

Popular Annual Financial Report

2023

FOR FISCAL YEAR ENDING JUNE 30, 2023
CITY OF HICKORY, NORTH CAROLINA

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About This Report

This is a short form report that provides summarized information about the City's general government financial activities. It is intended to give readers an overview of the City and its finances. It is derived from but does not provide all the detailed information required by accounting standards (Generally Accepted Accounting Principles or GAAP). It does not include information on all of the City's Funds or Component Units.

Detailed financial information, including the audited financial statements, is available in the City's 2023 Annual Comprehensive Financial Report, commonly called the ACFR. The ACFR provides full disclosure of all material events in the notes to the financial statements, as well as required supplementary information and historical statistical information.

A Message from the City Manager

Welcome to the latest edition of our Popular Annual Financial Report (PAFR) for the fiscal year ending June 30, 2023. The PAFR is produced annually to provide those with an interest in the City's financial activities a concise overview of financial operations throughout the year. This report serves as a window into the City's financial activities, showcasing our commitment to fiscal integrity and responsible management. While thorough, it's an abbreviated version of the City's Annual Comprehensive Financial Report (ACFR), offering a user-friendly insight into our financial operations. In addition, our aim with this report is to provide a level of transparency that gives you the utmost confidence in how our City operates.

Sincerely,



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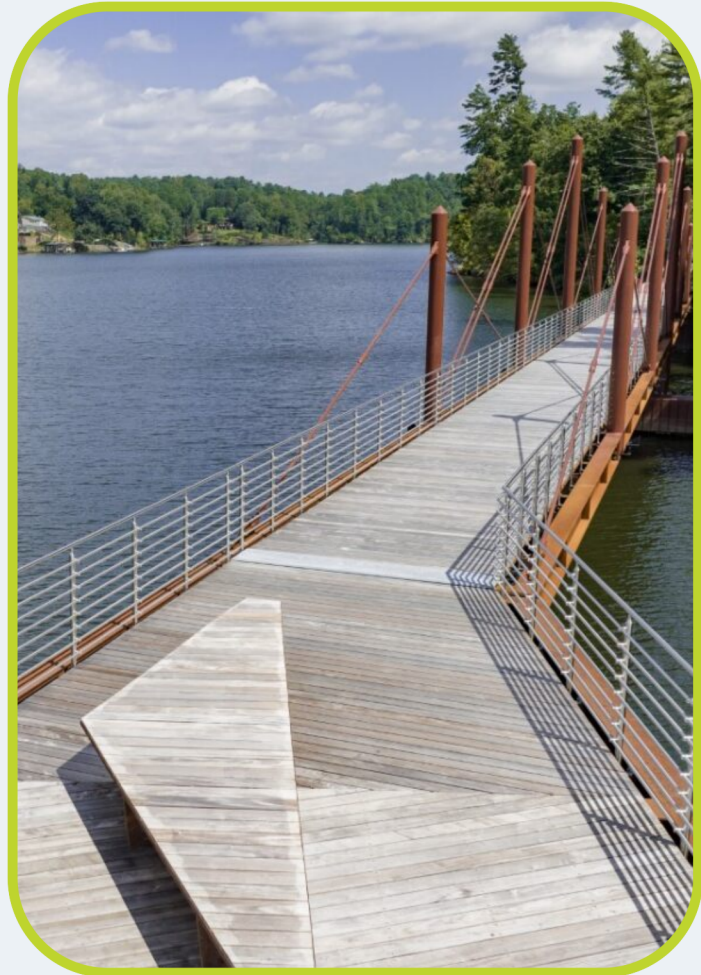
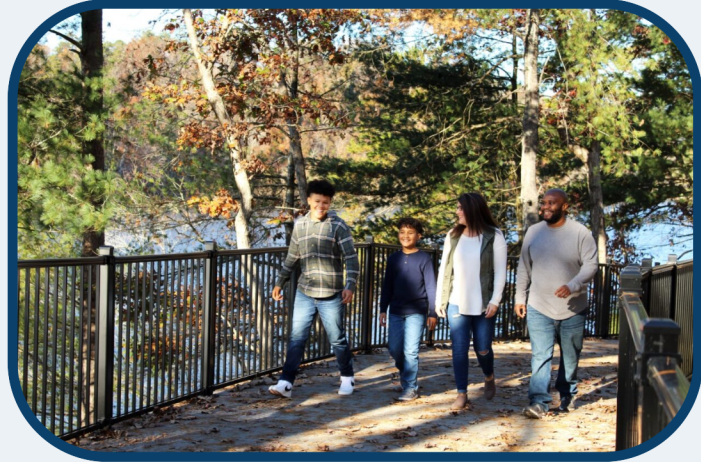
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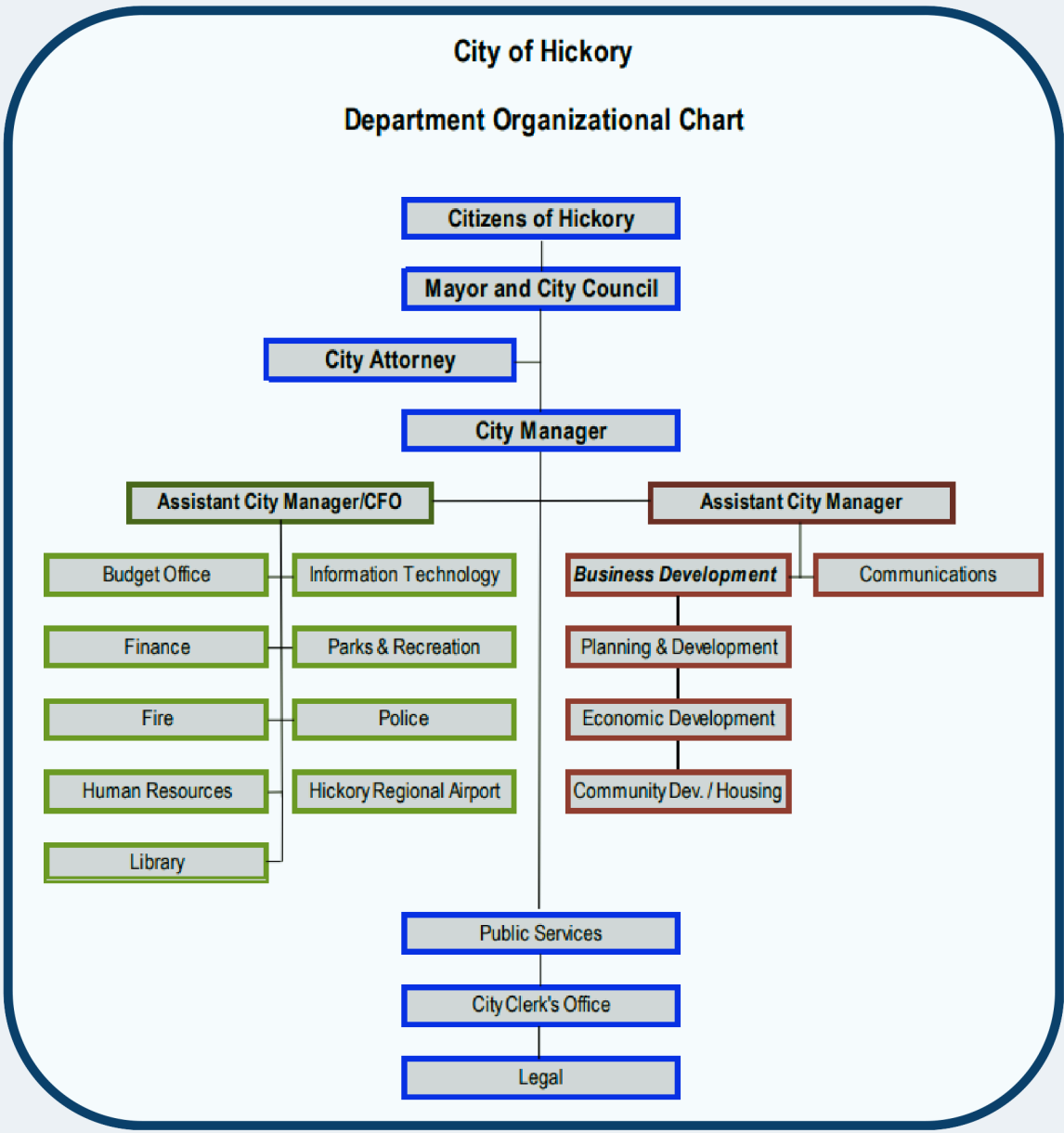
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Hickory City Government



DID YOU KNOW?

The City of Hickory 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. Our City Council, composed of dedicated representatives elected on a nonpartisan basis, remains pivotal in shaping policies, steering budget allocations, and overseeing matters crucial to our residents' well-being.

Hickory City Council

Mayor



Hank Guess

Ward 1



Tony Wood

Ward 2



Charlotte Williams

Ward 3



Danny Seaver

Ward 4



Rev. Dr. Anthony Freeman

Ward 5



David Zagaroli

Ward 6



Jill Patton

Attorney



Timothy Swanson

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Hickory Finance Department

Finance Mission

The mission of the Finance Department is to administer and provide fiscally responsible control and guidance for all financial matters of the City while complying with all applicable City, State, and Federal mandates.

ACFR Award

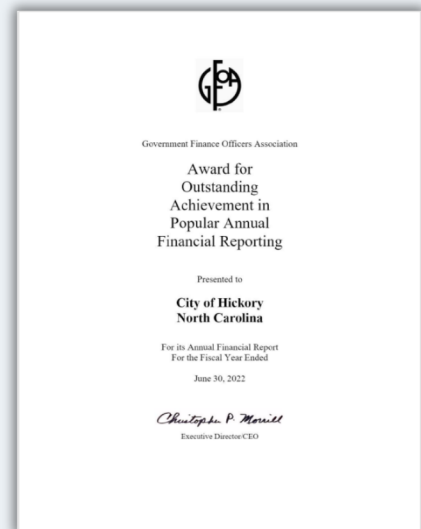
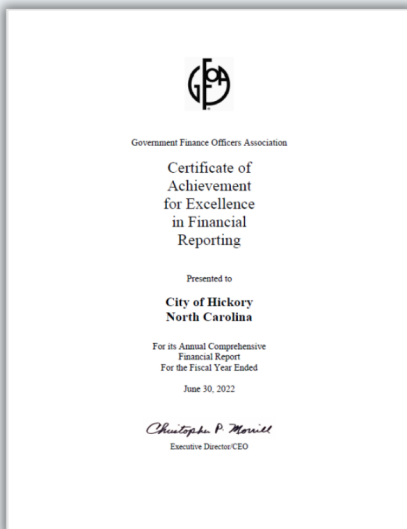
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hickory for its Annual Comprehensive Financial Report for the fiscal year ending June 30, 2022.

This was the twenty-seventh consecutive year that the City has received this prestigious award.

PAFR Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Popular Annual Financial Reporting to the City of Hickory for its Popular Annual Financial Report for the fiscal year ending June 30, 2022.

This was the first year that the City has received this prestigious award.



In addition to the ACFR and PAFR awards, Hickory was also awarded a Certificate of Achievement for Excellence for the City's Budget Book. With all three awards, Hickory received the Triple Crown designation. This was the first year that the City has received this prestigious award.

Hickory Amenities

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.

Hickory's origins began in the 1850s, when Henry Robinson built a tavern of logs beneath a large hickory tree near a stagecoach junction. The inn was known as "Hickory Tavern." The community of Hickory Tavern had its first Charter drawn on December 12, 1863, with the "Corporate limits to be one square mile, having its center the depot of Western North Carolina Railroad." Today, Hickory is home to over 43,000 residents and the regional hub of over 365,000 people for commerce and recreation.

City Services

General Government

- Governing Body
- City Manager's Office
- Communications
- Finance
- Information Technology
- Budget
- Legal
- Engineering
- Public Services
- Human Resources
- City Clerk
- District Court
- Public Services
- Central Services
- Public Buildings
- Parks & Public Properties

Airport

- Hickory Regional Airport

Public Safety

- Police
- Code Enforcement
- Fire
- Hickory Rural Fire District

Economic &

Community

Development

- 26 Parks
- Planning & Development
- Business Incentives

Culture & Recreation

- 2 Libraries
- Recreation & Sports Tourism
- 7 Recreation Centers
- SALT Block Foundation

Environmental Protection

- Water & Sewer Administration
- Wastewater Collection
- Water Treatment Plants
- Water Distribution
- Sludge Composting
- Recycling
- Stormwater
- Commercial Bulk Services
- Residential Sanitation

Education

- Catawba Valley Community College
- Appalachian State University
- Lenoir-Rhyne University
- 9 Hickory City Schools

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HICKORY

Capital Asset & Infrastructure

POLICE			
	2021	2022	2023
Stations	1	1	1
Patrol Units	163	160	149
FIRE			
	2021	2022	2023
Stations	7	7	7
TRAFFIC			
	2021	2022	2023
Traffic Signals	195	194	193
STREET			
	2021	2022	2023
Miles of Paved Streets	239.73	240.25	240.14
Miles of Unpaved Streets	1.08	1.04	1.01
RECREATION			
	2021	2022	2023
Park Acreage	451	524	524
Parks	26	26	26
Recreation Centers	5	5	5
Senior Citizen Centers	2	2	2
Museums	1	1	1
LIBRARY			
	2021	2022	2023
Libraries	2	2	2
WATER			
	2021	2022	2023
Miles of Water Mains	954	954	960
Fire Hydrants	4826	4826	5041
SEWER			
	2021	2022	2023
Miles of Sewer Mains	541	541	544



HICKORY

Demographic Breakdown

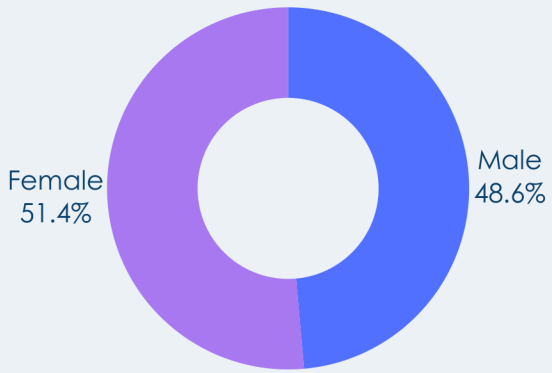
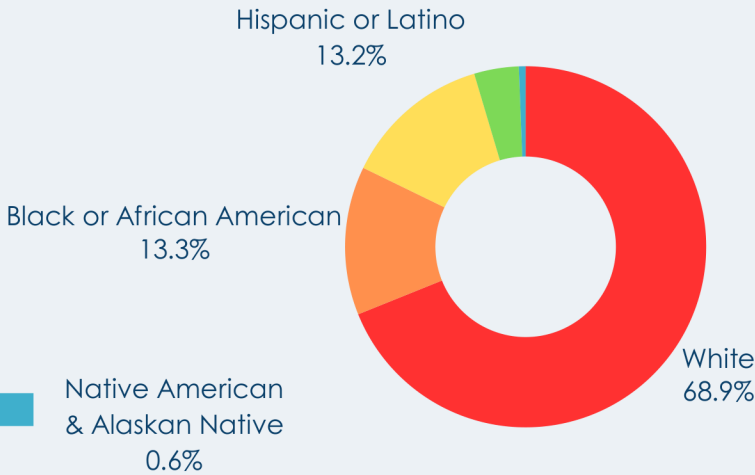
Geography

<u>FOUNDED</u>	<u>LAND</u>	<u>WATER</u>
JAN. 1870	30.73 ¹ SQ MI	.10 ² SQ MI

Demographics

<u>POPULATION</u>	<u>MEDIAN AGE</u>	<u>INCOME</u>
44,084	38.3	\$48,259

Race | Ethnicity | Gender



1. U.S. Census Bureau. (2020). Land Area in Square Miles, 2020 Census Redistricting Data. Retrieved from U.S. Census Bureau QuickFacts: Hickory city, North Carolina
 2. U.S. Census Bureau. (2022). Water Area in Square Miles, 2022 ArcGIS REST Services. Retrieved from https://tigerweb.geo.census.gov/arcgis/rest/services/TIGERweb/Places_CouSub_ConCity_SubMCD/MapServer



HICKORY

Statistical Analysis

EMPLOYMENT

Top 10 Employers (19.3%)

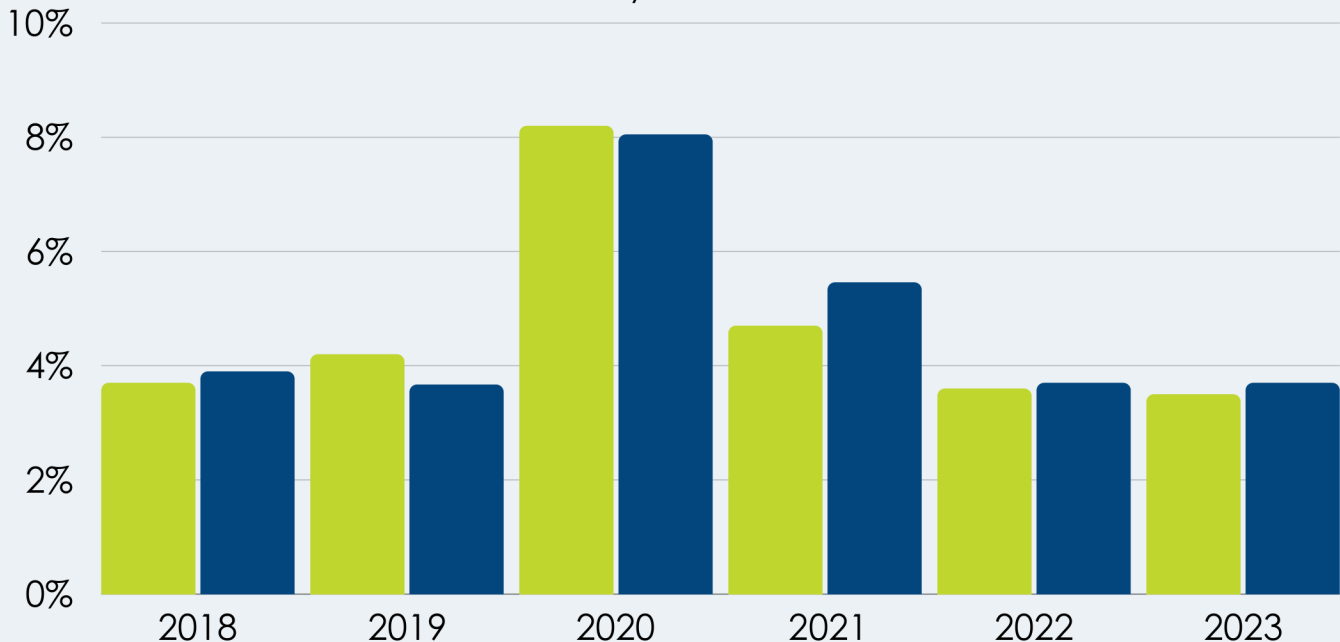
- 1. Catawba County Schools (2.9%)
- 2. Corning Optical Comm (2.75%)
- 3. Target Stores Distribution Center (2.5%)
- 4. Catawba Valley Medical Center (2.5%)
- 5. Commscope (1.9%)
- 6. Wal-Mart Associates Inc (1.5%)
- 7. Catawba County (1.5%)
- 8. DLP Partner Frye LLC (1.5%)
- 9. Century Link Furniture LLC (1.125%)
- 10. GKN Driveline Newton LLC (1.125%)

Top 10 Occupations

- 1. Management
- 2. Sales & Retail
- 3. Office & Administrative
- 4. Production
- 5. Education & Library
- 6. Food Service
- 7. Health & Treating Practitioners
- 8. Business & Finance
- 9. Personal Care & Service
- 10. Construction & Extraction

UNEMPLOYMENT

■ Hickory ■ United States





HICKORY

Economic Summary

Local Economy

- The City of Hickory is the economic hub of the "Greater Hickory Metro". Economic activity in the region continues to grow, and the City remains financially sound. The City's continued commitment to policies and practices will keep Hickory and the local economy on the best and safest road to economic security. Commercial construction activity included 330 permits with a value of over \$199 million and 456 additional residential permits with a value of over \$40 million in fiscal year 2022-2023.
- The City remains financially sound 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

Economic development initiatives and activities completed or underway include:

- Renovations are underway at the new Hickory campus of Appalachian State University located in the former Corning corporate headquarters building along U.S. 321. The App State Hickory Campus will represent the first public four-year institution in the City of Hickory with more than 100 undergraduate majors available at the Hickory campus. Classes are scheduled to begin in August 2023.
- Improvements to Civitan Park included new play equipment, a picnic shelter, accessibility improvements, benches, picnic tables, and trash receptacles. Total project cost was \$212,141.
- The City of Hickory approved a joint economic development agreement with Southeast Industrial Solutions (SEIS) to construct two industrial buildings in the Fairgrove Business Park which will create at least 25 jobs and \$16,500,000 in private investment.

- The City of Hickory approved a joint economic development agreement with Delco Partners for the redevelopment of the former District Court and Soup Kitchen properties. These projects will create over 100 new residential units and additional commercial space downtown. The project will result in private investment of at least \$20,000,000.
- The City is planning to construct a third new artificial turf field at Henry Fork Soccer Complex at an estimated 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.
- The City is partnering with the Sabre Society of North Carolina/Hickory Aviation Museum and Catawba Valley Community College (CVCC) to construct a building to house the museum's vintage military aircraft, preserve aviation history, and provide STEM education and workforce development opportunities. The expanded Hickory Aviation Museum will feature a hangar to preserve and display aircraft and will also serve as the site of CVCC's Workforce Innovation Center, a regional educational campus with flexible use space providing high-tech equipment, classrooms, and virtual simulators for training. The new museum and educational center will be located at Hickory Regional Airport, just off Runway 6/24 in Catawba County and Burke County. The \$22 million project will be funded by a \$15 million allocation from the North Carolina State Legislature for CVCC's Workforce Innovation Center and by public and private donations for Hickory Aviation Museum. The Sabre Society continues to pursue funding for the \$7 million goal for the project. The building is currently under design with construction starting in Fall of 2023.

General Fund

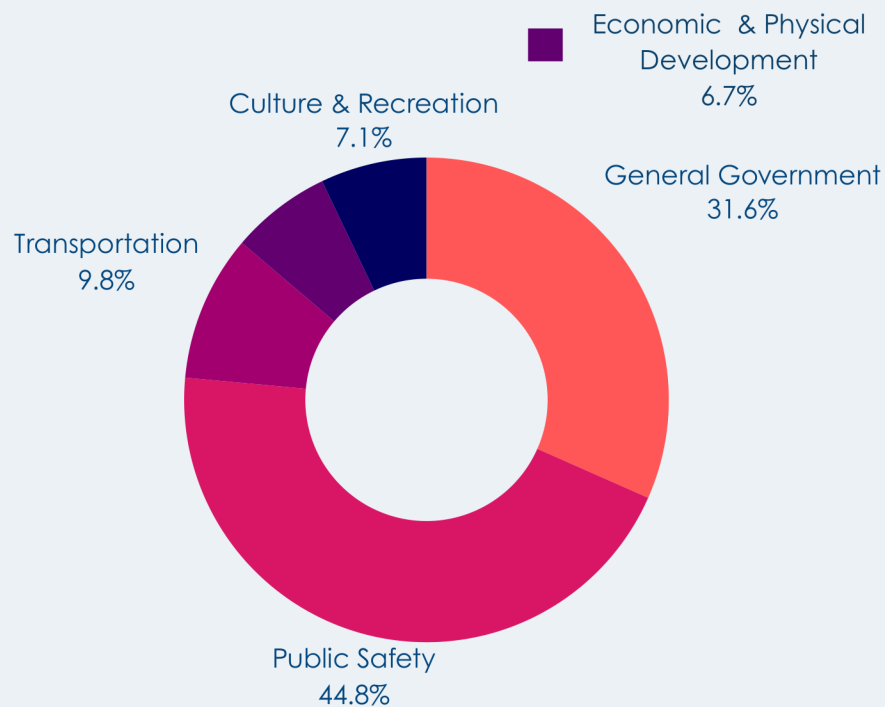
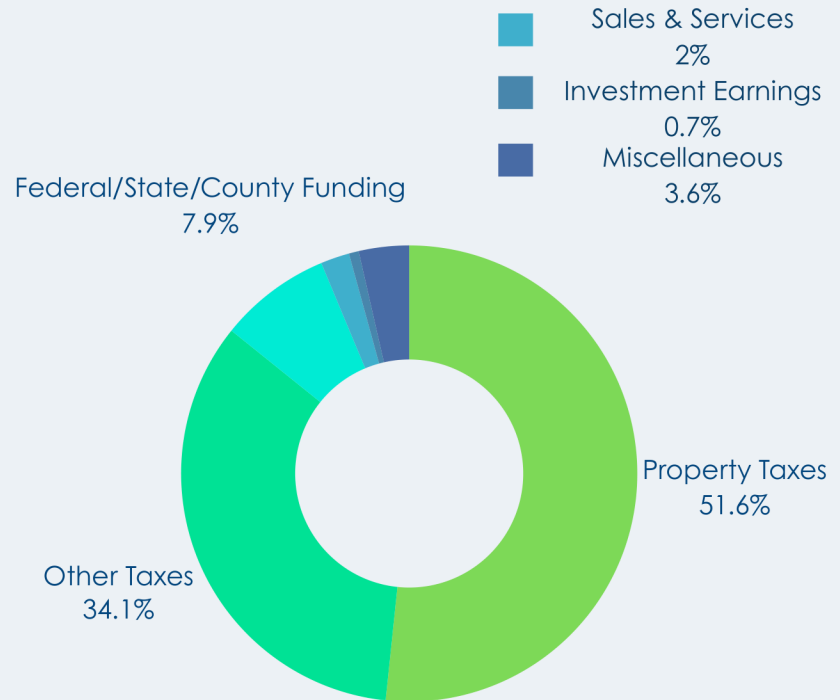
Revenues

The General Fund contains all the governmental services that do not generate sufficient revenue to support their activities including Police, Fire, Recreation, Public Services, Library, Planning and Development, Administration, and Governing Body. This fund also transfers portions of its revenue to support the City's Stormwater Fund and the Capital Reserve Fund.

Comprised mostly of property tax revenues, it is the largest of the City's funds and supports the efficient operation of daily governmental services.

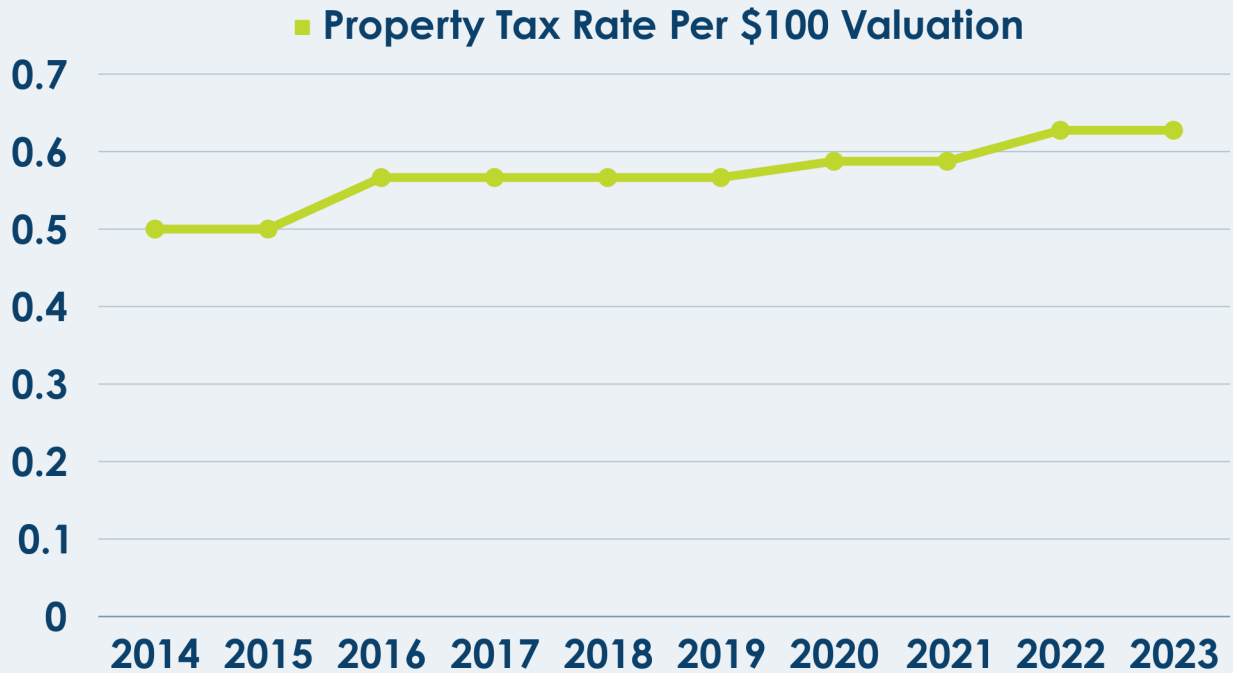
Expenditures

Collected revenues allow the City to provide a range of services to all citizens and efficiently operate many essential departments.





Property Tax



2023 Property Tax Rate = \$0.6275/\$100

Tax Revenue

Tax revenues account for the largest revenue towards operating governmental and business-type activities. As of 2023, 91.5% of the total General Fund revenue is attributed to taxes, which consist mainly of property tax and sales tax. Property tax, the City's largest single revenue source, accounted for \$35.7 million or 59.4% of General Fund revenue.

Top 10 Taxpayers

(11.71% of Assessed Value)

1. Merchants Distributors Inc (2.78%)
2. Corning Cable Systems (2.87%)
3. Duke Energy Carolinas LLC (1.32%)
4. Shurtape Technologies Inc (1.21%)
5. DLP - Frye Regional Medical Center (0.93%)
6. Valley Hills Mall LLC (0.73%)
7. Hickory Ridge Owner LLC (0.5%)
8. HICLOG1 LLC (0.47%)
9. Health Care Property Investors Inc (0.45%)
10. Tailored Chemical Products Inc. (0.45%)



Net Position

What Is Net Position?

A Statement of Net Position presents information of the City's assets, deferred outflows, liabilities, and deferred inflows. The difference of those activities is reported as net position.

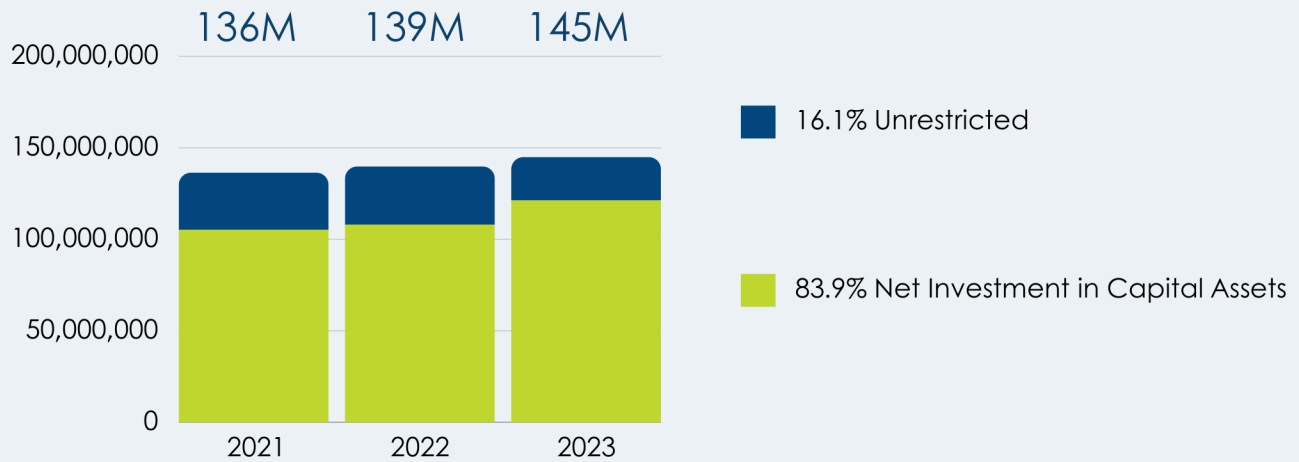
The Change in Net Position is the difference between revenues and expenses/ transfers.

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL 2023	TOTAL 2022
STATEMENT OF NET POSITION - 2023				
Net Investment in Capital Asset	\$126,850,916	\$ 148,681,881	\$275,532,797	\$ 239,866,390
Restricted	\$16,018,271	-	16,018,271	\$ 13,744,450
Unrestricted	\$17,274,696	\$ 26,881,810	\$44,156,506	\$ 40,781,239
Total Net Position	\$160,143,883	\$175,563,691	\$335,707,574	\$ 294,392,079

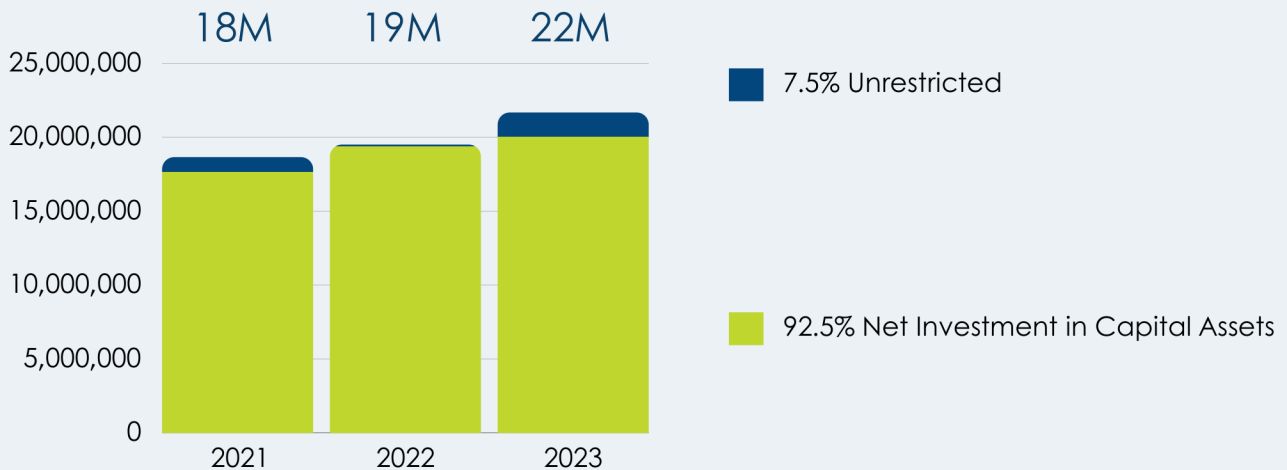
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL 2023	TOTAL 2022
REVENUES				
Program Revenues	\$39,850,937	\$46,352,007	\$86,202,944	\$ 72,428,828
General Revenues	\$61,707,360	\$844,381	\$62,551,741	\$ 55,089,718
Total Revenues	\$101,558,297	\$47,196,388	\$148,754,685	\$ 127,518,546
EXPENSES				
Total Expenses	\$68,073,554	\$39,365,636	\$107,439,190	\$ 102,967,077
CHANGE IN NET POSITION				
Total	\$34,105,645	\$7,209,850	\$41,315,495	\$ 24,551,469

Enterprise Fund

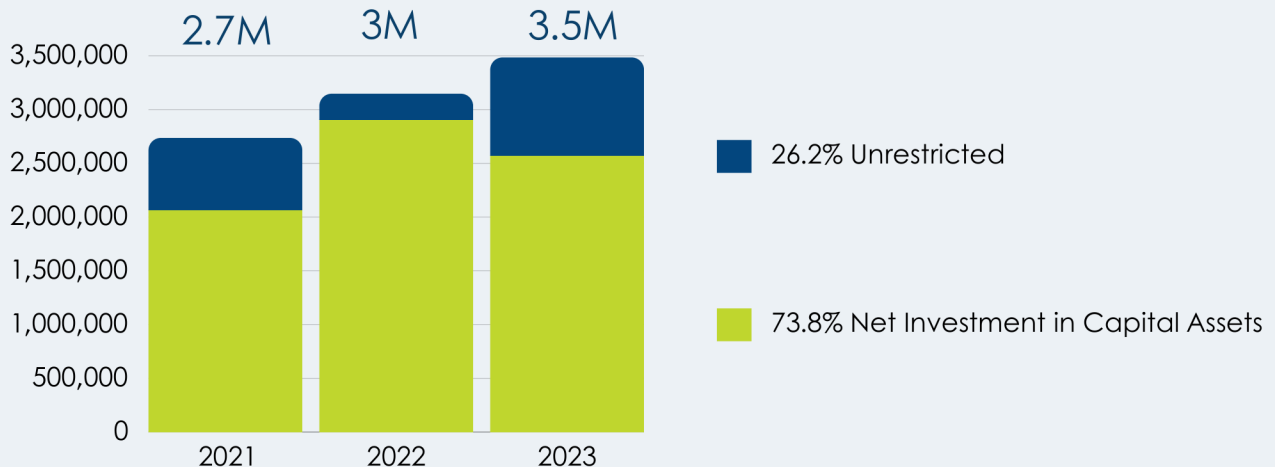
Water & Sewer Fund - Net Position



Airport Fund - Net Position



Solid Waste Fund - Net Position





Debt

Outstanding Debt - 2023

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL 2023	TOTAL 2022
Accrued Law Enforcement Officer's Unfunded Retirement Contributions	\$4,463,232	-	\$4,463,232	\$ 5,237,111
Compensated Absences	\$2,653,048	\$609,740	\$3,262,788	\$ 3,129,230
Unfunded OPEB Obligations	\$13,542,904	\$4,068,224	\$17,611,128	\$ 22,033,822
Net Pension Liability (LGERS)	\$18,563,128	\$4,354,609	\$22,917,737	\$ 6,489,718
Installment Purchase Agreements	\$21,652,326	\$4,741,804	\$26,394,130	\$ 14,457,317
Notes Payable	-	\$16,838,794	\$16,838,794	\$ 15,577,800
Bonds Payable	\$34,250,000	-	\$34,250,000	\$ 36,250,000
Unamortized Discount/Premium	\$ 4,055,46	-	\$4,055,460	\$ 4,288,700
Leases	\$3,186,891	-	\$3,186,891	\$1,116,921
Subscriptions	\$1,056,082	\$5,014	\$1,061,096	-
Total Outstanding Debt	\$103,423,071	\$30,618,185	\$134,041,256	\$108,580,619

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 \$85,736,371 as of June 30, 2023.

Gross debt consists of installment purchase agreements of \$26,394,130, notes payable of \$16,838,794, general obligation bonds \$34,250,000, \$4,055,460 unamortized bond discount/premium, \$3,186,891, leases, and \$1,061,096 of subscriptions

The City's legal debt cannot exceed 8% of the assessed value of taxable property. The legal debt margin of the City at June 30, 2023 was \$369,560,830.

The City of Hickory's total debt increased by \$25,460,637 during the fiscal year.



Assets

Capital Assets - 2023 (Net of Depreciation)

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL 2023	TOTAL 2022
Land	\$19,037,300	\$6,060,520	\$25,097,820	\$ 20,552,605
Land Improvements	-	\$ 7,068,587	\$7,068,587	\$ 7,068,587
Buildings & Improvements	\$17,179,056	\$24,219,607	\$41,398,633	\$ 43,707,184
Equipment	\$3,574,881	\$6,197,486	\$9,772,367	\$ 9,329,738
Vehicles	\$4,355,576	\$3,182,263	\$7,537,839	\$ 7,281,383
Road Network	\$7,679,148	\$3,431,308	\$11,110,456	\$ 12,053,785
Operating Plants	-	\$17,359,657	\$17,359,657	\$ 17,930,791
Water Lines	-	\$28,829,823	\$28,829,823	\$ 29,768,104
Sewer Lines	-	\$33,951,318	\$33,951,318	\$ 34,084,489
Construction In Progress	\$105,222,725	\$39,962,157	\$145,184,882	\$ 104,393,704
Right to use leased/subsription	\$4,399,050	\$4,767	\$4,403,817	\$104,393,704
Total Capital Assets	\$161,447,736	\$170,267,493	\$331,715,230	\$286,170,370

The City of Hickory's investment in capital assets for its governmental and business type activities as of June 30, 2023, amounts to \$331,715,229.

Major capital asset events during the current fiscal year included some of the following:

- Ongoing implementation of Bond Projects.
- Replacement of Police Department vehicles.

- Infrastructure improvements to the Fire Department training facility.
- Traffic Corridor Signal Retiming.
- Replacement of street sweeper for the Street Department.
- Construction on the Henry Fork Solids Handling Facility.
- Various improvements to hangar and runway facilities at Hickory Regional Airport.
- Purchase of swift water rescue equipment for the Fire Department.



Long-Term Financial Planning

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

- The City’s Hickory Trail System is currently under construction that will provide residents and visitors with a 10-mile multi-use path to walk, run and bike throughout the city. It is made up of the following segments: Citywalk, Riverwalk, Aviation Walk, Historic Ridgeview Walk, and OLLE Art Walk. These projects, along with the development of Trivium Corporate Center, a 270-acre Class A Business Park, were the major projects included in the City of Hickory’s \$40 million Transportation & Economic Development Bond Referendum passed in 2014. The third and final bond issue occurred in September 2021 and triggered additional private investment of more than \$50 million to supplement the bond funds.
- The Public Utilities Biosolids facility is continuing construction. 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 project construction began in fall of 2022 and is scheduled to be completed at the end of 2024.
- The Deidra Lackey Memorial Park is a planned \$10-\$12 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, entertainment amenities, and an outdoor 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 2023, with construction to start in 2024.
- The Historic Ridgeview Walk construction contract has been awarded to create a new segment of the Hickory Trail system. The path will provide connectivity within the Ridgeview area by linking the Ridgeview community to downtown Hickory and US 70. Construction includes a 102 mile, 10-foot-wide multiuse path for pedestrians and bicyclists of all ages and abilities. The project is scheduled to begin September 2023 at a cost of \$6,462,000.
- 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. The project is approximately 85% complete.
- In July 2023, construction began on twelve new T-hangars at Hickory Regional Airport. Each T-hangar will store one individual aircraft. The project will be located on the airport’s North Ramp off Taxiway B. Total cost of the new T-hangars is estimated at \$1,500,000.

Glossary of Terms

Capital Assets - Land, buildings, permanent improvements, machinery, large tools, rolling and stationary equipment with a value of \$5,000 or more.

Fund - An accounting entity that possesses a set of self-balancing accounts and records all financial transactions for specific activities or government functions.

Fund Balance - Fund balance is the amount of assets in excess of the liabilities appropriated for expenditure, and is therefore also known as surplus funds. North Carolina statutes dictate that a portion of fund balance should be retained and not made available for appropriation in the following fiscal year.

General Accepted Accounting Principles (GAAP) - Uniform minimum standards of, and guidelines for, financial accounting and reporting. GAAP encompasses the conventions, rules, and procedures necessary to define accepted accounting practices.

Governmental Funds - There are three groups of funds for which financial statements are prepared governmental, proprietary, and fiduciary. Proprietary funds are employed to report on activities financed primarily by revenues generated by the activities themselves, such as a utility. Fiduciary funds contain resources held by a government but belonging to individuals or entities other than the government. Governmental funds account for everything else. The City of Hickory has three types of governmental funds:

- General Fund and like funds
- Special Revenue Funds
- Capital Project Funds

Operating Expenses - The portion of the budget pertaining to the daily operations that provide basic governmental services. The operating budget contains appropriations for such expenditures as supplies, utilities, materials, and travel.

Hickory, North Carolina



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