736,918	11,479,985	1,743,067	10,965,362
Total	25,121,135	28,777,645	3,656,510	27,837,827
Water taps	110,000	233,642	123,642	238,584
Sewer taps	30,000	184,925	154,925	190,572
Other operating revenues	256,580	446,962	190,382	683,040
Total operating revenues	396,580	865,529	468,949	1,112,196
Non-operating revenues:				
Donations/contributions	-	618,639	618,639	1,104,026
Interest earned on investments	60,000	(1,412)	(61,412)	909,890
Total non-operating revenues	60,000	617,227	557,227	2,013,916
Total revenues	25,577,715	30,260,401	4,682,686	30,963,939
Expenditures:				
Environmental protection:				
Administration:				
Salaries and employee benefits	850,778	724,677	126,101	707,909
Other operating expenditures	4,738,323	4,566,594	171,729	4,208,589
Capital outlay	230,600	128,800	101,800	68,668
Administrative reimbursement	3,693,235	3,955,266	(262,031)	3,993,358
Total	9,512,936	9,375,337	137,599	8,978,524
Collection system:				
Salaries and employee benefits	1,007,069	936,033	71,036	891,112
Other operating expenditures	1,106,765	984,376	122,389	940,017
Capital outlay	1,207,000	465,404	741,596	234,601
Total	3,320,834	2,385,813	935,021	2,065,730
Henry Fork plant:				
Salaries and employee benefits	608,558	550,719	57,839	517,244
Other operating expenditures	594,388	503,650	90,738	522,514
Capital outlay	143,000	128,267	14,733	132,908
Total	1,345,946	1,182,636	163,310	1,172,666

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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020**

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
Northeast plant:				
Salaries and employee benefits	625,517	559,914	65,603	556,532
Other operating expenditures	499,132	454,518	44,614	401,532
Capital outlay	21,000	5,330	15,670	52,261
Total	1,145,649	1,019,762	125,887	1,010,325
Water treatment plant:				
Salaries and employee benefits	698,622	595,647	102,975	560,365
Other operating expenditures	1,925,724	1,710,777	214,947	1,833,812
Capital outlay	2,216,774	991,630	1,225,144	377,235
Total	4,841,120	3,298,054	1,543,066	2,771,412
Pre-treatment and lab:				
Salaries and employee benefits	442,002	398,203	43,799	398,019
Other operating expenditures	187,324	126,514	60,810	145,123
Capital outlay	20,500	12,996	7,504	23,223
Total	649,826	537,713	112,113	566,365
Claremont sewer lines:				
Salaries and employee benefits	170,816	154,262	16,554	135,850
Other operating expenditures	302,037	169,166	132,871	137,700
Capital outlay	-	-	-	40,578
Total	472,853	323,428	149,425	314,128
Distribution:				
Salaries and employee benefits	1,884,428	1,676,379	208,049	1,549,605
Other operating expenditures	1,502,410	1,863,137	(360,727)	1,315,778
Capital outlay	9,643,035	6,542,130	3,100,905	3,068,664
Total	13,029,873	10,081,646	2,948,227	5,934,047
Hickory-Catawba wastewater treatment plant:				
Salaries and employee benefits	183,570	155,357	28,213	155,054
Other operating expenditures	298,116	234,881	63,235	192,997
Total	481,686	390,238	91,448	348,051
Total environmental protection	34,800,723	28,594,627	6,206,096	23,161,248
Debt service:				
Principal retirement	2,771,252	2,604,004	167,248	2,633,134
Interest on long-term debt	554,912	524,120	30,792	618,279
Total	3,326,164	3,128,124	198,040	3,251,413

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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	<u>2021</u>			<u>2020</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Contingency	49,994	-	49,994	-
Total expenditures	38,176,881	31,722,751	6,454,130	26,412,661
Revenues over (under) expenditures	(12,599,166)	(1,462,350)	11,136,816	4,551,278
Other Financing Sources (Uses):				
Refinanced debt issued	-	10,635,000	10,635,000	-
Payment on refinanced debt	-	(10,500,000)	(10,500,000)	-
Transfers from other funds	611,710	305,855	(305,855)	2,300,000
Transfers (to) other funds	(6,453,364)	(6,453,364)	-	(5,318,523)
Appropriated net position	18,440,820	-	(18,440,820)	-
Total other financing sources (uses)	12,599,166	(6,012,509)	(18,611,675)	(3,018,523)
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (7,474,859)</u>	<u>\$ (7,474,859)</u>	<u>\$ 1,532,755</u>

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

Revenues and other financing sources over (under) expenditures and other financing uses	\$ (7,474,859)
Reconciling items:	
Depreciation and amortization	(5,461,352)
Issuance of long-term debt	(10,635,000)
Long-term debt principal repayments	13,104,004
Gain (loss) on sale of assets	15,780
Capital project revenues	(1,232)
Capital projects - transfers from (to) other funds	1,578,913
Change in net pension liability	(529,208)
Change in deferred outflows of resources for pensions	218,584
Change in deferred inflows of resources for pensions	26,902
Change in deferred outflows of resources for OPEB	253,245
Change in deferred inflows of resources for OPEB	(510,821)
Capital assets purchased/capitalized	8,274,557
Contributed capital - developers	430,239
Change in accrued vacation pay	(55,015)
Change in accrued interest payable	(16,957)
Change in total OPEB liability	<u>312,843</u>
Change in net position	<u>\$ (469,377)</u>

CITY OF HICKORY, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental:					
State grants	\$ 3,025,023	\$ 2,670,103	\$ -	\$ 2,670,103	\$ (354,920)
Total	<u>3,025,023</u>	<u>2,670,103</u>	<u>-</u>	<u>2,670,103</u>	<u>(354,920)</u>
Miscellaneous:					
Investment earnings	-	10,491	(1,232)	9,259	9,259
Total revenues	<u>3,025,023</u>	<u>2,680,594</u>	<u>(1,232)</u>	<u>2,679,362</u>	<u>(345,661)</u>
Expenditures:					
Capital outlay:					
Northeast sewer grant project	2,946,043	2,673,448	60,438	2,733,886	212,157
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	464,883	194,698	219,894	414,592	50,291
McLin and Lyle Creek	282,500	101,511	72,791	174,302	108,198
Murray basin sewer project	5,727,159	438,833	136,036	574,869	5,152,290
Bio Solids project	<u>32,348,700</u>	<u>1,113,290</u>	<u>512,140</u>	<u>1,625,430</u>	<u>30,723,270</u>
Total expenditures	<u>50,998,176</u>	<u>12,788,405</u>	<u>1,001,299</u>	<u>13,789,704</u>	<u>37,208,472</u>
Revenues over (under) expenditures	<u>(47,973,153)</u>	<u>(10,107,811)</u>	<u>(1,002,531)</u>	<u>(11,110,342)</u>	<u>36,862,811</u>
Other Financing Sources (Uses):					
Transfers from other funds	7,906,878	7,085,224	821,654	7,906,878	-
Issuance of long-term debt	<u>40,066,275</u>	<u>4,195,434</u>	<u>149,018</u>	<u>4,344,452</u>	<u>(35,721,823)</u>
Total other financing sources (uses)	<u>47,973,153</u>	<u>11,280,658</u>	<u>970,672</u>	<u>12,251,330</u>	<u>(35,721,823)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,172,847</u>	<u>\$ (31,859)</u>	<u>\$ 1,140,988</u>	<u>\$ 1,140,988</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, 2021

	Capital Reserve Fund		
	Budget	Actual	Variance with Final Budget Over/Under
Expenditures:			
Current:			
Future capital projects	\$ 757,259	\$ -	\$ 757,259
Revenues over (under) expenditures	(757,259)	-	757,259
Other Financing Sources (Uses):			
Transfers in	757,259	757,259	-
Total other financing sources (uses)	757,259	757,259	-
Net change in fund balance	\$ -	757,259	\$ 757,259
Fund Balance:			
Beginning of year - July 1		515,103	
End of year - June 30		\$ 1,272,362	

CITY OF HICKORY, NORTH CAROLINA

TRANSPORTATION FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Restricted intergovernmental:				
Airport	\$ 6,365	\$ 10,400	\$ 4,035	\$ 9,130
Airport services	2,424,676	2,756,572	331,896	1,851,596
Total operating revenues	2,431,041	2,766,972	335,931	1,860,726
Non-operating revenues:				
Donations/contributions	-	29	29	162,748
Investment earnings	12,000	-	(12,000)	13,075
Total non-operating revenues	12,000	29	(11,971)	175,823
Total revenues	2,443,041	2,767,001	323,960	2,036,549
Expenditures:				
Airport:				
Salaries and employee benefits	252,423	229,397	23,026	239,145
Other operating expenditures	301,879	262,292	39,587	253,375
Capital outlay	35,000	-	35,000	-
Administrative reimbursement	129,314	129,314	-	126,779
Total airport	718,616	621,003	97,613	619,299
Airport tower:				
Other operating expenditures	17,484	16,751	733	13,794
Capital outlay	115,600	39,970	75,630	5,840
Total airport tower	133,084	56,721	76,363	19,634
Airport FBO:				
Salaries and employee benefits	502,153	481,477	20,676	435,566
Other operating expenditures	300,375	267,136	33,239	244,838
Capital outlay	30,000	29,666	334	53,949
Total airport FBO	832,528	778,279	54,249	734,353
Total expenditures	1,684,228	1,456,003	228,225	1,373,286
Revenues over (under) expenditures	758,813	1,310,998	552,185	663,263

CITY OF HICKORY, NORTH CAROLINA

TRANSPORTATION FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Transfers to other funds	(1,172,808)	(1,172,808)	-	(1,723,438)
Transfers from other funds	250,000	250,000	-	136,000
Appropriated net position	163,995	-	(163,995)	-
Total other financing sources (uses)	(758,813)	(922,808)	(163,995)	(1,587,438)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 388,190	\$ 388,190	\$ (924,175)

Reconciliation from Budgetary Basis (Modified Accrual)

to Full Accrual Basis:

Revenues and other financing sources over (under) expenditures and other financing uses	\$ 388,190
Reconciling items:	
Depreciation	(362,835)
Change in net pension liability	(57,505)
Change in deferred outflows for pensions	23,751
Change in deferred inflows for pensions	2,923
Change in deferred outflows for OPEB	24,119
Change in deferred inflows for OPEB	(48,650)
Capital project revenues	905,179
Capital project interest	(2,381)
Capital projects - transfers from (to) other funds	1,338,555
Capital assets purchased/capitalized	69,636
Change in accrued vacation pay	3,642
Change in total OPEB liability	29,795
Change in net position	\$ 2,314,419

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, 2021

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental:					
Federal grants	\$ 279,449	\$ 291,030	\$ 103,312	\$ 394,342	\$ 114,893
State grants	2,290,443	515,152	801,867	1,317,019	(973,424)
Total	<u>2,569,892</u>	<u>806,182</u>	<u>905,179</u>	<u>1,711,361</u>	<u>(858,531)</u>
Investment earnings	<u>-</u>	<u>16,135</u>	<u>(2,381)</u>	<u>13,754</u>	<u>13,754</u>
Total revenues	<u>2,569,892</u>	<u>822,317</u>	<u>902,798</u>	<u>1,725,115</u>	<u>(844,777)</u>
Expenditures:					
Capital outlay:					
Transportation:					
Airport improvements	<u>5,830,457</u>	<u>2,860,120</u>	<u>678,642</u>	<u>3,538,762</u>	<u>2,291,695</u>
Revenues over (under) expenditures	(3,260,565)	(2,037,803)	224,156	(1,813,647)	1,446,918
Other Financing Sources (Uses):					
Intrafund transfer in	<u>3,260,565</u>	<u>1,922,010</u>	<u>1,338,555</u>	<u>3,260,565</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (115,793)</u>	<u>\$ 1,562,711</u>	<u>\$ 1,446,918</u>	<u>\$ 1,446,918</u>

CITY OF HICKORY, NORTH CAROLINA

SOLID WASTE FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Other taxes:				
Solid waste excise tax	\$ 25,000	\$ 30,525	\$ 5,525	\$ 23,579
Charges for services:				
Recycling fees	4,781,603	4,419,215	(362,388)	3,553,171
Dumpster rentals	500,000	611,566	111,566	519,173
Refuse fees	1,277,000	1,301,904	24,904	1,093,782
Total	6,558,603	6,332,685	(225,918)	5,166,126
Other operating revenues	6,799	6,386	(413)	1,770
Total operating revenues	6,590,402	6,369,596	(220,806)	5,191,475
Non-operating revenues:				
Investment earnings	15,000	(346)	(15,346)	50,997
Miscellaneous	1,000	2,485	1,485	10,703
Total non-operating revenues	16,000	2,139	(13,861)	61,700
Total revenues	6,606,402	6,371,735	(234,667)	5,253,175
Expenditures:				
Environmental protection:				
Recycling services:				
Salaries and employee benefits	794,143	749,790	44,353	681,124
Other operating expenditures	1,942,204	2,427,129	(484,925)	1,864,494
Capital outlay	465,788	570,750	(104,962)	131,712
Administrative reimbursement	517,580	517,580	-	507,431
Total	3,719,715	4,265,249	(545,534)	3,184,761
Residential sanitation:				
Salaries and employee benefits	638,649	610,336	28,313	574,018
Other operating expenditures	506,656	378,225	128,431	370,326
Capital outlay	363,088	141,885	221,203	165,538
Total	1,508,393	1,130,446	377,947	1,109,882

CITY OF HICKORY, NORTH CAROLINA

SOLID WASTE FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
Commercial sanitation:				
Salaries and employee benefits	614,601	600,570	14,031	562,237
Other operating expenditures	524,150	495,045	29,105	524,724
Capital outlay	524,499	93,535	430,964	278,600
Administrative reimbursement	(91,154)	(91,155)	1	(89,366)
Total	1,572,096	1,097,995	474,101	1,276,195
Total environmental protection	6,800,204	6,493,690	306,514	5,570,838
Debt service:				
Principal	250,000	70,731	179,269	-
Revenues over (under) expenditures	(443,802)	(192,686)	251,116	(317,663)
Other Financing Sources (Uses):				
Transfers to other funds	(30,000)	(30,000)	-	(22,244)
Issuance of long-term debt	-	509,264	509,264	-
Appropriated net position	473,802	-	(473,802)	-
Total other financing sources (uses)	443,802	479,264	35,462	(22,244)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 286,578	\$ 286,578	\$ (339,907)
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 286,578		
Reconciling items:				
Depreciation		(533,410)		
Change in net pension liability		(164,071)		
Change in deferred outflows for pensions		67,768		
Change in deferred inflows for pensions		8,340		
Change in deferred outflows for OPEB		86,827		
Change in deferred inflows for OPEB		(175,139)		
Capital assets purchased/capitalized		806,170		
Issuance of long-term debt		(509,264)		
Long-term debt principal repayments		70,731		
Change in accrued vacation pay		(12,810)		
Gain on disposal of assets		109,161		
Change in total OPEB liability		107,260		
Change in net position		\$ 148,141		

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, 2021

	Sludge Composting Fund	Stormwater Fund	Total Nonmajor Enterprise Funds
Assets:			
Current assets:			
Cash and cash equivalents	\$ 857,323	\$ 731,664	\$ 1,588,987
Accounts receivable, net	-	536	536
Due from other governments	35,085	2,025	37,110
Prepaid items	873	-	873
Total current assets	893,281	734,225	1,627,506
Non-current assets:			
Land and construction in progress	145,024	-	145,024
Other capital assets, net of depreciation	1,286,415	3,934,100	5,220,515
Total non-current assets	1,431,439	3,934,100	5,365,539
Total assets	2,324,720	4,668,325	6,993,045
Deferred Outflows of Resources:			
OPEB deferrals	-	4,800	4,800
Pension deferrals	-	26,046	26,046
Total deferred outflows of resources	-	30,846	30,846
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	44,760	92,077	136,837
Current portion of long-term debt	-	497	497
Total current liabilities	44,760	92,574	137,334
Non-current liabilities:			
Net pension liability	-	48,891	48,891
Compensated absences payable	-	179	179
Total OPEB liability	-	30,574	30,574
Total non-current liabilities	-	79,644	79,644
Total liabilities	44,760	172,218	216,978
Deferred Inflows of Resources:			
OPEB deferrals	-	8,219	8,219
Pension deferrals	-	(398)	(398)
Total deferred inflows of resources	-	7,821	7,821
Net Position:			
Net investment in capital assets	1,431,439	3,934,100	5,365,539
Unrestricted	848,521	585,032	1,433,553
Total net position	\$ 2,279,960	\$ 4,519,132	\$ 6,799,092

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, 2021

	Sludge Composting Fund	Stormwater Fund	Total Nonmajor Enterprise Funds
Operating Revenues:			
Restricted intergovernmental	\$ 1,956,816	\$ -	\$ 1,956,816
Sludge charges	4,127	-	4,127
Total operating revenues	<u>1,960,943</u>	<u>-</u>	<u>1,960,943</u>
Operating Expenses:			
Administration and engineering	-	121,527	121,527
Sludge plant	1,731,482	-	1,731,482
Street	-	50,548	50,548
Drainage maintenance	-	89,699	89,699
Depreciation	334,735	263,523	598,258
Total operating expenses	<u>2,066,217</u>	<u>525,297</u>	<u>2,591,514</u>
Operating income (loss)	<u>(105,274)</u>	<u>(525,297)</u>	<u>(630,571)</u>
Transfers:			
Transfers in	<u>-</u>	<u>322,573</u>	<u>322,573</u>
Change in net position	(105,274)	(202,724)	(307,998)
Net Position:			
Net position, beginning	<u>2,385,234</u>	<u>4,721,856</u>	<u>7,107,090</u>
End of year - June 30	<u>\$ 2,279,960</u>	<u>\$ 4,519,132</u>	<u>\$ 6,799,092</u>

CITY OF HICKORY, NORTH CAROLINA

**NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

	Sludge Composting Fund	Stormwater Fund	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 1,967,218	\$ -	\$ 1,967,218
Cash paid to suppliers	(1,815,069)	(85,733)	(1,900,802)
Cash paid to employees	-	(96,138)	(96,138)
Net cash provided (used) by operating activities	<u>152,149</u>	<u>(181,871)</u>	<u>(29,722)</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers from other funds	-	322,573	322,573
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>322,573</u>	<u>322,573</u>
Cash Flows from Capital And Related Financing Activities:			
Acquisition and construction of capital assets	(44,761)	-	(44,761)
Net cash provided (used) by capital and related financing activities	<u>(44,761)</u>	<u>-</u>	<u>(44,761)</u>
Net increase (decrease) in cash and cash equivalents	107,388	140,702	248,090
Cash and Cash Equivalents:			
Beginning of year - July 1	<u>749,935</u>	<u>590,962</u>	<u>1,340,897</u>
End of year - June 30	<u>\$ 857,323</u>	<u>\$ 731,664</u>	<u>\$ 1,588,987</u>

CITY OF HICKORY, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	Sludge Composting Fund	Stormwater Fund	Total Nonmajor Enterprise Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (105,274)	\$ (525,297)	\$ (630,571)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	334,735	263,523	598,258
Change in net pension liability	-	12,466	12,466
Change in assets and liabilities:			
(Increase) decrease in accounts receivables	6,275	2,168	8,443
(Increase) decrease in prepaid items	-	1,045	1,045
Change in deferred outflows for pensions	-	(5,149)	(5,149)
Change in deferred inflows for pensions	-	(2,413)	(2,413)
Change in deferred outflows for OPEB	-	(634)	(634)
Change in deferred inflows for OPEB	-	4,865	4,865
Increase (decrease) in accounts payable	(83,587)	71,087	(12,500)
Increase (decrease) in compensated absences	-	(553)	(553)
Change in total OPEB liability	-	(2,979)	(2,979)
Net cash provided (used) by operating activities	<u>\$ 152,149</u>	<u>\$ (181,871)</u>	<u>\$ (29,722)</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, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Restricted intergovernmental:				
Local grants	\$ 1,857,617	\$ 1,956,816	\$ 99,199	\$ 2,046,478
Charges for services:				
Sludge charges	-	4,127	4,127	26,593
Total revenues	<u>1,857,617</u>	<u>1,960,943</u>	<u>103,326</u>	<u>2,073,071</u>
Expenditures:				
Environmental protection:				
Other operating expenditures	1,678,937	1,602,806	76,131	1,833,406
Capital outlay	50,000	44,762	5,238	-
Administrative reimbursement	128,680	128,676	4	126,155
Total environmental protection	<u>1,857,617</u>	<u>1,776,244</u>	<u>81,373</u>	<u>1,959,561</u>
Total expenditures	<u>1,857,617</u>	<u>1,776,244</u>	<u>81,373</u>	<u>1,959,561</u>
Revenues over (under) expenditures	-	184,699	184,699	113,510
Other Financing Sources (Uses):				
Intrafund transfer in	-	-	-	229,268
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 184,699</u>	<u>\$ 184,699</u>	<u>\$ 342,778</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 184,699		
Reconciling items:				
Capital outlay		44,762		
Depreciation		(334,735)		
Total reconciling items		<u>(289,973)</u>		
Change in net position		<u>\$ (105,274)</u>		

CITY OF HICKORY, NORTH CAROLINA

STORMWATER FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Non-operating revenues:				
Interest earned on investments	\$ -	\$ -	\$ -	\$ 7,533
Total revenues	-	-	-	7,533
Expenditures:				
Environmental protection:				
Engineering:				
Salaries and benefits	106,341	101,741	4,600	89,066
Other operating expenditures	18,255	14,183	4,072	15,192
Total	124,596	115,924	8,672	104,258
Street:				
Other operating expenditures	51,879	50,548	1,331	63,348
Drainage maintenance:				
Other operating expenditures	152,977	89,699	63,278	456,955
Capital outlay	-	-	-	1,438,786
Total	152,977	89,699	63,278	1,895,741
Total environmental protection	329,452	256,171	73,281	2,063,347
Revenues over (under) expenditures	(329,452)	(256,171)	73,281	(2,055,814)
Other Financing Sources (Uses):				
Transfers in	322,573	322,573	-	1,818,945
Transfers out	-	-	-	(5,158)
Appropriated net position	6,879	-	(6,879)	-
Total other financing sources (uses)	329,452	322,573	(6,879)	1,813,787
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 66,402	\$ 66,402	\$ (242,027)

CITY OF HICKORY, NORTH CAROLINA

STORMWATER FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	<u>2021</u>			<u>2020</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 66,402		
Reconciling items:				
Depreciation		(263,523)		
Change in net pension liability		(12,466)		
Change in deferred outflows of resources for pensions		5,149		
Change in deferred inflows of resources for pensions		634		
Change in deferred outflows of resources for OPEB		2,413		
Change in deferred inflows of resources for OPEB		(4,865)		
Change in accrued vacation pay		553		
Change in total OPEB liability		<u>2,979</u>		
Change in net position		<u>\$ (202,724)</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, 2021

	Insurance Fund	Fleet Maintenance Fund	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 6,058,322	\$ -	\$ 6,058,322
Accounts receivable, net	6,102	-	6,102
Due from other governments	-	74,584	74,584
Inventory	-	139,322	139,322
Prepaid items	2,044	2,960	5,004
Total current assets	<u>6,066,468</u>	<u>216,866</u>	<u>6,283,334</u>
Non-current assets:			
Depreciable capital assets, net	-	139,445	139,445
Total assets	<u>6,066,468</u>	<u>356,311</u>	<u>6,422,779</u>
Deferred Outflows of Resources:			
OPEB deferrals	-	57,611	57,611
Pension deferrals	-	134,712	134,712
Total deferred outflows of resources	-	<u>192,323</u>	<u>192,323</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	1,466,858	90,978	1,557,836
Due to other funds	-	1,477,714	1,477,714
Current portion of long-term debt	-	18,461	18,461
Total current liabilities	<u>1,466,858</u>	<u>1,587,153</u>	<u>3,054,011</u>
Non-current liabilities:			
Net pension liability	-	240,120	240,120
Compensated absences, noncurrent	-	18,084	18,084
Total OPEB liability	-	366,879	366,879
Total non-current liabilities	-	<u>625,083</u>	<u>625,083</u>
Total liabilities	<u>1,466,858</u>	<u>2,212,236</u>	<u>3,679,094</u>
Deferred Inflows of Resources:			
OPEB deferrals	-	98,625	98,625
Pension deferrals	-	12,550	12,550
Total deferred inflows of resources	-	<u>111,175</u>	<u>111,175</u>
Net Position:			
Net investment in capital assets	-	139,445	139,445
Unrestricted	<u>4,599,610</u>	<u>(1,914,222)</u>	<u>2,685,388</u>
Total net position	<u>\$ 4,599,610</u>	<u>\$ (1,774,777)</u>	<u>\$ 2,824,833</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, 2021

	Insurance Fund	Fleet Maintenance Fund	Total
Operating Revenues:			
Charges for services	\$ 6,925,587	\$ 2,681,851	\$ 9,607,438
Other operating revenues	-	5,881	5,881
Total operating revenues	<u>6,925,587</u>	<u>2,687,732</u>	<u>9,613,319</u>
Operating Expenses:			
Health insurance	5,556,479	-	5,556,479
Property/casualty insurance	738,914	-	738,914
Workers' compensation	579,372	-	579,372
Dental insurance	438,577	-	438,577
Other insurance	83,701	-	83,701
Fleet maintenance	-	2,887,200	2,887,200
Depreciation	-	58,619	58,619
Total operating expenses	<u>7,397,043</u>	<u>2,945,819</u>	<u>10,342,862</u>
Operating income (loss)	<u>(471,456)</u>	<u>(258,087)</u>	<u>(729,543)</u>
Non-Operating Revenues (Expenses):			
Investment earnings	-	41,500	41,500
Transfers from other funds	-	30,000	30,000
Total non-operating revenues (expenses)	<u>-</u>	<u>71,500</u>	<u>71,500</u>
Change in net position	(471,456)	(186,587)	(658,043)
Net Position:			
Net position, beginning	<u>5,071,066</u>	<u>(1,588,190)</u>	<u>3,482,876</u>
End of year - June 30	<u>\$ 4,599,610</u>	<u>\$ (1,774,777)</u>	<u>\$ 2,824,833</u>

CITY OF HICKORY, NORTH CAROLINA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Insurance Fund	Fleet Maintenance Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 6,929,067	\$ 2,687,732	\$ 9,616,799
Cash paid to suppliers	(6,512,912)	(2,260,884)	(8,773,796)
Cash paid to employees	-	(590,511)	(590,511)
Net cash provided (used) by operating activities	<u>416,155</u>	<u>(163,663)</u>	<u>252,492</u>
Cash Flows from Non-Capital Financing Activities:			
Changes in due to/from other funds	-	187,669	187,669
Transfers from other funds	-	30,000	30,000
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>217,669</u>	<u>217,669</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	-	(95,506)	(95,506)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(95,506)</u>	<u>(95,506)</u>
Cash Flows from Investing Activities:			
Interest on investments	-	41,500	41,500
Net cash provided (used) by investing activities	<u>-</u>	<u>41,500</u>	<u>41,500</u>
Net increase (decrease) in cash and cash equivalents	416,155	-	416,155
Cash and Cash Equivalents:			
Beginning of year - July 1	<u>5,642,167</u>	<u>-</u>	<u>5,642,167</u>
End of year - June 30	<u>\$ 6,058,322</u>	<u>\$ -</u>	<u>\$ 6,058,322</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (471,456)	\$ (258,087)	\$ (729,543)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	58,619	58,619
Change in net pension liability	-	62,733	62,733
Change in assets and liabilities:			
(Increase) decrease in accounts receivables	3,434	7,354	10,788
(Increase) decrease in prepaid items	163,335	(580)	162,755
(Increase) decrease in inventories	-	3,946	3,946
Increase (decrease) in accounts payable	720,796	(7,783)	713,013
Change in deferred outflows of resources for pensions	-	(25,911)	(25,911)
Change in deferred inflows of resources for pensions	-	(3,189)	(3,189)
Change in deferred outflows of resources for OPEB	-	(28,942)	(28,942)
Change in deferred inflows of resources for OPEB	-	58,380	58,380
Increase (decrease) in prepaid fees	46	-	46
Increase (decrease) in compensated absences	-	5,550	5,550
Change in total OPEB liability	<u>-</u>	<u>(35,753)</u>	<u>(35,753)</u>
Net cash provided (used) by operating activities	<u>\$ 416,155</u>	<u>\$ (163,663)</u>	<u>\$ 252,492</u>
Non-cash Transactions:			
Transfer of capital assets to other funds	<u>\$ -</u>	<u>\$ (27,658)</u>	<u>\$ (27,658)</u>

CITY OF HICKORY, NORTH CAROLINA

INSURANCE FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

FINANCIAL PLAN AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services	\$ 7,324,092	\$ 6,925,587	\$ (398,505)	\$ 6,916,281
Non-Operating Revenues:				
Investment earnings	50,000	-	(50,000)	93,316
Total revenues	7,374,092	6,925,587	(448,505)	7,009,597
Expenditures:				
General government:				
Health insurance	5,600,000	5,556,479	43,521	4,224,489
Property/casualty insurance	725,550	738,914	(13,364)	646,654
Dental insurance	426,000	438,577	(12,577)	407,632
Other insurance	75,000	83,701	(8,701)	81,711
Workers' compensation	650,000	579,372	70,628	481,226
Total expenditures	7,476,550	7,397,043	79,507	5,841,712
Revenues over (under) expenditures	(102,458)	(471,456)	(368,998)	1,167,885
Other Financing Sources (Uses):				
Transfers from other funds	-	-	-	387,375
Appropriated net position	102,458	-	(102,458)	-
Total other financing sources (uses)	102,458	-	(102,458)	387,375
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (471,456)	\$ (471,456)	\$ 1,555,260

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, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services	\$ 2,820,904	\$ 2,681,851	\$ (139,053)	\$ 2,852,295
Other operating revenues	-	5,881	5,881	469
Total operating revenues	<u>2,820,904</u>	<u>2,687,732</u>	<u>(133,172)</u>	<u>2,852,764</u>
Non-Operating Revenues:				
Investment earnings	<u>41,500</u>	<u>41,500</u>	<u>-</u>	<u>800</u>
Total revenues	<u>2,862,404</u>	<u>2,729,232</u>	<u>(133,172)</u>	<u>2,853,564</u>
Expenditures:				
General government				
Salaries and benefits	700,922	623,379	77,543	606,417
Other operating expenditures	1,766,659	1,947,635	(180,976)	2,028,253
Capital outlay	194,195	98,398	95,797	33,544
Administrative reimbursement	<u>280,427</u>	<u>280,426</u>	<u>1</u>	<u>274,928</u>
Total expenditures	<u>2,942,203</u>	<u>2,949,838</u>	<u>(7,635)</u>	<u>2,943,142</u>
Revenues over (under) expenditures	<u>(79,799)</u>	<u>(220,606)</u>	<u>(140,807)</u>	<u>(89,578)</u>
Other Financing Sources (Uses):				
Transfers from other funds	30,000	30,000	-	-
Appropriated fund balance	<u>49,799</u>	<u>-</u>	<u>(49,799)</u>	<u>-</u>
Total other financing sources (uses)	<u>79,799</u>	<u>30,000</u>	<u>(49,799)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (190,606)</u>	<u>\$ (190,606)</u>	<u>\$ (89,578)</u>

Reconciliation from Budgetary Basis

(Modified Accrual) to Full Accrual Basis:

Revenues and other financing sources over (under) expenditures and other financing uses	\$ (190,606)
Reconciling items:	
Depreciation and amortization	(58,619)
Change in net pension liability	(62,733)
Change in deferred outflows of resources for pensions	25,911
Change in deferred inflows of resources for pensions	3,189
Capital assets purchased/capitalized	95,506
Change in deferred outflows of resources for OPEB	28,942
Change in deferred inflows of resources for OPEB	(58,380)
Change in accrued vacation pay	(5,550)
Change in total OPEB liability	<u>35,753</u>
Change in net position	<u>\$ (186,587)</u>



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



CITY OF HICKORY, NORTH CAROLINA

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE¹

JUNE 30, 2021

Governmental Funds Capital Assets:

Land	\$ 14,813,632
Buildings	32,058,000
Other improvements	18,520,417
Equipment	13,004,367
Vehicles and motorized equipment	17,371,225
Streets	45,964,095
Traffic signals	2,433,033
Bridges	2,184,024
Sidewalks	7,980,437
Construction in progress	63,310,894
Total governmental funds capital assets	<u>\$ 217,640,124</u>

Investments in Governmental Funds Capital Assets by Source:

General Fund	\$ 157,748,381
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>\$ 217,640,124</u>

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

CITY OF HICKORY, NORTH CAROLINA

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY¹
FOR THE YEAR ENDED JUNE 30, 2021

By Function and Activity	Governmental Funds Capital Assets June 30, 2020	Additions	Deductions	Governmental Funds Capital Assets June 30, 2021
General Government:				
Administration	\$ 54,375	\$ 21,433	\$ -	\$ 75,808
Budget and administration	27,263	-	-	27,263
Finance	12,195	-	-	12,195
Technology services	1,439,959	115,499	-	1,555,458
Engineering	183,246	-	-	183,246
Building services	257,400	28,205	(23,335)	262,270
Central services	2,609,367	-	-	2,609,367
Public buildings	9,131,944	489,795	-	9,621,739
Buildings and grounds	1,339,052	2,272,266	(68,940)	3,542,378
District court	728,810	-	-	728,810
Total general government	<u>15,783,611</u>	<u>2,927,198</u>	<u>(92,275)</u>	<u>18,618,534</u>
Public Safety:				
Police	14,427,212	1,157,014	(366,587)	15,217,639
Code enforcement	139,148	-	-	139,148
Fire	13,750,638	93,165	(371,986)	13,471,817
Total public safety	<u>28,316,998</u>	<u>1,250,179</u>	<u>(738,573)</u>	<u>28,828,604</u>
Transportation:				
Traffic	3,245,263	11,750	-	3,257,013
Street	61,427,329	517,732	(191,160)	61,753,901
Total transportation	<u>64,672,592</u>	<u>529,482</u>	<u>(191,160)</u>	<u>65,010,914</u>
Economic and Physical Development:				
Planning and development	2,617,260	-	-	2,617,260
Economic and community	2,861,105	-	-	2,861,105
Total economic and physical development	<u>5,478,365</u>	<u>-</u>	<u>-</u>	<u>5,478,365</u>
Culture and Recreation:				
Recreation	28,799,603	1,258,209	-	30,057,812
Library	6,332,621	11,247	(8,868)	6,335,000
Total culture and recreation	<u>35,132,224</u>	<u>1,269,456</u>	<u>(8,868)</u>	<u>36,392,812</u>
Construction in Progress	<u>37,427,978</u>	<u>25,882,917</u>	<u>-</u>	<u>63,310,895</u>
Total government funds capital assets	<u>\$ 186,811,768</u>	<u>\$ 31,859,232</u>	<u>\$ (1,030,876)</u>	<u>\$ 217,640,124</u>

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



CITY OF HICKORY, NORTH CAROLINA

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY¹
JUNE 30, 2021

By Function and Activity	Land	Buildings	Other Improvements	Equipment	Vehicles and Motorized Equipment
General Government:					
Governing body	\$ -	\$ -	\$ -	\$ 21,433	\$ 54,375
Risk	-	-	-	-	27,263
Finance	-	-	-	12,195	-
Technology services	-	-	-	1,538,199	17,259
Engineering	-	-	-	102,700	80,546
Building services	-	-	-	48,280	213,990
Central services	744,781	1,801,592	506	47,955	14,535
Public buildings	2,997,438	3,323,290	2,894,105	406,907	
Building and grounds	1,766,322	257,374	901,531	332,374	284,777
District court	28,000	693,531	-	7,279	-
Total general government	<u>5,536,541</u>	<u>6,075,787</u>	<u>3,796,142</u>	<u>2,517,322</u>	<u>692,745</u>
Public Safety:					
Police	133,615	5,059,563	312,818	4,149,430	5,562,212
Code enforcement	-	-	1,620	-	137,528
Fire	239,692	3,324,545	1,332,666	1,245,384	7,329,533
Total public safety	<u>373,307</u>	<u>8,384,108</u>	<u>1,647,104</u>	<u>5,394,814</u>	<u>13,029,273</u>
Transportation:					
Traffic	13,036	82,805	-	187,946	550,195
Street	615,674	-	774,420	1,970,247	2,253,918
Total transportation	<u>628,710</u>	<u>82,805</u>	<u>774,420</u>	<u>2,158,193</u>	<u>2,804,113</u>
Economic and Physical Development:					
Planning and development	2,133,812	420,636	-	-	62,811
Economic and community	2,861,105	-	-	-	-
Total economic and physical development	<u>4,994,917</u>	<u>420,636</u>	<u>-</u>	<u>-</u>	<u>62,811</u>
Culture and Recreation:					
Recreation	3,280,156	12,016,380	11,896,488	2,200,500	664,286
Library	-	5,085,484	406,264	803,222	40,030
Total culture and recreation	<u>3,280,156</u>	<u>17,101,864</u>	<u>12,302,752</u>	<u>-</u>	<u>-</u>
Construction in Progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental funds capital assets	<u>\$ 14,813,631</u>	<u>\$ 32,065,200</u>	<u>\$ 18,520,418</u>	<u>\$ 10,070,329</u>	<u>\$ 16,588,942</u>

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

CITY OF HICKORY, NORTH CAROLINA

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY¹
JUNE 30, 2021

By Function and Activity	Streets	Traffic Signals	Bridges	Sidewalks	Construction in Progress	Total
General Government:						
Governing body	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,808
Risk	-	-	-	-	-	27,263
Finance	-	-	-	-	-	12,195
Technology services	-	-	-	-	-	1,555,458
Engineering	-	-	-	-	-	183,246
Building services	-	-	-	-	-	262,270
Central services	-	-	-	-	-	2,609,369
Public buildings	-	-	-	-	-	9,621,740
Building and grounds	-	-	-	-	-	3,542,378
District court	-	-	-	-	-	728,810
Total general government	-	-	-	-	-	18,618,537
Public Safety:						
Police	-	-	-	-	-	15,217,638
Code enforcement	-	-	-	-	-	139,148
Fire	-	-	-	-	-	13,471,820
Total public safety	-	-	-	-	-	28,828,606
Transportation:						
Traffic	-	2,423,032	-	-	-	3,257,014
Street	45,965,178	10,000	2,184,024	7,980,437	-	61,753,898
Total transportation	45,965,178	2,433,032	2,184,024	7,980,437	-	65,010,912
Economic and Physical Development:						
Planning and development	-	-	-	-	-	2,617,259
Economic and community	-	-	-	-	-	2,861,105
Total economic and physical development	-	-	-	-	-	5,478,364
Culture and Recreation:						
Recreation	-	-	-	-	-	30,057,810
Library	-	-	-	-	-	6,335,000
Total culture and recreation	-	-	-	-	-	36,392,810
Construction in Progress	-	-	-	-	63,310,895	63,310,895
Total governmental funds capital assets	\$ 45,965,178	\$ 2,433,032	\$ 2,184,024	\$ 7,980,437	\$ 63,310,895	\$ 217,640,124

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



Supplemental Financial Data

This section contains supplemental information on property taxes.

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy



CITY OF HICKORY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

JUNE 30, 2021

Fiscal Year	Uncollected Balance July 1, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 31,399,452	\$ 31,110,448	\$ 289,004
2019-2020	390,177	-	235,251	154,926
2018-2019	167,448	-	66,096	101,352
2017-2018	94,588	-	32,969	61,619
2016-2017	62,792	-	14,124	48,668
2015-2016	46,943	-	10,381	36,562
2014-2015	49,128	-	6,661	42,467
2013-2014	104,878	-	7,639	97,239
2012-2013	99,554	-	7,351	92,203
2011-2012	95,463	-	95,463	-
Total	<u>\$ 1,110,971</u>	<u>\$ 31,399,452</u>	<u>\$ 31,586,384</u>	924,039

Less allowance for uncollectible ad valorem taxes receivable (484,268)

Ad valorem taxes receivable, net \$ 439,771

Reconciliation of Collections and Credits with Revenues:

Ad valorem taxes \$ 31,629,716

Reconciling items:

Interest and penalties collected (130,693)

Prior year releases/adjustments (1,964)

Amounts written off per Statute of Limitations 89,325

Total collections and credits \$ 31,586,384

CITY OF HICKORY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY

CITY-WIDE LEVY

FOR THE YEAR ENDED JUNE 30, 2021

	City-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
County-wide:					
Property taxed at current year's rate	\$ 5,279,027,594	\$ 0.5875	\$ 31,014,287	\$ 28,186,574	\$ 2,827,713
Penalties	-		157,465	157,465	-
Total original levy	<u>5,279,027,594</u>		<u>31,171,752</u>	<u>28,344,039</u>	<u>2,827,713</u>
Discoveries:					
Current year's taxes	40,345,529	0.5875	237,030	237,030	-
Penalties	-		90,836	90,836	-
Total	<u>40,345,529</u>		<u>327,866</u>	<u>327,866</u>	<u>-</u>
Releases	<u>(17,049,484)</u>		<u>(100,166)</u>	<u>(100,166)</u>	<u>-</u>
Total property valuation	<u><u>\$ 5,302,323,639</u></u>				
Net Levy			31,399,452	28,571,739	2,827,713
Uncollected taxes at June 30, 2021			<u>(289,004)</u>	<u>(289,004)</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 31,110,448</u>	<u>\$ 28,282,735</u>	<u>\$ 2,827,713</u>
Current Levy Collection Percentage			<u>99.08%</u>	<u>98.99%</u>	<u>100.00%</u>

CITY OF HICKORY, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
CITY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2021
Secondary Market Disclosures:**Assessed Valuation:**

Assessment ratio	<u>100.00%</u>
Real property	\$ 3,905,067,960
Personal property	1,227,026,350
Public service companies	<u>170,229,329</u>
Total assessed valuation	<u>\$ 5,302,323,639</u>
Tax rate per \$100	0.5875
Levy (includes discoveries, releases, penalties and abatements)	<u>\$ 31,399,452</u>



Statistical Section

This part of the City of Hickory's annual comprehensive 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 annual comprehensive financial reports for the relevant year.



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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities										
Net investment in capital assets	\$ 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	\$ 72,725,989
Restricted	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	31,941,115
Unrestricted	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	1,001,932
Total governmental activities net position	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	105,669,036
Business-type activities										
Net investment in capital assets	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	130,596,390
Unrestricted	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	33,575,184
Total business-type activities net position	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	164,171,574
Primary government										
Net investment in capital assets	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	203,322,379
Restricted	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	31,941,115
Unrestricted	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	34,577,116
Total primary government net position	\$ 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	\$ 269,840,610

CITY OF HICKORY, NORTH CAROLINA

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(accrual basis of accounting)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Governmental activities										
General government	\$ 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	\$ 20,621,801
Public safety	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	27,046,269
Transportation	7,250,223	6,974,527	7,990,209	7,728,201	5,434,930	6,258,304	6,258,370	6,993,677	6,723,958	6,131,073
Economic and physical development	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	4,226,519
Culture and recreation	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	2,120,038
Interest on long-term debt	241,951	119,963	99,172	148,214	151,691	99,067	88,128	579,073	1,001,619	913,247
Total governmental activities expenses	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	61,058,947
Business-type activities										
Water	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	10,991,533
Sewer	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	15,168,416
Sludge composting	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	2,066,217
Stormwater	477,389	503,152	752,443	604,777	526,080	533,405	457,877	541,921	895,861	525,297
Airport	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	1,771,127
Recycling	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	4,144,494
Sanitation	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	2,185,919
Total business-type activities expenses	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	36,853,003
Total primary government expenses	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	97,911,950
Program revenues										
Governmental activities										
Charges for services										
General government	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	8,668,186
Public safety	367,049	305,427	367,312	235,616	309,458	268,252	258,389	215,395	224,072	392,968
Transportation	26,884	9,906	21,031	18,332	5,388	43,276	11,787	34,405	59,900	26,250
Economic and physical development	477,367	157,944	234,406	142,090	286,811	242,930	190,794	396,661	358,137	433,839
Culture and recreation	306,901	273,434	239,691	257,226	257,945	232,728	254,501	279,033	192,511	135,336
Operating grants and contributions	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	3,087,628
Capital grants and contributions	-	1,044	269,944	5,894,084	80,679	29,051	2,113,962	797,726	8,921,931	12,994,689
Total governmental activities program revenues	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	25,738,896
Business-type activities										
Charges for services										
Water	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	17,374,297
Sewer	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	11,664,910
Sludge composting	59,332	60,681	38,197	25,237	39,910	61,251	65,308	96,243	30,003	3,043
Stormwater	844	1,773	58,207	(3,318)	(1,987)	249,345	251	319	494	(153)
Airport	1,293,487	2,276,811	2,186,700	1,145,669	1,318,045	1,338,980	1,281,618	1,182,435	1,873,396	2,752,582
Recycling	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	4,466,122
Sanitation	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	1,951,676
Operating grants and contributions	1,555,849	1,777,298	2,069,562	2,107,589	2,136,861	2,004,532	1,987,390	2,579,212	2,762,227	2,444,703
Capital grants and contributions	740,890	1,322,552	260,319	2,318,933	2,735,512	464,582	760,895	308,520	1,006,074	1,363,076
Total business-type activities program revenues	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	42,020,256
Total primary government program revenues	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	67,759,152

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net (expense)/revenue										
Governmental activities	(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)	(35,320,051)
Business-type activities	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	5,167,253
Total primary government net expense	(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)	(30,152,798)
General revenues and other changes in net position										
Governmental activities										
Taxes										
Ad valorem property taxes	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	31,544,287
Local option sales tax	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	13,118,310
Franchise tax	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	3,315,897
Telecommunication tax	1,158,209	1,033,987	1,025,018	1,010,313	894,621	896,481	839,810	793,021	720,318	653,165
Motel/Occupancy tax	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	1,472,285
Vehicle tag tax	157,362	161,025	209,966	170,479	174,458	193,001	184,709	185,639	171,728	198,239
Gross receipts tax	110,711	115,674	136,237	131,412	149,050	161,557	163,224	168,716	209,394	272,852
Unrestricted intergovernmental	948,165	772,566	787,532	675,846	595,737	650,281	660,473	641,027	641,067	536,222
Unrestricted investment earnings	413,155	(38,998)	174,060	150,105	326,559	85,599	195,769	1,403,393	1,237,157	28,974
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Transfers	515,173	(1,581,311)	(519,010)	(1,720,158)	(6,679,253)	(169,567)	494,163	(1,578,454)	(1,966,388)	3,860,276
Total governmental activities	37,941,901	35,671,687	37,968,373	36,897,102	35,922,227	43,793,225	45,426,599	46,177,942	48,479,391	55,000,507
Business-type activities										
Unrestricted investment earnings	216,993	4,809	116,397	92,491	329,538	91,111	173,555	1,155,081	996,940	(5,460)
Donations	-	-	-	9,570	1,890	-	-	-	1,149,074	188,400
Transfers	(515,173)	1,581,311	519,010	1,720,158	6,679,253	169,567	(494,163)	1,578,454	1,966,388	(3,860,276)
Total business-type activities	(298,180)	1,586,120	635,407	1,822,219	7,010,681	260,678	(320,608)	2,733,535	4,112,402	(3,677,336)
Change in Net Position										
Governmental activities	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	19,680,456
Business-type activities	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	1,489,917
Total primary government	\$ 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	\$ 21,170,373

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Nonspendable	\$ 296,769	\$ 295,503	\$ 409,899	\$ 5,402,181	\$ 4,885,591	\$ 4,274,339	\$ 3,294,920	\$ 2,757,181	\$ 2,546,535	\$ 2,733,563
Restricted	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	10,739,363
Committed	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	6,083,068
Assigned	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	2,241,760
Unassigned	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	15,614,888
Total General Fund	\$ 31,882,614	\$ 32,111,063	\$ 34,366,115	\$ 40,660,222	\$ 33,385,599	\$ 36,082,126	\$ 37,778,669	\$ 38,294,105	\$ 37,101,122	\$ 37,412,642
Capital Projects Fund										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,447,185	\$ 13,768,376	\$ 20,629,511	\$ 21,140,143
Total Capital Projects Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,447,185	\$ 13,768,376	\$ 20,629,511	\$ 21,140,143
All other governmental funds										
Nonspendable	\$ -	\$ 158	\$ 158	\$ 879	\$ 330	\$ 321	\$ 158	\$ 228	\$ 1,400	\$ -
Restricted	836,765	307,464	338,705	1,973,118	1,978,451	3,558,664	274,533	384,795	488,672	258,260
Committed	256,491	39,683	11,509	30,398	168,731	138,565	133,743	116,851	92,320	108,484
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	(677,129)	(72,230)	(726,139)	(43,256)	(140,933)	(43,249)	(20,896)	(99,109)	(113,563)	(188,913)
Total all other governmental funds	\$ 416,127	\$ 275,075	\$ (375,767)	\$ 1,961,139	\$ 2,006,579	\$ 3,654,301	\$ 387,538	\$ 402,765	\$ 468,829	\$ 177,831

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Ad valorem taxes	\$ 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	\$ 31,629,716
Other taxes	12,656,894	12,905,229	13,439,396	14,774,695	15,877,765	16,521,078	16,853,553	17,692,047	17,195,453	18,983,815
Unrestricted intergovernmental	948,165	772,566	787,532	675,846	595,737	650,281	660,473	641,027	641,067	536,222
Restricted intergovernmental	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	14,118,782
Licenses and permits	1,123,968	1,142,332	1,144,090	1,116,114	7,886	5,912	4,852	4,832	4,480	4,882
Sales and services	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	1,155,955
Investment earnings	343,425	(39,814)	141,156	126,225	280,702	74,610	177,560	1,282,879	1,143,041	(12,526)
Miscellaneous	1,373,150	988,144	1,329,129	4,413,948	875,945	742,840	37,221	704,871	2,306,510	2,483,772
Total revenues	\$ 45,542,505	\$ 43,712,367	\$ 45,637,396	\$ 52,982,859	\$ 48,519,392	\$ 49,326,000	\$ 51,817,253	\$ 53,518,654	\$ 64,083,345	\$ 68,900,618
Expenditures										
Current										
General government	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	9,712,789
Public safety	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	24,833,498
Transportation	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	5,705,133
Economic and physical development	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	4,182,875
Culture and recreation	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	4,724,393
Capital outlay	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	27,281,104
Debt Service										
Principal retirement	1,280,343	992,687	992,686	1,092,687	1,895,487	2,037,099	807,069	671,034	1,195,175	2,176,421
Interest and fees	252,784	120,628	100,500	134,350	153,911	102,289	89,479	76,984	864,353	1,288,858
Bond issuance cost	-	-	-	-	-	-	-	286,032	-	-
Total expenditures	42,514,871	42,043,661	43,499,176	48,114,288	49,069,322	44,812,184	52,434,451	55,639,465	73,132,617	79,905,071
Excess(deficiency) of revenues over(under) expenditures	3,027,634	1,668,706	2,138,220	4,868,571	(549,930)	4,513,816	(617,198)	(2,120,811)	(9,049,272)	(11,004,453)
Other financing sources(uses)										
Transfers - in	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	14,997,958
Transfers - (out)	(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)	(11,167,682)
Issuance of debt	-	-	-	3,000,000	-	-	-	15,575,000	15,140,352	7,705,331
Premium from issuance of bond	-	-	-	-	-	-	-	1,176,119	1,996,899	-
Total other financing sources(uses)	549,511	(1,581,311)	(534,010)	1,279,842	(6,679,253)	(169,567)	494,163	14,972,665	14,783,488	11,535,607
Net change in fund balance	\$ 3,577,145	\$ 87,395	\$ 1,604,210	\$ 6,148,413	\$ (7,229,183)	\$ 4,344,249	\$ (123,035)	\$ 12,851,854	\$ 5,734,216	\$ 531,154
Debt service as a percentage of noncapital expenditures	3.64%	2.67%	2.60%	2.86%	4.27%	4.90%	1.95%	1.53%	4.08%	6.58%

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

Fiscal Year Ended June 30	Real Property		Personal Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value ¹ as a Percentage of Actual Value
	Residential/Commercial Property	Property	Motor Vehicles	Other					
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%
2021	3,905,067,960		481,312,841	955,190,793	39,247,955	5,302,323,639	0.5875	5,689,000,596	93.89%

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

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

¹ Includes tax-exempt property

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

Fiscal Year Ended June 30	Name of Government					Maximum Overlapping Rate
	City of Hickory ¹	Burke County	Caldwell County	Catawba County		
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
2021	0.5875	0.6950	0.6300	0.5750		1.2825

Source: North Carolina Department of Revenue

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

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

Taxpayer	2021			2012		
	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	\$ 132,242,629	1	2.49%	\$ 121,898,304	1	2.60%
Corning Optical Communications LLC	114,896,553	2	2.17%	67,070,329	2	1.43%
Duke Lifepoint	81,159,218	3	1.53%			
Duke Energy Carolinas LLC	60,170,258	4	1.13%	34,313,856	6	0.73%
Shurtape Technologies Inc	42,854,858	5	0.81%	25,949,335	9	0.55%
DLP Frye Regional Medical Center LLC	34,453,500	6	0.65%	35,837,200	5	0.76%
Valley Hills Mall LLC	28,700,000	7	0.54%	45,907,420	3	0.98%
Hickory Springs Mfg Co	25,018,507	8	0.47%	25,141,769	10	0.54%
Health Care Property Investors	23,837,400	9	0.45%			
Tate Boulevard I, II, III & IV LLC	23,499,300	10	0.44%	29,603,500	7	0.63%
American Med International	-		0%	39,828,688	4	0.85%
Inland Western Hickory-Catawba LLC	-		0%	26,753,200	8	0.57%
Total	\$ 566,832,223		10.68%	\$ 452,303,601		9.64%

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					
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%	
2021	31,399,452	31,110,448	99.08%	388,575	31,499,023	100.32%	

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

Source: City of Hickory Finance Department

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

Fiscal Year Ended June 30	Governmental Activities				Business-type Activities				Total	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds	Installment		Capitalized Leases	General Obligation Bonds	Installment		Notes Payable			
		Purchase Agreements	Notes Payable			Purchase Agreements	Notes Payable				
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	
2021	27,750,000	9,309,974	-	-	-	7,376,239	14,688,300	59,124,513	3.49%	1,423	

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Look for Future Maturities for Long-Term Indebtedness.

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

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

Fiscal Year Ended June 30	General Obligation Bonds	Percentage of Estimated Actual Taxable Value ¹ of Property		Percentage of Personal Income	Per Capita ²
2012	\$ -	0.00%	0.00%	0.00%	0
2013	-	0.00%	0.00%	0.00%	0
2014	-	0.00%	0.00%	0.00%	0
2015	-	0.00%	0.00%	0.00%	0
2016	-	0.00%	0.00%	0.00%	0
2017	-	0.00%	0.00%	0.00%	0
2018	-	0.00%	0.00%	0.00%	0
2019	15,000,000	0.26%	0.26%	0.96%	367
2020	29,250,000	0.51%	0.51%	1.78%	710
2021	27,750,000	0.49%	0.49%	1.64%	668

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

¹ See Schedule 5 for property value data.

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

CITY OF HICKORY, NORTH CAROLINA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2021

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable ¹	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
Burke County	\$ 58,050,340	0.74%	\$ 429,573
Caldwell County	40,019,203	2.01%	804,386
Catawba County	166,797,724	26.80%	44,701,790
Subtotal, overlapping debt			<u>45,506,176</u>
City direct debt			<u>37,059,974</u>
Total direct and overlapping debt			<u>\$ 82,566,150</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.

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

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Debt limit	\$ 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	\$ 424,185,891
Total net debt applicable to limit	37,998,427	45,103,768	-	-	-	31,172,053	32,420,573	43,026,003	58,591,268	62,080,074
Legal debt margin	\$ 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	\$ 362,105,817
Total net debt applicable to the limit as a percentage of debt limit	10.12%	11.95%	0.00%	0.00%	0.00%	8.37%	8.43%	10.98%	14.30%	14.64%

Legal Debt Margin Calculation for Fiscal Year 2021

Assessed value of taxable property	\$ 5,302,323,639
Debt limit - 8 percent of assessed value	\$ 424,185,891
Debt applicable to limit:	
Gross debt	62,080,074
Less - water bonds	-
Total net debt applicable to limit	62,080,074
Legal debt margin	\$ 362,105,817

CITY OF HICKORY, NORTH CAROLINA

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Population ¹	Personal Income (<i>thousands of dollars</i>)	Per Capita Personal Income ²	Median Age ³	School Enrollment ⁴	Unemployment Rate ⁵
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%
2021	41,547	1,696,198	40,826	38.1	4,218	4.7%

Note: N/A - not available

Sources:

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

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

³ US Census Bureau

⁴ Hickory City Schools

⁵ Employment Security Commission, North Carolina

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

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

Employer ⁽¹⁾	2021			2012		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Catawba County Schools	1000+	1	2.75%	1000+	2	1.56%
Catawba Valley Medical Center	1000+	2	2.70%			1.56%
Commscope	1000+	3	2.62%	1000+	3	1.56%
Corning Optical Comm	1000+	4	2.62%			1.56%
Target Stores Distribution Center	1000+	5	2.59%	1000+	1	3.16%
Catawba County	1000+	6	2.16%	1000+	4	1.56%
Duke LifePoint/Frye Regional	1000+	7	2.15%	1000+	6	1.56%
GKN Driveline	1000+	8	2.10%	500-999	8	0.78%-1.55%
Century Furniture	500-999	9	1.18%			0.78%-1.55%
Catawba Valley Community College	500-999	10	1.04%	500-999	9	1.56%
Wal-Mart Associates Inc.				1000+	5	1.56%
Sutter Street Manufacturing				500-999	7	0.78%-1.55%
McCreary Modern				500-999	10	0.78%-1.55%

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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Government										
Administration	8	8	8	8	8	9	10	9	9	10
Budget, administration, and HR	7	7	7	7	8	8	9	9	9	9
Finance	21	20	20	21	17	15	17	17	17	15
Information technology	8	5	7	8	6	7	7	7	7	7
City clerk	0	1	1	1	1	1	1	1	1	1
Legal	2	2	2	2	2	2	2	2	2	2
Engineering	8	7	6	8	5	3	5	5	5	4
Building services	6	6	5	6	5	5	5	5	5	9
Central services	7	7	6	7	7	6	7	7	6	7
Buildings and grounds	13	14	15	17	16	13	14	16	15	31
Fleet Maintenance	11	11	12	11	10	10	10	11	10	11
Public Safety										
Police	143	142	141	147	134	133	137	140	144	142
Fire	135	134	134	135	133	130	131	131	138	139
Building inspections	-	-	-	-	-	-	-	-	-	-
Code enforcement	-	-	5	5	-	-	-	-	-	-
Development assistance center	-	-	-	-	-	-	-	-	-	-
Transportation										
Traffic	9	9	10	11	10	10	9	11	10	9
Street	40	39	36	43	36	32	31	35	33	31
Planning and development	8	7	7	8	7	8	10	10	10	9
Culture and recreation										
Recreation	40	40	40	42	40	40	38	38	38	16
Library	17	17	17	18	16	17	17	17	17	15
Water/Sewer	93	90	88	98	89	91	93	99	100	101
Stormwater	1	1	1	1	1	1	0	1	1	1
Public Transit	-	-	-	-	-	-	-	-	-	-
Airport	7	7	8	8	8	8	10	11	11	12
Recycling	13	13	14	16	13	13	10	12	11	12
Sanitation - commercial	10	10	10	12	10	11	11	11	10	10
Sanitation - residential	8	8	7	8	10	9	12	10	10	10
Total	615	605	607	648	592	582	596	615	619	613

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	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Public Safety										
Police Services										
Cost per call dispatched	\$ 153	\$ 148	\$ 155	\$ 152	\$ 149	\$ 125	\$ 135	\$ 138	\$ 141	\$ 142
Calls dispatched	64,668	66,707	67,930	73,396	72,796	90,929	88,167	90,058	90,024	98,159
Uniform Crime Reporting Part I crimes reported	2,547	3,037	2,598	2,415	1,914	2,186	2,175	2,317	1,899	1,953
Uniform Crime Reporting Part I crimes per 1,000 pop.	64	76	64.9	60.0	47.5	54.2	53.8	57.0	46.4	47.2
Uniform Crime Reporting Part II crimes reported	3,392	3,618	3,462	3,146	3,348	3,357	3,375	3,450	4,064	4,324
Traffic accidents reported	1,937	2,053	3,276	2,271	3,359	3,706	3,555	3,570	2,438	2,321
Sworn Officers	118	118	118	117	117	116	116	116	116	116
Calls dispatched per sworn officer	548	565	576	627	622	784	760	776	776	846
Calls dispatched per 1,000 population	1,613	1,664	1,697	1,825	1,805	2,253	2,179	2,215	2,199	2,370
Response time to priority calls (minutes)	4	3	4.4	3.3	6.3	6.3	6.6	7.8	4.4	4.3
Emergency Communications										
Total calls per 1,000 population	2,947	---	2,291	2,543	---	---	---	---	---	---
Calls answered per telecommunicator	9,086	---	6,553	7,306	---	---	---	---	---	---
Seconds from initial ring to answer	n/a	---	n/a	n/a	---	---	5	5	5	4
Calls answered within three rings	n/a	---	n/a	n/a	---	---	---	---	---	---
E911 calls answered within 20 seconds**	---	---	99.8%	n/a	---	---	---	---	---	---
Fire Services										
Cost per response	\$ 1,629	\$ 1,635	\$ 1,638	\$ 1,565	\$ 1,524	\$ 1,575	\$ 1,555	\$ 1,680	\$ 1,998	\$ 2,133
Actual fires per 1,000 population	5	5	5	5	5	5	5	4	4	5
Responses per 1,000 population	133	136	135	137	145	146	148	149	146	122
Fire inspections completed per 1,000 population	114	123	116	123	115	118	114	109	106	110
Inspections completed per Full Time Employee (FTE)	2,054	2,215	2,086	1,918	1,686	1,667	1,579	1,504	1,481	1,708
Average response time to priority 1 calls (minutes)	4.5	4.6	4.6	4.5	4.3	4.4	4.2	4.3	4.4	4.4
Fires confined to room(s) involved on arrival	54%	51%	55%	54%	51%	68%	61%	60%	62%	62%
Fires for which cause is determined	95%	91%	97%	93%	93%	93%	92%	85%	95%	91%
Transportation										
Asphalt Maintenance and Repair										
Cost per ton of asphalt for contract resurfacing	\$ 83	\$ 83	\$ 76	\$ 77	\$ 77	\$ 77	\$ 77	\$ 90	\$ 182	\$ 183
Lane miles maintained per 1,000 population	17.9	18.0	18.0	17.9	17.8	17.8	18.0	17.7	17.6	17.4
Potholes repaired within 24 hours	96%	94%	95%	94%	n/a	94%	92%	94%	96%	92%
Street segments rated 85% or better (ITRE)	39%	39%	39%	39%	38%	39%	37%	27%	29%	37%

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

Function/Program	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Recycling										
Cost per ton collected	\$ 209	\$ 256	\$ 359	\$ 377	\$ 763	\$ 171	\$ 138	\$ 136	\$ 152	\$ 185
Cost per collection point	\$ 31	\$ 32	\$ 44	\$ 41	\$ 94	\$ 35	\$ 30	\$ 30	\$ 34	\$ 41
Tons recyclables per 1,000 population	45	37	37	33	37	63	65	66	66	65
Tons Solid Waste Landfilled per 1,000 population	232	212	224	215	210	175	180	182	225	221
Set out Rate	80%	76%	78%	81%	84%	67%	65%	63%	66%	69%
Diversion Rate	16%	15%	14%	13%	15%	26%	26%	27%	23%	21%
Sanitation										
Refuse Collection										
Cost per ton collected	\$ 61	\$ 72	\$ 65	\$ 72	\$ 63	\$ 79	\$ 76	\$ 46	\$ 39	\$ 40
Cost per collection point	\$ 47	\$ 50	\$ 49	\$ 51	\$ 44	\$ 46	\$ 45	\$ 28	\$ 30	\$ 34
Tons per 1,000 population	232	212	224	215	210	175	180	182	225	245
Tons per 1,000 collection points	769	702	742	708	694	579	598	620	771	838
Tons collected per F.T.E.	2,190	2,264	2,395	2,305	2,259	1,883	1,945	1,973	2,456	2,709
Yard Waste/Leaf Collection										
Cost per ton collected	\$ 140	\$ 131	\$ 143	\$ 131	\$ 92	\$ 100	\$ 72	\$ 120	\$ 90	\$ 62
Cost per collection point	\$ 74	\$ 71	\$ 81	\$ 72	\$ 52	\$ 54	\$ 60	\$ 77	\$ 77	\$ 77
Tons collected per 1,000 population	160	164	171	166	173	164	251	189	250	360
Tons collected per F.T.E.	1,606	1,646	1,709	1,667	1,741	1,657	1,043	790	1,048	1,528

* 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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	152	153	153	153	152	151	149	156	164	163
Fire										
Stations	7	7	7	7	7	7	7	7	7	7
Transportation										
Traffic										
Traffic signals	196	196	196	196	196	196	196	196	195	195
Street										
Miles of paved streets	235.89	235.89	235.82	238.39	239.74	239.74	239.74	239.74	239.63	239.73
Miles of unpaved streets	1.19	1.19	1.24	1.24	2.10	2.10	2.10	2.10	1.08	1.08
Culture and recreation										
Recreation										
Park acreage	428	428	428	428	428	429	450	450	448	451
Parks	23	23	23	23	23	24	24	24	24	26
Recreation centers	6	6	6	6	6	6	6	6	5	5
Senior citizen centers	2	2	2	2	2	2	2	2	2	2
Swimming pools	-	-	-	-	-	-	-	-	-	0
Museums	1	1	1	1	1	1	1	1	1	1
Library										
Libraries	2	2	2	2	2	2	2	2	2	2
Water										
Miles of water mains	921	925	926	932	937	942	945	947	947	954
Fire hydrants	9,566	9,576	9,583	9,625	9,649	9,675	9,691	9,699	4,826	4,826
Maximum daily capacity in MGD ¹	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00
Sewer										
Miles of sewer mains	490	492	492	493.5	499	499	540	541	501	541
Maximum daily treatment capacity in MGD ¹	15.25	15.25	15.25	16.5	16.5	16.5	16.5	16.5	16.5	16.5
Recycling										
Collection trucks	15	15	15	15	15	15	15	15	15	16
Sanitation										
Refuse trucks	27	29	29	29	29	29	29	35	35	37
Sources: Various city departments										

¹ MGD - Million gallons per day



Single Audit Section



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

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hickory, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 19, 2021.

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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings, Responses and Questioned Costs as items 2021-001 and 2021-002 that we consider to be material weaknesses.

Compliance and Other Matters

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

City of Hickory's Responses to Findings

The City of Hickory's responses to the findings identified in our audit are described in the accompanying Corrective Action Plan. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
Hickory, North Carolina
November 19, 2021

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, 2021. 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, 2021.

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 each 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, North Carolina
November 19, 2021

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

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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, 2021. 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, 2021.

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 each 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, North Carolina
November 19, 2021

CITY OF HICKORY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2021

1. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

Non-compliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

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

Highway Planning and Construction Cluster	20.205
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Dollar threshold used to distinguish between Type A and Type B programs	<u>\$ 750,000</u>
---	-------------------

Auditee qualified as low-risk auditee?	Yes
--	-----

CITY OF HICKORY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2021

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
State Aid to Airports

CITY OF HICKORY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2021

1. Financial Statements Findings

Material Weakness

Finding 2021-001

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

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

Effect: There were several full accrual journal entries that had to be corrected.

Cause: The general ledger was not reconciled to subsidiary ledgers at year-end for external financial reporting. Full accrual debt and asset journal entries were not booked properly. In addition, several client provided entries still had to be booked.

Recommendation: Management should reconcile the subsidiary ledgers at year-end and full accrual entries, along with any adjusting entries, should be posted as needed to the final trial balance, to prevent material audit adjustments in the future.

Name of Contact Person: Melissa Miller, Finance Officer

Views of Responsible Officials and Planned Corrective Actions: See Corrective Action Plan submitted with this report.

CITY OF HICKORY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2021

1. Financial Statements Findings (continued):

Material Weakness

Finding 2021-002

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

Condition: Account reconciliations for cash were not prepared and balanced to the general ledger properly at year end.

Effect: Errors in completing reconciliations greatly increases the risk of errors in financial reporting.

Cause: The bank account and outstanding items were not properly reconciled to general ledgers at year-end for external financial reporting.

Recommendation: Management should ensure that reconciliations are completed accurately and balanced to the general ledger on a monthly basis. Management should review outstanding items for completeness and accuracy.

Name of Contact Person: Melissa Miller, Finance Officer

Views of Responsible Officials and Planned Corrective Actions: See Corrective Action Plan submitted with this report.

2. Federal Award Findings and Questioned Costs

None reported.

3. State Award Findings and Questioned Costs

None reported.



City of Hickory
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Finance Department

Corrective Action Plan

Financial Statement Findings

Finding 2021-001

Name of Contact Person: Melissa Miller, Finance Officer

Corrective Action: The Finance Department staff experienced several position vacancies and restructuring during this fiscal year. New staff are now maintaining complete records to ensure prior month transactions are recorded, maintained, and properly balanced to the general ledger prior to fiscal year end. All journal entries are current, and any necessary adjustments have been verified for accuracy.

Proposed Completion Date: All adjusting entries have been updated to reflect accurate system balances from separate system modules to general ledger. Currently, the City's financial system requires entry and balancing in two separate modules. A new financial software has been selected by management and will be implemented throughout the City in the near future. This change will help avoid duplication of data in separate modules. New staff have already implemented new procedures to ensure accuracy of data entry in both modules until the software conversion.

Finding 2021-002

Name of Contact Person: Melissa Miller, Finance Officer

Corrective Action: The Finance Department staff experienced several position vacancies and restructuring during this fiscal year. Many errors were discovered at year end, so the decision was made to review prior month reconciliations. After the initial review, management decided that all prior month reconciliations had to be redone to ensure accuracy of previous work.

Proposed Completion Date: All corrections have been immediately implemented with the positions responsible for the monthly bank reconciliation and daily cash reconciliation. Any necessary adjusting entries have been updated to reflect accurate system balances.

CITY OF HICKORY, NORTH CAROLINA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

None reported.

CITY OF HICKORY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Grant Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Pass-through to subrecipients
Federal Assistance					
United States Department of Housing and Urban Development					
Direct Program					
CDBG Entitlement Grants Cluster:					
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-37-0013	\$ 195,307	\$ -	\$ -
COVID-19 CDBG Covid Funds	14.218	CDBG - CV	230,944	-	-
Total CDBG Entitlement Grants Cluster			<u>426,251</u>	<u>-</u>	<u>-</u>
Total United States Department of Housing and Urban Development			<u>426,251</u>	<u>-</u>	<u>-</u>
United States Treasury Department					
Passed-through North Carolina Alliance of YMCAs					
Coronavirus Relief Fund	21.019		94,900	-	-
Total United States Treasury			<u>94,900</u>	<u>-</u>	<u>-</u>
United States Department of Justice:					
Direct Program					
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034		20,504		
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738		10,785		
Bulletproof Vest Partnership Program	16.607	2018 & 2019	559	-	-
Total United States Department of Justice			<u>31,848</u>	<u>-</u>	<u>-</u>
United States Department of Transportation					
Passed-through North Carolina Department of Transportation					
Airport Improvement Program					
Land Acq/Obst Remo RW 6-24	20.106	36237.66.7.1 & 36237.66.7.2	59,220	-	-
Master Plan Update	20.106	36237.66.6.2	29,042	53,935	-
Airport Hangar Replacement	20.106	36237.66.7.4 & 36237.66.7.4	2,152	-	-
Total Airport Improvement Program			<u>90,414</u>	<u>53,935</u>	<u>-</u>
National Infrastructure Investments					
BUILD Discretionary Grants - 9TH St NW and 11St NE Connector and US 321 Multi Use Trail	20.933	1143024	1,278,268	-	-
Highway Planning and Construction Cluster					
Highway Planning and Construction					
Citywalk	20.205	TAP-1216	6,782,187	-	-
Riverwalk	20.205	STBGDA-1143(016)	743,183	-	-
9th St Streetscapes	20.205	BGDA-1143(021)	93,397	-	-
Old Lenoir Road	20.205	TAP-11143	387,522	-	-
Bookwalk	20.205	STBGDA-1143(016)	79,236	-	-
Bookwalk South	20.205	STBGDA-1143(015)	70,012	-	-
Total Highway Planning and Construction Cluster			<u>8,155,537</u>	<u>-</u>	<u>-</u>
Total United States Department of Transportation			<u>9,524,219</u>	<u>53,935</u>	<u>-</u>
Total Federal Assistance			<u>\$ 10,077,218</u>	<u>\$ 53,935</u>	<u>\$ -</u>
State Assistance					
North Carolina Department of Cultural and Natural Resources					
Aid to Public Libraries		N/A		28,840	-
				<u>28,840</u>	<u>-</u>
North Carolina Department of Revenue					
Unauthorized Substances Tax		N/A		31,206	-
				<u>31,206</u>	<u>-</u>
North Carolina Department of Transportation					
Direct Program:					
Powell Bill		N/A		1,145,976	-
Division of Aviation					
State Aid to Airports - Obstruction Removal		36244.33.12.1		16,658	-
State Aid to Airports - Hangar Reconstruction		36237.66.7.4 & 36244.33.14.1		517,638	-
Total North Carolina Department of Transportation				<u>1,680,272</u>	<u>-</u>

CITY OF HICKORY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Grant Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Pass-through to subrecipients
North Carolina Department of Commerce					
Design Foundry Building Reuse Grant		2019-115-3201-2587		25,000	-
PTI Building Reuse Grant		2019-086-3201-2587		45,483	-
Industrial Development Fund		U-499		225,000	-
Total North Carolina Department of Commerce				295,483	-
North Carolina Housing Finance Agency					
Urgent Repair Program-North Carolina Housing Trust Funds		URP1713&1812		66,358	-
				66,358	-
North Carolina Office of Information Technology Services					
Passed-through Catawba County					
Public Safety Answering Point		N/A		90,725	-
Total State Assistance				\$ 2,246,819	\$ -

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, 2021. 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 the 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 - Loans Outstanding

City of Hickory has the following loan balances outstanding at June 30, 2021 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, 2021 consist of:

Program Name	Federal AL Number	Amount Outstanding
Geitner Basin Sewer System Rehab	66.458	\$ 2,533,299
Central Business District Infrastructure Rehabilitation	66.458	\$ 1,159,485