

*City of Gastonia*  
*North Carolina*

**Comprehensive Annual Financial Report**  
**for**  
**Fiscal Year Ended June 30, 2009**



Prepared by  
The Financial Services  
Department

# **City of Gastonia**

## **North Carolina**

### **Comprehensive Annual Financial Report**

**Year Ended June 30, 2009**

**Jennifer T. Stultz, Mayor**

#### **Council Members**

**Ward 1 – Keith Tidwell**

**Ward 2 – Dave Kirlin**

**Ward 3 – R. Dale Burkett**

**Ward 4 – Walker E. Reid, III, Mayor Pro Tem**

**Ward 5 – John B. Howren, Jr.**

**Ward 6 – Brenda B. Craig**

#### **City Managers**

**James M. Palenick**

#### **Director of Financial Services**

**Cynthia A. Fortune, CPA**



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**Financial Statements and Compliance Reports**  
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## **INTRODUCTORY SECTION**

Letter of Transmittal

City Facts

Certificate of Achievement for Excellence in  
Financial Reporting

Organizational Chart





OFFICE OF  
THE CITY MANAGER

*City of Gastonia*

A COMMITMENT TO EXCELLENCE

November 25, 2009

The Honorable Mayor and Members of City Council  
City of Gastonia  
Gastonia, N. C. 28052

Dear Mayor and Council Members:

It is our pleasure to present the Comprehensive Annual Financial Report of the City of Gastonia, North Carolina for the fiscal year ended June 30, 2009, with comparative numbers for the fiscal year ended June 30, 2008.

This report consists of management's representations concerning the finances of the City of Gastonia. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Gastonia has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Gastonia's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Gastonia's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Gastonia's financial statements have been audited by Martin Starnes & Associates, CPAs, P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Gastonia for the fiscal year ended June 30, 2009, 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 auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Gastonia's financial statements for the fiscal year ended June 30, 2009 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 independent audit of the financial statements of the City of Gastonia was a part of a broader, federally mandated “Single Audit” and state mandated “State Single Audit Implementation Act” designed to meet the special needs of the federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on the internal controls and legal requirements involving the administration of the federal and state awards. These reports are presented in the report’s compliance section.

This report is consistent with the Governmental Accounting Standards Board Statements No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments” and No. 14, “The Financial Reporting Entity”. The report presents the City of Gastonia’s basic financial statements. The City’s basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements include the discrete presentation of two legally separate entities, the City of Gastonia ABC Board and the Gastonia Tourism Development Authority. These entities are component units of the City.

GAAP 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 MD&A and should be read in conjunction with it. The City of Gastonia’s MD&A can be found immediately following the report of the independent auditors.

## **ECONOMIC OUTLOOK**

The City’s growth in recent years has been in the commercial, retail and housing areas. The economy has benefited from the close proximity to Charlotte, access to major interstate highways and a retail boom. This boom began in 1990 and continued a steady growth through 2000, experienced economic turndowns in 2001 and 2002, slight economic upturns in 2003 through 2007 and has experienced an overall economic downturn in 2008 and 2009, as has the entire country.

The Federal Reserve signaled on November 4, 2009 that the economy remained weak even though the recession appeared to be over. Economic activity has continued to peak up, but policy makers quickly cautioned that consumer spending would be sluggish, businesses were still cutting back and economic growth would be weak for a time. The Fed Chairman, Ben S. Bernanke, has cautioned that the recovery was fragile and that unemployment would remain high through the end of next year. The average forecast of Fed policy makers anticipates that the jobless rate, now 9.8 percent, will peak above 10 percent next year and remain well above 9 percent until some time in 2011. Mr. Bernanke and other officials have made it clear they thought unemployment and slow growth were still the main economic threats.

During the twelve-month period from July 2008 through June 2009, total Gaston County retail sales tax collected by the State was \$62,094,275 as compared to \$62,889,322 for the same period in the 2008 fiscal year, a slight decrease of \$795,047 (1.25%). During the twelve-month period from July 2008 through June 2009, total retail sales for Gaston County were \$1,403,855,458 as compared to \$1,471,940,645 for the same period in the 2008 fiscal year. While textiles continue to be a significant force in our economy, the focus has begun to shift to non-textile manufacturing and assembly plants and “mega” retail stores. These continue to be significant components of our local economy.

The City and surrounding area continue to redefine itself as a metropolitan dominated region. An influx of shoppers from surrounding counties such as Lincoln, Cleveland, York and Mecklenburg continues to be noted and has positioned Gastonia as a regional service and distribution center.

Unemployment in the City was 13.3%, less than the county rate of 15.0% but higher than the state rate of 11.0% and the national average of 9.5% at fiscal year end June 2009. This is an increase from a rate of 7.5% a year ago. Unemployment in the City was 11.9% as of September 2009.

The City and the surrounding Gaston County municipalities emphasize the attraction of new and diverse industry while providing support for the existing commercial and industrial community. According to the Gaston County Economic Development Commission, from January 1, 2008 through June 30, 2009 new manufacturing companies and expansions and renovations of existing companies resulted in investments of approximately \$24,688,627 and created 115 new jobs. In addition, during the same period, new and existing retail business made investments totaling approximately \$16,522,845.

The national and worldwide economic downturn since Summer 2008 has certainly been felt in Gastonia, however, a variety of new manufacturing and retail establishments were established or expanded recently. Rochling Engineering Plastics expanded and relocated into the Gastonia Technology Park. The move resulted in 22 new jobs and \$8 million in new investment. Titan Fabrication moved to Gastonia, investing \$1 million and creating 10 new jobs, Koops Woodworks expanded and moved into a new site, investing \$800,000 and adding 10 jobs, and IMACC Corporation, a company which recycles and reconditions plastic containers, invested \$1 million to create 10 new jobs. The Gastonia Technology Park, Gastonia and Gaston County’s premier business park, was significantly upgraded with additional roadway, site grading, and “free” power backup generation. Designated as a Prime Power Park, businesses in the Park will have 4 MW of back-up power with the ability to expand up to 12 MW. This is crucial for industrial uses with precision machinery, critical heating or cooling components, or other functions that depend on constant electricity. While the construction of single-family residential neighborhoods has slowed, multi-family and attached housing sectors continue to grow. Phase II of the Mills Creek Apartment complex added four apartment buildings and 40 new units, with a project cost of \$4,803,442. Other projects occurring this fiscal year with construction costs of over one million dollars include the renovation and remodel of the Gaston Memorial Hospital patient tower for a total of \$3,500,000, construction of the new Hawks Nest Elementary School at \$1,666,432, construction of a church sanctuary on S. New Hope road at \$1,190,000, and the redevelopment of the existing Gaston Mall at \$1,373,000 (project is

on-going). The Historic Loray Mill redevelopment project is a major project that has completed plan review, with construction awaiting final financing details. This project consists of a mixture of residential, office and retail use. In addition, Freightliner, an area employer which had undergone layoffs in the last year, has recently announced its intentions to recall more than 100 workers at plants in the County. Freightliner has also acquired the former Ithaca warehouse near its Gastonia plant, where approximately 22 workers will be assigned.

The downtown area of the City is undergoing notable revitalization. Ten new businesses have opened within the last six months. Federal stimulus funds have provided \$850,000 for streetscape improvements; \$2,600,000 neighborhood stabilization funds will provide for 16 owner-occupied single-family units while application is being made for funding an additional 18 units; and a \$600,000 pedestrian plaza is currently under construction.

## **MAJOR INITIATIVES**

The City of Gastonia was the first city in North Carolina to be recognized as a MILLENNIUM COMMUNITY by the White House Millennium Council. This award is in recognition of efforts to bring the community together around the national theme “Honor the Past – Imagine the Future,” by initiating the projects that celebrate and preserve local history and by preparing our children for the new millennium.

With the implementation of the City Manager’s Electric Transfer Policy in February of 1994, we established a set policy on the allowable transfer from the Electric Fund to supplement the General Fund. In prior years, all profits remaining after operating costs were transferred to the General Fund at year-end. The rationale behind this was that this enabled the City to keep the property tax rate as low as possible. However, due to a request by the bond rating agencies and the Local Government Commission, beginning in Fiscal Year 1994-95, the City began to reduce its reliance on electric transfers. The transfer from the Electric Fund to the General fund should be reduced each Fiscal Year until a level equating to 3% of gross capital assets is attained. This mark is reflective of Council’s April 1997 change to the Electric Transfer Policy from a target of 8% to a maximum of 3%. The total transfer budgeted and transferred for fiscal year 2009 was \$2,100,000 and was \$371,357 below the level established by City Council as acceptable – 3 percent of Gross Electric Capital Assets.

Since fiscal year 2002, the City has increased its Available Fund Balance to total expenditures ratio in the General Fund from a low of 4% (June 30, 2002) to a high of 19.65% (June 30, 2007). Available Fund balance at June 30, 2009 was 16.52%. Through a disciplined approach to expenditures, Gastonia is now sufficiently over the 8% minimum Available Fund Balance recommended by the Local Government Commission. We have reached our goal as defined in the City’s Reserve Policy that Available Fund Balance should be between 12% and 15%. In addition, with each year’s budget the City evaluates a number of valid, high-priority capital projects that the City simply cannot fund given the identified resources at the time. In this regard, the City has typically created a list (Unfunded Projects List) with each year’s budget to identify those next-highest-priority capital projects which we would likely fund in the event the City’s Available Fund Balance, as of June 30 of the preceding fiscal year, is above our policy-guided minimum Available

**Fund Balance requirement.** The City has appropriated Available Fund Balance for such projects in the amounts of \$665,600, \$780,000, \$1,377,750 and \$1,758,500 for fiscal years 2006, 2007, 2008 and 2009, respectively. However, due to the current economic conditions the City did not prepare a potential unfunded projects list for the fiscal year 2010 budget.

The City of Gastonia's total financing debt obligations decreased by \$6,316,630 (7.12%) during the current fiscal year. The key factors in this decrease were the overall debt retirements of \$10,288,630 while the City incurred \$3,972,000 of new financing debt obligations. New debt consisted of the issuance of a \$3,972,000 vehicle equipment-financing instrument.

The current credit ratings for general obligation debt are: Standard and Poor's Corporation AA-, Moody's Investor Service A1-, and Fitch AA- (stable outlook). The current credit ratings for revenue bonded debt are: Standard and Poor's Corporation AA-, Moody's Investor Service A2, and Fitch A+.

Staff's dedicated efforts in assuming added responsibilities during staff turnover and a mandated hiring freeze for non-critical positions resulted in a salaries and benefits favorable budget-to-actual variance approximating \$1,400,000 city-wide. However, approximately \$500,000 of this favorable variance was related to the privatization of the municipal golf course.

## **CHALLENGES FOR THE FUTURE**

### **Economic Condition:**

In the preparation for the 2010 fiscal year we never allowed our focus to stray from the established and deeply entrenched desire for transparency, accuracy, and forthrightness. We demanded nothing less than complete accountability for cost effectiveness and fiscal conservatism, not just to deal with the immediacy and brutal severity of the economic downturn of the current Fiscal Year, but beyond as well -- as a component part to a multi-year planning and programming effort.

In candor, the 2010 Budget produced much in the way of frustration as we tried to support the aspirations inherent to the creation of a bolder, more vibrant and sustainable future, yet waged a mostly-losing battle to merely preserve and maintain the continuity of basic programs and service delivery. To the extent these "aspirations" can be supported in the 2010 budget year, they will be carried along on the flow of American Recovery and Reinvestment Act (ARRA) Funds received by the City and further discussed herein.

As insight into the creation and refinement of the 2010 budget, it should be noted that a series of identified objectives and priorities were both focused upon and tentatively achieved -- they were influenced significantly by the economic downturn, and are as follows:

- 1.) We recommended, and Council approved a "Hiring Freeze" well in advance of the Commencement of the FY 2010 Budget Year, knowing that we needed to eliminate a significant number of positions in order to avoid what could have been a serious



budget shortfall. The “Freeze” was implemented effective February 2, 2009 for all “non-critical” positions, and, along with the Golf-Course privatization, allowed us to achieve total Personnel Cost Savings of \$930,579 and the elimination of 21, full-time and 9, part-time positions within the FY 2010 Budget compared to FY 2009.

- 2.) In concert with position eliminations, we sought to restructure and/or consolidate a number of organizational relationships and management responsibilities within Subgroups. In so doing we broadened certain “spans of control” without sacrificing overall service delivery.
- 3.) We crafted a Budget that sought to maintain an unreserved ending General Fund Balance of not-less-than 15% of total yearly expenditures in keeping with established policy.
- 4.) We understood that maintaining jobs was more important than guaranteeing wage increases, so we crafted a Budget which contains no step-plan or across-the-board wage increases but which also proposes no lay-offs or unpaid furloughs.
- 5.) We aggressively worked to develop creative Health Care Costs Containment Strategies in an attempt to forestall contribution increases to employees or retirees in a year in which no corresponding wage increases could be afforded.
- 6.) We avoided any requests for additions to the ad valorem property tax rate and instead maintained the FY 2010 requested levy at 53 cents per \$100 and equal to FY 2008 and FY 2009.
- 7.) We avoided any strict or outright eliminations of programs, and fought to actually maintain, to the fullest extent possible, the level of service and program delivery equaling that of the immediate past, across the broad spectrum of City services and functions.
- 8.) We worked to forestall or postpone fee increases wherever possible and whenever same were not attributable to pass-throughs or circumstances beyond our control, or ability to mitigate. For equity purposes we have included a phase-in introduction of commercial solid waste pick-up fees for multi-family properties beginning October 1, 2009, as already approved by City Council. Also, the Electric Fund includes the anticipated new Revenues to be generated by the wholesale power-cost pass-through increase adopted by Council and set to begin July 1, 2009. Finally, subsequent to the 2009 fiscal year-end City Council approved an approximately 3.5% water and sewer rate increase beginning January 1, 2010 as tied to the implementation of the new rate restructuring plan. The Water-Sewer Fund contemplates a January 1, 2010 commencement of an approximate 3.5% rate increase attributable to the soon-to-be prepared Rate Restructuring.
- 9.) We avoided Budgeting the Appropriation of Unreserved Fund Balance for Operating Expenditures and, with the budgeted General Fund “Working Capital Reserve”, hope to ultimately achieve this Goal even if the Sales Tax Distribution dispute with the County is resolved in a manner less than fully favorable to the

City's interpretation of the Interlocal Agreement, or to the City's current position relative to a graduated "phase-out" of the hold-harmless provisions of the agreement.

As you further review this document, you should come to see how the themes of austerity and sacrifice are pervasive -- yet through diligent planning and collective fiscal discipline, the end result is not one of abject gloom so much as it is a tribute to adaptation. An opportunity, in the most trying of times, to keep the "Promise" in "Great Promise".

In addition, I would like to draw your attention to the following budget details and/or explanations, which I feel are worthy of further comment:

**GENERAL GOVERNMENT, ADMINISTRATION, CITY-WIDE OVERVIEW:**

The Fiscal-Year 2010 Budget (City-wide for all funds) provides for 905 total full-time positions. This represents a real decrease of 21 fewer full-time positions than was budgeted for in FY 2009. Eight of these positions were eliminated when we privatized golf-course operations, and the remaining 13 have come as a result of the "Hiring Freeze" and/or job consolidation following position attrition. We have also managed to eliminate 9, additional part-time positions versus the FY 2009 Budget, and overall personnel cost savings total some \$930,579. Travel and training expenses have been reduced throughout the budget, totaling \$102,568, and no provisions exist anywhere within this budget for any compensation increases to any employees except for the \$286,161 total cost attributed to the annual Christmas bonus. The fact that the City will provide for no step-plan improvements for Public Safety Employees, nor wage adjustments for all other general employees, will save the City \$1,452,697, if one were to imagine last year's wage adjustments as the model going forward. This budget does include the \$71,429 in yearly contract payments to the U.S. National Whitewater Center in keeping with the City's contract, which is representative of year "three" of the seven-year total commitment. Also, within the Mayor/Council budget is \$29,300 for various professional services and studies, including \$7,500 for contract assistance from Jim Palermo on Downtown issues. \$15,000 is provided for the July 4th fireworks display, and the Randall Funding and Development contract for grant assistance will account for \$3,600 in monthly base costs and an additional \$12,500 in expected grant writing assistance efforts. Also, we are funding \$12,000 toward the reimbursement of employee costs incurred in the pursuit of higher education, which is a \$3,000 decrease over last year; and, within the Human Resources Department budget, is \$75,000 for expected outside legal services associated with the Police Pension Lawsuit as well as an additional \$30,000 for other outside legal costs associated with other lawsuits/litigation, either known or expected. Also, one of the few positive notes of this budget proposal versus its counterpart for FY 2009, is that we have been able to decrease total fuel costs throughout the City by approximately 24%, or \$397,311 in the aggregate. Fuel costs are expected to remain far less volatile throughout the upcoming fiscal-year.

## **PUBLIC SAFETY:**

- **Police:** In spite of the “Hiring Freeze” on non-critical positions throughout the City, the 2010 budget does not contemplate any decreases to Police Department staffing, and in fact maintains the City’s allocated force of sworn police officers at 169, with an additional 34 civilian employees also retained. Overall, fuel costs have decreased and ammunition costs have better stabilized. Apart from the actual Police Department budget, the overall budget provides for the replacement of 10 police cars -- 9 black-and-white patrol cars, and one unmarked unit (this is approximately one-half the total of a typical budget year given the negative effects of the economy). Finally, because of the \$1B. in nationwide Federal stimulus monies assigned to the Community Oriented Policing Grant program (COPS), the City has applied for a grant sufficient to add 13 new, full-time patrol officers to the force with 100% funding over a three-year time-frame. If successful, these officers would be assigned (4) to each of the three districts and (1) dedicated to Downtown. The nearly \$1.8 M. value to this grant would then require the City to transition to full funding of the officers beginning with the FY 2013 at an approximate, yearly added cost of \$603,000. The City has already received \$312,994 in Justice Assistance Grant proceeds, through the Federal stimulus initiative, which would allow us to provide for much of the equipment and many of the vehicles necessary to provide for these new officer additions. There would be an approximate \$186,000 additional cost for vehicles should the City be fully successful in achieving the 13 new, grant-funded positions.
- **Fire Department:** For the Fire Department, the 2010 budget also does not contemplate any decreases to existing staffing or personnel. Also, we have provided for the purchase of a single new fire engine to be assigned to Station #5 at the total cost of \$401,006. As for possible grants, we are also very aggressively seeking Federal Stimulus Funds to assist the Fire Department. Specifically, we are seeking approximately \$2M. in new funding for the construction of an additional, southeast fire station, as well as the full, three-year funding of 9 additional full-time firefighters to supplement existing staffing and/or man the proposed new station. Much like the Police Department, however, should the City be successful with this grant program, we would begin seeing new costs associated with the additional personnel of approximately \$388,000 beginning with FY 2013.

## **HEALTH INSURANCE:**

Over the past several years, as the City has transitioned to a self-funded program for the provision of employee health and dental insurance care coverage, and away from a premium-based insurance provider, we have witnessed unrelenting health care cost increases disproportionately higher than the rate of inflation. At the same time, because of our transition and due to our unrelenting efforts at cost containment strategies, we have managed to maintain program coverage with little in the way of cost increases to covered employees or significant decreases to program coverage. This budget was more aggressive than ever in specific, cost-containment strategies resulting in not-less-than \$391,903 in actual projected savings based on plan changes from the FY 2009 program. We have

eliminated the aggregate stop-loss premium; adjusted upward the specific stop-loss premium in order to achieve savings; adjusted prescription drug co-pays for non-generics; engaged in a medical recovery audit program to achieve savings from identified claims payment mistakes; effectively made health risk assessments mandatory, short of increased contribution costs to employees; and added, for the first time, an Employee Assistance Program and on-site clinic to be used for employees for routine matters, scheduled during working hours. A clinic visit by employees will require only a \$3 co-pay, as opposed to the upwardly-adjusted co-pay of \$20 for normal outside doctor office visits. Further, in using the on-site clinic, employees will not be required to take either sick leave or vacation time to fulfill their appointments. While all of these adjustments and cost-containment strategies are both designed and hoped to forestall actual requirements for City or employee contribution increases during this fiscal-year, our recent monthly experience would suggest that some additional contributions will be required as a mid-year adjustment. To that end, our budgeted, "Working Capital Reserve" could come to serve these needs as well.

#### **MUNICIPAL SERVICES DISTRICT:**

Since the City is no longer contractually obligated to remit the Municipal Service District tax revenues over to the Gastonia Downtown Development Corporation for expenditure on Downtown Revitalization efforts, we are now budgeting Municipal Service District revenues and expenditures among City funds. To that end, the City Council has already adopted the FY 2010 MSD budget which balances revenues and expenditures at a total \$118,210. Revenues are generated exclusively from the service district tax levy, while expenditures comprise \$76,600 for I.D.E.A.L Incentive Program subsidies for new business rent and upfit; \$32,000 for event costs, consisting primarily of the Downtown Concert Series; \$6,000 for in-house directed ads and promotions; and \$3,610 for joint promotional advertising grants for the Downtown. Since, we have added \$2,473 in expenses to pay for electricity at the Pavilion and \$2,473 in additional revenue for the rental of the pavilion and the sell of beer and wine at events. The revised budget is now \$120,683. In this first year, we have not budgeted any funding toward actual physical capital assets or improvements, but rather have focused on programs to incentivize or improve the general business climate Downtown or for specific start-up businesses. Unlike the GDDC program, the City is using no funds for ongoing salary or administrative expenses, nor do we intend to do so with future budget year allocations.

#### **CENTER-CITY REVITALIZATION:**

During the course of the Fiscal-Year 2009, the strategic plan for Center-City Revitalization evolved to include as its cornerstone, the "B.I.G. S.P.L.A.S.H." Project, with the City potentially committing up to \$12 M. over time to support such catalyst redevelopment plan. This cornerstone project continues to evolve. However, included within the FY 2010 Downtown Capital Projects budget for the project plan are revenues totaling \$1,375,000; coming as a contribution of \$1 M. from designated and appropriated fund balance of the Hotel Occupancy Tax revenues from the Tourism Development Authority; \$275,000 from the Infrastructure Rehabilitation Fund; \$15,000 in interest earnings and transfers of \$25,000 from the General Fund, and \$60,000 from the Electric Fund. Until the project is finalized, project funds will remain budgeted, but unallocated, with interest earnings

accruing. Several other projects, first-initiated during FY 2009, will also continue to move forward into and through FY 2010. These include the South Street Pedestrian Plaza Project -- scheduled for completion in early 2010 and funded through contributions of \$250,000 from the Infrastructure Rehabilitation Fund; \$100,000 in 2/3rds G.O. Bond proceeds; and \$250,000 in FY 2009 set-aside Unfunded Projects Fund proceeds. Also, the Marietta Street Streetscape Project, likely to be completed in early 2010, will see its full, \$850,000 funding requirement come from Federal Stimulus Grant monies and then be further extended and enhanced by \$300,000 in 2009 Unfunded Projects Fund proceeds to develop mast-arm improvements and other signalization upgrades at the intersection of Marietta and Franklin Boulevard. Finally, the temporary Park at Main was completed subsequent to the 2009 fiscal-year at an approximate cost of \$38,000 while a still-additional \$300,000 in Downtown street enhancement work will be accomplished through the reallocation of 2/3rds G.O. Bond proceeds that had otherwise been obligated to the Marietta Street project, but became freed-up upon stimulus grant award for the full funding of that project. In summary, while the economic downturn will generally constrain many activities throughout FY 2010, it will not thwart our continuing efforts at substantive Center-City Revitalization due to the fact that we have creatively and responsibly earmarked non-operational funding to do so; and since we have had success in acquiring grant funding.

#### **NEIGHBORHOOD AND COMMUNITY DEVELOPMENT:**

Prior to the 2009 fiscal year-end, we moved all Neighborhood and Community Development Department staff which have occupied the Webb Theater Building and the leased space in the Standard Building, out of those spaces and into surplus areas freed-up within the Garland Center. This effort is being pursued for two reasons; the first being, that we will then be able to pursue the resale of the Webb Theater to the private sector for redevelopment as a theater/entertainment venue and further revitalization catalyst for Center-City; and, because it will also allow us to better pursue additional consolidation efforts of staffing within the areas of Planning, Building, Zoning, Neighborhood and Community Development, and General Development Services. The expectation is, in fact, that during the course of FY 2010, a greater streamlining and consolidation of these functions and services will yet be proposed for implementation. Also in FY 2010, the Neighborhood and Community Development Department, in addition to their normal program responsibilities as supported by a generally-status-quo budget of Federal CDBG monies, HOME funds, and General Fund appropriations, will be charged with utilizing \$171,503 in one-time CDBG entitlement funds (provided as a result of the Federal Stimulus Program) to develop new, low-to-moderate income housing opportunities within a target area of the community; and, will also administer the "Neighborhood Stabilization Program" grant funding (\$2,625,000 in competitively-awarded Federal Stimulus Funding) in order to fulfill the committed project plans for the redevelopment of the historic Craig and Wilson Building into 14, for-sale owner-occupied condo units along with the acquisition and redevelopment of a number of foreclosed properties throughout targeted areas of the community. Again, even in the face of the economic downturn, we expect to achieve a number of exciting, vibrant new initiatives during the course of the fiscal-year as a result of our efforts to seek out and leverage alternative funding sources.

### **UNFUNDED PROJECTS LIST:**

As common past practice, with each year's budget creation, we typically evaluate a number of valid, high-priority capital projects which the City simply cannot fund given the identified resources at the time, and then, in turn, create an "Unfunded Projects List" identifying those next-highest-priority capital projects which we might likely fund in the event of new increments of revenues otherwise unallocated and above our policy-guided minimum Fund Balance Reserve. For the Fiscal-Year 2010, we have chosen not to create such a list given the severity of the economic downturn and its overall affects on budget preparation decisions, particularly in that we were forced to implement both hiring and wage "freezes" along with some tough deferrals of capital/equipment expenditures. In effect, we didn't want to create an expectation, through the simple creation of an "Unfunded Projects List", that there could be any chance we would wind up funding items on such a list when, in fact, should our own fiscal discipline or pure good fortune find us completing the fiscal-year with an unallocated, year-to-year surplus, then we would use such "surplus" to return portions of the operational requirements cut or deferred as a result of the austerity measures.

### **STREET REPAIRS AND RESURFACING:**

For FY 2010, the projected receipt of Powell Bill revenues from the State will experience a real decline of \$241,231 (11%) when compared to FY 2009. In turn, the FY 2009 receipts were \$218,482 less than those from FY 2008. Obviously, this is not a good trend and points out the problem we have in trying to achieve any meaningful street resurfacing within what is clearly an underfunded program. Because of the dwindling Powell Bill revenues, the FY 2010 budget only contains \$128,769 in funds earmarked for resurfacing. This contrasts to FY 2009 when the City budgeted \$437,120 for street resurfacing, and will have extended that by an additional \$200,000 in Unfunded Project List resurfacing monies as well. For FY 2008, the budget included \$220,718 in initial street resurfacing work and then later added \$115,000 in Unfunded Project List funding. Unfortunately, without a fundamental overhaul of the State system for generating revenues to support street repair and maintenance, or without some entirely new revenue stream developed at the local level, we will continue to have little means to adequately address the ongoing requirements for road repair and resurfacing.

### **FUNDING FOR VEHICLES AND EQUIPMENT:**

The City has traditionally financed its purchases of vehicles, equipment, and computer hardware and software through an annual loan spread over a 59-month period, which serves to level the overall economic impact of equipment needs purchasing from year-to-year. In the FY 2010 budget, we are proposing the funding of a combined total replacement of \$2,185,192 in vehicles, rolling stock, and computer and radio equipment. This represents a substantial reduction (\$1,128,894) from the five-year average replacement cost totals (\$3,314,086). Included among the purchases contemplated is a fire engine replacement for Station #5 (\$401,006); (10) new, replacement police sedans; a vac-sweeper for Public Works (\$166,006); a dump truck/leaf-loader for General Services (\$71,006); a backhoe and crane truck for Water/Sewer (\$146,006 combined); and a mini-excavator for the Electric Department (\$71,006). In the aggregate, the total cost for

replacement of vehicles and rolling stock is \$1,723,192. Within the area of Technology Services, we are budgeting \$462,000 in combined purchases for computer hardware and software as well as equipment associated with radio, telephone and mobile data systems. Specifically, we have budgeted \$100,000 for the replacement of 30 to 40 desktop computers and 10 to 15 laptop computers, each with Vista operating systems. Also, there is \$264,000 budgeted for the purchase of (80), 800-megahertz radios for the Police Department, and \$98,000 to purchase software which will connect 142 police vehicles and 16 fire vehicles for mobile data transmission over radio. Because of the nearly-five-year debt amortization period for equipment financing, our \$1.1 M. decrease in yearly expenditures will have no impact on the FY 2010 budget. It will, however, begin showing real debt service savings with FY 2011 and beyond.

**AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA):**

The landmark \$787 Billion Federal Stimulus Package spearheaded by the Obama Administration, and adopted by Congress in February, 2009, has already had, and will continue to have a fundamental impact on the finances for the City of Gastonia, including the Fiscal-Year 2010 budget and beyond. As a staff, we have made it a clearly-stated goal to be as aggressive and creative as possible in seeking out, soliciting, and applying for grant funding under all eligible agency programs funded through the Stimulus package. Many of these individual requests and/or awards, or their budgetary impacts, are detailed throughout this letter of transmittal, but in this single, consolidated reference I wanted to provide a listing of the full spectrum of requests and awards together. That listing is as follows:

<b>AGENCY</b>	<b>PROGRAM</b>	<b>PROJECT DESCRIPTION</b>	<b>REQUEST</b>	<b>AWARD</b>
HUD	CDBG	Entitlement Allocation Low-to-Mod. Housing Improvements	\$171,503	\$171,503
HUD	Neighborhood Stabilization Fund (Round 1)	14, For-Sale Condos, Craig & Wilson Bldg, plus Redev. of Foreclosures	\$5,000,000	\$2,600,000
HUD	Neighborhood Stabilization Fund (Round 2)	TBD	\$10,202,850	
NCDOT	Pedestrian Enhancement	Marietta Streetscaping; Long-to-Franklin	\$850,000	\$850,000
USDOT	Transit Capital Assistance	Hybrid Diesel-Electric Buses	\$2,083,725	\$2,083,725

<b>AGENCY</b>	<b>PROGRAM</b>	<b>PROJECT DESCRIPTION</b>	<b>REQUEST</b>	<b>AWARD</b>
FEMA-USDHS	Fire Station Construction Grants	Construct New Fire Station In SE Gastonia	\$2,000,000	
DOJ	Justice Assist. Grant Non-Competitive	Police Vehicle & Equipment	\$312,994	\$312,994
DOJ	COPS Hiring Grant	Hire 13 New Officers	\$1,688,306	\$1,038,960
Dept. of Commerce FCC	Economic Assistance	Replace Aging Diesel Backhoes With New Or Newer Equipment	\$144,500	\$17,625
DOJ	Smart Grid Investment	Electric Fixed Network Auto Metering Info (AMI)	\$5,000,000	
DOE	Energ. Effic. & Cons. Block Grant	Energy Efficiency Measures City-Wide	\$705,700	\$705,700
FEMA-USDHS	Staffing for Fire & Emerg. Response	Hire 9 New Firefighters	\$731,555	
NCDENR	Clean Water Fund	L.C. WWTP Electrical	\$1,500,000	
NCDENR	Clean Water Fund	L.C. WWTP Aeration & Oxygen Control	\$500,000	
NCDENR	Drinking Water Fund	Water Plant - Structural & Equipment	\$1,300,000	
NCDENR	Drinking Water Fund	Bessemer City Rd. Booster Pump	\$1,000,000	
NCDENR	Drinking Water Fund	Fairview Interconnect to Tech Park 16" Water Line	\$600,000	
Dept. of Commerce EDA	Economic Assistance	Gaston Mall Connector Road	\$1,500,000	\$0



<b>AGENCY</b>	<b>PROGRAM</b>	<b>PROJECT DESCRIPTION</b>	<b>REQUEST</b>	<b>AWARD</b>
NCDENR	Clean Water Fund	C.C. WWTP Sludge Pumping Improvements	\$490,000	
NCDENR	Clean Water Fund	Pump Station Inflow & Vault	\$300,000	\$159,077
NCDENR	Clean Water Fund	L.C. WWTP Online Nutrient Analyzer	\$650,000	
NCDENR	Clean Water Fund	C.C. WWTP Backup Bar Screen	\$200,000	

**GOLF COURSE:**

For the first time in many decades, we have produced a budget which requires no subsidy of any kind to the Golf Course. In fact, you will no longer find a Fund budget for the Golf Course. Within the General Fund, you will note a line item for Golf Course expenditures totaling \$45,946. Most of this total is for debt service payments on equipment assigned to the Golf Course as well as the golf cart lease costs, and all of these totals are reimbursed to the City by the private Golf Course operator. The remaining, approximate \$4,400 in Golf Course expenditures represent payments for retiree pension and health care benefits as specifically attached to those City employee who were assigned to the Golf Course Fund. In contract, however, the General Fund also continues to receive budgeted revenues of \$149,190 from cell tower lease payments associated with the cell tower located on the Golf Course. These same revenues were always assigned to the Golf Course Fund in past years when large subsidies were required. As a result, the net affect beginning with FY 2010 is that budgetary impacts associated with the Golf Course now have a positive impact on the overall City budget.

**SCHIELE MUSEUM:**

For FY 2010, total budgeted City expenditures for the Schiele Museum (not counting those funded and accounted for by the Board) equal \$1,998,682. This amount is offset by budgeted revenues of \$403,000, resulting in a total yearly, General Fund subsidy of \$1,595,682. In contrast to FY 2009, we see that last year's expenditures totaled \$1,849,986; revenues were \$365,928; and, the total subsidy amounted to \$1,484,058. We have decreased the subsidy, in real terms (actual as opposed to budget), by over \$69,000 year-to-year. This year's budget eliminates a single, full-time position from the Museum Budget -- that of Assistant Director for Interpretation.

## **ELECTRIC DEPARTMENT:**

As was recently discussed and approved by City Council action, a wholesale “pass-through” of across-the-board rate increases was imposed, effective July 1, 2009, in order to provide for the budgeted \$2,303,019 increase in wholesale purchased power costs, the City will incur as a result of a 4.3% rate hike from ElectriCities. The magnitude of this increase became more pronounced than had been expected last year due to the dramatic economic downturn; the lack of load growth; the substantially increased cost of repair work necessary to ElectriCities’ nuclear plant; and, the decrease in interest earnings for ElectriCities pooled investment funds. All items beyond the City’s control, yet not beyond the negative impact to our citizens and businesses as a result. For the Fiscal-Year 2010, the Electric Fund will provide for \$1,480,442 in new capital improvements; contribute \$60,000 to Center-City Revitalization; fund \$40,000 in new G.E.A.R. program subsidies; and provide an additional \$15,000 toward tree plantings to be accomplished by Keep Gastonia Beautiful. This budget also funds expected additions to Fund Balance in the amount of \$1,156,779 which, if accomplished by year-end, will then bring the total unreserved Fund Balance to approximately 5.86% of yearly budgeted expenditures -- still well below the target minimum, yet moving in the right direction.

## **WATER/SEWER:**

The lengthy drought that the City has endured over the last two-years has resulted in an equally-long period of mandatory water-use restrictions and a corresponding downward trend in Water/Sewer revenues for the City. Now combined with an economic downturn, this has made balancing the Water/Sewer Fund increasingly more difficult. The good news is that the drought has finally concluded and mandatory water-use restrictions have ended, but the economic downturn continues to take its toll. With those facts in mind, City Council approved an approximate 3.5% rate increase beginning January 1, 2010 as tied to the implementation of the new rate-restructuring plan. This plan primarily alters the rate structure by relying more on a readiness-to-serve charge, and less on the volumetric calculation, while also eliminating the declining-block rate concept to one that, for residential users, becomes inclining and, for businesses (because of economic development reasons) is constant. Other features of note within the FY 2010 budget include the elimination of three, full-time positions including a meter shop crew chief within Customer Services; a motor equipment operator in Water Line Maintenance; and a plant operator position within Wastewater Treatment. Also, we have earmarked \$1,780,000 for capital improvement projects and have set aside \$913,970 in debt service reserve monies as proper and conservative planning for future, needed capital investments. The beginning 2010 operational fund balance for the Water/Sewer Fund was \$9,657,478. The 2010 budget actually contemplates using \$1 M. of that fund balance toward capital improvements which would result in an expected ending fund balance of \$8,657,478. Should this hold true, and because it remains fairly healthy for this fund, it may allow us to defer the expected rate increase to FY 2011. In any event, the rate restructuring became fundamentally more and more necessary, and deferral beyond July 1, 2010 would not be prudent. Some good news could yet occur in the form of grant awards through the American Recovery and Reinvestment Act Programs. If you refer to the actual lists of requests devoted to Water/Sewer, you will note that there are (9) individual capital projects (6), associated with wastewater treatment and the sewer collection system, and (3), associated with water

distribution and treatment which, in combination, total \$5,640,000. Any of these awards could contribute directly to the Fund's bottom line and serve to lessen the otherwise-increasing pressure on upward rate adjustments.

#### **STORMWATER FUND:**

As first-imposed in 2003, the stormwater fees assessed against all classes of property throughout the City represent the Stormwater Fund's sole source of revenues. Since there has been no adjustment to these fees in the 6 succeeding years following imposition, inflationary pressures have eroded the City's overall ability to achieve capital improvement efforts within the Fund. As a result, the 2010 fiscal year's budget includes only \$308,097 in total funded capital improvement expenditures, of which, \$15,000 is then transferred to the Airport Fund to act as a local "grants match" for stormwater improvements funded through an anticipated FAA grant award. We have also proposed funding \$73,274 in small, (not-less-than \$5,000) non-capital improvement projects. These expenditures for improvement projects continue the downward trend from previous years largely as a result of the fact that the growth in revenues from new accounts/users is not keeping up with the general inflationary effect on expenditures.

#### **TRANSIT:**

Within the Transit Fund for FY 2010, we have budgeted total expenditures of \$2,133,268. This corresponds to total revenues established at \$1,649,525, leaving the City to subsidize a total \$483,743 from the General Fund. For FY 2009, a similar review indicates total expenditures of \$2,429,428, and total revenues of \$1,915,396 -- resulting in a total General Fund subsidy of \$514,032. This actually doesn't tell the full story, however, because for FY 2009, we actually budgeted \$212,918 from Appropriated Fund Balance (a one-time opportunity) which, in the absence thereof, would have made a substantially higher subsidy. The Transit budget as produced, does not provide for any additional funding for the CATS 85X intercity service to Charlotte, nor does it yet take into account any possible effects of purchasing several new hybrid/electric buses with ARRA Stimulus Grant Funding. If the buses are actually purchased and delivered during the course of the fiscal-year, their expected fuel efficiency could impact overall operational expenditures.

#### **COMPREHENSIVE SOLID WASTE MANAGEMENT:**

This 2010 budget provides for the Solid Waste Management functions on a largely, "status quo" basis, with two exceptions which are part of the hoped-for transition to a much-evolved enterprise fund system of equitable, fee-based services; and away from an inflexible, property-tax-based subcomponent of the General Fund. The first exception is that we have now included the anticipated revenue increase (\$128,663) to be derived from phased-in introduction of monthly commercial fees charged to those multi-family housing developments requiring collection via dumpsters. The second exception shows the creation of a new, separate fund to account for the State-imposed collection of solid waste disposal taxes (full-year total of \$54,636 in new revenues) which will correspondingly be budgeted to fund an equal total in "Working Capital Reserve". This Reserve will then go toward funding portions of the purchase of roll-out recycling carts as we move to transition to a mandatory, single-stream, curbside program where recycling is free and refuse pickup is

fee-based on a multi-tiered schedule based on actual usage. As we have discussed, and will continue to research and pursue throughout the upcoming Fiscal-Year, our current approach to Solid Waste Management is neither economically or environmentally feasible. Our plan remains to offer and justify methods to incentivize recycling, reduce waste, and at the same time tie our revenue stream to a more controllable and predictable source which, in turn, can be tied to actual service usage and behaviors.

#### **LOOKING TO THE FUTURE:**

While the upcoming Fiscal-Year can be categorized as one dominated by fiscal austerity and sacrifice, we cannot lose sight of the fact that a great many improvements and projects will be completed as a result of either past local funding decisions, or because of Federal funds injected through the ARRA Stimulus Grant Awards. Our Center-City Revitalization will see some of the most dramatic effects; and, if the current optimistic understanding of the financing package hold true, then the Loray Mill Redevelopment Project will be moving forward as well. Also, we hope to finalize an implementation plan for the comprehensive restructuring of Solid Waste Management services which could be started with the commencement of FY 2011. Further, we must continue to work toward a long-term solution to the effects of sales tax receipt distribution and the City/County Interlocal Agreement. Such a solution is likely only accomplished within the hands of the General Assembly and will take our ongoing efforts, along with other colleague municipalities throughout the State.

Also, we may further find ourselves beginning the process of critically looking at the potential for a major new street funding bond issue dealing with both the need for added capacity as well as reconstruction and resurfacing. There is also likely to be policy decisions made on how to fund a series of major water and sewer capital improvements, not the least of which is planning for the replacement of our aging water treatment plant, and doing so in light of a number of possible agreements for service provision or extension agreements to neighboring municipalities. We will also not lessen our now-aggressive look to consolidate services and programs wherever possible and economically feasible -- this means not only within our internal organization, but externally, in the form of the priority pursuit of the consolidation of water and sewer services with multiple other jurisdictions where those efforts can result in positive economic impacts to all participating.

Some flexibility must always be maintained within any quality budgeting process in order to be able to respond quickly and decisively in the face of economic opportunity that can positively impact the community. The 2010 budget allows for that flexibility while still responding fully and cautiously to an economic climate which has caused much deeper and more traumatic disruption to many other levels and jurisdictions of government, whose previous planning showed less in the way of discipline when compared to that of Gastonia.

#### **INTERNAL CONTROLS**

Internal controls are designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal controls are designed to provide reasonable, but not absolute,

assurance that these objectives are met for both internal and external reporting purposes. Refining internal controls is an ongoing process that is necessary to provide assurances.

The City's most significant internal control is the budget used to monitor and manage expenditures. North Carolina General Statutes require the adoption of an annual budget for all funds except fiduciary funds, internal service funds and those funds for which expenditures are authorized by project ordinance. The annual budget is adopted on the modified accrual basis of accounting, as mandated by the statutes, and is an integral part of the City's accounting system and daily operations. Under modified accrual accounting, revenues are recorded when they are both measurable and available.

Expenditures are recorded when a liability is incurred, except for interest on long-term debt and accrued vacation benefits. The budget can only be amended by the City Council since it creates a legal limit on spending authorizations. Once the budget or project ordinance is adopted, budgetary control is maintained to ensure compliance with the budget as adopted or amended. The level of budgetary control is established by function within each individual fund as deemed appropriate. At the end of the fiscal year, encumbrances are reported as a reservation of fund balance. Unencumbered balances lapse for annually adopted budgets. We believe that the City's internal accounting controls adequately protect assets and provide reasonable assurance of the proper recording of financial transactions.

As a recipient of Federal and State financial awards, the City is also responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to these programs. The City's single audit for the fiscal year ended June 30, 2009, provided no instances in the internal controls of reportable conditions or material violations of applicable laws and regulations.

## **DEBT ADMINISTRATION**

The City's sound financial condition is evidenced by its AA- bond rating from Standard & Poor's Corporation, AA- from Fitch and A1- from Moody's Investors Service. The current credit ratings for revenue bonded debt are: Standard and Poor's Corporation AA-, Moody's Investor Service A2, and Fitch A+.

Pursuant to the North Carolina General Statutes, the City's outstanding general obligation debt is subject to a legal limitation based on 8 percent of the total assessed valuation of real and personal property. As of June 30, 2009, the City's legal debt limit was \$411,642,342. The outstanding debt subject to this limit was \$38,598,138, leaving a net legal debt margin of \$373,044,204. The total gross bonded debt at June 30, 2009, was \$56,555,000. The only other jurisdiction within the City limits having property taxing power is Gaston County. The assessed property valuation (100% assessment ratio) for the County totaled \$14.523 billion, which includes the City's valuation of \$5.145 billion, resulting in a City to County ratio of 35.43%.

## **CASH MANAGEMENT**

Effective cash management, including forecasting of cash requirements, provides for good utilization of available cash resources. For the year ended June 30, 2009, the City's General Fund investments yielded investment earnings of \$380,792 as compared to \$949,304 for the year ended June 30, 2008. The decrease in investment earnings is directly related to a continued downturn in the overall financial investments market. The current year investment earnings equates to approximately one cent on the 2009 ad valorem tax rate.

The North Carolina General Statutes govern the types of investments available to the City. The Statutes authorize the City to invest in obligations of the U.S. Treasury 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; commercial paper bearing the highest credit rating available; bankers' acceptances of accepting banks or holding companies either (i) incorporated in the State of North Carolina or (ii) having the highest available long-term debt rating; and, the North Carolina Capital Management Trust, a SEC registered mutual fund, and mutual funds certified by the Local Government Commission.

The investment policy of the City is to minimize credit and market risks while maintaining a competitive yield and high liquidity on its portfolio. Because of the credit risk uncertainties in the current worldwide financial market, the City maintained 22.65% of its cash available for investment in certificates of deposit (reported as cash in the financial statements and the notes to the financial statements) and 77.35% in the North Carolina Capital Management Trust. The NCCMT cash portfolio is an SEC registered 2a-7 mutual fund and has opted to participate in the new US Treasury Temporary Guarantee Program for Money Market Funds, which guaranteed the principal balances in the fund. The NCCMT investing objective is to seek to obtain as high a level of current income as is consistent with the preservation of capital.

## **RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtains, through commercial companies, general liability coverage of \$3 million per occurrence, auto liability coverage of \$5 million, property coverage up to the total insurance values of the property, workers' compensation coverage up to \$1 million per accident, unlimited lifetime employee health coverage, police liability and public official liability of \$1 million, transit bus coverage up to \$5 million, boiler and machinery coverage of \$5 million, public employer blanket bond/crime coverage of \$150,000, museum of fine arts and articles at the military museum for \$5.48 million, airport coverage for \$25 million, and full coverage for community development housing renovation inventory (for houses that will be rehabilitated and not demolished). The City is not in close proximity to any major waterways, thus, the City does not carry flood insurance. There were no significant reductions in coverage during 2008.

All insurances are fully insured except workers' compensation and health and dental. For the 2008 fiscal year, the City had a \$300,000 self-insured retention for all employees, except police and fire that had a \$500,000 self-insured retention. Settled claims have not exceeded coverage in any of the past five fiscal years.

As of July 1, 2006, the City became self-insured on health care. The City has purchased specific stop-loss coverage for any claim that exceeds \$150,000. Based on a cost verses risk study, as of July 1, 2009, the City does not carry an aggregate stop-loss coverage. The City also has a \$5,000,000 (aggregate and single occurrence) flood insurance policy for all real and personal property owned by the City.

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-bonded through a commercial surety bond. The finance officer is individually bonded for \$150,000. The remaining employees that have access to funds are bonded under a blanket bond for \$150,000.

#### **INDEPENDENT AUDIT**

North Carolina General Statutes require an annual independent audit of all local government units in the state. Martin Starnes & Associates, CPAs, P.A., a firm of independent certified public accountants, has audited the financial records of the City and their opinion has been included in this report. Their audit was made in accordance with generally accepted auditing standards and, included examining, on a test basis, evidence supporting the amounts and disclosures in the City of Gastonia's basic financial statements as well as assessing the accounting principles used and significant estimates made by management. Their opinion indicates that the accompanying City of Gastonia's basic financial statements for the fiscal year ended June 30, 2009, have been prepared in conformity with generally accepted accounting principles.

#### **OTHER RELEVANT INFORMATION**

The financial statements have been prepared in compliance with applicable General Statutes of North Carolina and in conformance with standards set forth by:

- \*The Government Accounting Standards Board (GASB)
- \*The State Auditor, State of North Carolina
- \*The Government Finance Officers Association of the United States & Canada (GFOA)
- \*The American Institute of Certified Public Accountants and its Committee on Governmental Accounting and Auditing

There has been significant summarizing of financial detail to make the report easily readable and understandable.

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 Gastonia for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. The 2008 report was judged to conform to the high standards of financial reporting

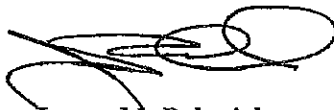
put forth by GFOA. The certificate is valid for a period of one year. The City has been awarded the certificate for the past sixteen (16) years. We believe the report for Fiscal Year 2009 continues to substantially conform to those standards and this report is being submitted to GFOA.

GFOA also presented the City of Gastonia with its Distinguished Budget Presentation Award for its annual budget for Fiscal Year 2009. The City has received this award for the past sixteen (16) years. To receive this award, a governmental unit must publish a budget document that meets program criteria. This award is also valid for one year only. The City believes the Fiscal Year 2010 budget continues to conform to program requirements and it has been submitted to the GFOA to determine its eligibility for another award.

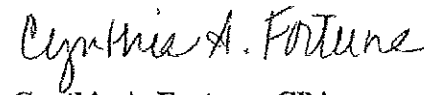
#### ACKNOWLEDGMENTS

We wish to express our appreciation to each member of the Financial Services Department who has assisted in the preparation of this report. We would also like to recognize the cooperation of each City department as we work together to service the needs of all of the residents of the City of Gastonia. Additional thanks are due to the members of the City Council for their continued guidance and support throughout the past year. You have played a vital role in enabling the City of Gastonia to achieve and maintain a high degree of fiscal responsibility. We believe this report reflects the financial health of the City of Gastonia and we submit it to you with pride as a tribute to your leadership.

Respectfully,



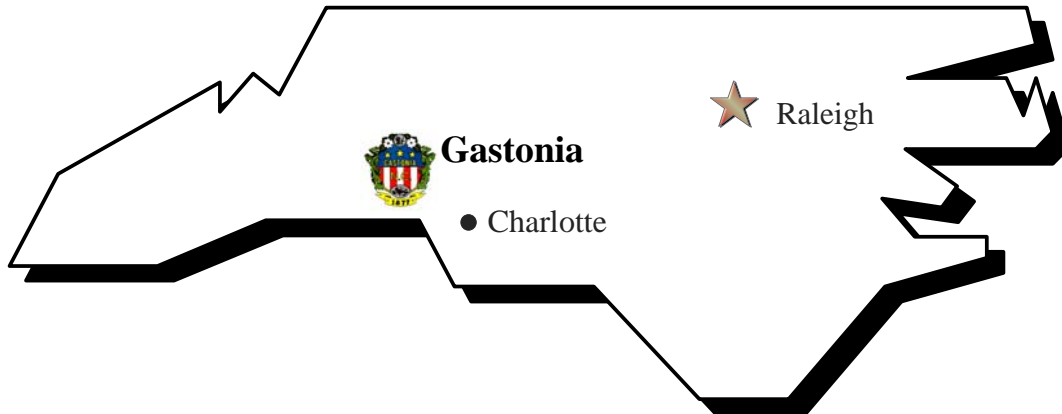
James M. Palenick  
City Manager



Cynthia A. Fortune, CPA  
Director of Financial Services



# *City of Gastonia, North Carolina*



- Gastonia is located in south-central North Carolina on the South Carolina border.
- Gastonia is located 20 minutes west of Charlotte.
- Gastonia is the County Seat for Gaston County.
- Gastonia is the largest of the County's thirteen municipalities with 49.645 square miles and more than 71,349 residents.

## **City Facts**

### **General Description**

**The City of Gastonia is located in the heart of the Piedmont section of North Carolina on the South Carolina border. It is the twelfth largest city in the state and is the second largest city in the Charlotte-Gastonia-Rock Hill Metropolitan Statistical Area (MSA) as defined by the United States Bureau of the Census. The MSA currently has a 2005 estimated population of just under 1,500,000 persons. The City is located approximately 22 miles west of downtown Charlotte, the largest city in the state. The City has served as the County seat for Gaston County since 1911, and is the largest of the County's 13 municipalities with approximately 57.43 square miles and 74,518 residents within its corporate limits. Its location along Interstate 85, equidistant from Atlanta and Raleigh, places the City in the heart of the rapidly developing Piedmont region of North Carolina; and, it is midway between the Florida Keys and New England, and just 200 miles from the Atlantic Ocean, making it a strategic center for serving Eastern United States.**

**The City is empowered by statute to levy an annual ad valorem tax on the appraised value of all real and tangible personal property within its boundaries. The County is the only other governmental unit that levies such taxes within the corporate limits of the City.**

**The City is empowered by statute to extend its corporate limits through annexation. The City conducts an on-going planning process through which it implements the expansion of its corporate limits in order to keep pace with the growth and development of the community.**

**The City of Gastonia enjoys a relatively comfortable year-round climate that makes it appealing to residents and industry. The weather includes sunny or partly sunny skies approximately eight months out of each year. Extreme temperatures and severe weather are the exception. Winters and summers are mild with average winter temperatures of approximately 43 degrees Fahrenheit and average summer temperatures of around 78 degrees Fahrenheit. Average annual precipitation is 44 inches, and average relative humidity is 54 percent.**

### **The City's History**

**The City of Gastonia was incorporated in 1877, the year reconstruction ended. The impetus for the early development of Gastonia, which began in 1873 as a small depot, was the combined effect of the realignment of the Atlanta & Charlotte Airline Railroad (now Norfolk Southern) from its original intended path several miles to the north of the City, the charter of the Chester & Lenoir Narrow Gauge Railroad (now CSX) which crossed the Atlanta & Charlotte railroad and the introduction of the steam powered textile mill. The crossing of these two railroads and the beginning of the City's textile industry brought opportunity for employment and social life. The**

**initial population of the town was approximately 200 persons, and the land area was only .5 miles.**

**The City's original population was reflective of the surrounding county and was comprised of English, German, Scotch Highlander, and Scotch-Irish citizens, with a few of the County's long time black residents also moving into the settlement. The City has operated continuously under the Council-Manager form of government since its adoption in 1919.**

**The City provides a wide range of services that include public safety, electric distribution, water and sewer services, stormwater management, public transportation, community development, solid waste collection and disposal, cultural and recreational activities, general administration, and other amenities not often found in a city of 74,518 people.**

### **All America City Recognition**

**The All America City Award is the oldest and most respected community recognition program in the nation. In its 60<sup>th</sup> year, the National Civic League recognizes communities whose citizens work together to identify and tackle community-wide challenges and achieve remarkable results.**

**Gastonia became a finalist and joined 29 other American communities in June 2000 to share stories of building community through citizen involvement. Sharing themes of Building CommUnity and City Wide City Pride, 61 citizens served as Gastonia's All America City delegation and represented the successes of Gaston Literacy Council, Unity Place, and the West Gastonia Boys and Girls Club.**

**On June 3, 2000, in Louisville, Kentucky, the National Civic League named Gastonia as one of only ten All America Cities for the 2000/2001 designation period. Gastonia's commitment as an All America City is to build on the current successes and to expand citizen participation in Building CommUnity through stronger partnerships and continued City Wide City Pride.**

### **Governmental Structure**

**The City of Gastonia is an incorporated city established under the Constitution and the laws of the State of North Carolina. Legislative control is vested with a Mayor elected biennially on a non-partisan basis and a six-member City Council, each of whom is elected for a four-year term. Each member of the City Council represents a defined geographical ward, but elections are determined by an at-large vote. The terms run concurrently and all current terms expire November 2011. Elections to the City Council are held in November of odd-numbered years. Any registered voter who resides within the city limits is eligible to run for City Council. The Council takes office on the first Tuesday in December following the November election. At its first meeting, the Council selects a Mayor Pro-Tempore from among its six members.**

**The major duties of the City Council are as follows:**

- **To enact policies and ordinances which concern the operation of the City.**
- **To assess and assign priorities to the needs of the City and develop methods to meet those needs.**
- **To adopt an annual balanced budget for governmental operations.**
- **To establish the City property tax rate.**
- **To appoint officials and members to City boards and committees.**
- **To regulate land use and zoning within the municipality's jurisdiction.**
- **To call for bond referendums, enter into contracts, and establish new programs.**

**All meetings of the Council are open to the public. The Council holds regularly scheduled meetings the first and third Tuesdays of each month. The meeting on the first Tuesday is held in City Hall and starts at 6:00 p.m. The meeting on the third Tuesday is held in the Gaston County Courthouse and starts at 6:00 p.m. Time-Warner Cable also televises this meeting.**

**The day-to-day operational direction of the City is the responsibility of the appointed City Manager. The City Manager directs the daily operations of the City through two Assistant City Managers: the Assistant City Manager – Operations and the Assistant City Manager – Public Services. Under the direction of the City Manager, the Financial Services Department maintains the accounting system for the City's operations. The City Manager is the chief administrative/financial officer of the City and serves at the Council's discretion.**

**Major duties of the Manager include:**

- **To supervise and coordinate the activities of the City departments on behalf of the City Council.**
- **To implement all directives and policies of the Council.**
- **To attend all Council meetings and make recommendations on appropriate matters of business.**
- **To compile and recommend the annual operating and capital project budgets, and advises the Council of the City's financial condition.**
- **To hire various employees.**
- **To aggressively pursue economic development**
- **To represent the City in business with other agencies and perform other duties as determined by the Council.**

**The City Manager has a staff that includes the two Assistant City Managers, the City Attorney, and 18 Department Heads. In order to provide the services to the citizens of the City, operate City government, and meet the needs of the elected officials, as of June 30, 2009, the City of Gastonia had 926 authorized full-time positions.**

## **Fiscal Control and the Budget Process**

**State statutes require the adoption of an annual balanced budget that includes all appropriations required for debt service. Any difference between appropriations and estimated revenues, including appropriated fund balance, is required to be eliminated by the imposition of a property tax at a rate on assessed valuation sufficient to produce the revenue needed to accommodate this shortfall.**

**The budget process begins in early January of each year and culminates with the adoption of a balanced budget in June. The first step in the process is generally a workshop with the City Council members where guidance/direction is given for the City's following fiscal year. The first formal step in the process with staff is the distribution of revenue estimate worksheets in mid-January. Approximately three weeks later, the distribution of expenditure worksheets occurs. These estimates are due back to the Budget Department in early March and the department begins to formulate a draft budget. During April, discussions are held between staff and the City Manager to make modifications to the original submissions. A tentative budget is then detailed and submitted to Council in mid-May. The City Council then holds a series of workshops and public hearings prior to the adoption in mid-June.**

**Once the budget has been adopted by the City council, the Director of Financial Services is responsible for monitoring the expenditures of the various City departments to prevent expenditures from exceeding budgeted appropriations. Purchase orders and contracts that require the expenditure of funds are not considered valid until the Director of Financial Services has certified that funds are available to make payment upon the satisfactory completion of the contract or the delivery of the items ordered.**

## **Property Taxes**

**Real property, automobiles, boats, trailers, and income-producing seasonal properties are subject to property tax unless specifically exempted by North Carolina statutes. Some of the major property tax exemptions granted by statute include governmental organizations, charities, religious institutions, educational and cultural organizations, and veterans' organizations. North Carolina statutes also exempt certain types of properties from taxes. Several examples are burial properties, business inventory, and air and water pollution equipment.**

## **Property Tax Rate**

The tax rate is set each year by the City Council when the budget ordinance is adopted. The City of Gastonia's tax rate of \$.53 for the new fiscal year beginning July 1, 2009 places it at the thirteenth lowest of the 20 largest cities in North Carolina. North Carolina General Statute 105-286 requires that an octennial reappraisal of real property be conducted and may be done sooner upon adoption of local ordinance and approval by the Department of Revenue. Gaston County has adopted such an ordinance, which requires reappraisal every four years. The City's most recent reappraisal was completed by the County in the 2006/2007 fiscal year and was applicable to ad valorem tax revenues beginning in the City's 2007/2008 fiscal year.

## **Economy, Commerce and Industry**

The City's economy has benefited from its proximity to Charlotte, access to major interstate highways, and a recent retail boom. These influences have led to significant recent economic growth and diversification.

For many years, the primary industry in the City was textiles. However, the recent national trend of companies relocating manufacturing facilities outside the United States has resulted in significant losses of jobs and investments in the textile industry. Over the past decade, the City's economy has diversified and expanded its commercial and industrial base through a variety of industry, trade and tourism sectors, while the significance of the textile industry has declined. In 2008, approximately 20% of the industrial workforce in the County was employed in manufacturing, 18% in wholesale and retail trade, 16% in the health care and social assistance, 5% in construction, 8% in accommodation and food services, 28% in the service sector and 5% in public administration. The expansion and diversification of the City's economy can be attributed to the City's proximity to the City of Charlotte, and the City's access to major interstate highways.

The City emphasizes the attraction of new and diverse industry while providing support for the existing commercial and industrial community. According to the Gaston County Economic Development Commission, in 2009, from new and expanding industry, new manufacturing companies and expansions and renovations of existing companies resulted in investments of approximately \$9 million and created more than 35 new jobs.

A variety of new manufacturing and retail establishments were established or expanded recently. Rochling Engineering Plastics expanded and relocated into the Gastonia Technology Park. The move resulted in 22 new jobs and \$8 million in new investment. Titan Fabrication moved to Gastonia, investing \$1 million and creating 10 new jobs, Koops Woodworks expanded and moved into a new site, investing \$800,000 and adding 10 jobs, and IMACC Corporation, a company which recycles and reconditions plastic containers, invested \$1 million to create 10 new jobs. The Gastonia Technology Park, Gastonia and Gaston County's premier business park, was significantly upgraded with additional roadway, site grading, and "free" power

backup generation. Designated as a Prime Power Park, business will have 4 MW of back-up power with the ability to expand up to 12 MW. This is crucial for industrial uses with precision machinery, critical heating or cooling components, or other functions that depend on constant electricity. While the construction of single-family residential neighborhoods has slowed, multi-family and attached housing sectors continue to grow. Phase II of the Mills Creek Apartment complex added four apartment buildings and 40 new units, with a project cost of \$4,803,442. Other projects occurring this fiscal year with construction costs of over one million dollars include the renovation and remodel of the Gaston Memorial Hospital patient tower for a total of \$3,500,000, construction of the new Hawks Nest Elementary School at \$1,666,432, construction of a church sanctuary on S. New Hope road at \$1,190,000, and the redevelopment of the existing Gaston Mall at \$1,373,000 (project is on-going). The Historic Loray Mill redevelopment project is a major project that has completed plan review, with construction awaiting final financing details. This project consists of a mixture of residential, office and retail use. In addition, Freightliner, an area employer which had undergone layoffs in the last year, has recently announced its intentions to recall more than 100 workers at plants in the County. Freightliner has also acquired the former Ithaca warehouse near its Gastonia plant, where approximately 22 workers will be assigned.

The downtown area of the City is undergoing notable revitalization. Ten new businesses have opened within the last six months. Federal stimulus funds have provided \$850,000 for streetscape improvements; \$2,100,000 neighborhood stabilization funds will provide for 14 owner-occupied single-family units while application is being made for funding an additional 18 units; and a \$600,000 pedestrian plaza is currently under construction.

The City and surrounding area are also redefining itself as a metropolitan-dominated region. The City and the County are fast becoming what economists refer to as a “regional retail center.” With the establishment of the City as a retail destination, an influx of shoppers from surrounding counties such as Lincoln, Cleveland, York and Mecklenburg has been noted.

The City is home to two enclosed malls: Gaston Mall, the home of Mary Jo’s Cloth Store, the largest fabric store in the Southeast, attracting customers from all over the United States, is currently undergoing a major redevelopment including a new “big box” store with smaller anchor tenants and retail establishments. The completed project is expected to generate 393 new jobs with annual sales expected to be over \$56 million. Westfield Shoppingtown Eastridge (formerly Eastridge Mall) was acquired in April 2002 by Westfield Holdings Limited, an Australian company. Westfield Shoppingtown Eastridge is an approximately 1,560,000 square-foot retail facility and is the fourth largest mall in North Carolina and South Carolina. Belk, Dillard’s, Sears and JCPenney anchor this facility, which is supported by 70 smaller retailers. Franklin Square is another retail shopping area consisting of over 1,000,000 square feet, anchored by Wal-Mart, K-Mart, Lowe’s, Sam’s Club, Best Buy and Kohl’s. Numerous retailers, restaurants and a 13-screen movie theater are also located in Franklin Square, and a 2008 expansion, the Shops at Franklin Square, includes additional retail space with H.H.Gregg and Ashley Furniture as anchor stores. Other major retail investments include a new Hickory Tavern

restaurant at a cost of \$918,338, a CVS Pharmacy at \$1,553,900, and a new Hardee's restaurant at a cost of \$420,000.

Southwood Reality is the City's largest taxpayer with 1.87% of the City's total assessed valuation. The diversity of the City's tax base is evident in the fact that the ten largest taxpayers represent only 10.24% of the total assessed valuation, slightly up from 8.95% in the 2008 fiscal year.

## Transportation

The City is traversed from east to west by Interstate 85 and by U.S. Highway 29-74. U.S. Highway 321 provides north-south access. Highway 74 extends from the deep-water port facility at Wilmington through the commercial heartland of the Piedmont Industrial Crescent. Interstate 85 and U.S. Highway 29 extends from South Hill, Virginia to Atlanta, Georgia. These traffic arteries carry the main traffic flow from the Piedmont industrial area. A longer-range transportation objective is the Garden Parkway, U.S. Highway 321/74 Bypass, that will loop around Gastonia and connect to Charlotte's outer belt, I-485, and Charlotte-Douglas International Airport. This freeway is currently in the planning stages.

There are approximately 436 linear miles of paved streets in the City. The City and State maintain approximately 336 miles and 100 miles of paved streets, respectively. Major expansion, improvement and maintenance of primary and secondary highway thoroughfares are the responsibilities of the State, but the City has participated in the construction and improvement of many State-maintained roads over the past twelve years.

Gastonia residents are also served by Gastonia Transit, which provides eight fixed bus routes throughout the City. Passengers have access to destinations such as Gaston Memorial Hospital, Eastridge and Franklin Square malls, and the Health Department. For those preferring the convenience of transit for longer trips, the Gastonia Express service provides a reliable, comfortable alternative to commuting by automobile. With four trips into uptown Charlotte every morning and four trips back in the evening, this bus service is flexible enough to service many commuters.

Gastonia is within a 15-minute drive of the Charlotte-Douglas International Airport. Charlotte-Douglas is the 14th busiest in nationwide passengers and serviced by 10 major airlines and 7 regional airlines with approximately 620 scheduled commercial departures daily to virtually any North American location and parts of Europe with over 34 million passengers boarding a year. USAirways, with its operational hub at the airport, offers daily non-stop flights to London, Paris, Frankfurt, and Nassau. In the spring of 2007 the airport began construction of a \$190,000,000 expansion and is expected to be completed in January 2010. At 9,000 feet long, the new "third parallel" runway will allow three independent approaches for arrivals, automatically increasing air service by 33 percent. The airport is as accessible to Gastonia as it is to the downtown Charlotte area, providing Gastonia with a tremendous intra-regional advantage. Additionally, the City owns the Gastonia Municipal Airport, a general aviation facility that serves



both the City and the County for both business and pleasure flights. The facility has one lighted runway of 3,750 feet and one unlighted emergency runway of 2,500 feet. The airport recently completed a \$1,200,000 runway, taxiway, and ramp-resurfacing project. Fly Carolina serves as the fixed base operator for the airport.

The Norfolk Southern Railway and CSX Transportation provide transportation to interchange points with other railroads throughout the eastern United States. A planned relocation of the railroads freight yard to the vicinity of Charlotte-Douglas International Airport will further enhance Gastonia's position as a transportation hub. Freight service is available through this railroad and 50 truck lines. Passenger rail service is available through Amtrak.

With this mix of transportation, the City is accessible to and by a wide variety of markets. These markets include both local and regional as well as national and international. Its location, supported by its major transportation network, is the framework for economic growth.

## **Education**

There is one public school system that serves Gaston County. The Gaston County School Administrative Unit is governed by a Board of Education consisting of nine members elected for four-year terms. A school superintendent is appointed by the Board of Education. It is the seventh largest school district in the state. There are currently 30 elementary schools (grades K-5), 11 middle schools (grades 6-8), and 9 high schools (grades 9-12) located within the Gaston County school system. There is also 1 alternative school (grades 6 – 12) and 1 special needs school (Pre-K – 12). Total enrollment is approximately 33,000 students.

There are three post-secondary institutions located within the County. Gaston College is comprised of three campuses with the main campus located in the approximate geographic center of the County. Part of the North Carolina Community College System, Gaston College is accredited by the Southern Association of Colleges and Schools to award associate degrees. The college enrolls over 5000 students each term in curriculum programs and averages over 16,000 students in its Continuing Education programs. Gaston College East Campus and Textile Technology Center provides training in textile technology, industrial maintenance, computer training, and management. Lastly, Belmont Abbey College is a private four-year liberal arts college with an enrollment of approximately 1300 students.

## **Cultural and Recreational Activities**

**The City has available many different national, regional, and local recreational facilities. A National Football League team, the Carolina Panthers, and a National Basketball Association team, the Charlotte Bobcats, play in facilities located approximately 20 miles from the City. A professional minor league hockey team, the Charlotte Checkers, and a Triple A Baseball team, the Charlotte Knights, are located within 25 miles of the City. In addition, The NASCAR Hall of Fame is set to open in nearby Charlotte in early 2010.**

**A full range of recreation programs is sponsored by the City. Recreation facilities within the City are located on approximately 587 acres of land. These facilities include six community centers, sixteen parks, four soccer fields, nineteen baseball/softball fields, eight jogging tracks, forty-six tennis courts, two swimming pools, a skeet and trap range and a skate park located at Lineberger Park.**

**Crowders Mountain State Park, a 3,000-plus acre natural mountain park area, is located in the City at its western edge. The park offers hiking, rock climbing, fishing, picnicking, and other nature and environmental related activities.**

**In October 1999, the City completed construction of Martha Rivers Park, a 56.5-acre youth sport complex. The \$4.5 million sport complex consists of four soccer fields, five baseball diamonds with a center control tower and concession stands, nature trails and asphalt walks, picnic shelters, rest room facilities, volleyball court, horseshoe court, and lighted parking for approximately 290 cars. The Gaston County Medical Alliance, a local chapter of about 90 physicians' wives, raised funds and funded the cost of equipment and materials for the construction of a \$300,000 playground at the Park. Numerous citizens and City employees supplied total construction labor through voluntary contribution of time and skills. The play area includes a tree house, pirate ship, observatory, fun house, and a maze of slides, swings, and sandboxes.**

**In December 2001, the City completed construction of a greenway along the Catawba Creek and its tributaries. The greenway consists of a 2.7-mile walking trail stretching from Lineberger Park to the Gastonia Armory. This walking trail is within strolling distance of almost 10,000 City residents.**

**In addition, the City is in the feasibility-stage of the project "B.I.G. S.P.L.A.S.H." – an acronym for Bringing Investment to Gastonia in Support of a Project Linking Aquatics, Sports and Hospitality. The anticipated facility will be a fully-integrated, regional-destination-quality Aquatics Center with additional Recreational and Fitness facilities, along with floor-separated conference facilities to serve the City's need for quality meeting space. Total estimated cost of the project is approximately \$22M.**

## Summary

**The City has shown an increased awareness of the necessity to plan for the future and continue to improve its financial health. Progressive thinking, long-range vision, and planned economic development will be the cornerstone of policies that will take the City into the twenty-first century. These actions will ensure that the City is able to continue to extend a high quality level of service to its residents at the most economical manner available.**

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Gastonia  
North Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

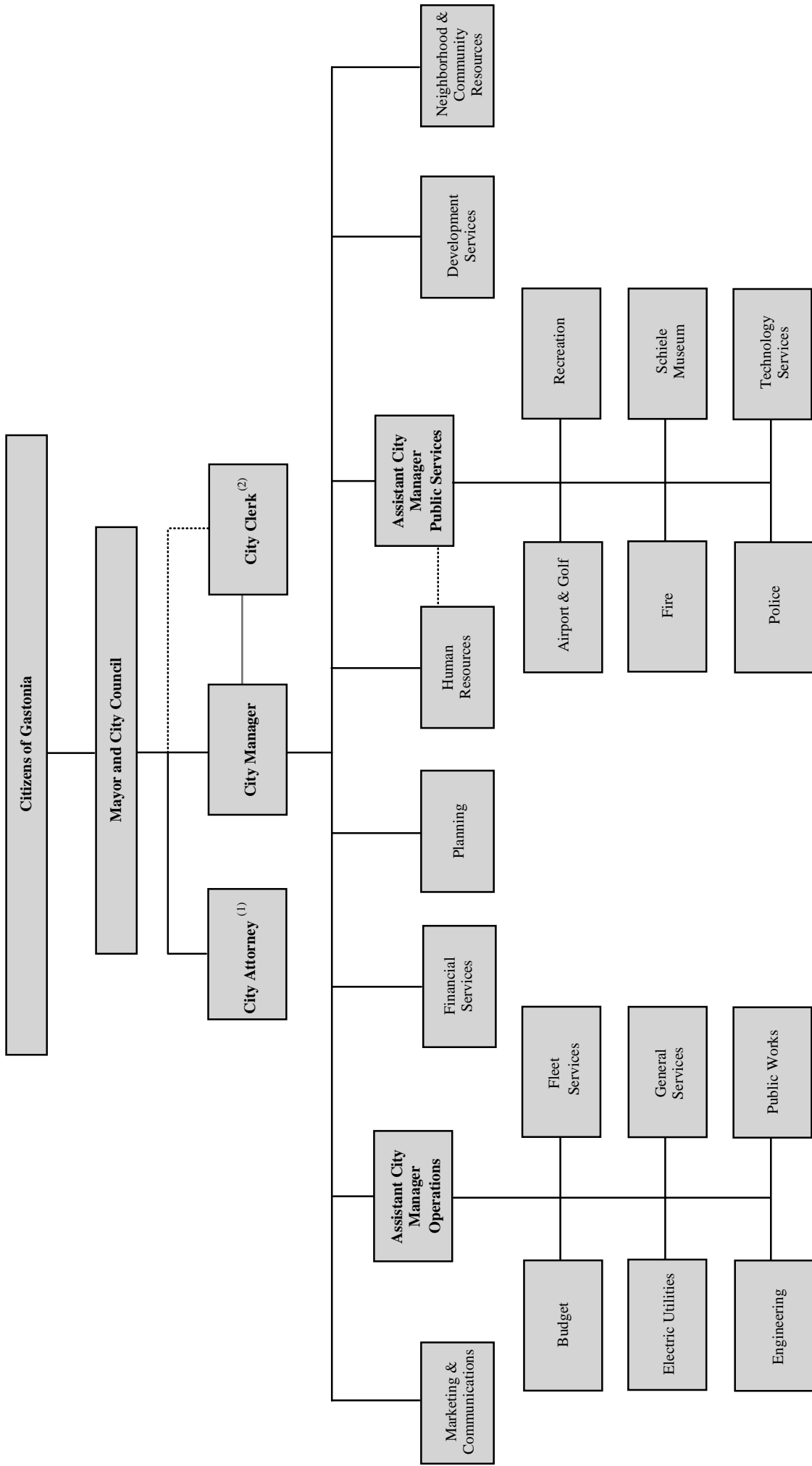
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

# City of Gastonia, North Carolina Organizational Chart



(1) Appointed by the City Council

(2) Appointed by the City Council and supervised by the City Manager

## **FINANCIAL SECTION**

Independent Auditors' Report

Management Discussion and Analysis

Financial Statements (Combined Statements – Overview)

Combining and Individual Fund Statements and Schedules

Other Supplementary Financial Data



# **INDEPENDENT AUDITORS' REPORT**



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

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

## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members  
of the City Council  
City of Gastonia, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gastonia, North Carolina, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Gastonia, North Carolina's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Gastonia ABC Board which represents 80 percent, 77 percent, and 94 percent respectively, of the assets, net assets and revenues of the component unit columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Gastonia ABC Board, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions. The financial statements of the City of Gastonia ABC Board were not audited in accordance with *Government Auditing Standards*.

In our opinion, based upon our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gastonia, North Carolina as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, Law Enforcement Officer's Special Separation Allowance Schedule of Funding Progress, Schedule of Employer Contributions, and related notes and the Other Post Employment Benefits-Retiree Health Plan Schedule of Funding Progress are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 12, 2009, on our consideration of the City of Gastonia'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Gastonia, North Carolina basic financial statements. The introductory section, other supplementary schedules, combining and individual nonmajor fund financial statements, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the State Single Audit Implementation Act and is not a required part of the basic financial statements. The other supplemental schedules, combining and individual nonmajor fund financial statements and the accompanying Schedule of Expenditures of Federal and State Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
November 12, 2009



## Management's Discussion and Analysis

As management of the City of Gastonia, we offer readers of the City of Gastonia's financial statements this narrative overview and analysis of the financial activities of the City of Gastonia for the fiscal year ended June 30, 2009. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

### Financial Highlights

- The assets of the City of Gastonia exceeded its liabilities at the close of the fiscal year by \$398,142,318 (*net assets*).
- The City's total net assets decreased by \$1,700,791. Governmental activity net assets decreased by \$3,390,008 and business-type activities increased by \$1,689,217. The decrease in the governmental activities net assets is primarily due to the following (the reader needs to keep in mind that the City's fiscal policy is governed by the modified accrual basis of accounting which requires budgeted expenditures to equal budgeted revenues. Favorable budget variances, capital purchases, debt principal payments and contributed assets will increase net assets. Unfavorable budget variances and use of appropriated fund balances will decrease net assets): The net change in governmental funds' fund balances under the modified accrual basis of accounting resulted in a \$1,971,517 decrease of net assets. General Fund expenditures exceeded revenues by \$1,395,363, and the combined other governmental funds' expenditures exceeded revenues by \$576,154. The City budgeted to use \$2,845,917 of General Fund fund balance to fund certain previously unfunded capital projects, subsidization of the Medical Self-Insurance Fund, and carryover encumbrances. The City used \$1,395,363 of fund balance for the year ended June 30, 2009. Actual revenues were less than budgeted expectations by \$1,016,580. Interest earned on investments were under budget by \$602,570 due to the deterioration in the investments market subsequent to the adoption of the original budget. In addition, construction permits were under budget by \$315,590 due to the deterioration of the housing and other construction markets. Actual expenditures came in under budget by \$2,303,276. Of this amount, approximately \$730,000 was related to salaries and benefits, and the remaining amount was spread out over numerous operating expenditure account types. Excess expenditures over revenues of \$576,154 in the combined other governmental funds was mostly due to the utilization of Mayor/Council capital projects fund balance to fund carryover capital projects. The fund budgeted appropriated fund balance of \$2,333,846. The full accrual basis treatment of capital outlay, depreciation, gain/(loss) on disposal of capital assets, debt service principal payments, bond refunding payments, debt issuance proceeds, private developer contributions of capital assets, expenses related to OPEB, and various other modified accrual to full accrual adjustments resulted in a \$1,709,837 decrease in governmental activity net assets. See Exhibit E for a detailed analysis of the budgetary basis to full accrual basis (GAAP basis) reconciling items.
- As of July 1, 2006, the City established a Medical Self-Insurance Internal Service Fund, which provides medical coverage to all City employees. For the year ended June 30, 2009, claims, administrative fees and stop/loss premiums exceeded fund charges for services by \$567,836. Previous years' fund charges exceeded claims, administrative fees

and stop/loss premiums by \$534,794 which allowed the City to budget a zero percent increase in premium charges to other departments and City employees for the 2009 fiscal year as claim cost and stop/loss premiums increased. Claims continued to increase and the City required various other City funds to subsidize this fund in the amount of \$597,000 for the year ended June 30, 2009. In spite of this subsidization, the fund ended the 2009 fiscal year with a \$33,043 deficient fund balance. The 2010 budget discussions addressed this by setting the stage for increases in medical insurance premiums after review of the fund status subsequent to final year-end financial results. This internal service fund predominantly services the governmental funds, thus, the fund's activities are included in the City's governmental activities.

- The business-type activities increase in net assets was primarily due to the following: charges for services exceeded program expenses by \$1,145,650 as compared to the prior year amount of \$9,330,281. This decrease was mainly due to a decrease in the amount of capital assets capitalized under the full accrual basis of accounting but funded by current charges for services under the budgetary basis of accounting. Under the modified accrual basis of accounting (budgetary basis), Electric Fund revenues came in under budgeted revenues by \$1,953,812, which was mostly due to mild weather during the 2009 fiscal year. Expenditures came in under budget by \$2,385,690 due to a concerted effort by management to reduce controllable expenditures. Under the modified accrual basis of accounting (budgetary basis), Water and Sewer Fund revenues came in under budgeted revenues by \$1,662,767 that was mostly due to a continued emphasis on water conservation. Expenditures came in under budget by \$2,724,242 due to a concerted effort by management to reduce controllable expenditures. All other business-type funds operated fairly close to break-even. Program revenue capital asset grants and contributions, for which there are no related expenses, amounted to \$457,237 as compared to the prior year amount of \$1,761,894. This decrease was due to less developer-contributed capital in the 2009 fiscal year related to the deterioration of the housing industry. Operating grants and contributions were \$1,478,376 as compared to the prior year amount of \$1,322,680, and investment earnings were \$408,419 as compared to the prior year amount of \$922,801. The decrease in investment earnings is related to the deterioration of the investments market. Transfers to governmental activities decreased business-type activities net assets by \$1,800,465 as compared to the prior year amount of \$1,010,957.
- As of the close of the current fiscal year, the City of Gastonia's General Fund reported an ending fund balance of \$16,414,749, a decrease of \$1,395,363 from the prior year ending fund balance.
- Approximately 58.71 percent of this total amount, or \$9,637,414, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, *available fund balance* for the General Fund was \$9,637,414, or 16.52 percent of total General Fund expenditures, including transfers to other funds, for the fiscal year.
- The City of Gastonia's total financing debt obligations decreased by \$6,316,630 (7.12%) during the current fiscal year. The key factors in this decrease were the overall debt retirements of \$10,288,630 while the City incurred \$3,972,000 of new financing debt obligations. New debt obligations consisted of the issuance of a \$3,972,000 vehicle equipment-financing instrument.

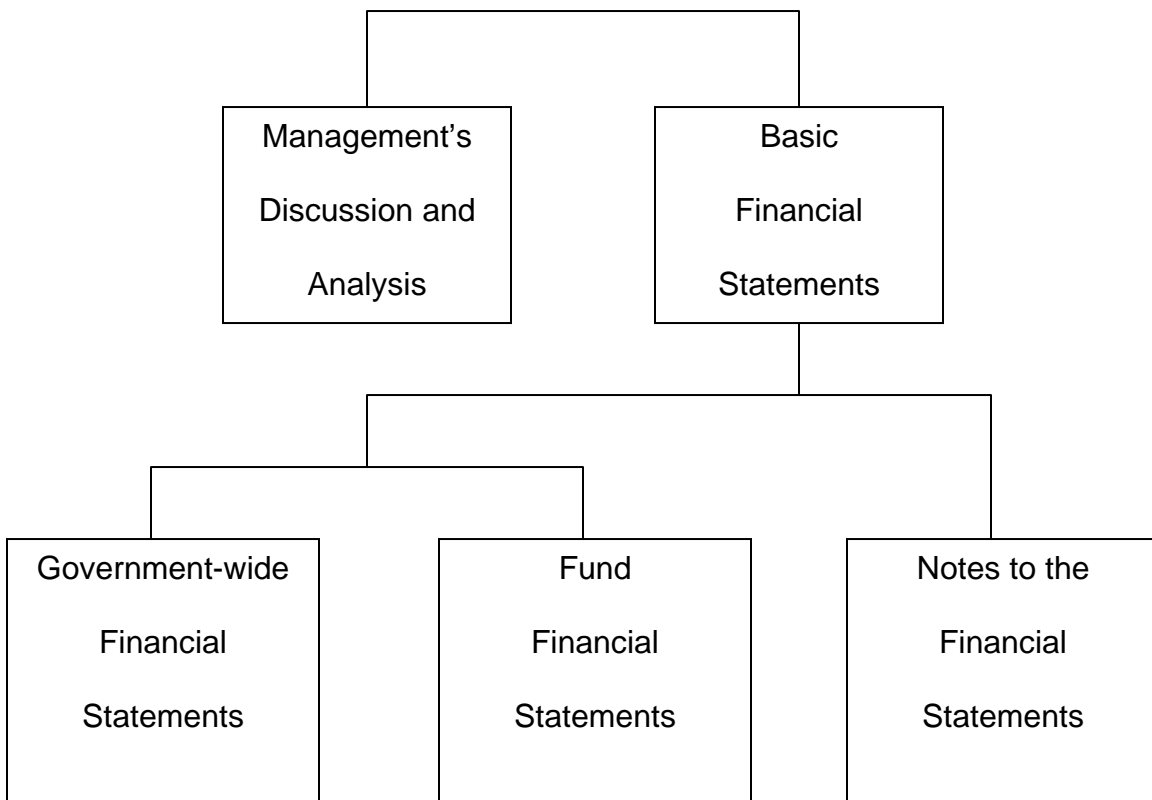
- The current credit ratings for general obligation debt are: Standard and Poor's Corporation AA-, Moody's Investor Service A1-, and Fitch AA- (stable outlook). The current credit ratings for revenue bond debt are: Standard and Poor's Corporation AA-, Moody's Investor Service A2, and Fitch A+.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Gastonia's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Gastonia.

### Required Components of Annual Financial Report

Figure 1



Summary —————> Detail

## Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (Exhibits C through I) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the fund financial statements: 1) the governmental funds statements, 2) the budgetary comparison statements, and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds.

Budgetary information required by the General Statutes also can be found in this part of the statements.

## Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the City's basic services such as public safety, public works, cultural and recreation, and general government services. Property taxes, local option sales taxes, licenses, permits and fees, business-type activities' transfers, and state and federal shared revenues finance most of these activities. The business-type activities are those for which the City charges customers to provide services. These include the water and sewer, electric, transit, golf and stormwater services offered by the City of Gastonia. As of October 1, 2008, the city privatized the management of the golf operations thus terminating the Golf Course Fund. The final category is the component units. Although these two entities are legally separate from the City, the ABC Board's financial activities are important to the City because the City exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the City. The Gastonia Tourism Development Authority's financial activities are important to the City because the City appoints all three members of the governing board and the Authority's major source of revenues is derived from a 3% room occupancy tax levied by the City pursuant to Session Law 2001-439 of the North Carolina General Assembly.

The government-wide financial statements are on Exhibits A and B of this report.

## **Fund Financial Statements**

The fund financial statements (see Figure 2) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Gastonia, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Gastonia can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in-and-out and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Gastonia adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally-adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current-period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

**Proprietary Funds** – The City of Gastonia has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Gastonia uses enterprise funds to account for its water and sewer activity, electric operations, transit operations, golf operations and stormwater operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities. As of October 1, 2008 the city privatized the management of the golf operations thus terminating the Golf Course Fund. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the City of Gastonia. The City uses internal service funds to account for



four activities: the accumulation and allocation of the costs associated with the City’s vehicle and equipment replacement, the accumulation and the allocation of the costs of computer support and other technology services, the accumulation and the allocation of the costs of providing self-insured medical coverage to the City employees, and the accumulation and the allocation of the costs of providing self-insured dental coverage to the City employees. Because these operations benefit predominantly governmental rather than business-type activities, these internal service funds have been included within the governmental activities in the government-wide financial statements.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements immediately follow the basic financial statements of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Gastonia’s progress in funding its obligation to provide special separation allowance pension benefits to its law enforcement officers and firefighters and the City’s progress in funding its obligation to provide other post employment benefits to its retirees. Required supplementary information immediately follows the notes to the financial statements of this report.

## Government-Wide Financial Analysis

### The City of Gastonia’s Net Assets

**Figure 2**

	Governmental Activities 2009	Governmental Activities 2008	Business-Type Activities 2009	Business-Type Activities 2008	Total 2009	Total 2008
Current and other assets	\$ 34,201,296	\$ 37,657,521	\$ 39,625,917	\$ 40,199,729	\$ 73,827,213	\$ 77,857,250
Capital assets	<u>170,367,368</u>	<u>171,135,693</u>	<u>259,433,991</u>	<u>260,592,405</u>	<u>429,801,359</u>	<u>431,728,098</u>
Total assets	<u>204,568,664</u>	<u>208,793,214</u>	<u>299,059,908</u>	<u>300,792,134</u>	<u>503,628,572</u>	<u>509,585,348</u>
Long-term liabilities outstanding	38,398,390	38,793,393	41,085,356	44,406,308	79,483,746	83,199,701
Other liabilities	<u>12,892,825</u>	<u>13,332,364</u>	<u>13,109,683</u>	<u>13,210,174</u>	<u>26,002,508</u>	<u>26,542,538</u>
Total liabilities	<u>51,291,215</u>	<u>52,125,757</u>	<u>54,195,039</u>	<u>57,616,482</u>	<u>105,486,254</u>	<u>109,742,239</u>
Net assets:						
Invested in capital assets, net of related debt	141,102,212	136,620,839	220,064,680	218,603,743	361,166,892	355,224,582
Unrestricted	<u>12,175,237</u>	<u>20,046,618</u>	<u>24,800,189</u>	<u>24,571,909</u>	<u>36,975,426</u>	<u>44,618,527</u>
Total net assets	<u>\$ 153,277,449</u>	<u>\$ 156,667,457</u>	<u>\$ 244,864,869</u>	<u>\$ 243,175,652</u>	<u>\$ 398,142,318</u>	<u>\$ 399,843,109</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of Gastonia exceeded liabilities by \$398,142,318 as of June 30, 2009. The City's net assets decreased by \$1,700,791 for the fiscal year ended June 30, 2009. However, the largest portion (90.71%) reflects the City's investment in capital assets (e.g. land, buildings, roads, bridges, utility infrastructure, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Gastonia uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Gastonia's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining balance of unrestricted net assets \$36,975,426 may be used to meet the government's ongoing obligations to citizens and creditors.

Several particular aspects of the City's financial operations positively influenced the total unrestricted governmental net assets:

- Continued low cost of debt due to the City's high bond rating.
- A continued effort on the part of management to perform and/or expand its services with the same or fewer permanent staffing.
- Staff's dedicated efforts in assuming added responsibilities during staff turnover and a mandated hiring freeze for non-critical positions resulted in a salaries and benefits favorable budget-to-actual variance approximating \$1,400,000 city-wide. However, approximately \$500,000 of this favorable variance was related to the privatization of the municipal golf course.
- A continued effort on the part of management and the City's dedicated staff to hold down operating costs in light of current economic conditions.

**City of Gastonia Changes in Net Assets**  
**Figure 3**

	Governmental Activities 2009	Governmental Activities 2008	Business-Type Activities 2009	Business-Type Activities 2008	Total 2009	Total 2008
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 11,341,904	\$ 10,497,980	\$ 94,713,249	\$ 96,203,198	\$ 106,055,153	\$ 106,701,178
Operating grants and contributions	5,016,361	5,513,514	1,478,376	1,322,680	6,494,737	6,836,194
Capital grants and contributions	1,767,264	5,030,594	457,237	1,761,894	2,224,501	6,792,488
General revenues:						
Ad valorem taxes	27,318,145	26,666,751	-	-	27,318,145	26,666,751
Local option sales tax	9,988,923	9,988,922	-	-	9,988,923	9,988,922
Other taxes	7,292,414	6,931,381	-	-	7,292,414	6,931,381
Interest earned on investments	506,639	1,314,797	408,419	922,801	915,058	2,237,598
<b>Total revenues</b>	<b>63,231,650</b>	<b>65,943,939</b>	<b>97,057,281</b>	<b>100,210,573</b>	<b>160,288,931</b>	<b>166,154,512</b>
<b>Expenses:</b>						
General government	14,927,520	13,338,063	-	-	14,927,520	13,338,063
Public safety	26,558,148	25,412,069	-	-	26,558,148	25,412,069
Public works and cemeteries	17,418,712	17,082,502	-	-	17,418,712	17,082,502
Cultural and recreation	5,421,420	5,240,922	-	-	5,421,420	5,240,922
Economic and physical development	2,530,015	4,163,290	-	-	2,530,015	4,163,290
Interest on long-term debt	1,566,308	1,265,501	-	-	1,566,308	1,265,501
Water and sewer	-	-	27,710,123	21,923,630	27,710,123	21,923,630
Electric	-	-	60,517,626	58,629,603	60,517,626	58,629,603
Transit	-	-	2,493,516	2,371,622	2,493,516	2,371,622
Golf	-	-	351,034	1,350,589	351,034	1,350,589
Stormwater	-	-	2,495,300	2,597,473	2,495,300	2,597,473
<b>Total expenses</b>	<b>68,422,123</b>	<b>66,502,347</b>	<b>93,567,599</b>	<b>86,872,917</b>	<b>161,989,722</b>	<b>153,375,264</b>
Increase in net assets before transfers	(5,190,473)	(558,408)	3,489,682	13,337,656	(1,700,791)	12,779,248
Transfers	1,800,465	1,010,957	(1,800,465)	(1,010,957)	-	-
Increase in net assets	(3,390,008)	452,549	1,689,217	12,326,699	(1,700,791)	12,779,248
Net assets, July 1	156,667,457	156,214,908	243,175,652	230,848,953	399,843,109	387,063,861
Net assets, June 30	<u>\$ 153,277,449</u>	<u>\$ 156,667,457</u>	<u>\$ 244,864,869</u>	<u>\$ 243,175,652</u>	<u>\$ 398,142,318</u>	<u>\$ 399,843,109</u>

**Governmental Activities:** The 2009 fiscal year governmental activities decreased the City's net assets by \$3,390,008. Key elements of this decrease are as follows:

- The decrease in the governmental activities net assets is primarily due to the following (the reader needs to keep in mind that the City's fiscal policy is governed by the modified accrual basis of accounting which requires budgeted expenditures to equal budgeted revenues. Favorable budget variances, capital purchases, debt principal payments and contributed assets will increase net assets. Unfavorable budget variances and use of appropriated fund balances will decrease net assets): The net change in governmental

funds' fund balances under the modified accrual basis of accounting resulted in a \$1,971,517 decrease of net assets. General Fund expenditures exceeded revenues by \$1,395,363, and the combined other governmental funds' expenditures exceeded revenues by \$576,154. The City budgeted to use \$2,845,917 of General Fund fund balance to fund certain previously unfunded capital projects, subsidization of the Medical Self-Insurance Fund, and carryover encumbrances. The City used \$1,395,363 of fund balance for the year ended June 30, 2009. Actual revenues were less than budgeted expectations by \$1,016,580. Interest earned on investments were under budget by \$602,570 due to the deterioration in the investments market subsequent to the adoption of the original budget. In addition construction permits were under budget by \$315,590 due to the deterioration of the housing and other construction markets. Actual expenditures came in under budget by \$2,303,276. Of this amount, approximately \$730,000 was related to salaries and benefits, and the remaining amount was spread out over numerous operating expenditure account types. Excess expenditures over revenues of \$576,154 in the combined other governmental funds was mostly due to the utilization of Mayor/Council capital projects fund balance to fund carryover capital projects. The fund budgeted appropriated fund balance of \$2,333,846. The full accrual basis treatment of capital outlay, depreciation, gain/(loss) on disposal of capital assets, debt service principal payments, bond refunding payments, debt issuance proceeds, private developer contributions of capital assets, expenses related to OPEB, and various other modified accrual to full accrual adjustments resulted in a \$1,709,837 decrease in governmental activity net assets. See Exhibit E for a detailed analysis of the budgetary basis to full accrual basis (GAAP basis) reconciling items.

**Business-Type Activities:** The 2009 fiscal year business-type activities increased the City of Gastonia's net assets by \$1,689,217. Key elements of this increase are as follows:

- The business-type activities increase in net assets was primarily due to the following: charges for services exceeded program expenses by \$1,145,650 as compared to the prior year amount of \$9,330,281. This decrease was mainly due to a decrease in the amount of capital assets capitalized under the full accrual basis of accounting but funded by current charges for services under the budgetary basis of accounting. Under the modified accrual basis of accounting (budgetary basis) Electric Fund revenues came in under budgeted revenues by \$1,953,812, which was mostly due to mild weather during the 2009 fiscal year. Expenditures came in under budget by \$2,385,690 due to a concerted effort by management to reduce controllable expenditures. Under the modified accrual basis of accounting (budgetary basis) Water and Sewer Fund revenues came in under budgeted revenues by \$1,662,767 that was mostly due to a continued emphasize on water conservation. Expenditures came in under budget by \$2,724,242 due to a concerted effort by management to reduce controllable expenditures. All other business-type funds operated fairly close to breakeven. Program revenue capital asset grants and contributions for which there are no related expenses amounted to \$457,237 as compared to the prior year amount of \$1,761,894. This decrease was due to less developer-contributed capital in the 2009 fiscal year due to the deterioration of the housing industry. Operating grants

and contributions were \$1,478,376 as compared to the prior year amount of \$1,322,680, and investment earnings were \$408,419 as compared to the prior year amount of \$922,801. The decrease in investment earnings is related to the deterioration of the investments market. Transfers to governmental activities decreased business-type activities net assets by \$1,800,465 as compared to the prior year amount of \$1,010,957.

### **Financial Analysis of the City's Funds**

As noted earlier, the City of Gastonia uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds:** The focus of the City of Gastonia'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 Gastonia's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the City of Gastonia. At the end of the current fiscal year, *available fund balance* of the General Fund was \$9,637,414, a \$797,736 decrease from the prior year. Total fund balance decreased by \$1,395,363 to \$16,414,749. Reservations of fund balance decreased by \$597,627 from the prior year thus increasing *available fund balance* by a like amount. As a measure of the General 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 16.52 percent of total General Fund expenditures and transfers out to other funds, while *total fund balance* represents 28.13 percent of that same amount.

At June 30, 2009, the governmental funds of the City of Gastonia reported a combined fund balance of \$25,390,528, a 7.21 percent decrease over last year. Included in this change in fund balance is a \$1,395,363 decrease in fund balance in the General Fund, a \$570,786 decrease in the Mayor/Council Capital Project Fund and a \$5,368 decrease in Other Nonmajor Governmental Funds. The decreases in the General Fund fund balance and the Mayor/Council Capital Project Fund fund balance resulted from budgeted uses of fund balances. The decrease in other nonmajor governmental funds was mostly due to current decreases/(uses) of inventories in Special Revenue Funds.

**General Fund Budgetary Highlights:** During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Significant amendments were made to the following revenue types and expenditure functions: restricted intergovernmental revenues account type budgeted funds increased \$350,999 in order to recognize various unanticipated grant awards. There were no significant budget amendments made to any expenditure function account types.

Significant amendments were made to the following other financing sources/(uses) account types: the original budget for appropriated fund balance had a net increase of \$2,715,417 in order to fund carryover encumbrances, fund certain projects on the 2009 budget unfunded projects list, and subsidization of the Medical Self-Insurance Fund; and the original budget for transfers to other funds had a net increase of \$2,126,013 in order to fund certain projects on the unfunded projects list for which the projects expenditures were to be accounted for in the Mayor/Council Capital Projects Fund and to subsidize the Medical Self-Insurance Fund.

Management's definition of significant is revisions greater than or equal to 5.0% of the original budget and greater than or equal to \$100,000.

Actual revenues were under-budgeted revenues by \$1,016,580. The primary reason for the overall unfavorable budget-to-actual variance was due to: permits and fees being over-projected by \$315,590 and interest earned being over-projected by \$602,570. These unfavorable variances were caused by the economic downturn subsequent to the adoption of the 2009 budget.

As a result of management and the City's staff's continued effort to hold down operating costs in light of past and current economic conditions, the General Fund's actual expenditures were \$2,303,276 under-budget. Approximately \$730,000 of this favorable variance was directly related to the salaries and benefits cost effect of unexpected employee turnover and a mandated hiring freeze for all non-critical positions. The remaining amount was spread out over numerous operating expenditure account types in order to hold down operating costs in light of the current economic turndown.

**Proprietary Funds:** The City of Gastonia's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Net assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$159,976,848; the Electric Fund amounted to \$50,548,713; the Stormwater Fund amounted to \$30,446,083; and the other nonmajor funds, Transit and Golf, amounted to \$2,952,092. The total growth in net assets for these funds was \$87,960, \$2,313,935, (\$341,448) and (\$365,811), respectively. Factors concerning the finances of these funds have already been addressed in the discussion of the City of Gastonia's business-type activities.

### **Capital Asset and Debt Administration**

**Capital Assets:** The City of Gastonia's investment in capital assets for its governmental and business-type activities as of June 30, 2009 totals \$429,801,359 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, vehicles, water and sewer infrastructure, electric distribution system and stormwater infrastructure. Additions and dispositions totaled \$15,575,453 and \$2,131,594, respectively, and the net effect of depreciation resulted in a \$15,370,598 decrease.

Major capital asset transactions during the year include the additions and disposals below:

- Construction in progress for various water and sewer capital asset improvements of \$1,956,317 and \$2,244,163 placed in service.
- Water and sewer system capital assets of \$532,287 for system improvements.
- Construction in progress of \$4,147,572 in governmental-type activities which was mostly related to the Lineberger Park enhancements of \$1,229,770, Tulip Drive Bridge replacement of \$516,443, Greenway improvements of \$322,744, Highland Rail Trail project of \$161,470, recreation center improvements of \$120,960, and land acquisitions of \$849,697 for the downtown revitalizations projects.
- General infrastructure additions of \$634,940 in the governmental-type activities consisted of \$557,040 of developer-contributed capital in the form of streets.
- Construction in progress for electric capital asset improvements of \$1,078,726 and \$47,764 placed in service.
- Electrical distribution capital assets of \$1,782,774 for new line construction.
- Internal Service Fund capital assets of \$4,602,576 of which included various vehicles and equipment.
- Entity-wide disposals mainly consisted of various outdated computer/communications equipment, surplus police vehicles, and surplus equipment.

**City of Gastonia's Capital Assets**  
**Figure 4**

	Governmental Activities 2009	Governmental Activities 2008	Business-Type Activities 2009	Business-Type Activities 2008	Total 2009	Total 2008
Land, land improvements and buildings	\$ 64,540,813	\$ 62,980,362	\$ 19,227,251	\$ 18,694,175	\$ 83,768,064	\$ 81,674,537
Water and sewer treatment facilities	-	-	69,547,348	69,545,924	69,547,348	69,545,924
Machinery/equipment/vehicles	40,526,222	37,688,654	19,416,251	19,242,150	59,942,473	56,930,804
Electrical distribution	-	-	73,995,464	72,164,926	73,995,464	72,164,926
Water and sewer system	-	-	168,245,461	165,605,240	168,245,461	165,605,240
General infrastructure	263,721,153	263,041,413	-	-	263,721,153	263,041,413
Stormwater infrastructure	-	-	44,045,820	43,942,351	44,045,820	43,942,351
Construction in progress	4,568,696	2,003,477	7,683,019	7,164,967	12,251,715	9,168,444
Total	<u>373,356,884</u>	<u>365,713,906</u>	<u>402,160,614</u>	<u>396,359,733</u>	<u>775,517,498</u>	<u>762,073,639</u>
Less accumulated depreciation	<u>202,989,516</u>	<u>194,578,213</u>	<u>142,726,623</u>	<u>135,767,328</u>	<u>345,716,139</u>	<u>330,345,541</u>
Capital assets, net	<u>\$ 170,367,368</u>	<u>\$ 171,135,693</u>	<u>\$ 259,433,991</u>	<u>\$ 260,592,405</u>	<u>\$ 429,801,359</u>	<u>\$ 431,728,098</u>

Additional information on the City's capital assets can be found in note 2.A. of the basic financial statements.

**Long-Term Debt:** As of June 30, 2009, the City of Gastonia had total bonded debt outstanding of \$56,555,003. Of this, \$17,265,003 is debt backed by the full faith and credit of the City. The remainder of the City’s bonded debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

**City of Gastonia’s Outstanding Debt  
General Obligation and Revenue Bonds**

**Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 14,493,465	\$ 16,558,321	\$ 2,771,538	\$ 3,836,677	\$ 17,265,003	\$ 20,394,998
Revenue bonds	-	-	39,290,000	41,780,000	39,290,000	41,780,000
<b>Total</b>	<u>\$ 14,493,465</u>	<u>\$ 16,558,321</u>	<u>\$ 42,061,538</u>	<u>\$ 45,616,677</u>	<u>\$ 56,555,003</u>	<u>\$ 62,174,998</u>

- The City of Gastonia’s total financing debt obligations decreased by \$6,316,630 (7.12%) during the current fiscal year. The key factors in this decrease were the overall debt retirements of \$10,288,630 while the City incurred \$3,972,000 of new financing debt obligations. New debt obligations consisted of the issuance of a \$3,972,000 vehicle equipment-financing instrument.
- As mentioned in the financial highlights section of this document, the current credit ratings for general obligation debt are: Standard and Poor’s Corporation AA-, Moody’s Investor Service A1-, and Fitch AA- (stable outlook). The current credit ratings for revenue bond debt are: Standard and Poor’s Corporation AA-, Moody’s Investor Service A2, and Fitch A+.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for City of Gastonia is \$373,004,204. Net general obligation debt was \$38,598,138 at June 30, 2009.

Additional information regarding the City of Gastonia’s long-term debt can be found in note 2.B. of this report.

**Economic Factors and Next Year’s Budgets and Rates**

**Economic Factors**

- Unemployment in the City was 13.3%, less than the county rate of 15.0% but higher than the state rate of 11.0% and the national average of 9.5% at fiscal year end June 2009. This is an increase from a rate of 7.5% a year ago. Unemployment in the City was 11.9% as of September 2009.



- Population growth was fairly level with a slight increase of 1,670 from a year ago. The current year population estimate is 74,518.
- The Federal Reserve signaled on November 4, 2009 that the economy remained weak even though the recession appeared to be over. Economic activity has continued to peak up, but policy makers quickly cautioned that consumer spending would be sluggish, businesses were still cutting back and economic growth would be weak for a time. The Fed Chairman, Ben S. Bernanke, has cautioned that the recovery was fragile and that unemployment would remain high through the end of next year. The average forecast of Fed policy makers anticipates that the jobless rate, now 9.8 percent, will peak above 10 percent next year and remain well above 9 percent until some time in 2011. Mr. Bernanke and other officials have made it clear they thought unemployment and slow growth were still the main economic threats.
- Construction within the City decreased significantly with 1,100 permits issued on construction of \$107,158,053 as compared to 1,348 permits issued on construction of \$161,419,480 in the prior year. This included residential permits of 514 and commercial permits of 586 with construction costs of \$57,213,213 and \$49,944,840, respectively.
- The City of Gastonia is located within the Charlotte, N.C. Metropolitan Area, one of the fastest growing and most affluent areas in the country. The Charlotte Metropolitan Area is the second largest financial center in the United States.

### **Budget Highlights for the Fiscal Year Ending June 30, 2010**

**Governmental Activities:** With the exception of property taxes, revenues were budgeted relatively flat or at a slight decrease. The ad valorem tax rate remained the same as the prior year property tax rate of \$.53/100.

The adopted budget did not include funding for pay increases. The City implemented a hiring freeze in February 2009 to only fill critical positions. As of July 1, 2006, the City established a Medical Self-Insurance Internal Service Fund, which provides medical coverage to all City employees. The City budgeted a zero percent increase in premium charges to other funds and to City employees. This was deemed to be financially feasible due to the fact that the City's Medical Self-Insurance Internal Service Fund made a number of changes to minimize increases in claim expenditures. For example, the City now has an on-site clinic for employees to cut down on routine doctor visits for minor illness. Non-personnel expenditures were budgeted relatively flat.

**Business-type Activities:** Water and Sewer rates were budgeted to increase January 1, 2010 and expenses for the Water and Sewer operations remained flat. Funding for new capital projects is \$1,200,000 in the adopted budget.

The City's Electric Fund received a 4.30% wholesale rate increase effective July 1, 2009. The City increased electric rates by 1.80% in January 2009. The transfer to the General Fund from the Electric Fund remained the same, \$2,100,000. Gastonia is now slightly under the transfer level established by the Local Government Commission as acceptable, 3% of gross electric capital assets.

## **Requests for Information**

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Financial Services, City of Gastonia, 186 West Franklin Blvd., Gastonia, NC 28052.



## **FINANCIAL STATEMENTS**

The Financial Statements provide a summary overview of the financial position of all funds as well as the operating results of all funds. They also serve as a condensed introduction to the more detailed statements and schedules that follow.



## CITY OF GASTONIA, NORTH CAROLINA

STATEMENT OF NET ASSETS  
JUNE 30, 2009

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	City of Gastonia ABC Board	Gastonia Tourism Development Authority
<b>Assets:</b>					
Cash and cash equivalents	\$ 15,876,251	\$ 20,751,059	\$ 36,627,310	\$ 1,578,258	\$ 695,331
Taxes receivable, net	1,214,524	-	1,214,524	-	-
Accounts receivable, net	3,960,616	11,442,728	15,403,344	978	-
Interest receivable	26,581	25,164	51,745	-	-
Due from other governments	4,352,561	117,542	4,470,103	-	60,530
Internal balances	(941,133)	941,133	-	-	-
Inventories	2,390,863	846,417	3,237,280	590,143	-
Prepaid items	38,311	-	38,311	20,649	-
Deferred charges, net	-	436,008	436,008	-	-
Cash and cash equivalents, restricted	7,282,722	5,065,866	12,348,588	-	-
Non-depreciable assets	14,992,290	20,996,269	35,988,559	163,637	-
Capital assets, net	<u>155,375,078</u>	<u>238,437,722</u>	<u>393,812,800</u>	<u>677,200</u>	<u>-</u>
Total assets	<u>204,568,664</u>	<u>299,059,908</u>	<u>503,628,572</u>	<u>3,030,865</u>	<u>755,861</u>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	2,210,020	6,677,650	8,887,670	447,978	-
Accrued salaries and benefits	1,064,751	308,520	1,373,271	-	-
Accrued interest	460,254	339,549	799,803	-	-
Customer deposits	-	484,973	484,973	-	-
Unearned revenues	183,903	15,997	199,900	-	-
Bond premium, net	-	623,639	623,639	-	-
Current portion of long-term liabilities	8,973,897	4,659,355	13,633,252	-	-
Long-term liabilities:					
Unfunded pension obligation	1,520,163	-	1,520,163	-	-
Other post-employment benefits obligation	4,110,047	1,192,568	5,302,615	-	-
Due in more than one year	<u>32,768,180</u>	<u>39,892,788</u>	<u>72,660,969</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>51,291,215</u>	<u>54,195,039</u>	<u>105,486,254</u>	<u>447,978</u>	<u>-</u>
<b>Net Assets:</b>					
Invested in capital assets, net of related debt	141,102,212	220,064,680	361,166,892	840,837	-
Unrestricted	<u>12,175,237</u>	<u>24,800,189</u>	<u>36,975,426</u>	<u>1,742,050</u>	<u>755,861</u>
Total net assets	<u>\$ 153,277,449</u>	<u>\$ 244,864,869</u>	<u>\$ 398,142,318</u>	<u>\$ 2,582,887</u>	<u>\$ 755,861</u>

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

**CITY OF GASTONIA, NORTH CAROLINA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 14,927,520	\$ 7,980,309	\$ 56,472	\$ -
Public safety	26,558,148	915,682	347,044	-
Public works and cemeteries	17,418,712	1,632,041	2,319,099	1,663,748
Cultural and recreation	5,421,420	557,575	100,000	-
Economic and physical development	2,530,015	256,297	2,193,746	103,516
Interest on long-term debt	1,566,308	-	-	-
Total governmental activities	<u>68,422,123</u>	<u>11,341,904</u>	<u>5,016,361</u>	<u>1,767,264</u>
<b>Business-Type Activities:</b>				
Water and sewer	27,710,123	27,324,795	-	364,378
Electric	60,517,626	64,915,490	-	-
Transit	2,493,516	194,563	1,478,376	-
Golf	351,034	203,286	-	-
Stormwater	2,495,300	2,075,115	-	92,859
Total business-type activities	<u>93,567,599</u>	<u>94,713,249</u>	<u>1,478,376</u>	<u>457,237</u>
Total primary government	<u>\$ 161,989,722</u>	<u>\$ 106,055,153</u>	<u>\$ 6,494,737</u>	<u>\$ 2,224,501</u>
<b>Component Units:</b>				
ABC Board	\$ 5,981,536	\$ 6,057,093	\$ -	\$ -
Tourism Development Authority	<u>1,173,083</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total component units	<u>\$ 7,154,619</u>	<u>\$ 6,057,093</u>	<u>\$ -</u>	<u>\$ -</u>

**General Revenues:**

Ad valorem taxes  
 Sales taxes  
 Payments in lieu of taxes  
 Franchise taxes  
 Other taxes  
 Interest earned on investments

**Transfers**

Total general revenues and transfers

Change in net assets

**Net Assets:**

Beginning of year - July 1

End of year - June 30

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

Exhibit B

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	City of Gastonia ABC Board	Gastonia Tourism Development Authority
\$ (6,890,739)	\$ -	\$ (6,890,739)		
(25,295,422)	-	(25,295,422)		
(11,803,824)	-	(11,803,824)		
(4,763,845)	-	(4,763,845)		
23,544	-	23,544		
(1,566,308)	-	(1,566,308)		
<u>(50,296,594)</u>	<u>-</u>	<u>(50,296,594)</u>		
-	(20,950)	(20,950)		
-	4,397,864	4,397,864		
-	(820,577)	(820,577)		
-	(147,748)	(147,748)		
-	(327,326)	(327,326)		
<u>-</u>	<u>3,081,263</u>	<u>3,081,263</u>		
<u>(50,296,594)</u>	<u>3,081,263</u>	<u>(47,215,331)</u>		
			\$ 75,557	\$ -
			<u>-</u>	<u>(1,173,083)</u>
			<u>75,557</u>	<u>(1,173,083)</u>
27,318,145	-	27,318,145	-	-
9,988,923	-	9,988,923	-	-
2,198,584	-	2,198,584	-	-
3,604,081	-	3,604,081	-	-
1,489,749	-	1,489,749	-	369,704
506,639	408,419	915,058	30,566	10,248
<u>1,800,465</u>	<u>(1,800,465)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>46,906,586</u>	<u>(1,392,046)</u>	<u>45,514,540</u>	<u>30,566</u>	<u>379,952</u>
<u>(3,390,008)</u>	<u>1,689,217</u>	<u>(1,700,791)</u>	<u>106,123</u>	<u>(793,131)</u>
<u>156,667,457</u>	<u>243,175,652</u>	<u>399,843,109</u>	<u>2,476,764</u>	<u>1,548,992</u>
<u>\$ 153,277,449</u>	<u>\$ 244,864,869</u>	<u>\$ 398,142,318</u>	<u>\$ 2,582,887</u>	<u>\$ 755,861</u>

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





**CITY OF GASTONIA, NORTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2009**

	<b>General Fund</b>	<b>Mayor/Council Capital Project Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Assets:</b>				
Cash and cash equivalents	\$ 11,904,746	\$ 1,130,385	\$ 1,888,276	\$ 14,923,407
Taxes receivable, net	1,193,064	-	21,460	1,214,524
Accounts receivable, net	898,327	617,117	2,138,725	3,654,169
Interest receivable	26,336	-	-	26,336
Prepaid items	38,311	-	-	38,311
Inventory	191,992	-	2,198,871	2,390,863
Cash and investments, restricted	357,933	539,171	3,094,230	3,991,334
Due from other funds	1,538,477	-	-	1,538,477
Due from other governments	4,292,031	-	60,530	4,352,561
Total assets	\$ 20,441,217	\$ 2,286,673	\$ 9,402,092	\$ 32,129,982
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 1,088,178	\$ 64,861	\$ 297,661	\$ 1,450,700
Accrued salaries and benefits	1,039,987	-	-	1,039,987
Due to other funds	60,341	-	1,382,976	1,443,317
Deferred revenue	1,837,962	-	967,488	2,805,450
Total liabilities	4,026,468	64,861	2,648,125	6,739,454
<b>Fund Balances:</b>				
Reserved by State statute	6,294,176	617,117	1,253,244	8,164,537
Reserved for prepaid items and inventories	230,303	-	2,198,871	2,429,174
Reserved for encumbrances	252,856	186,514	1,010,096	1,449,466
Unreserved, reported in:				
General Fund	9,637,414	-	-	9,637,414
Special revenue funds	-	-	(521,375)	(521,375)
Capital project funds	-	1,418,181	2,813,131	4,231,312
Total fund balances	16,414,749	2,221,812	6,753,967	25,390,528
Total liabilities and fund balances	\$ 20,441,217	\$ 2,286,673	\$ 9,402,092	\$ 32,129,982

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

**CITY OF GASTONIA, NORTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2009**

	<b>Total</b>
<b>Reconciliation with net assets of governmental activities - government-wide (Exhibit A):</b>	
Total fund balances - modified accrual (see above)	\$ 25,390,528
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	157,790,930
Internal service funds are used by management to charge the costs of equipment and vehicles to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	6,035,100
Internal service funds are considered predominantly governmental activities. However, a portion of the change in net assets is attributable to the business-type funds via an internal balance.	(941,133)
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(37,445,971)
The governmental activities net assets includes an accrual for interest on long-term debt.	(303,684)
Unbilled services of the governmental activities are not considered revenues in the fund statements until collected.	130,132
Deferred revenues in the governmental funds are used to offset accounts receivable not expected to be available within 90 days of year-end. These receivables are a component of net assets in the Statement of Net Assets.	2,621,547
Net assets of governmental activities - government-wide (Exhibit A)	\$ 153,277,449

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

## CITY OF GASTONIA, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	Mayor/Council Capital Project Fund	Other Governmental Funds	Total
<b>Revenues:</b>				
Ad valorem taxes	\$ 27,124,785	\$ -	\$ 113,583	\$ 27,238,368
Other taxes and licenses	16,911,633	-	369,704	17,281,337
Unrestricted intergovernmental revenues	1,570,818	240,902	-	1,811,720
Restricted intergovernmental revenues	3,096,679	1,205,758	1,755,808	6,058,245
Permits and fees	743,410	-	-	743,410
Sales and services	4,678,065	-	355,485	5,033,550
Investment earnings	380,792	32,713	45,012	458,517
Miscellaneous	337,653	-	1,084,573	1,422,226
Total revenues	<u>54,843,835</u>	<u>1,479,373</u>	<u>3,724,165</u>	<u>60,047,373</u>
<b>Expenditures:</b>				
Current:				
General government	9,553,424	-	-	9,553,424
Public safety	25,704,818	-	-	25,704,818
Public works and cemeteries	11,257,939	-	-	11,257,939
Cultural and recreation	4,804,856	-	-	4,804,856
Economic and physical development	-	-	2,236,652	2,236,652
Capital outlay	-	3,003,666	1,687,493	4,691,159
Debt service:				
Principal repayments	3,286,529	-	205,000	3,491,529
Interest	1,070,186	9,395	111,228	1,190,809
Total expenditures	<u>55,677,752</u>	<u>3,013,061</u>	<u>4,240,373</u>	<u>62,931,186</u>
Revenues over (under) expenditures	<u>(833,917)</u>	<u>(1,533,688)</u>	<u>(516,208)</u>	<u>(2,883,813)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	2,100,000	962,902	1,054,203	4,117,105
Transfers to other funds	<u>(2,663,463)</u>	<u>-</u>	<u>(250,000)</u>	<u>(2,913,463)</u>
Total other financing sources (uses)	<u>(563,463)</u>	<u>962,902</u>	<u>804,203</u>	<u>1,203,642</u>
Net change in fund balances	(1,397,380)	(570,786)	287,995	(1,680,171)
<b>Fund Balances:</b>				
Beginning of year - July 1	17,810,112	2,792,598	6,759,335	27,362,045
Increase (decrease) in inventories	<u>2,017</u>	<u>-</u>	<u>(293,363)</u>	<u>(291,346)</u>
End of year - June 30	<u>\$ 16,414,749</u>	<u>\$ 2,221,812</u>	<u>\$ 6,753,967</u>	<u>\$ 25,390,528</u>

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

**CITY OF GASTONIA, 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, 2009**

Net change in fund balances - total governmental funds per Exhibit D	\$ (1,680,171)
Property tax revenues in the governmental funds statement that represent cash basis revenues exceed accrual based property tax revenues in the government-wide Statement of Activities.	79,777
Miscellaneous revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	412,535
Repayment of loan to the Water and Sewer Fund related to purchase of Payseur Mountain. Repayment is reported as other income in governmental funds statement.	(99,188)
Increase in inventories is reported as a reduction of operating expense in the Statement of Activities and is reported as a component of net assets in the governmental funds statement.	(291,346)
Expenses related to compensated absences, law enforcement officers' separation allowance, and other post-employment benefits that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(2,084,804)
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	4,463,840
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(7,897,009)
Private developer and Schiele Museum's contribution of capital assets is reported as a program revenue in the Statement of Activities and is not reported in the governmental funds statement.	457,990
Principal repayments and bond refunding payments on long-term debt are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	3,491,529
Gain/(loss) on disposal of capital assets is reported in the Statement of Activities; however, proceeds from the sale of assets are not affected by gain/(loss) in the governmental funds statement.	(7,385)
Debt issuance cost is reported as a deferred asset in the Statement of Net Assets rather than an expenditure in the fund financial statements. Amortization of debt issuance cost represents a general government expense in the Statement of Activities.	(164,368)
Interest on long-term debt incurred, but not paid, is reported as an expense in the governmental activities statements.	(49,734)
Portion of internal service fund activities change in net assets allocable to the governmental activities are reported with governmental activities.	<u>(21,674)</u>
Change in net assets of governmental activities per Exhibit B	<u>\$ (3,390,008)</u>

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

## CITY OF GASTONIA, NORTH CAROLINA

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over/Under</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Ad valorem taxes	\$ 27,020,533	\$ 27,020,533	\$ 27,124,785	\$ 104,252
Other taxes and licenses	16,748,335	16,748,335	16,911,633	163,298
Unrestricted intergovernmental revenues	1,714,000	1,714,000	1,570,818	(143,182)
Restricted intergovernmental revenues	2,844,701	3,195,700	3,096,679	(99,021)
Permits and fees	1,059,000	1,059,000	743,410	(315,590)
Sales and services	4,731,166	4,775,037	4,678,065	(96,972)
Interest earned on investments	983,962	983,362	380,792	(602,570)
Miscellaneous	297,323	364,448	337,653	(26,795)
Total revenues	<u>55,399,020</u>	<u>55,860,415</u>	<u>54,843,835</u>	<u>(1,016,580)</u>
<b>Expenditures:</b>				
General government	9,906,059	10,328,038	9,553,424	774,614
Public safety	25,670,781	26,170,863	25,704,818	466,045
Public works and cemeteries	11,797,208	11,854,521	11,257,939	596,582
Cultural and recreation	5,139,700	5,188,042	4,804,856	383,186
Debt service:				
Principal	3,336,229	3,336,229	3,286,529	49,700
Interest and fees	<u>1,080,252</u>	<u>1,103,335</u>	<u>1,070,186</u>	<u>33,149</u>
Total expenditures	<u>56,930,229</u>	<u>57,981,028</u>	<u>55,677,752</u>	<u>2,303,276</u>
Revenues over (under) expenditures	<u>(1,531,209)</u>	<u>(2,120,613)</u>	<u>(833,917)</u>	<u>1,286,696</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	2,100,000	2,100,000	2,100,000	-
Transfers to other funds	(699,291)	(2,825,304)	(2,663,463)	161,841
Appropriated fund balance	<u>130,500</u>	<u>2,845,917</u>	<u>-</u>	<u>(2,845,917)</u>
Total other financing sources (uses)	<u>1,531,209</u>	<u>2,120,613</u>	<u>(563,463)</u>	<u>(2,684,076)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(1,397,380)</u>	<u>\$ (1,397,380)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			17,810,112	
Increase in inventories			<u>2,017</u>	
End of year - June 30			<u>\$ 16,414,749</u>	

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

## CITY OF GASTONIA, NORTH CAROLINA

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2009

	Business-Type Activities				Total	Governmental
	Water and Sewer Fund	Electric Fund	Stormwater Fund	Other Nonmajor Funds		Internal Service Funds
<b>Assets:</b>						
Current assets:						
Cash, cash equivalents and investments	\$ 10,070,771	\$ 8,991,785	\$ 1,623,278	\$ 65,225	\$ 20,751,059	\$ 952,844
Accounts receivable, net	3,851,915	7,382,677	208,136	-	11,442,728	176,315
Interest receivable	13,067	10,192	1,836	69	25,164	245
Inventory	107,490	727,928	-	10,999	846,417	-
Due from other governments	-	-	-	117,542	117,542	-
Due from other funds	-	-	-	-	-	61,619
Cash and cash equivalents, restricted	4,628,269	437,597	-	-	5,065,866	3,291,388
Total current assets	<u>18,671,512</u>	<u>17,550,179</u>	<u>1,833,250</u>	<u>193,835</u>	<u>38,248,776</u>	<u>4,482,411</u>
Non-current assets:						
Depreciable capital assets, net	172,234,213	34,900,998	28,659,007	2,643,504	238,437,722	12,576,438
Non-depreciable capital assets	16,068,594	4,512,740	62,141	352,794	20,996,269	-
Deferred charges, net	436,008	-	-	-	436,008	-
Total non-current assets	<u>188,738,815</u>	<u>39,413,738</u>	<u>28,721,148</u>	<u>2,996,298</u>	<u>259,869,999</u>	<u>12,576,438</u>
Total assets	<u>\$ 207,410,327</u>	<u>\$ 56,963,917</u>	<u>\$ 30,554,398</u>	<u>\$ 3,190,133</u>	<u>\$ 298,118,775</u>	<u>\$ 17,058,849</u>
<b>Liabilities:</b>						
Current liabilities:						
Accounts payable	\$ 1,585,255	\$ 5,048,624	\$ 6,213	\$ 37,558	\$ 6,677,650	\$ 759,320
Accrued salaries and benefits	183,656	79,656	15,931	29,277	308,520	24,764
Compensated absences	357,002	140,441	19,544	38,468	555,454	47,671
Accrued interest	339,549	-	-	-	339,549	156,570
Customer deposits	125,639	359,334	-	-	484,973	-
Current portion of long-term debt	4,103,901	-	-	-	4,103,901	3,238,430
Due to other funds	-	-	-	-	-	156,779
Deferred revenues	15,997	-	-	-	15,997	-
Total current liabilities	<u>6,710,999</u>	<u>5,628,055</u>	<u>41,688</u>	<u>105,303</u>	<u>12,486,044</u>	<u>4,383,534</u>
Non-current liabilities:						
Bond premium, net	623,639	-	-	-	623,639	-
Non-current portion of compensated absences	119,001	46,814	6,515	12,823	185,151	15,890
Non-current portion of long-term debt	39,277,637	430,000	-	-	39,707,637	6,624,325
Other post-employment benefits obligation	702,204	310,336	60,113	119,915	1,192,568	-
Total non-current liabilities	<u>40,722,481</u>	<u>787,150</u>	<u>66,628</u>	<u>132,738</u>	<u>41,708,995</u>	<u>6,640,215</u>
Total liabilities	<u>47,433,479</u>	<u>6,415,204</u>	<u>108,315</u>	<u>238,041</u>	<u>54,195,039</u>	<u>11,023,749</u>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	148,925,899	39,421,335	28,721,148	2,996,298	220,064,680	6,005,071
Unrestricted	11,050,949	11,127,378	1,724,935	(44,206)	23,859,056	30,029
Total net assets	<u>159,976,848</u>	<u>50,548,713</u>	<u>30,446,083</u>	<u>2,952,092</u>	<u>243,923,736</u>	<u>6,035,100</u>
Total liabilities and net assets	<u>\$ 207,410,327</u>	<u>\$ 56,963,917</u>	<u>\$ 30,554,398</u>	<u>\$ 3,190,133</u>	<u>\$ 298,118,775</u>	<u>\$ 17,058,849</u>
Total net assets - proprietary funds presentation					\$ 243,923,736	
Portion of profit generated by Internal Service Fund allocated to business-type activities - history to date					941,133	
Net assets of business-type activities - government-wide					<u>\$ 244,864,869</u>	

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

## CITY OF GASTONIA, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009

	Business-Type Activities				Total	Governmental
	Water and Sewer Fund	Electric Fund	Stormwater Fund	Other Nonmajor Funds		Internal Service Funds
<b>Operating Revenues:</b>						
Charges for services	\$ 27,042,179	\$ 62,201,600	\$ 2,025,252	\$ 372,892	\$ 91,641,923	\$ 13,410,818
Utilities for City use	230,941	990,293	49,638	-	1,270,872	-
Other operating revenues	57,094	1,723,597	225	24,957	1,805,873	53,448
Total operating revenues	<u>27,330,214</u>	<u>64,915,490</u>	<u>2,075,115</u>	<u>397,849</u>	<u>94,718,668</u>	<u>13,464,266</u>
<b>Operating Expenses:</b>						
Water treatment/electric and other purchases	3,178,504	50,608,519	-	-	53,787,023	-
Administration	6,807,433	4,440,665	1,162,389	779,946	13,190,433	-
Facility maintenance	1,321,102	-	-	-	1,321,102	-
Payseur Mountain resource recovery	1,083,772	-	-	-	1,083,772	-
Sewage treatment	5,492,327	-	-	-	5,492,327	-
Substation operations	-	473,964	-	-	473,964	-
Maintenance	2,916,718	2,559,834	149,547	269,308	5,895,407	-
ADA/Para-transit expenses	-	-	-	171,448	171,448	-
Operations area	-	-	520,297	1,332,040	1,852,337	11,566,821
Street lights	-	640,043	-	-	640,043	-
Depreciation and amortization	4,859,640	1,705,681	606,275	291,808	7,463,404	2,365,712
Total operating expenses	<u>25,659,496</u>	<u>60,428,706</u>	<u>2,438,508</u>	<u>2,844,550</u>	<u>91,371,260</u>	<u>13,932,533</u>
Operating income (loss)	<u>1,670,718</u>	<u>4,486,784</u>	<u>(363,393)</u>	<u>(2,446,701)</u>	<u>3,347,408</u>	<u>(468,267)</u>
<b>Non-operating Revenues (Expenses):</b>						
Investment earnings	259,726	126,517	21,112	1,064	408,419	48,122
Gain (loss) on disposal of capital assets	11,537	(63,827)	(56,792)	-	(109,082)	121,994
Debt issuance cost expensed	-	(9,395)	-	-	(9,395)	-
Interest on long-term debt	(2,062,164)	(15,698)	-	-	(2,077,862)	(325,765)
Total non-operating revenues (expenses)	<u>(1,790,901)</u>	<u>37,597</u>	<u>(35,680)</u>	<u>1,064</u>	<u>(1,787,920)</u>	<u>(155,649)</u>
Income (loss) before capital contributions and transfers	(120,183)	4,524,381	(399,073)	(2,445,637)	1,559,488	(623,916)
<b>Capital Contributions:</b>						
Federal and State grants	-	-	-	1,478,376	1,478,376	-
Local capital contributions	364,378	-	92,859	-	457,237	-
<b>Transfers:</b>						
Transfers from other funds	-	-	-	601,450	601,450	604,523
Transfers to other funds	(156,235)	(2,210,446)	(35,234)	-	(2,401,915)	(7,700)
Change in net assets	87,960	2,313,935	(341,448)	(365,811)	1,694,636	(27,093)
<b>Net Assets:</b>						
Beginning of year - July 1	<u>159,888,888</u>	<u>48,234,778</u>	<u>30,787,531</u>	<u>3,317,903</u>	<u>242,229,100</u>	<u>6,062,193</u>
End of year - June 30	<u>\$ 159,976,848</u>	<u>\$ 50,548,713</u>	<u>\$ 30,446,083</u>	<u>\$ 2,952,092</u>	<u>\$ 243,923,736</u>	<u>\$ 6,035,100</u>
<b>Reconciliation with Exhibit B Change in Net Assets - Business-Type Activities:</b>						
Change in net assets - fund perspective					\$ 1,694,636	
Internal Service Fund profits allocated to business-type activities					(5,419)	
Change in net assets - entity-wide perspective - Exhibit B					<u>\$ 1,689,217</u>	

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



CITY OF GASTONIA, NORTH CAROLINA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009

	Business-Type Activities				Total	Governmental
	Water and Sewer Fund	Electric Fund	Stormwater Fund	Other Nonmajor Funds		Internal Service Funds
<b>Cash Flows from Operating Activities:</b>						
Cash received from customers and users	\$ 26,306,857	\$ 64,832,149	\$ 2,068,006	\$ 397,849	\$ 93,604,861	\$ 13,467,426
Cash paid to suppliers	(12,843,785)	(56,284,661)	(1,221,273)	(1,329,901)	(71,679,620)	(10,805,802)
Cash paid to employees	(7,201,081)	(2,633,192)	(590,728)	(1,350,680)	(11,775,681)	(865,762)
Net cash provided (used) by operating activities	<u>6,261,991</u>	<u>5,914,296</u>	<u>256,005</u>	<u>(2,282,732)</u>	<u>10,149,560</u>	<u>1,795,862</u>
<b>Cash Flows from Non-capital Financing Activities:</b>						
Changes in due to/from other funds	-	-	-	-	-	133,296
Transfers from other funds	-	-	-	601,450	601,450	604,523
Transfers to other funds	(156,235)	(2,210,446)	(35,234)	-	(2,401,915)	(7,700)
Net cash provided (used) by non-capital financing activities	<u>(156,235)</u>	<u>(2,210,446)</u>	<u>(35,234)</u>	<u>601,450</u>	<u>(1,800,465)</u>	<u>730,119</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Federal and State grants	-	-	-	1,494,368	1,494,368	-
Principal repayments on Payseur Mountain loan	(99,188)	-	-	-	(99,188)	-
Proceeds from issuance of debt	-	-	-	-	-	3,972,001
Principal paid on long-term debt	(3,805,139)	-	-	-	(3,805,139)	(2,991,964)
Proceeds from sale of capital assets	11,537	603	-	-	12,140	139,452
Acquisition and construction of capital assets	(2,281,750)	(2,871,139)	(59,770)	(234,860)	(5,447,519)	(4,597,409)
Debt issuance cost paid	-	(9,395)	-	-	(9,395)	-
Interest paid on long-term debt	(2,181,630)	(15,698)	-	-	(2,197,328)	(371,361)
Net cash provided (used) by capital and related financing activities	<u>(8,356,170)</u>	<u>(2,895,629)</u>	<u>(59,770)</u>	<u>1,259,508</u>	<u>(10,052,061)</u>	<u>(3,849,281)</u>
<b>Cash Flows from Investing Activities:</b>						
Interest on investments	<u>262,780</u>	<u>126,755</u>	<u>21,157</u>	<u>1,628</u>	<u>412,320</u>	<u>50,044</u>
Net cash provided (used) by investing activities	<u>262,780</u>	<u>126,755</u>	<u>21,157</u>	<u>1,628</u>	<u>412,320</u>	<u>50,044</u>
Net increase (decrease) in cash and cash equivalents	(1,987,634)	934,976	182,158	(420,146)	(1,290,646)	(1,273,256)
<b>Cash and Cash Equivalents:</b>						
Beginning of year - July 1	<u>16,686,674</u>	<u>8,494,406</u>	<u>1,441,120</u>	<u>485,371</u>	<u>27,107,571</u>	<u>5,517,488</u>
End of year - June 30	<u>\$ 14,699,040</u>	<u>\$ 9,429,382</u>	<u>\$ 1,623,278</u>	<u>\$ 65,225</u>	<u>\$ 25,816,925</u>	<u>\$ 4,244,232</u>

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

CITY OF GASTONIA, NORTH CAROLINA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009

	Business-Type Activities				Total	Governmental
	Water and Sewer Fund	Electric Fund	Stormwater Fund	Other Nonmajor Funds		Internal Service Funds
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>						
Operating income (loss)	\$ 1,670,718	\$ 4,486,784	\$ (363,393)	\$ (2,446,701)	\$ 3,347,408	\$ (468,267)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	4,859,640	1,705,681	606,275	291,808	7,463,404	2,365,712
Bad debt expense (recovery)	(12,404)	85,510	(19,812)	-	53,294	-
Change in assets and liabilities:						
(Increase) decrease in accounts receivables	(1,020,094)	(46,891)	(7,109)	-	(1,074,094)	3,160
(Increase) decrease in inventories	921	(143,186)	-	(1,356)	(143,621)	-
Increase (decrease) in accounts payable	278,284	(333,816)	(11,930)	(129,297)	(196,759)	(168,304)
Increase (decrease) in accrued salaries	33,416	8,509	3,603	(6,614)	38,914	-
Increase (decrease) in compensated absences	89,986	25,689	12,562	(25,308)	102,929	63,561
Increase (decrease) in other post employment benefits	364,787	162,466	35,809	34,736	597,798	-
Increase (decrease) in customer deposits	(3,263)	(36,450)	-	-	(39,713)	-
Net cash provided (used) by operating activities	<u>\$ 6,261,991</u>	<u>\$ 5,914,296</u>	<u>\$ 256,005</u>	<u>\$ (2,282,732)</u>	<u>\$ 10,149,560</u>	<u>\$ 1,795,862</u>

**Non-cash Transactions:**

Water and Sewer Fund capital assets were increased \$364,378 due to additions to the system from local developers.

Stormwater Fund capital assets were increased \$92,859 due to additions to the system from local developers.

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

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**1. Summary of Significant Accounting Policies**

The accounting policies of the City of Gastonia (the “City”) and its discretely presented component units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

The City is a municipal corporation which is governed by an elected Mayor and a six-member Council. As required by generally accepted accounting principles, these financial statements present the City and its component units, legally-separate entities for which the City is financially accountable. The blended component unit, although it is a legally separate entity, is in substance part of the City’s operations. The two discretely presented component units presented below are reported in separate columns in the City’s financial statements in order to emphasize that they are legally separate from the City.

**Blended Component Unit:**

**Gastonia/Gaston County HOME Consortium**

Gastonia/Gaston County HOME Consortium (the Consortium) exists to provide access to the HOME program for the residents of the City and Gaston County. By agreement, the City has been designated as the lead entity for the HOME program and shall assume overall responsibility for ensuring the program is carried out in compliance with federal regulations. The City’s Council also serves as the governing board for the Consortium. The Consortium is included in the Community Development Block Grant Program Fund, a Special Revenue Fund, in the City’s financial statements. The Consortium does not issue separate financial statements.

**Discretely Presented Component Units:**

**City of Gastonia ABC Board**

The five members of the ABC Board’s governing board are appointed by the City. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the City. The ABC Board has a June 30 year-end, and complete financial statements for the ABC Board may be obtained from the entity’s administrative offices at: City of Gastonia ABC Board, 1840 South York Road, Gastonia, North Carolina 28052.

**Gastonia Tourism Development Authority**

The three members of the Gastonia Tourism Development Authority’s governing board are appointed by the City. The City levies a three percent (3%) room occupancy tax, pursuant to Session Law 2001-439 of the North Carolina General Assembly, and remits on a monthly basis the net proceeds of the tax to the Gastonia Tourism Development Authority. The Gastonia Tourism Development Authority has a June 30 year-end, and complete financial

## CITY OF GASTONIA, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

statements for the Gastonia Tourism Development Authority may be obtained from the Director of Financial Services of the City of Gastonia, who serves, ex-officio, as the Finance Director of the Authority at: 186 West Franklin Street, Gastonia, North Carolina 28052.

#### **B. Government–Wide and Fund Financial Statements**

The government-wide financial statements (Exhibit A - Statement of Net Assets and Exhibit B - Statement of Activities) report information on all of the activities of the primary government and its component units. The effect of interfund activity has been removed from these statements in all material areas. Interfund services provided and used are not eliminated in the process of consolidation. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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 or segment, 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.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

**General Fund.** The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, other taxes and licenses, State-shared revenues, sales and services, and transfers from the enterprise funds. The primary expenditures are for public safety, public works, cultural and recreation, and general government services.

**Mayor/Council Fund.** The Mayor/Council Fund is used to account for general improvements financed primarily by interfund transfers and debt proceeds. Current active projects include road resurfacing, Lineberger Park renovations, Tulip Drive bridge, various greenway development, museum renovations, annexation street paving, recreation improvements, miscellaneous park projects, Financial Services software upgrade, Police Department radio system upgrade, Main Street properties revitalization, City Hall renovations, Rankin Lake Park improvements, and various other miscellaneous projects.

## CITY OF GASTONIA, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

The City reports the following major enterprise funds:

**Water and Sewer Fund.** The Water and Sewer Fund includes the accounts of the Water and Sewer Operation Fund, Capital Expansion Fund, Renewal and Replacement Fund, and the Water and Sewer Capital Projects Fund. Financing of the Water and Sewer Operation Fund comes principally from charges from the users. The Capital Expansion Fund is funded through transfers from the Water and Sewer Operation Fund. The Capital Projects Fund is financed mainly from revenue bonds as well as transfers from the Capital Expansion Fund.

**Electric Fund.** The Electric Fund includes the accounts of the Electric Operation Fund, Renewal and Replacement Fund, Power Agency Settlement Fund and the Electric Capital Projects Fund. Financing of these funds, except for the Power Agency Settlement Fund, comes principally from charges to the users. Financing of the Power Agency Settlement Fund comes from a monthly allocation from the North Carolina Electric Agency related to a contract settlement with the power generation plant's management company. The City's total allocation is \$1,354,500 per year for fiscal years 2007, 2008, 2009 and 2010.

**Stormwater Fund.** The Stormwater Fund includes the accounts of the Stormwater Operation Fund and the Stormwater Capital Projects Fund. Financing of these funds comes principally from fees to the property owners.

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The basis of accounting determines when the revenues and expenditures or expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All funds of the City are accounted for during the year using the modified accrual basis of accounting in accordance with the North Carolina General Statutes. The financial statements are reported at year-end as discussed below.

The government-wide financial statements, the proprietary fund, and the component units' financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Net assets are segregated into (1) investment in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. Operating statements for these funds present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

As permitted by generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues, except for property tax revenue and other taxes and licenses, to be available if they are collected within 90 days of June 30, 2009. Property tax revenue and other taxes and licenses, except for local option sales tax and utility franchise tax, are recognized when collected. Local option sales tax and utility franchise tax are recognized if collected within 60 days and 90 days of June 30 year-end, respectfully. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. With 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.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes, other taxes and licenses, and utility franchise tax. Ad valorem taxes receivable and other taxes and licenses receivables, except for local option sales tax and utility franchise tax, are not accrued as revenue because the amount is not considered susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Gaston County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Gastonia. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered in Gaston County from March 2008 through February 2009 apply to the fiscal year ended June 30, 2008. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. Those taxes for vehicles registered from March 1 through the fiscal year-end apply to the 2009-2010 fiscal year and are not shown as receivables at June 30, 2009.

## CITY OF GASTONIA, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Sales taxes collected and held by the State at year-end on behalf of the City are recognized as revenue. Certain intergovernmental revenues, such as utility franchise tax and sales and services, are not susceptible to accrual, because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned 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 expenditures are incurred, there are both restricted and unrestricted net assets 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. On-behalf-of payments made by the State to the Firemen's and Rescue Squad Workers' Pension Plan for City firemen are recognized as revenues and expenditures during the period in which the State makes the contributions to the plan. Also, the State's contributions to the Firemen's Relief Fund, which have been spent by the local Board of Trustees for various salary supplements and stipends for employees and volunteers, have been recognized as revenues and expenditures during the period in which those payments were received.

The effect of interfund activity has been eliminated from the government-wide financial statements, with the exception of payments-in-lieu-of-taxes and other charges between the City's enterprise funds and various other functions of the City. 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; therefore, all taxes are reported as general revenues.

Proprietary funds distinguish between operating revenues/expenses and 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 revenue of the enterprise funds are charges to customers for services. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### **D. Basis of Presentation – Fund Accounting**

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues and expenses or expenditures, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

## CITY OF GASTONIA, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

The City has the following fund categories:

**Governmental Funds:** Governmental funds are those used to account for the City's expendable financial resources and related liabilities (except those accounted for in proprietary funds). The following are the City's governmental fund types:

**General Fund -** The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is a major fund for fund financial statement reporting purposes.

**Special Revenue Funds -** Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted or designated by council to specified purposes. The City maintains five special revenue funds: Community Development Block Grant Fund, Uptown Municipal Fund, Occupancy Tax Fund, Infrastructure Rehabilitation Fund, and the Economic Stimulus Grants Fund.

**Capital Project Funds -** Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The City maintains five capital project funds: Streets Fund, Developer Sidewalk Fund, Mayor/Council Fund, Airport Fund, and Downtown Capital Project Fund. The Mayor/Council Fund is a major fund.

**Proprietary Fund Types:** Proprietary funds are used to account for activities that are similar to those often found in the private sector. The following are the proprietary funds of the City:

**Enterprise Funds -** Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City maintains five enterprise funds: Water and Sewer Fund, Electric Fund, Transit Fund, Municipal Golf Course Fund, and Stormwater Fund. The Water and Sewer Fund, Electric Fund, and Stormwater Fund are major funds.

**Internal Service Funds -** Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursed basis. The City has four internal service funds: the Vehicle and Equipment Renewal and Replacement Fund, which owns certain City vehicles and equipment; the Information Technology Fund, which provides computer support and other technology services; the Medical Self-Insurance Fund, which provides medical coverage to the City employees and the Dental Self-Insurance Fund, which provides dental coverage to the City employees.



**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**E. Budgetary Data**

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the general, special revenue, capital project, and enterprise funds. The annual appropriations of the General Fund, Uptown Municipal Special Revenue Fund, Occupancy Tax Fund, and the enterprise funds lapse at fiscal year-end. The unexpended annual appropriations of the capital project funds, enterprise capital project funds, Community Development Block Grant Fund, Infrastructure Rehabilitation Fund, the Economic Stimulus Grants Fund, and the internal service funds are reappropriated at the beginning of each fiscal year. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the function level for all annually budgeted funds and at the project level for the capital project funds. The Budget Administrator may approve line item transfers within a budget appropriation or transfers between appropriations if it does not involve salary or travel and is less than \$10,000. A monthly report of budget transfers approved by the Budget Administrator shall be submitted to the City Manager. The City Manager or his designee may approve budget ordinance amendments greater than \$10,000, transferring funds from one appropriation to another within the same fund, provided that the City Council is notified of such amendments. The City Manager may authorize modifications between individual sub-accounts (line items) appropriations, provided that the modifications do not exceed the total expenditures authorized by the budget ordinance. All budget ordinance amendments between funds must be authorized by City Council. Also, any change in budgeted revenue estimates, including changes to the amounts appropriated from fund balance, must be approved by City Council except for the following: (1) grant funding not depleted during the prior fiscal year may be carried over with the City Manager's approval, and (2) Trust and Agency funding not depleted during the prior fiscal year may be carried over with the City Manager's approval. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing body 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 Vehicle and Equipment Renewal and Replacement Fund, Information Technology Fund, Medical Self-Insurance Fund, and Dental Self-Insurance Fund, internal service funds, operate under financial plans. The City's Vehicle and Equipment Renewal and Replacement Fund, Information Technology Fund, and Medical Self-Insurance Fund financial plans were adopted by the governing board at the time the City's budget ordinance was approved, and the newly established Dental Self-Insurance Fund financial plan was adopted during the fiscal year in the form of a budget amendment approved by the Council. The financial plans also were entered into the minutes of the governing board. During the year, several changes to the original financial plans were necessary, the effects of which were not material.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**F. Assets, Liabilities, and Fund Equity**

**Deposits and Investments**

All deposits of the City and its component units are made in Council-designated official depositories and are secured as required by State law (G.S. 159-31). The City and its component units may designate, as an official depository, any bank or savings and loan association whose principal office is located in North Carolina. Also, the City and its component units may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the City and its component units to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The City's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost.

In accordance with State law, the City has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

**Cash, Cash Equivalents, and Investments**

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. A substantial portion of the City's and its component units' cash and investments is essentially demand deposits and, thus, considered cash and cash equivalents. The City and its component units also consider all highly liquid investments (including restricted assets) with a maturity of three months or less, when purchased, to be cash and cash equivalents.

**Restricted Assets**

Unexpended debt proceeds, grant proceeds, loan pool receivable funds, and the Water and Sewer Renewal and Replacement Fund balance, established by the City's revenue bond trust document, are presented as restricted cash as their use is completely restricted to the purposes for which the funds were received or designated for by an outside third party.

## **CITY OF GASTONIA, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009**

#### **Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City ad valorem taxes, except for ad valorem taxes on certain vehicles, are levied by the Gaston County Tax Collector on July 1, the beginning of the fiscal year, and these taxes are due on September 1; however, no interest or penalties are assessed until the following January 6, when property taxes attach as enforceable liens. The taxes levied are based on the assessed values as of January 1, 2008. Collections of City taxes are made by the County and remitted to the City as collected.

#### **Allowances for Doubtful Accounts**

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. These amounts are estimated based upon the age of the receivable and management's conservative collectibility estimates. Utility account receivables, code enforcement receivables, and inspections receivables are considered uncollectible after 60 days. Miscellaneous account receivables are considered uncollectible after one year.

#### **Inventories and Prepaid Items**

Inventories in the City's governmental funds are carried at cost. Costing methods used are moving average, FIFO, and specific cost. The City's General Fund inventories consist of expendable supplies that are recorded as expenditures when purchased. The City's special revenue funds' inventories consist of real property acquired for redevelopment and rehabilitation that is recorded as expenditures when the property is purchased or improvements are made.

The enterprise funds' inventories of the City and its component units are valued at the lower of cost or market. The inventories of the City's enterprise funds and those of the City of Gastonia ABC Board consist of material and supplies held for consumption and/or purchases for resale. The cost of these inventories is recorded as an expense as the inventories are consumed.

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.

#### **Capital Assets**

Capital assets are defined by the government as assets with an initial individual cost of more than a certain cost and an estimated useful life in excess of one year. Minimum capitalization costs are as follows: land, \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; general governmental infrastructure, \$100,000; furniture and equipment, \$5,000; and vehicles, \$5,000.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

The City's capital assets are recorded at original cost. Donated assets are listed at the estimated market value at the time of donation. The original cost of certain capital assets has been estimated. General governmental infrastructure assets acquired prior to July 1, 2001 consist of the major portion of the road network and are reported at the estimated historical cost using deflated replacement cost. The total of such estimates is not considered large enough that the errors would be material when capital assets are considered as a whole. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment in the proprietary funds of the City are recorded at original cost at the time of acquisition. Property, plant, and equipment donated to these proprietary fund type operations are recorded at the estimated fair market value at the date of donation.

Any material interest incurred during the construction phase of proprietary fund-type capital assets is reflected in the capitalized value of the asset constructed.

Capital assets are depreciated on the straight-line basis, applying the following useful lives to the cost of the assets:

	<u>Years</u>
General governmental infrastructure – road network	45
General governmental infrastructure – bridges	50
Buildings	45
Machinery, equipment, and furniture	3 to 15
Vehicles	6
Water and sewer infrastructure	65
Electrical distribution system	28 to 35
Stormwater system	70
Computer hardware and software	3

**Compensated Absences**

The vacation policies of the City provide for the accumulation of earned vacation leave up to 42 eight-hour days for all employees other than firemen and up to 18.5 twenty-four hour days for firemen, with such leave being fully vested when earned. Any excess vacation leave can be carried over to the employees sick leave balance. All vacation pay is accrued when incurred in the government-wide, proprietary, and Internal Service Fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

## **CITY OF GASTONIA, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009**

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 of sick leave has been made.

#### **Deferred/Unearned Revenue**

In the fund financial statements, ad valorem taxes receivable are not accrued as a revenue because they are not considered to be both "measurable and available." Ad valorem taxes receivable that are measurable, but not available, are recorded as deferred revenue in the fund financial statements. In addition, property taxes and other amounts collected in advance of the fiscal year to which they apply are also recorded as unearned revenue in the government-wide financial statements and deferred revenue in the fund financial statements. Certain receivables are also recorded as deferred revenue in the fund financial statements because they are not considered to be available at year-end.

#### **Long-Term Debt**

In the government-wide financial statements and the 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 Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on the debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **Net Assets/Fund Balances**

Net assets in the government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted and unrestricted. Restricted net assets represent 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, reservations of fund balance represent amounts that cannot be appropriated or legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify balances as follows:

**Reserved:**

**Reserved for prepaid items and inventories** – portion of fund balance that is not available for appropriation because it represents the year-end fund balance of prepaid items and ending inventories, which are not expendable, available resources.

**Reserved for encumbrances** – portion of fund balance available to pay for commitments related to purchase orders or contracts which remain unperformed at year-end.

**Reserved by State statute** – portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State Law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables which have not been offset by deferred revenues.

**Unreserved:**

**Undesignated** - portion of total fund balance available for appropriation that is uncommitted at year-end.

**Interfund Transactions**

Interfund services provided and used transactions are accounted for as revenue or expenses in the government-wide financial statements, since they would be treated as such if they involved organizations external to the City. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except services provided and used and reimbursements, are reported as transfers. During the year, the Electric Fund provided substantial financial support to the General Fund in the form of cash transfers.

**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. Significant areas where estimates are made are allowance for doubtful accounts, unbilled receivables, and depreciation lives.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**Comparative Data/Reclassifications**

Comparative total data for the prior year has been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the City's financial position and operations. Comparative totals have not been included on the statements where their inclusion would not provide enhanced understanding of the City's financial position and operations or would cause the statements to be unduly complex or difficult to understand. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

**2. Detailed Notes on All Funds**

**A. Assets**

**Deposits**

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agents in these units' names. Under the Pooling Method, which is a collateral pool, 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 agents in their names. 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 amounts 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 State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The City relies on the State Treasurer to monitor those financial institutions. The City analyzes the financial soundness of any other financial institution used by the City. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The City has no policy regarding custodial credit risk for deposits.

At June 30, 2009, the City's deposits had a carrying amount of \$23,341,889 and a bank balance of \$24,263,972. Of the bank balance, \$200,000 was covered by federal depository insurance and the remaining bank balance is insured under the Pooling Method. The City had \$29,795 cash on hand as of June 30, 2009.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**Investments**

At June 30, 2009, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 6 Months</u>	<u>6-12 Months</u>	<u>1-3 Years</u>
North Carolina Capital Management Trust	\$ 25,604,214	\$ 25,604,214	\$ -	\$ -

*Interest Rate Risk.* The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates.

*Credit Risk.* Investments in the N.C. Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2009.

*Concentration of Credit Risk.* The City places no limit on the amount that the City may invest in any one issuer. More than five percent of the City's investments are in N.C. Capital Management Trust Cash portfolio. This investment is 100.00% of the City's total investments.

**Receivables**

The amounts presented in Exhibit A, the Statement of Net Assets, are net of the following allowances for doubtful accounts as of June 30, 2009:

**General Fund:**

Property taxes	\$ 1,093,503
Other receivables	700,729
Vehicle tags receivable	230,805

**Enterprise Funds:**

Water and Sewer Fund - utility receivables	644,621
Water and Sewer Fund - miscellaneous	5,357
Electric Fund - utility receivables	1,534,905
Electric Fund - miscellaneous	37,608
Stormwater Fund - utility receivables	98,563
Golf Course Fund - miscellaneous	6,345



**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**Capital Assets**

A summary of changes in the City's governmental capital assets follows:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2009</u>
<b>Non-depreciable Assets:</b>					
Land	\$ 8,971,251	\$ 12,194	\$ -	\$ 1,440,149	\$ 10,423,594
Construction in progress	2,003,477	4,147,572	-	(1,582,353)	4,568,696
<b>Depreciable Assets:</b>					
Other improvements	12,140,734	15,573	-	91,110	12,247,417
Buildings	41,736,981	1,425	-	-	41,738,406
Building - Internal Service Fund	131,396	-	-	-	131,396
Equipment	10,543,578	110,127	(167,561)	6,294	10,492,438
Equipment - Internal Service Fund	27,145,076	4,597,410	(1,708,702)	-	30,033,784
General infrastructure	<u>263,041,413</u>	<u>634,940</u>	<u>-</u>	<u>44,800</u>	<u>263,721,153</u>
Total capital assets	<u>365,713,906</u>	<u>9,519,241</u>	<u>(1,876,263)</u>	<u>-</u>	<u>373,356,884</u>
<b>Less Accumulated Depreciation:</b>					
Other improvements	5,669,565	486,646	-	-	6,156,211
Buildings	13,586,444	1,176,537	-	-	14,762,981
Building - Internal Service Fund	34,725	4,662	-	-	39,387
Equipment	8,217,510	380,201	(160,176)	-	8,437,535
Equipment - Internal Service Fund	16,879,548	2,361,051	(1,691,244)	-	17,549,355
General infrastructure	<u>150,190,421</u>	<u>5,853,626</u>	<u>-</u>	<u>-</u>	<u>156,044,047</u>
Total accumulated depreciation	<u>194,578,213</u>	<u>\$ 10,262,723</u>	<u>\$ (1,851,420)</u>	<u>\$ -</u>	<u>202,989,516</u>
Capital assets, net	<u>\$ 171,135,693</u>				<u>\$ 170,367,368</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

Governmental activities capital outlay is reconciled to capital asset additions as follows:

**Capital outlay expenditures:**

General Fund	\$ 107,295
Special Revenue Fund	86,497
Internal Service Fund	4,598,314
Capital Project - Mayor/Council Fund	2,911,895
Local Law Block Grant	5,500
Asset Forfeiture Fund	7,995
Airport Capital Project	62,288
Downtown Revitalization Capital Project	1,184,711
Capital Project - Street Fund	456,170
Non-capital special revenue expenditures	(86,497)
Non-capital expenditures in capital projects funds	(468,130)
Developer contributed infrastructure	636,365
Court awarded vehicles	5,863
Miscellaneous additions	<u>10,975</u>
Total additions	<u>\$ 9,519,241</u>

**Depreciation Allocation**

The City's internal service funds capital assets are reported with the governmental capital assets in the government-wide financial statements. Depreciation expense was charged to functions/programs in the government-wide Statement of Activities as follows:

	<b>Governmental Funds</b>	<b>Internal Service Funds</b>	<b>Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Governmental Activities:</b>			
General government	\$ 713,048	\$ 1,408,620	\$ 2,121,668
Public safety	605,583	446,862	1,052,445
Public works	5,925,171	460,794	6,385,965
Cultural and recreation	<u>653,207</u>	<u>49,438</u>	<u>702,645</u>
Total	<u>\$ 7,897,009</u>	<u>\$ 2,365,714</u>	<u>\$ 10,262,723</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**Enterprise Fund Capital Assets**

The capital assets for the major enterprise funds of the City at June 30, 2009 are as follows:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2009</u>
<b>Water and Sewer Fund:</b>					
<b>Non-depreciable Assets:</b>					
Land	\$ 12,011,808	\$ -	\$ -	\$ -	\$ 12,011,808
Construction in progress	4,344,632	1,956,317	-	(2,244,163)	4,056,786
<b>Depreciable Assets:</b>					
Land improvements	2,888,504	-	-	-	2,888,504
Buildings	69,545,924	1,424	-	-	69,547,348
Machinery, equipment, and vehicles	12,682,404	155,800	(38,626)	136,529	12,936,107
Water and sewer system	165,605,240	532,587	-	2,107,634	168,245,461
Total capital assets	<u>267,078,512</u>	<u>2,646,128</u>	<u>(38,626)</u>	<u>-</u>	<u>269,686,014</u>
<b>Less Accumulated Depreciation:</b>					
Land improvements	1,302,060	71,529	-	-	1,373,589
Buildings	23,184,920	1,490,264	-	-	24,675,184
Machinery, equipment, and vehicles	6,269,180	356,747	(38,626)	-	6,587,301
Water and sewer system	46,176,033	2,571,100	-	-	48,747,133
Total accumulated depreciation	<u>76,932,193</u>	<u>\$ 4,489,640</u>	<u>\$ (38,626)</u>	<u>\$ -</u>	<u>81,383,207</u>
Capital assets, net	<u>\$ 190,146,319</u>				<u>\$ 188,302,807</u>

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2009</u>
<b>Electric Fund:</b>					
<b>Non-depreciable Assets:</b>					
Land	\$ 767,192	\$ 151,456	\$ -	\$ -	\$ 918,648
Construction in progress	2,626,846	1,078,726	(63,716)	(47,764)	3,594,092
<b>Depreciable Assets:</b>					
Land improvements	212,329	-	-	-	212,329
Buildings	136,953	-	-	-	136,953
Electrical distribution	72,164,926	1,782,774	-	47,764	73,995,464
Machinery, equipment, and vehicles	3,513,838	9,639	(2,397)	-	3,521,080
Total capital assets	<u>79,422,084</u>	<u>3,022,595</u>	<u>(66,113)</u>	<u>-</u>	<u>82,378,566</u>
<b>Less Accumulated Depreciation:</b>					
Land improvements	24,551	10,298	-	-	34,849
Buildings	20,067	5,922	-	-	25,989
Electrical distribution	38,731,703	1,544,837	-	-	40,276,540
Machinery, equipment, and vehicles	2,484,509	144,624	(1,683)	-	2,627,450
Total accumulated depreciation	<u>41,260,830</u>	<u>\$ 1,705,681</u>	<u>\$ (1,683)</u>	<u>\$ -</u>	<u>42,964,828</u>
Capital assets, net	<u>\$ 38,161,254</u>				<u>\$ 39,413,738</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2009</u>
<b>Stormwater Fund:</b>					
<b>Non-depreciable Assets:</b>					
Land	\$ 30,000	\$ -	\$ -	\$ -	\$ 30,000
Construction in progress	39,773	59,770	(56,792)	(10,610)	32,141
<b>Depreciable Assets:</b>					
Buildings	5,360	-	-	-	5,360
Stormwater infrastructure	43,942,351	92,859	-	10,610	44,045,820
Machinery, equipment, and vehicles	140,581	-	-	-	140,581
Total capital assets	<u>44,158,065</u>	<u>152,629</u>	<u>(56,792)</u>	<u>-</u>	<u>44,253,902</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	1,994	357	-	-	2,351
Stormwater infrastructure	14,808,908	602,925	-	-	15,411,833
Machinery, equipment, and vehicles	115,577	2,993	-	-	118,570
Total accumulated depreciation	<u>14,926,479</u>	<u>\$ 606,275</u>	<u>\$ -</u>	<u>\$ -</u>	<u>15,532,754</u>
Capital assets, net	<u>\$ 29,231,586</u>				<u>\$ 28,721,148</u>

The capital assets for the nonmajor enterprise funds of the City at June 30, 2009 are as follows:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2009</u>
<b>Transit and Golf Funds:</b>					
<b>Non-depreciable Assets:</b>					
Land	\$ 352,794	\$ -	\$ -	\$ -	\$ 352,794
Construction in progress	153,716	123,470	-	(277,186)	-
<b>Depreciable Assets:</b>					
Land improvements	761,041	96,763	-	277,186	1,134,990
Buildings	1,528,194	7,671	-	-	1,535,865
Machinery, equipment, and vehicles	2,905,327	6,956	(93,800)	-	2,818,483
Total capital assets	<u>5,701,072</u>	<u>234,860</u>	<u>(93,800)</u>	<u>-</u>	<u>5,842,132</u>
<b>Less Accumulated Depreciation:</b>					
Land improvements	549,653	28,470	-	-	578,123
Buildings	528,443	35,616	-	-	564,059
Machinery, equipment, and vehicles	1,569,730	227,722	(93,800)	-	1,703,652
Total accumulated depreciation	<u>2,647,826</u>	<u>\$ 291,808</u>	<u>\$ (93,800)</u>	<u>\$ -</u>	<u>2,845,834</u>
Capital assets, net	<u>\$ 3,053,246</u>				<u>\$ 2,996,298</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**B. Liabilities**

**Pension Plan Obligations**

**Local Governmental Employees' Retirement System**

**Plan Description.** The City contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

**Funding Policy.** Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. The current rate for employees not engaged in law enforcement and for law enforcement officers is 4.8% and 4.78%, respectively, of annual covered payroll. The contribution requirements of members and of the City are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2009, 2008, and 2007 were \$2,049,761, \$1,962,207, and \$1,805,498, respectively. The contributions made by the City equaled the required contributions for each year.

**Law Enforcement Officers' and Firemen's Special Separation Allowance**

**Plan Description.** The City 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. The City has also elected to provide this benefit to all qualified firemen. The Separation Allowance is equal to .85% of the annual equivalent of the base rate of compensation most recently applicable to the covered employee 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.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

All full-time law enforcement officers and firemen of the City are covered by the Separation Allowance. At December 31, 2008, the Separation Allowance's membership consisted of:

Retirees receiving benefits and terminated plan members entitled to, but not yet receiving, benefits	54
Active plan members	<u>312</u>
Total	<u><u>366</u></u>

A separate report is not issued for the plan.

**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.

*Method Used to Value Investments.* No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

**Contributions**

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2008 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses), and (b) projected salary increases ranging from 4.5% to 14.7% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include post-retirement benefit increases. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2008 was 22 years.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 729,611
Interest on net pension obligation	122,287
Adjustment to annual required contribution	<u>(103,122)</u>
Annual pension costs	748,776
Contributions made	<u>915,336</u>
Increase (decrease) in net pension obligation	(166,560)
Net pension obligation, beginning of year	<u>1,686,723</u>
Net pension obligation, end of year	<u><u>\$ 1,520,163</u></u>

**Three-Year Trend Information**

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
6/30/2007	\$ 729,231	105.72%	\$ 1,786,654
6/30/2008	753,146	113.27%	1,686,723
6/30/2009	748,776	122.24%	1,520,163

**Funding Status and Funding Progress**

As of December 31, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$9,539,856. The covered payroll (annual payroll of the active employees covered by the plan) was \$14,788,345, and the ratio of the UAAL to the covered payroll was 64.51 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Supplemental Retirement Income Plan for Law Enforcement Officers**

**Plan Description.** The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes

## CITY OF GASTONIA, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

**Funding Policy.** Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2009 were \$625,608, which consisted of \$420,886 from the City, and \$204,722 from the law enforcement officers.

#### **Supplemental Retirement Income Plan for Firemen**

**Plan Description.** Prior to July 1, 2007 the City contributed to a 401(a) Money Purchase Plan, a defined contribution pension plan administered by ICMA Retirement Corporation. The Plan provided retirement benefits to firemen employed by the City. As of July 1, 2007, the City contributes to the North Carolina 401(k) Plan administered by Prudential Retirement. The Plan provides retirement benefits to firemen employed by the City. Participants have the option of leaving their 401(a) balances as of June 30, 2007 in the Plan or transferring them to the 401(k) plan account. City Council has the authority to establish and amend benefit provisions and contribution requirements of the plan.

**Funding Policy.** The City contributes on a bi-weekly basis an amount equal to five percent of each fireman's salary, and all amounts are vested immediately. Also, the firemen may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2009 were \$438,586, which consisted of \$327,920 from the City and \$110,666 from the firemen.

#### **Supplemental Retirement Income Plan**

**Plan Description.** Prior to July 1, 2007 the City contributed to a 401(a) Money Purchase Plan, a defined contribution plan administered by ICMA Retirement Corporation. The Plan provided benefits to all full-time employees of the City, excluding law enforcement officers and firemen. The City continues to contribute to this Plan for the City Manager. As of July 1, 2007, the City contributes to the North Carolina 401(k) Plan administered by Prudential Retirement. The Plan provides retirement benefits to all full-time employees of the City, excluding law enforcement officers and firemen. Participants have the option of leaving their 401(a) balances as of June 30, 2007 in the plan or transferring them to the 401(k) plan account. City Council has the authority to establish and amend benefit provisions and contribution requirements of the Plan.

**Funding Policy.** The City contributes to the North Carolina 401(k) Plan on a bi-weekly basis an amount equal to 5.0% of each employee's salary, and all amounts are vested immediately. The City contributes to the 401(a) Money Purchase Plan an additional amount equal to 5.0% of the City Manager's salary. Also, the employees may make voluntary contributions to the plans. Contributions to the North Carolina 401(k) Plan for the year ended June 30, 2009 were \$1,920,716, which consisted of \$1,365,577 from the City and \$555,139 from the employees. Contributions to the 401(a) Purchase Plan for the year ended June 30, 2009 were \$7,031, which consisted of \$7,031 from the City and \$-0- from the City Manager.



## CITY OF GASTONIA, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

#### **Firemen's and Rescue Squad Workers' Pension Fund**

**Plan Description.** The State of North Carolina contributes, on behalf of the City, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible firemen and rescue squad workers that have elected to become members of the Fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. 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.

**Funding Policy.** Plan members are required to contribute \$10 per month to the Fund. The State, a nonemployer contributor, funds the Plan through appropriations. The City does not contribute to the Fund. Contribution requirements of Plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

#### **Deferred Compensation Plan**

City employees can elect to participate in a City-sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457 and administered by ICMA Retirement Corporation. The Plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available until termination, retirement, death or an unforeseeable emergency. The City contributes to the Plan 5% of the City Attorney's salary. Contributions to the 457 Plan for the year ended June 30, 2009 were \$75,285, which consisted of \$6,605 from the City and \$68,680 from the employees.

#### **Other Post-Employment Benefits**

##### **Healthcare Benefits:**

**Plan Description.** According to a City resolution, the City provides post-retirement healthcare benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five years of creditable service with the City and have not become eligible for Medicare. The City pays the full cost of coverage for these benefits for employees hired prior to September 1, 2000 and a percentage of the premium cost based on years of service for employees hired on or after September 1, 2000. There is a small premium required for retirees who elect the PPO Plan. Also, the City's retirees can purchase coverage for their dependents at the City's group rates. Currently, 180 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2009, the City made payments for post-retirement health benefit premiums of \$779,997. As of July 1, 2006, the City became self-insured and subsequent premium payments are made to the City's Medical Self-Insurance Internal Service Fund.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
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The City also provides life insurance coverage for all retirees. For employees hired prior to September 1, 2000, the City will provide a paid-up life insurance policy from retirement to the date of death to the extent of 50 percent of the coverage in effect at the time of retirement, up to a maximum of \$20,000. The City pays the full cost of coverage for these retirees. For employees hired on or after September 1, 2000, the City will provide a paid-up life insurance policy to the extent of 50 percent of the coverage in effect at the time of retirement until age 70, up to a maximum of \$20,000. At age 70, the amount of the insurance coverage will then be reduced to \$2,000. For these employees, the City pays an established percentage of the premium cost based on years of service. Currently, 398 retirees are eligible for post-retirement life benefits. For the fiscal year ended June 30, 2009, the City made payments for post-retirement life insurance benefit premiums of \$32,387

The City will pay the following percentage cost of post-retirement healthcare and life insurance premiums for members hired on or after September 1, 2000:

<u>Years of Service</u>	<u>Percentage of Premium Paid By The City</u>
Up to 15	0%
15-19	25%
20-24	50%
25 or more	100%

The City Council may amend the benefits provisions. A separate report was not issued for the Plan.

Membership of the healthcare plan consisted of the following at December 31, 2006, the date of the latest actuarial valuation:

Retirees	170
General employees	593
Law enforcement	164
Firefighters	<u>138</u>
Total	<u><u>1,065</u></u>

**Funding Policy.** The City pays the full cost of coverage for these benefits for employees hired prior to September 1, 2000 and a percentage of the premium cost based on years of service for employees hired on or after September 1, 2000, as noted above. There is a small premium required for retirees who elect the PPO Plan. There are two PPO plans available to employees, Buy-up 1 and Buy-up 2. They are differentiated by coverage limits. Also, the City's retirees can purchase coverage for their dependents at the City's group rates. The City's pays from \$367.91 to \$518.39 per month for employee and dependent coverage, based on plan election and dependents covered. The City's members pay from \$298.45 to \$540.18 per month for dependent coverage, based on plan election and number of dependents covered. The City has chosen to fund the healthcare benefits on a pay-as-you-go basis.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

The current ARC rate is 9.33% of annual covered payroll. For the current year, the City contributed \$779,997 or 1.83% of annual covered payroll. The City is self-insured on healthcare. The City has purchased specific stop/loss coverage for any claim that exceeds \$150,000. As of July 1, 2009, the City does not carry aggregate stop/loss coverage. Contributions made by employees for buy-up options and dependent coverage were \$262,050 for the year ended June 30, 2009.

**Summary of Significant Accounting Policies.** Post-employment expenditures are made from the fund the employee was assigned to prior to retirement. These respective funds are maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

**Annual OPEB Cost and Net OPEB Obligation.** The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 3,428,106
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>3,428,106</u>
Contributions made	<u>779,997</u>
Increase (decrease) in net OPEB obligation	2,648,109
Net OPEB obligation, beginning of year	<u>2,654,506</u>
Net OPEB obligation, end of year	<u>\$ 5,302,615</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 and 2008 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2008	\$ 3,428,106	22.50%	\$ 2,654,506
6/30/2009	3,428,106	22.75%	5,302,615

## CITY OF GASTONIA, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

**Funded Status and Funding Progress.** As of December 31, 2006, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$40,569,078. The covered payroll (annual payroll of active employees covered by the Plan) was \$36,767,010, and the ratio of the UAAL to the covered payroll was 110.3%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions.** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2006 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 12.00 to 5.00 percent annually. Both rates included a 3.75 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2006 was 30 years.

#### **Other Employment Benefits**

The City has also elected to provide death benefits to employees through the Death Benefit Plan for law enforcement officers who are members of the Local Government 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 officers 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 officer's 12 highest months' salary in a row during the 24 months prior to the officer's death, but the

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 2009, the City made contributions to the State for death benefits of \$11,780. The City's required contributions for law enforcement officers represented .14% of covered payroll. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

**Deferred/Unearned Revenues**

The balance in deferred revenues in the governmental fund statements at year-end is composed of the following elements:

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Taxes receivable, net	\$ 1,193,049	\$ 21,460	\$ 1,214,509
HUD loans and mortgages	-	943,542	943,542
Prepaid revenues - other	3,300	-	3,300
Other receivables, net	461,010	2,486	463,496
Prepaid taxes and licenses	<u>180,603</u>	<u>-</u>	<u>180,603</u>
Total	<u>\$ 1,837,962</u>	<u>\$ 967,488</u>	<u>\$ 2,805,450</u>

The balance in unearned revenues in the government-wide statements at year-end is composed of the following elements:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Prepaid taxes and licenses	\$ 180,603	\$ -	\$ 180,603
Prepaid revenues - other	3,300	-	3,300
Prepaid fees	<u>-</u>	<u>15,997</u>	<u>15,997</u>
Total	<u>\$ 183,903</u>	<u>\$ 15,997</u>	<u>\$ 199,900</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**Commitments**

The City had the following outstanding or planned projects as of June 30, 2009. These projects are evidenced by contractual obligations. The projects are funded by a combination of City monies, long-term debt, and special assessment taxes.

<u>Governmental Activities Projects</u>	<u>Expended To Date</u>	<u>Remaining Commitment</u>
<b>Street Improvements:</b>		
West Davidson bridge	\$ 183,466	\$ 941,289
Sidewalks - Cox Road extension	-	157,828
Total	<u>\$ 183,466</u>	<u>\$ 1,099,117</u>
<b>General Government - Mayor/Council, Airport Capital Projects, and Downtown Capital Projects:</b>		
Design Tulip Drive bridge	\$ 1,463,679	\$ 131,960
Airport runway rehabilitation	62,995	612,519
South Street Park plaza	95,952	281,696
Lineberger Park enhancements	<u>1,255,602</u>	<u>95,199</u>
Total	<u>\$ 2,878,228</u>	<u>\$ 1,121,374</u>
<b>Business-Type Activities Projects</b>		
<b>Water and Sewer:</b>		
Water treatment	\$ 401,299	\$ 160,976
WWTPs improvements - revenue bonds	4,727,472	205,000
Water plant improvements - revenue bonds	2,439,324	786,392
Long Creek improvements	<u>28,556</u>	<u>211,598</u>
Total	<u>7,596,651</u>	<u>1,363,966</u>
<b>Electric System:</b>		
Various electric improvements	<u>208,589</u>	<u>414,985</u>
<b>Stormwater System:</b>		
Various stormwater improvements	<u>31,863</u>	<u>34,671</u>
Total commitments - business-type activities	<u>\$ 7,837,103</u>	<u>\$ 1,813,622</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtains, through commercial companies, general liability coverage of \$3 million per occurrence, auto liability coverage of \$5 million, property coverage up to the total insurance values of the property, workers' compensation coverage up to \$1 million per accident, unlimited lifetime employee health coverage, police liability and public official liability of \$1 million, transit bus coverage up to \$5 million, boiler and machinery coverage of \$5 million, public employer blanket bond/crime coverage of \$150,000, museum of fine arts and articles at the military museum for \$5.48 million, airport coverage for \$25 million, and full coverage for community development housing renovation inventory (for houses that will be rehabilitated and not demolished). The City is not in close proximity to any major waterways, thus, the City does not carry flood insurance. There were no significant reductions in coverage during 2009.

All insurances are fully insured except workers' compensation and health and dental. For the 2009 fiscal year, the City had a \$300,000 self-insured retention for all employees, except police and fire which had a \$500,000 self-insured retention. Settled claims have not exceeded coverage in any of the past five fiscal years.

As of July 1, 2006, the City became self-insured on healthcare. The City has purchased specific stop/loss coverage for any claim that exceeds \$150,000. As of July 1, 2009, the City does not carry an aggregate stop/loss coverage.

The City also has a \$5,000,000 (aggregate and single occurrence) flood insurance policy for all real and personal property owned by the City.

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 bonded through a commercial surety bond. The Finance Officer is individually bonded for \$150,000. The remaining employees that have access to funds are bonded under a blanket bond for \$150,000.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**Reconciliation of Claims Liability**

Changes in the City's claims liability balance during fiscal year 2009 are as follows:

	<b>Dental Self- Insurance Fund</b>	<b>Medical Self- Insurance Fund</b>	<b>Total</b>
Balance, June 30, 2007	\$ -	\$ 233,357	\$ 233,357
Add incurred claims (including IBNRs) and changes in estimates	325,542	7,861,122	8,186,664
Deduct claims payments	<u>(311,877)</u>	<u>(7,549,350)</u>	<u>(7,861,227)</u>
Balance, June 30, 2008	13,665	545,129	558,794
Add incurred claims (including IBNRs) and changes in estimates	332,573	8,643,370	8,975,943
Deduct claims payments	<u>(346,238)</u>	<u>(8,562,874)</u>	<u>(8,909,112)</u>
Balance, June 30, 2009	<u>\$ -</u>	<u>\$ 625,625</u>	<u>\$ 625,625</u>

**Claims and Judgments**

At June 30, 2009, the City was a defendant in various matters of litigation. While any litigation contains an element of uncertainty, attorneys engaged by the City's insurance carrier believe that the outcome of any lawsuit or claim which is pending, or all of them combined, will not have a materially adverse effect on the City's financial position. These matters are generally covered by insurance.



**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**Long-Term Obligations**

**\$5,000,000 Sewer State Bond Loan**

In May 1996, the City entered into a loan agreement with the State of North Carolina Department of Environment and Natural Resources. The City was approved for a loan of \$5,000,000 from the State Bond Fund Account to provide financial assistance in connection with the upgrade and expansion of an existing wastewater treatment plant and pumping station. The loan agreement calls for 20 annual installments of \$250,000 each on May 1 of each year with interest at 5.850% semi-annually on May 1 and November 1 of each year. The amount outstanding at June 30, 2009 is \$1,750,000. The loan is being carried in the Water and Sewer Fund.

Debt service requirements to maturity on the Sewer State Bond are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 250,000	\$ 91,059	\$ 341,059
2011	250,000	76,666	326,666
2012	250,000	62,406	312,406
2013	250,000	47,156	297,156
2014	250,000	32,656	282,656
2015-2016	<u>500,000</u>	<u>21,688</u>	<u>521,688</u>
Total	<u>\$ 1,750,000</u>	<u>\$ 331,631</u>	<u>\$ 2,081,631</u>

**Section 108 Loan Guarantee**

In August 2001, the City received a \$570,000 loan under this Section 108 Loan Guarantee. \$280,241 of the proceeds was used to pay principal of \$280,000 and interest of \$241 on a September 1999 \$280,000 interim loan. Interest on the \$570,000 borrowing is payable on February 1 and August 1 at rates ranging from 5.33% to 6.00%. The first interest payment was due February 1, 2002. Annual principal payments of \$95,000 began August 1, 2007. The amount outstanding at June 30, 2009 is \$380,000.

In March 2002, the City received a \$2,000,000 loan under this Section 108 Loan Guarantee. The loan agreement calls for 18 annual principal installments from \$110,000 to \$120,000 beginning August 1, 2004, with semi-annual interest payments due on February 1 and August 1 of each year at rates ranging from 1.21% to 5.69%. The amount outstanding at June 30, 2009 is \$1,450,000.

In March 2007, the City received a \$249,930 loan under this Section 108 Loan Guarantee. The loan agreement calls for six (6) annual principal installments from \$12,000 to \$147,930 beginning August 1, 2009, with semi-annual interest payments beginning February 1, 2007 at 5.05%. The amount outstanding at June 30, 2009 is \$249,930.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

The Section 108 loans are related to a special revenue fund and, therefore, are reported in the governmental activities of the government-wide Statement of Net Assets.

Future minimum payments on the Section 108 Loan Guarantee as of June 30, 2009 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 217,000	\$ 101,578	\$ 318,578
2011	220,000	91,099	311,099
2012	225,000	80,012	305,012
2013	230,000	68,271	298,271
2014	140,000	58,815	198,815
2015-2019	700,000	172,900	872,900
2020-2022	347,930	29,727	377,657
Total	<u>\$ 2,079,930</u>	<u>\$ 602,402</u>	<u>\$ 2,682,332</u>

**Other Financing Agreements**

In October 2004, the City entered into a financing agreement for the acquisition of various vehicles and equipment. Total loan proceeds received by the City amounted to \$2,527,200. The terms of the agreement call for annual installments of \$550,624 from October 4, 2005 through October 4, 2009, including interest at 2.94%. The amount outstanding at June 30, 2009 is \$458,004. The loan is related to Internal Service Fund activity and is, therefore, reported in the fund Statement of Net Assets as Internal Service Fund debt and in the government-wide Statement of Net Assets as governmental activity debt.

Debt service requirements to maturity as of June 30, 2009 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 458,004	\$ 13,463	\$ 471,467

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

In September 2005, the City entered into a financing agreement for the acquisition of various vehicles and equipment. Total loan proceeds received by the City amounted to \$3,191,783. The terms of the agreement call for annual installments of \$703,720 from September 23, 2006 through September 23, 2010, including interest at 3.36%. The amount outstanding at June 30, 2009 is \$1,159,819. The loan is related to Internal Service Fund activity and is, therefore, reported in the fund Statement of Net Assets as Internal Service Fund debt and in the government-wide Statement of Net Assets as governmental activity debt.

Debt service requirements to maturity as of June 30, 2009 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 664,775	\$ 38,946	\$ 703,721
2011	495,044	16,623	511,667
Total	<u>\$ 1,159,819</u>	<u>\$ 55,569</u>	<u>\$ 1,215,388</u>

In October 2006, the City entered into a financing agreement for the acquisition of various vehicles and equipment. Total loan proceeds received by the City amounted to \$2,763,116. The terms of the agreement call for annual installments of \$614,863 from October 1, 2007 through October 1, 2011, including interest at 3.73%. The amount outstanding at June 30, 2009 is \$1,713,651. The loan is related to Internal Service Fund activity and is, therefore, reported in the fund Statement of Net Assets as Internal Service Fund debt and in the government-wide Statement of Net Assets as governmental activity debt.

Debt service requirements to maturity as of June 30, 2009 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 550,891	\$ 63,972	\$ 614,863
2011	571,439	43,424	614,863
2012	591,321	23,542	614,863
Total	<u>\$ 1,713,651</u>	<u>\$ 130,938</u>	<u>\$ 1,844,589</u>

In August 2007, the City entered into a financing agreement for the acquisition of various vehicles and equipment. Total loan proceeds received by the City amounted to \$4,116,329. The terms of the agreement call for semi-annual payments of \$452,068 from February 1, 2008 through August 1, 2012, including interest at 3.59%. The amount outstanding at June 30, 2009 is \$2,948,973. The loan is related to Internal Service Fund activity and is, therefore, reported in the fund Statement of Net Assets as Internal Service Fund debt and in the government-wide Statement of Net Assets as governmental activity debt.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

Debt service requirements to maturity as of June 30, 2009 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 805,432	\$ 98,704	\$ 904,136
2011	834,607	69,529	904,136
2012	864,838	39,298	904,136
2013	444,096	7,972	452,068
Total	<u>\$ 2,948,973</u>	<u>\$ 215,503</u>	<u>\$ 3,164,476</u>

In December 2008, the City entered into a financing agreement for the acquisition of various vehicles and equipment. Total loan proceeds received by the City amounted to \$3,972,000. The terms of the agreement call for semi-annual payments of \$425,313 from May 1, 2009 through November 1, 2013, including interest at 2.69%. The amount outstanding at June 30, 2009 is \$3,582,303. The loan is related to Internal Service Fund activity and is, therefore, reported in the fund Statement of Net Assets as Internal Service Fund debt and in the government-wide Statement of Net Assets as governmental activity debt.

Debt service requirements to maturity as of June 30, 2009 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 759,328	\$ 91,300	\$ 850,628
2011	779,890	70,736	850,626
2012	801,010	49,616	850,626
2013	822,703	27,924	850,627
2014	419,372	5,645	425,017
Total	<u>\$ 3,582,303</u>	<u>\$ 245,221</u>	<u>\$ 3,827,524</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**Certificates of Participation**

In June 2002, the City issued \$12,495,000 of Certificates of Participation. The debt proceeds were used to finance various city-wide equipment and the construction of four new fire stations. The Certificates of Participation are due in annual principal installments from \$450,000 to \$1,240,000 from October 1, 2002 through October 1, 2021, with semi-annual interest payments from April 1, 2002 through October 1, 2021 at rates ranging from 2.75% to 5.10%. The amount outstanding at June 30, 2009 is \$5,910,000. The debt is related to the General Fund and the governmental-type Internal Service Fund; therefore, the debt and debt service are reported in the governmental activities of the government-wide Statement of Net Assets. The Internal Service Fund portion of the debt was also reported in the fund Statement of Net Assets, but was paid in full in 2008.

The future minimum payments on the Certificates of Participation as of June 30, 2009 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 455,000	\$ 270,698	\$ 725,698
2011	455,000	251,360	706,360
2012	455,000	231,568	686,568
2013	455,000	211,320	666,320
2014	455,000	190,504	645,504
2015-2019	2,275,000	625,715	2,900,715
2020-2022	<u>1,360,000</u>	<u>103,558</u>	<u>1,463,558</u>
Total	<u>\$ 5,910,000</u>	<u>\$ 1,884,723</u>	<u>\$ 7,794,723</u>

In November 2002, the City entered into a \$4,000,000 installment financing agreement collateralized by City Hall. The debt proceeds were used to partially finance the renovation of the old county courthouse to be used as City municipal offices. The Certificates of Participation are due in semi-annual principal installments of \$133,333 from May 19, 2003 through November 19, 2017, with semi-annual interest payments from May 19, 2003 through November 19, 2017 at an interest rate of 3.71%. The amount outstanding at June 30, 2009 is \$2,266,664. The debt is related to General Fund activity and, therefore, is reported in the governmental activities of the government-wide Statement of Net Assets.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

The future minimum payments on the installment financing as of June 30, 2009 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 266,667	\$ 81,640	\$ 348,307
2011	266,667	71,747	338,414
2012	266,667	61,996	328,663
2013	266,667	51,960	318,627
2014	266,667	42,067	308,734
2015-2018	933,329	69,388	1,002,717
Total	<u>\$ 2,266,664</u>	<u>\$ 378,798</u>	<u>\$ 2,645,462</u>

In February 2005, the City issued \$5,540,000 of Certificates of Participation. The debt proceeds were used to partially advance refund \$5,265,000 of the Certificates of Participation, Series 1995. The Certificates of Participation are due in annual principal installments from \$40,000 to \$640,000 from October 1, 2005 through October 1, 2015, with semi-annual interest payments from October 1, 2005 through October 1, 2015 at interest rates ranging from 3.00% to 4.00%. The amount outstanding at June 30, 2009 is \$4,015,000. The debt is related to General Fund activity and, therefore, is reported in the governmental activities of the government-wide Statement of Net Assets.

The future minimum payments on the Certificates of Participation as of June 30, 2009 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 515,000	\$ 139,400	\$ 654,400
2011	535,000	122,313	657,313
2012	550,000	103,325	653,325
2013	570,000	83,013	653,013
2014	590,000	61,263	651,263
2015-2016	1,255,000	50,700	1,305,700
Total	<u>\$ 4,015,000</u>	<u>\$ 560,014</u>	<u>\$ 4,575,014</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**General Obligation and Revenue Bond Indebtedness**

The City's general obligation bonds serviced by the governmental funds are reported in the government-wide Statement of Net Assets. The general obligation bonds issued to finance the construction of facilities and distribution systems utilized in the operations of the water and sewer system and the electric system, which are being retired by its resources, are reported as long-term debt in the Water and Sewer Fund and the Electric Fund, respectively. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the City. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2009 are comprised of the following individual issues:

**General Obligation Bonds**

**Serviced by the General Fund:**

\$2,700,000 2002 Street Improvement Serial Bonds, due in annual principal installments from \$100,000 to \$300,000 from June 1, 2004 through June 1, 2018, with semi-annual interest payments beginning December 1, 2002 at rates ranging from 4.00% to 4.25%. \$ 2,100,000

\$19,815,000 2003 Refunding Serial Bonds, due in annual principal installments from \$160,000 to \$3,350,000 from April 1, 2004 through April 1, 2012, with semi-annual interest payments beginning October 1, 2003 at rates ranging from 2.00% to 3.50%. (31.94% of the proceeds were used to refund governmental activities debt and 68.06% to refund water and sewer business-type activities debt.) 1,098,465

\$4,705,000 2004 Refunding Serial Bonds, due in annual principal installments from \$75,000 to \$605,000 from May 1, 2005 through May 1, 2014, with semi-annual interest payments beginning November 1, 2004 at rates ranging from 2.00% to 3.50%. 2,310,000

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**General Obligation Bonds (continued)**

**Serviced by the General Fund:**

\$8,035,000 2005 Refunding Serial Bonds, due in annual principal installments from \$45,000 to \$910,000 from May 1, 2005 through May 1, 2017, with semi-annual interest payments beginning November 1, 2004 at rates ranging from 2.75% to 4.00%. 6,435,000

\$1,455,000 Series 2008A Public Improvements Serial Bonds, due in annual principal installments from \$160,000 to \$165,000 from June 1, 2020 through June 1, 2028, interest payable beginning December 1, 2008 and semi-annually thereafter at 3.80% to 4.00% ( 70.4467% General Government and 29.5533% Electric Enterprise Fund ). Proceeds are scheduled for various recreational and general infrastructure projects. 1,025,000

\$1,525,000 Series 2008B Public Improvements Serial Bonds (taxable), due in annual principal installments from \$165,000 to \$170,000 from June 1, 2011 through June 1, 2019, interest payable beginning December 1, 2008 and semi-annually thereafter at 5.00% to 5.25%. Proceeds are scheduled for downtown infrastructure revitalization projects. 1,525,000

Total general obligation bonds - governmental activities 14,493,465



**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**Serviced by the Water and Sewer Fund:**

\$19,815,000 2003 Refunding Serial Bonds, due in annual principal installments from \$160,000 to \$3,350,000 from April 1, 2004 through April 1, 2012, with semi-annual interest payments beginning October 1, 2003 at rates ranging from 2.00% to 3.50%. (31.94% of the proceeds were used to refund governmental activities debt and 68.06% to refund water and sewer business-type activities debt.)

2,341,548

**Serviced by the Electric Fund:**

\$1,455,000 Series 2008A Public Improvements Serial Bonds, due in annual principal installments from \$160,000 to \$165,000 from June 1, 2020 through June 1, 2028, interest payable beginning December 1, 2008 and semi-annually thereafter at 3.80% to 4.00% ( 70.4467% General Government and 29.5533% Electric Enterprise Fund ). Proceeds are scheduled for downtown underground electric utility projects.

430,000

Total general obligation bonds - business-type activities

2,771,538

Total general obligation bonds - governmental  
and business-type activities

\$ 17,265,003

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
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**Revenue Bonds**

**Serviced by the Water and Sewer Fund:**

\$25,795,000 1998 Combined Utility System Refunding Revenue Bonds, due in annual principal installments from \$300,000 to \$2,190,000 from May 1, 2000 through May 1, 2019, with semi-annual interest payments from November 1, 1998 through May 1, 2019 at rates ranging from 3.85% to 5.00%. \$ 17,915,000

\$9,400,000 1999 Combined Utility System Revenue Bonds. In July 2005, the City advance refunded \$5,395,000 of this issue with the \$14,565,000 Combined Utility System Revenue Bonds. (\*) The unrefunded portion of this issue is due in annual principal installments from \$435,000 to \$465,000 from May 1, 2007 through May 1, 2010, with semi-annual interest payments from May 1, 2007 through May 1, 2010 at rates ranging from 4.90% to 5.10%. 455,000

\$9,745,000 2001 Combined Utility System Revenue Bonds, due in annual principal installments from \$255,000 to \$680,000 from May 1, 2003 through May 1, 2025, with semi-annual interest payments from November 1, 2001 through May 1, 2025 at rates ranging from 3.60% to 5.10%. 7,740,000

\$14,565,000 2005 Combined Utility System Revenue Bonds, due in annual principal installments from \$325,000 to \$1,230,000 from May 1, 2006 through May 1, 2025, with semi-annual interest payments from November 1, 2005 through May 1, 2025 at rates ranging from 3.00% to 5.00%. Bond proceeds of \$8,945,000 was new funding and \$5,620,000 was used to partially advance refund the Series 1999 Combined Utility System Revenue Bonds. (\*) 13,180,000

Total revenue bonds \$ 39,290,000

(\*) In July 2005, the City issued Combined Utility System Revenue Bonds totaling \$14,565,000 with interest rates ranging from 3.00% to 5.00%. \$5,620,000 of the proceeds were used to partially advance refund \$5,395,000 of the \$9,400,000 Series 1999 Combined utility system revenue bonds, with remaining interest rates of 5.100% to 5.625%, and \$8,945,000 of the proceeds were to be used to fund major water and sewer system improvements. The City refunded \$5,395,000 of the July 2005 outstanding principal of

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

\$7,625,000. \$5,620,000 was placed with an escrow agent to provide all future debt service payments on the refunded portion of the bonds. As a result, the refunded portion of the bonds is considered to be defeased and the related liability for the bonds has been removed from the balance sheet. The outstanding principal balance on the non-refunded portion of the bonds was \$890,000 as of June 30, 2008. The average life of the refunded bonds was 10.161 years compared to the average life of the refunding bonds of 9.818 years. The aggregate difference in debt service between the refunding debt, and the refunded debt was \$340,996. The refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$266,415. At June 30, 2009, there was \$5,537,495 held in escrow by the escrow agent.

At June 30, 2009, the City of Gastonia had a legal debt margin of \$373,044,204.

Annual debt service requirements to maturity for general obligation bonds as of June 30, 2009 are as follows:

**Governmental Activities:**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,946,099	\$ 521,272	\$ 2,467,371
2011	2,101,257	460,717	2,561,974
2012	1,701,104	391,413	2,092,517
2013	1,670,000	328,174	1,998,174
2014	1,465,000	265,924	1,730,924
2015-2019	4,585,000	590,944	5,175,944
2020-2024	574,140	154,926	729,066
2025-2028	450,865	44,522	495,387
Total	<u>\$ 14,493,465</u>	<u>\$ 2,757,892</u>	<u>\$ 17,251,357</u>

**Business-Type Activities:**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,248,901	\$ 94,083	\$ 1,342,984
2011	983,467	54,118	1,037,585
2012	109,170	20,680	129,850
2013	-	16,869	16,869
2014	-	16,869	16,869
2015-2019	-	84,345	84,345
2020-2024	240,860	64,994	305,854
2025-2028	189,140	18,678	207,818
Total	<u>\$ 2,771,538</u>	<u>\$ 370,636</u>	<u>\$ 3,142,174</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

Annual debt service requirements to maturity for revenue bonds as of June 30, 2009 are as follows:

**Business-Type Activities:**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 2,605,000	\$ 1,830,602	\$ 4,435,602
2011	2,730,000	1,706,159	4,436,159
2012	2,850,000	1,584,323	4,434,323
2013	2,975,000	1,461,172	4,436,172
2014	3,100,000	1,332,180	4,432,180
2015-2019	17,875,000	4,311,690	22,186,690
2020-2024	5,825,000	1,118,799	6,943,799
2025-2026	1,330,000	60,813	1,390,813
Total	<u>\$ 39,290,000</u>	<u>\$ 13,405,738</u>	<u>\$ 52,695,738</u>

**Changes in Long-Term Liabilities**

During the year ended June 30, 2009, the following changes occurred in long-term liabilities:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2009</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
<b>General Fund:</b>					
General obligation bonds	\$ 16,558,321	\$ -	\$ 2,064,856	\$ 14,493,465	\$ 1,946,099
Compensated absences	2,849,655	2,063,490	1,862,438	3,050,707	2,288,030
Unfunded pension obligation	1,686,723	748,776	915,336	1,520,163	-
Other post-employment benefits obligation	2,059,736	2,050,311	-	4,110,047	-
Installment financing	2,533,331	-	266,667	2,266,664	266,667
Certificates of participation	10,880,000	-	955,000	9,925,000	970,000
<b>Special Revenue Funds:</b>					
Section 108 loan guarantee	2,284,930	-	205,000	2,079,930	217,000
<b>Internal Service Funds:</b>					
Certificates of participation	130,000	-	130,000	-	-
Installment financing	8,752,718	3,972,000	2,861,968	9,862,750	3,238,430
Compensated absences	-	105,801	42,240	63,561	47,671
Governmental activity long-term liabilities	<u>\$ 47,735,414</u>	<u>\$ 8,940,378</u>	<u>\$ 9,303,505</u>	<u>\$ 47,372,287</u>	<u>\$ 8,973,897</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Due Within</u> <u>One Year</u>
<b>Business-Type Activities:</b>					
General obligation bonds	\$ 3,836,677	\$ -	\$ 1,065,139	\$ 2,771,538	\$ 1,248,901
Compensated absences	637,676	554,485	451,556	740,605	555,454
Other post-employment benefits obligation	594,770	597,798	-	1,192,568	-
Revenue bonds	41,780,000	-	2,490,000	39,290,000	2,605,000
Bond premium	711,639	-	88,000	623,639	-
State revolving loans	<u>2,000,000</u>	<u>-</u>	<u>250,000</u>	<u>1,750,000</u>	<u>250,000</u>
Business-type activity long-term liabilities	<u>\$ 49,560,762</u>	<u>\$ 1,152,283</u>	<u>\$ 4,344,695</u>	<u>\$ 46,368,350</u>	<u>\$ 4,659,355</u>

The Internal Service Fund predominantly services the governmental funds. Accordingly, long-term liabilities for it are included as part of the above totals for governmental activities. Also, for the governmental activities, compensated absences and net pension obligation are generally liquidated by the General Fund.

**C. Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 2009 is as follows:

**Due To/From Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Special Revenue Funds, Internal Service Funds	\$ 1,538,477
Internal Service Funds	General, Nonmajor Governmental Funds	61,619
Total		<u>\$ 1,600,096</u>

The City uses a single central depository account to simplify banking and maximize the return on assets. Each fund has an equity interest in the pooled account equal to the amount of cash that is being held on behalf of the fund. Certain special revenue funds have overdrawn their account in the pool and, thus, report a current liability (a "due to") to the General Fund central depository.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

The General Fund receivables from the internal service funds represent plan administration fees and stop/loss premiums paid by the General Fund and not reimbursed as of June 30, 2009. The General Fund payables to internal service funds represent plan premiums not paid as of June 30, 2009.

**D. Revenues, Expenditures, and Expenses**

**On-Behalf Payments for Fringe Benefits and Salaries**

For the fiscal year ended June 30, 2009, the City has recognized on-behalf of payments for pension contributions made by the State as revenue and an expenditure of \$35,915 for the 132 employed firemen who perform firefighting duties for the City's fire department. The employees are elected to be members of the Firemen's and Rescue Squad Workers' Pension Fund, a cost-sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

Also, the City has recognized as revenue and an expenditure on-behalf-of payments for fringe benefits and salaries of \$40,315 for the salary supplement and stipend benefits paid to eligible firemen by the local Board of Trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2009. Under State law, the local Board of Trustees for the fund receives an amount each year which the Board may use at its own discretion for eligible firemen or their dependents.

**3. Jointly Governed Organizations**

North Carolina Electric Agency

The City, in conjunction with 20 other local governments, is a member of the North Carolina Electric Agency (Electric Agency). The Electric Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Electric Agency's governing board. The 21 members, who receive power from the Electric Agency, have signed power sales agreements to purchase a specified share of the power generated by the Electric Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement or residual interest. The City's purchases of power for the fiscal year ended June 30, 2009 were \$50,608,519.

Centralina Council of Governments

The Centralina Council of Governments is a voluntary association of eight county governments and 60 municipalities. The Council was established by the participating governments to coordinate funding from federal and State agencies. Each participating government 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 \$18,195 during the fiscal year ended June 30, 2009.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**4. Joint Venture**

The City and the members of the City's fire department each appoint two members to the five-member local Board of Trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local Board of Trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these monies to the local Board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf-of payments for salaries and fringe benefits made to members of the City's fire department by the Board of Trustees. During the fiscal year ended June 30, 2009, the City reported revenues and expenditures for the payments of \$40,315 made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2009. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local Board of Trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

**5. Related Organization**

The five-member Board of the City of Gastonia Housing Authority's governing board is appointed by the mayor and council of the City. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Authority. The City does not approve or modify the Authority's budget and does not select its management. The City does not finance any of the Authority's deficits and is not entitled to any surpluses. The City is not obligated in any manner for the Authority's debt. The City of Gastonia is also disclosed as a related organization in the notes to the financial statements for the Authority.

**6. Summary Disclosure of Significant Contingencies**

**Federal and State Assisted Programs**

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.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**7. Related Party Transactions**

In 2009, the City's Electric Fund provided services to the general government and other funds and did not charge the funds a fee for these services. The fair market value of these services is estimated at:

<u>Service</u>	<u>General Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Electricity	\$ 798,000	\$ 234,000	\$ 1,032,000
Electricity for street lights	550,000	-	550,000
Electricity charges for street lights billed by outside parties	<u>267,000</u>	<u>-</u>	<u>267,000</u>
Total	<u>\$ 1,615,000</u>	<u>\$ 234,000</u>	<u>\$ 1,849,000</u>

In 2009, 2008, and 2007 the Water and Sewer Fund calculated "payment in lieu of taxes" based on the Water and Sewer Fund capital assets value and the effective tax rate was \$964,687, \$940,022, and \$890,834, respectively; however, the budgeted "payment in lieu of taxes" to the General Fund was \$254,151, \$227,086, and \$222,274, respectively.



**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**8. Transfers From/To Other Funds**

In 2009, the City made the following transfers within its fund structure. Transfers to the General Fund from the electric funds were made to distribute profits to the general government. Transfers from the General Fund to the Transit Fund and the Golf Course Fund were made to underwrite the enterprise funds activities. Transfers from the General Fund to the Mayor/Council Capital Project Fund, Streets Capital Projects, and the Airport Capital Projects Fund were made to provide the local support of the capital projects' capital outlay activities. Transfers from the General Fund, Electric Fund, Water and Sewer Fund, Stormwater Fund, and Information Technology Fund were made to subsidize the Health Self-Insurance Fund. Transfers from the General Fund, Electric Fund and Infrastructure Rehabilitation Fund were made to provide support for the Downtown Capital Projects Fund.

	<u>Transfers</u>	
	<u>From</u>	<u>To</u>
<b>Transfers from/to Other Funds:</b>		
General	\$ 2,663,463	\$ 2,100,000
Enterprise Fund:		
Electric	2,210,446	-
Water and Sewer	156,235	-
Stormwater	35,234	-
Transit	-	514,032
Municipal Golf Course	-	87,418
Internal Service Fund:		
Information Technology Fund	7,700	-
Vehicle Replacement Fund	-	7,523
Health Self-Insurance Fund	-	597,000
Special Revenue Fund:		
Infrastructure Rehabilitation Fund	250,000	-
Downtown Municipal Tax District	-	11,536
Capital Project Funds:		
Streets	-	150,000
Airport	-	16,667
Downtown Capital Projects	-	876,000
Mayor/Council	-	962,902
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 5,323,078</u>	<u>\$ 5,323,078</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**9. Stewardship, Compliance, and Accountability**

**Deficit Fund Balance of Individual Funds**

The following funds had deficit fund balances at June 30, 2009:

Special Revenue Funds:		
108 Loan/Revitalization	\$	(230,582)
Economic Development		(2,559)
Internal Service Funds:		
Medical Self-insurance Fund		(33,041)

Corrective Action

The deficits, created by timing differences, will be eliminated with future revenues.

**10. Subsequent Event**

In August 2009, the City issued \$19,605,000 of Combined Utilities System Revenue Refunding Bonds. The bonds are due in annual principal installments of \$275,000 to \$2,610,000 from May 1, 2010 to May 1, 2020. Interest rates range from 2.00% to 4.00%. The Bonds were issued as a partial refunding of 1998 and 2001 Combined Utility System Revenue Bonds.



## **REQUIRED SUPPLEMENTAL FINANCIAL DATA**

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

Schedule of Funding Progress for the Law Enforcement Officers' and Firemen's Special Separation Allowance

Schedule of Employer Contributions for the Law Enforcement Officers' and Firemen's Special Separation Allowance

Notes to the Required Schedules for the Law Enforcement Officers' and Firemen's Special Separation Allowance

Schedule of Funding Progress for the Other Post-Employment Retiree Health Plan

Schedule of Employer Contributions for the Other Post-Employment Retiree Health Plan

Notes to the Required Schedules for the Other Post-Employment Retiree Health Plan



## CITY OF GASTONIA, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' AND  
 FIREMEN'S SPECIAL SEPARATION ALLOWANCE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS  
 FOR THE YEAR ENDED JUNE 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
12/31/99	\$ -	\$ 4,366,223	\$ 4,366,223	0.00%	\$ 10,781,284	40.50%
12/31/00	-	5,789,656	5,789,656	0.00%	11,586,216	49.97%
12/31/01	-	6,270,500	6,270,500	0.00%	11,920,420	52.60%
12/31/02	-	6,669,595	6,669,595	0.00%	12,117,445	55.04%
12/31/03	-	6,980,067	6,980,067	0.00%	11,832,040	58.99%
12/31/04	-	7,760,006	7,760,006	0.00%	12,506,019	62.05%
12/31/05	-	7,583,558	7,583,558	0.00%	12,432,092	61.00%
12/31/06	-	7,882,908	7,882,908	0.00%	12,877,824	61.21%
12/31/07	-	9,226,637	9,226,637	0.00%	13,879,371	66.48%
12/31/08	-	9,539,856	9,539,856	0.00%	14,788,345	64.51%

**Schedule of Employer Contributions**

Year Ended June 30	Annual Required Contribution (ARC)	Amount Contributed By Employer	Percentage of ARC Contributed
2000	\$ 349,834	\$ -	0.00%
2001	573,335	-	0.00%
2002	604,767	-	0.00%
2003	630,811	-	0.00%
2004	653,321	-	0.00%
2005	730,031	-	0.00%
2006	730,031	-	0.00%
2007	733,401	-	0.00%
2008	733,401	-	0.00%
2009	729,611	-	0.00%

**Notes to the Required Schedules:**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	22 Years
Asset valuation method	Market value
<b>Actuarial Assumptions:</b>	
Investment rate of return*	7.25%
Projected salary increases*	4.5% to 14.7%
Cost of living adjustments	None

\* Includes inflation at 3.75%

## CITY OF GASTONIA, NORTH CAROLINA

**OTHER POST-EMPLOYMENT BENEFITS -  
 RETIREE HEALTH PLAN  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS  
 FOR THE YEAR ENDED JUNE 30, 2009**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) Projected Unit Credit</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percent of Covered Payroll</b>
12/31/2006	\$ -	\$ 40,569,078	\$ 40,569,078	0.00%	\$ 36,767,010	110.34%

**Schedule of Employer Contributions**

<b>Year Ended June 30</b>	<b>Annual Required Contribution (ARC)</b>	<b>Amount Contributed By Employer</b>	<b>Percentage of ARC Contributed</b>
2008	\$ 3,428,106	\$ -	0.00%
2009	3,428,106	-	0.00%

**Notes to the Required Schedules:**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2006
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 Years
Asset valuation method	Market value of assets
<b>Actuarial Assumptions:</b>	
Investment rate of return*	4.00%
Medical cost trend rate	12.00%-5.00%
Year of Ultimate trend rate	2014

\* Includes inflation at 3.75%

## **OTHER SUPPLEMENTARY FINANCIAL DATA**

The other supplementary financial data represents additional information pertaining to the City's activities in the current fiscal year.





## **DETAILED FINANCIAL STATEMENTS AND SCHEDULES**

The Detailed Financial Statements and Schedules reflect the detailed level of presentation behind the “basic” Financial Statements. Included are the following:

- 1) Combining Nonmajor Governmental Funds
- 2) Ad Valorem Tax Schedules
- 3) Combining Statements – By Fund Type
- 4) Individual Fund Statements and Schedules with Comparisons to Budget



## CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2009

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Project Funds</b>	<b>Total</b>
<b>Assets:</b>			
Cash, cash equivalents, and investments	\$ 1,006,127	\$ 882,149	\$ 1,888,276
Taxes receivable, net	21,460	-	21,460
Accounts receivable, net	1,145,673	49,510	1,195,183
Due from other governments	60,530	-	60,530
Loan pool receivable, net	943,542	-	943,542
Cash and cash equivalents, restricted	54,633	3,039,597	3,094,230
Property acquired for rehabilitation and resale	<u>2,198,871</u>	<u>-</u>	<u>2,198,871</u>
 Total assets	 <u>\$ 5,430,836</u>	 <u>\$ 3,971,256</u>	 <u>\$ 9,402,092</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 91,733	\$ 205,928	\$ 297,661
Due to General Fund	1,382,976	-	1,382,976
Deferred revenues	<u>967,488</u>	<u>-</u>	<u>967,488</u>
Total liabilities	<u>2,442,197</u>	<u>205,928</u>	<u>2,648,125</u>
<b>Fund Balances:</b>			
Reserved by State statute	1,203,734	49,510	1,253,244
Reserved for inventory	2,198,871	-	2,198,871
Reserved for encumbrances	107,409	902,687	1,010,096
Unreserved	<u>(521,375)</u>	<u>2,813,131</u>	<u>2,291,756</u>
Total fund balances	<u>2,988,639</u>	<u>3,765,328</u>	<u>6,753,967</u>
 Total liabilities and fund balances	 <u>\$ 5,430,836</u>	 <u>\$ 3,971,256</u>	 <u>\$ 9,402,092</u>

## CITY OF GASTONIA, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Project Funds</b>	<b>Total</b>
<b>Revenues:</b>			
Ad valorem taxes	\$ 113,583	\$ -	\$ 113,583
Other taxes and licenses	369,704	-	369,704
Restricted intergovernmental	1,652,292	103,516	1,755,808
Sales and services	355,485	-	355,485
Investment earnings	(6,530)	51,542	45,012
Miscellaneous	46,855	1,037,718	1,084,573
Total revenues	<u>2,531,389</u>	<u>1,192,776</u>	<u>3,724,165</u>
<b>Expenditures:</b>			
Economic and physical development	2,236,652	-	2,236,652
Capital outlay	-	1,687,493	1,687,493
Debt service:			
Principal repayment	205,000	-	205,000
Interest	111,228	-	111,228
Total expenditures	<u>2,552,880</u>	<u>1,687,493</u>	<u>4,240,373</u>
Revenues over (under) expenditures	<u>(21,491)</u>	<u>(494,717)</u>	<u>(516,208)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	11,536	1,042,667	1,054,203
Transfers to other funds	<u>(250,000)</u>	<u>-</u>	<u>(250,000)</u>
Total other financing sources (uses)	<u>(238,464)</u>	<u>1,042,667</u>	<u>804,203</u>
Net change in fund balances	(259,955)	547,950	287,995
<b>Fund Balances:</b>			
Beginning of year - July 1	3,541,957	3,217,378	6,759,335
Increase (decrease) in inventories and property/land acquired for redevelopment/rehabilitation	<u>(293,363)</u>	<u>-</u>	<u>(293,363)</u>
End of year - June 30	<u>\$ 2,988,639</u>	<u>\$ 3,765,328</u>	<u>\$ 6,753,967</u>

## CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
FOR THE YEAR ENDED JUNE 30, 2009

<u>Fiscal Year</u>	<u>Balance June 30, 2008</u>	<u>Additions and Adjustments</u>	<u>Collections and Credits</u>	<u>Balance June 30, 2009</u>
2008-2009	\$ -	\$ 27,362,564	\$ 26,196,947	\$ 1,165,617
2007-2008	1,081,083	29,641	853,549	257,175
2006-2007	218,371	12,695	101,535	129,531
2005-2006	147,411	9,389	58,794	98,006
2004-2005	94,671	7,380	26,029	76,022
2003-2004	112,788	1,717	15,015	99,490
2002-2003	78,684	43	7,307	71,420
2001-2002	64,073	22	4,469	59,626
2000-2001	122,186	-	3,037	119,149
1999-2000	55,437	10	2,585	52,862
1998-1999	44,283	-	44,283	-
	<u>\$ 2,018,987</u>	<u>\$ 27,423,461</u>	<u>\$ 27,313,550</u>	<u>2,128,898</u>
Less allowance for uncollectible ad valorem taxes receivable				(1,093,503)
Add: Motor vehicle tag receivable				388,474
Less allowance for uncollectible motor vehicle tag receivable				<u>(230,805)</u>
Ad valorem taxes receivable - net				<u>\$ 1,193,064</u>
<b>Reconciliation with Revenues:</b>				
Taxes - ad valorem				\$ 27,124,785
<b>Reconciling Items:</b>				
Penalties and interest				(189,659)
Amounts written off for tax year 1998-1999				44,283
Current year releases and adjustments of uncollected taxes				246,817
Prior year releases and adjustments of uncollected taxes				<u>87,324</u>
Total collections and credits				<u>\$ 27,313,550</u>

## CITY OF GASTONIA, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY  
FOR THE YEAR ENDED JUNE 30, 2009

	City-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxed at current year's rate	\$5,126,520,581	\$ 0.005300	\$ 27,170,559	\$ 24,882,250	\$ 2,288,309
<b>Discoveries:</b>					
Current year taxes	36,227,358	0.005300	192,005	164,087	27,918
<b>Abatements:</b>					
Current year taxes	<u>(45,706,852)</u>		<u>(246,817)</u>	<u>(173,913)</u>	<u>(72,904)</u>
Total property valuation	<u>\$5,117,041,087</u>				
<b>Net Levy</b>			27,115,747	24,872,424	2,243,323
Uncollected taxes at June 30, 2009			<u>1,165,617</u>	<u>816,020</u>	<u>349,597</u>
Current year's tax collections			<u>\$ 25,950,130</u>	<u>\$ 24,056,404</u>	<u>\$ 1,893,726</u>
Current levy collection percentage			<u>95.70%</u>	<u>96.72%</u>	<u>84.42%</u>
Prior year collection percentage			<u>95.91%</u>	<u>97.09%</u>	<u>83.50%</u>

## **GOVERNMENTAL FUNDS**

General Fund

Special Revenue Funds

Capital Projects Funds

The focus of Governmental Fund measurement is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination.





## **GENERAL FUND**

The primary purpose of the General Fund is to account for all of the City's operating revenues and other financial resources and their uses in conducting the general operations of the City, except for those resources required to be accounted for in another fund.

This fund receives the major portion of the ad valorem tax revenue, local option sales taxes, federal and state shared revenues, licenses, permits and fees. The major operating activities include general government, public safety, public works, recreation, museum and other governmental service functions.

The fund is accounted for on the modified accrual basis of accounting.



CITY OF GASTONIA, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009			2008
	Final Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Current year	\$ 25,847,533	\$ 25,950,130	\$ 102,597	\$ 25,366,417
Prior year	1,000,000	984,996	(15,004)	913,769
Penalties and interest	173,000	189,659	16,659	181,492
Total	27,020,533	27,124,785	104,252	26,461,678
<b>Other Taxes and Licenses:</b>				
Local option sales tax	9,988,922	9,988,923	1	9,988,922
Payments in lieu of taxes	2,065,413	2,198,584	133,171	2,053,633
Utility franchise tax	3,605,000	3,604,081	(919)	3,397,786
Privilege licenses	290,000	264,493	(25,507)	150,556
Penalties and interest	2,000	4,485	2,485	6,366
Auto tag fee	740,000	794,091	54,091	794,945
Rental vehicle tax	57,000	56,976	(24)	61,364
Total	16,748,335	16,911,633	163,298	16,453,572
<b>Unrestricted Intergovernmental Revenues:</b>				
Beer and wine	347,000	327,159	(19,841)	328,786
N.C. Highway Commission	212,000	126,082	(85,918)	182,706
City of Gastonia ABC Board	620,000	460,000	(160,000)	532,000
Court costs	20,000	22,148	2,148	19,206
Video franchise tax	515,000	635,429	120,429	571,029
Total	1,714,000	1,570,818	(143,182)	1,633,727
<b>Restricted Intergovernmental Revenues:</b>				
Powell Bill allocation	2,193,017	2,193,017	-	2,411,499
Section 104(f) - federal grant	465,120	280,398	(184,722)	317,272
Section 5303 - federal/State	36,000	32,805	(3,195)	15,681
Federal asset forfeitures	79,912	97,070	17,158	10,642
State asset forfeitures	106,000	144,354	38,354	75,616
State grants	55,238	28,044	(27,194)	17,575
Miscellaneous federal and State grants	201,108	200,207	(901)	30,064
Gaston County	27,720	15,164	(12,556)	29,335
US DOJ Block Grant 2002	31,585	29,390	(2,195)	67,239
Federal grants - vest	-	-	-	18,085
On-behalf-of payments - firemen	-	76,230	76,230	71,020
Total	3,195,700	3,096,679	(99,021)	3,064,028
<b>Permits</b>	1,059,000	743,410	(315,590)	999,738

CITY OF GASTONIA, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009		Variance Over/Under	2008
	Final Budget	Actual		Actual
<b>Sales, Services, and Rents:</b>				
Administration fees	316,500	390,029	73,529	371,554
Airport fees and rents	112,208	109,549	(2,659)	108,897
Cablevision fees	100,000	65,067	(34,933)	92,848
Commercial waste disposal fee	1,656,784	1,632,041	(24,743)	1,480,559
County grant - museum	100,000	100,000	-	100,000
Decorative street lights	41,000	50,338	9,338	38,878
Fire protection charges	250	250	-	300
Franchise fee - airport	150	-	(150)	100
Hanson surcharge	14,337	29,532	15,195	38,246
Late fees	9,000	10,340	1,340	9,532
Museum	321,258	236,587	(84,671)	167,036
Reconnection fees	103,000	110,425	7,425	104,483
Recreation	297,950	320,988	23,038	367,537
Recycling fees	87,340	94,883	7,543	82,922
Reimbursement for services	1,185,718	1,130,272	(55,446)	1,087,338
Rents	139,342	174,564	35,222	122,504
Report copies	5,200	9,338	4,138	9,437
Sale of property	200,000	118,849	(81,151)	318,756
Skeet, trap, and pistol/rifle fees	85,000	95,013	10,013	85,348
Total	<u>4,775,037</u>	<u>4,678,065</u>	<u>(96,972)</u>	<u>4,586,275</u>
<b>Investment Earnings:</b>				
Regular investments	978,852	374,070	(604,782)	925,166
Installment sale	1,110	1,110	-	13,719
Federal asset forfeitures	412	855	443	769
State asset forfeitures	2,500	2,204	(296)	3,841
Police Memorial - Fund 75	-	238	238	549
Block Grant - Fund 76	-	1,146	1,146	2,748
Hanson surcharge	488	1,169	681	2,512
Total	<u>983,362</u>	<u>380,792</u>	<u>(602,570)</u>	<u>949,304</u>
<b>Miscellaneous:</b>				
Donations	3,164	6,134	2,970	7,578
Parking violations	2,000	1,774	(226)	1,013
Discounts earned	2,000	534	(1,466)	539
Other	337,843	309,270	(28,573)	291,377
Insurance proceeds	19,441	19,941	500	7,524
Total	<u>364,448</u>	<u>337,653</u>	<u>(26,795)</u>	<u>308,031</u>
Total revenues	<u>55,860,415</u>	<u>54,843,835</u>	<u>(1,016,580)</u>	<u>54,456,353</u>

CITY OF GASTONIA, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009		2008	
	Final Budget	Actual	Variance Over/Under	Actual
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Mayor and Council:</b>				
Salaries and employee benefits	154,090	149,259	4,831	159,774
Operating expenditures	302,242	264,073	38,169	350,857
Overhead allocated to other funds	(142,748)	(136,433)	(6,315)	(171,696)
Total	<u>313,584</u>	<u>276,899</u>	<u>36,685</u>	<u>338,935</u>
<b>Communications and Marketing:</b>				
Salaries and employee benefits	86,836	86,725	111	83,351
Operating expenditures	91,068	87,015	4,053	46,874
Total	<u>177,904</u>	<u>173,740</u>	<u>4,164</u>	<u>130,225</u>
<b>City Manager:</b>				
Salaries and employee benefits	321,904	308,348	13,556	296,656
Operating expenditures	166,897	59,895	107,002	55,854
Overhead allocated to other funds	(127,898)	(112,478)	(15,420)	(112,347)
Total	<u>360,903</u>	<u>255,765</u>	<u>105,138</u>	<u>240,163</u>
<b>Executive Director - Public Service:</b>				
Salaries and employee benefits	143,896	142,193	1,703	147,120
Operating expenditures	7,676	5,881	1,795	4,681
Overhead allocated to other funds	(18,278)	(6,765)	(11,513)	(17,736)
Total	<u>133,294</u>	<u>141,309</u>	<u>(8,015)</u>	<u>134,065</u>
<b>Executive Director - Public Works:</b>				
Salaries and employee benefits	151,707	149,513	2,194	154,405
Operating expenditures	9,398	8,331	1,067	7,792
Overhead allocated to other funds	(103,884)	(102,406)	(1,478)	(57,416)
Total	<u>57,221</u>	<u>55,438</u>	<u>1,783</u>	<u>104,781</u>
<b>Archives and History:</b>				
Operating expenditures	280	188	92	177
<b>Human Resources:</b>				
Salaries and employee benefits	1,463,086	1,340,566	122,520	1,263,942
Operating expenditures	1,421,871	1,391,917	29,954	1,397,636
Overhead allocated to other funds	(731,485)	(720,509)	(10,976)	(717,523)
Total	<u>2,153,472</u>	<u>2,011,974</u>	<u>141,498</u>	<u>1,944,055</u>

CITY OF GASTONIA, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009		2008	
	Final Budget	Actual	Variance Over/Under	Actual
<b>Central Services:</b>				
<b>Administration:</b>				
Capital outlay	13,336	13,295	41	-
<b>Data Processing:</b>				
Salaries and employee benefits	208,928	207,015	1,913	200,846
Operating expenditures	118,699	50,562	68,137	59,739
Overhead allocated to other funds	(97,678)	(93,561)	(4,117)	(101,767)
Total	229,949	164,016	65,933	158,818
<b>Telephone Communication:</b>				
Salaries and employee benefits	61,781	60,207	1,574	59,562
Operating expenditures	(71,939)	(71,490)	(449)	(65,907)
Overhead allocated to other funds	5,397	2,747	2,650	1,672
Total	(4,761)	(8,536)	3,775	(4,673)
<b>Communications Division:</b>				
Salaries and employee benefits	594,136	578,042	16,094	539,745
Operating expenditures	160,694	158,457	2,237	124,207
Overhead allocated to other funds	(11,676)	(8,368)	(3,308)	(8,810)
Total	743,154	728,131	15,023	655,142
<b>Computer Support:</b>				
Operating expenditures	1,140	1,701	(561)	12
<b>Database Administration:</b>				
Salaries and employee benefits	220,637	220,235	402	213,967
Operating expenditures	123,039	106,365	16,674	100,906
Overhead allocated to other funds	(267,667)	(261,280)	(6,387)	(263,682)
Total	76,009	65,320	10,689	51,191
<b>Geographic Information Systems AM/FM :</b>				
Salaries and employee benefits	187,584	181,195	6,389	178,398
Operating expenditures	74,547	59,483	15,064	57,376
Overhead allocated to other funds	(205,211)	(192,541)	(12,670)	(196,731)
Total	56,920	48,137	8,783	39,043
<b>Mobile Data Systems:</b>				
Operating expenditures	-	(50)	50	-

CITY OF GASTONIA, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009		2008	
	Final Budget	Actual	Variance Over/Under	Actual
<b>Tech Services - CIS Apps:</b>				
Salaries and employee benefits	306,261	305,395	866	293,409
Operating expenditures	191,670	145,469	46,201	174,161
Overhead allocated to other funds	(496,376)	(470,785)	(25,591)	(490,420)
Total	1,555	(19,921)	21,476	(22,850)
<b>Tech Services - 800 Mhz System:</b>				
Salaries and employee benefits	68,590	67,088	1,502	64,554
Operating expenditures	121,148	114,240	6,908	20,754
Total	189,738	181,328	8,410	85,308
Total central services	1,307,040	1,173,421	133,619	961,991
<b>Financial Services:</b>				
<b>Accounting Division:</b>				
Salaries and employee benefits	456,480	452,970	3,510	387,193
Operating expenditures	103,760	87,383	16,377	96,539
Capital outlay	16,203	17,114	(911)	10,000
Overhead allocated to other funds	(164,815)	(159,392)	(5,423)	(149,117)
Total	411,628	398,075	13,553	344,615
<b>Budget Division:</b>				
Salaries and employee benefits	238,541	236,363	2,178	229,355
Operating expenditures	57,801	49,783	8,018	42,953
Overhead allocated to other funds	(90,559)	(85,385)	(5,174)	(84,839)
Total	205,783	200,761	5,022	187,469
<b>Billing Division:</b>				
Salaries and employee benefits	1,035,630	1,012,550	23,080	972,665
Operating expenditures	342,610	332,876	9,734	322,301
Overhead allocated to other funds	(1,330,518)	(1,294,030)	(36,488)	(1,240,523)
Total	47,722	51,396	(3,674)	54,443
<b>Purchasing Division:</b>				
Salaries and employee benefits	211,190	210,242	948	202,710
Operating expenditures	19,362	14,458	4,904	17,201
Overhead allocated to other funds	(84,046)	(77,468)	(6,578)	(79,989)
Total	146,506	147,232	(726)	139,922



CITY OF GASTONIA, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009		2008	
	Final Budget	Actual	Variance Over/Under	Actual
<b>Warehouse Division:</b>				
Salaries and employee benefits	175,830	170,721	5,109	170,093
Operating expenditures	59,101	46,610	12,491	37,928
Overhead allocated to other funds	(205,358)	(189,443)	(15,915)	(190,535)
Total	29,573	27,888	1,685	17,486
<b>Garage Division:</b>				
Operating expenditures	9,997	31,431	(21,434)	79,436
Overhead allocated to other funds	(4,100)	(4,362)	262	(6,530)
Total	5,897	27,069	(21,172)	72,906
<b>Print Shop:</b>				
Salaries and employee benefits	51,022	50,803	219	49,073
Operating expenditures	33,363	21,415	11,948	23,598
Overhead allocated to other funds	(15,911)	(14,755)	(1,156)	(14,333)
Total	68,474	57,463	11,011	58,338
<b>Financial Services Administration:</b>				
Salaries and employee benefits	217,077	215,516	1,561	202,464
Operating expenditures	20,960	15,528	5,432	20,439
Overhead allocated to other funds	(105,217)	(100,482)	(4,735)	(99,192)
Total	132,820	130,562	2,258	123,711
<b>Revenue Collections:</b>				
Salaries and employee benefits	482,118	477,279	4,839	425,536
Operating expenditures	169,958	142,368	27,590	145,356
Overhead allocated to other funds	(538,891)	(507,071)	(31,820)	(468,314)
Total	113,185	112,576	609	102,578
<b>Revenue Security:</b>				
Salaries and employee benefits	86,256	98,175	(11,919)	61,538
Operating expenditures	6,021	5,744	277	4,786
Overhead allocated to other funds	(68,828)	(103,918)	35,090	(66,325)
Total	23,449	1	23,448	(1)
Total financial services	1,185,037	1,153,023	32,014	1,101,467
<b>City Attorney:</b>				
Operating expenditures	6,000	4,500	1,500	6,000

CITY OF GASTONIA, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009		2008	
	Final Budget	Actual	Variance Over/Under	Actual
<b>Deputy City Attorney:</b>				
Salaries and employee benefits	341,531	339,442	2,089	325,571
Operating expenditures	60,686	47,201	13,485	45,365
Overhead allocated to other funds	(64,197)	(59,697)	(4,500)	(59,234)
Total	338,020	326,946	11,074	311,702
<b>Planning:</b>				
<b>Administration:</b>				
Salaries and employee benefits	410,294	401,338	8,956	374,331
Operating expenditures	78,225	44,676	33,549	58,553
Overhead allocated to other funds	(47,692)	(45,137)	(2,555)	(43,863)
Total	440,827	400,877	39,950	389,021
<b>Economic Development:</b>				
Salaries and employee benefits	-	-	-	31,532
Operating expenditures	15,025	522	14,503	2,700
Overhead allocated to other funds	(5,900)	(344)	(5,556)	(22,592)
Total	9,125	178	8,947	11,640
<b>Transportation:</b>				
Salaries and employee benefits	349,834	328,002	21,832	373,087
Operating expenditures	275,035	204,581	70,454	143,473
Capital outlay	1,360	-	1,360	-
Total	626,229	532,583	93,646	516,560
<b>Inspections:</b>				
Salaries and employee benefits	751,849	750,066	1,783	703,846
Operating expenditures	157,782	126,219	31,563	118,007
Total	909,631	876,285	33,346	821,853
<b>Real Estate:</b>				
Salaries and employee benefits	73,287	72,822	465	42,876
Operating expenditures	21,864	12,407	9,457	21,875
Capital outlay	10,000	4,694	5,306	297
Overhead allocated to other funds	(62,312)	(59,704)	(2,608)	(13,263)
Total	42,839	30,219	12,620	51,785

CITY OF GASTONIA, NORTH CAROLINA

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2009**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008**

	<b>2009</b>		<b>2008</b>	
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>New Development Services:</b>				
Salaries and employee benefits	100,229	99,433	796	87,347
Operating expenditures	13,218	11,768	1,450	9,107
Total	<u>113,447</u>	<u>111,201</u>	<u>2,246</u>	<u>96,454</u>
Total planning	<u>2,142,098</u>	<u>1,951,343</u>	<u>190,755</u>	<u>1,887,313</u>
<b>General Services:</b>				
<b>Building and Grounds:</b>				
Salaries and employee benefits	706,463	690,136	16,327	669,219
Operating expenditures	273,276	225,903	47,373	221,481
Overhead allocated to other funds	(121,822)	(102,656)	(19,166)	(114,549)
Total	<u>857,917</u>	<u>813,383</u>	<u>44,534</u>	<u>776,151</u>
Total general services	<u>857,917</u>	<u>813,383</u>	<u>44,534</u>	<u>776,151</u>
<b>Community Improvement:</b>				
<b>Clean City Program:</b>				
Salaries and employee benefits	150,570	148,743	1,827	144,668
Operating expenditures	39,774	27,480	12,294	29,402
Total	<u>190,344</u>	<u>176,223</u>	<u>14,121</u>	<u>174,070</u>
<b>Uptown Development:</b>				
Operating expenditures	29,500	20,990	8,510	1,452
<b>Administration:</b>				
Salaries and employee benefits	155,266	150,533	4,733	168,117
Operating expenditures	34,816	30,970	3,846	33,309
Total	<u>190,082</u>	<u>181,503</u>	<u>8,579</u>	<u>201,426</u>
<b>Code Enforcement:</b>				
Salaries and employee benefits	393,355	391,066	2,289	320,885
Operating expenditures	372,872	334,598	38,274	360,895
Overhead allocated to other funds	(15,179)	(14,881)	(298)	(14,101)
Total	<u>751,048</u>	<u>710,783</u>	<u>40,265</u>	<u>667,679</u>
<b>Sister Cities:</b>				
Salaries and employee benefits	20,544	18,835	1,709	12,433
Operating expenditures	20,531	16,978	3,553	18,772
Total	<u>41,075</u>	<u>35,813</u>	<u>5,262</u>	<u>31,205</u>

CITY OF GASTONIA, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009		2008	
	Final Budget	Actual	Variance Over/Under	Actual
<b>Community Improvement - Downtown:</b>				
Salaries and employee benefits	94,939	93,277	1,662	78,396
Capital outlay	3,074	3,073	1	3,700
Overhead allocated to other funds	(16,543)	(16,834)	291	(14,279)
Total	81,470	79,516	1,954	67,817
<b>Neighborhood Stabilization Program:</b>				
Operating expenditures	11,749	10,667	1,082	8,674
Total community improvement	1,295,268	1,215,495	79,773	1,152,323
Total general government	10,328,038	9,553,424	774,614	9,089,348
<b>Public Safety:</b>				
<b>Police Department:</b>				
<b>Administration:</b>				
Salaries and employee benefits	514,360	501,664	12,696	486,068
Operating expenditures	86,577	69,024	17,553	91,875
Total	600,937	570,688	30,249	577,943
<b>Recruiting:</b>				
Operating expenditures	10,000	7,393	2,607	8,850
<b>Support Services - Investigations:</b>				
Salaries and employee benefits	2,975,962	2,968,322	7,640	2,888,500
Operating expenditures	582,794	548,246	34,548	551,068
Overhead allocated to other funds	(7,804)	(7,738)	(66)	(8,071)
Total	3,550,952	3,508,830	42,122	3,431,497
<b>Field Services:</b>				
Salaries and employee benefits	6,819,181	6,780,439	38,742	6,394,684
Operating expenditures	1,719,604	1,669,235	50,369	1,398,133
Capital outlay	17,611	11,750	5,861	26,947
Total	8,556,396	8,461,424	94,972	7,819,764
<b>P.A.R.C.:</b>				
Salaries and employee benefits	233,785	207,079	26,706	180,737
Operating expenditures	53,349	40,690	12,659	43,107
Overhead allocated to other funds	(1,876)	(1,809)	(67)	(4,586)
Total	285,258	245,960	39,298	219,258

CITY OF GASTONIA, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009		2008	
	Final Budget	Actual	Variance Over/Under	Actual
<b>M.I.S.:</b>				
Salaries and employee benefits	438,164	437,451	713	426,112
Operating expenditures	189,561	163,448	26,113	153,738
Total	627,725	600,899	26,826	579,850
<b>Support Services:</b>				
Salaries and employee benefits	530,537	522,351	8,186	544,040
Operating expenditures	287,254	272,874	14,380	261,659
Total	817,791	795,225	22,566	805,699
<b>ABC Enforcement:</b>				
Salaries and employee benefits	71,201	68,455	2,746	67,469
Operating expenditures	12,690	11,323	1,367	10,562
Total	83,891	79,778	4,113	78,031
<b>Early Police Retirement:</b>				
Salaries and employee benefits	545,122	539,002	6,120	539,029
<b>Police Department Asset Forfeiture:</b>				
Operating expenditures	197,831	121,750	76,081	75,339
Capital outlay	7,995	7,995	-	15,009
Total	205,826	129,745	76,081	90,348
<b>Police Memorial Trust - Reserves:</b>				
Operating expenditures	10,200	8,888	1,312	1,391
<b>Special Situations:</b>				
Operating expenditures	55,760	48,371	7,389	52,352
<b>Police Department Grants:</b>				
Operating expenditures	31,901	5,000	26,901	79,302
<b>Police Records Bureau:</b>				
Salaries and employee benefits	554,268	535,905	18,363	432,612
Operating expenditures	129,367	122,079	7,288	79,384
Total	683,635	657,984	25,651	511,996
Total police department	16,065,394	15,659,187	406,207	14,795,310

CITY OF GASTONIA, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009		2008	
	Final Budget	Actual	Variance Over/Under	Actual
<b>Fire Department:</b>				
<b>Administration:</b>				
Salaries and employee benefits	329,080	327,525	1,555	337,913
Operating expenditures	71,503	63,466	8,037	52,036
Total	400,583	390,991	9,592	389,949
<b>Life Safety:</b>				
Salaries and employee benefits	399,125	392,089	7,036	372,669
Operating expenditures	70,704	67,474	3,230	61,645
Total	469,829	459,563	10,266	434,314
<b>Operations:</b>				
Salaries and employee benefits	7,508,037	7,478,036	30,001	7,293,479
Operating expenditures	1,224,934	1,159,127	65,807	1,108,677
Total	8,732,971	8,637,163	95,808	8,402,156
<b>Training:</b>				
Salaries and employee benefits	86,635	86,581	54	81,351
Operating expenditures	20,566	18,769	1,797	17,836
Total	107,201	105,350	1,851	99,187
<b>Early Fire Retirement:</b>				
Salaries and employee benefits	384,885	376,334	8,551	314,048
<b>Risk Management Division:</b>				
Salaries and employee benefits	-	-	-	38
<b>Grants:</b>				
Operating expenditures	10,000	-	10,000	9,816
<b>On-Behalf of Payments:</b>				
Operating expenditures	-	76,230	(76,230)	71,020
Total fire department	10,105,469	10,045,631	49,838	9,720,528
Total public safety	26,170,863	25,704,818	456,045	24,515,838

CITY OF GASTONIA, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009		2008	
	Final Budget	Actual	Variance Over/Under	Actual
<b>Public Works:</b>				
<b>Sanitation Department:</b>				
<b>Supervision:</b>				
Salaries and employee benefits	276,450	273,688	2,762	275,299
Operating expenditures	54,283	50,382	3,901	56,809
Overhead allocated to other funds	(23,300)	(22,199)	(1,101)	(22,725)
Total	307,433	301,871	5,562	309,383
<b>Refuse Collection:</b>				
Salaries and employee benefits	1,855,722	1,814,697	41,025	1,777,425
Operating expenditures	2,212,566	2,114,238	98,328	2,030,237
Overhead allocated to other funds	(40,229)	(39,290)	(939)	(38,077)
Total	4,028,059	3,889,645	138,414	3,769,585
<b>Refuse Disposal:</b>				
Operating expenditures	1,683,763	1,529,134	154,629	1,695,622
Total sanitation department	6,019,255	5,720,650	298,605	5,774,590
<b>Public Works Engineering:</b>				
Salaries and employee benefits	2,249,240	2,224,807	24,433	2,116,377
Operating expenditures	226,037	197,394	28,643	253,276
Overhead allocated to other funds	(1,331,290)	(1,306,728)	(24,562)	(1,295,777)
Total	1,143,987	1,115,473	28,514	1,073,876
<b>Equipment Services:</b>				
Salaries and employee benefits	983,330	978,715	4,615	930,481
Operating expenditures	140,161	131,613	8,548	99,500
Capital outlay	17,542	17,542	-	-
Overhead allocated to other funds	(433,625)	(435,524)	1,899	(403,715)
Total	707,408	692,346	15,062	626,266
<b>Airport Operations:</b>				
Operating expenditures	112,237	106,392	5,845	109,585
<b>Traffic Services:</b>				
Salaries and employee benefits	470,584	458,002	12,582	445,497
Operating expenditures	206,865	195,888	10,977	161,884
Total	677,449	653,890	23,559	607,381

CITY OF GASTONIA, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009		2008	
	Final Budget	Actual	Variance Over/Under	Actual
<b>Street Department:</b>				
Supervision				
Salaries and employee benefits	289,997	280,727	9,270	278,337
Operating expenditures	123,603	112,403	11,200	162,371
Overhead allocated to other funds	(247,232)	(239,809)	(7,423)	(269,664)
Total	166,368	153,321	13,047	171,044
<b>Powell Bill Street Funds:</b>				
Salaries and employee benefits	1,233,676	1,192,850	40,826	1,056,817
Operating expenditures	1,275,383	1,120,273	155,110	862,241
Capital outlay	1,425	1,425	-	-
Overhead allocated to other funds	(125,590)	(120,357)	(5,233)	(97,720)
Total	2,384,894	2,194,191	190,703	1,821,338
<b>Landscape:</b>				
Salaries and employee benefits	401,373	391,948	9,425	386,954
Operating expenditures	75,988	70,211	5,777	73,654
Overhead allocated to other funds	(30,852)	(28,775)	(2,077)	(30,116)
Total	446,509	433,384	13,125	430,492
Total public works	11,658,107	11,069,647	588,460	10,614,572
<b>Cemeteries:</b>				
Salaries and employee benefits	161,427	157,416	4,011	157,009
Operating expenditures	34,987	30,876	4,111	23,723
Total	196,414	188,292	8,122	180,732
Total public works and cemeteries	11,854,521	11,257,939	596,582	10,795,304
<b>Cultural and Recreational:</b>				
<b>Recreational:</b>				
<b>Administration:</b>				
Salaries and employee benefits	153,876	151,977	1,899	147,929
Operating expenditures	44,540	40,071	4,469	36,353
Total	198,416	192,048	6,368	184,282
<b>Athletics and Special Facilities:</b>				
Salaries and employee benefits	459,394	443,977	15,417	426,376
Operating expenditures	328,975	285,418	43,557	275,544
Total	788,369	729,395	58,974	701,920



CITY OF GASTONIA, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009		2008	
	Final Budget	Actual	Variance Over/Under	Actual
<b>Roland E. Bradley Community Center:</b>				
Salaries and employee benefits	165,975	163,166	2,809	157,569
Operating expenditures	42,400	36,792	5,608	38,880
Total	208,375	199,958	8,417	196,449
<b>Erwin Community Center:</b>				
Salaries and employee benefits	170,254	164,200	6,054	163,339
Operating expenditures	93,461	80,016	13,445	76,258
Total	263,715	244,216	19,499	239,597
<b>Martha Rivers Park:</b>				
Salaries and employee benefits	276,885	264,197	12,688	272,375
Operating expenditures	72,230	66,932	5,298	84,347
Total	349,115	331,129	17,986	356,722
<b>Phillips Community Center:</b>				
Salaries and employee benefits	167,802	157,460	10,342	156,518
Operating expenditures	44,009	36,516	7,493	38,245
Total	211,811	193,976	17,835	194,763
<b>Jeffers Community Center:</b>				
Salaries and employee benefits	150,096	141,008	9,088	116,099
Operating expenditures	37,393	25,333	12,060	26,237
Total	187,489	166,341	21,148	142,336
<b>Maintenance and Development:</b>				
Salaries and employee benefits	365,972	350,467	15,505	299,610
Operating expenditures	101,437	90,708	10,729	82,399
Total	467,409	441,175	26,234	382,009
<b>Golf course:</b>				
Salaries and employee benefits	250	248	2	-
Operating expenditures	56,688	66,873	(10,185)	-
Total	56,938	67,121	(10,183)	-
<b>Adult Recreation Center:</b>				
Salaries and employee benefits	155,556	147,815	7,741	143,284
Operating expenditures	126,938	92,991	33,947	102,702
Total	282,494	240,806	41,688	245,986
<b>Sims Park:</b>				
Operating expenditures	9,720	9,276	444	11,600

CITY OF GASTONIA, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009		2008	
	Final Budget	Actual	Variance Over/Under	Actual
<b>Southeast Community Center:</b>				
Salaries and employee benefits	24,908	23,935	973	22,941
Operating expenditures	5,275	4,438	837	5,051
Total	30,183	28,373	1,810	27,992
<b>Skeet/Trap Range:</b>				
Salaries and employee benefits	41,216	37,786	3,430	39,757
Operating expenditures	59,250	52,230	7,020	56,470
Total	100,466	90,016	10,450	96,227
<b>Lineberger Park:</b>				
Salaries and employee benefits	11,363	3,291	8,072	8,557
Operating expenditures	4,439	3,565	874	3,738
Total	15,802	6,856	8,946	12,295
<b>Greenways:</b>				
Operating expenditures	17,656	14,184	3,472	16,830
Total recreational	3,187,958	2,954,870	233,088	2,809,008
<b>Museum:</b>				
<b>Collections/Research:</b>				
Salaries and employee benefits	117,877	116,267	1,610	110,761
Operating expenditures	17,258	14,903	2,355	10,750
Total	135,135	131,170	3,965	121,511
<b>Education:</b>				
Salaries and employee benefits	326,264	317,983	8,281	297,018
Operating expenditures	82,320	72,431	9,889	53,248
Total	408,584	390,414	18,170	350,266
<b>Exhibits:</b>				
Salaries and employee benefits	200,945	181,265	19,680	172,528
Operating expenditures	45,363	44,540	823	40,470
Total	246,308	225,805	20,503	212,998
<b>Administration:</b>				
Salaries and employee benefits	311,623	300,201	11,422	317,038
Operating expenditures	235,868	156,733	79,135	113,427
Total	547,491	456,934	90,557	430,465

CITY OF GASTONIA, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009		2008	
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Operations:</b>				
Salaries and employee benefits	279,289	277,774	1,515	243,938
Operating expenditures	<u>173,809</u>	<u>166,640</u>	<u>7,169</u>	<u>161,990</u>
Total	<u>453,098</u>	<u>444,414</u>	<u>8,684</u>	<u>405,928</u>
<b>Programs:</b>				
Salaries and employee benefits	161,891	157,024	4,867	153,780
Operating expenditures	<u>43,152</u>	<u>41,479</u>	<u>1,673</u>	<u>62,536</u>
Total	<u>205,043</u>	<u>198,503</u>	<u>6,540</u>	<u>216,316</u>
<b>Special Programs:</b>				
Operating expenditures	<u>4,425</u>	<u>2,746</u>	<u>1,679</u>	<u>8,575</u>
Total museum	<u>2,000,084</u>	<u>1,849,986</u>	<u>150,098</u>	<u>1,746,059</u>
Total cultural and recreational	<u>5,188,042</u>	<u>4,804,856</u>	<u>383,186</u>	<u>4,555,067</u>
<b>Debt Service:</b>				
Principal	3,336,229	3,286,529	49,700	3,833,152
Interest	1,092,657	1,065,202	27,455	1,159,102
Service charges	<u>10,678</u>	<u>4,984</u>	<u>5,694</u>	<u>7,678</u>
Total	<u>4,439,564</u>	<u>4,356,715</u>	<u>82,849</u>	<u>4,999,932</u>
Total expenditures	<u>57,981,028</u>	<u>55,677,752</u>	<u>2,293,276</u>	<u>53,955,489</u>
Revenues over (under) expenditures	<u>(2,120,613)</u>	<u>(833,917)</u>	<u>1,286,696</u>	<u>500,864</u>

CITY OF GASTONIA, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	<u>2009</u>			<u>2008</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from (to) other funds:				
Electric Fund	2,100,000	2,100,000	-	2,100,000
Internal service funds	(351,575)	(351,575)	-	5,000
Transit System Fund	(514,032)	(514,032)	-	(667,703)
Municipal Golf Course Fund	(149,259)	(87,418)	61,841	(421,340)
Capital project funds	(1,798,902)	(1,698,902)	100,000	(1,495,273)
Special revenue funds	(11,536)	(11,536)	-	(320,000)
Budgetary amounts:				
Appropriated fund balance	<u>2,845,917</u>	<u>-</u>	<u>(2,845,917)</u>	<u>-</u>
Total other financing sources (uses)	<u>2,120,613</u>	<u>(563,463)</u>	<u>(2,684,076)</u>	<u>(799,316)</u>
Net change in fund balance	<u>\$ -</u>	<u>(1,397,380)</u>	<u>\$ (1,397,380)</u>	<u>(298,452)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		17,810,112		18,106,734
Increase (decrease) in inventories		<u>2,017</u>		<u>1,830</u>
End of year - June 30		<u>\$ 16,414,749</u>		<u>\$ 17,810,112</u>



## **SPECIAL REVENUE FUNDS**

The primary purpose of the Special Revenue Funds, which are accounted for on the modified accrual basis of accounting, are to account for the proceeds of specific revenue sources that are restricted by law or administrative action for particular purposes.

### Community Development Block Grant Program Fund

The purpose of this fund is to account for grant revenues and related expenditures under various federal and State grants.

### Occupancy Tax Fund

The purpose of this fund is to account for occupancy tax assessed for tourism development purposes.

### Uptown Municipal Fund

The purpose of this fund is to account for special property taxes assessed for uptown improvements.

### Infrastructure Rehabilitation Fund

The purpose of this fund is to account for the accumulation of resources for infrastructure rehabilitation, construction, and improvements.

**CITY OF GASTONIA, NORTH CAROLINA**

**NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2009**

	<b>Community Development Block Grant</b>			
	<b>Program Fund</b>	<b>Affordable Housing Fund</b>	<b>Rehabilitation Fund</b>	<b>Home Investment Trust Fund</b>
<b>Assets:</b>				
Cash, cash equivalents, and investments	\$ 34,814	\$ -	\$ 95,053	\$ -
Taxes receivable, net	-	-	-	-
Accounts receivable, net	169,611	250,000	-	592,135
Due from other governments	-	-	-	-
Cash and investments, restricted	48,588	-	-	-
Loan pool receivable, net	5,218	222,307	74,500	606,140
Property acquired for rehabilitation and resale	743,880	-	32,279	977,311
Total assets	<u>\$ 1,002,111</u>	<u>\$ 472,307</u>	<u>\$ 201,832</u>	<u>\$ 2,175,586</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 13,037	\$ -	\$ 4,731	\$ 12,535
Due to General Fund	-	196,611	-	745,872
Deferred revenues	5,218	222,307	74,500	606,140
Total liabilities	<u>18,255</u>	<u>418,918</u>	<u>79,231</u>	<u>1,364,547</u>
<b>Fund Balances (Deficits):</b>				
Reserved by State statute	169,611	250,000	-	592,135
Reserved for inventory	743,880	-	32,279	977,311
Reserved for encumbrances	30,093	-	-	73,566
Unreserved	40,272	(196,611)	90,322	(831,973)
Total fund balances (deficits)	<u>983,856</u>	<u>53,389</u>	<u>122,601</u>	<u>811,039</u>
Total liabilities and fund balances	<u>\$ 1,002,111</u>	<u>\$ 472,307</u>	<u>\$ 201,832</u>	<u>\$ 2,175,586</u>

<b>CDBG (continued)</b>						
<b>108 Loan/ Revitalization</b>	<b>108 Loan/ Economic</b>	<b>Economic Development</b>	<b>Occupancy Tax Fund</b>	<b>Uptown Municipal Tax District</b>	<b>Infrastructure Rehabilitation Fund</b>	<b>Total</b>
\$ -	\$ 525,611	\$ -	\$ -	\$ -	\$ 350,649	\$ 1,006,127
-	-	-	-	21,460	-	21,460
131,252	-	-	-	206	2,469	1,145,673
-	-	-	60,530	-	-	60,530
-	-	-	1,448	4,597	-	54,633
35,377	-	-	-	-	-	943,542
76,100	369,301	-	-	-	-	2,198,871
<u>\$ 242,729</u>	<u>\$ 894,912</u>	<u>\$ -</u>	<u>\$ 61,978</u>	<u>\$ 26,263</u>	<u>\$ 353,118</u>	<u>\$ 5,430,836</u>
\$ -	\$ -	\$ -	\$ 60,530	\$ 900	\$ -	\$ 91,733
437,934	-	2,559	-	-	-	1,382,976
35,377	-	-	-	21,477	2,469	967,488
<u>473,311</u>	<u>-</u>	<u>2,559</u>	<u>60,530</u>	<u>22,377</u>	<u>2,469</u>	<u>2,442,197</u>
131,252	-	-	60,530	206	-	1,203,734
76,100	369,301	-	-	-	-	2,198,871
-	3,750	-	-	-	-	107,409
<u>(437,934)</u>	<u>521,861</u>	<u>(2,559)</u>	<u>(59,082)</u>	<u>3,680</u>	<u>350,649</u>	<u>(521,375)</u>
<u>(230,582)</u>	<u>894,912</u>	<u>(2,559)</u>	<u>1,448</u>	<u>3,886</u>	<u>350,649</u>	<u>2,988,639</u>
<u>\$ 242,729</u>	<u>\$ 894,912</u>	<u>\$ -</u>	<u>\$ 61,978</u>	<u>\$ 26,263</u>	<u>\$ 353,118</u>	<u>\$ 5,430,836</u>



**CITY OF GASTONIA, NORTH CAROLINA**

**NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Community Development Block Grant</b>			
	<b>Program Fund</b>	<b>Affordable Housing Fund</b>	<b>Rehabilitation Fund</b>	<b>Home Investment Trust Fund</b>
<b>Revenues:</b>				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	-	-	-	-
Restricted intergovernmental	557,237	-	52,200	911,603
Sales and services	6,357	271,225	30,866	44,589
Investment earnings	(489)	-	1,399	(8,235)
Miscellaneous	-	-	-	10,000
Total revenues	<u>563,105</u>	<u>271,225</u>	<u>84,465</u>	<u>957,957</u>
<b>Expenditures:</b>				
Economic and physical development	598,240	251,000	51,798	835,500
Debt service:				
Principal	-	-	-	-
Interest	-	12,725	-	-
Total expenditures	<u>598,240</u>	<u>263,725</u>	<u>51,798</u>	<u>835,500</u>
Revenues over (under) expenditures	<u>(35,135)</u>	<u>7,500</u>	<u>32,667</u>	<u>122,457</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(35,135)	7,500	32,667	122,457
<b>Fund Balances:</b>				
Beginning of year - July 1	1,043,307	45,889	89,934	783,869
Increase (decrease) in inventories and property/land acquired redevelopment/rehabilitation	<u>(24,316)</u>	<u>-</u>	<u>-</u>	<u>(95,287)</u>
End of year - June 30	<u>\$ 983,856</u>	<u>\$ 53,389</u>	<u>\$ 122,601</u>	<u>\$ 811,039</u>

<b>CDBG (continued)</b>						
<b>108 Loan/ Revitalization</b>	<b>108 Loan/ Economic</b>	<b>Economic Development</b>	<b>Occupancy Tax Fund</b>	<b>Uptown Municipal Tax District</b>	<b>Infrastructure Rehabilitation Fund</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ -	\$ 113,583	\$ -	\$ 113,583
-	-	-	369,704	-	-	369,704
131,252	-	-	-	-	-	1,652,292
2,448	-	-	-	-	-	355,485
(14,451)	7,557	(44)	-	-	7,733	(6,530)
-	-	-	-	-	36,855	46,855
<u>119,249</u>	<u>7,557</u>	<u>(44)</u>	<u>369,704</u>	<u>113,583</u>	<u>44,588</u>	<u>2,531,389</u>
-	5,724	-	369,704	121,889	2,797	2,236,652
95,000	110,000	-	-	-	-	205,000
<u>24,686</u>	<u>73,817</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,228</u>
<u>119,686</u>	<u>189,541</u>	<u>-</u>	<u>369,704</u>	<u>121,889</u>	<u>2,797</u>	<u>2,552,880</u>
<u>(437)</u>	<u>(181,984)</u>	<u>(44)</u>	<u>-</u>	<u>(8,306)</u>	<u>41,791</u>	<u>(21,491)</u>
-	-	-	-	11,536	-	11,536
-	-	-	-	-	(250,000)	(250,000)
-	-	-	-	11,536	(250,000)	(238,464)
(437)	(181,984)	(44)	-	3,230	(208,209)	(259,955)
(230,145)	1,250,656	(2,515)	1,448	656	558,858	3,541,957
-	(173,760)	-	-	-	-	(293,363)
<u>\$ (230,582)</u>	<u>\$ 894,912</u>	<u>\$ (2,559)</u>	<u>\$ 1,448</u>	<u>\$ 3,886</u>	<u>\$ 350,649</u>	<u>\$ 2,988,639</u>

## CITY OF GASTONIA, NORTH CAROLINA

**COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM  
PROGRAM FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 1,274,115	\$ 557,237	\$ (716,878)
Sales and services	1,984	6,357	4,373
Investment earnings	3,517	(489)	(4,006)
Total revenues	<u>1,279,616</u>	<u>563,105</u>	<u>(716,511)</u>
<b>Expenditures:</b>			
Economic and physical development:			
Industrial development	51,746	4,759	46,987
Home program	21	-	21
Administration	336,747	244,231	92,516
Housing rehabilitation	728,147	349,250	378,897
Fair housing	6,598	-	6,598
Total expenditures	<u>1,123,259</u>	<u>598,240</u>	<u>525,019</u>
Revenues over (under) expenditures	<u>156,357</u>	<u>(35,135)</u>	<u>(191,492)</u>
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>(156,357)</u>	-	<u>156,357</u>
Total other financing sources (uses)	<u>(156,357)</u>	-	<u>156,357</u>
Net change in fund balance	<u>\$ -</u>	<u>(35,135)</u>	<u>\$ (35,135)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		1,043,307	
Increase (decrease) in inventories and property/land acquired for redevelopment/rehabilitation		<u>(24,316)</u>	
End of year - June 30		<u>\$ 983,856</u>	

## CITY OF GASTONIA, NORTH CAROLINA

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM  
 AFFORDABLE HOUSING FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Sales and services	\$ 1,074,726	\$ 271,225	\$ (803,501)
<b>Expenditures:</b>			
Economic and physical development:			
Affordable housing	745,572	251,000	494,572
Debt service:			
Principal repayments	260,000	-	260,000
Interest	115,045	12,725	102,320
Total expenditures	<u>1,120,617</u>	<u>263,725</u>	<u>856,892</u>
Revenues over (under) expenditures	<u>(45,891)</u>	<u>7,500</u>	<u>53,391</u>
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance/contingency	<u>45,891</u>	-	<u>(45,891)</u>
Net change in fund balance	<u>\$ -</u>	<u>7,500</u>	<u>\$ 7,500</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>45,889</u>	
End of year - June 30		<u>\$ 53,389</u>	

## CITY OF GASTONIA, NORTH CAROLINA

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM  
 REHABILITATION FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 52,200	\$ 52,200	\$ -
Sales and services	120,866	30,866	(90,000)
Investment earnings	<u>5,330</u>	<u>1,399</u>	<u>(3,931)</u>
Total revenues	<u>178,396</u>	<u>84,465</u>	<u>(93,931)</u>
<b>Expenditures:</b>			
Economic and physical development:			
Housing rehabilitation	<u>191,545</u>	<u>51,798</u>	<u>139,747</u>
Revenues over (under) expenditures	<u>(13,149)</u>	<u>32,667</u>	<u>45,816</u>
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance/contingency	<u>13,149</u>	<u>-</u>	<u>(13,149)</u>
Net change in fund balance	<u>\$ -</u>	<u>32,667</u>	<u>\$ 32,667</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>89,934</u>	
End of year - June 30		<u>\$ 122,601</u>	

## CITY OF GASTONIA, NORTH CAROLINA

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM  
 HOME INVESTMENT TRUST FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 1,563,923	\$ 911,603	\$ (652,320)
Sales and services	538,228	44,589	(493,639)
Investment earnings	8,740	(8,235)	(16,975)
Miscellaneous	(4,855)	10,000	14,855
Total revenues	<u>2,106,036</u>	<u>957,957</u>	<u>(1,148,079)</u>
<b>Expenditures:</b>			
Economic and physical development:			
Home program	<u>1,191,104</u>	<u>835,500</u>	<u>355,604</u>
Revenues over (under) expenditures	<u>914,932</u>	<u>122,457</u>	<u>(792,475)</u>
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>(914,932)</u>	<u>-</u>	<u>914,932</u>
Net change in fund balance	<u>\$ -</u>	<u>122,457</u>	<u>\$ 122,457</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		783,869	
Increase (decrease) in inventories and property/land acquired for redevelopment/rehabilitation		<u>(95,287)</u>	
End of year - June 30		<u>\$ 811,039</u>	

## CITY OF GASTONIA, NORTH CAROLINA

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM  
 108 LOAN/REVITALIZATION  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Sales and services	\$ 139,357	\$ 2,448	\$ (136,909)
Restricted intergovernmental revenues	-	131,252	131,252
Investment earnings	<u>29,460</u>	<u>(14,451)</u>	<u>(43,911)</u>
Total revenues	<u>168,817</u>	<u>119,249</u>	<u>(49,568)</u>
<b>Expenditures:</b>			
Economic and physical development:			
108 guaranteed loan	72,997	-	72,997
Debt service:			
Principal repayments	95,000	95,000	-
Interest	<u>24,686</u>	<u>24,686</u>	<u>-</u>
Total expenditures	<u>192,683</u>	<u>119,686</u>	<u>72,997</u>
Revenues over (under) expenditures	<u>(23,866)</u>	<u>(437)</u>	<u>23,429</u>
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>23,866</u>	<u>-</u>	<u>(23,866)</u>
Net change in fund balance	<u>\$ -</u>	<u>(437)</u>	<u>\$ (437)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>(230,145)</u>	
End of year - June 30		<u>\$ (230,582)</u>	

## CITY OF GASTONIA, NORTH CAROLINA

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM  
 108 LOAN/ECONOMIC  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ 29,353	\$ 7,557	\$ (21,796)
<b>Expenditures:</b>			
Economic and physical development:			
108 Guaranteed loan	533,504	5,724	527,780
Debt service:			
Principal repayments	110,000	110,000	-
Interest	73,817	73,817	-
Total expenditures	<u>717,321</u>	<u>189,541</u>	<u>527,780</u>
Revenues over (under) expenditures	<u>(687,968)</u>	<u>(181,984)</u>	<u>505,984</u>
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>687,968</u>	<u>-</u>	<u>(687,968)</u>
Net change in fund balance	<u>\$ -</u>	<u>(181,984)</u>	<u>\$ (181,984)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		1,250,656	
Increase (decrease) in inventories and property/land acquired for redevelopment/rehabilitation		<u>(173,760)</u>	
End of year - June 30		<u>\$ 894,912</u>	



## CITY OF GASTONIA, NORTH CAROLINA

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM  
 ECONOMIC DEVELOPMENT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ 71	\$ (44)	\$ (115)
<b>Expenditures:</b>			
Economic and physical development:			
EDI Grant	948	-	948
Revenues over (under) expenditures	<u>(877)</u>	<u>(44)</u>	<u>833</u>
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>877</u>	<u>-</u>	<u>(877)</u>
Net change in fund balance	<u>\$ -</u>	<u>(44)</u>	<u>\$ (44)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>(2,515)</u>	
End of year - June 30		<u>\$ (2,559)</u>	

## CITY OF GASTONIA, NORTH CAROLINA

**OCCUPANCY TAX**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Other taxes and licenses	\$ 550,000	\$ 369,704	\$ (180,296)
<b>Expenditures:</b>			
Economic and physical development: Gastonia Tourism Development Authority	<u>550,000</u>	<u>369,704</u>	<u>180,296</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>1,448</u>	
End of year - June 30		<u>\$ 1,448</u>	

## CITY OF GASTONIA, NORTH CAROLINA

UPTOWN MUNICIPAL TAX DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 123,801	\$ 113,583	\$ (10,218)
<b>Expenditures:</b>			
Economic and physical development: Community improvement downtown	<u>135,337</u>	<u>121,889</u>	<u>13,448</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	<u>11,536</u>	<u>11,536</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>3,230</u>	<u>\$ 3,230</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>656</u>	
End of year - June 30		<u>\$ 3,886</u>	

## CITY OF GASTONIA, NORTH CAROLINA

**INFRASTRUCTURE REHABILITATION FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ 8,000	\$ 7,733	\$ (267)
Miscellaneous	36,300	36,855	555
Total revenues	<u>44,300</u>	<u>44,588</u>	<u>288</u>
<b>Expenditures:</b>			
Economic and physical development:			
Administration	29,000	2,797	26,203
Capital project reserve	21,558	-	21,558
GO Bond properties	<u>27,600</u>	<u>-</u>	<u>27,600</u>
Total expenditures	<u>78,158</u>	<u>2,797</u>	<u>75,361</u>
Revenues over (under) expenditures	<u>(33,858)</u>	<u>41,791</u>	<u>75,649</u>
<b>Other Financing Sources (Uses):</b>			
Transfers to other funds	(250,000)	(250,000)	-
Appropriated fund balance	<u>283,858</u>	<u>-</u>	<u>(283,858)</u>
Total other financing sources (uses)	<u>33,858</u>	<u>(250,000)</u>	<u>(283,858)</u>
Net change in fund balance	<u>\$ -</u>	<u>(208,209)</u>	<u>\$ (208,209)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>558,858</u>	
End of year - June 30		<u>\$ 350,649</u>	

## CITY OF GASTONIA, NORTH CAROLINA

**ECONOMIC STIMULUS GRANTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 2,950,000	\$ -	\$ (2,950,000)
<b>Expenditures:</b>			
Economic and physical development:			
Neighborhood Stabilization Grant	2,100,000	-	2,100,000
Pedestrian Bridge Grant	<u>850,000</u>	<u>-</u>	<u>850,000</u>
Total expenditures	<u>2,950,000</u>	<u>-</u>	<u>2,950,000</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>-</u>	
End of year - June 30		<u>\$ -</u>	

## **CAPITAL PROJECTS FUNDS**

The Capital Projects Funds provide budgetary accountability for financial resources used for the acquisition or construction of major capital improvements, other than those financed and accounted for in proprietary funds. Primary resources for these funds include proceeds of general obligation bonds and transfers from other funds. The financial statements of the Capital Projects Funds represent the combined statements of the Streets Fund, Mayor / Council Fund, Developer Sidewalk Fund, the Airport Fund, and the Downtown Revitalization Fund.

### Mayor / Council Fund

The Mayor / Council Fund is used to account for general improvements financed primarily by interfund transfers and bond proceeds. Projects include a downtown parking facility, a new police facility, culvert replacement programs and renovations to general government buildings.

### Streets Fund

The Streets Fund is used to account for major improvements primarily financed with the proceeds of bond sales, interfund transfers and reimbursements from the North Carolina Department of Transportation.

### Developer Sidewalk Fund

The Developer Sidewalk Fund is used to account for improvements financed primarily by payments in lieu for construction.

### Airport Fund

The Airport Fund is used to account for improvements primarily financed with reimbursements from the North Carolina Department of Transportation and interfund transfers.

### Downtown Revitalization Fund

The Downtown Revitalization Fund is used to account for improvements to the City's downtown area, primarily financed with debt proceeds.



CITY OF GASTONIA, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND - MAYOR / COUNCIL  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenue	\$ 1,703,511	\$ 1,205,758	\$ (497,753)
Unrestricted intergovernmental revenue	125,068	240,902	115,834
Investment earnings	(49,770)	32,713	82,483
Miscellaneous revenues	121	-	(121)
Total revenues	<u>1,778,930</u>	<u>1,479,373</u>	<u>(299,557)</u>
<b>Expenditures:</b>			
Capital outlay:			
Economic development:			
Financial services - accounting	740,000	-	740,000
Technology services - radio system	48,804	-	48,804
Technology services - 800Mhz	250,000	249,989	11
Public works - Powell Bill	315,000	223,740	91,260
Keep Gastonia Beautiful	17,715	11,710	6,005
Adult recreation center	5,191	4,791	400
Lineberger Park renovations	1,324,968	1,229,770	95,198
Tulip Drive bridge	648,402	516,443	131,959
Greenways	717,819	486,873	230,946
Recreation - tourism promotion	2,027	1,779	248
Miscellaneous park projects	274,092	120,960	153,132
Annexation street	200,000	23,893	176,107
GO bonds project	500,000	44,906	455,094
Main Avenue properties	90,083	85,223	4,860
City Hall repairs	11,577	3,589	7,988
Total expenditures	<u>5,145,678</u>	<u>3,003,666</u>	<u>2,142,012</u>
<b>Debt Service:</b>			
Bond issuance costs	30,000	9,395	20,605
Total expenditures	<u>5,175,678</u>	<u>3,013,061</u>	<u>2,162,617</u>
Revenues over (under) expenditures	<u>(3,396,748)</u>	<u>(1,533,688)</u>	<u>1,863,060</u>



CITY OF GASTONIA, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND - MAYOR / COUNCIL  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	1,062,902	962,902	(100,000)
Appropriated fund balance	2,333,846	-	(2,333,846)
Total other financing sources (uses)	<u>3,396,748</u>	<u>962,902</u>	<u>(2,433,846)</u>
Net change in fund balance	<u>\$ -</u>	<u>(570,786)</u>	<u>\$ (570,786)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>2,792,598</u>	
End of year - June 30		<u>\$ 2,221,812</u>	

## CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2009

	<u>Streets</u>	<u>Developer Sidewalk</u>	<u>Airport</u>	<u>Downtown Revitalization</u>	<u>Totals</u>
<b>Assets:</b>					
Cash and cash equivalents	\$ -	\$ -	\$ 169,989	\$ 712,160	\$ 882,149
Cash and cash equivalents, restricted	1,134,837	352,793	-	1,551,967	3,039,597
Accounts receivable	<u>13,589</u>	<u>-</u>	<u>35,921</u>	<u>-</u>	<u>49,510</u>
Total assets	<u>\$ 1,148,426</u>	<u>\$ 352,793</u>	<u>\$ 205,910</u>	<u>\$ 2,264,127</u>	<u>\$ 3,971,256</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	<u>\$ 96,824</u>	<u>\$ -</u>	<u>\$ 31,868</u>	<u>\$ 77,236</u>	<u>\$ 205,928</u>
<b>Fund Balances:</b>					
Reserved by State statute	13,589	-	35,921	-	49,510
Reserved for encumbrances	8,471	-	612,520	281,696	902,687
Unreserved	<u>1,029,542</u>	<u>352,793</u>	<u>(474,399)</u>	<u>1,905,195</u>	<u>2,813,131</u>
Total fund balances	<u>1,051,602</u>	<u>352,793</u>	<u>174,042</u>	<u>2,186,891</u>	<u>3,765,328</u>
Total liabilities and fund balances	<u>\$ 1,148,426</u>	<u>\$ 352,793</u>	<u>\$ 205,910</u>	<u>\$ 2,264,127</u>	<u>\$ 3,971,256</u>

## CITY OF GASTONIA, NORTH CAROLINA

**NONMAJOR CAPITAL PROJECT FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Streets</u>	<u>Developer Sidewalk</u>	<u>Airport</u>	<u>Downtown Revitalization</u>	<u>Totals</u>
<b>Revenues:</b>					
Restricted intergovernmental revenues	\$ 47,459	\$ -	\$ 56,057	\$ -	\$ 103,516
Investment earnings	19,441	4,829	2,219	25,053	51,542
Miscellaneous revenues	-	-	-	1,037,718	1,037,718
Total revenues	<u>66,900</u>	<u>4,829</u>	<u>58,276</u>	<u>1,062,771</u>	<u>1,192,776</u>
<b>Expenditures:</b>					
Capital outlay	<u>359,702</u>	-	<u>62,288</u>	<u>1,265,503</u>	<u>1,687,493</u>
Revenues over (under) expenditures	<u>(292,802)</u>	<u>4,829</u>	<u>(4,012)</u>	<u>(202,732)</u>	<u>(494,717)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers from other funds	<u>150,000</u>	-	<u>16,667</u>	<u>876,000</u>	<u>1,042,667</u>
Net change in fund balances	(142,802)	4,829	12,655	673,268	547,950
<b>Fund Balances:</b>					
Beginning of year - July 1	<u>1,194,404</u>	<u>347,964</u>	<u>161,387</u>	<u>1,513,623</u>	<u>3,217,378</u>
End of year - June 30	<u>\$ 1,051,602</u>	<u>\$ 352,793</u>	<u>\$ 174,042</u>	<u>\$ 2,186,891</u>	<u>\$ 3,765,328</u>

## CITY OF GASTONIA, NORTH CAROLINA

**CAPITAL PROJECT FUND - STREETS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 824,422	\$ 47,459	\$ (776,963)
Miscellaneous revenues	30	-	(30)
Investment earnings	<u>35,000</u>	<u>19,441</u>	<u>(15,559)</u>
Total revenues	<u>859,452</u>	<u>66,900</u>	<u>(792,552)</u>
<b>Expenditures:</b>			
Capital outlay:			
Joint venture - street improvements	17,727	-	17,727
West Franklin streetscape	26,866	16,178	10,688
Walgreens at Cox Road	157,828	-	157,828
Miscellaneous sidewalk construction	319,200	96,771	222,429
Gardner Park Road improvements	953	953	-
Speed humps	48,209	44,801	3,408
West Davidson bridge replacement	988,642	47,353	941,289
GO bonds project	490,000	130	489,870
Traffic signal system improvements	<u>152,834</u>	<u>151,919</u>	<u>915</u>
Total expenditures	<u>2,202,259</u>	<u>358,105</u>	<u>1,844,154</u>
Debt service:			
Bond issuance costs	<u>1,597</u>	<u>1,597</u>	<u>-</u>
Total expenditures	<u>2,203,856</u>	<u>359,702</u>	<u>1,844,154</u>
Revenues over (under) expenditures	<u>(1,344,404)</u>	<u>(292,802)</u>	<u>1,051,602</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	150,000	150,000	-
Appropriated fund balance	<u>1,194,404</u>	<u>-</u>	<u>(1,194,404)</u>
Total other financing sources (uses)	<u>1,344,404</u>	<u>150,000</u>	<u>(1,194,404)</u>
Net change in fund balance	<u>\$ -</u>	<u>(142,802)</u>	<u>\$ (142,802)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>1,194,404</u>	
End of year - June 30		<u>\$ 1,051,602</u>	

## CITY OF GASTONIA, NORTH CAROLINA

**CAPITAL PROJECT FUND - DEVELOPER SIDEWALK  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 4,829	\$ 4,829
<b>Expenditures:</b>			
Redbud-Eckerds	5,876	-	5,876
Bessemer City Highway	<u>14,015</u>	<u>-</u>	<u>14,015</u>
Total expenditures	<u>19,891</u>	<u>-</u>	<u>19,891</u>
Revenues over (under) expenditures	<u>(19,891)</u>	<u>4,829</u>	<u>(15,062)</u>
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>19,891</u>	<u>-</u>	<u>(19,891)</u>
Net change in fund balance	<u>\$ -</u>	<u>4,829</u>	<u>\$ 4,829</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>347,964</u>	
End of year - June 30		<u>\$ 352,793</u>	

## CITY OF GASTONIA, NORTH CAROLINA

**CAPITAL PROJECT FUND - AIRPORT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 1,018,188	\$ 56,057	\$ (962,131)
Investment earnings	<u>5,351</u>	<u>2,219</u>	<u>(3,132)</u>
Total revenues	<u>1,023,539</u>	<u>58,276</u>	<u>(965,263)</u>
<b>Expenditures:</b>			
Airport operations/non-routine	<u>1,208,136</u>	<u>62,288</u>	<u>1,145,848</u>
Revenues over (under) expenditures	<u>(184,597)</u>	<u>(4,012)</u>	<u>180,585</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	16,667	16,667	-
Contingency	<u>167,930</u>	<u>-</u>	<u>(167,930)</u>
Total other financing sources (uses)	<u>184,597</u>	<u>16,667</u>	<u>(167,930)</u>
Net change in fund balance	<u>\$ -</u>	<u>12,655</u>	<u>\$ 12,655</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>161,387</u>	
End of year - June 30		<u>\$ 174,042</u>	

## CITY OF GASTONIA, NORTH CAROLINA

**CAPITAL PROJECT FUND - DOWNTOWN REVITALIZATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Miscellaneous revenues	\$ 1,073,477	\$ 1,037,718	\$ (35,759)
Investment earnings	20,647	25,053	4,406
Total revenues	<u>1,094,124</u>	<u>1,062,771</u>	<u>(31,353)</u>
<b>Expenditures:</b>			
Capital outlay:			
Marietta/Franklin Street project	300,000	-	300,000
South Street Plaza	500,000	-	500,000
GO bonds project	1,511,221	134,493	1,376,728
Downtown plan	<u>1,073,477</u>	<u>1,050,218</u>	<u>23,259</u>
Total expenditures	<u>3,384,698</u>	<u>1,184,711</u>	<u>2,199,987</u>
Debt service:			
Interest	87,269	72,932	14,337
Bond issuance costs	<u>11,779</u>	<u>7,860</u>	<u>3,919</u>
Total debt service	<u>99,048</u>	<u>80,792</u>	<u>18,256</u>
Total expenditures	<u>3,483,746</u>	<u>1,265,503</u>	<u>2,218,243</u>
Revenues over (under) expenditures	<u>(2,389,622)</u>	<u>(202,732)</u>	<u>2,186,890</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	876,000	876,000	-
Appropriated fund balance	<u>1,513,622</u>	-	<u>(1,513,622)</u>
Total other financing sources (uses)	<u>2,389,622</u>	<u>876,000</u>	<u>(1,513,622)</u>
Net change in fund balance	<u>\$ -</u>	673,268	<u>\$ 673,268</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>1,513,623</u>	
End of year - June 30		<u>\$ 2,186,891</u>	

## **ENTERPRISE FUNDS**

The Enterprise Funds are a subclassification of the Proprietary Fund Types and are used to account for revenues resulting primarily from charges for services provided to the general public and related cost of services. The financial statements of the Enterprise Funds represent the combined statements of the Water and Sewer Fund, the Electric Fund, the Transit System Fund, the Airport Fund, the Municipal Golf Course Fund, and the Stormwater Fund.

### Water and Sewer Fund

The Water and Sewer Fund includes the accounts of the Water and Sewer Operation Fund and five capital projects funds. Financing of the operation fund comes principally from charges to the users. The capital projects funds are financed mainly from general obligation and revenue bonds as well as user charges.

### Electric Fund

The Electric Fund includes the accounts of the Electric Operation Fund and a capital project fund. Financing of these funds comes principally from charges to the users.

### Stormwater Fund

The Stormwater Fund includes the accounts of the Stormwater system. Revenue sources are stormwater fees.

### Transit System Fund

The Transit System Fund includes the accounts of the municipal bus transportation system. Financing of this fund is derived from passenger revenues, operating grants and General Fund subsidies.

### Municipal Golf Course Fund

The Municipal Golf Course Fund includes the accounts of the Golf Course operations. Revenue sources for the fund are green fees, cart rentals, equipment sales and food/beverage sales, and General Fund subsidies.





## CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2009

	<b>Transit System Fund</b>	<b>Municipal Golf Course Fund</b>	<b>Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets:</b>			
Cash, cash equivalents and investments	\$ 63,258	\$ 1,967	\$ 65,225
Interest receivable	67	2	69
Inventory	-	10,999	10,999
Due from other governments	117,542	-	117,542
Depreciable capital assets, net	1,872,192	771,312	2,643,504
Non-depreciable capital assets	<u>290,786</u>	<u>62,008</u>	<u>352,794</u>
 Total assets	 <u>\$ 2,343,845</u>	 <u>\$ 846,288</u>	 <u>\$ 3,190,133</u>
<b>Liabilities and Net Assets:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 37,558	\$ -	\$ 37,558
Accrued salaries and benefits	29,277	-	29,277
Compensated absences	<u>38,468</u>	<u>-</u>	<u>38,468</u>
Total current liabilities	<u>105,303</u>	<u>-</u>	<u>105,303</u>
 Compensated absences, noncurrent	 12,823	 -	 12,823
Other post-employment benefits obligation	<u>108,386</u>	<u>11,529</u>	<u>119,915</u>
 Total liabilities	 <u>226,512</u>	 <u>11,529</u>	 <u>238,041</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	2,162,978	833,320	2,996,298
Unrestricted	<u>(45,645)</u>	<u>1,439</u>	<u>(44,206)</u>
Total net assets	<u>2,117,333</u>	<u>834,759</u>	<u>2,952,092</u>
 Total liabilities and net assets	 <u>\$ 2,343,845</u>	 <u>\$ 846,288</u>	 <u>\$ 3,190,133</u>

## CITY OF GASTONIA, NORTH CAROLINA

**NONMAJOR ENTERPRISE FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN FUND NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Transit System Fund</b>	<b>Municipal Golf Course Fund</b>	<b>Total</b>
<b>Operating Revenues:</b>			
Charges for services	\$ 182,083	\$ 190,809	\$ 372,892
Other operating revenues	12,480	12,477	24,957
Total operating revenues	<u>194,563</u>	<u>203,286</u>	<u>397,849</u>
<b>Operating Expenses:</b>			
Administration	779,946	-	779,946
Maintenance	269,308	-	269,308
ADA/Para-transit expenses	171,448	-	171,448
Operations area	1,022,956	309,084	1,332,040
Depreciation and amortization	249,858	41,950	291,808
Total operating expenses	<u>2,493,516</u>	<u>351,034</u>	<u>2,844,550</u>
Operating income (loss)	<u>(2,298,953)</u>	<u>(147,748)</u>	<u>(2,446,701)</u>
<b>Non-operating Revenues (Expenses):</b>			
Investment earnings	<u>241</u>	<u>823</u>	<u>1,064</u>
Income (loss) before capital contributions and transfers	(2,298,712)	(146,925)	(2,445,637)
<b>Capital Contributions:</b>			
Federal and State grants	1,478,376	-	1,478,376
<b>Transfers:</b>			
Transfers from other funds	<u>514,032</u>	<u>87,418</u>	<u>601,450</u>
Change in net assets	(306,304)	(59,507)	(365,811)
<b>Net Assets:</b>			
Beginning of year - July 1	<u>2,423,637</u>	<u>894,266</u>	<u>3,317,903</u>
End of year - June 30	<u>\$ 2,117,333</u>	<u>\$ 834,759</u>	<u>\$ 2,952,092</u>

## CITY OF GASTONIA, NORTH CAROLINA

**NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Transit System Fund</b>	<b>Municipal Golf Course Fund</b>	<b>Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers and users	\$ 194,563	\$ 203,286	\$ 397,849
Cash paid to suppliers	(1,147,724)	(182,177)	(1,329,901)
Cash paid to employees	(1,138,178)	(212,502)	(1,350,680)
Net cash provided (used) by operating activities	<u>(2,091,339)</u>	<u>(191,393)</u>	<u>(2,282,732)</u>
<b>Cash Flows from Non-capital Financing Activities:</b>			
Transfers from other funds	<u>514,032</u>	<u>87,418</u>	<u>601,450</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Federal and State grants received	1,494,368	-	1,494,368
Acquisition and construction of capital assets	<u>(111,390)</u>	<u>(123,470)</u>	<u>(234,860)</u>
Net cash provided (used) by capital and related financing activities	<u>1,382,978</u>	<u>(123,470)</u>	<u>1,259,508</u>
<b>Cash Flows from Investing Activities:</b>			
Interest on investments	<u>508</u>	<u>1,120</u>	<u>1,628</u>
Net increase (decrease) in cash and cash equivalents	(193,821)	(226,325)	(420,146)
<b>Cash and Cash Equivalents:</b>			
Beginning of year - July 1	<u>257,079</u>	<u>228,292</u>	<u>485,371</u>
End of year - June 30	<u>\$ 63,258</u>	<u>\$ 1,967</u>	<u>\$ 65,225</u>
<b>Reconciliation of Operating Income to Cash Flows from Operating Activities:</b>			
Operating income (loss)	\$ (2,298,953)	\$ (147,748)	\$ (2,446,701)
Depreciation and amortization	249,858	41,950	291,808
Change in assets and liabilities:			
(Increase) decrease in inventories	-	(1,356)	(1,356)
Increase (decrease) in accounts payable	(105,786)	(23,511)	(129,297)
Increase (decrease) in accrued salaries	5,844	(12,458)	(6,614)
Increase (decrease) in compensated absences	4,475	(29,783)	(25,308)
Increase (decrease) in other post-employment benefits	<u>53,223</u>	<u>(18,487)</u>	<u>34,736</u>
Net cash provided (used) by operating activities	<u>\$ (2,091,339)</u>	<u>\$ (191,393)</u>	<u>\$ (2,282,732)</u>

CITY OF GASTONIA, NORTH CAROLINA

**WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008**

	2009		Variance Over/Under	2008
	Budget	Actual		Actual
<b>Revenues:</b>				
Operating revenues:				
Water sales and sewer charges	\$ 27,889,000	\$ 26,736,406	\$ (1,152,594)	\$ 27,266,659
Utilities for City use	308,298	230,941	(77,357)	276,209
Water and sewer taps	110,000	57,653	(52,347)	114,858
Other operating revenues	364,800	157,700	(207,100)	485,415
Pretreatment monitoring charge	98,250	96,729	(1,521)	95,425
Total	<u>28,770,348</u>	<u>27,279,429</u>	<u>(1,490,919)</u>	<u>28,238,566</u>
Non-operating revenues:				
Proceeds from sale of fixed assets	50,000	11,537	(38,463)	16,049
Investment earnings	284,800	157,078	(127,722)	372,441
Other non-operating revenues	30,012	24,349	(5,663)	49,341
Total	<u>364,812</u>	<u>192,964</u>	<u>(171,848)</u>	<u>437,831</u>
Total revenues	<u>29,135,160</u>	<u>27,472,393</u>	<u>(1,662,767)</u>	<u>28,676,397</u>
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
General services:				
Salaries and employee benefits	601,319	618,465	(17,146)	416,050
Other operating expenditures	1,505,066	1,483,616	21,450	1,484,328
Renewal and replacement	1,413,133	-	1,413,133	-
Overhead charged by other departments	3,608,203	3,585,622	22,581	3,481,957
Total	<u>7,127,721</u>	<u>5,687,703</u>	<u>1,440,018</u>	<u>5,382,335</u>
AM/FM/GIS:				
Other operating expenditures	24,715	9,689	-	10,990
Customer service:				
Salaries and employee benefits	391,424	388,482	2,942	368,885
Other operating expenditures	289,185	279,910	9,275	231,309
Overhead charged by other departments	(500)	(4,359)	3,859	(4,800)
Total	<u>680,109</u>	<u>664,033</u>	<u>16,076</u>	<u>595,394</u>
Total administration	<u>7,832,545</u>	<u>6,361,425</u>	<u>1,471,120</u>	<u>5,988,719</u>

CITY OF GASTONIA, NORTH CAROLINA

**WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008**

	2009			2008
	Budget	Actual	Variance Over/Under	Actual
Operations area:				
Service and meter repair:				
Overhead charged by other departments	-	-	-	(406)
Utility locator:				
Salaries and employee benefits	147,686	142,292	5,394	-
Other operating expenditures	26,053	21,785	4,268	-
Overhead charged by other departments	-	(41,372)	41,372	-
Total	173,739	122,705	51,034	-
Water line maintenance:				
Salaries and employee benefits	1,102,781	1,095,936	6,845	1,102,504
Other operating expenditures	322,172	315,843	6,329	316,230
Overhead charged by other departments	(76,846)	(69,137)	(7,709)	(69,364)
Total	1,348,107	1,342,642	5,465	1,349,370
Sewer line maintenance:				
Salaries and employee benefits	822,149	816,670	5,479	830,601
Other operating expenditures	878,606	835,883	42,723	901,390
Capital outlay	13,430	12,975	455	-
Sewer line extensions	168,209	168,209	-	56,905
Overhead charged by other departments	(82,480)	(66,622)	(15,858)	(69,280)
Total	1,799,914	1,767,115	32,799	1,719,616
Total operations area	3,321,760	3,232,462	89,298	3,068,580
Water supply and treatment:				
Salaries and employee benefits	1,430,981	1,430,503	478	1,323,478
Other operating expenditures	1,901,980	1,742,464	159,516	1,309,709
Overhead charged by other departments	7,787	5,537	2,250	-
Total	3,340,748	3,178,504	162,244	2,633,187
Facility maintenance:				
Salaries and employee benefits	778,392	776,151	2,241	684,060
Other operating expenditures	573,477	532,451	41,026	620,454
Overhead charged by other departments	12,500	12,500	-	41,087
Total	1,364,369	1,321,102	43,267	1,345,601
Sewage treatment:				
Salaries and employee benefits	2,563,377	2,563,063	314	2,526,424
Other operating expenditures	2,860,574	2,813,968	46,606	2,512,367
Capital outlay	115,447	115,296	151	13,518
Total	5,539,398	5,492,327	47,071	5,052,309

CITY OF GASTONIA, NORTH CAROLINA

**WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008**

	2009		Variance Over/Under	2008
	Budget	Actual		Actual
Payseur Mountain Resource Recovery:				
Other operating expenditures	1,081,694	1,083,772	(2,078)	1,047,425
Capital outlay	100,000	100,000	-	339,509
Total	1,181,694	1,183,772	(2,078)	1,386,934
Debt service:				
Debt principal	4,719,109	3,805,139	913,970	5,153,515
Interest and fees	2,180,168	2,180,818	(650)	2,389,441
Total	6,899,277	5,985,957	913,320	7,542,956
Total expenditures	29,479,791	26,755,549	2,724,242	27,018,286
Revenues over (under) expenditures	(344,631)	716,844	1,061,475	1,658,111
<b>Other Financing Sources (Uses):</b>				
Intrafund transfers	(1,100,000)	(1,100,000)	-	(1,100,000)
Transfers to other funds	(156,235)	(156,235)	-	-
Appropriated fund balance	1,600,866	-	(1,600,866)	-
Total other financing sources (uses)	344,631	(1,256,235)	(1,600,866)	(1,100,000)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (539,391)	\$ (539,391)	\$ 558,111

**Reconciliation from Budgetary Basis  
to Full Accrual Basis:**

Net change in fund balance	\$ (539,391)
Reconciling items:	
Depreciation and amortization	(4,859,640)
Amortization of debt premiums	88,000
Bad debt expense	12,404
Long-term debt principal repayments	3,805,139
Repayment of Payseur Mountain interfund debt	99,188
Intrafund transfers to capital project funds	1,100,000
Capital project revenues	139,560
Capital project expenditures	(1,956,318)
Capital assets purchased/capitalized	2,281,751
Contributed capital - developers	364,378
Change in unbilled revenues receivable	35,021
Change in accrued vacation pay	(89,986)
Change in deferred revenues and inventories	(58,822)
Change in accrued interest payable	31,466
Other post-employment benefits	(364,790)
Change in net assets - GAAP basis	\$ 87,960

## CITY OF GASTONIA, NORTH CAROLINA

**WATER AND SEWER CAPITAL PROJECT FUNDS  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental	\$ 161,257	\$ -	\$ (161,257)
Investment earnings	30,026	102,648	72,622
Other	5,000	36,912	31,912
Total revenues	<u>196,283</u>	<u>139,560</u>	<u>(56,723)</u>
<b>Expenditures:</b>			
Crowders Creek	56,289	24,380	31,909
NCDOT sewer utility	37,402	-	37,402
Joint venture sewer	297,592	11,493	286,099
Utility system improvements	198,029	-	198,029
Collection system	722,686	-	722,686
Special assessment	89,884	272	89,612
Field operations sewer line maintenance	161,257	-	161,257
Pumpstation force main	870,916	697,693	173,223
Long Creek Wastewater Treatment Plant	730,897	234,376	496,521
Water improvements - NCDOT conflicts	99,246	-	99,246
Water distribution	452,120	4,439	447,681
Water supply and treatment	489,598	328,623	160,975
Other special assessment	203	-	203
Joint ventures - water line	3	-	3
Water improvements - revenue bonds	2,080,501	655,042	1,425,459
Total expenditures	<u>6,286,623</u>	<u>1,956,318</u>	<u>4,330,305</u>
Total expenditures	<u>6,286,623</u>	<u>1,956,318</u>	<u>4,330,305</u>
Revenues over (under) expenditures	<u>(6,090,340)</u>	<u>(1,816,758)</u>	<u>4,273,582</u>
<b>Other Financing Sources (Uses):</b>			
Intrafund transfers	1,100,000	1,100,000	-
Bond issuance costs	(13,952)	-	13,952
Appropriated fund balance	5,004,292	-	(5,004,292)
Total other financing sources (uses)	<u>6,090,340</u>	<u>1,100,000</u>	<u>(4,990,340)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (716,758)</u>	<u>\$ (716,758)</u>



CITY OF GASTONIA, NORTH CAROLINA

**ELECTRIC FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2009**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008**

	2009			2008
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Electricity sales	\$ 63,883,619	\$ 62,075,848	\$ (1,807,771)	\$ 61,506,057
Utilities for City use	1,095,050	990,293	(104,757)	758,434
Other operating revenues	1,652,600	1,718,923	66,323	1,647,097
Total	66,631,269	64,785,064	(1,846,205)	63,911,588
Non-operating revenues:				
Investment earnings	215,000	116,790	(98,210)	215,508
Proceeds from sale of equipment	10,000	603	(9,397)	109,199
Total	225,000	117,393	(107,607)	324,707
Total revenues	66,856,269	64,902,457	(1,953,812)	64,236,295
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
Salaries and employee benefits	721,315	717,368	3,947	557,149
Overhead charged by other departments	2,440,966	2,348,894	92,072	2,208,727
Other operating expenditures	1,345,361	1,144,235	201,126	906,626
Total	4,507,642	4,210,497	297,145	3,672,502
Operations:				
Electric service:				
Salaries and employee benefits	782,309	775,675	6,634	752,607
Other operating expenditures	437,524	408,412	29,112	372,218
Capital outlay	6,500	-	6,500	-
Reimbursement of services	-	(325)	325	-
Total	1,226,333	1,183,762	42,571	1,124,825
Electric substation:				
Salaries and employee benefits	255,360	249,904	5,456	245,790
Other operating expenditures	248,921	224,060	24,861	109,268
Total	504,281	473,964	30,317	355,058
Street lights:				
Salaries and employee benefits	215,496	215,084	412	125,458
Other operating expenditures	438,349	424,959	13,390	348,311
Total	653,845	640,043	13,802	473,769

CITY OF GASTONIA, NORTH CAROLINA

**ELECTRIC FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2009**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008**

	2009			2008
	Budget	Actual	Variance Over/Under	Actual
Load management:				
Other operating expenditures	3,000	2,725	275	1,275
Electric line maintenance:				
Salaries and employee benefits	428,951	414,511	14,440	497,704
Other operating expenditures	959,314	919,538	39,776	709,287
Reimbursement for services	-	(800)	800	(800)
Total	1,388,265	1,333,249	55,016	1,206,191
Line construction:				
Salaries and employee benefits	674,748	672,398	2,350	900,538
Other operating expenditures	321,230	303,603	17,627	420,348
Capital outlay	227,752	193,502	34,250	321,594
Reimbursement for services	(15,000)	(19,608)	4,608	(31,564)
Total	1,208,730	1,149,895	58,835	1,610,916
Underground line construction:				
Salaries and employee benefits	335,032	327,781	7,251	-
Other operating expenditures	204,145	149,787	54,358	-
Capital outlay	201,356	133,573	67,783	-
Total	740,533	611,141	129,392	-
Financial services / warehouse:				
Other operating expenditures	14,258	185,199	(170,941)	(2,671)
Electric service - generators:				
Other operating expenditures	132,526	91,478	41,048	75,520
Reimbursement for services	(20,000)	(20,002)	2	(20,000)
Total	112,526	71,476	41,050	55,520
Renewal and replacement	1,057,160	-	1,057,160	-
Total operations	6,908,931	5,651,454	1,257,477	4,824,883
Purchased power:				
Cost of electricity purchased	51,435,046	50,608,519	826,527	50,070,494

CITY OF GASTONIA, NORTH CAROLINA

**ELECTRIC FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2009**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008**

	2009			2008
	Budget	Actual	Variance Over/Under	Actual
Debt service:				
Debt principal	2,534	-	2,534	-
Interest and fees	17,705	15,698	2,007	-
Total	20,239	15,698	4,541	-
Total expenditures	62,871,858	60,486,168	2,385,690	58,567,879
Revenues over (under) expenditures	3,984,411	4,416,289	431,878	5,668,416
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	(2,210,446)	(2,210,446)	-	(2,100,000)
Intrafund transfer	(1,755,083)	(1,755,083)	-	(1,032,341)
Appropriated fund balance	(18,882)	-	18,882	4,108
Total other financing sources (uses)	(3,984,411)	(3,965,529)	18,882	(3,128,233)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 450,760	\$ 450,760	\$ 2,540,183
<b>Reconciliation from Budgetary Basis to Full Accrual Basis:</b>				
Net change in fund balance		\$ 450,760		
Reconciling items:				
Depreciation		(1,705,681)		
Bad debt expense		(85,510)		
Book value of disposed capital assets		(64,430)		
Intrafund transfers to capital project funds		1,755,083		
Capital project revenues		9,727		
Capital project expenditures		(1,088,120)		
Capital assets purchased/capitalized		2,871,139		
Change in unbilled revenues receivable		170,711		
Change in accrued vacation pay		(25,689)		
Change in deferred revenues and inventories		188,411		
Other post-employment benefits		(162,466)		
Change in net assets - GAAP basis		\$ 2,313,935		

## CITY OF GASTONIA, NORTH CAROLINA

**ELECTRIC CAPITAL PROJECT FUNDS**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Miscellaneous	\$ 882,187	\$ -	\$ (882,187)
Investment earnings	<u>27,655</u>	<u>9,727</u>	<u>(17,928)</u>
Total revenues	<u>909,842</u>	<u>9,727</u>	<u>(900,115)</u>
<b>Expenditures:</b>			
Financial management	92	-	92
Electric truck shed	35,000	28,507	6,493
SCADA replacement	285	-	285
City electrical tie lines	522,497	222,747	299,750
US 74 line extension	373,229	75,052	298,177
Electric development	488,122	207,007	281,115
Residential development	569,158	204,607	364,551
NCDOT City fiber	360,442	167,523	192,919
Wi-Max connectivity	40,000	-	40,000
GO bonds project	<u>400,000</u>	<u>173,282</u>	<u>226,718</u>
Total expenditures	<u>2,788,825</u>	<u>1,078,725</u>	<u>1,710,100</u>
Revenues over (under) expenditures	<u>(1,878,983)</u>	<u>(1,068,998)</u>	<u>809,985</u>
<b>Other Financing Sources (Uses):</b>			
Intrafund transfers	1,755,083	1,755,083	-
Bond issuance costs	(19,001)	(9,395)	9,606
Appropriated fund balance	<u>142,901</u>	<u>-</u>	<u>(142,901)</u>
Total other financing sources (uses)	<u>1,878,983</u>	<u>1,745,688</u>	<u>(133,295)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 676,690</u>	<u>\$ 676,690</u>

CITY OF GASTONIA, NORTH CAROLINA

STORMWATER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009		Variance Over/Under	2008
	Budget	Actual		Actual
<b>Revenues:</b>				
Operating revenues:				
Stormwater fees	\$ 2,040,000	\$ 1,998,879	\$ (41,121)	\$ 1,986,629
Stormwater fees to other funds	50,105	49,638	(467)	49,352
Other operating revenues	600	225	(375)	200
Total	<u>2,090,705</u>	<u>2,048,742</u>	<u>(41,963)</u>	<u>2,036,181</u>
Non-operating revenues:				
Investment earnings	<u>15,000</u>	<u>3,779</u>	<u>(11,221)</u>	<u>13,663</u>
Total revenues	<u>2,105,705</u>	<u>2,052,521</u>	<u>(53,184)</u>	<u>2,049,844</u>
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
Salaries and benefits	196,275	192,611	3,664	147,835
Other operating expenditures	63,634	21,329	42,305	18,739
Overhead allocation from General Fund	<u>903,800</u>	<u>900,078</u>	<u>3,722</u>	<u>877,403</u>
Total	<u>1,163,709</u>	<u>1,114,018</u>	<u>49,691</u>	<u>1,043,977</u>
Operations:				
Salaries and benefits	371,198	366,887	4,311	350,049
Other operating expenditures	<u>219,704</u>	<u>213,180</u>	<u>6,524</u>	<u>208,166</u>
Total	<u>590,902</u>	<u>580,067</u>	<u>10,835</u>	<u>558,215</u>
AM/FM/GIS:				
Salaries and benefits	83,296	83,204	92	11,323
Other operating expenditures	<u>14,970</u>	<u>6,573</u>	<u>8,397</u>	<u>16,442</u>
Total	<u>98,266</u>	<u>89,777</u>	<u>8,489</u>	<u>27,765</u>
Total expenditures	<u>1,852,877</u>	<u>1,783,862</u>	<u>69,015</u>	<u>1,629,957</u>
Revenues over (under) expenditures	<u>252,828</u>	<u>268,659</u>	<u>15,831</u>	<u>419,887</u>

CITY OF GASTONIA, NORTH CAROLINA

STORMWATER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009		Variance	2008
	Budget	Actual	Over/Under	Actual
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	(18,567)	(18,567)	-	-
Intrafund transfer	(639,132)	(639,132)	-	(415,964)
Appropriated fund balance	404,871	-	(404,871)	-
Total other financing sources (uses)	<u>(252,828)</u>	<u>(657,699)</u>	<u>404,871</u>	<u>(415,964)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (389,040)</u>	<u>\$ (389,040)</u>	<u>\$ 3,923</u>

**Reconciliation from Budgetary Basis  
to Full Accrual Basis:**

Net change in fund balance	\$ (389,040)
Reconciling items:	
Depreciation	(606,275)
Book value of disposed capital assets	(56,792)
Capital project revenues	17,333
Capital project expenditures	(59,770)
Intrafund transfer to Capital Project Fund	639,132
Capital projects - transfers from (to) other funds	(16,667)
Capital assets purchased/capitalized	59,770
Developer capital contributions	92,859
Bad debt expense	19,812
Change in unbilled revenues receivable	5,999
Change in accrued vacation pay	(12,562)
Change in deferred revenues and inventories	562
Other post-employment benefits	<u>(35,809)</u>
Change in net assets - GAAP basis	<u>\$ (341,448)</u>

## CITY OF GASTONIA, NORTH CAROLINA

**STORMWATER CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ 30,000	\$ 17,333	\$ (12,667)
Restricted intergovernmental revenue	<u>59,000</u>	<u>-</u>	<u>(59,000)</u>
Total revenues	<u>89,000</u>	<u>17,333</u>	<u>(71,667)</u>
<b>Expenditures:</b>			
Stormwater system	1,556,867	55,442	1,501,425
Stormwater non-capital	<u>130,817</u>	<u>4,328</u>	<u>126,489</u>
Total expenditures	<u>1,687,684</u>	<u>59,770</u>	<u>1,627,914</u>
Revenues over (under) expenditures	<u>(1,598,684)</u>	<u>(42,437)</u>	<u>1,556,247</u>
<b>Other Financing Sources (Uses):</b>			
Intrafund transfer in	639,132	639,132	-
Transfers to other funds	(16,667)	(16,667)	-
Appropriated fund balance	<u>976,219</u>	<u>-</u>	<u>(976,219)</u>
Total other financing sources (uses)	<u>1,598,684</u>	<u>622,465</u>	<u>(976,219)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 580,028</u>	<u>\$ 580,028</u>

CITY OF GASTONIA, NORTH CAROLINA

**TRANSIT SYSTEM FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008**

	2009		2008	
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Bus user fees	\$ 191,500	\$ 182,083	\$ (9,417)	\$ 190,085
Restricted intergovernmental	1,506,978	1,478,376	(28,602)	1,322,680
Miscellaneous	4,000	12,480	8,480	9,222
Total	<u>1,702,478</u>	<u>1,672,939</u>	<u>(29,539)</u>	<u>1,521,987</u>
Nonoperating revenues:				
Investment earnings	-	241	241	3,716
Total revenues	<u>1,702,478</u>	<u>1,673,180</u>	<u>(29,298)</u>	<u>1,525,703</u>
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
Salaries and benefits	258,050	230,381	27,669	221,283
Other operating expenditures	53,128	44,734	8,394	37,528
Overhead allocation from General Fund	462,700	451,608	11,092	438,932
Total	<u>773,878</u>	<u>726,723</u>	<u>47,155</u>	<u>697,743</u>
Operations:				
Salaries and benefits	591,492	577,013	14,479	557,468
Other operating expenditures	476,008	432,416	43,592	377,733
Capital outlay	121,002	120,442	560	2,956
Total	<u>1,188,502</u>	<u>1,129,871</u>	<u>58,631</u>	<u>938,157</u>
Maintenance:				
Salaries and benefits	257,342	250,610	6,732	264,235
Other operating expenditures	17,324	15,767	1,557	9,242
Capital outlay	3,200	2,931	269	-
Total	<u>277,866</u>	<u>269,308</u>	<u>8,558</u>	<u>273,477</u>



CITY OF GASTONIA, NORTH CAROLINA

**TRANSIT SYSTEM FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008**

	2009		2008	
	Budget	Actual	Variance Over/Under	Actual
ADA / Paratransit:				
Salaries and benefits	152,640	143,716	8,924	126,055
Other operating expenditures	24,542	18,976	5,566	130,166
Capital outlay	12,000	8,756	3,244	4,152
Total	<u>189,182</u>	<u>171,448</u>	<u>17,734</u>	<u>260,373</u>
Debt service:				
Debt principal	-	-	-	62,452
Interest and fees	-	-	-	2,498
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,950</u>
Total expenditures	<u>2,429,428</u>	<u>2,297,350</u>	<u>132,078</u>	<u>2,234,700</u>
Revenues over (under) expenditures	<u>(726,950)</u>	<u>(624,170)</u>	<u>102,780</u>	<u>(708,997)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	514,033	514,032	(1)	667,703
Appropriated fund balance	<u>212,917</u>	<u>-</u>	<u>(212,917)</u>	<u>-</u>
Total other financing sources (uses)	<u>726,950</u>	<u>514,032</u>	<u>(212,918)</u>	<u>667,703</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (110,138)</u>	<u>\$ (110,138)</u>	<u>\$ (41,294)</u>

**Reconciliation from Budgetary Basis  
to Full Accrual Basis:**

Net change in fund balance	\$ (110,138)
Reconciling items:	
Depreciation	(249,858)
Capital assets purchased	111,390
Increase in accrued vacation pay	(4,475)
Other post-employment benefits	<u>(53,223)</u>
Change in net assets - GAAP basis	<u>\$ (306,304)</u>

CITY OF GASTONIA, NORTH CAROLINA

**MUNICIPAL GOLF COURSE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008**

	2009			2008
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Green fees/cart rentals	\$ 925,000	\$ 162,255	\$ (762,745)	\$ 780,318
Equipment sales	60,000	12,673	(47,327)	47,736
Food/beverage sales	85,000	12,881	(72,119)	53,552
Reimbursement for service	12,000	3,000	(9,000)	12,000
Miscellaneous	-	-	-	16
Total	<u>1,082,000</u>	<u>190,809</u>	<u>(891,191)</u>	<u>893,622</u>
Non-operating revenues:				
Investment earnings	5,000	755	(4,245)	5,222
Cellular tower rental	<u>37,433</u>	<u>12,477</u>	<u>(24,956)</u>	<u>58,956</u>
Total	<u>42,433</u>	<u>13,232</u>	<u>(29,201)</u>	<u>64,178</u>
Total revenues	<u>1,124,433</u>	<u>204,041</u>	<u>(920,392)</u>	<u>957,800</u>
<b>Expenditures:</b>				
Operating expenditures:				
Golf course:				
Salaries and benefits	645,263	151,774	493,489	566,578
Operations	525,086	165,662	359,424	521,851
Overhead charged by other departments	<u>117,702</u>	<u>28,118</u>	<u>89,584</u>	<u>117,027</u>
Total golf course	<u>1,288,051</u>	<u>345,554</u>	<u>942,497</u>	<u>1,205,456</u>
Grill:				
Salaries and benefits	36,621	6,275	30,346	40,594
Operations	<u>31,500</u>	<u>6,883</u>	<u>24,617</u>	<u>28,316</u>
Total grill	<u>68,121</u>	<u>13,158</u>	<u>54,963</u>	<u>68,910</u>
Total expenditures	<u>1,356,172</u>	<u>358,712</u>	<u>997,460</u>	<u>1,274,366</u>
Revenues over (under) expenditures	<u>(231,739)</u>	<u>(154,671)</u>	<u>77,068</u>	<u>(316,566)</u>

CITY OF GASTONIA, NORTH CAROLINA

**MUNICIPAL GOLF COURSE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008**

	<u>2009</u>			<u>2008</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	149,259	87,418	(61,841)	421,340
Intrafund transfers	(100,000)	(100,000)	-	(120,000)
Appropriated fund balance	182,480	-	(182,480)	-
Total other financing sources (uses)	<u>231,739</u>	<u>(12,582)</u>	<u>(244,321)</u>	<u>301,340</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (167,253)</u>	<u>\$ (167,253)</u>	<u>\$ (15,226)</u>

**Reconciliation from Budgetary Basis  
to Full Accrual Basis:**

Net change in fund balance	\$ (167,253)
Reconciling items:	
Depreciation	(41,950)
Capital assets purchased	123,470
Intrafund transfer to Capital Project Fund	100,000
Capital project revenues	68
Capital project expenditures	(123,470)
Change in accrued vacation pay	29,783
Change in inventory	1,358
Other post-employment benefits	<u>18,487</u>
Change in net assets - GAAP basis	<u>\$ (59,507)</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**MUNICIPAL GOLF COURSE CAPITAL PROJECT FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP)  
 FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 68	\$ 68
<b>Expenditures:</b>			
Golf safety improvements	123,470	123,470	-
Revenues over (under) expenditures	(123,470)	(123,402)	68
<b>Other Financing Sources (Uses):</b>			
Intrafund transfers	100,000	100,000	-
Appropriated fund balance	23,470	-	(23,470)
Total other financing sources (uses)	123,470	100,000	(23,470)
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (23,402)</u>	<u>\$ (23,402)</u>



## **INTERNAL SERVICE FUNDS**

Internal Service Funds are a subclassification of the Proprietary Fund Types and are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis.

### The Vehicle and Equipment Renewal and Replacement Fund

The Vehicle and Equipment Renewal and Replacement Fund is used to account for the accumulation and allocation of costs associated with the City's vehicle and equipment replacement.

### Information Technology Fund

The Information Technology Fund is used to account for computer support and other technology services.

### Dental Self-Insurance Fund

The Medical Self-Insurance Fund provides medical coverage to the City's employees and their dependents.

### Medical Self-Insurance Fund

The Medical Self-Insurance Fund provides medical coverage to the City's employees and their dependents.



## CITY OF GASTONIA, NORTH CAROLINA

INTERNAL SERVICE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2009

	<u>Vehicle Replacement Fund</u>	<u>Information Technology Fund</u>	<u>Dental Self-Insurance Fund</u>	<u>Medical Self-Insurance Fund</u>	<u>Total</u>
<b>Assets:</b>					
Current assets:					
Cash, cash equivalents, and investments	\$ -	\$ 214,943	\$ 42,477	\$ 695,424	\$ 952,844
Accounts receivable, net	-	176,315	-	-	176,315
Interest receivable	-	245	-	-	245
Due from other funds	-	-	11,923	49,696	61,619
Cash and cash equivalents, restricted	3,291,388	-	-	-	3,291,388
Total current assets	<u>3,291,388</u>	<u>391,503</u>	<u>54,400</u>	<u>745,120</u>	<u>4,482,411</u>
Non-current assets:					
Depreciable capital assets, net	12,413,737	162,701	-	-	12,576,438
Total assets	<u>\$ 15,705,125</u>	<u>\$ 554,204</u>	<u>\$ 54,400</u>	<u>\$ 745,120</u>	<u>\$ 17,058,849</u>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	\$ 73,961	\$ 59,734	\$ -	\$ 625,625	\$ 759,320
Accrued salaries and benefits	-	24,764	-	-	24,764
Compensated absences, current	-	47,671	-	-	47,671
Accrued interest	156,570	-	-	-	156,570
Due to other funds	-	-	4,243	152,536	156,779
Current portion of long-term debt	3,238,430	-	-	-	3,238,430
Total current liabilities	<u>3,468,961</u>	<u>132,169</u>	<u>4,243</u>	<u>778,161</u>	<u>4,383,534</u>
Non-current liabilities:					
Compensated absences, noncurrent	-	15,890	-	-	15,890
Non-current portion of long-term debt	6,624,325	-	-	-	6,624,325
Total non-current liabilities	<u>6,624,325</u>	<u>15,890</u>	<u>-</u>	<u>-</u>	<u>6,640,215</u>
Total liabilities	<u>10,093,286</u>	<u>148,059</u>	<u>4,243</u>	<u>778,161</u>	<u>11,023,749</u>
<b>Net Assets:</b>					
Invested in capital assets, net of related debt	5,842,370	162,701	-	-	6,005,071
Unrestricted	(230,531)	243,444	50,157	(33,041)	30,029
Total net assets	<u>5,611,839</u>	<u>406,145</u>	<u>50,157</u>	<u>(33,041)</u>	<u>6,035,100</u>
Total liabilities and net assets	<u>\$ 15,705,125</u>	<u>\$ 554,204</u>	<u>\$ 54,400</u>	<u>\$ 745,120</u>	<u>\$ 17,058,849</u>



## CITY OF GASTONIA, NORTH CAROLINA

**INTERNAL SERVICE FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN FUND NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Vehicle Replacement Fund</u>	<u>Information Technology Fund</u>	<u>Dental Self-Insurance Fund</u>	<u>Medical Self-Insurance Fund</u>	<u>Total</u>
<b>Operating Revenues:</b>					
Charges for services	\$ 3,293,658	\$ 2,358,628	\$ 366,555	\$ 7,391,977	\$ 13,410,818
Other operating revenues	<u>53,448</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,448</u>
Total	<u>3,347,106</u>	<u>2,358,628</u>	<u>366,555</u>	<u>7,391,977</u>	<u>13,464,266</u>
<b>Operating Expenses:</b>					
Operations area	475,714	2,181,995	346,238	8,562,874	11,566,821
Depreciation and amortization	<u>2,316,397</u>	<u>49,315</u>	<u>-</u>	<u>-</u>	<u>2,365,712</u>
Total	<u>2,792,111</u>	<u>2,231,310</u>	<u>346,238</u>	<u>8,562,874</u>	<u>13,932,533</u>
Operating income (loss)	<u>554,995</u>	<u>127,318</u>	<u>20,317</u>	<u>(1,170,897)</u>	<u>(468,267)</u>
<b>Non-operating Revenues (Expenses):</b>					
Investment earnings	39,499	2,354	208	6,061	48,122
Gain (loss) on disposal of fixed assets	121,994	-	-	-	121,994
Interest on long-term debt	<u>(325,765)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(325,765)</u>
Total non-operating revenues (expenses)	<u>(164,272)</u>	<u>2,354</u>	<u>208</u>	<u>6,061</u>	<u>(155,649)</u>
Income (loss) before capital contributions and transfers	390,723	129,672	20,525	(1,164,836)	(623,916)
<b>Transfers:</b>					
Transfers from other funds	7,523	-	-	597,000	604,523
Transfers to other funds	<u>-</u>	<u>(7,700)</u>	<u>-</u>	<u>-</u>	<u>(7,700)</u>
Total transfers	<u>7,523</u>	<u>(7,700)</u>	<u>-</u>	<u>597,000</u>	<u>596,823</u>
Change in net assets	398,246	121,972	20,525	(567,836)	(27,093)
<b>Net Assets:</b>					
Beginning of year - July 1	<u>5,213,593</u>	<u>284,173</u>	<u>29,632</u>	<u>534,795</u>	<u>6,062,193</u>
End of year - June 30	<u>\$ 5,611,839</u>	<u>\$ 406,145</u>	<u>\$ 50,157</u>	<u>\$ (33,041)</u>	<u>\$ 6,035,100</u>

## CITY OF GASTONIA, NORTH CAROLINA

INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2009

	Vehicle Replacement Fund	Information Technology Fund	Dental Self-Insurance Fund	Medical Self-Insurance Fund	Total
<b>Cash Flows from Operating Activities:</b>					
Cash received from customers and users	\$ 3,347,106	\$ 2,361,788	\$ 366,555	\$ 7,391,977	\$ 13,467,426
Cash paid to suppliers	(650,284)	(1,313,238)	(359,902)	(8,482,378)	(10,805,802)
Cash paid to employees	-	(865,762)	-	-	(865,762)
Net cash provided (used) by operating activities	<u>2,696,822</u>	<u>182,788</u>	<u>6,653</u>	<u>(1,090,401)</u>	<u>1,795,862</u>
<b>Cash Flows from Non-capital Financing Activities:</b>					
Change in due to/from other funds	-	-	(5,524)	138,820	133,296
Transfers from other funds	7,523	-	-	597,000	604,523
Transfers to other funds	-	(7,700)	-	-	(7,700)
Net cash provided (used) by non-capital financing activities	<u>7,523</u>	<u>(7,700)</u>	<u>(5,524)</u>	<u>735,820</u>	<u>730,119</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Proceeds from issuance of debt	3,972,001	-	-	-	3,972,001
Principal paid on long-term debt	(2,991,964)	-	-	-	(2,991,964)
Proceeds from sale of capital assets	139,452	-	-	-	139,452
Acquisition and construction of capital assets	(4,494,999)	(102,410)	-	-	(4,597,409)
Interest paid on long-term debt	(371,361)	-	-	-	(371,361)
Net cash provided (used) by capital and related financing activities	<u>(3,746,871)</u>	<u>(102,410)</u>	<u>-</u>	<u>-</u>	<u>(3,849,281)</u>
<b>Cash Flows from Investing Activities:</b>					
Interest on investments	41,482	2,293	208	6,061	50,044
Net increase (decrease) in cash and cash equivalents	(1,001,044)	74,971	1,337	(348,520)	(1,273,256)
<b>Cash and Cash Equivalents:</b>					
Beginning of year - July 1	4,292,432	139,972	41,140	1,043,944	5,517,488
End of year - June 30	<u>\$ 3,291,388</u>	<u>\$ 214,943</u>	<u>\$ 42,477</u>	<u>\$ 695,424</u>	<u>\$ 4,244,232</u>
<b>Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:</b>					
Operating income (loss)	\$ 554,995	\$ 127,318	\$ 20,317	\$ (1,170,897)	\$ (468,267)
Depreciation and amortization	2,316,397	49,315	-	-	2,365,712
Change in assets and liabilities:					
(Increase) decrease in accounts receivables	-	3,160	-	-	3,160
Increase (decrease) in accounts payable	(174,570)	(60,566)	(13,664)	80,496	(168,304)
Increase (decrease) in compensated absences	-	63,561	-	-	63,561
Net cash provided (used) by operating activities	<u>\$ 2,696,822</u>	<u>\$ 182,788</u>	<u>\$ 6,653</u>	<u>\$ (1,090,401)</u>	<u>\$ 1,795,862</u>

CITY OF GASTONIA, NORTH CAROLINA

VEHICLE AND EQUIPMENT RENEWAL AND REPLACEMENT FUND

SCHEDULE OF REVENUES AND EXPENDITURES

FINANCIAL PLAN AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2009

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009		Variance Over/Under	2008
	Budget	Actual		Actual
<b>Operating Revenues:</b>				
Vehicle and equipment rentals	\$ 3,574,901	\$ 3,293,658	\$ (281,243)	\$ 3,046,728
<b>Non-operating Revenues:</b>				
Miscellaneous	50,196	192,900	142,704	32,424
Investment earnings	(5,225)	39,499	44,724	166,660
Total	44,971	232,399	187,428	199,084
Total revenues	3,619,872	3,526,057	(93,815)	3,245,812
<b>Expenditures:</b>				
Operating expenditures:				
Equipment manager:				
Other operating expenditures	57,099	51,856	5,243	3,503
Capital outlay	3,715,770	3,323,903	391,867	1,942,740
Total	3,772,869	3,375,759	397,110	1,946,243
Computer systems:				
Other operating expenditures	728,299	422,380	305,919	265,097
Capital outlay	521,681	195,727	325,954	377,799
Total	1,249,980	618,107	631,873	642,896
Telephone and radio systems:				
Capital outlay	55,714	43,383	12,331	80,031
Engineering:				
Other operating expenditures	12,770	-	12,770	-
Police investigations:				
Capital outlay	1,345	-	1,345	38,814

CITY OF GASTONIA, NORTH CAROLINA

VEHICLE AND EQUIPMENT RENEWAL AND REPLACEMENT FUND

SCHEDULE OF REVENUES AND EXPENDITURES

FINANCIAL PLAN AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2009

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009			2008
	Budget	Actual	Variance Over/Under	Actual
Museum investigations:				
Other operating expenditures	-	-	-	58,867
Capital outlay	15,133	-	15,133	-
Total	15,133	-	15,133	58,867
Water supply and treatment:				
Capital outlay	800,000	800,000	-	-
Wastewater treatment:				
Other operating expenditures	710	573	137	9,390
Capital outlay	149,900	132,892	17,008	-
Total	150,610	133,465	17,145	9,390
Total operating expenditures	6,058,421	4,970,714	1,087,707	2,776,241
Debt service:				
Principal repayments	3,006,211	2,991,970	14,241	2,978,474
Interest and fees	319,879	339,353	(19,474)	322,908
Debt issuance costs	405	404	1	9,354
Other debt service costs	35,867	31,597	4,270	3,168
Total	3,362,362	3,363,324	(962)	3,313,904
Total expenditures	9,420,783	8,334,038	1,086,745	6,090,145
Revenues over (under) expenditures	(5,800,911)	(4,807,981)	992,930	(2,844,333)
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	7,523	7,523	-	-
Issuance of long-term debt	3,953,748	3,972,000	18,252	4,116,329
Appropriated fund balance	1,839,640	-	(1,839,640)	-
Total other financing sources (uses)	5,800,911	3,979,523	(1,821,388)	4,116,329
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (828,458)	\$ (828,458)	\$ 1,271,996

CITY OF GASTONIA, NORTH CAROLINA

VEHICLE AND EQUIPMENT RENEWAL AND REPLACEMENT FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
FINANCIAL PLAN AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009		2008
	Budget	Actual	Actual
<b>Reconciliation from Budgetary Basis to Full Accrual Basis:</b>			
Net change in fund balance		\$ (828,458)	
Reconciling items:			
Depreciation and amortization		(2,316,397)	
Gain/(loss) on sale of capital assets		121,987	
Proceeds from sale of capital assets, included above		(139,452)	
Proceeds from issuance of long-term debt		(3,972,000)	
Long-term debt principal repayments		2,991,970	
Capital outlay, capitalized		4,495,000	
Change in accrued interest		<u>45,596</u>	
Change in net assets - GAAP basis		<u>\$ 398,246</u>	

CITY OF GASTONIA, NORTH CAROLINA

INFORMATION TECHNOLOGY FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
FINANCIAL PLAN AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009			2008
	Budget	Actual	Variance Over/Under	Actual
<b>Operating Revenues:</b>				
Technology services	\$ 2,508,719	\$ 2,358,628	\$ (150,091)	\$ 2,168,703
<b>Non-operating Revenues:</b>				
Investment earnings	1,500	2,354	854	3,543
Total revenues	2,510,219	2,360,982	(149,237)	2,172,246
<b>Expenditures:</b>				
Operating expenditures:				
Network access:				
Other operating expenditures	209,740	158,176	51,564	152,888
Capital outlay	40,495	40,425	70	32,380
Total	250,235	198,601	51,634	185,268
Technology services - administration				
Salaries and employee benefits	333,992	332,018	1,974	323,990
Other operating expenditures	243,455	224,270	19,185	176,948
Capital outlay	25,418	24,769	649	41,085
Total	602,865	581,057	21,808	542,023
Technology services - public safety				
Salaries and employee benefits	146,633	76,299	70,334	145,099
Other operating expenditures	93,493	82,621	10,872	62,155
Capital outlay	20,940	20,965	(25)	40,685
Total	261,066	179,885	81,181	247,939
Technology services - computer support				
Salaries and employee benefits	309,499	307,213	2,286	291,900
Other operating expenditures	174,811	117,047	57,764	113,030
Total	484,310	424,260	60,050	404,930
Technology service - assistant city manager				
Salaries and employee benefits	75,917	73,952	1,965	72,037
Other operating expenditures	21,939	21,500	439	11,124
Total	97,856	95,452	2,404	83,161

CITY OF GASTONIA, NORTH CAROLINA

INFORMATION TECHNOLOGY FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
FINANCIAL PLAN AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009			2008
	Budget	Actual	Variance Over/Under	Actual
Technology-city equipment				
Other operating expenditures	610,178	504,358	105,820	442,191
Technology services - support administration				
Salaries and employee benefits	217,051	216,477	574	210,770
Other operating expenditures	29,215	20,754	8,461	26,080
Total	246,266	237,231	9,035	236,850
Technology services-capital projects				
Other operating expenditures	118,031	-	118,031	-
Total expenditures	2,670,807	2,220,844	449,963	2,142,362
Revenues over (under) expenditures	(160,588)	140,138	300,726	29,884
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	(7,700)	(7,700)	-	-
Appropriated fund balance	168,288	-	(168,288)	-
Total other financing sources (uses)	160,588	(7,700)	(168,288)	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 132,438	\$ 132,438	\$ 29,884
<b>Reconciliation from Budgetary Basis to Full Accrual Basis</b>				
Net change in fund balance		\$ 132,438		
<b>Reconciling items:</b>				
Depreciation and amortization		(49,315)		
Capital outlay, capitalized		102,410		
Change in accrued vacation pay		(63,561)		
Change in net assets - GAAP basis		\$ 121,972		

## CITY OF GASTONIA, NORTH CAROLINA

**DENTAL SELF-INSURANCE FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**FINANCIAL PLAN AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2009**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008**

	<u>2009</u>		<u>2008</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services	\$ 330,000	\$ 366,555	\$ 36,555
Non-operating revenues:			
Investment earnings	800	208	(592)
Total revenues	<u>330,800</u>	<u>366,763</u>	<u>35,963</u>
<b>Expenditures:</b>			
Operating expenditures:			
Administration:			
Operating expenditures	<u>330,800</u>	<u>346,238</u>	<u>(15,438)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 20,525</u>	<u>\$ 20,525</u>
<b>Reconciliation from Budgetary Basis to Full Accrual Basis:</b>			
Change in net assets - GAAP basis		<u>\$ 20,525</u>	



## CITY OF GASTONIA, NORTH CAROLINA

**MEDICAL SELF-INSURANCE FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**FINANCIAL PLAN AND ACTUAL (NON-GAAP)**

FOR THE YEAR ENDED JUNE 30, 2009

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009		Variance Over/Under	2008
	Budget	Actual		Actual
<b>Operating Revenues:</b>				
Charges for services	\$ 7,364,000	\$ 7,391,977	\$ 27,977	\$ 7,069,014
<b>Non-operating Revenues:</b>				
Investment earnings	35,000	6,061	(28,939)	31,745
Total revenues	7,399,000	7,398,038	(962)	7,100,759
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
Operating expenditures	8,535,268	8,562,874	(27,606)	7,549,350
Revenues over (under) expenditures	(1,136,268)	(1,164,836)	(28,568)	(448,591)
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	597,000	597,000	-	(5,000)
Appropriated fund balance	539,268	-	(539,268)	-
Total other financing sources (uses)	1,136,268	597,000	(539,268)	(5,000)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (567,836)	\$ (567,836)	\$ (453,591)
<b>Reconciliation from Budgetary Basis to Full Accrual Basis:</b>				
Change in net assets - GAAP basis		\$ (567,836)		

## **STATISTICAL SECTION**

Schedule of Net Assets by Component, Last Seven Fiscal Years

Schedule of Changes in Net Assets, Last Seven Fiscal Years

Schedule of Fund Balances, Governmental Funds, Last Ten Fiscal Years

Schedule of Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years

Schedule of Tax Revenues by Source, Governmental Funds, Last Ten Fiscal Years

Schedule of Assessed Value and Estimated Actual Value of Taxable Property, Last Ten Fiscal Years

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Schedule of Property Tax Levies and Collections, Last Ten Fiscal Years

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Schedule of Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years

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Schedule of Full Time Equivalent City Government Employees By Function, Last Ten Fiscal Years

Schedule of Operating Indicators by Function/Program, Last Ten Fiscal Years

Schedule of Capital Asset Statistics By Function/Program, Last Ten Fiscal Years



## **STATISTICAL SECTION**

This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

### **Financial Trends - Schedules 1-4**

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

### **Revenue Capacity – Schedules 5-9**

These schedules contain information to help the reader assess the factors affecting the City's ability to generate property taxes.

### **Debt Capacity – Schedules 10-14**

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

### **Demographic and Economic Information – Schedules 15-17**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

### **Operating Information – Tables 18-19**

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive financial reports for the relevant year. The City implemented Statement 34 in 2003; schedules presenting government-wide information begin in that year.



Schedule 1  
City of Gastonia  
Net Assets by Component  
Last Eight Years  
(accrual basis of accounting)

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
Governmental activities								
Invested in capital assets, net of related debt	\$141,102,212	\$136,620,839	\$133,728,859	\$130,418,562	\$131,207,914	\$132,044,864	\$131,033,488	\$133,094,350
Restricted	-	-	67,748	339,013	339,013	76,578	402,179	7,078,299
Unrestricted	12,175,237	20,046,618	22,418,301	22,251,093	19,677,710	19,335,610	16,967,239	14,418,843
Total governmental activities net assets	\$153,277,449	\$156,667,457	\$156,214,908	\$153,008,668	\$151,224,637	\$151,457,052	\$148,402,906	\$154,591,492
Business Type activities								
Invested in capital assets, net of related debt	\$220,064,680	\$218,603,743	\$208,813,019	\$202,212,703	\$194,017,463	\$193,972,864	\$181,214,465	\$179,912,271
Restricted	-	-	-	-	-	100,688	-	308,344
Unrestricted	24,800,189	24,571,909	22,035,934	20,574,098	22,090,875	16,001,763	21,245,491	21,735,108
Total Business Type activities net assets	\$244,864,869	\$243,175,652	\$230,848,953	\$222,786,801	\$216,108,338	\$210,075,315	\$202,459,956	\$201,955,723
Primary Government								
Invested in capital assets, net of related debt	\$361,166,892	\$355,224,582	\$342,541,878	\$332,631,265	\$325,225,377	\$326,017,728	\$312,247,953	\$313,006,621
Restricted	-	-	67,748	339,013	339,013	177,266	402,179	7,386,643
Unrestricted	36,975,426	44,618,527	44,454,235	42,825,191	41,768,585	35,337,373	38,212,730	36,153,951
Total primary government net assets	\$398,142,318	\$399,843,109	\$387,063,861	\$375,795,469	\$367,332,975	\$361,532,367	\$350,862,862	\$356,547,215

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

**Schedule 2**  
**City of Gastonia**  
**Changes in Net Assets, Last Eight Fiscal Years**  
 (accrual basis of accounting)

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
<b>Expenses</b>								
Governmental activities:								
General government	\$14,927,520	\$13,338,063	\$9,331,598	\$10,396,128	\$10,237,774	\$11,139,541	\$14,144,240	\$20,452,175
Public Safety	26,558,148	25,412,069	24,197,724	21,382,176	19,987,676	19,087,084	19,712,213	20,041,012
Public Works and Cemeteries	17,418,712	17,082,502	16,112,031	15,170,385	15,046,678	14,378,510	10,280,612	4,520,767
Cultural and Recreation	5,421,420	5,240,922	5,148,069	4,384,943	4,296,996	4,255,090	4,457,914	4,215,876
Economic and physical development	2,530,015	4,163,290	3,308,247	2,087,714	3,207,660	2,983,732	1,876,446	2,655,916
Interest on long-term debt	1,566,308	1,265,501	1,645,874	1,528,145	2,097,324	2,625,523	3,445,214	2,336,434
Total governmental activities expenses	<u>68,422,123</u>	<u>66,502,347</u>	<u>59,743,543</u>	<u>54,949,491</u>	<u>54,874,106</u>	<u>54,469,480</u>	<u>53,916,639</u>	<u>54,222,180</u>
Business-type activities:								
Water and Sewer	27,710,123	21,923,630	25,339,542	23,898,970	23,091,897	23,888,379	23,028,548	23,996,476
Electric	60,517,626	58,629,603	55,777,621	55,558,941	52,465,962	51,699,579	51,039,933	49,624,521
Transit	2,493,516	2,371,622	2,105,284	1,980,207	1,810,988	1,647,779	1,666,323	1,692,596
Golf	351,034	1,350,589	1,053,475	1,148,528	1,030,983	990,202	1,025,022	1,091,672
Stormwater	2,495,300	2,597,473	2,279,060	2,017,039	2,081,911	1,944,978	1,456,511	1,232,093
Total business-type activities expenses	<u>93,567,599</u>	<u>86,872,917</u>	<u>86,554,982</u>	<u>84,603,685</u>	<u>80,481,741</u>	<u>80,170,917</u>	<u>78,216,337</u>	<u>77,637,358</u>
Total primary government expenses	<u>\$161,989,722</u>	<u>\$153,375,264</u>	<u>\$146,298,525</u>	<u>\$139,553,176</u>	<u>\$135,355,849</u>	<u>\$134,640,397</u>	<u>\$132,132,976</u>	<u>\$131,859,538</u>
<b>Program Revenues</b>								
Governmental activities:								
Charges for services:								
General government	\$7,980,309	\$7,376,991	\$6,801,438	\$4,659,178	\$5,972,453	\$3,895,413	\$4,121,332	\$4,582,602
Public Safety	915,682	976,090	1,037,069	914,264	888,095	1,178,898	94,022	6,568
Public Works and Cemeteries	1,632,041	1,480,559	1,176,743	1,071,621	276,013	1,165,977	27,360	872,343
Cultural and Recreation	557,575	534,573	503,688	483,749	408,725	525,879	405,576	557,239
Economic and physical development	256,297	129,767	170,842	8,035	493,794	950,490	-	-
Operating grants and contributions	5,016,361	5,513,514	5,456,919	3,270,271	2,821,083	3,395,852	4,508,986	2,475,081
Capital grants and contributions	1,767,264	5,030,594	3,803,343	3,222,650	2,267,142	4,384,092	532,022	3,211,872
Total governmental activities program revenues	<u>18,125,529</u>	<u>21,042,088</u>	<u>18,950,042</u>	<u>13,629,768</u>	<u>13,127,305</u>	<u>14,435,601</u>	<u>9,689,298</u>	<u>11,705,705</u>
Business-type activities:								
Charges for services:								
Water and Sewer	27,324,795	28,829,972	28,648,609	29,325,717	26,827,996	25,141,778	25,063,012	24,595,050
Electric	64,915,490	64,204,033	58,651,015	56,871,858	53,869,434	54,020,286	54,499,868	52,234,981
Transit	194,563	199,307	180,338	197,350	174,364	193,847	200,154	215,300
Golf	203,286	952,578	883,953	835,656	844,310	778,626	721,836	779,016
Stormwater	2,075,115	2,017,308	1,916,827	2,028,012	1,868,670	2,003,137	1,924,282	586,254
Operating grants and contributions	1,478,376	1,322,680	1,189,055	1,143,028	1,242,265	2,615,825	1,099,544	1,184,029
Capital grants and contributions	457,237	1,761,894	3,232,242	1,481,317	2,664,195	4,978,903	1,099,682	27,526,649
Total business-type activities program revenues	<u>96,648,862</u>	<u>99,287,772</u>	<u>94,702,039</u>	<u>91,882,938</u>	<u>87,491,234</u>	<u>89,732,402</u>	<u>84,509,376</u>	<u>107,121,279</u>
Total primary government program revenues	<u>\$114,774,391</u>	<u>\$120,329,860</u>	<u>\$113,652,081</u>	<u>\$105,512,706</u>	<u>\$100,618,539</u>	<u>\$104,168,003</u>	<u>\$94,198,676</u>	<u>\$118,826,984</u>

**Schedule 2**  
**City of Gastonia**  
**Changes in Net Assets, Last Eight Fiscal Years**  
(accural basis of accounting)

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
<b>Net (Expense)/Revenue</b>								
Governmental activities	(\$50,296,594)	(\$45,460,259)	(\$40,793,501)	(\$41,319,723)	(\$41,746,803)	(\$40,033,879)	(\$44,227,341)	(\$42,516,475)
Business-type activities	3,081,263	12,414,855	8,147,057	7,279,253	7,009,493	9,561,485	6,293,041	29,483,921
Total primary government net expense	(\$47,215,331)	(\$33,045,404)	(\$32,646,444)	(\$34,040,470)	(\$34,737,310)	(\$30,472,394)	(\$37,934,300)	(\$13,032,554)
<b>General Revenues and Other Changes in Net Assets</b>								
Governmental activities								
Ad valorem taxes	\$27,318,145	\$26,666,751	\$24,414,295	\$23,932,639	\$23,380,799	\$22,669,086	\$20,292,755	\$18,425,051
Sales taxes	9,988,923	9,988,922	9,988,923	9,988,923	9,988,923	9,988,893	8,640,145	7,996,447
Other taxes	7,292,414	6,931,381	6,801,318	6,447,572	6,275,867	7,492,204	5,603,164	6,743,476
Interest earned on investments	506,639	1,314,797	1,534,154	1,044,898	477,790	227,310	331,334	764,166
Miscellaneous	-	-	-	-	-	-	1,512,560	347,423
Special Item-Contribution of Infrastructure to Stormwater Fund	-	-	-	-	-	-	-	(27,171,430)
Gain (loss) on disposal of assets	-	-	-	-	-	-	(2,767,508)	486,237
Transfers	1,800,465	1,010,957	1,261,051	1,689,723	1,410,694	2,129,069	4,426,305	1,889,047
Total governmental activities	46,906,586	45,912,808	43,999,741	43,103,755	41,534,073	42,506,562	38,038,755	9,480,417
Business-type activities:								
Interest earned on investments	408,419	922,801	1,176,146	1,088,933	434,224	182,943	269,821	547,471
Miscellaneous	-	-	-	-	-	-	21,760	-
Liquidated Damages Recovery	-	-	-	-	-	-	718,847	-
Gain (loss) on disposal of assets	(1,800,465)	(1,010,957)	(1,261,051)	(1,689,723)	(1,410,694)	(2,129,069)	(2,372,931)	(326,618)
Transfers	(1,392,046)	(88,156)	(84,905)	(600,790)	(976,470)	(1,946,126)	(5,788,808)	(1,889,047)
Total Business-type activities	\$45,514,540	\$45,824,652	\$43,914,836	\$42,502,965	\$40,557,603	\$40,560,436	\$32,249,947	\$7,812,223
Total primary government								
<b>Changes in Net Assets</b>								
Governmental activities	-\$3,390,008	\$452,549	\$3,206,240	\$1,784,031	(\$212,730)	\$2,472,683	(\$6,188,586)	(\$33,036,058)
Business-type activities	1,689,217	12,326,699	8,062,152	6,678,463	6,033,023	7,615,359	504,233	27,815,727
Total primary government	-\$1,700,791	\$12,779,248	\$11,268,392	\$8,462,494	\$5,820,293	\$10,088,042	(\$5,684,353)	(\$5,220,331)

**Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.**



Schedule 3  
City of Gastonia  
Fund Balances, Governmental Funds,  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved	\$4,682,179	\$4,922,227	\$4,907,418	\$5,467,732	\$5,856,130	\$5,882,457	\$7,948,007	\$7,791,312	\$7,374,962	\$6,777,335
Unreserved	7,531,945	6,077,480	1,750,414	1,947,664	5,826,604	8,378,956	8,680,480	10,315,422	10,435,150	9,637,414
Total general fund	\$12,214,124	\$10,999,707	\$6,657,832	\$7,415,396	\$11,682,734	\$14,261,413	\$16,628,487	\$18,106,734	\$17,810,112	\$16,414,749
All other Governmental Funds										
Reserved, reported in:										
Mayor/Council Capital Project Fund	\$531,527	\$6,497,878	\$2,337,743	\$4,302,467	\$4,302,467	\$73,998	\$44,720	\$239,178	\$1,157,677	\$803,631
Other Governmental Funds	2,635,315	2,531,362	2,265,700	2,913,145	1,566,402	1,239,395	3,446,185	4,058,649	4,671,316	4,462,211
Unreserved, reported in:										
Mayor/Council Capital Project Fund	2,781,885	3,599,951	1,703,261	226,186	(2,488,596)	1,014,546	998,534	1,302,184	1,634,921	1,418,181
Other Governmental Funds	1,517,010	254,361	4,928,126	3,234,609	3,637,918	3,516,651	1,198,326	459,430	2,088,019	2,291,756
Total all other governmental funds	\$7,465,737	\$12,883,552	\$11,234,830	\$10,676,407	\$7,018,191	\$5,844,590	\$5,687,765	\$6,059,441	\$9,551,933	\$8,975,779

Note: The State government seeing their shortfall in revenues in their 2002 fiscal year used revenues appropriated by State statute for local governments to balance the State's budget and changed State statutes to discontinue the intangible tax and inventory tax appropriations to local municipalities. The replacement revenues approved by the State government in the form of a one-half percent sales tax did not go into effect until January 1, 2006.

**Schedule 4**  
**City of Gastonia**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Revenues</b>										
Ad valorem taxes	\$16,630,249	\$18,049,432	\$18,501,281	\$20,418,811	\$22,639,101	\$23,373,800	\$23,966,246	\$24,458,231	\$26,581,312	\$27,238,368
Other taxes and licenses	8,601,558	8,788,414	10,565,863	11,463,645	12,970,759	16,264,790	16,436,495	16,790,241	16,920,303	17,281,337
Unrestricted intergovernmental revenues	7,184,763	7,143,654	4,174,060	4,382,486	4,536,755	1,216,412	1,087,056	1,232,970	1,633,727	1,811,720
Restricted intergovernmental revenues	4,879,272	4,361,070	5,661,953	4,945,508	3,978,279	4,595,552	6,018,455	5,345,953	6,444,156	6,058,245
Permits and fees	450,401	657,075	623,895	942,894	785,382	780,417	626,678	1,097,740	999,738	743,410
Sales and services	4,921,923	3,976,379	5,360,964	4,377,221	4,858,900	4,730,450	4,948,879	5,430,463	5,002,323	5,033,550
Investment earnings	1,378,396	1,351,366	687,200	312,601	227,692	440,837	942,043	1,286,500	1,081,437	458,517
Miscellaneous	304,709	276,065	142,874	950,953	973,664	438,395	281,371	673,450	1,043,725	1,422,226
Total revenues	44,351,271	44,603,455	45,718,090	47,794,119	50,970,532	51,840,653	54,307,223	56,295,548	59,706,721	60,047,373
<b>Expenditures</b>										
Current:										
General government	11,653,293	11,977,066	13,246,123	14,216,451	9,139,017	9,074,541	8,787,333	8,403,961	9,089,348	9,553,424
Public Safety	18,768,675	19,166,533	19,546,288	19,205,362	18,974,037	19,688,974	21,163,473	23,273,025	24,527,453	25,704,818
Public works and cemeteries	5,304,328	5,400,969	4,998,758	4,705,778	9,609,414	9,901,062	10,188,437	9,950,758	10,795,304	11,257,939
Cultural and recreation	3,433,841	3,575,972	3,861,804	3,924,129	3,724,833	3,746,778	3,841,965	4,503,247	4,555,067	4,804,866
Economic and physical development	2,740,950	2,832,207	2,122,876	1,908,271	1,945,723	2,554,789	3,027,392	3,178,595	3,655,570	2,236,652
Capital outlay	3,541,621	5,040,189	9,896,382	4,846,521	4,142,350	1,376,734	1,776,775	1,394,321	2,662,256	4,691,159
Debt Service:										
Principal repayments	2,565,000	2,615,000	2,935,000	2,988,333	3,533,454	3,770,971	3,972,434	3,995,435	3,833,152	3,491,529
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	-
Interest	2,131,669	2,012,196	1,889,169	2,387,408	2,126,596	2,086,891	1,537,989	1,417,371	1,184,142	1,190,809
Total expenditures	50,139,377	52,620,132	58,496,400	54,182,253	53,195,424	52,200,740	54,295,798	56,116,713	60,302,292	62,931,186
Revenues over (under) expenditures	(5,788,106)	(8,016,677)	(12,778,310)	(6,388,134)	(2,224,892)	(360,087)	11,425	178,835	(595,571)	(2,883,813)
<b>Other Financing Sources (Uses)</b>										
Payments to refunded bond escrow agent	-	-	-	#####	(4,640,371.00)	#####	-	-	-	-
Transfers from other funds	6,546,291	6,721,700	4,494,468	4,398,171	4,376,129	2,321,000	2,497,181	2,902,209	3,990,273	4,117,105
Transfers to other funds	(3,707,901)	(3,659,578)	(2,721,527)	(1,891,510)	(2,247,060)	(910,306)	(825,824)	(1,641,158)	(2,974,316)	(2,913,463)
Operating transfers from component unit	960,180	530,000	-	-	-	-	-	-	-	-
Section 108 loan proceeds	280,000	-	-	-	-	-	-	-	-	-
Issuance of long term debt	-	8,254,037	5,270,000	10,328,911	4,705,000	13,575,000	-	-	2,550,020	-
Bond premium received	-	-	1,675	132,517	30,038	141,102	-	-	-	-
Total other financing sources (uses)	4,078,570	11,846,159	7,044,616	6,547,112	2,223,736	1,681,428	1,671,357	1,261,051	3,565,977	1,203,642
Net change in fund balances	(\$1,709,536)	\$3,829,482	(\$5,733,694)	\$158,978	(\$1,156)	\$1,321,341	\$1,682,782	\$1,439,886	\$2,970,406	-\$1,680,171
Debt service as a percentage of noncapital expenditures	10.08%	9.73%	9.93%	10.90%	11.54%	11.53%	10.49%	9.89%	8.70%	8.04%

**Note:** The State government seeing their shortfall in revenues in their 2002 fiscal year used revenues appropriated by State statute for local governments to balance the State's budget and changed State statutes to discontinue the intangible tax and inventory tax appropriations to local municipalities. The replacement revenues approved by the State government in the form of a one-half percent sales tax did not go into effect until January 1, 2006.

Schedule 5  
City of Gastonia  
Tax Revenues by Source, Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting )

Fiscal Year	Property Tax	Local Option Sales Tax	Franchise Tax	Video Franchise Tax	Beer and Wine Tax	Intangibles Tax	Inventory Tax	Rental Vehicle Tax	Total
2000	16,536,434	7,754,082	2,943,097	-	266,460	416,748	988,617	-	28,905,438
2001	17,958,094	7,889,743	3,139,885	-	277,497	417,545	989,267	35,814	30,707,845
2002	18,404,530	7,996,447	1,547,577	-	-	439,358	499,123	31,688	28,918,723
2003	20,321,063	8,640,145	3,070,912	-	288,948	-	-	20,599	32,341,667
2004	22,539,485	9,988,893	3,181,734	-	293,098	-	-	19,151	36,022,361
2005	23,272,597	9,988,923	3,149,026	-	303,281	-	-	53,159	36,766,986
2006	23,869,281	9,988,923	3,180,450	-	303,925	-	-	54,991	37,342,579
2007	24,356,610	9,988,923	3,323,537	-	317,568	-	-	59,486	37,986,638
2008	26,581,312	9,988,923	3,397,786	571,029	328,786	-	-	61,364	40,867,836
2009	27,238,368	9,988,923	3,604,081	635,429	327,159	-	-	56,976	41,793,960

**Note:** The State government seeing their shortfall in revenues in their 2002 fiscal year used revenues appropriated by State statute for local governments to balance the State's budget and changed State statutes to discontinue the intangible tax and inventory tax appropriations to local municipalities. The replacement revenues approved by the State government in the form of a one-half percent sales tax did not go into effect until January 1, 2006.

Three years ago, the Gaston County Commissioners announced their intent to change the Sales Tax distribution formula from the per capita method to the ad valorem method. This change, if immediately implemented, would have resulted in an annual loss to the City of Gastonia of approximately \$2.5 million in our General Fund. Through determined efforts of municipal officials and a willingness of County officials to compromise, an Inter-Local Agreement was signed two years ago that caps the municipal share of Sales Tax revenues at the 2003-2004 amount. All future growth in the Sales Tax revenues, historically averaging 4.5%, would be assigned to the County, until the economic growth equals 92% of the Ad Valorem method. The Inter-Local Agreement specifies that the County must divide their newly captured money – 50% to the public schools and 50% for water and sewer improvements. The agreement is currently being

**Schedule 6**  
**City of Gastonia**  
**Assessed Value and Estimated Actual Value of Taxable Property,**  
**Last Ten Fiscal Years**  
(in thousands of dollars)

<b>Fiscal Year</b>	<b>Real Property <sup>(1)</sup></b>	<b>Personal Property <sup>(2)</sup></b>	<b>Motor Vehicles</b>	<b>Public Service Companies</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>
2000	2,507,558	528,308	396,805	116,877	3,549,548	0.4925	3,640,562
2001	2,610,259	574,244	390,667	109,196	3,684,366	0.4925	3,827,913
2002	2,676,903	556,023	398,821	105,555	3,737,302	0.4925	3,934,002
2003	2,723,971	558,030	385,933	107,648	3,775,582	0.5425	4,027,287
2004	3,213,975	481,328	434,471	117,053	4,246,827	0.5300	4,591,164
2005	3,396,429	392,600	380,558	99,560	4,269,147	0.5400	4,678,517
2006	3,389,163	477,540	420,911	98,925	4,386,539	0.5400	4,873,932
2007	3,463,484	496,793	410,628	103,924	4,474,829	0.5400	4,972,032
2008	3,945,878	500,405	432,830	110,132	4,989,245	0.5300	4,989,245
2009	4,082,384	482,831	433,571	116,429	5,115,215	0.5300	5,115,215

**Note:** The levy of property taxes each year is based on the assessed value of taxable property as of January 1, preceding the beginning of the fiscal year on July 1. All taxable property was assessed at one hundred percent (100%) of its estimated actual value at the time of revaluation. Valuations presented in this schedule do not include property owned by the United States Government, the State of North Carolina, educational institutions, etc., that are not subject to taxation. Per Gaston County Tax Assessor's office, the 2006 and 2007 tax assessment is approximately 90% of taxable value (market value). For years subsequent to the 1998 octennial revaluation we will interpolate an annual 1.25% taxable value increase. Based on the economic condition in the current housing market, 2008 and 2009 taxable value (market value) is estimated to be approximately 100% of the County assessed value.

<sup>(1)</sup> North Carolina General Statutes 105-286 require that an octennial reappraisal of real property be conducted. The last reappraisal of all taxable property took place in January of 2007 and was effective for the Fiscal Year 2008 property taxes.

<sup>(2)</sup> Effective with the 1993 tax year, taxes on registered motor vehicles were billed out separately from other personal property taxes based on the registration renewal of the vehicle. Prior to this time, the value of all motor vehicles was included with all other taxable personal property.

**Schedule 7**  
**City of Gastonia**  
**Direct and Overlapping Property Tax Rates,**  
**Last Ten Fiscal Years**  
(rate per \$100 of assessed value)

<b>Fiscal Year</b>	<b>City Direct Rates</b>				<b>Total Direct Rate</b>	<b>Overlapping Rates</b>	<b>Combined Tax Rate</b>
	<b>Basic Rate (General Fund)</b>	<b>Debt Retirement</b>	<b>Capital Projects Fund</b>	<b>Gaston County</b>			
2000	0.3500	0.1125	0.0300	0.8250	0.4925	1.3175	
2001	0.3500	0.1125	0.0300	0.8250	0.4925	1.3175	
2002	0.3500	0.1125	0.0300	0.9183	0.4925	1.4108	
2003	0.4000	0.1125	0.0300	0.9183	0.5425	1.4608	
2004	0.3875	0.1125	0.0300	0.8930	0.5300	1.4230	
2005	0.4275	0.1125	0.0000	0.8930	0.5400	1.4330	
2006	0.4275	0.1125	0.0000	0.8930	0.5400	1.4330	
2007	0.4275	0.1125	0.0000	0.8800	0.5400	1.4200	
2008	0.4175	0.1125	0.0000	0.8400	0.5300	1.3700	
2009	0.4175	0.1125	0.0000	0.8350	0.5300	1.3650	

Schedule 8  
City of Gastonia  
Principal Property Tax Payers,  
Current Year and Nine Years Ago

	2009			2000		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Southwood Realty	\$87,474,415	1	1.87%	-	-	-
Freightliner	58,089,885	2	1.24%	\$52,344,801	2	1.48%
AT&T	50,885,014	3	1.09%	44,522,037	4	1.26%
Walmart	47,453,217	4	1.01%	-	-	-
Pearson Properties	45,320,595	5	0.97%	-	-	-
PSNC Energy	44,610,333	6	0.95%	43,810,941	5	1.24%
Wix Corp	43,752,490	7	0.93%	49,281,260	3	1.39%
Parkdale	38,883,816	8	0.83%	54,126,007	1	1.53%
Stabilus	35,571,895	9	0.76%	37,482,402	8	1.06%
Centro Bradley Spe 1 LLC	27,261,471	10	0.58%	37,579,400	7	1.06%
Easco Hand Tools	-	-	-	26,717,146	9	0.76%
American & Efir	-	-	-	38,288,689	6	1.08%
Eastridge Mall	-	-	-	21,554,289	10	0.61%

Source: City of Gastonia Treasurer

Schedule 9  
City of Gastonia  
Property Tax Levies and Collections,  
Last Ten Fiscal Years  
(Dollars in Thousands)

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2000	16,638	15,946	95.84%	640	16,586	99.69%
2001	18,184	17,336	95.34%	729	18,065	99.35%
2002	18,406	17,668	95.99%	679	18,347	99.68%
2003	20,452	19,614	95.04%	767	20,381	99.65%
2004	22,506	22,168	98.50%	239	22,407	99.56%
2005	23,053	22,036	95.59%	941	22,977	99.67%
2006	23,687	22,715	95.90%	874	23,589	99.59%
2007	24,167	23,238	96.16%	800	24,038	99.47%
2008	26,447	25,366	95.91%	824	26,190	99.03%
2009	27,115	25,950	95.70%	-	25,950	95.70%

Source: City of Gastonia Treasurer

**Schedule 10**  
**City of Gastonia**  
**Ratios of Outstanding Debt by Type,**  
**Last Ten Fiscal Years**  
(dollars in thousands, except per capita)

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Participation	Installment Financing	Section 108 Loan	General Obligation Bonds	Water Revenue Bonds	State Revolving Loans				
2000	30,040	11,515	3,484	1,195	19,155	37,665	11,050	114,104	7.52%	1,791	
2001	27,845	22,705	5,316	1,080	17,300	46,165	9,900	130,311	7.66%	1,966	
2002	28,330	20,990	4,162	3,245	15,360	44,855	8,750	125,692	6.78%	1,842	
2003	26,154	17,921	9,658	3,110	13,486	43,225	7,600	121,154	6.42%	1,775	
2004	23,914	16,595	7,547	2,960	11,206	41,450	6,450	110,122	5.57%	1,614	
2005	21,944	15,485	8,248	2,690	9,056	39,610	5,300	102,333	4.98%	1,487	
2006	19,238	13,821	9,445	2,410	6,976	46,545	4,150	102,585	4.73%	1,460	
2007	16,610	12,105	10,287	2,490	5,125	44,215	3,000	93,832	4.16%	1,315	
2008	16,558	11,010	11,286	2,285	3,837	41,780	2,000	88,756	NA	1,218	
2009	14,494	9,925	12,130	2,080	2,772	39,290	1,750	82,441	NA	1,106	

**Note:** Details regarding the City's outstanding debt can be found in the notes to the financial statements.



Schedule 11  
City of Gastonia  
Ratios of General Bonded Debt Outstanding  
Last Ten Fiscal Years  
(dollars in thousands, except per capita)

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Population	Per Capita
2000	49,195	1.35%	63,700	772
2001	45,145	1.18%	66,277	681
2002	43,690	1.11%	68,255	640
2003	39,640	0.98%	68,255	581
2004	35,120	0.76%	68,246	515
2005	31,000	0.66%	68,809	451
2006	26,215	0.54%	70,278	373
2007	21,735	0.44%	71,349	305
2008	20,395	0.41%	72,848	280
2009	17,266	0.34%	74,518	232

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. The decrease in general obligation debt is due to a financing movement to revenue bonds in the Water & Sewer Enterprise Fund.

**Schedule 12**  
**City of Gastonia**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2009**  
(dollars in thousands)

<u>Governmental Unit</u>	<u>Net Bonded Debt</u>	<u>Estimated Percentage Applicable <sup>(2)</sup></u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Direct Debt:			
City of Gastonia	\$38,548 <sup>(1)</sup>	100%	\$38,548
Overlapping Debt			
Gastonia County	181,255 <sup>(3)</sup>	35.43%	64,219
Total direct and overlapping debt	<u>\$219,803</u>		<u>\$102,767</u>

**Notes:**

(1) Net bonded debt was calculated as general obligation bonds, certificates of participation, installment purchases, less general obligation bonds incurred for water & sewer.

(2) Allocated based on assessed valuation.

(3) Overlapping debt is owned by Gaston County and benefits all areas within the county. Payment of this debt is the responsibility of Gaston County. Net debt is calculated as general obligation bonds, certificates of participation, installment purchases, capital leases, less debt incurred for enterprise funds.

**Schedule 13**  
**City of Gastonia**  
**Legal Debt Margin Information,**  
**Last Ten Fiscal Years**  
(dollars in thousands)

**Legal Debt Margin Calculation for Fiscal Year 2009**

Assessed value \$5,145,529

Debt limit (8% of assessed value) 411,642

Debt applicable to limit:  
Authorized & Outstanding bonded debt 56,555  
Outstanding debt not evidenced by bonds 25,884  
82,439

Statutory Deductions:  
Bonds and other debt not evidenced by  
bonds applicable to Enterprise Funds 43,812  
Amount designated for payment of gross  
debt other than Enterprise Funds 29  
43,841

Net Debt 38,598

Legal Debt Limit \$373,044

**Fiscal Year**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt limit	\$283,964	\$294,749	\$298,984	\$302,047	\$339,725	\$341,532	\$350,923	\$358,036	\$407,191	\$411,642
Total net debt applicable to limit	46,080	56,946	56,727	56,842	51,016	48,341	44,888	41,463	41,110	38,598
Legal debt margin	<u>\$237,884</u>	<u>\$237,803</u>	<u>\$242,257</u>	<u>\$245,205</u>	<u>\$288,709</u>	<u>\$293,191</u>	<u>\$306,035</u>	<u>\$316,573</u>	<u>\$366,081</u>	<u>\$373,044</u>

Total net debt applicable to the limit 16.23% 19.32% 18.97% 18.82% 15.02% 14.15% 12.79% 11.58% 10.10% 9.38%  
as a percentage of debt limit

Schedule 14  
City of Gastonia  
Pledged-Revenue Coverage,  
Last Ten Fiscal Years  
(dollars in thousands)

		Water Revenue Bonds					
Fiscal Year	Gross Utility Revenues <sup>(1)</sup>	Less: Operating Expenses <sup>(2)</sup>	Net Available Revenue	Debt Service Principal <sup>(3)</sup>	Debt Service Interest <sup>(4)</sup>	Coverage	
2000	23,808	16,437	7,371	4,160	3,229	1.00	
2001	26,237	17,043	9,194	4,218	3,595	1.18	
2002	24,396	15,835	8,561	4,400	3,604	1.07	
2003	25,378	16,416	8,962	4,800	3,327	1.10	
2004	25,709	16,484	9,225	5,205	2,774	1.16	
2005	28,875	17,222	11,653	5,141	2,634	1.50	
2006	28,865	17,512	11,353	5,464	2,645	1.40	
2007	28,493	18,605	9,888	5,331	2,585	1.25	
2008	28,676	19,475	9,201	5,155	2,389	1.22	
2009	27,472	20,770	6,702	3,805	2,181	1.12	

<sup>(1)</sup> "Gross Revenues" shall mean all rates, fees, charges, assessments or other income received by the City or accrued to the City or any agency thereof in control of the management and operation of said Water and Sewer Utility. Excluded from "Gross Revenues" are revenue and interest earned in the Water and Sewer Capital Projects Fund. Amounts reported on budgetary basis, modified accrual basis of accounting.

<sup>(2)</sup> "Expenses" exclude debt service payment, depreciation of fixed assets, amortization of deferred charges, and payments to escrow which are reflected as expenses in the financial statements. Amount reported on budgetary basis, modified accrual basis of accounting. Excludes transfers to other funds except transfer related to payment in lieu of taxes.

<sup>(3)</sup> "Principal" excludes refunding activity.

<sup>(4)</sup> "Interest" reported on budgetary basis, modified accrual basis of accounting.

**Schedule 15**  
**City of Gastonia**  
**Demographic and Economic Statistics,**  
**Last Ten Calendar Years**

<b>Calendar Year</b>	<b>Population <sup>(1)</sup></b>	<b>Personal Income (thousands of dollars) <sup>(2)</sup></b>	<b>Per Capita Personal Income <sup>(3)</sup></b>	<b>Unemployment Rate <sup>(4)</sup></b>
2000	63,700	1,592,882	25,006	4.8%
2001	66,277	1,700,204	25,653	6.4%
2002	68,255	1,854,693	27,173	7.5%
2003	68,255	1,887,182	27,649	7.7%
2004	68,246	1,976,472	28,961	7.1%
2005	68,809	2,054,224	29,854	6.4%
2006	70,278	2,171,028	30,892	5.4%
2007	71,349	2,253,558	31,585	5.7%
2008	72,848	NA	NA	7.5%
2009	74,518	NA	NA	13.3%

**Notes:**

- (1) North Carolina Office of State Budget and Management
- (2) Per Capita Personal Income Extended By Population
- (3) Bureau of Economic Analysis
- (4) NC Employment Security Commission

Schedule 16  
City of Gastonia  
Principal Employers  
Current Year and Nine Years Ago

	2009			2000		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Caromont Health	1,000-2,999	1	-	2,600	3	8.62%
Gaston County Schools	1,000-2,999	2	-	4,000	1	13.27%
Wix Filtration	1,000-2,999	3	-	1,850	4	6.14%
Gaston County	1,000-2,999	4	-	1,432	6	4.75%
Pharr Yarns, Inc	1,000-2,999	5	-	-	-	-
Wal-mart Association, Inc.	1,000-2,999	6	-	-	-	-
American & Efird	1,000-2,999	7	-	1,788	5	5.93%
Freightliner	500-999	8	-	2,711	2	8.99%
City of Gastonia	500-999	9	-	1,050	7	3.48%
Gaston College	500-999	10	-	-	-	-
Stabilus, Inc.	-	-	-	737	9	2.44%
Parkdale Mills	-	-	-	1023	8	3.39%
R.L. Stowe Mills	-	-	-	610	10	2.02%

Source: Gaston County Economic Development Commission.

Due to the confidentiality policies of many employers, obtaining exact number of employees for the principal employers, beginning FYE 2003 the number of employees is reported by an employment range; therefore, the percentage of total city employment is unavailable for the 2009 information. The Gaston County Economic Development Commission and NC Employment Security Commission provides this information in ranges only.

Schedule 17  
City of Gastonia  
Full-Time Equivalent City Government Employees by Function  
Last Ten Fiscal Years

Function/Program	Full-time-equivalent Employees as of June 30									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government	-	-	188	163	134	113	139	135	185	187
Police	-	-	195	195	192	193	181	188	170	170
Fire	-	-	146	146	143	146	142	141	139	140
Public Works and Cemeteries	-	-	167	167	157	167	141	145	152	158
Cultural and Recreation	-	-	61	61	61	61	51	51	56	56
Water and Sewer	-	-	146	146	146	146	129	125	121	127
Electric	-	-	40	40	40	40	40	40	40	44
Transit	-	-	20	20	15	20	18	21	17	20
Golf Course	-	-	9	9	9	9	8	8	8	0
Stormwater	-	-	11	11	11	11	8	6	5	5
Total	-	-	983	958	908	906	857	860	893	907

Notes: Fiscal years 2009, 2008, 2007 and 2006 were actual data obtained from the City's Human Resources department. Fiscal years, 2005, 2004, 2003, 2003 and 2002 actual data was not readily available; therefore, data obtained from the City's Budget department (budgeted employees). Fiscal years 2001, and 2000 data not readily available.

**Schedule 18**  
**City of Gastonia**  
**Operating Indicators by Function/Program,**  
**Last Ten Fiscal Years**

Function/Program	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government										
Commercial Construction										
Commercial Building permits issued	397	443	376	437	516	381	629	577	548	514
Commercial Building permit value	45,852	43,712	41,085	104,117	59,836	51,347	80,082	60,589	62,785	57,213
Residential Construction										
Residential Building permits issued	412	485	531	1,040	621	649	439	789	800	586
Residential Building permit value	42,613	47,949	42,297	55,825	63,955	69,706	40,903	109,402	98,364	49,945
Police										
Physical arrests	10,667	5,485	4,412	5,056	5,292	5,517	5,936	6,067	7,867	8,116
Parking violations	1,269	867	614	607	371	354	152	34	19	22
Traffic violations	7,953	12,330	10,376	9,110	7,669	5,721	6,570	5,984	8,615	9,103
Fire										
Number of calls answered	7,427	7,255	7,525	8,023	7,611	7,750	7,611	8,648	8,810	8,968
Fires extinguished	-	-	-	-	-	-	390	329	491	403
Inspections	2,095	1,875	1,634	2,337	2,185	1,637	1,337	2,776	2,123	2,662
Sanitation/Solid Waste										
Residential Refuse collected (tons annually)	25,495	26,165	25,086	26,709	25,590	25,919	25,810	27,687	26,650	25,421
Commercial Refuse collected (tons annually)	20,150	20,342	21,131	20,912	20,371	30,530	32,370	36,441	24,483	24,908
Contractor/Recyclables collected (tons annually)	920	755	812	853	1,188	1,374	549	364	806	896
City Crews/Recyclables collected (tons annually)	233	444	376	348	204	122	72	104	126	161
Other public works										
Street resurfacing (miles)	-	-	-	-	-	-	-	5	9	7
Potholes repaired	-	-	-	-	-	-	-	597	499	637
Water										
Number of service connections	23,672	23,923	24,609	23,863	25,997	26,361	26,854	27,140	27,931	25,591
Water main breaks	-	-	-	-	-	-	-	168	176	608
Average daily consumption (thousands of gallons)	14.37 MGD	13.76 MGD	13.19 MGD	14.30 MGD	11.83 MGD	11.97 MGD	12.69 MGD	12.26 MGD	11.48 MGD	11.40 MGD
Maximum daily capacity of plant in gallons (thousands of gallons)	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD
Wastewater										
Average daily sewage treatment (thousands of gallons)	11.30 MGD	10.60 MGD	8.8 MGD	9.7 MGD	9.0 MGD	11.97 MGD	9.0 MGD	8.4 MGD	7.8 MGD	8.0 MGD
Maximum daily capacity of treatment in gallons	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD
Number of service connections	20,750	20,891	21,146	20,800	21,491	22,130	22,238	22,731	23,247	23,324
Transit										
Total route miles	296,931	296,756	293,413	287,838	296,121	289,677	300,871	191,045	295,495	286,726

Sources: Various City Departments



Schedule 19  
City of Gastonia  
Capital Asset Statistics by Function/Program,  
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	113	135	129	131	134	130	132	131	133	133
Fire Stations	7	7	8	8	8	8	8	8	8	8
Refuse collection										
Collection trucks	NA	NA	NA	NA	NA	NA	22	22	22	22
Other Public Works										
Streets (miles)	304	309	312	315.14	318	321	323.05	329.05	334.73	335.56
Streetslights	8859	8920	9037	9245	9408	9401	9423	9466	9566	9687
Parks and recreation										
Acreage	587	587	587	587	587	587	587	587	587	587
Parks	16	16	16	16	16	16	16	16	16	16
Baseball/softball diamonds	4	5	17	17	17	17	17	17	19	19
Soccer fields	4	4	4	4	4	4	4	4	4	4
Community Centers	6	6	6	6	6	6	6	6	6	6
Golf Courses	1	1	1	1	1	1	1	1	1	1
Swimming Pools	2	2	2	2	2	2	2	2	2	2
Tennis Courts	54	50	50	54	46	46	46	46	46	46
Jogging Tracks	7	7	8	8	8	8	8	8	8	8
Skeet & Trap Range	1	1	1	1	1	1	1	1	1	1
Skate Park	NA	NA	NA	NA	1	1	1	1	1	1
Water										
Water mains (miles)	510	510	513	520	526	531	534.87	537.85	547	548.2
Fire Hydrants	2820	2837	2907	2907	3027	3075	3,107	3,143	3,226	3,776
Maximum daily capacity of plant in gallons	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD
Wastewater										
Number of treatment plants	2	2	2	2	2	2	2	2	2	2
Sanitary Sewers (miles)	470	477	485	485	486	490	490	497	528	504.9
Storm sewers (miles)	250	250	250	250	250	250	250	255	265	265
Maximum daily capacity of treatment in gallons	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD
Transit										
Buses	NA	NA	NA	NA	NA	NA	8	8	8	8
ADA vans	NA	NA	NA	NA	NA	NA	5	5	5	5

Sources: Various City Departments

**SUPPLEMENTARY INFORMATION**  
**COMPLIANCE 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**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregated remaining fund information of the City of Gastonia, North Carolina, as of and for the year ended June 30, 2009, which collectively comprises the City of Gastonia's basic financial statements, and have issued our report thereon dated November 12, 2009. We did not audit the financial statements of the City of Gastonia ABC Board. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Gastonia ABC Board, is based solely on the report of the other auditors. 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. The financial statements of the City of Gastonia ABC Board and Gastonia Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Gastonia's internal control over financial reporting in order to determine our auditing procedures 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 Gastonia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Gastonia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of City Council, and federal and State awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
November 12, 2009

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

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

## **Report On Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 And The State Single Audit Implementation Act**

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

### **Compliance**

We have audited the compliance of the City of Gastonia, North Carolina, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2009. The City of Gastonia's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Gastonia's management. Our responsibility is to express an opinion on the City of Gastonia's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133 and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 Gastonia'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. Our audit does not provide a legal determination on the City of Gastonia's compliance with those requirements.

In our opinion, the City of Gastonia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

## Internal Control Over Compliance

The management of the City of Gastonia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Gastonia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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's internal control over compliance.

A control deficiency in a City's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of City Council, and federal and State awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
November 12, 2009

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

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

## **Report On Compliance With Requirements Applicable To Each Major State Program And Internal Control over Compliance In Accordance With Applicable Sections Of OMB Circular A-133 And The State Single Audit Implementation Act**

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

### **Compliance**

We have audited the compliance of the City of Gastonia, North Carolina with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2009. The City of Gastonia's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the City of Gastonia's management. Our responsibility is to express an opinion on the City of Gastonia's compliance based on our audit.

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 applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 Gastonia'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. Our audit does not provide a legal determination on the City of Gastonia's compliance with those requirements.

In our opinion, the City of Gastonia complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2009.



## Internal Control Over Compliance

The management of the City of Gastonia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Gastonia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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's internal control over compliance.

A control deficiency in a City's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of City Council, and federal and State awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
November 12, 2009

# CITY OF GASTONIA, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

### 1. Summary of Auditor's Results

- A. An unqualified opinion was issued on the financial statements of the City of Gastonia, North Carolina.
- B. Our audit of the basic financial statements disclosed no significant deficiencies or material weaknesses in internal control over financial reporting.
- C. Our audit disclosed no significant deficiencies or material weaknesses in internal control and no findings regarding compliance over federal awards.
- E. An unqualified opinion was issued on the City of Gastonia's compliance with the types of compliance requirements applicable to its major federal programs.
- F. Our audit disclosed no significant deficiencies or material weaknesses in internal control and no findings regarding compliance over State awards.
- G. An unqualified opinion was issued on the City of Gastonia's compliance with the types of compliance requirements applicable to its major State programs.
- H. The major federal programs for the City of Gastonia for the year ended June 30, 2009 are:

<u>CFDA #</u>	<u>Program Name</u>
14.218	Community Development Block Grant/Entitlement Program Section 108 Loan Guarantee Program
14.239	CDBG - Home Investment Trust Fund
20.507	Urbanized Area Formula Program
20.205	Highway Planning Research and Construction
20.219	Recreational Trails Program

- I. The major State programs for the City of Gastonia for the year ended June 30, 2009 are:  

Powell Bill
- J. The threshold for determining Type A programs for City of Gastonia was \$300,000.
- K. The City of Gastonia did not qualify as a low risk auditee under Section .530 of Circular No. A-133.

**CITY OF GASTONIA, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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

None reported

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

None reported.

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

None reported

**CITY OF GASTONIA, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

None reported in prior year.

CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through/ Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures
FEDERAL GRANTS - Cash Programs:					
<u>U.S. Department of Housing and Urban Development</u>					
Direct Program:					
Community Development Block Grant					
Entitlement Program	14.218		\$ 598,238	\$ -	\$ -
Section 108 Loan Guarantee Program	14.218		572,953	-	-
Community Development Block Grant					
Home Investment Trust Fund	14.239		835,500	-	-
Passed-through N.C. Department of Housing					
Finance Agency:					
Rental Rehabilitation Program	14.230		51,798	-	-
Total U.S. Department of Housing and Urban Development			2,058,489	-	-
 <u>U.S. Department of Transportation</u>					
Direct Program:					
Urbanized Area Formula Program - Operating					
Expenditures - 08/09	20.507	NC90X454, NC90X433	729,478	-	729,478
Urbanized Area Formula Program - Capital					
Expenditures - 08/09	20.507	NC90X402, 433, 454	480,768	-	267,806
Passed-through N.C. Department of Transportation:					
Highway Planning, Research and Construction:					
Section 104(F)	20.205		280,398	-	70,100
Section 5303	20.205		29,160	3,645	3,645
Federal-Aid Highway Bridge Replacement and Rehabilitation Program	20.205	B-4344	477,521	-	38,922
	20.205	B-4860	31,556	-	15,797
Bicycle and Pedestrian Improvement Program	20.205	E-5017	172,000	43,000	-
Division of Aviation:					
Aviation Grant	20.106	36237.55	56,057	-	6,228
Passed-through N.C. Department of Environment and Natural Resources:					
Recreational Trails Program	20.219	PO 6154	476,750	-	753,020
Total U.S. Department of Transportation			2,733,688	46,645	1,884,996
 <u>U.S. Department of Justice</u>					
Direct Program:					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-DJ-BX-0140	29,390	-	-
Total U.S. Department of Justice			29,390	-	-
 <u>U.S. Environmental Protection Agency</u>					
Passed-through <u>N.C. Department of Environment and Natural Resources</u> :					
Recreational Trails Program	20.219	06RTPM04,	125,000	-	31,250
Total U.S. Environmental Protection Agency			125,000	-	31,250
Total assistance - federal programs			4,946,567	46,645	1,916,246
 STATE GRANTS - Cash Programs:					
<u>N.C. Department of Transportation</u>					
Powell Bill	N/A	N/A	-	2,193,017	-
Governor's Highway Safety Program	N/A	N/A	-	17,068	-
State Maintenance Assistance Program - F/Y 07	N/A	N/A	-	268,130	-
Total N.C. Department of Transportation			-	2,478,215	-

CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through/ Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures
<u>N.C. Department of Crime Control and Public Safety</u>					
Gang Initiative Grant	N/A	036-1-07-001-BN-353	-	194,547	64,849
Total N.C. Department of Transportation			-	194,547	64,849
Total assistance - State programs			-	2,672,762	64,849
Total assistance			\$ 4,946,567	\$ 2,719,407	\$ 1,981,095

The U.S. Department of Housing and Urban Development Section 108 Loan Guarantee Program received \$2,570,000 and \$249,930 in loan proceeds in the fiscal years 2002 and 2007, respectively. The loan balances outstanding at June 30, 2007 totaled \$2,079,930

Awards Which Have Been Passed Through to Subrecipients:

Federal:

Community Development Block Entitlement Grant Subrecipients (\$114,809)  
 With Friends - \$15,199  
 As One Ministries - \$38,600  
 Reinvestment in Communities - \$41,710  
 Gaston County Interfaith Hospitality - \$19,300

Community Development Block Grant Home Program Subrecipients (\$264,570)  
 Reinvestment in Communities - \$264,570

State:

None

Notes to the Schedule of Expenditures of Federal and State Awards

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of Federal and State awards includes the Federal and State grant activity of the City of Gastonia and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and the *State Single Audit Implementation Act*.

Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

