

# City of Gastonia North Carolina

## Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2015



Prepared by  
The Financial Services  
Department



# **City of Gastonia**

## **North Carolina**

### **Comprehensive Annual Financial Report**

**Year Ended June 30, 2015**

**John D. Bridgeman, Mayor**

#### **Council Members**

**Ward 1 – Walter A. Kimble**

**Ward 2 – Dave Kirlin**

**Ward 3 – Jim Gallagher**

**Ward 4 – Todd Pierceall**

**Ward 5 – Porter L. McAteer**

**Ward 6 – Brenda B. Craig, Mayor Pro Tem**

**City Manager  
Edward C. Munn**

**Director of Financial Services  
Melody Usery**



**CITY OF GASTONIA, NORTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**TABLE OF CONTENTS**

<u>Exhibit</u>		<u>Page</u>
	<b>INTRODUCTORY SECTION</b>	
	Letter of Transmittal	i-xviii
	City Facts	xvix-xxvi
	GFOA's Certificate of Achievement for Excellence in Financial Reporting	xxvii
	Organizational Chart	xxviii
	<b>FINANCIAL SECTION</b>	
	Independent Auditor's Report	1-3
	Management's Discussion and Analysis	4-19
	<b>Basic Financial Statements:</b>	
	<b>Government-Wide Financial Statements:</b>	
A	Statement of Net Position	20
B	Statement of Activities	21-22
	<b>Fund Financial Statements:</b>	
C	Balance Sheet - Governmental Funds	23-24
D	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	25
E	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	26
F	General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	27
G	Statement of Net Position - Proprietary Funds	28
H	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	29
I	Statement of Cash Flows - Proprietary Funds	30-31
J	Statement of Fiduciary Net Position	32
	Notes to the Financial Statements	33-88

**CITY OF GASTONIA, NORTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**TABLE OF CONTENTS**

<u>Schedule</u>		<u>Page</u>
	<b>Required Supplementary Information:</b>	
A-1	Required Supplementary Information - Law Enforcement Officers' and Firemen's Special Separation Allowance - Schedule of Funding Progress and Schedule of Employer Contributions	89
A-2	Required Supplementary Information - Other Post-Employment Benefits - Retiree Health Plan - Schedule of Funding Progress and Schedule of Employer Contributions	90
A-3	Local Government Employee's Retirement System City of Gastonia's Proportionate Share of Net Pension Liability (Asset) Required Supplementary Information	91
A-4	Local Government Employee's Retirement System City of Gastonia's - Contributions Required Supplementary Information	92
	<b>Other Supplemental Schedules:</b>	
A-5	Nonmajor Governmental Funds - Combining Balance Sheet	93
A-6	Nonmajor Governmental Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	94
A-7	Schedule of Ad Valorem Taxes Receivable	95
A-8	Analysis of Current Year Levy	96
	<b>General Fund:</b>	
B-1	Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	97-114
	<b>Special Revenue Funds:</b>	
C-1	Nonmajor Special Revenue Funds - Combining Balance Sheet	115-116
C-2	Nonmajor Special Revenue Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	117-118
C-3	Community Development Block Grant Program - Program Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	119
C-4	Community Development Block Grant Program - Affordable Housing Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	120
C-5	Community Development Block Grant Program - Rehabilitation Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	121
C-6	Community Development Block Grant Program - Home Investment Trust Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	122

**CITY OF GASTONIA, NORTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**TABLE OF CONTENTS**

<u>Schedule</u>		<u>Page</u>
	<b>Special Revenue Funds (continued):</b>	
C-7	Community Development Block Grant Program - 108 Loan/Revitalization - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	123
C-8	Community Development Block Grant Program - 108 Loan/Economic - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	124
C-9	Community Development Block Grant Program - Economic Development - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	125
C-10	Occupancy Tax - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	126
C-11	Uptown Municipal Tax District - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	127
C-12	Economic Stimulus Grants Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	128
	<b>Capital Project Funds:</b>	
D-1	Major Capital Project Fund - Streets - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	129
D-2	Nonmajor Capital Project Funds - Combining Balance Sheet	130-131
D-3	Nonmajor Capital Project Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	132-133
D-4	Major Capital Project Fund - Mayor/Council - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	134
D-5	Capital Project Fund - Developer Sidewalk - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	135
D-6	Capital Project Fund - Airport - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	136
D-7	Capital Project Fund - Downtown Revitalization - Schedule of Expenditures, and Changes in Fund Balance - Budget and Actual	137
D-8	Infrastructure Rehabilitation Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	138

**CITY OF GASTONIA, NORTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**TABLE OF CONTENTS**

<u>Schedule</u>		<u>Page</u>
	<b>Enterprise Funds:</b>	
E-1	Nonmajor Enterprise Funds - Combining Statement of Net Position	139
E-2	Nonmajor Enterprise Funds - Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	140
E-3	Nonmajor Enterprise Funds - Combining Statement of Cash Flows	141
E-4	Water and Sewer Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	142-145
E-5	Water and Sewer Capital Project Funds - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	146
E-6	Electric Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	147-149
E-7	Electric Capital Project Funds - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	150
E-8	Stormwater Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	151-152
E-9	Stormwater Capital Project Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	153
E-10	Transit System Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	154-155
E-11	Municipal Golf Course Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	156
E-12	Solid Waste Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	157-158
	<b>Internal Service Funds:</b>	
F-1	Internal Service Funds - Combining Statement of Net Position	159
F-2	Internal Service Funds - Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	160
F-3	Internal Service Funds - Combining Statement of Cash Flows	161
F-4	Vehicle and Equipment Renewal and Replacement Fund - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)	162-164
F-5	Information Technology Fund - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)	165-168
F-6	Dental Self-Insurance Fund - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)	169
F-7	Medical Self-Insurance Fund - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)	170
	<b>Agency Fund:</b>	
G-1	Statement of Changes in Fiduciary Assets and Liabilities	171



**CITY OF GASTONIA, NORTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**TABLE OF CONTENTS**

<u>Table</u>		<u>Page</u>
	<b>STATISTICAL SECTION</b>	
1	Net Position by Component	172
2	Changes in Net Position	173-174
3	Fund Balances, Governmental Funds	175
4	Changes in Fund Balances, Governmental Funds	176
5	Tax Revenue by Source, Governmental Funds	177
6	Assessed Value and Estimated Actual Value of Taxable Property	178
7	Direct and Overlapping Property Tax Rates	179
8	Principal Property Tax Payers	180
9	Property Tax Levies and Collections	181
10	Ratios of Debt Outstanding Debt by Type	182
11	Ratios of General Bonded Debt Outstanding	183
12	Direct and Overlapping Governmental Activities Debt	184
13	Legal Debt Margin Information	185
14	Pledged-Revenue Coverage	186
15	Demographic and Economic Statistics	187
16	Principal Employers	188
17	Full-Time Equivalent City Government Employees by Function	189
18	Operating Indicators by Function/Program	190
19	Capital Asset Statistics by Function/Program	191
	<b>COMPLIANCE SECTION</b>	
	Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit Of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	192-193
	Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance with OMB Circular A-133; And The State Single Audit Implementation Act	194-195
	Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance with OMB Circular A-133; And The State Single Audit Implementation Act	196-197
	Schedule of Findings, Responses, and Questioned Costs	198-200
	Summary Schedule of Prior Year's Audit Findings	201
H-1	Schedule of Expenditures of Federal and State Awards	202-203



## **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

December 7, 2015

**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, 2015, with comparative numbers for the fiscal year ended June 30, 2014.**

**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, 2015, 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 their audit, that an unmodified opinion be issued and that the City of Gastonia's financial statements for the fiscal year ended June 30, 2015 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 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 the 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 economy has benefited from its location within a major population center, its proximity to Charlotte, access to major interstate highways, and Charlotte-Douglas International Airport. For many years, the primary industry in the City was textiles. However, the national trend of companies relocating manufacturing facilities outside the United States resulted in significant losses of jobs and investments in the textile industry. Over the past decade, the City's economy has diversified through a variety of commercial, industrial, trade and tourism sectors, while the significance of the textile industry has declined. The City emphasizes the attraction of new and diverse industry while providing support for the existing commercial and industrial community.

The national and worldwide economic downturn, which began in late 2008, has certainly been felt in Gastonia, however, the City has made positive strides towards economic recovery. The City has recently experienced the establishment or expansion of a variety of new manufacturing and retail establishments. Gastonia Nissan relocated to a new and larger location investing over \$4,000,000 in the City. Carolina Orthopedic constructed a new state-of-the-art center near CaroMont Regional Medical Center valued at \$4,690,000.

Wal-Mart opened a new neighborhood concept store, in addition to its two existing stores, investing an additional \$3,775,000 in the City. The City also anticipates additional new investments in the next several years. The Gaston County YMCA plans to construct a new flagship facility in the City.

The Gastonia Technology Park, the area's largest business park, is home to two new international businesses. LANXESS Corporation, a German company, manufactures a wide range of specialty chemicals and polymers and will manufacture high-tech compounds at the site. REPI, an Italian company that develops and produces, among other things, high performance liquid colors and additives, is also located in the Gastonia Technology Park and has created approximately 20 new jobs and invested \$5.8 million. Two additional facilities are currently being constructed in Gastonia Technology Park. CTL Packaging USA is planning to invest \$58.5 million, employ approximately 131 people and construct a consumer products manufacturing facility that will house the divisional corporate office, manufacturing, research and development, customer service and distribution. Dixon Quick Coupling, a manufacturer of metal couplings for hydraulic and pneumatic systems, is currently constructing a 100,000 square foot building, at an estimated value of \$5 million.

CaroMont Health, Inc., the parent corporation for a multi-state, integrated health care system consisting of CaroMont Regional Medical Center (the "Hospital"), physician office practices, imaging centers, outpatient centers, an ambulatory surgery center, a nursing home, occupational medicine, and hospice, maintains its principal offices in the City. The health system's service area includes Gaston, Cleveland and Lincoln Counties in North Carolina and York County in South Carolina. The Hospital is located in the City on an 83-acre medical campus and is one of the City's largest employers. The Hospital's physical plant is approximately 1,300,000 square feet and includes 435 licensed beds, a specialty surgery center, a diagnostic center, medical office buildings and a business services annex. The campus is owned by the County and leased to CaroMont Health, Inc. for operation. The Hospital provides a wide variety of medical services including open heart surgery, a comprehensive cancer center, a neo-natal intensive care unit and emergency services. In addition to the medical campus of the Hospital, services are provided at multiple locations throughout the region. The Hospital has received numerous awards and recognition, including Thomson Reuters' "Top 100 Hospitals" award for Quality and Safety and the Advanced Diabetes Certification and Advanced Certification in Heart Failure from the Joint Commission. CaroMont Regional Medical facility is undertaking new renovations to its emergency department as part of its large campus master plan.

The downtown area of the City is undergoing revitalization. Federal stimulus funds provided \$850,000 for streetscape improvements. \$2,600,000 in neighborhood stabilization funds helped create 16 owner-occupied single-family units, and another \$950,000 enabled the renovation and reuse of the former Gaston Memorial Hospital building and the Marietta Street Apartments, adding residential units to the center city and an adjacent neighborhood. Private developers are also renovating spaces for condos and apartments. A \$10 million, 29,506 square foot, LEED-certified conference center with an attached parking deck has become the centerpiece of downtown redevelopment. The Conference Center has attracted additional investment, including two new, fine-dining restaurants (located near the Conference Center) in renovated historic buildings. In addition, a nationally branded boutique hotel is currently being constructed in another historic building, along with other various new businesses.

**A burgeoning arts district is also spurring investment with a \$7.9 million “live-work” ArtSpace development presently underway, an artists’ center of studios and galleries located in a 30,000 square foot, City-owned building, a new artists supply store, and numerous private studios and galleries nearby. The \$600,000 pedestrian plaza (which opened in 2010) and the downtown’s urban park both feature major pieces of public art, which regularly attract visitors to downtown.**

**The City and surrounding area has been defined as a metropolitan-dominated region, with Charlotte serving as the central economic engine and employment center. Within this context, the City and Gaston 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’s oldest mall, Gaston Mall, has recently undergone redevelopment, including a new “big box” store with several smaller anchor tenants and numerous new retail establishments totaling over 180,000 square feet of retail space. The \$37 million investment includes anchors such as Target, Dick’s Sporting Goods and TJ Maxx. The City expects the project to generate almost 400 new jobs with over \$56 million in annual sales. Eastridge Mall (formerly Westfield Shopping Town Eastridge) is an approximately 1,560,000 square foot retail facility. Belk, Dillard’s, 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 Home Improvement, Home Depot, 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.**

**During the twelve-month period from July 2014 through June 2015, total retail sales tax distributed by the State to Gaston County and Municipalities within the County was \$48,500,329 as compared to \$43,828,310 for the same period in the 2014 fiscal year, an increase of \$4,672,019 (10%). The City of Gastonia received \$9,638,696 of the fiscal year 2015 distribution, or approximately 20%. During the twelve-month period from July 2014 through June 2015, total taxable sales for Gaston County were \$1,795,763,073 as compared to \$1,633,818,989 for the same period in the 2014 fiscal year, an increase of \$161,944,084 (10%). Since July 2009, the North Carolina Department of Revenue no longer prepares monthly sales and use tax statistical reports for cities with populations in excess of 5,000. The City has historically represented approximately 70% of the County’s taxable retail sales.**

**Unemployment in the City was 6.7%, slightly higher than the County rate of 6.3%, and higher than the State rate of 6.1% and the national average of 5.5% at fiscal year-end June 2015. Unemployment in the City was 6.4% as of August 2015. The prior year rates for the City were 6.7% and 7.2% for the months ending June 2014 and August 2014, respectively. These rates are not seasonally adjusted.**

**Construction within the City decreased with 1,101 permits issued on construction of \$156,642,910 as compared to 1,012 permits issued on construction of \$174,373,973 in the prior year. This included residential permits of 733 and commercial permits of 368, with construction costs of \$94,601,984 and \$62,040,926, respectively. These figures exclude “other trade permits” of 1,506 issued on construction costs of \$129,187.**



The North Carolina economic outlook based on University of North Carolina Charlotte economist John Connaughton's September 9, 2015 quarterly forecast is as follows for 2015: (1) Gross State Product for 2015 is projected to increase by 3.0 percent over 2014; (2) of the State's fifteen economic sectors fourteen are projected to realize output increases for 2015, the sectors with the strongest expected growth are business and professional services with a projected real increase of 6.6 percent; educational and health services with a projected real increase of 5.3 percent; information with a projected real increase of 5.0 percent; and hospitality and leisure services with a projected real increase of 4.6 percent; (3) it is projected that the State will have added 89,900 additional jobs in 2015, an increase of 2.1 percent; (4) by December of 2015, the unemployment rate is expected to be around 6.0 percent.

The quarterly economic forecast also projects the following for 2016: (1) Gross State Product for 2016 is projected to increase by 2.8 percent over 2015; (2) of the State's fifteen economic sectors fourteen are projected to realize output increases for 2016, the sectors with the strongest expected growth are business and professional services with a projected real growth rate of 6.0 percent; agriculture with a projected real growth rate of 4.8 percent; construction with a projected real increase of 3.5 percent; finance, insurance, and real estate with a projected real increase of 3.4 percent; and educational and health services with a projected real growth rate of 3.3 percent; (3) it is projected that the State will add 115,200 additional jobs in 2016, an increase of 2.7 percent.

## **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.

In June 2010, the City of Gastonia was named as one of ten All American Cities for the 2010 designation period. The All American City Award is the oldest and most respected community recognition program in the nation. The 66-year old National Civic League awards program recognizes neighborhoods, villages, towns, cities, counties and metro regions for outstanding civic accomplishments. To receive this award, communities have to demonstrate an ability to address serious challenges with innovative, grassroots strategies that promote civic engagement and cooperation between the public, private and nonprofit sectors.

With the implementation of the Electric Transfer Policy in February of 1994, the City 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 was reduced each Fiscal Year until a level approximating 3% of gross capital assets was 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 2015 was \$2,000,000 (2.05% of gross capital assets) and was \$926,585 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 35.55% (June 30, 2015). Through a disciplined approach to expenditures, Gastonia is now sufficiently over the 8% minimum Available Fund Balance recommended by the Local Government Commission. The City’s goal as defined in the City’s Reserve Policy is that Available Fund Balance should be between 12% and 15%. The City has a planned use for Available Fund Balance for the next three years that will draw it down closer to the 15% range.**

**The City of Gastonia’s total financing debt obligations decreased from \$87,610,106 to \$77,522,794 during the current fiscal year, a decrease of \$10,087,312 (11.52%). The key factors in this decrease were the overall scheduled debt retirements of \$10,295,312, a \$2,675,000 early payment of certain water and sewer Combined Utilities System Revenue Bonds, while the City incurred \$2,883,000 of new financing debt obligations. New debt obligations of a \$2,883,000 for vehicle equipment financing.**

**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 \$1,570,000 city-wide.**

## **CHALLENGES FOR THE FUTURE**

### **Fiscal Management and Economic Condition:**

**The City’s 2016 budget addresses, within the scope of available revenues, the goals and many of the action steps identified by the City Council and Mayor. As reflected by the graphic below, financial responsibility and excellent customer service are the pillars that support all our City goals.**

**Supporting economic development that produces jobs and opportunities in a quality manner must be our focus as we make decisions on where to spend our limited resources. Basic municipal services such as water, sewer, electricity, roads, solid waste, and public safety must be in place to support economic development throughout the City. Parks, recreation, and museum amenities also support the goal of city-wide quality economic development within Gastonia.**



## Budget Principles and Objectives

The focus for the City’s fiscal management is centered on three guiding principles: **Financial Responsibility, Customer Service and Economic Development.**

**Financial Responsibility** means that the City promotes and initiates programs and functions for which their related expenditures are supported by adequate and predictable revenues. Also, financial responsibility means that capital projects, equipment and human resource costs are budgeted each year so that the City is not faced with a deterioration that would require a crisis in future years. The City’s 2016 budget focuses on a three-year operating budget horizon.

**Customer Service** means that the City’s annual budgets focus on the direct delivery of services to our customers. Expenditures that are directed to serving our citizens deserve to be emphasized. Our customers include our taxpayers, utility customers and others that receive a service from the City. Our customer base also includes people simply looking to live or start a business venture in Gastonia.

**Economic Development** means that the City should invest in specific ways to grow Gastonia’s economic base. Expenditures in the annual budgets that are targeted to encourage private economic investment are important because they stimulate additional jobs and commerce in our City. Public sector expenditures and carefully designed revenues can grow the tax base, so we will not have to increase the tax rate.

**Fiscal Objectives:**

- 1. Provide Adequate Funding for the Basic Operations of the City**
- 2. Provide Excellent Customer Service Through Effective and Efficient Programs and Projects**
- 3. Maintain a Three-Year Financial Plan**
- 4. Maintain Appropriate Fund Balances**
- 5. Provide Adequate Compensation for Employees**
- 6. Stabilize the City's Health Insurance Fund.**
- 7. Make Improvements to Neighborhoods and Commercial Areas Throughout the City**
- 8. Provide Adequate Funding for City Facilities and Equipment**
- 9. Fund Capital Projects that Enhance the City**
- 10. Maintain and Expand the City's Infrastructure to Promote Economic Development**
- 11. Look for Opportunities to Reduce the Cost of Municipal Operations**
- 12. Avoid a Property Tax Increase**
- 13. Limit Fee Increases to Amounts Necessary to Provide Acceptable City Services**
- 14. Look for Opportunities to Grow our Local Economy**

**General Fund**

**The Fiscal Year 2016 Budget does not include a change to the City's current tax rate. Property Tax revenue resulting from tax base growth is projected to modestly increase again this year. The County Revaluation of real property resulted in a modest decrease in value (estimated 1.65 %) including a factor that anticipates appeals. Revenues for motor vehicles have increased significantly, so the net revenues from all property tax categories are projected to increase by 1.21% over last year. Therefore, the revenue neutral tax rate remains the same at \$0.53. Finally, we must closely monitor the general economic conditions, and any further changes to the City's revenues issued by the State.**

**The General Fund continues to have revenue and expenditure challenges. Fortunately, the City has been able to fiscally manage each year with additional revenue, expenditure reductions and planned use of excess Fund Balance. For the future, the General Fund will continue to be the area where expenditures and revenues will fluctuate. For this reason the staff will continue to focus on the General Fund and manage to a three-year horizon.**

**In order to address the future challenges in the General Fund, the City must look for ways to reduce expenditures and increase revenues as well as use Fund Balance in a measured way in upcoming fiscal years. All during the year, the City staff will be diligently looking for opportunities to close the projected future budget gaps in the General Fund. The City must be prepared to reduce operating costs, reduce the size of the workforce, and delay projects until adequate funding can be made available. A total of \$1,042,528 of General Fund Balance is appropriated in Fiscal Year 2016 to balance the operating and capital budget. In future fiscal years, debt service payments begin to fall which will help, but as salary increases are embedded, the pressure on the General Fund increases.**

## **Electric Fund**

**No general retail electric rate increase is planned in Fiscal Year 2016. ElectriCities Power Agency One will be implementing a debt restructuring plan which is projected to lower our wholesale costs and stabilize it for the next six years. It is important to expand economic development into the areas served by City's electric system. The City will continue to advocate for rate equity in Power Agency One according to the approved schedule. Some adjustment and consolidation of our 21 rate classifications may be necessary to provide equity and consistency with the wholesale rate structure. Funds will be available for redevelopment as well as for new growth corridors. The Fiscal Year 2016 Budget maintains the same amount of transfers to the General Fund as in Fiscal Year 2015. Gastonia needs to maintain the level of transfers established by the Local Government Commission as acceptable: 3% of Gross Electric Fixed Asset. The 2016 Budget provides funding for maintenance and capital projects (including a new substation planned for the Gastonia Technology Park). Expenditures in the Electric Fund are organized into priority areas: safety & maintenance, peak shaving & generation, load growth initiatives, and use of innovative ideas and technology.**

## **Water and Sewer Fund**

**No water and sewer rate increase was recommended for Fiscal Year 2016. There has not been an increase in our water or sewer rates for the past three fiscal years. However, soon water and sewer rates will begin to have modest increases to help support the utility's long term financial position as major capital projects move forward. Our rate consultant and our financial advisor for the revenue bonds has assisted us in determining the rates. Within these reports specific recommendations have been made regarding future rates that will be necessary due to the planned Water Plant Renovation projects. The focus of the Water and Sewer Fund continues to be addressing our aging Water Plant, meeting demands for economic development extensions, rehabilitation of older water and sewer lines and continuing to develop cooperative agreements with surrounding municipal systems and the County. The rehabilitation of the Water Plant will begin this year with the construction of a new clearwell which is estimated to cost \$5,000,000 and the total cost of the main Water Plant Renovation project is estimated to be approximately \$60,000,000. The Clearwell project is scheduled to be completed in 2016 and the main Water Plant Renovation project is scheduled to be completed in 2019. The City was able to secure two zero-interest loans from the North Carolina Department of Natural Resources totaling \$35,000,000. The zero-interest loans are expected to save the City approximately \$19,000,000 over the life of the twenty-year loans. The balance of the project cost will be funded through the issuance of not to exceed \$22,500,000 of Combined Utility System Revenue Bonds and approximately \$8,000,000 of Water and Sewer Fund equity. This major effort will update and renovate our Water Plant to ensure safe and efficient operation for decades to come. In addition, a major step in utility regionalization will be completed in Fiscal Year 2016 when the Stanley Sewer Outfall will be finished and fully connected to Gastonia's (Two Rivers Utility) treatment facility at Long Creek.**

We have and will continue to partner financially with the State, the private sector, other municipalities and the County to extend lines into our important growth areas. We will also seek to increase water and sewer usage through infill development because the infrastructure is already in place. Our priority for the Water and Sewer Fund will be: safety, increasing our sales, infrastructure maintenance, system performance, system expansion in those areas that provide a viable return on our investment, and use of innovative ideas and technology.

### **Employee Compensation and Benefits**

The total number of budgeted full time employees for the 2016 Fiscal Year is 870. The size of our workforce has stabilized. Changes in the State annexation laws and the delay of the Garden Parkway has slowed the City's expected growth significantly. With new residential subdivisions under construction, the need increases to hire additional building inspectors and a new solid waste collection crew. The 2016 Budget includes a salary increase for all full time and part time employees. The salary plan is as follows: All full time employees - \$1,000 (annual amount) and a 1% salary increase embedded in pay bi-weekly (\$100 minimum). All part time employees - \$0.24 per hour increase and a 1% salary increase embedded in pay bi-weekly. The City will continue the 401(k) program for all full time employees at the 5% level. Subsequent to the adoption and implementation of the 2016 Fiscal Year Budget City Council authorized management to conduct wage market studies for employees. As of this date the Police wage study has been completed with market adjustments approved by City Council and implemented. The Fire wage study is currently in process and is expected to be presented to City Council for approval and implementation in January 2016. Wage rate studies for the remaining City General employees are projected to begin subsequent to the implementation of the Fire market adjustments.

Like other public and private organizations, controlling health care costs remains a fiscal challenge and will be so for the foreseeable future. The Fiscal Year 2016 Budget increase for the City's Self-Insured Health Insurance Fund is \$342,000 (5%) higher as compared to the 2015 Fiscal Year. The 2016 Budget provides funding for a \$750 payment to the Health Savings Account for all employees covered by the City's Health Insurance Program. Wellness initiatives and incentives that positively impact employee health and claims will be considered during 2016 Budget Year. We will use employee focus groups and closely monitor claims filed though the year as we consider any changes as may be necessary. The staff will work closely with the Council Insurance Committee.

### **Infrastructure**

The City of Gastonia is responsible for approximately 438 miles of paved streets, with sidewalks and traffic control systems, 592 miles of water lines, 554 miles of sewer lines, 250 miles of storm drains, and 473 miles of electrical distribution lines. Our municipal facilities are spread from Mountain Island Lake to the South Carolina state line. One of the most important responsibilities of our City and most cities is to provide and maintain the critical public infrastructures that we all take for granted. The City maintains the water plant, overhead storage tanks, stormwater systems, waste water treatment plants, parks and rights-of-ways. Additional challenges related to maintaining other aspects of our vast infrastructure is addressed in the 2016 Budget and planned for future budgets.

Maintenance of our infrastructure, such as roads, water, sewer, electric, and other City facilities, while not glamorous, is critically important and commands significant resources. In order to capture new economic development opportunities, we must always maintain and expand when necessary, our diverse infrastructure.

### **Funding For Equipment**

Vehicles, large equipment, and computer/communications hardware are funded through the City's Vehicle and Equipment Internal Service Fund. The loans for the equipment is spread over a fifty-nine month period, thereby leveling the impact of equipment needs from year to year. More than \$7 million of vehicle equipment was requested by City departments for replacement or additional equipment. In the Fiscal year 2016 Budget, we are funding equipment replacement for a total of \$2,718,207. In addition, \$411,800 for computer/communication equipment is also included for replacement and upgrade. We have plans to replace 45 vehicles, including 16 Police vehicles, a new and upgraded Fire Truck (Quint) for \$751,006 and \$734,024 for new and upgraded Solid Waste vehicles and equipment, as well as a new automated leaf truck that was budgeted in the 2015 Fiscal Year and has been purchased and delivered in the 2016 Fiscal Year.

### **Stormwater Fund**

Currently the Stormwater Fund pays for a wide variety of maintenance and capital improvement projects. The priority for stormwater projects is concentrated on projects within public rights-of-way that the City has an obligation to maintain and repair. Improvements proposed for stormwater problems (outside of the rights-of-ways) are given priorities by the Stormwater Citizen's Advisory Committee. Projects are rated according to a three-tier priority system.

### **Transportation**

The major activity in transportation next year will be to move the street improvements bond projects approved by the voters in 2010 to construction. The major projects include widening Union Road, Titman Road, and Myrtle School Road, as well as South New Hope Road, funded in part by the State. The City initiated a significant program to increase the amount of money allocated to resurfacing City streets beginning with \$997,000 in the Spring of 2015, and another \$809,000 in the Summer of 2015. Work still remains to be done to establish adequate funding sources long term for maintenance and resurfacing of our streets. The State Highway project upgrading the US 321/I-85 Interchange will not begin actual construction until 2016. During the 2016 Fiscal Year, we will receive the results of the comprehensive Transit Study in cooperation with Gaston County and NCDOT and the Cox Road / I-85 Congestion Study in cooperation with NCDOT and the City of Lowell. Funding scheduled for the Gastonia Airport for the Fiscal Year 2016 includes \$166,667 for improvement to the fueling area and tarmac (90% State and Federal funding). Ongoing communications with NCDOT will continue to identify and fund pedestrian improvements, medians and lane realignments along the Franklin Boulevard Corridor. Finally, continuing discussions should take place this year with the State regarding their impending decision to widen I-85 to US 321 and reversing their support for the Garden Parkway.

**The City remains concerned that the proposed widening project for I-85 will create a bottleneck in the middle of the City at the US 321 Interchange. The widening should extend at least to the US 29/74 Interchange. Finally, the City should strongly support the Catawba Crossings Project (bridge crossings over the South Fork and Catawba Rivers) It is a critically important transportation project, connecting South New Hope Road to I-485.**

### **Maintaining the Fund Balance**

**Gastonia is over the 8% minimum Available Fund Balance for the General Fund as recommended by the Local Government Commission. In the General Fund, we are currently at 35.55% of annual expenditures and transfers out. This is above our goal as defined in the City's Reserve Policy: that the Available Fund Balance should be between 12% and 15%. Beginning in the next fiscal year and over the next two fiscal years, the General Fund Available Fund Balance will be drawn down carefully to an amount just over 15%. The 2016 Budget maintains strong fund balances for both the Electric and Water & Sewer Funds. The Hotel Occupancy Tax Fund revenues currently cover the Conference Center debt service and operating deficit. However, beginning in Fiscal Year 2020, the annual debt service rises in two years from \$283,862 to \$751,006.**

### **Economic Development**

**Gastonia is beginning to experience some return of positive economic growth. As previously mentioned, several new retail commercial developments are under construction throughout the City. The Gastonia Technology Park is almost at full capacity with new industrial development. Additional industrial sites will need to be identified to sustain further industrial growth. Previously approved residential developments, primarily in the southeastern portion of the City, that were halted during the 2008 Recession, are beginning to restart. The challenge for Gastonia is to encourage developments of high quality. Developments with high values are more fiscally sustainable and contribute more to the expansion of the tax base. Consistent with our land development plans, Gastonia encourages commercial, office, industrial, and residential development in each sector of the City. In particular, infill developments are the most desirable form of economic growth because the infrastructure is already in place, thereby reducing the cost to serve the new development. The City staff, working with Gaston EDC and ElectriCities, have identified key parcels throughout Gastonia that have the potential for development or redevelopment. The Chamber of Commerce and the Greater Gaston Development Corporation will also be important to achieving our economic goals. In the coming year, the City may be more pro-active and create a new position to initiate economic development. High value growth is important to the General Fund and also to our utility funds that need the growth of customers to broaden their revenue base. It is our objective to grow our tax and utility bases and not our rates.**

**Gastonia's Center City area has been identified as being critical to our economic development and to our image. However, significant areas in the northern and western portions of the City have still not experienced the kind of economic growth that is otherwise occurring throughout the region. Specifically, the City will focus on the West Franklin corridor and the surrounding neighborhoods.**



**The Loray Neighborhood will receive a special focus so that the \$40 million redevelopment effort underway at the Mill and the new Optimist Park on Vance Street can be leveraged and the surrounding community revitalized.**

**Despite the challenges facing the City, the long-range future for Gastonia remains bright. We will need to make wise investments (expenditures) that capitalize on our location within the metropolitan region. Also, we will need to capitalize on our current strengths - an abundant water source at Mountain Island Lake, natural features such as Crowders Mountain State Park, the Schiele Museum, our City parks, the Conference Center, the quality of our neighborhoods and our schools. To further enhance our ability to attract quality new investment, we must create a positive private investment climate. Streamlining our regulatory process while delivering excellent citizen services will be our challenge every year.**

### **Creating and Maintaining a Fiscally Sustainable Organization for the Future**

**In managing the City's fiscal position Council and staff look beyond each year's Budget to identify revenue and expenditure trends for the next three years. On the revenue side, the General Fund depends upon tax base growth, which is tied so closely to the economic condition of our community. Regarding future expenditures, over 58% of the General Fund expenditures consists of salary and fringe benefits. Therefore, most meaningful changes to General Fund expenditures in the future will have human resource implications.**

**During the past decade, many City departments have been asked to perform their responsibilities with smaller permanent staffing. This effort will continue because it is an important way that we can control our financial position. We must always be vigilant for ways to reduce operating costs. Some operating costs will increase no matter what we do. In some cases services can be reduced or even eliminated. There may be some services that simply cannot or should not be reduced at all. In those cases, we will still carefully examine their operating procedures to produce savings. The nature of these changes will be developed cooperatively with each City department and the Budget Office of the Financial Services Department. The City must continue to seek ways to further reduce expenditures through a variety of means. Expenditure reductions can be accomplished by using the following tools when appropriate: process simplification, technology and automation, program reduction, program elimination, consolidation, privatization, and innovation.**

**Our organization and regulations should be streamlined to allow decision-making easier and more efficient. The structure of our organization should be as flat as we can make it. Fewer levels of organization will make us more efficient. We will search for best practices for delivering services by examining other jurisdictions and benchmarking our efforts with theirs.**

**New and expanded expenditures are carefully evaluated and must be viewed as an investment. Questions should be asked. If we make this expenditure, what kind of investment return will the City receive? It may be tangible, such as a load management generator that could pay for itself in a year and a half, or intangible, such as a new community policing effort that addresses neighborhood crime. We must view each new expenditure as one that may cause us to reduce an expenditure elsewhere within the City. A request to spend funds must always be viewed within the larger context of our budget. What is the choice we are making? Are we sure that this is the best utilization of our very scarce resources?**

**We must also ask hard questions about the effectiveness of existing expenditures, be willing to modify our service levels and look for innovative ways to deliver services in the most efficient and effective manner.**

**Regularly, the City reviews user fees so that the actual costs can be tied to services delivered. Fees not representative of true costs should be evaluated and adjusted to reflect actual costs. Fees should be consistent with City objectives and within the market rates for similar services. Normally, fees increase over time, but there are occasions that the City has reduced fees based upon lower actual service costs or to encourage more use of a service. As in previous years, the staff will review fees and make recommendations, if warranted, to the Mayor and City Council for their consideration.**

### **Challenges Ahead**

**In closing, there were many worthy operating and capital projects that were considered for the 2016 Budget, but limited funding means they must be considered in subsequent years. Employee related costs will continue to be the most significant challenge to fund each year. As pay increases are implemented and embedded into our budget, the new total becomes the floor for the following year. Growing our revenues through economic development will be our way to provide the services expected for our City.**

**For the new fiscal year, our efforts will focus on implementing actions that support the Mayor and City Council goals to build a City with on-going economic development and livability. There will never be a day or year when we have finished our efforts. We will continue to move toward a system of constant quality improvement that always examines what we are doing and looks for ways to do it better.**

### **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, 2015, provided no instances in the internal controls of reportable conditions or material violations of applicable laws and regulations relating to Federal and State financial awards. However, the City did have an instance of non-compliance related to the audit of the basic financial statements. See the "Report On Internal Controls Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards" and the "Schedule Of Findings, Responses, And Questioned Costs" located in the Compliance Section.

## **DEBT ADMINISTRATION**

The City's sound financial condition is evidenced by its AA- bond rating from Standard & Poor's Corporation, Aa2 from Moody's Investors Service and AA from Fitch. The current credit ratings for revenue bonded debt are: Standard and Poor's Corporation AA-, Moody's Investor Service Aa2, and Fitch AA.

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, 2015, the City's legal debt limit was \$427,875,925. The outstanding debt subject to this limit was \$55,576,861, leaving a net legal debt margin of \$372,299,064. The total gross bonded debt at June 30, 2015, was \$64,305,000. 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 \$15.426 billion, which includes the City's valuation of \$5.348 billion, resulting in a City to County ratio of 34.67%.

## **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, 2015, 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, 2014. The 2014 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 twenty-two (22) years. We believe the report for Fiscal Year 2015 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 2015. The City has received this award for the past twenty-two (22) 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 2016 budget continues to conform to program requirements and it has been submitted to the GFOA to determine its eligibility for another award.**

## **ACKNOWLEDGMENTS**

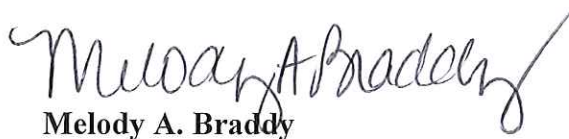
**We wish to express our appreciation to each member of the Financial Services Department who has assisted in the preparation of this report. We would also like to recognize the cooperation of each City department as we work together to service the needs of all of the residents of the City of Gastonia. 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.**

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,

Handwritten signature of Edward C. Munn in black ink.

Edward C. Munn  
City Manager

Handwritten signature of Melody A. Braddy in black ink.

Melody A. Braddy  
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 51.69 square miles and more than 72,947

## **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 thirteenth largest city in the State and is the third largest city in the Charlotte-Concord-Gastonia-Rock Hill Metropolitan Statistical Area (MSA) as defined by the United States Bureau of the Census. The MSA currently has a 2014 estimated population of just over 2,500,000 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 51.69 square miles and an estimated population of 72,947 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 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 72,947 people.

### **City Recognitions**

The City is a three-time All America City. The All America City Award is the oldest and most respected community recognition program in the nation. In its 66<sup>th</sup> year, the National Civic League recognizes neighborhoods, villages, towns, cities, counties, and metro regions for outstanding civic accomplishments. To receive this award, communities have to demonstrate an ability to address serious challenges with innovative, grassroots strategies that promote civic engagement and cooperation between the public, private and nonprofit sectors.

The City was a recipient of the U.S. Conference of Mayors top Livability Award, Gastonia is recognized as one of the area's best places to live and work with an ideal combination of location, size, and quality of life.

The N.C. Chapter of the American Planning Association named Main Avenue the State's "Great Place in the Making". The planning group cited Main Avenue in Gastonia for its "story of revival and resurgence" and the city's ongoing master plan for developing downtown streets and public areas as factors contributing to the honor.

### **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. Prior to October 21, 2014 the terms ran concurrently however on October 21, 2014 council approved a staggered election format to be in effect for the 2015 Election with the office of the Mayor and Wards 1, 2, and 5 receiving a 2 year term, and Wards 3, 4 and 6 receiving a 4-year term. In 2017 only the Mayor and Wards 1, 2, and 5 will be on the ballot, with the office of Mayor receiving a 2-year term and Wards 1, 2, and 5 receiving a 4-year term. 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 7 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, 2015, the City of Gastonia had 870 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, 2015 places it at the tenth 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. The City's most recent reappraisal was completed by the County in the 2014/15 fiscal year and is applicable to ad valorem tax revenues beginning in the City's 2015/16 fiscal year. The next State required reappraisal will be performed in the 2022/23 fiscal year and will be applicable to ad valorem tax revenues beginning in the City's 2023/24 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 2015, approximately 6% of the workforce in the County was employed in education, 9% in health services, 7% in transportation and moving, 18% in maintenance and production, 12% in sales, 15% in office and administration, 7% in food preparation and serving, 2% in services, 7% in business and finance management, 2% in cleaning, 4% in construction, 3% in personal care services, and 8% in other services. 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 and surrounding area has been defined as a metropolitan-dominated region, with Charlotte serving as the central economic engine and employment center. Within this context, the City and Gaston 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. In addition to two enclosed malls, Gaston Mall and Eastridge Mall, there is approximately six million square feet of total retail space in the County, the large majority of which is inside the City limits, which provides a diversity of shopping alternatives. Gaston Mall recently completed a major redevelopment including a new "big box" store with smaller anchor tenants and retail establishments. This includes Dick's Sporting Goods, TJMaxx and SuperTarget stores. Eastridge Mall is an approximately 1,560,000 square-foot retail facility; Belk, Dillard's and JC Penney 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 the Shops at Franklin Square include additional retail space with H.H.Gregg and Ashley Furniture as anchor stores.**

**Daimler Trucks North America is the City's largest taxpayer with 1.23% 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 6.83% of the total assessed valuation.**

### **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.

The State Highway project upgrading the US 321/I-85 Interchange will not begin actual construction until 2016. Continuing discussions should take place this year with the State regarding their impending decision to widen I-85 to US 321 and reversing their support for the Garden Parkway. The City is opposed to a widening project on I-85 that will create a bottleneck in the middle of the City at the US 321 interchange.

There are approximately 438 linear miles of paved streets in the City. The City and State maintain approximately 338 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 thirteen years. Construction of new streets within subdivisions is the responsibility of the private sector development community and once constructed the City provides maintenance for the local streets and appurtenances.

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. The City and Charlotte Metropolitan Transit are parties to a commuter bus program, the Gastonia I-85 Express, which provides a reliable, comfortable alternative to commuting by automobile and helps reduce vehicular traffic between the two urban areas.

Gastonia is within a 15-minute drive of the Charlotte-Douglas International Airport. Charlotte-Douglas is the 6th busiest airport in operations in the nation and the 8th busiest in passengers in the nation. American Airlines, formerly US Airways, maintains an operational hub at the airport. The airport offers non-stop flights to 135 destinations. 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 3,770 feet and one unlighted emergency runway of 2,500 feet. 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. Norfolk Southern Railway has completed and begun operations at its newly constructed intermodal rail and trucking facility located along the southern end of Charlotte-Douglas International Airport's center parallel runway. The facility, which is capable of 200,000 lifts annually, transfers containers between trucks and

trains and is projected to bring the region \$7 billion in business over the next two decades. This new facility further enhances 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 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. The school district is the 9<sup>th</sup> largest in the State of North Carolina. There are currently 33 elementary schools (grades K-5) which includes two intermediate schools and one special needs school, 11 middle schools (grades 6-8), and 12 high schools (grades 9-12) which includes one alternative school which includes elementary, middle school and high school students. Total enrollment is approximately 32,000 students.

There are several post-secondary institutions located in the County area. Gaston College is composed of three campuses with the main campus located in the approximate geographic center of the County. Gaston College is part of the North Carolina Community College System and is also accredited by the Southern Association of Colleges and Schools to award Associate degrees. The College enrolls over 5,000 students each term and averages over 16,000 students in its Continuing Education programs. Beginning July 1, 2005, the North Carolina Center for Applied Textile Technology, a state-supported institution also in the North Carolina System of Community Colleges, became part of Gaston College and was renamed Gaston College East Campus and Textile Technology Center. Through affiliation with the University of North Carolina at Charlotte, North Carolina A&T State University, Appalachian State University and Gardner Webb University, degree programs at both the Bachelors and Masters levels are offered on campus. Also, Belmont Abbey College is a private liberal arts college located five miles east of the City with an enrollment of over 1,700 students and offers undergraduate and adult degree programs.

## **Cultural and Recreational Activities**

City residents have 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 Hornets, play in facilities located in Charlotte, approximately 25 miles from the City. A professional minor league hockey team, the Charlotte Checkers, and a Triple A minor league baseball team, the Charlotte Knights, are also located within 25 miles of the City. The U.S. National Whitewater Center is located just across the Catawba River in Mecklenburg County, approximately 15 miles from the City. The Center provides

over 300 acres of woodlands along the Catawba River and is the world's only multi-channels re-circulating whitewater river. It has been designated by the United States Olympic Committee as an official Olympic Training Site. The U.S. National Whitewater Center hosts World Cup competitions and Olympic Trials. In addition, the NASCAR Hall of Fame opened in Charlotte in May 2010.

The City sponsors a full range of recreational programs. Recreation facilities are located on approximately 587 acres of land including six community centers, six walking tracks, 32 tennis courts, 19 baseball/softball fields, two swimming pools, 16 parks, four soccer fields, two disc golf courses and a municipal skeet and trap range. The first portion of the City's Greenway System was dedicated in 2002 and consists of a 2.7 mile paved walking trail stretching from Lineberger Park to the Gastonia Armory. A half-mile trail section has been added and serves as a connector to Ferguson Park. An additional 1.2 miles of abandoned railway bed was converted as part of the Rails to Trails program. The walking trail is within walking distance of almost 10,000 City residents. Rankin Lake Park is newly renovated, and the improvements take full advantage of the 80-acre water impoundment. The lake is now open to the public for fishing from either of the two piers, a 100 yard long stretch open for bank fishing, or from rental boats equipped with electric trolling motors. The lakefront amenities include a lakefront boat rental office, two corporate picnic shelters, adequate restroom facilities, a mile paved walking trail around the lake, an outdoor classroom and an 18 hole disc golf course.

Crowder's 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. This is one of only two state parks located within a municipality in the State. The City also owns an approximately 58-acre park and youth sports complex named Martha Rivers Park. The sport complex consists of four soccer fields, four little league baseball fields with a center control tower, restrooms and concession stand, approximately two miles of paved walking trails, picnic tables and parking. The Park also includes a community-built playground that includes splash pad, pirate ship, observatory, fun house and a maze of slides, swings and sandboxes.

## 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 through the remainder of 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.



Government Finance Officers Association

**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

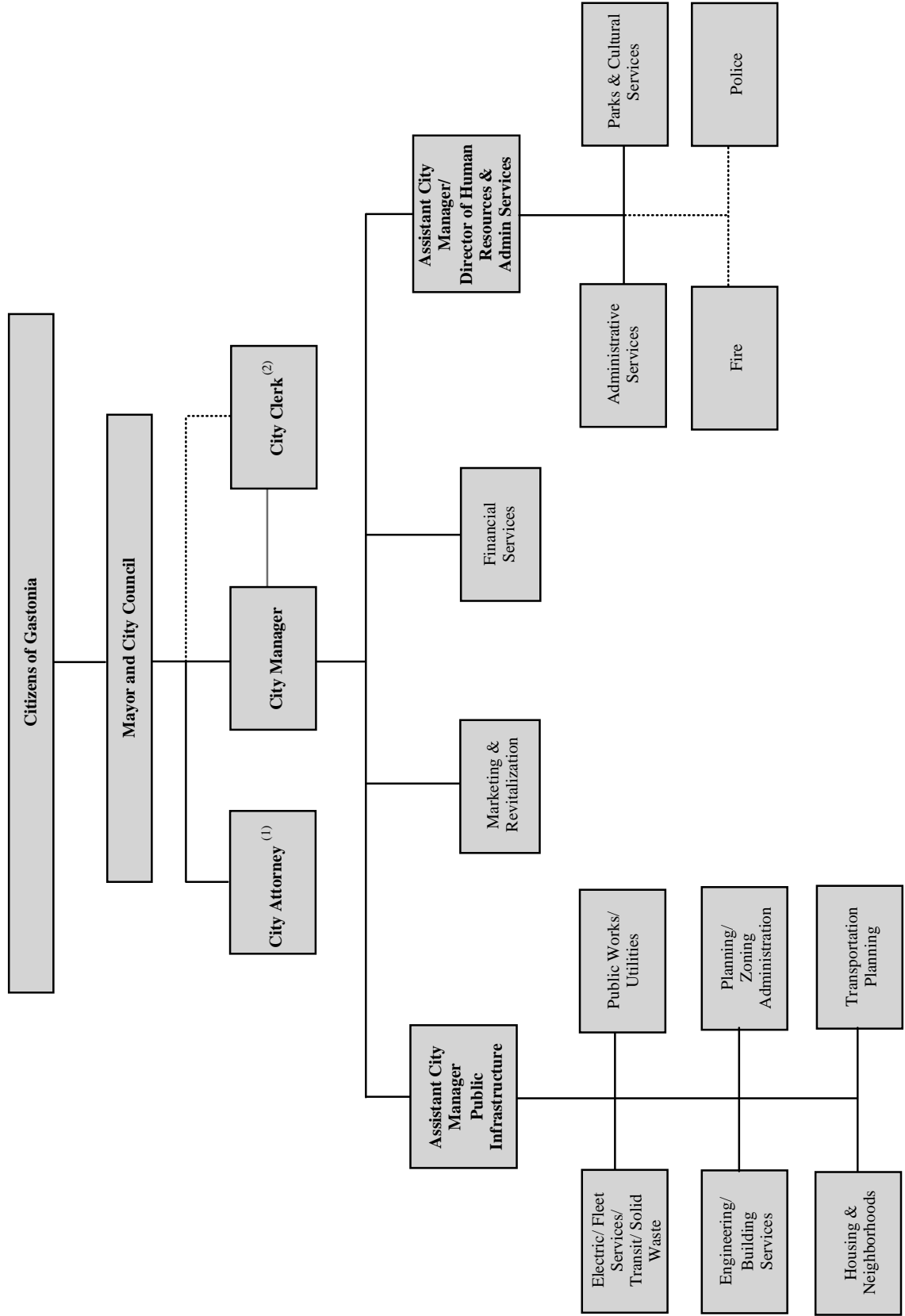
**June 30, 2014**



Executive Director/CEO

# 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 Auditor's Report

Management Discussion and Analysis

Financial Statements (Combined Statements – Overview)

Combining and Individual Fund Statements and Schedules

Other Supplementary Financial Data



# **INDEPENDENT AUDITOR'S REPORT**



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

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

## INDEPENDENT AUDITOR'S REPORT

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

### **Report On the Financial Statements**

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. The financial statements of the Gastonia Tourism Development Authority and the City of Gastonia ABC Board were not audited in accordance with *Government Auditing Standards*.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, 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, 2015, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance and Other Post-Employment Benefit's Schedules of Funding Progress and Employer Contributions and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gastonia's basic financial statements. The introductory section, combining and individual fund statements, budgetary schedules, other schedules, statistical tables, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have issued our report dated October 23, 2015, 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, 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*, in considering the City of Gastonia's internal control over financial reporting and compliance.

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

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
October 23, 2015





## 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, 2015. 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 and deferred outflows of resources of the City of Gastonia exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$402,865,457 (*net position*). This is a \$1,623,099 increase from the prior year after a net restatement of (\$5,037,080) to beginning net position. See the "Change in Accounting Principles / Restatement" footnote disclosure on page 88 for a description of the required restatement.
- The City's total net position increased by \$6,660,179 before the restatement of beginning net position of (\$5,037,080). Governmental activity net position increased by \$1,805,181 before a beginning net position restatement of (\$3,626,069), and business-type activities increased by \$4,854,998 before a beginning net position restatement of (\$1,411,011).
- As of the close of the current fiscal year, the City of Gastonia's General Fund reported an ending fund balance of \$28,103,665, an increase of \$3,157,685 from the prior year ending fund balance.
- Approximately 68.66 percent of this total amount, or \$19,295,626, is *unassigned fund balance* and has not been committed or assigned.
- At the end of the current fiscal year, *available fund balance* for the General Fund was \$20,371,154, or 35.55 percent, of total General Fund expenditures, including transfers to other funds, for the fiscal year. Prior year's *available fund balance* was \$17,732,001, or 31.82 percent, of total General Fund expenditures, including transfers to other funds. This is a \$2,639,153 increase in *available fund balance* and is mostly due to a \$3,157,685 increase in total fund balance along with only a slight decrease of \$46,688 in reserves for inventories, a \$4,935 decrease in reserves for prepaids, and a \$570,155 increase in the stabilization by State statute (stabilization by State statute is mostly restrictions related to receivables and carryover encumbrances) from the previous year's balances.
- The City's Medical Self-Insurance Internal Service Fund, a high-deductible medical insurance plan with an HSA (Health Savings Account), ended the 2015 fiscal year with a net position of \$177,173, as compared to a 2014 fiscal year ending net position of \$45,295. For the year ended June 30, 2015, charges for services and transfers in exceeded claims, HSA contributions, administration fees, and stop/loss premiums by \$131,878. The Internal Service Fund predominantly services the governmental funds; thus, the fund's activities are included in the City's governmental activities.
- The City's major enterprise funds are the Water and Sewer Operating Fund, the Electric Operating Fund, and the Stormwater Operating Fund. These funds had revenues over (under) expenditures (budgetary basis) of (\$143,961), (\$2,297,916), and \$15,067 for the year ended June 30, 2015, respectively, as compared to changes in net position of \$5,692,624, (\$1,560,266), and \$374,160, respectively, on the full accrual basis. The City's nonmajor enterprise funds are the Transit Fund and the Solid Waste Fund. These funds had revenues over (under) expenditures (budgetary basis) of \$196,873 and \$159,226 for the year ended June 30, 2015, respectively, as compared to changes in net position of \$192,532 and \$162,056, respectively, on the full accrual basis.

- The City of Gastonia’s total financing debt obligations decreased from \$87,610,106 to \$77,522,794 during the current fiscal year, a decrease of \$10,087,312 (11.52%). The key factors in this decrease were the overall scheduled debt retirements of \$10,295,312, a \$2,675,000 early payment of certain water and sewer Combined Utilities System Revenue Bonds, while the City incurred \$2,883,000 of new financing debt obligations. New debt obligations consisted of a \$2,883,000 vehicle equipment-financing instrument.

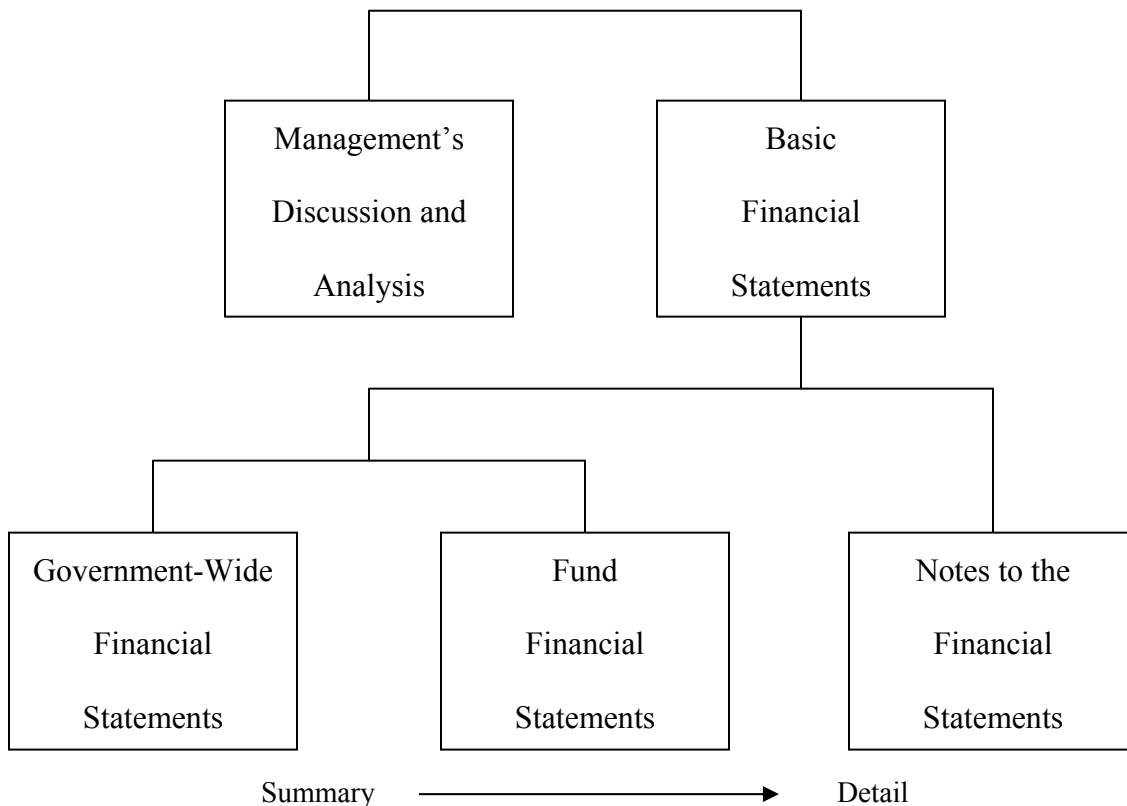
The current credit ratings for general obligation debt are: Standard and Poor’s Corporation AA-, Moody’s Investor Service Aa2, and Fitch AA. The current credit ratings for revenue bond debt are: Standard and Poor’s Corporation AA-, Moody’s Investor Service Aa2, and Fitch AA.

### 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



## 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 J) 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 position and how they have changed. Net position is the difference between the City's total assets and total liabilities. Measuring net position 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 Federal and State 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, solid waste, transit, and stormwater services offered by the City of Gastonia. 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 3.0% 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 1) 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 three categories: governmental funds, proprietary funds and fiduciary 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 Position 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, solid waste, transit operations, and stormwater operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. *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.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City of Gastonia has one fiduciary fund, which is an agency fund.

**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.

**Interdependence with Other Entities:** The City depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

## Government-Wide Financial Analysis

### City of Gastonia's Net Position

**Figure 2**

	Governmental Activities		Business-Type Activities		Total	Total
	2015	2014	2015	2014	2015	2014
<b>Assets:</b>						
Current and other assets	\$ 66,074,582	\$ 87,306,715	\$ 51,462,364	\$ 77,617,675	\$ 117,536,946	\$ 164,924,390
Capital assets	151,475,458	129,773,231	260,668,054	234,901,578	412,143,512	364,674,809
Total assets	217,550,040	217,079,946	312,130,418	312,519,253	529,680,458	529,599,199
<b>Deferred Outflows of Resources</b>						
	2,195,235	2,188,085	655,720	653,584	2,850,955	2,841,669
<b>Liabilities:</b>						
Long-term liabilities outstanding	64,881,940	74,528,755	24,900,713	32,609,150	89,782,653	107,137,905
Other liabilities	14,655,824	14,416,153	14,700,090	14,653,306	29,355,914	29,069,459
Total liabilities	79,537,764	88,944,908	39,600,803	47,262,456	119,138,567	136,207,364
<b>Deferred Inflows of Resources</b>						
	8,107,433	28,226	2,419,956	-	10,527,389	28,226
<b>Net Position:</b>						
Net investment in capital assets	118,844,527	120,843,698	236,950,245	229,381,517	355,794,772	350,225,215
Restricted	19,904,920	10,490,248	-	-	19,904,920	10,490,248
Unrestricted	(6,649,369)	(1,039,049)	33,815,134	36,528,864	27,165,765	35,489,815
Total net position	\$ 132,100,078	\$ 130,294,897	\$ 270,765,379	\$ 265,910,381	\$ 402,865,457	\$ 396,205,278

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the City of Gastonia exceeded its liabilities and deferred inflows of resources by \$402,865,457 as of June 30, 2015. The City's net position increased by \$1,623,099 for the fiscal year ended June 30, 2015. However, the largest portion (88.32%) reflects the City's net 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. \$19,904,920 of the City's net position is restricted by State statute or external parties. The remaining balance of unrestricted net position, \$27,165,765, may be used to meet the government's ongoing obligations to citizens and creditors. Also, the City of Gastonia implemented GASB Statement 68 this year. With the new reporting change, the City is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$6,134,827. Decisions regarding the allocations are made by the administrators of the pension plan, not by the City of Gastonia's management.

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

- Continued low cost of debt due to the City's high bond rating
- A continued effort on the part of management to perform the City's 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 \$1,570,000 City-wide.
- 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
- The City's General Fund ended the year with a \$3,995,209 favorable revenues budget to actual variance. The City received \$888,696 more local option sales tax than budgeted, \$989,016 more utility sales tax than budgeted, \$1,042,179 ad valorem taxes than budgeted, \$225,000 more ABC Board distribution than budgeted, and \$225,829 more permit revenues than budgeted. Most of these favorable variances are the result of an improved economy, more than anticipated. The utility sales tax favorable variance is due to fiscal year 2015 being the first year of the newly enacted 7% tax on utility sales, thus, there was no revenue history to more accurately budget this new revenue source.
- The Water and Sewer Fund once again budgeted a working capital reserve for bond issues in the amount of \$2,801,822 in order to accumulate funds to reduce future financing requirements surrounding the planned water plant renovation however management decided to utilize \$2,675,000 of these funds for the early payoff of the Combined Utility Systems Revenue Bonds, Series 2005.

## City of Gastonia's Changes in Net Position

**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 9,168,590	\$ 9,198,610	\$ 113,640,412	\$ 112,851,089	\$ 122,809,002	\$ 122,049,699
Operating grants and contributions	4,581,909	4,595,445	2,498,530	2,259,217	7,080,439	6,854,662
Capital grants and contributions	426,810	439,408	1,069,567	486,064	1,496,377	925,472
General revenues:						
Ad valorem taxes	29,226,233	29,677,867	-	-	29,226,233	29,677,867
Local option sales tax	9,638,696	9,188,630	-	-	9,638,696	9,188,630
Other taxes	10,682,745	8,902,787	-	-	10,682,745	8,902,787
Interest earned on investments	670,356	670,401	57,992	66,580	728,348	736,981
<b>Total revenues</b>	<b>64,395,339</b>	<b>62,673,148</b>	<b>117,266,501</b>	<b>115,662,950</b>	<b>181,661,840</b>	<b>178,336,098</b>
<b>Expenses:</b>						
General government	10,806,827	14,384,930	-	-	10,806,827	14,384,930
Public safety	27,478,999	26,786,547	-	-	27,478,999	26,786,547
Public works and cemeteries	8,257,303	9,215,118	-	-	8,257,303	9,215,118
Cultural and recreation	6,076,535	5,311,960	-	-	6,076,535	5,311,960
Economic and physical development	5,574,798	4,269,451	-	-	5,574,798	4,269,451
Interest on long-term debt	2,251,252	2,406,042	-	-	2,251,252	2,406,042
Water and sewer	-	-	30,100,924	29,574,629	30,100,924	29,574,629
Electric	-	-	75,415,945	73,735,847	75,415,945	73,735,847
Transit	-	-	2,112,884	2,400,929	2,112,884	2,400,929
Golf	-	-	36,959	22,265	36,959	22,265
Stormwater	-	-	2,505,707	2,160,888	2,505,707	2,160,888
Solid waste	-	-	4,383,528	4,261,659	4,383,528	4,261,659
<b>Total expenses</b>	<b>60,445,714</b>	<b>62,374,048</b>	<b>114,555,947</b>	<b>112,156,217</b>	<b>175,001,661</b>	<b>174,530,265</b>
Increase (decrease) in net position before transfers	3,949,625	299,100	2,710,554	3,506,733	6,660,179	3,805,833
Transfers	(2,144,444)	(1,705,326)	2,144,444	1,705,326	-	-
Increase (decrease) in net position	<b>1,805,181</b>	<b>(1,406,226)</b>	<b>4,854,998</b>	<b>5,212,059</b>	<b>6,660,179</b>	<b>3,805,833</b>
<b>Net Position:</b>						
Beginning of year - July 1	133,920,966	135,327,192	267,321,392	262,109,333	401,242,358	397,436,525
Restatement	(3,626,069)	-	(1,411,011)	-	(5,037,080)	-
Beginning of year - July 1	<b>130,294,897</b>	<b>135,327,192</b>	<b>265,910,381</b>	<b>262,109,333</b>	<b>396,205,278</b>	<b>397,436,525</b>
End of year - June 30	<b>\$ 132,100,078</b>	<b>\$ 133,920,966</b>	<b>\$ 270,765,379</b>	<b>\$ 267,321,392</b>	<b>\$ 402,865,457</b>	<b>\$ 401,242,358</b>



**Governmental Activities.** The 2015 fiscal year governmental activities increased the City's net position by \$1,805,181; however, a net position, beginning of the year, restatement due to an accounting principal change surrounding CDBG loan receivables, \$1,097,747, and a net position, beginning of the year, restatement due to the implementation of GASB 68, Accounting and Financial Reporting for Pensions, (4,723,816) resulting in a (\$1,820,888) decrease in net position. See the "Change in Accounting Principles / Restatement" footnote disclosure on page 88 for a description of the required restatements. Key elements of the 2015 fiscal year governmental activities increase to net position are as follows:

- The decrease in the governmental activities net position is primarily due to the above mentioned beginning of the year net position restatements and the following fiscal year operating results: (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 position. Unfavorable budget variances, use of appropriated fund balances, depreciation, and certain employee benefit accruals will decrease net position).

The governmental funds modified accrual basis fund balances increased by \$1,984,343. The General Fund modified accrual basis revenues exceeded expenditures by \$3,203,934, and the combined other governmental funds' modified accrual basis expenditures exceeded revenues by (\$2,145,817). The change in inventories decreased fund balance by (\$171,521). The combined other governmental funds' modified accrual basis beginning fund balance was restated by \$1,097,747 due to a change in accounting principal surrounding the reporting of CDBG loan receivables.

The General Fund modified accrual basis revenues came in \$3,995,209 over budget. The City received \$888,696 more local option sales tax than budgeted, \$989,016 more utility sales tax than budgeted, \$1,042,179 ad valorem taxes than budgeted, \$225,000 more ABC Board distribution than budgeted, and \$225,829 more permit revenues than budgeted. Most of these favorable variances are the result of an improved economy. The utility sales tax favorable variance is due to fiscal year 2015 being the first year of the newly enacted 7% tax on utility sales, thus there was no history to more accurately budget this new revenue source. The remaining budget to actual favorable revenue variance was a combination of less significant favorable and unfavorable budget to actual variances spread out amongst various unrestricted intergovernmental revenues; restricted intergovernmental revenues; permits; sales, services, and rents; investment earnings; and miscellaneous revenues. (See budget to actual revenues in Schedule B-1.)

In addition, expenditures were under budget by \$3,118,835. Salaries and benefits accounted for approximately \$820,000 of the favorable variance and were mostly attributable to the hiring lag related to terminations and retirements and the effects of a management implemented hiring freeze. Approximately \$2,300,000 of the favorable expenditure budget variance was spread out over numerous operating expenditure account types influenced by a City-wide effort to hold down operating costs in light of the continued economic turndown and delayed projects. (See budget to actual expenditures in Schedule B-1.)

In addition to the revenues and expenditures favorable budget to actual variances, the City had a (\$3,910,110) unfavorable budget to actual variance relating to other financing sources and uses. (\$4,010,110) of this was related to appropriated fund balance. The City budgeted to utilize \$1,359,364 of General Fund balance in order to balance the original budget, to use \$803,410 for prior year purchase order carryovers, to use \$123,431 to fund street paving on several City streets, to use \$300,000 to cover unanticipated workers' compensation payments, use \$750,000 to transfers to the Mayor / Council Capital Projects Fund for additional street resurfacing and the remaining \$673,905 was to carryover certain unspent prior year budget amounts; however, none of this fund balance appropriation was necessary.

The combined other governmental funds (\$2,145,817) decrease in fund balances was mainly due to the incurrence of expenditures on major projects that were funded by debt issued in previous years. The issuance of debt in the previous years increased fund balances.

The net change in governmental funds fund balances under the modified accrual basis of accounting resulted in a 1,058,117 increase in net position. The modified accrual basis of accounting to full accrual basis of accounting adjustments resulted in an increase in net position of \$747,064. Readers need to refer the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Net Position, Exhibit E, to understand what modified accrual basis of accounting to full accrual basis of accounting differences influenced the \$747,064 increase in governmental-type net position.

**Business-Type Activities.** The 2015 fiscal year business-type activities increased the City of Gastonia’s net position by \$4,854,998 and a net position beginning of the year restatement due to the implementation of GASB 68, Accounting and Financial Reporting for Pensions decreased net position by (\$1,411,011). See the “Change in Accounting Principles / Restatement” footnote disclosure on page 88 for a description of the required restatements. Key elements of this increase are as follows:

- The 2015 fiscal year business-type activities increase in net position of \$4,854,998 was primarily due to the following: Fiscal Year 2015 charges for services, operating grants, and capital grants and contributions exceeded program expenses by \$2,652,562, as compared to \$3,440,153 for the 2014 fiscal year. The business-type funds reported a net transfer in from the governmental funds of \$2,144,444, as compared to \$1,705,326 in the 2014 fiscal year. Investment earnings were \$57,992, as compared to \$66,580 in the 2014 fiscal year.

Under the modified accrual basis of accounting (budgetary basis), the Electric Fund revenues came in under budgeted revenues by (\$2,374,712). The majority of this unfavorable variance is due to the City not passing through to the electric customers as much of the annual wholesale rate increase as needed to fund operations. Expenditures came in under budget by \$2,565,919 mostly due to a \$254,734 favorable budget-to-actual variance in the cost of purchased power for resale and a \$1,405,384 favorable budget-to-actual variance in emergency replacement and renewal of system infrastructure cost, a \$218,250 favorable budget-to-actual variance in salaries and benefits, and a \$687,551 favorable budget-to-actual variance in controllable operating expenditures. The Electric Fund budgeted revenues under expenditures of (\$2,489,123) but ended the fiscal year with expenditures and other financing sources over revenues and other financing sources of (\$2,297,916). Budgetary basis of accounting to full accrual basis of accounting adjustments increased net position by \$737,650.

Under the modified accrual basis of accounting (budgetary basis), Water and Sewer Fund revenues came in under budgeted revenues by (\$6,633). Expenditures came in under budget by \$5,665,402, mostly due a \$1,617,099 favorable budget-to-actual variance in emergency replacement and renewal of system infrastructure expenditures, a \$2,928,644 favorable variance in the reserve for future debt service budget accounts used to accumulate funds to reduce future borrowing requirements for the water treatment plant planned improvements, a \$253,297 favorable budget-to-actual variance in salaries and benefits, and a \$866,362 favorable budget-to-actual variance in controllable operating expenditures. The Water and Sewer Fund budgeted revenues under expenditures of (\$5,802,730), but ended the fiscal year with revenues and other financing sources over expenditures and other financing sources of (\$143,961). Budgetary basis of accounting to full accrual basis of accounting adjustments increased net position by \$5,836,585.

All other business-type funds operated fairly close to break-even on the budgetary basis of accounting. Revenues and other financing sources over (under) expenditures and other financing uses were \$15,067, \$196,873, and \$159,226 for the Stormwater Fund, Transit Fund, and the Solid Waste Fund, respectively. Budgetary basis of accounting to full accrual basis of accounting adjustments increased (decreased) net position by \$359,093, (\$4,341), and \$2,830 for the Stormwater Fund, Transit Fund, and the Solid Waste Fund, respectively.

Readers need to refer to the Reconciliation from Budgetary Basis to Full Accrual Basis section in Schedules E-4, E-6, E-8, E-10, and E-11 to understand what modified accrual basis of accounting to full accrual basis of accounting adjustments influenced the \$4,854,998 increase in business-type net position.

### **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, available 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 \$20,371,154, a \$2,639,153 increase from the prior year. Total fund balance increased by \$3,157,685 to \$28,103,665. Please refer back to the available fund balance and total fund balance discussion in the Financial Highlights section for reasons for the increases. 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 35.55 percent of total General Fund expenditures and transfers out to other funds, while total fund balance represents 49.04 percent of that same amount.

At June 30, 2015, the governmental funds of the City of Gastonia reported a combined fund balance of \$53,990,961, a 3.81 percent increase from last year. Included in this change in fund balance is a \$3,157,685 increase in fund balance in the General Fund, a (\$2,633,197) decrease in the Streets Capital Project Fund, and a \$1,459,855 increase in Other Nonmajor Governmental Funds. See the earlier discussion concerning the reasons for these increases and decreases under the Governmental Activities section above.

**General Fund Budgetary Highlights.** During the fiscal year, the City revised the budget on several occasions. Budget adjustments were processed during the fiscal year that increased the overall original budget by \$3,210,607. Purchase order carryovers from the 2014 fiscal year accounted for \$803,410 of this increase, \$750,000 was related to the budgeting of a transfer of funds to the Mayor/Council Capital Projects Fund to fund additional road resurfacing, \$300,000 was to cover unanticipated workers' compensation payments, \$123,434 was to fund unbudgeted street paving on certain identified City streets, \$673,905 was to carryover certain unspent prior year budget amounts in some of the smaller funds that make up the total general fund, and the remaining adjustments were various other increases in appropriations that became necessary to maintain services or to supply new services.

Factors concerning the 2015 budget to actual results have already been addressed in the above governmental activities discussion.

**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 position of the Water and Sewer Fund at the end of the fiscal year amounted to \$181,159,135; the Electric Fund amounted to \$56,179,925; the Stormwater Fund amounted to \$30,512,279; and the other nonmajor funds, Transit, Golf, and Solid Waste amounted to \$2,338,956. 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, 2015 totals \$412,143,512 (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 \$16,687,816 and \$1,819,125, respectively, and the net effect of depreciation of \$16,853,767 resulted in an overall decrease of \$1,985,076.

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

- Construction in progress for the design and engineering phase of the water plant renovation and various other water and sewer infrastructure improvements in the amount of \$3,970,882 and project related land acquisitions of \$34,475. Construction in progress water and sewer infrastructure improvement projects placed in service totaled \$1,603,553. Various other water and sewer capital asset improvements of \$1,345,434 were incurred along with the purchase of \$94,379 of machinery, equipment, and vehicles.
- Construction in progress of \$3,194,338 in governmental-type activities, which was mostly related to traffic signals projects of \$288,303, tennis court projects of \$101,897, street resurfacing projects of \$388,180, airport overlay project of \$52,129, Myrtle School Road project of \$773,337, New Hope Road project of \$962,616 and Titman Road Project of \$89,789.
- Various general infrastructure additions and other improvements of \$1,061,110 in the governmental-type activities.
- Construction in progress for electrical capital asset infrastructure improvements of \$1,269,525 and \$4,015,649 placed in service.
- Electrical distribution capital assets additions of \$1,168,923 for new line construction.
- Internal Service Fund capital assets of \$3,145,126, 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		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land, land improvements, and buildings	\$ 88,539,631	\$ 74,966,863	\$ 20,945,917	\$ 20,905,692	\$ 109,485,548	\$ 95,872,555
Water and sewer treatment facilities	-	-	69,369,105	69,369,105	69,369,105	69,369,105
Machinery/equipment/vehicles	48,840,450	46,680,813	19,449,740	19,375,792	68,290,190	66,056,605
Electrical distribution	-	-	89,320,960	84,136,388	89,320,960	84,136,388
Water and sewer system	-	-	188,492,296	185,543,309	188,492,296	185,543,309
General infrastructure	271,157,243	270,034,959	-	-	271,157,243	270,034,959
Stormwater infrastructure	-	-	48,203,890	47,299,643	48,203,890	47,299,643
Construction in progress	3,999,938	14,533,818	10,753,526	11,357,623	14,753,464	25,891,441
Total	412,537,262	406,216,453	446,535,434	437,987,552	859,072,696	844,204,005
Less accumulated depreciation	261,061,804	251,721,249	185,867,380	178,354,168	446,929,184	430,075,417
Capital assets, net	\$ 151,475,458	\$ 154,495,204	\$ 260,668,054	\$ 259,633,384	\$ 412,143,512	\$ 414,128,588

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, 2015, the City of Gastonia had total financing debt outstanding of \$77,522,794. Of this, \$32,100,000 is debt backed by the full faith and credit of the City. The remainder of the City's financing debt represents bonds secured solely by buildings, equipment, or specified revenue sources (i.e. revenue bonds).

## City of Gastonia's Financing Outstanding Debt

**Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 31,670,000	\$ 34,182,000	\$ 430,000	\$ 430,000	\$ 32,100,000	\$ 34,612,000
Limited obligation bonds	13,080,000	13,970,000	-	-	13,080,000	13,970,000
Installment loans	8,821,861	8,523,924	325,000	375,000	9,146,861	8,898,924
Certificates of Participation	640,000	1,255,000	-	-	640,000	1,255,000
State revolving loans	-	-	3,430,933	3,713,182	3,430,933	3,713,182
Revenue bonds	-	-	19,125,000	25,161,000	19,125,000	25,161,000
Total	\$ 54,211,861	\$ 57,930,924	\$ 23,310,933	\$ 29,679,182	\$ 77,522,794	\$ 87,610,106

- The City of Gastonia's total financing debt obligations decreased from \$87,610,106 to \$77,522,794 during the current fiscal year, a decrease of \$10,087,312 (11.52%). The key factors in this decrease were the overall scheduled debt retirements of \$10,295,312, a \$2,675,000 early principal payment on the Water and Sewer Fund Series 2005 Revenue Bonds which paid these bonds off, while the City incurred \$2,883,000 of new financing debt obligations. New debt obligations consisted of a \$2,883,000 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 Aa2, and Fitch AA. The current credit ratings for revenue bond debt are: Standard and Poor's Corporation AA-, Moody's Investor Service Aa2, and Fitch AA.

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. At June 30, 2015, the City had a legal debt margin of approximately \$372,000,000. 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 6.7%, the same as the County rate of 6.3%, but higher than the State rate of 6.1% and the national average of 5.5% at fiscal year-end June 2015. Unemployment in the City was 6.4% as of August 2015. The prior year rates for the City were 6.7% and 7.2% for the months ending June 2014 and August 2014, respectively. These rates are not seasonally adjusted.
- The current population growth has been fairly stagnant. The current year estimated population per the North Carolina Demographer's Office is 72,947. This estimate is up by 1,206 from the 2010 Census number of 71,741.
- The North Carolina economic outlook based on University of North Carolina Charlotte economist John Connaughton's September 9, 2015 quarterly forecast is as follows:

"For 2015, NORTH CAROLINA real GSP is expected to increase by 3.0 percent over the 2014 level."

"Fourteen of the state's fifteen economic sectors are forecast to experience output increases during 2015. The sectors with the strongest expected growth are business and professional services with a projected real increase of 6.6 percent; educational and health services with a projected real increase of 5.3 percent; information with a projected real increase of 5.0 percent; and hospitality and leisure services with a projected real increase of 4.6 percent."

"For 2015, NORTH CAROLINA establishments added 89,900 net additional jobs, an increase of 2.1 percent."

"For 2016, NORTH CAROLINA real GSP is forecast to increase by 2.8 percent over the 2015 level."

"Fourteen of the state's fifteen economic sectors are forecast to experience output increases during 2016. The sectors with the strongest expected growth are business and professional services with a projected real growth rate of 6.0 percent; agriculture with a projected real growth rate of 4.8 percent; construction with a projected real increase of 3.5 percent; finance, insurance, and real estate with a projected real increase of 3.4 percent; and educational and health services with a projected real growth rate of 3.3 percent."

"For 2016, NORTH CAROLINA establishments are forecast to add 115,200 net jobs, an increase of 2.7 percent."

"By December of 2015, the North Carolina unemployment rate is expected to be around 6.0 percent."

- Construction within the City decreased slightly with 1,101 permits issued on construction of \$156,642,910 as compared to 1,012 permits issued on construction of \$174,373,973 in the prior year. This included residential permits of 733 and commercial permits of 368, with construction costs of \$94,601,984 and \$62,040,926, respectively. These figures exclude “other trade permits” of 1,506 issued on construction costs of \$129,187.
- The City of Gastonia is located within the Charlotte, North Carolina, 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, 2016**

**Governmental Activities.** The fiscal year 2015-2016 budget was balanced while achieving strategic objectives and priorities established by the City Council. Revenues for governmental activities were budgeted relatively flat with a slight decrease of .41%. The ad valorem tax rate remained the same as the prior year property tax rate of \$.53/100.

The adopted budget included funding for pay increases; all full-time employees received a \$1,000 salary increase along with an additional 1% increase. The City’s fiscal year 2009 implemented hiring freeze, to only fill critical positions, is still in place for Fiscal Year 2016.

Like other public and private organizations controlling health care costs remains a budgetary challenge and will be for the foreseeable future. The Fiscal Year 2016 Medical Self-Insurance Fund budget increased \$342,000, a 5% increase from previous years. The adopted budget included a \$750 payment in July to the Health Savings Account for all employees covered by the City’s Health Insurance Program.

**Business-Type Activities.** In the Water and Sewer Fund budget, there were no water and sewer rate increases budgeted and expenses for water and sewer operations remained flat; however, water and sewer rates will begin to incur modest increases in order to support the utility’s long-term financial stability as an approximately \$60,000,000 Water Treatment Plant Renovation Project moves forward. Funding for the project is scheduled to come from a \$30,000,000 non-interest bearing loan from the State of North Carolina, issuance of revenue bonds in the amount of approximately \$22,000,000, and equity contributions from the Water and Sewer Capital Expansion Fund of approximately \$8,000,000. The project is expected to be completed in December 2018. In addition to the aforementioned Water Plant Renovation Project, the Water and Sewer Fund has been awarded a \$5,000,000 non-interest bearing loan from the State of North Carolina for the Water Plant Clear Well Project. The project is expected to be complete in June 2016.

The 2015-16 Electric Fund budget does not include a general electric rate increase. ElectricCities Power Agency One will be implementing a debt restructuring plan which is projected to lower wholesale electric costs and stabilize it for the next six years. The transfer to the General Fund from the Electric Fund remained the same, \$2,000,000. Gastonia is approximately \$926,000 under the maximum transfer level established by the Local Government Commission as acceptable, 3.0% of gross electric capital assets. Funding for new electric capital projects is \$1,000,000 in the adopted budget.

The City’s Solid Waste Fund budget included an \$111,663 (3.32%) increase in the annual transfer from the General Fund and a \$266,147 (5.43) decrease in solid waste operations expenditures.

### **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, 181 South Street, Gastonia, North Carolina 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 POSITION  
JUNE 30, 2015

	Primary Government			Component Units	
	Governmental	Business-Type	Total	City of	Gastonia
	Activities	Activities		Gastonia	Tourism
				ABC Board	Development Authority
<b>Assets:</b>					
Cash and cash equivalents	\$ 29,080,519	\$ 32,678,000	\$ 61,758,519	\$ 1,964,708	\$ 510,269
Taxes receivable, net	1,165,482	-	1,165,482	-	-
Accounts receivable, net	4,343,860	14,547,922	18,891,782	291	-
Interest receivable	5,390	-	5,390	-	-
Due from other governments	4,292,759	285,878	4,578,637	-	159,509
Internal balances	(575,084)	575,084	-	-	-
Inventories	2,040,036	1,129,307	3,169,343	756,679	-
Prepaid items	57,088	-	57,088	46,671	-
Cash and cash equivalents, restricted	22,432,895	1,280,879	23,713,774	-	-
Net pension asset	3,231,637	965,294	4,196,931	48,418	-
Non-depreciable assets	14,163,315	24,162,184	38,325,499	230,865	-
Capital assets, net	137,312,143	236,505,870	373,818,013	372,073	-
Total assets	217,550,040	312,130,418	529,680,458	3,419,705	669,778
<b>Deferred Outflows of Resources:</b>					
Contributions to pension plan in current fiscal year	2,195,235	655,720	2,850,955	62,496	-
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	2,843,884	8,890,116	11,734,000	836,815	-
Accrued salaries and benefits	1,684,935	591,033	2,275,968	-	-
Accrued interest	609,020	111,524	720,544	-	-
Prepaid fees	-	15,230	15,230	-	-
Liabilities paid from restricted assets:					
Customer deposits	-	1,280,879	1,280,879	-	-
Current portion of long-term liabilities	9,517,985	3,811,308	13,329,293	-	-
Long-term liabilities:					
Due in more than one year	64,881,940	24,900,713	89,782,653	-	-
Total liabilities	79,537,764	39,600,803	119,138,567	836,815	-
<b>Deferred Inflows of Resources:</b>					
Prepaid taxes	5,841	-	5,841	-	-
Pension deferrals	8,101,592	2,419,956	10,521,548	118,007	-
Total deferred inflows of resources	8,107,433	2,419,956	10,527,389	118,007	-
<b>Net Position:</b>					
Net investment in capital assets	118,844,527	236,950,245	355,794,772	602,938	-
Restricted for:					
Stabilization by State statute	19,646,525	-	19,646,525	-	159,509
Tourism promotion	-	-	-	-	510,269
Community development and improvements	258,395	-	258,395	-	-
Working capital	-	-	-	276,937	-
Unrestricted	(6,649,369)	33,815,134	27,165,765	1,647,504	-
Total net position	\$ 132,100,078	\$ 270,765,379	\$ 402,865,457	\$ 2,527,379	\$ 669,778

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, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 10,806,827	\$ 7,266,484	\$ 36,077	\$ -
Public safety	27,478,999	1,092,265	388,916	-
Public works and cemeteries	8,257,303	46,644	2,364,613	-
Cultural and recreation	6,076,535	628,538	-	-
Economic and physical development	5,574,798	134,659	1,792,303	426,810
Interest on long-term debt	2,251,252	-	-	-
Total governmental activities	<u>60,445,714</u>	<u>9,168,590</u>	<u>4,581,909</u>	<u>426,810</u>
<b>Business-Type Activities:</b>				
Water and sewer	30,100,924	34,338,725	1,595,741	-
Electric	75,415,945	75,350,298	-	158,579
Transit	2,112,884	201,679	902,789	553,229
Golf	36,959	-	-	-
Stormwater	2,505,707	2,526,881	-	357,759
Solid waste	4,383,528	1,222,829	-	-
Total business-type activities	<u>114,555,947</u>	<u>113,640,412</u>	<u>2,498,530</u>	<u>1,069,567</u>
Total primary government	<u>\$ 175,001,661</u>	<u>\$ 122,809,002</u>	<u>\$ 7,080,439</u>	<u>\$ 1,496,377</u>
<b>Component Units:</b>				
ABC Board	\$ 8,961,033	\$ 9,439,685	\$ -	\$ -
Tourism Development Authority	654,680	-	-	-
Total component units	<u>\$ 9,615,713</u>	<u>\$ 9,439,685</u>	<u>\$ -</u>	<u>\$ -</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, 2015

Functions/Programs	Net (Expense) Revenue and Changes in Net Position				
	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	City of Gastonia ABC Board	Gastonia Tourism Development Authority
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
General government	\$ (3,504,266)	\$ -	\$ (3,504,266)		
Public safety	(25,997,818)	-	(25,997,818)		
Public works and cemeteries	(5,846,046)	-	(5,846,046)		
Cultural and recreation	(5,447,997)	-	(5,447,997)		
Economic and physical development	(3,221,026)	-	(3,221,026)		
Interest on long-term debt	(2,251,252)	-	(2,251,252)		
Total governmental activities	<u>(46,268,405)</u>	<u>-</u>	<u>(46,268,405)</u>		
<b>Business-Type Activities:</b>					
Water and sewer	-	5,833,542	5,833,542		
Electric	-	92,932	92,932		
Transit	-	(455,187)	(455,187)		
Golf	-	(36,959)	(36,959)		
Stormwater	-	378,933	378,933		
Solid waste	-	(3,160,699)	(3,160,699)		
Total business-type activities	<u>-</u>	<u>2,652,562</u>	<u>2,652,562</u>		
Total primary government	<u>(46,268,405)</u>	<u>2,652,562</u>	<u>(43,615,843)</u>		
<b>Component Units:</b>					
ABC Board				\$ 478,652	\$ -
Tourism Development Authority				-	(654,680)
Total component units				<u>478,652</u>	<u>(654,680)</u>
<b>General Revenues:</b>					
Taxes:					
Ad valorem taxes	29,226,233	-	29,226,233	-	-
Sales taxes	9,638,696	-	9,638,696	-	-
Payments in lieu of taxes	3,328,873	-	3,328,873	-	-
Franchise taxes	903,042	-	903,042	-	-
Other taxes	6,450,830	-	6,450,830	-	567,496
Interest earned on investments	670,356	57,992	728,348	3,009	1,799
Total general revenues	<u>50,218,030</u>	<u>57,992</u>	<u>50,276,022</u>	<u>3,009</u>	<u>569,295</u>
<b>Transfers</b>					
Total general revenues and transfers	<u>(2,144,444)</u>	<u>2,144,444</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>48,073,586</u>	<u>2,202,436</u>	<u>50,276,022</u>	<u>3,009</u>	<u>569,295</u>
Change in net position	<u>1,805,181</u>	<u>4,854,998</u>	<u>6,660,179</u>	<u>481,661</u>	<u>(85,385)</u>
<b>Net Position:</b>					
Beginning of year - July 1	133,920,966	267,321,392	401,242,358	2,093,722	755,163
Restatement (change in accounting principal)	1,097,747	-	1,097,747	-	-
Restatement (GASB 68)	(4,723,816)	(1,411,011)	(6,134,827)	(48,004)	-
Beginning of year - July 1 as restated	<u>130,294,897</u>	<u>265,910,381</u>	<u>396,205,278</u>	<u>2,045,718</u>	<u>755,163</u>
End of year - June 30	<u>\$ 132,100,078</u>	<u>\$ 270,765,379</u>	<u>\$ 402,865,457</u>	<u>\$ 2,527,379</u>	<u>\$ 669,778</u>

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



CITY OF GASTONIA, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2015

	<u>General Fund</u>	<u>Streets Capital Project Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 24,135,529	\$ -	\$ 3,824,022	\$ 27,959,551
Taxes receivable, net	1,147,920	-	17,562	1,165,482
Accounts receivable, net	1,765,795	817,599	1,328,028	3,911,422
Interest receivable	5,390	-	-	5,390
Prepaid items	57,088	-	-	57,088
Inventory	566,230	-	1,473,806	2,040,036
Cash and investments, restricted	-	20,000,254	-	20,000,254
Due from other funds	904,565	-	-	904,565
Due from other governments	4,239,816	-	52,943	4,292,759
Total assets	<u>\$ 32,822,333</u>	<u>\$ 20,817,853</u>	<u>\$ 6,696,361</u>	<u>\$ 60,336,547</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 1,012,837	\$ 517,141	\$ 267,082	\$ 1,797,060
Accrued salaries and benefits	1,559,169	-	-	1,559,169
Due to other funds	791,624	-	825,133	1,616,757
Total liabilities	<u>3,363,630</u>	<u>517,141</u>	<u>1,092,215</u>	<u>4,972,986</u>
<b>Deferred Inflows of Resources:</b>				
Prepaid taxes	5,841	-	-	5,841
Property taxes receivable	1,147,920	-	17,562	1,165,482
Unavailable revenue	201,277	-	-	201,277
Total deferred inflows of resources	<u>1,355,038</u>	<u>-</u>	<u>17,562</u>	<u>1,372,600</u>
<b>Fund Balances:</b>				
Non-Spendable:				
Long-term receivable	-	-	1,057,524	1,057,524
Inventories	566,230	-	1,473,806	2,040,036
Prepays	57,088	-	-	57,088
Restricted:				
Stabilization by State statute	7,109,193	11,829,463	707,869	19,646,525
Restricted, all other	-	20,000,254	258,395	20,258,649
Assigned	1,075,528	-	2,918,019	3,993,547
Unassigned	19,295,626	(11,529,005)	(829,029)	6,937,592
Total fund balances	<u>28,103,665</u>	<u>20,300,712</u>	<u>5,586,584</u>	<u>53,990,961</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 32,822,333</u>	<u>\$ 20,817,853</u>	<u>\$ 6,696,361</u>	<u>\$ 60,336,547</u>

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

**CITY OF GASTONIA, NORTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

	<b>Total</b>
<b>Reconciliation with Net Position of Governmental Activities - Government-Wide (Exhibit A):</b>	
Total fund balances - modified accrual (see above)	\$ 53,990,961
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	142,338,596
Net pension asset	3,231,637
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	2,195,235
Pension related deferrals	(8,101,592)
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 Position.	4,204,859
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.	(575,084)
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(65,148,513)
The governmental activities net position includes an accrual for interest on long-term debt.	(581,066)
Unamortized bond premium is a revenue source in the governmental funds statement and a deferred liability in the governmental activities Statement of Net Position.	(835,965)
Unbilled services of the governmental activities are not considered revenues in the governmental funds statement until collected.	14,251
Deferred inflows of resources 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 position in the Statement of Net Position.	1,366,759
Net position of governmental activities - government-wide (Exhibit A)	\$ 132,100,078

*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, 2015

	<u>General Fund</u>	<u>Streets Capital Project Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Revenues:</b>				
Ad valorem taxes	\$ 29,294,143	\$ -	\$ 122,424	\$ 29,416,567
Other taxes and licenses	19,753,945	-	567,496	20,321,441
Unrestricted intergovernmental revenues	1,844,467	-	-	1,844,467
Restricted intergovernmental revenues	3,033,361	422,594	1,224,287	4,680,242
Permits and fees	1,075,019	-	-	1,075,019
Sales and services	2,787,263	-	134,659	2,921,922
Investment earnings	473,265	19,362	5,062	497,689
Miscellaneous	186,970	205	649,304	836,479
Total revenues	<u>58,448,433</u>	<u>442,161</u>	<u>2,703,232</u>	<u>61,593,826</u>
<b>Expenditures:</b>				
Current:				
General government	7,652,922	-	-	7,652,922
Public safety	26,258,338	-	103,300	26,361,638
Public works and cemeteries	5,449,447	-	-	5,449,447
Cultural and recreation	5,382,186	-	-	5,382,186
Economic and physical development	-	-	1,579,764	1,579,764
Capital outlay	-	3,105,358	764,404	3,869,762
Debt service:				
Principal repayments	4,316,666	-	720,000	5,036,666
Interest	2,091,012	-	55,613	2,146,625
Total expenditures	<u>51,150,571</u>	<u>3,105,358</u>	<u>3,223,081</u>	<u>57,479,010</u>
Revenues over (under) expenditures	<u>7,297,862</u>	<u>(2,663,197)</u>	<u>(519,849)</u>	<u>4,114,816</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	2,060,000	30,000	1,396,766	3,486,766
Transfers (to) other funds	(6,153,928)	-	(389,537)	(6,543,465)
Total other financing sources (uses)	<u>(4,093,928)</u>	<u>30,000</u>	<u>1,007,229</u>	<u>(3,056,699)</u>
Net change in fund balances	<u>3,203,934</u>	<u>(2,633,197)</u>	<u>487,380</u>	<u>1,058,117</u>
<b>Fund Balances:</b>				
Beginning of year - July 1	24,945,980	22,933,909	4,126,729	52,006,618
Restatement	-	-	1,097,747	1,097,747
Beginning of year - July 1, as restated	<u>24,945,980</u>	<u>22,933,909</u>	<u>5,224,476</u>	<u>53,104,365</u>
Increase (decrease) in inventories	<u>(46,249)</u>	<u>-</u>	<u>(125,272)</u>	<u>(171,521)</u>
End of year - June 30	<u>\$ 28,103,665</u>	<u>\$ 20,300,712</u>	<u>\$ 5,586,584</u>	<u>\$ 53,990,961</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, 2015**

Net change in fund balances - total governmental funds per Exhibit D	\$ 1,058,117
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.	(190,334)
Miscellaneous revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	(988,205)
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.	(171,521)
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.	(1,563,848)
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.	4,777,285
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	2,195,235
Expenses related to pension	(146,139)
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(8,468,780)
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.	5,036,666
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.	(61,511)
Bond premium received is reported as a deferred item in the Statement of Activities, rather than a revenue in the fund financial statements. Amortization of bond premium is a reduction of interest expense in the Statement of Activities.	167,193
Interest on long-term debt incurred, but not paid, is reported as an expense in the governmental activities statements.	37,621
Portion of Internal Service Fund activities change in net position allocable to the governmental activities are reported with governmental activities.	<u>123,402</u>
Change in net position of governmental activities per Exhibit B	<u>\$ 1,805,181</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, 2015**

	<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	\$ 28,255,409	\$ 28,255,409	\$ 29,294,143	\$ 1,038,734
Other taxes and licenses	17,552,610	17,552,610	19,753,945	2,201,335
Unrestricted intergovernmental revenues	1,607,000	1,607,000	1,844,467	237,467
Restricted intergovernmental revenues	2,599,576	2,895,532	3,033,361	137,829
Permits and fees	849,190	849,190	1,075,019	225,829
Sales and services	2,572,043	2,741,026	2,787,263	46,237
Interest earned on investments	442,318	442,318	473,265	30,947
Miscellaneous	15,217	110,139	186,970	76,831
Total revenues	<u>53,893,363</u>	<u>54,453,224</u>	<u>58,448,433</u>	<u>3,995,209</u>
<b>Expenditures:</b>				
General government	7,726,787	8,525,003	7,652,922	872,081
Public safety	26,780,460	27,535,046	26,258,338	1,276,708
Public works and cemeteries	5,592,386	5,974,650	5,449,447	525,203
Cultural and recreation	5,394,382	5,919,923	5,382,186	537,737
Debt service:				
Principal	4,305,668	4,316,668	4,316,666	2
Interest and fees	2,109,116	2,098,116	2,091,012	7,104
Total expenditures	<u>51,908,799</u>	<u>54,369,406</u>	<u>51,150,571</u>	<u>3,218,835</u>
Revenues over (under) expenditures	<u>1,984,564</u>	<u>83,818</u>	<u>7,297,862</u>	<u>7,214,044</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	2,060,000	2,060,000	2,060,000	-
Transfers (to) other funds	(5,403,928)	(6,153,928)	(6,153,928)	-
Appropriated fund balance	1,359,364	4,010,110	-	(4,010,110)
Total other financing sources (uses)	<u>(1,984,564)</u>	<u>(83,818)</u>	<u>(4,093,928)</u>	<u>(4,010,110)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	3,203,934	<u>\$ 3,203,934</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			24,945,980	
Increase in inventories			<u>(46,249)</u>	
End of year - June 30			<u>\$ 28,103,665</u>	

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

## CITY OF GASTONIA, NORTH CAROLINA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	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	\$ 19,283,155	\$ 10,885,464	\$ 1,328,008	\$ 1,181,373	\$ 32,678,000	\$ 1,120,968
Accounts receivable, net	3,861,291	10,211,807	284,232	190,592	14,547,922	418,187
Inventory	165,549	952,759	-	10,999	1,129,307	-
Due from other governments	-	-	-	285,878	285,878	-
Due from other funds	-	-	-	-	-	791,624
Cash and cash equivalents, restricted	343,005	937,874	-	-	1,280,879	2,432,641
Total current assets	<u>23,653,000</u>	<u>22,987,904</u>	<u>1,612,240</u>	<u>1,668,842</u>	<u>49,921,986</u>	<u>4,763,420</u>
Non-current assets:						
Depreciable capital assets, net	166,901,158	39,385,679	29,063,656	1,155,377	236,505,870	9,136,862
Non-depreciable capital assets	19,404,772	4,260,711	137,923	358,778	24,162,184	-
Total capital assets, net	186,305,930	43,646,390	29,201,579	1,514,155	260,668,054	9,136,862
Pension asset	587,570	251,816	41,969	83,939	965,294	-
Total non-current assets	<u>186,893,500</u>	<u>43,898,206</u>	<u>29,243,548</u>	<u>1,598,094</u>	<u>261,633,348</u>	<u>9,136,862</u>
Total assets	<u>\$ 210,546,500</u>	<u>\$ 66,886,110</u>	<u>\$ 30,855,788</u>	<u>\$ 3,266,936</u>	<u>\$ 311,555,334</u>	<u>\$ 13,900,282</u>
<b>Deferred Outflows of Resources:</b>						
Contributions to pension plan in current fiscal year	\$ 399,134	\$ 171,057	\$ 28,510	\$ 57,019	\$ 655,720	\$ -
<b>Liabilities:</b>						
Current liabilities:						
Accounts payable	1,340,731	7,368,587	48,855	131,943	8,890,116	1,046,824
Accrued salaries and benefits	315,560	144,467	20,457	110,549	591,033	125,766
Compensated absences	343,948	153,321	7,529	98,261	603,059	195,187
Accrued interest	111,524	-	-	-	111,524	27,954
Current portion of long-term debt	3,208,249	-	-	-	3,208,249	2,545,042
Due to other funds	-	-	-	-	-	79,432
Prepaid fees	15,230	-	-	-	15,230	-
Liabilities paid from restricted assets:						
Customer deposits	343,005	937,874	-	-	1,280,879	-
Total current liabilities	<u>5,678,247</u>	<u>8,604,249</u>	<u>76,841</u>	<u>340,753</u>	<u>14,700,090</u>	<u>4,020,205</u>
Non-current liabilities:						
Non-current portion of compensated absences	114,649	51,107	2,510	32,754	201,020	65,062
Non-current portion of long-term debt	20,079,560	430,000	-	-	20,509,560	5,610,156
Other post-employment benefits obligation	2,441,026	1,160,593	187,453	401,061	4,190,133	-
Total non-current liabilities	<u>22,635,235</u>	<u>1,641,700</u>	<u>189,963</u>	<u>433,815</u>	<u>24,900,713</u>	<u>5,675,218</u>
Total liabilities	<u>28,313,482</u>	<u>10,245,949</u>	<u>266,804</u>	<u>774,568</u>	<u>39,600,803</u>	<u>9,695,423</u>
<b>Deferred Inflows of Resources:</b>						
Pension deferrals	1,473,017	631,293	105,215	210,431	2,419,956	-
<b>Net Position:</b>						
Net investment in capital assets	163,018,121	43,216,390	29,201,579	1,514,155	236,950,245	3,414,305
Unrestricted	18,141,014	12,963,535	1,310,700	824,801	33,240,050	790,554
Total net position	<u>\$ 181,159,135</u>	<u>\$ 56,179,925</u>	<u>\$ 30,512,279</u>	<u>\$ 2,338,956</u>	<u>\$ 270,190,295</u>	<u>\$ 4,204,859</u>
Total net position - proprietary funds presentation					\$ 270,190,295	
Portion of profit generated by Internal Service Fund allocated to business-type activities - history to date					575,084	
Net position of business-type activities - government-wide					<u>\$ 270,765,379</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 POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	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	\$ 32,868,047	\$ 73,385,528	\$ 2,458,249	\$ 1,399,934	\$ 110,111,758	\$ 13,733,271
Utilities for City use	1,328,255	1,326,031	60,046	-	2,714,332	-
Other operating revenues	111,572	638,739	8,586	24,574	783,471	1,066,901
Total operating revenues	<u>34,307,874</u>	<u>75,350,298</u>	<u>2,526,881</u>	<u>1,424,508</u>	<u>113,609,561</u>	<u>14,800,172</u>
<b>Operating Expenses:</b>						
Water treatment/electric and other purchases	3,823,667	65,005,458	-	-	68,829,125	-
Administration	8,395,701	4,869,816	1,187,709	893,264	15,346,490	-
Facility maintenance	1,496,785	-	-	-	1,496,785	-
Payseur Mountain resource recovery	1,326,956	-	-	-	1,326,956	-
Sewage treatment	6,276,206	-	-	-	6,276,206	-
Substation operations	-	535,948	-	-	535,948	-
Maintenance	3,219,018	2,439,965	4,926	295,175	5,959,084	-
ADA/Para-transit expenses	-	-	-	207,494	207,494	-
Operations area	-	-	493,579	5,061,499	5,555,078	13,205,751
Street lights	-	576,793	-	-	576,793	-
Depreciation and amortization	4,824,756	1,991,353	645,035	75,939	7,537,083	2,395,206
Total operating expenses	<u>29,363,089</u>	<u>75,419,333</u>	<u>2,331,249</u>	<u>6,533,371</u>	<u>113,647,042</u>	<u>15,600,957</u>
Operating income (loss)	<u>4,944,785</u>	<u>(69,035)</u>	<u>195,632</u>	<u>(5,108,863)</u>	<u>(37,481)</u>	<u>(800,785)</u>
<b>Non-Operating Revenues (Expenses):</b>						
Miscellaneous	-	-	-	-	-	208,070
Investment earnings	37,588	18,309	2,095	-	57,992	5,474
Gain (loss) on disposal of capital assets	13,458	20,257	(174,458)	-	(140,743)	(28,513)
Expansion fee	250,307	-	-	-	250,307	-
Interest on long-term debt	(751,293)	(16,869)	-	-	(768,162)	(142,248)
Total non-operating revenues (expenses)	<u>(449,940)</u>	<u>21,697</u>	<u>(172,363)</u>	<u>-</u>	<u>(600,606)</u>	<u>42,783</u>
Income (loss) before capital contributions and transfers	4,494,845	(47,338)	23,269	(5,108,863)	(638,087)	(758,002)
<b>Capital Contributions:</b>						
Federal and State grants	-	158,579	-	1,456,018	1,614,597	-
Local contributions	1,345,434	-	357,759	-	1,703,193	-
<b>Transfers:</b>						
Transfers from other funds	-	-	-	4,036,862	4,036,862	948,882
Transfers to other funds	(147,655)	(1,671,507)	(6,868)	(66,388)	(1,892,418)	(36,627)
Change in net position	<u>5,692,624</u>	<u>(1,560,266)</u>	<u>374,160</u>	<u>317,629</u>	<u>4,824,147</u>	<u>154,253</u>
<b>Net Position:</b>						
Beginning of year - July 1	176,325,387	58,108,281	30,199,467	2,144,024	266,777,159	4,050,606
Restatement (GASB 68)	(858,876)	(368,090)	(61,348)	(122,697)	(1,411,011)	-
Beginning of year - July 1 as restated	<u>175,466,511</u>	<u>57,740,191</u>	<u>30,138,119</u>	<u>2,021,327</u>	<u>265,366,148</u>	<u>4,050,606</u>
End of year - June 30	<u>\$ 181,159,135</u>	<u>\$ 56,179,925</u>	<u>\$ 30,512,279</u>	<u>\$ 2,338,956</u>	<u>\$ 270,190,295</u>	<u>\$ 4,204,859</u>
<b>Reconciliation with Exhibit B Change in Net Position - Business-Type Activities:</b>						
Change in net position - fund perspective					\$ 4,824,147	
Internal Service Fund profits allocated to business-type activities					30,851	
Change in net position - entity-wide perspective - Exhibit B					<u>\$ 4,854,998</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, 2015

	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	\$ 34,257,949	\$ 75,317,040	\$ 2,417,329	\$ 1,418,997	\$ 113,411,315	\$ 14,972,915
Cash paid to suppliers	(16,862,739)	(70,094,594)	(1,108,769)	(3,405,617)	(91,471,719)	(12,520,773)
Cash paid to employees	(7,944,964)	(2,772,122)	(620,855)	(3,061,934)	(14,399,875)	(366,153)
Net cash provided (used) by operating activities	9,450,246	2,450,324	687,705	(5,048,554)	7,539,721	2,085,989
<b>Cash Flows from Non-Capital Financing Activities:</b>						
Changes in due to/from other funds	-	-	-	-	-	(77,825)
Transfers from other funds	-	-	-	4,036,862	4,036,862	948,882
Transfers to other funds	(147,655)	(1,671,507)	(6,868)	(66,388)	(1,892,418)	(36,627)
Net cash provided (used) by non-capital financing activities	(147,655)	(1,671,507)	(6,868)	3,970,474	2,144,444	834,430
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Federal and State grants	-	158,579	-	1,307,415	1,465,994	-
Expansion fee	250,307	-	-	-	250,307	-
Proceeds from issuance of debt	-	-	-	-	-	2,883,000
Principal paid on long-term debt	(6,368,249)	-	-	-	(6,368,249)	(2,318,397)
Proceeds from sale of capital assets	13,458	20,257	-	-	33,715	-
Acquisition and construction of capital assets	(4,099,736)	(2,438,448)	(502,985)	(9,190)	(7,050,359)	(3,156,979)
Interest paid on long-term debt	(964,244)	(16,869)	-	-	(981,113)	(149,575)
Net cash provided (used) by capital and related financing activities	(11,168,464)	(2,276,481)	(502,985)	1,298,225	(12,649,705)	(2,741,951)
<b>Cash Flows from Investing Activities:</b>						
Interest on investments	37,588	18,309	2,095	-	57,992	5,474
Net cash provided (used) by investing activities	37,588	18,309	2,095	-	57,992	5,474
Net increase (decrease) in cash and cash equivalents	(1,828,285)	(1,479,355)	179,947	220,145	(2,907,548)	183,942
<b>Cash and Cash Equivalents:</b>						
Beginning of year - July 1	21,454,445	13,302,693	1,148,061	961,228	36,866,427	3,369,667
End of year - June 30	\$ 19,626,160	\$ 11,823,338	\$ 1,328,008	\$ 1,181,373	\$ 33,958,879	\$ 3,553,609

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, 2015

	Business-Type Activities				Total	Governmental
	Water and Sewer Fund	Electric Fund	Stormwater Fund	Other Nonmajor Funds		Internal Service Funds
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>						
Operating income (loss)	\$ 4,944,785	\$ (69,035)	\$ 195,632	\$ (5,108,863)	\$ (37,481)	\$ (800,785)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	4,824,756	1,991,353	645,035	75,939	7,537,083	2,395,206
Pension expense	26,571	11,387	1,898	3,795	43,651	-
Bad debt expense (recovery)	-	-	-	-	-	208,070
Change in assets and liabilities:						
(Increase) decrease in accounts receivables	(114,028)	(159,932)	(144,288)	(5,511)	(423,759)	(35,327)
(Increase) decrease in deferred outflows of resources for pensions	(399,134)	(171,057)	(28,510)	(57,019)	(655,720)	-
(Increase) decrease in inventories	(32,975)	12,233	-	-	(20,742)	-
Increase (decrease) in accounts payable	(119,542)	555,287	63,112	4,803	503,660	134,196
Increase (decrease) in accrued salaries	19,838	48,643	(57,329)	8,480	19,632	-
Increase (decrease) in compensated absences	(4,581)	(9,553)	(6,309)	(9,685)	(30,128)	184,629
Increase (decrease) in other post-employment benefits	240,453	114,324	18,464	39,507	412,748	-
Increase (decrease) in customer deposits	64,103	126,674	-	-	190,777	-
Net cash provided (used) by operating activities	<u>\$ 9,450,246</u>	<u>\$ 2,450,324</u>	<u>\$ 687,705</u>	<u>\$ (5,048,554)</u>	<u>\$ 7,539,721</u>	<u>\$ 2,085,989</u>
<b>Non-Cash Transactions:</b>						
Local developer contributions	<u>\$ 1,345,434</u>	<u>\$ -</u>	<u>\$ 357,759</u>	<u>\$ -</u>	<u>\$ 1,703,193</u>	<u>\$ -</u>

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

**CITY OF GASTONIA, NORTH CAROLINA**

**STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2015**

	<u>Agency Fund</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 16,274
Accounts receivable	<u>23,823</u>
Total assets	<u>\$ 40,097</u>
<b>Liabilities:</b>	
Accounts payable	<u>\$ 40,097</u>
Total liabilities	<u>\$ 40,097</u>

*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, 2015

### 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. The basis for the blended component is the component unit’s governing body is substantively the same as the governing body of the primary government, and management of the primary government has operational responsibility for the component unit.

#### **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 the City of Gastonia ABC Board, 1840 South York Road, Gastonia, North Carolina 28052. The ABC Board is presented as if it were a proprietary fund (discrete presentation).

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### **Gastonia Tourism Development Authority**

The seven members of the Gastonia Tourism Development Authority's governing board are appointed by the City. The City levies a three percent (3.0%) 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 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. The Gastonia Tourism Development Authority is a discretely presented component unit.

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

The government-wide financial statements (Exhibit A - Statement of Net Position 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.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

**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. Current projects include road widening, resurfacing, sidewalk improvements, and bridge replacement.

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 was from allocations from the North Carolina Electric Agency related to a contract settlement with the power generation plant's management company.

**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 position is segregated into (1) net investment in capital assets (2) restricted net position; and (3) unrestricted net position. Operating statements for these funds present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

# **CITY OF GASTONIA, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015**

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, 2015. 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 90 days and 60 days of June 30 year-end, respectively. 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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes collected and held by the State at year-end, on behalf of the City, are recognized as revenue. Sales taxes are considered a shared revenue for the City of Gastonia because the tax is levied by Gaston County and then remitted to and distributed by the State. 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. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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.

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:

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

**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 four special revenue funds: Community Development Block Grant Fund, Uptown Municipal District Fund, Occupancy Tax 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 six capital project funds: Mayor/Council Fund, Streets Fund, Developer Sidewalk Fund, Airport Fund, Downtown Revitalization Fund, and Infrastructure Rehabilitation Fund. The Street 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 six enterprise funds: Water and Sewer Fund, Electric Fund, Transit Fund, Municipal Golf Course Fund, Solid Waste Fund, and Stormwater Fund. The Water and Sewer Fund, Electric Fund, and Stormwater Fund are major funds.

**Fiduciary Funds.** Fiduciary funds account for the assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. The City maintains one agency fund, the Cramerton Stormwater Fund, which accounts for the collection of stormwater fees for the Town of Cramerton.

**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, 2015

### **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 the City Council. Also, any change in budgeted revenue estimates, including changes to the amounts appropriated from fund balance, must be approved by the 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, Dental Self-Insurance Fund, and internal service funds operate under financial plans. The City's Vehicle and Equipment Renewal and Replacement Fund, Information Technology Fund, Medical Self-Insurance Fund, and Dental Self-Insurance Fund financial plans were adopted by the governing board at the time the City's budget ordinance was approved. 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, 2015

### F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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, NCCMT Term Portfolio, an 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 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. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.



**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Governmental Activities:**

**Internal Service Fund:**

**Vehicle Renewal and Replacement Fund:**

Unexpended bond proceeds \$ 2,432,641

**Streets Project Fund:**

Capital outlays - unexpended bond proceeds 20,000,254

Total governmental activities 22,432,895

**Business-Type Activities:**

**Electric Fund:**

Customer deposits 937,874

**Water and Sewer Fund:**

Customer deposits 343,005

Total business-type activities 1,280,879

Total restricted cash \$ 23,713,774

**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. 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, 2014. 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 collectability estimates. Utility account receivables and miscellaneous receivables billed through the utility system are considered uncollectible after 60 days. Code enforcement receivables, inspections receivables, and other miscellaneous account receivables are considered uncollectible after one year.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### **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.

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.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has one item that meets this criterion, contributions made to the pension plan in the 2015 fiscal year. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has four items that meet the criterion for this category - prepaid taxes, unavailable revenue, property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

### **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.

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.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### **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 Position. Bond premiums and discounts 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, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the 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.

### **Pensions**

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Gastonia's employer contributions are recognized when due and the City of Gastonia has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

### **Net Position/Fund Balances**

#### **Net Position**

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

#### **Fund Balances**

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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 fund balances as follows:

**Non-Spendable Fund Balance**

This classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained in tact.

*Inventories* – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

*Prepays* – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid items, which are not spendable resources.

**Restricted Fund Balance**

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

*Stabilization by State Statute* – portion of fund balance that is not an available resource for appropriation in accordance with State law [G.S. 159-8(a)].

*Restricted for Capital Outlays* – portion of fund balance restricted by revenue source for future capital activities. This classification consists primarily of unexpended debt proceeds.

Restricted fund balance at June 30, 2015 is as follows:

<b>Purpose</b>	<b>General Fund</b>	<b>Streets Capital Project Fund</b>	<b>Other Governmental Funds</b>
<b>Restricted, All Other:</b>			
Capital outlays	\$ -	\$ 20,000,254	\$ 258,395

Restricted fund balance/net position on Exhibit A varies from Exhibit C by the amount of unexpended bond proceeds of \$20,000,254 at June 30, 2015.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### Committed Fund Balance

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

### Assigned Fund Balance

Assigned fund balance is the portion of fund balance that the City of Gastonia intends to use for specific purposes. The City's governing body has the authority to assign fund balance. The Manager and Director of Financial Services, as granted in the officially adopted budget ordinance, have been granted limited authority to assign fund balance.

*Subsequent Year's Expenditures* – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body (Council) approves the appropriation; however, the budget ordinance authorizes the Manager and Finance Officer to make certain modifications without requiring Board approval.

*Assigned for Capital Outlays* – portion of fund balance budgeted by Council for future capital activities.

Assigned fund balance at June 30, 2015 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>
Subsequent year's expenditures	\$ 1,075,528	\$ -
Capital outlays	-	2,918,019
Total	<u>\$ 1,075,528</u>	<u>\$ 2,918,019</u>

### Unassigned Fund Balance

Unassigned fund balance represents the portion of fund balance that has not been assigned to another fund or is not restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted or committed, to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The City of Gastonia has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Director of Financial Services will use resources in the following order: bond/debt proceeds, Federal funds, State funds, local non-City funds, and City funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Director of Financial Services has the authority to deviate from this policy if it is in the best interest of the City or when required by grant or other contractual agreements.

The City has not officially adopted a fund balance policy, but does have internally established benchmarks.

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

Total fund balance - General Fund	\$ 28,103,665
Less:	
Inventories	566,230
Prepays	57,088
Stabilization by State statute	7,109,193
Total available fund balance	\$ 20,371,154

Outstanding encumbrances represent amounts needed to pay commitments related to purchase orders and contracts that remain unperformed at year-end. Encumbrances at June 30, 2015 are detailed as follows:

	<b>Encumbrances</b>
<b>General Fund</b>	\$ 394,904
<b>Streets Capital Project Fund</b>	11,011,864
<b>Nonmajor Governmental Funds:</b>	
Special revenue funds:	
CDBG Program Fund	10,000
Home Investment Trust Fund	36,508
Capital project funds:	
Mayor/Council Capital Project Fund	323,585
Airport Fund	14,329
Total	\$ 11,791,190

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### **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.

### **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.

### **Deficit Fund Balance or Net Position of Individual Funds**

At June 30, 2015 the following funds reported a deficit in fund balance:

<b>Nonmajor Governmental Funds:</b>		
108 Loan/Revitalization	\$	314,627
Economic Development		2,598

The City will eliminate these with future revenues and transfers in the next fiscal year.



# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### Excess Expenditures over Appropriations

At June 30, 2015 the following funds expenditures were over appropriations by the following amounts:

<b>Nonmajor Governmental Funds:</b>		
108 Loan/Economic	\$	43,641
Occupancy Tax		92,496

The City will eliminate these with future budget amendments and stringent budgetary controls.

## 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, 2015, the City's deposits had a carrying amount of \$62,050,345 and a bank balance of \$61,663,119. Of the bank balance, \$1,250,000 was covered by federal depository insurance and the remaining bank balance is insured under the Pooling Method. The City had \$1,450 cash on hand as of June 30, 2015.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### Investments

At June 30, 2015, 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>
ING US Funding - CP	\$ 998,657	\$ 998,657	\$ -	\$ -
Kaiser Foundation Hosp - CP	998,707	998,707	-	-
ABN Funding - CP	998,313	-	998,313	-
JP Morgan Securities	1,994,870	-	1,994,870	-
PNC Bank - CP	1,995,786	-	1,995,786	-
UBS Finance Delaware - CP	997,310	-	997,310	-
Federal Home Loan Bank Bonds	1,000,000	-	-	1,000,000
Federal Home Loan Bank Bonds	1,000,000	-	-	1,000,000
North Carolina Capital Management Trust - Cash Portfolio	13,453,129	13,453,129	-	-
<b>Total</b>	<u>\$ 23,436,772</u>	<u>\$ 15,450,493</u>	<u>\$ 5,986,279</u>	<u>\$ 2,000,000</u>

*Interest Rate Risk.* The City has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's internal investment policy limits at least half of the City's investment portfolio to maturities of less than 12 months. Also, the City's internal management policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than two years.

*Credit Risk.* State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The City has no formal policy regarding credit risk, but has internal management procedures that limit the City's investments to the provisions of North Carolina G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. Investments in the N.C. Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2015. The investments in ING US Funding - CP carried credit ratings of P-1 and A-1 by Moody's and Standard & Poor's, respectively. The investments in Kaiser Foundation Hosp - CP carried credit rating of A-1 and F-1 by Standard & Poor's and Fitch, respectively. The investments in ABN Funding - CP carried credit ratings of P-1, A-1 by Moody's, and Standard & Poor's, respectively. The investments in PNC Bank - CP carried credit ratings of P-1, A-1, and F1 by Moody's, Standard & Poor's and Fitch, respectively. The investments in JP Morgan Securities - CP carried credit ratings of P-1, and A-1 by Moody's, and Standard & Poor's, respectively. The investments in UBS Finance Delaware - CP carried credit ratings A-1 and P-1 with Standard and Poor's and Moody's respectively. The investments in Federal Home Loan Bank Bonds were not rated.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

*Concentration of Credit Risk.* The City typically does not invest more than \$2,000,000 in an issuer's commercial paper; however, the City places no limit on the amount that the City may invest in federal agency issues or in investments of the N.C. Capital Management Trust.

**Receivables**

The amounts presented in Exhibit A, the Statement of Net Position, are net of the following allowances for doubtful accounts as of June 30, 2015:

<b>General Fund:</b>	
Property taxes	\$ 467,785
Other receivables	1,388,593
Vehicle tags receivable	143,174
<b>Enterprise Funds:</b>	
Water and Sewer Fund - utility receivables	687,339
Electric Fund - utility receivables	1,881,502
Electric Fund - miscellaneous	37,608
Stormwater Fund - utility receivables	115,366

Due from other governments at the government-wide level at June 30, 2015:

	<u>County</u>	<u>State</u>	<u>Total</u>
<b>Governmental Funds:</b>			
<b>General Fund:</b>			
Sales and use tax distribution	\$ -	\$ 3,112,779	\$ 3,112,779
Property taxes	325,728	-	325,728
Sales tax refund	<u>233,708</u>	<u>567,601</u>	<u>801,309</u>
Total General Fund	<u>559,436</u>	<u>3,680,380</u>	<u>4,239,816</u>
<b>Other Governmental Funds:</b>			
Occupancy tax	<u>52,943</u>	-	<u>52,943</u>
Total other governmental funds	<u>52,943</u>	-	<u>52,943</u>
Total governmental funds	<u>\$ 612,379</u>	<u>\$ 3,680,380</u>	<u>\$ 4,292,759</u>
<b>Business-Type Funds:</b>			
<b>Transit System Fund:</b>			
Grants	<u>\$ -</u>	<u>\$ 285,878</u>	<u>\$ 285,878</u>
Total business-type funds	<u>\$ -</u>	<u>\$ 285,878</u>	<u>\$ 285,878</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### Capital Assets

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

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>Non-Depreciable Assets:</b>					
Land	\$ 10,188,155	\$ -	\$ (54,040)	\$ 29,262	\$ 10,163,377
Construction in progress	14,533,818	3,194,338	(7,471)	(13,720,747)	3,999,938
<b>Depreciable Assets:</b>					
Other improvements	23,214,399	99,598	-	685,771	23,999,768
Buildings	41,454,548	61,446	-	12,738,878	54,254,872
Building - Internal Service Fund	109,761	11,853	-	-	121,614
Equipment	11,526,864	360,793	(301,112)	205,662	11,792,207
Equipment - Internal Service Fund	35,153,949	3,145,126	(1,250,832)	-	37,048,243
General infrastructure	<u>270,034,959</u>	<u>1,061,110</u>	<u>-</u>	<u>61,174</u>	<u>271,157,243</u>
Total capital assets	<u>406,216,453</u>	<u>7,934,264</u>	<u>(1,613,455)</u>	<u>-</u>	<u>412,537,262</u>
<b>Less Accumulated Depreciation:</b>					
Other improvements	9,280,532	1,000,525	-	-	10,281,057
Buildings	20,071,333	1,129,921	-	-	21,201,254
Building - Internal Service Fund	37,445	3,314	-	-	40,759
Equipment	9,790,931	333,882	(301,112)	-	9,823,701
Equipment - Internal Service Fund	26,822,663	2,391,892	(1,222,319)	-	27,992,236
General infrastructure	<u>185,718,345</u>	<u>6,004,452</u>	<u>-</u>	<u>-</u>	<u>191,722,797</u>
Total accumulated depreciation	<u>251,721,249</u>	<u>\$ 10,863,986</u>	<u>\$ (1,523,431)</u>	<u>\$ -</u>	<u>261,061,804</u>
Capital assets, net	<u>\$ 154,495,204</u>				<u>\$ 151,475,458</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:

	<u>Governmental</u> <u>Funds</u>	<u>Internal</u> <u>Service</u> <u>Funds</u>	<u>Total</u>
<b>Governmental Activities:</b>			
General government	\$ 762,190	\$ 215,569	\$ 977,759
Public safety	677,502	191,616	869,119
Public works	6,351,585	1,796,405	8,147,990
Cultural and recreation	677,502	191,616	869,119
Total	<u>\$ 8,468,780</u>	<u>\$ 2,395,206</u>	<u>\$ 10,863,986</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### Enterprise Fund Capital Assets

The capital assets for the major enterprise funds of the City at June 30, 2015 are as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>Water and Sewer Fund:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 11,989,337	\$ 34,475	\$ -	\$ -	\$ 12,023,812
Construction in progress	5,020,972	3,970,882	(7,341)	(1,603,553)	7,380,960
<b>Depreciable Assets:</b>					
Land improvements	4,689,487	-	-	-	4,689,487
Buildings	69,369,105	-	-	-	69,369,105
Machinery, equipment, and vehicles	13,733,684	94,379	(23,871)	-	13,804,192
Water and sewer system	185,543,309	1,345,434	-	1,603,553	188,492,296
Total capital assets	<u>290,345,894</u>	<u>5,445,170</u>	<u>(31,212)</u>	<u>-</u>	<u>295,759,852</u>
<b>Less Accumulated Depreciation:</b>					
Land improvements	2,020,073	152,403	-	-	2,172,476
Buildings	31,885,608	1,430,078	-	-	33,315,686
Machinery, equipment, and vehicles	8,337,455	417,041	(23,871)	-	8,730,625
Water and sewer system	62,409,901	2,825,234	-	-	65,235,135
Total accumulated depreciation	<u>104,653,037</u>	<u>\$ 4,824,756</u>	<u>\$ (23,871)</u>	<u>\$ -</u>	<u>109,453,922</u>
Capital assets, net	<u>\$ 185,692,857</u>				<u>\$ 186,305,930</u>

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>Electric Fund:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 973,598	\$ -	\$ -	\$ -	\$ 973,598
Construction in progress	6,033,237	1,269,525	-	(4,015,649)	3,287,113
<b>Depreciable Assets:</b>					
Land improvements	20,404	-	-	-	20,404
Buildings	117,132	-	-	-	117,132
Electrical distribution	84,136,388	1,168,923	-	4,015,649	89,320,960
Machinery, equipment, and vehicles	3,833,638	-	-	-	3,833,638
Total capital assets	<u>95,114,397</u>	<u>2,438,448</u>	<u>-</u>	<u>-</u>	<u>97,552,845</u>
<b>Less Accumulated Depreciation:</b>					
Land improvements	15,248	565	-	-	15,813
Buildings	49,098	5,533	-	-	54,631
Electrical distribution	48,470,545	1,886,680	-	-	50,357,225
Machinery, equipment, and vehicles	3,380,211	98,575	-	-	3,478,786
Total accumulated depreciation	<u>51,915,102</u>	<u>\$ 1,991,353</u>	<u>\$ -</u>	<u>\$ -</u>	<u>53,906,455</u>
Capital assets, net	<u>\$ 43,199,295</u>				<u>\$ 43,646,390</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>Stormwater Fund:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 52,470	\$ -	\$ -	\$ -	\$ 52,470
Construction in progress	303,414	502,985	(174,458)	(546,488)	85,453
<b>Depreciable Assets:</b>					
Buildings	5,360	-	-	-	5,360
Stormwater infrastructure	47,299,643	357,759	-	546,488	48,203,890
Machinery, equipment, and vehicles	128,163	-	-	-	128,163
Total capital assets	<u>47,789,050</u>	<u>860,744</u>	<u>(174,458)</u>	<u>-</u>	<u>48,475,336</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	4,139	357	-	-	4,496
Stormwater infrastructure	18,510,882	641,415	-	-	19,152,297
Machinery, equipment, and vehicles	113,701	3,263	-	-	116,964
Total accumulated depreciation	<u>18,628,722</u>	<u>\$ 645,035</u>	<u>\$ -</u>	<u>\$ -</u>	<u>19,273,757</u>
Capital assets, net	<u>\$ 29,160,328</u>				<u>\$ 29,201,579</u>

The capital assets for the nonmajor enterprise funds of the City at June 30, 2015 are as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>Transit and Golf Funds:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 358,778	\$ -	\$ -	\$ -	\$ 358,778
<b>Depreciable Assets:</b>					
Land improvements	1,150,882	5,750	-	-	1,156,632
Buildings	1,548,244	-	-	-	1,548,244
Machinery, equipment, and vehicles	1,680,307	3,440	-	-	1,683,747
Total capital assets	<u>4,738,211</u>	<u>9,190</u>	<u>-</u>	<u>-</u>	<u>4,747,401</u>
<b>Less Accumulated Depreciation:</b>					
Land improvements	746,816	32,150	-	-	778,966
Buildings	745,996	36,000	-	-	781,996
Machinery, equipment, and vehicles	1,664,495	7,789	-	-	1,672,284
Total accumulated depreciation	<u>3,157,307</u>	<u>\$ 75,939</u>	<u>\$ -</u>	<u>\$ -</u>	<u>3,233,246</u>
Capital assets, net	<u>\$ 1,580,904</u>				<u>\$ 1,514,155</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Net Investment in Capital Assets**

The total net investment in capital assets at June 30, 2015 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 151,475,458	\$ 260,668,054
Long-term debt	(56,012,826)	(23,717,809)
Unspent debt proceeds	22,432,895	-
Long-term debt for assets not owned by the City	<u>949,000</u>	<u>-</u>
Net investment in capital assets	<u>\$ 118,844,527</u>	<u>\$ 236,950,245</u>

**B. Liabilities**

**Pension Plan Obligations**

**Local Governmental Employees' Retirement System**

**Plan Description.** The City is a participating employer in the State-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The 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, or at [www.osc.nc.gov](http://www.osc.nc.gov).

**Benefits Provided.** LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters).

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60.

Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Gastonia employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Gastonia's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Gastonia were \$2,850,955 for the year ended June 30, 2015.

*Refunds of Contributions* – City employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By State law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2015, the City reported an asset of \$4,196,931 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial



# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

assumptions. The City's proportion of the net pension asset was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the City's proportion was 0.712%, which was a decrease of 0.033% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$189,790. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 458,587
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	9,770,357
Changes in proportion and differences between City contributions and proportionate share of contributions	-	292,604
City contributions subsequent to the measurement date	2,850,955	-
Total	\$ 2,850,955	\$ 10,521,548

\$2,850,955 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Total</b>
2016	\$ (2,630,858)
2017	(2,630,858)
2018	(2,630,858)
2019	(2,628,974)
2020	-
Thereafter	-
Total	\$ (10,521,548)

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

**Actuarial Assumptions.** The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement. The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	36.0%	2.5%
Global equity	40.5%	6.1%
Real estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation protection	4.5%	3.7%
Total	<u>100.0%</u>	

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The information above is based on 30-year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8%, and Inflation Protection 3.4%.

**Discount Rate.** The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the City's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate.* The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability (asset)	\$ 14,246,193	\$ (4,196,927)	\$ (19,725,442)

**Pension Plan Fiduciary Net Position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### 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.

All full-time law enforcement officers and firemen of the City are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits and terminated plan members entitled to, but not yet receiving, benefits	92
Active plan members	<u>311</u>
Total	<u><u>403</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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- Contributions to the pension plan and earnings on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, non-employer contributing entities, the plan administrator, and plan members.

*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.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included: (a) 5.00% investment rate of return (net of administrative expenses), and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. 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, 2013 was 17 years.

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

Annual required contribution	\$	1,694,268
Interest on net pension obligation		40,466
Adjustment to annual required contribution		<u>(68,367)</u>
Annual pension cost (expense)		1,666,367
Contributions made		<u>1,382,361</u>
Increase (decrease) in net pension obligation		284,006
Net pension obligation:		
Beginning of year, July 1		<u>809,313</u>
End of year, June 30	\$	<u><u>1,093,319</u></u>

<u>Year Ended June 30</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2013	\$ 1,061,147	112.81%	\$ 1,025,574
2014	1,095,005	119.75%	809,313
2015	1,666,367	82.96%	1,093,319

**Funding Status and Funding Progress.** As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) were \$15,650,386. The covered payroll (annual payroll of the active employees covered by the plan) was \$14,587,158, and the ratio of the UAAL to the covered payroll was 107.29 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.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### **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 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, 2015 were \$637,697, which consisted of \$408,719 from the City and \$228,978 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. The 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, 2015 were \$462,200, which consisted of \$334,628 from the City and \$127,572 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. 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. The City Council has the authority to establish and amend benefit provisions and contribution requirements of the Plan.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

**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. Also, the employees may make voluntary contributions to the plans. Contributions to the North Carolina 401(k) Plan for the year ended June 30, 2015 were \$1,821,651, which consisted of \$1,244,885 from the City and \$576,766 from the employees.

### **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 5.0% of the City Attorney's and City Manager's salaries. Contributions to the 457 Plan for the year ended June 30, 2015 were \$31,459, which consisted of \$13,779 from the City and \$17,680 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. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. 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. For the fiscal year ended June 30, 2015, the City made payments for post-retirement health benefit premiums of \$1,098,101. 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.

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. For the fiscal year ended June 30, 2015, the City made payments for post-retirement life insurance benefit premiums of \$40,324.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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	0.00%
15-19	25.00%
20-24	50.00%
25 or more	100.00%

The City Council may amend the benefits provisions. A separate report was not issued for the Plan. The Plan is a single employer defined benefit plan.

Membership of the healthcare plan consisted of the following at December 31, 2013, the date of the latest actuarial valuation:

Retirees	459
General employees	549
Law enforcement	175
Firefighters	<u>139</u>
Total	<u><u>1,322</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. Also, the City's retirees can purchase coverage for their dependents at the City's group rates. The City pays from \$475.33 to \$550.33 per month for retiree and dependent coverage, based on dependents covered. The City's members pay from \$136.54 to \$485.82 per month for retiree and dependent coverage, based on dependents covered. The City has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current ARC rate is 7.24% of annual covered payroll. For the current year, the City contributed \$1,098,101, or 2.77% 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. The City does not carry aggregate stop/loss coverage. Contributions made by retirees for retiree and dependent coverage were \$193,847 for the year ended June 30, 2015.

**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.



# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

**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 30 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	\$ 2,873,145
Interest on net OPEB obligation	619,611
Adjustment to annual required contribution	<u>(590,089)</u>
Annual OPEB cost (expense)	2,902,667
Contributions made	<u>1,098,101</u>
Increase (decrease) in net OPEB obligation	1,804,566
Net OPEB obligation:	
Beginning of year, July 1	<u>16,514,980</u>
End of year, June 30	<u><u>\$ 18,319,546</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the past three years were as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2013	\$ 3,994,402	41.98%	\$ 15,427,784
2014	2,900,723	62.52%	16,514,980
2015	2,902,667	37.83%	18,319,546

**Funded Status and Funding Progress.** As of December 31, 2013, 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) were \$34,380,526. The covered payroll (annual payroll of active employees covered by the Plan) was \$39,645,327, and the ratio of the UAAL to the covered payroll was 86.7%. 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.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

**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, 2013 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 7.75 to 5.00 percent annually. Both rates included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected pay on an open basis. The remaining amortization period at December 31, 2013 was 30 years.

### **Other Employment Benefits**

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

### **Deferred Outflows and Inflows of Resources**

The balance in deferred outflows of resources is composed of the following elements:

	<u>Amount</u>
Contribution to pension plan in current fiscal year	\$ <u>2,850,955</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

The balance in deferred inflows of resources is composed of the following elements:

	<u>Amount</u>
Taxes receivable, net (General Fund)	\$ 1,147,920
Prepaid taxes	5,841
Other receivables, net	201,277
Pension deferrals	10,521,548
Taxes receivable, net (SRF)	<u>17,562</u>
Total	<u>\$ 11,894,148</u>

**Commitments**

The City had the following outstanding or planned projects as of June 30, 2015. These projects are evidenced by contractual obligations. The projects are funded by a combination of City monies and long-term debt.

<u>Governmental Activities Projects</u>	<u>Remaining Commitment</u>
<b>Street Improvements:</b>	
Various resurfacing and road widening	\$ 11,140,221
<b>General Government - Mayor/Council, Airport Capital Projects, and Downtown Capital Projects:</b>	
Various park improvement projects	<u>270,659</u>
Total commitments - governmental activities	<u>\$ 11,410,880</u>

In February 2011, the City entered into an agreement with a conference center management company to supervise, direct, manage, and operate the newly constructed City of Gastonia Conference Center. The term of the agreement were for an initial term of five (5) years with automatic renewals for additional one-year terms provided neither party has given notice of non-renewal to the other at least ninety (90) days prior to the end of the initial term or a renewal term. The agreement called for a monthly management fee of \$6,800 with certain annual incentives based on gross revenues generated. The initial agreement also required the City to fund all annual net operating losses. The agreement was amended in April 2013 to establish annual maximum net operating loss funding by the City beginning in the 2013 fiscal year, establish a defined flow of funds for the fiscal years ending June 30, 2013 and 2014, establish an annual business plan requirement, and establish certain communication guidelines.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

On September 17, 2014, the City and the management company entered into an agreement to terminate the management contract effective October 31, 2014. The agreement called for the City to fund the entire operating loss for the fiscal year ended June 30, 2014, which was approximately \$205,000. All other requirements of the termination agreement were not deemed to be monetarily significant to the City and had a minimal effect on the City's financial cash outflow. Total cash outflow other than the coverage of the excess loss noted above was approximately \$75,000.

On October 21, 2014 the City entered into a management transition period agreement with another conference center management group to assume management responsibilities, and this management group agreed to manage the conference center during the transition phase beginning November 1, 2014 until a long-term contract can be negotiated with them or with another management group. The agreement called for the City to fund all losses and to directly incur certain conference center operating expenses. Operating losses funded directly to the management company were approximately \$127,000 for the year ended June 30, 2015 and the City directly incurred approximately another \$193,000 in operating expenses.

On September 1, 2015 the City terminated the transitional period agreement and entered into a long-term agreement with another management group. The agreement is for the partial 2016 fiscal year and the next two (2) fiscal years with renewals for additional one year terms. The agreement calls for a monthly management fee of \$7,917 with certain annual incentives based on gross revenues generated. The initial agreement also requires the City to fund all annual net operating losses. The City intends to manage these losses through strict annual budget requirements and City approvals for going over budgeted expenditures. The City anticipates future loss funding to be significantly reduced over the next several years but in no event to exceed any previous year's annual funding.

### **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 insurance through multiple commercial companies. The current coverage includes general liability coverage of one million per occurrence with a three million aggregate limit, auto liability coverage of one million per single limit coverage, police liability coverage of one million per occurrence with a three million aggregate limit, public official's liability coverage of one million per occurrence with a three million aggregate limit. The City also purchases excess liability coverage of four million per occurrence with a four million aggregate limit on the aforementioned liability coverages. The deductible on the liability coverages mentioned above is \$100,000 per occurrence. The City also purchases a separate Airport Liability insurance policy with a limit of \$25,000,000.

The City purchases property coverage up to the total insured values of the property which is \$276,776,241 for the 2014 coverage year. This coverage includes earthquake and flood coverage of five million. The City also purchases a fine arts policy covering articles at the Schiele Museum and Military Museum in the amount of \$5,438,024 as well as an inland marine policy in the amount of \$5,351,954 to cover various types of contractor equipment and \$6,815,007 for computer equipment. The deductible on the property coverages is \$50,000 per incident.

## CITY OF GASTONIA, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The City obtains a self-insurance retention policy for workers' compensation coverage with statutory limits. This policy has a self-insurance retention of \$500,000 per incident.

The City self-insures the health insurance plan. The City purchases specific stop loss coverage for any claim that exceeds \$175,000. The City does not carry aggregate stop loss coverage. The dental insurance is also self-insured. The liability is limited to \$1,000 per covered person per year, so no stop loss coverage is purchased.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more of the City's funds at any given time are covered under the liability coverage for \$150,000. The Finance Officer is individually bonded for \$150,000.

#### Reconciliation of Claims Liability

Changes in the City's claims liability balance during fiscal year 2015 are as follows:

	<b>Dental Self-Insurance Fund</b>	<b>Medical Self-Insurance Fund</b>	<b>Total</b>
Balance, June 30, 2013	\$ -	\$ 684,373	\$ 684,373
Add incurred claims (including IBNRs) and changes in estimates	299,805	5,540,175	5,839,980
Deduct claims payments	(299,805)	(5,423,261)	(5,723,066)
Balance, June 30, 2014	-	801,287	801,287
Add incurred claims (including IBNRs) and changes in estimates	297,019	5,646,023	5,943,042
Deduct claims payments	(297,019)	(5,678,471)	(5,975,490)
Balance, June 30, 2015	\$ -	\$ 768,839	\$ 768,839

#### Claims and Judgments

At June 30, 2015, 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 material 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, 2015

### Long-Term Obligations

#### \$2,114,020 Installment Financing Agreement

In January 2013, the City entered into a loan agreement with JP Morgan Chase Bank. The City was approved for a loan of \$2,114,020 from Chase Bank for various vehicles and equipment. The loan agreement calls for 10 semi-annual installments of \$216,337 each on July 23 and January 23 of each year, with interest at 1.1719% semi-annually on July 23 and January 23 of each year. The amount outstanding at June 30, 2015 is \$1,290,992. The loan is being carried in the Internal Service Fund.

Debt service requirements to maturity on the Installment financing are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 418,768	\$ 13,906	\$ 432,674
2017	423,688	8,985	432,673
2018	448,536	3,775	452,311
Total	<u>\$ 1,290,992</u>	<u>\$ 26,666</u>	<u>\$ 1,317,658</u>

#### \$3,164,000 Installment Financing Agreement

In January 2014, the City entered into a loan agreement with JP Morgan Chase Bank. The City was approved for a loan of \$3,164,000 from Chase Bank for various vehicles and equipment. The loan agreement calls for annual principal installments of \$632,800 January 15 of each year, with interest at 1.18% annually on January 15 of each year. The amount outstanding at June 30, 2015 is \$2,531,200. The loan is being carried in the Internal Service Fund.

Debt service requirements to maturity on the Installment financing are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 632,800	\$ 29,942	\$ 662,742
2017	632,800	22,456	655,256
2018	632,800	14,971	647,771
2019	632,800	6,860	639,660
Total	<u>\$ 2,531,200</u>	<u>\$ 74,229</u>	<u>\$ 2,605,429</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**\$2,883,000 Installment Financing Agreement**

In November 2014, the City entered into a loan agreement with First Tennessee Bank. The City was approved for a loan of \$2,883,000 from First Tennessee Bank for various vehicles and equipment. The loan agreement calls for annual principal installments of \$576,600 December 1 of each year, with interest at 1.38% semi-annually on December 1 and June 1 of each year. The amount outstanding at June 30, 2015 is \$2,883,000. The loan is being carried in the Internal Service Fund.

Debt service requirements to maturity on the Installment financing are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 576,600	\$ 35,910	\$ 612,510
2017	576,600	27,930	604,530
2018	576,600	19,950	596,550
2019	576,600	11,979	588,579
2020	576,600	3,323	579,923
Total	<u>\$ 2,883,000</u>	<u>\$ 99,092</u>	<u>\$ 2,982,092</u>

**\$159,077 Water and Sewer State Revolving Loan**

In 2009, the City entered into a loan agreement with the State of North Carolina Department of Environment and Natural Resources. The loan agreement calls for \$79,538 of principal to be forgiven. The loan agreement calls for 20 annual principal installments of \$3,977, each on May 1 of each year. The first principal payment was due May 1, 2010. The loan bears no interest. The amount outstanding at June 30, 2015 is \$55,667. The loan is being carried in the Water and Sewer Fund.

Debt service requirements to maturity are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 3,977	\$ -	\$ 3,977
2017	3,977	-	3,977
2018	3,977	-	3,977
2019	3,977	-	3,977
2020	3,977	-	3,977
2021-2025	19,885	-	19,885
2026-2029	15,907	-	15,907
Total	<u>\$ 55,677</u>	<u>\$ -</u>	<u>\$ 55,677</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**\$5,325,518 Water and Sewer State Revolving Loan**

The City entered into a loan agreement with the State of North Carolina Department of Environment and Natural Resources. The loan is due in annual principal installments of \$266,276 from May 1, 2012 through May 1, 2027; semi-annual interest payments at 2.305% from November 1, 2011 through May 1, 2027. The amount outstanding at June 30, 2015 is \$3,195,311. The loan was assumed from the Town of Cramerton, North Carolina, in relation to the transfer of the Town's water and sewer system operations and related infrastructure to the City of Gastonia. The loan is being carried in the Water and Sewer Fund.

Debt service requirements to maturity are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 266,276	\$ 73,652	\$ 339,928
2017	266,276	67,514	333,790
2018	266,276	61,377	327,653
2019	266,276	55,239	321,515
2020	266,276	49,101	315,377
2021-2025	1,331,380	153,442	1,484,822
2026-2027	532,551	18,413	550,964
Total	<u>\$ 3,195,311</u>	<u>\$ 478,738</u>	<u>\$ 3,674,049</u>

**\$479,851 Water and Sewer State Revolving Loan**

The City entered into a loan agreement with the State of North Carolina Department of Environment and Natural Resources. The loan agreement calls for \$239,926 of principal to be forgiven. The loan agreement calls for 20 annual principal installments of \$11,996, each on May 1 of each year. The first principal payment was due May 1, 2010. The loan bears no interest. The amount outstanding at June 30, 2015 is \$179,944. The loan was assumed from the Town of Cramerton, North Carolina, in relation to the transfer of the Town's water and sewer system operations and related infrastructure to the City of Gastonia. The loan is being carried in the Water and Sewer Fund.



# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Debt service requirements to maturity are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 11,996	\$ -	\$ 11,996
2017	11,996	-	11,996
2018	11,996	-	11,996
2019	11,996	-	11,996
2020	11,996	-	11,996
2021-2025	59,982	-	59,982
2026-2030	59,982	-	59,982
Total	<u>\$ 179,944</u>	<u>\$ -</u>	<u>\$ 179,944</u>

### Section 108 Loan Guarantee

In March 2002, the City received a \$2,000,000 loan under this Section 108 Loan Guarantee. The loan agreement calls for eighteen (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, 2015 is \$400,000.

In July 2010, the City received a \$252,000 loan under this Section 108 Loan Guarantee. The loan agreement calls for nineteen (19) annual principal installments from \$10,000 to \$15,000 beginning August 1, 2012; semi-annual interest payments on February 1, 2011 and August 1, 2011, \$4,580 and \$4,339, respectively. The amount outstanding at June 30, 2015 is \$148,000.

In September 2010, the City received a \$496,000 loan under this Section 108 Loan Guarantee. The loan agreement calls for twenty (20) annual principal installments from \$20,000 to \$30,000 beginning August 1, 2011; interest payments on February 1, 2011, April 1, 2011, and August 1, 2011, \$628, \$621, and \$580, respectively. The amount outstanding at June 30, 2015 is \$417,000.

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 Position.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

Future minimum payments on the Section 108 Loan Guarantee as of June 30, 2015 are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 143,000	\$ 32,994	\$ 175,994
2017	144,000	26,834	170,834
2018	144,000	20,432	164,432
2019	37,000	16,764	53,764
2020	37,000	16,764	53,764
2021-2025	205,000	68,273	273,273
2026-2030	255,000	18,824	273,824
Total	<u>\$ 965,000</u>	<u>\$ 200,885</u>	<u>\$ 1,165,885</u>

In May 2011, the City entered into a financing agreement for the acquisition of various vehicles and equipment. Total loan proceeds received by the City amounted to \$1,885,000. The terms of the agreement call for semi-annual payments of \$198,642 from October 26, 2011 through April 26, 2016, including interest at 1.990%. The amount outstanding at June 30, 2015 is \$391,463. The loan is related to Internal Service Fund activity and is, therefore, reported in the fund Statement of Net Position as Internal Service Fund debt and in the government-wide Statement of Net Position as governmental activity debt.

Debt service requirements to maturity as of June 30, 2015 are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 391,463	\$ 5,851	\$ 397,314

In June 2011, the City entered into a \$500,000 installment note with the Town of Cramerton, North Carolina. Annual principal installments of \$25,000 to \$100,000 begin August 1, 2011 and continue through August 1, 2018. The loan bears no interest. The installment loan is in relation to the transfer of the Town of Cramerton's water and sewer operations and related assets to the City of Gastonia. The amount outstanding at June 30, 2015 is \$325,000. The debt is being carried in the Water and Sewer Fund.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Debt service requirements to maturity as of June 30, 2015 are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 50,000	\$ -	\$ 50,000
2017	75,000	-	75,000
2018	100,000	-	100,000
2019	100,000	-	100,000
Total	<u>\$ 325,000</u>	<u>\$ -</u>	<u>\$ 325,000</u>

In April 2012, the City entered into a financing agreement for the acquisition of various vehicles and equipment. Total loan proceeds received by the City amounted to \$2,592,800. The terms of the agreement call for semi-annual payments of \$269,478 from September 10, 2012 through March 10, 2017, including interest at 1.460%. The amount outstanding at June 30, 2015 is \$1,058,543. The loan is related to Internal Service Fund activity and is, therefore, reported in the fund Statement of Net Position as Internal Service Fund debt and in the government-wide Statement of Net Position as governmental activity debt.

Debt service requirements to maturity as of June 30, 2015 are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 525,412	\$ 13,544	\$ 538,956
2017	533,131	5,845	538,976
Total	<u>\$ 1,058,543</u>	<u>\$ 19,389</u>	<u>\$ 1,077,932</u>

### **Certificates of Participation/Installment Financing**

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, 2015 is \$666,663. The debt is related to General Fund activity and, therefore, is reported in the governmental activities of the government-wide Statement of Net Position.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

The future minimum payments on the installment financing as of June 30, 2015 are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 266,667	\$ 22,335	\$ 289,002
2017	266,667	12,387	279,054
2018	133,329	2,493	135,822
Total	<u>\$ 666,663</u>	<u>\$ 37,215</u>	<u>\$ 703,878</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, 2015 is \$640,000. The debt is related to General Fund activity and, therefore, is reported in the governmental activities of the government-wide Statement of Net Position.

The future minimum payments on the Certificates of Participation as of June 30, 2015 are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 640,000	\$ 12,800	\$ 652,800

**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 Position. 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.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### General Obligation Bonds

#### 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%

\$ 1,790,000

\$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.

680,000

\$9,560,000 Series 2010B Street and Sidewalk General Obligation Bonds, due in annual principal installments of \$1,300,000 to \$1,810,000 from September 1, 2015 through September 1, 2020; interest payable semi-annually beginning March 1, 2011 at rates of 3.00% to 5.00%. Proceeds to be used for various street and sidewalk projects.

9,560,000

\$17,805,000 Series 2010C Street and Sidewalk General Obligation Bonds, due in annual principal installments of \$1,750,000 to \$1,925,000 from September 1, 2021 through September 1, 2030; interest payable semi-annually beginning March 1, 2011 at rates of 3.861% to 4.961%. Proceeds to be used for various street and sidewalk projects.

17,805,000

\$1,694,000 GOB Refunding, Series 2011, due in annual principal installments of \$15,000 to \$324,000 from June 1, 2012 through June 1, 2018; interest payable semi-annually beginning June 1, 2012 at a rate of 1.89%. Proceeds to be used for refunding \$2,700,000 Series 2002 Streets GOB.

810,000

Total general obligation bonds - governmental activities 31,670,000

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### 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.	<u>430,000</u>
Total general obligation bonds - business-type activities	<u>430,000</u>
Total general obligation bonds - governmental and business-type activities	<u>\$ 32,100,000</u>

### Revenue Bonds:

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

\$19,605,000 2009 Combined Utility System Revenue Bonds, due in annual principal installments from \$275,000 to \$2,610,000 from May 1, 2010 through May 1, 2020, with semi-annual interest payments from November 1, 2009 at rates ranging from 2.00% to 4.00%. Bond proceeds were used to partially refund \$2,825,000 of the Series 2001 revenue bonds and to refund the Series 1999 revenue bonds.	\$ 10,280,000
\$4,318,000 Combined Utility System Revenue Bonds, due in annual principal installments from \$11,000 to \$642,000 from May 1, 2012 through May 1, 2025, with semi-annual interest payments from May 1, 2012 at a rate of 2.91%. Bond proceeds were used to refund \$4,230,000 of the Series 2001 revenue bonds.	3,085,000
\$5,895,000 Combined Enterprise System Refunding Bonds, Series 2013 due in annual principal installments of \$55,000 to \$630,000 from May 1, 2014 through May 1, 2025; interest payable semi-annually beginning November 1, 2013 at 2.15%	<u>5,760,000</u>
Total revenue bonds	<u>\$ 19,125,000</u>

At June 30, 2015, the City had a legal debt margin of \$372,000,000.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### Revenue Bond Covenants:

The City, pursuant to the bond and related agreements, must maintain certain debt covenants. Net revenues available for debt service cannot be less than one hundred twenty percent (120%) of the long-term debt service requirement for parity indebtedness, and no less than one hundred percent (100%) of parity and subordinated indebtedness, as defined in the agreement. The debt service coverage ratio calculation for the year ended June 30, 2015 is as follows:

Gross revenues available for debt service	\$ 34,350,395
Expenses, as defined in the covenants	<u>22,126,322</u>
Income available for debt service	<u>\$ 12,224,073</u>
Debt service , principal and interest, parity indebtedness	<u>\$ 4,595,342</u>
Debt service coverage ratio	<u>266.0%</u>
Debt service, principal and interest, parity and subordinated indebtedness	<u>\$ 4,595,342</u>
Debt service coverage ratio	<u>266.0%</u>

At June 30, 2015, the City was in compliance with the requirements described above.

The City has pledged future water and sewer revenues, net of specified operating expenses, to repay \$29,249,182 in combined utility system revenue bonds, State revolving loans, and an installment loan issued from 2005 to 2014. Proceeds from the bonds were used to finance capital improvements to the water and sewer infrastructure or to advance refund previously issued bonds. The bonds are payable from water and sewer customer net revenues and are payable through 2025. Annual principal and interest requirements are expected to require less than 14 percent of water and sewer customer net revenues. Total principal and interest remaining to be paid on the bonds, State revolving loans, and the installment loan is \$25,834,837. Principal and interest paid for the current year, and total customer net revenues, were \$4,595,342 and \$12,224,073, respectively.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

Annual debt service requirements to maturity for general obligation bonds as of June 30, 2015 are as follows:

**Governmental Activities:**

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 2,660,000	\$ 1,274,696	\$ 3,934,696
2017	2,769,000	1,189,262	3,958,262
2018	2,006,000	1,097,579	3,103,579
2019	1,855,000	1,035,287	2,890,287
2020	1,856,237	974,987	2,831,224
2021-2025	9,685,618	3,666,855	13,352,473
2026-2030	9,088,145	1,542,632	10,630,777
2031	1,750,000	43,409	1,793,409
<b>Total</b>	<b>\$ 31,670,000</b>	<b>\$ 10,824,707</b>	<b>\$ 42,494,707</b>

**Business-Type Activities:**

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ -	\$ 16,869	\$ 16,869
2017	-	16,869	16,869
2018	-	16,869	16,869
2019	-	16,869	16,869
2020	48,762	16,869	65,631
2021-2025	239,382	55,548	294,930
2026-2028	141,856	11,254	153,110
<b>Total</b>	<b>\$ 430,000</b>	<b>\$ 151,147</b>	<b>\$ 581,147</b>



**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

Annual debt service requirements to maturity for revenue bonds as of June 30, 2015 are as follows:

**Business-Type Activities:**

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,876,000	\$ 579,314	\$ 3,455,314
2017	2,956,000	522,356	3,478,356
2018	3,062,000	431,633	3,493,633
2019	3,182,000	235,117	3,417,117
2020	997,000	317,270	1,314,270
2021-2025	6,052,000	389,477	6,441,477
Total	<u>\$ 19,125,000</u>	<u>\$ 2,475,167</u>	<u>\$ 21,600,167</u>

**Limited Obligation Bond Indebtedness**

The City's limited obligation bonds serviced by the governmental funds are reported in the government-wide Statement of Net Position. Limited obligation bonds are collateralized by a Deed of Trust granting, among other things, a lien of record on the mortgaged properties. Principal and interest requirements are appropriated when due.

**Limited Obligation Bonds  
Serviced by the General Fund:**

\$7,830,000 Series 2010A Tax Exempt Limited Obligation Bonds, due in annual principal installments from \$425,000 to \$915,000 from April 1, 2012 through April 1, 2022, with semi-annual interest payments beginning April 1, 2011 at rates ranging from 2.00% to 4.00%.	\$ 5,080,000
\$8,000,000 Series 2010B Recovery Zone Economic Development Taxable Limited Obligation Bonds, due in annual principal installments from \$320,000 to \$710,000 from April 1, 2020 through April 1, 2033, with semi-annual interest payments beginning April 1, 2011 at rates ranging from 4.470% to 5.992%. The City will receive a subsidy from the United States Treasury equal to 45% of the amount of each interest payment.	<u>8,000,000</u>
Total limited obligation bonds	<u>\$ 13,080,000</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

Annual debt service requirements to maturity for limited obligation bonds as of June 30, 2015 are as follows:

**Governmental Activities:**

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 890,000	\$ 632,727	\$ 1,522,727
2017	900,000	597,127	1,497,127
2018	905,000	570,127	1,475,127
2019	915,000	542,977	1,457,977
2020	925,000	506,000	1,431,000
2021-2025	3,470,000	1,975,141	5,445,141
2026-2030	3,015,000	1,170,837	4,185,837
2031-2032	2,060,000	249,567	2,309,567
<b>Total</b>	<b>\$ 13,080,000</b>	<b>\$ 6,244,503</b>	<b>\$ 19,324,503</b>

**Changes in Long-Term Liabilities**

During the year ended June 30, 2015, the following changes occurred in long-term liabilities:

	<b>Balance July 1, 2014</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2015</b>	<b>Due Within One Year</b>
<b>Governmental Activities:</b>					
<b>General Fund:</b>					
General obligation bonds	\$ 34,182,000	\$ -	\$ 2,512,000	\$ 31,670,000	\$ 2,660,000
Limited obligation bonds	13,970,000	-	890,000	13,080,000	890,000
Bond premium	1,003,158	-	167,193	835,965	-
Compensated absences	3,016,094	1,861,607	1,973,583	2,904,118	2,178,089
Net pension (LGERS)	6,911,901	-	6,911,901	-	-
Net pension (LEO)	809,313	1,666,367	1,382,361	1,093,319	-
Other post-employment benefits obligation	12,737,595	2,238,755	846,937	14,129,413	-
Installment financing	933,329	-	266,666	666,663	266,667
Certificates of participation	1,255,000	-	615,000	640,000	640,000
<b>Special Revenue Funds:</b>					
Section 108 Loan Guarantee	1,718,000	-	753,000	965,000	143,000
<b>Internal Service Funds:</b>					
Installment financing	7,590,595	2,883,000	2,318,397	8,155,198	2,545,042
Compensated absences	75,620	258,267	73,638	260,249	195,187
Governmental activity long-term liabilities	<u>\$ 84,202,605</u>	<u>\$ 8,907,996</u>	<u>\$ 18,710,676</u>	<u>\$ 74,399,925</u>	<u>\$ 9,517,985</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Due Within</u> <u>One Year</u>
<b>Electric Fund:</b>					
General obligation bonds	\$ 430,000	\$ -	\$ -	\$ 430,000	\$ -
Net pension (LGERS)	538,590	-	538,590	-	-
Compensated absences	213,981	154,414	163,967	204,428	153,321
Other post-employment benefits obligation	<u>1,046,269</u>	<u>183,892</u>	<u>69,568</u>	<u>1,160,593</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 2,228,840</u>	<u>\$ 338,306</u>	<u>\$ 772,125</u>	<u>\$ 1,795,021</u>	<u>\$ 153,321</u>
	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Due Within</u> <u>One Year</u>
<b>Water and Sewer Fund:</b>					
Compensated absences	\$ 463,178	\$ 263,605	\$ 268,186	\$ 458,597	\$ 343,948
Other post-employment benefits obligation	2,200,573	386,772	146,319	2,441,026	-
Net pension (LGERS)	1,256,710	-	1,256,710	-	-
Revenue bonds	25,161,000	-	6,036,000	19,125,000	2,876,000
Bond premium	572,685	-	165,809	406,876	-
Installment debt	375,000	-	50,000	325,000	50,000
State revolving loans	<u>3,713,182</u>	<u>-</u>	<u>282,249</u>	<u>3,430,933</u>	<u>282,249</u>
Business-type activity long-term liabilities	<u>\$ 33,742,328</u>	<u>\$ 650,377</u>	<u>\$ 8,205,273</u>	<u>\$ 26,187,432</u>	<u>\$ 3,552,197</u>
	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Due Within</u> <u>One Year</u>
<b>Stormwater and all Other Nonmajor Business-Type Activities:</b>					
Compensated absences	\$ 157,048	\$ 76,288	\$ 92,282	\$ 141,054	\$ 105,790
Net pension (LGERS)	269,295	-	269,295	-	-
Other post-employment benefits obligation	<u>530,543</u>	<u>93,248</u>	<u>35,277</u>	<u>588,514</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 956,886</u>	<u>\$ 169,536</u>	<u>\$ 396,854</u>	<u>\$ 729,568</u>	<u>\$ 105,790</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.

For the governmental activities, compensated absences, net pension obligations, and net other post-employment benefit obligations are generally liquidated by the General Fund.

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### C. Revenues, Expenditures, and Expenses

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

Also, the City has recognized as revenue and an expenditure on-behalf payments for fringe benefits and salaries of \$37,646 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, 2015. 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, 2015 were \$63,865,014.

#### 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 \$17,218 during the fiscal year ended June 30, 2015.

### 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.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 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, 2015, the City reported revenues and expenditures for the payments of \$37,646 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, 2015. 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 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.

### 7. Related Party Transactions

In 2015, 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>Total</u>
Electricity	\$ 871,838	\$ 871,838
Electricity for street lights	725,321	725,321
Electricity charges for street lights billed by outside parties	291,524	291,524
Total	<u>\$ 1,888,683</u>	<u>\$ 1,888,683</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**8. Interfund Balances and Activity**

**Transfers From/To Other Funds**

In 2015, the City made the following transfers within its fund structure. Transfers to the General Fund from the Electric Fund and the Water and Sewer Fund were made to distribute profits to the general government. Transfers from the General Fund to the Transit Fund were made to underwrite the enterprise funds activities. Transfers from the General Fund to the capital project funds were made to provide the local support of the capital projects capital outlay activities. Transfers from the General Fund and Uptown Municipal Tax District Fund were made to provide support for the Downtown Revitalization Capital Projects Fund. Transfers from the Community Development Fund to the Mayor Council Capital Project Fund were made to support various capital activities. Transfers from the Medical Health Insurance Fund to the General Fund were made to provide funding for a Council approved employee one-time bonus. Various other transfers of an immaterial nature were made between funds to supplement various operating activities.

<b>Transfers From/To Other Funds:</b>	<u>Transfers</u>	
	<u>From</u>	<u>To</u>
General	\$ 6,153,928	\$ 2,060,000
Enterprise funds:		
Electric Fund	1,671,507	-
Water and Sewer Fund	147,655	-
Stormwater Fund	6,868	-
Transit Fund	24,037	671,756
Solid Waste Fund	42,351	3,365,106
Internal Service Fund:		
Information Technology Fund	36,627	-
Health Self-Insurance Fund	-	948,882
Special revenue funds:		
Program Fund	2,289	1,338
Home Investment Trust Fund	1,145	1,338
108 Loan/Economic	23,427	-
Uptown Municipal Tax District Fund	60,000	-
Rehabilitation Fund	55,000	-
Economic Stimulus Grants Fund	2,676	453,996
Capital project funds:		
Airport Fund	-	16,667
Streets	-	30,000
Mayor/Council	245,000	923,427
Total	<u>\$ 8,472,510</u>	<u>\$ 8,472,510</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2015 is as follows:

#### Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor special revenue funds and internal service funds	\$ 904,565
Internal service funds	General Fund	791,624
Total		<u>\$ 1,696,189</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, capital project funds, and enterprise funds have overdrawn their account in the pool and, thus, report a current liability (a “due to”) to the General Fund central depository. The due to internal service funds from the General Fund is for their portion of the dental and medical insurance at year-end.

### 9. Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) Statement 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27), in the fiscal year ending June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$4,723,816 and \$1,411,011, respectively.

#### Restatement of CDBG Loans Receivable

The City restated fund balance in the CDBG fund during the current year to adjust for long-term loans receivable that have previously been reported as deferred inflows of resources. The restatement increased fund balance for governmental activities by \$1,097,747.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### 10. Subsequent Events

In June, 2015, the City received a \$5,000,000 drinking water state revolving loan award from the North Carolina Department of Environment and Natural Resources for the Clear well portion of the water treatment plant project. Loan liability will be incurred as project is completed and funding is drawn down. As of June 30, 2015 no funding had been drawn down. This is a zero interest, 20-year loan with annual principal debt service of \$250,000 to begin after project completion, estimated completion date is June 2016.

The City has also received preliminary approval of a \$30,000,000 drinking water state revolving loan award from the North Carolina Department of Environment and Natural Resources for partial funding of the renovation and rehabilitation of the water treatment plant project. Final approval is scheduled for December 2015. This is a zero interest, 20-year loan with annual principal debt service of \$1,500,000 to begin after project completion, estimated completion date is December 2018.

The City is also scheduled to issue combined utility system revenue bonds, not to exceed \$22,500,000, in December 2015 for partial funding of the renovation and rehabilitation of the water treatment plant project. Semi-annual debt service payments are projected to begin May 2016 with estimated annual principal payments ranging from \$740,000 to \$1,480,000, with semi-annual interest payments at an estimated rate of 3.47%.



## **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
- Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Liability (Asset) and its Contributions



## CITY OF GASTONIA, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' AND FIREMEN'S  
SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015

## Schedule of Funding Progress

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
12/31/2003	\$ -	\$ 6,980,067	\$ 6,980,067	0.00%	\$ 11,832,040	58.99%
12/31/2004	-	7,760,006	7,760,006	0.00%	12,506,019	62.05%
12/31/2005	-	7,583,558	7,583,558	0.00%	12,432,092	61.00%
12/31/2006	-	7,882,908	7,882,908	0.00%	12,877,824	61.21%
12/31/2007	-	9,226,637	9,226,637	0.00%	13,879,371	66.48%
12/31/2008	-	9,539,856	9,539,856	0.00%	14,788,345	64.51%
12/31/2009	-	11,967,191	11,967,191	0.00%	15,198,129	78.74%
12/31/2010	-	10,781,674	10,781,674	0.00%	15,149,434	71.17%
12/31/2011	-	10,947,473	10,947,473	0.00%	15,266,228	71.71%
12/31/2012	-	11,427,898	11,427,898	0.00%	14,950,807	76.44%
12/31/2013	-	15,656,877	15,656,877	0.00%	14,685,056	106.62%
12/31/2014	-	15,650,386	15,650,386	0.00%	14,587,158	107.29%

## Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Amount Contributed By Employer	Percentage of ARC Contributed
2004	\$ 653,321	\$ 645,642	98.82%
2005	730,031	679,623	93.10%
2006	730,031	715,392	97.99%
2007	733,401	770,943	105.12%
2008	733,401	853,088	116.32%
2009	729,611	915,292	125.45%
2010	782,277	916,637	117.18%
2011	896,065	1,059,996	118.29%
2012	1,027,032	1,085,057	105.65%
2013	1,075,353	1,197,050	111.32%
2014	1,127,282	1,311,266	116.32%
2015	1,694,268	1,382,361	81.59%

## Notes to the Required Schedules:

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

Valuation date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	16 years
Asset valuation method	Market value

**Actuarial Assumptions:**

Investment rate of return*	5.00%
Projected salary increases*	4.25% to 7.85%
Cost of living adjustments	None

\* Includes inflation at 3.00%

## CITY OF GASTONIA, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS - RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015

## Schedule of Funding Progress

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
12/31/2006	\$ -	\$ 40,569,078	\$ 40,569,078	0.00%	\$ 36,767,010	110.34%
12/31/2009	-	46,086,802	46,086,802	0.00%	42,482,474	108.48%
12/31/2011	-	48,679,559	48,679,559	0.00%	41,571,549	117.10%
12/31/2013	-	34,380,526	34,380,526	0.00%	39,645,327	86.72%

## Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Amount Contributed By Employer	Percentage of ARC Contributed
2008	\$ 3,428,106	\$ 773,600	22.57%
2009	3,428,106	779,997	22.75%
2010	3,622,695	809,806	22.35%
2011	3,622,695	1,015,298	28.03%
2012	3,970,966	1,661,056	41.83%
2013	3,970,966	1,676,929	42.23%
2014	2,873,145	1,813,527	63.12%
2015	2,873,145	1,098,101	38.22%

## 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	12/31/2013
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

**Actuarial Assumptions:**

Investment rate of return*	4.00%
Medical cost trend rate	7.75%-5.00%
Year of Ultimate trend rate	2019

\* Includes inflation at 3.00%

## CITY OF GASTONIA, NORTH CAROLINA

CITY OF GASTONIA'S PROPORTIONATE SHARE  
OF NET PENSION LIABILITY (ASSET)  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TWO FISCAL YEARS\*Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
City of Gastonia's proportion of the net pension liability (asset) (%)	0.71165%	0.74470%
City of Gastonia's proportion of the net pension liability (asset) (\$)	\$ (4,196,931)	\$ 8,976,495
City of Gastonia's covered-employee payroll	\$ 40,354,967	\$ 39,442,754
City of Gastonia's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	( 10.40%)	22.76%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

\*\* This will be the same percentage for all participant employers in the LGERS plan.

## CITY OF GASTONIA, NORTH CAROLINA

CITY OF GASTONIA'S CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TWO FISCAL YEARSLocal Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,850,955	\$ 2,841,669
Contributions in relation to the contractually required contribution	<u>2,850,955</u>	<u>2,841,669</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City of Gastonia's covered-employee payroll	\$ 40,219,591	\$ 40,354,967
Contributions as a percentage of covered-employee payroll	7.09%	7.04%

## CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2015

	<u>Nonmajor</u>		<u>Total</u>
	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	
<b>Assets:</b>			
Cash, cash equivalents, and investments	\$ 389,863	\$ 3,434,159	\$ 3,824,022
Taxes receivable, net	17,562	-	17,562
Accounts receivable, net	178,255	92,249	270,504
Due from other governments	52,943	-	52,943
Loan pool receivable, net	1,057,524	-	1,057,524
Property acquired for rehabilitation and resale	1,473,806	-	1,473,806
	<u>3,169,953</u>	<u>3,526,408</u>	<u>6,696,361</u>
Total assets	\$ 3,169,953	\$ 3,526,408	\$ 6,696,361
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 197,687	\$ 69,395	\$ 267,082
Due to General Fund	677,174	147,959	825,133
Total liabilities	<u>874,861</u>	<u>217,354</u>	<u>1,092,215</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable taxes	17,562	-	17,562
Total deferred inflows of resources	<u>17,562</u>	<u>-</u>	<u>17,562</u>
<b>Fund Balances:</b>			
Non-spendable:			
Long-term receivable	1,057,524	-	1,057,524
Inventories	1,473,806	-	1,473,806
Restricted:			
Stabilization by State statute	277,706	430,163	707,869
Restricted, all other	250,396	7,999	258,395
Assigned	-	2,918,019	2,918,019
Unassigned	(781,902)	(47,127)	(829,029)
Total fund balances (deficits)	<u>2,277,530</u>	<u>3,309,054</u>	<u>5,586,584</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,169,953</u>	<u>\$ 3,526,408</u>	<u>\$ 6,696,361</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, 2015**

	<u>Nonmajor</u>		<u>Total</u>
	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	
<b>Revenues:</b>			
Ad valorem taxes	\$ 122,424	\$ -	\$ 122,424
Other taxes and licenses	567,496	-	567,496
Restricted intergovernmental	1,220,071	4,216	1,224,287
Sales and services	134,659	-	134,659
Investment earnings	1,788	3,274	5,062
Miscellaneous	7,716	641,588	649,304
Total revenues	<u>2,054,154</u>	<u>649,078</u>	<u>2,703,232</u>
<b>Expenditures:</b>			
Public safety	103,300	-	103,300
Economic and physical development	1,579,764	-	1,579,764
Capital outlay	-	764,404	764,404
Debt service:			
Principal repayment	720,000	-	720,000
Interest	55,613	-	55,613
Total expenditures	<u>2,458,677</u>	<u>764,404</u>	<u>3,223,081</u>
Revenues over (under) expenditures	<u>(404,523)</u>	<u>(115,326)</u>	<u>(519,849)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	456,672	940,094	1,396,766
Transfers to other funds	<u>(144,537)</u>	<u>(245,000)</u>	<u>(389,537)</u>
Total other financing sources (uses)	<u>312,135</u>	<u>695,094</u>	<u>1,007,229</u>
Net change in fund balances	<u>(92,388)</u>	<u>579,768</u>	<u>487,380</u>
<b>Fund Balances:</b>			
Beginning of year - July 1	1,397,443	2,729,286	4,126,729
Restatement	<u>1,097,747</u>	<u>-</u>	<u>1,097,747</u>
Beginning of year - July 1, as restated	<u>2,495,190</u>	<u>2,729,286</u>	<u>5,224,476</u>
Increase (decrease) in inventories and property/land acquired for redevelopment/rehabilitation	<u>(125,272)</u>	<u>-</u>	<u>(125,272)</u>
End of year - June 30	<u>\$ 2,277,530</u>	<u>\$ 3,309,054</u>	<u>\$ 5,586,584</u>



## CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2015

<u>Fiscal Year</u>	<u>Balance July 1, 2014</u>	<u>Additions and Adjustments</u>	<u>Collections and Credits</u>	<u>Balance June 30, 2015</u>
2014-2015	\$ -	\$ 28,346,780	\$ 27,930,929	\$ 415,851
2013-2014	577,883	2,889	345,655	235,117
2012-2013	281,482	121	93,825	187,778
2011-2012	193,788	6	46,663	147,131
2010-2011	179,777	44	33,218	146,603
2009-2010	135,506	6	19,899	115,613
2008-2009	112,751	15	9,229	103,537
2007-2008	88,459	72	2,766	85,765
2006-2007	69,258	17	2,960	66,315
2005-2006	58,817	17	3,508	55,326
2004-2005	48,530	17	48,547	-
Total	<u>\$ 1,746,251</u>	<u>\$ 28,349,984</u>	<u>\$ 28,537,199</u>	1,559,036
Less: Allowance for uncollectible ad valorem taxes receivable				(467,785)
Add: Motor vehicle tag receivable				199,843
Less allowance for uncollectible motor vehicle tag receivable				<u>(143,174)</u>
Ad valorem taxes receivable - net				<u>\$ 1,147,920</u>
<b>Reconciliation with Revenues:</b>				
Taxes - ad valorem				\$ 29,294,143
Reconciling items:				
Penalties and interest				(196,555)
Amounts written off for tax year 2004-2005				48,547
Prior year NCVTS motor vehicle collections				(685,235)
Prior year releases and adjustments of uncollected taxes				<u>76,299</u>
Total collections and credits				<u>\$ 28,537,199</u>

## CITY OF GASTONIA, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY  
FOR THE YEAR ENDED JUNE 30, 2015

	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	<u>\$5,338,872,642</u>	\$ 0.0053	<u>\$ 28,296,025</u>	<u>\$ 26,302,938</u>	<u>\$ 1,993,087</u>
<b>Discoveries:</b>					
Current year taxes	<u>49,768,868</u>	0.0053	<u>263,775</u>	<u>263,644</u>	<u>131</u>
<b>Abatements:</b>					
Current year taxes	<u>(40,192,453)</u>		<u>(213,020)</u>	<u>(212,988)</u>	<u>(32)</u>
Total property valuation	<u><u>\$5,348,449,057</u></u>				
<b>Net Levy</b>			28,346,780	26,353,594	1,993,186
Uncollected taxes at June 30, 2015			<u>415,851</u>	<u>415,416</u>	<u>435</u>
Current year's tax collections			<u>\$ 27,930,929</u>	<u>\$ 25,938,178</u>	<u>\$ 1,992,751</u>
<b>Current Levy Collection Percentage</b>			<u>98.53%</u>	<u>98.42%</u>	<u>99.98%</u>
<b>Prior Year Collection Percentage</b>			<u>97.88%</u>	<u>98.35%</u>	<u>89.02%</u>

## **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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Final Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Current year	\$ 27,155,409	\$ 27,887,415	\$ 732,006	\$ 28,387,440
Prior year	900,000	1,210,173	310,173	857,457
Penalties and interest	200,000	196,555	(3,445)	230,966
Total	<u>28,255,409</u>	<u>29,294,143</u>	<u>1,038,734</u>	<u>29,475,863</u>
<b>Other Taxes and Licenses:</b>				
Local option sales tax	8,750,000	9,638,696	888,696	9,188,630
Utility sales tax	3,700,000	4,689,016	989,016	-
Payments in lieu of taxes	3,296,110	3,328,873	32,763	3,239,138
Utility franchise tax	752,500	903,042	150,542	3,739,996
Privilege licenses	240,000	207,622	(32,378)	245,792
Penalties and interest	4,000	2,724	(1,276)	3,678
Auto tag fee	750,000	904,635	154,635	1,131,732
Rental vehicle tax	60,000	79,337	19,337	68,196
Total	<u>17,552,610</u>	<u>19,753,945</u>	<u>2,201,335</u>	<u>17,617,162</u>
<b>Unrestricted Intergovernmental Revenues:</b>				
Beer and wine	303,000	347,911	44,911	317,167
N.C. Highway Commission	360,000	311,355	(48,645)	457,860
City of Gastonia ABC Board	400,000	625,000	225,000	400,000
Court costs	14,000	16,224	2,224	16,353
Video franchise tax	530,000	543,977	13,977	533,480
Total	<u>1,607,000</u>	<u>1,844,467</u>	<u>237,467</u>	<u>1,724,860</u>
<b>Restricted Intergovernmental Revenues:</b>				
Powell Bill allocation	1,997,685	2,053,258	55,573	1,997,685
Section 104(f) - Federal Grant	462,054	404,574	(57,480)	377,817
Section 5303 - Federal/State	24,782	16,968	(7,814)	21,915
Federal asset forfeitures	127,393	256,713	129,320	221,451
State asset forfeitures	20,000	20,937	937	38,135
State grants	44,566	62,964	18,398	(193)
Miscellaneous Federal and State grants	92,519	87,726	(4,793)	30,999
Gaston County	32,136	18,955	(13,181)	41,777
US DOJ JAG Grant	34,430	13,685	(20,745)	-
Federal grants - vest	59,967	59,935	(32)	-
On-behalf payments - firemen	-	37,646	37,646	96,803
Total	<u>2,895,532</u>	<u>3,033,361</u>	<u>137,829</u>	<u>2,826,389</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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Final Budget	Actual	Variance Over/Under	Actual
<b>Permits</b>	849,190	1,075,019	225,829	942,613
<b>Sales, Services, and Rents:</b>				
Administration fees	520,000	558,037	38,037	541,315
Airport fees and rents	110,000	111,277	1,277	111,978
Commercial waste disposal fee	22,650	46,439	23,789	40,733
Fire protection charges	100	-	(100)	100
Hanson surcharge	25,000	40,561	15,561	33,462
Late fees	-	-	-	6,762
Museum	266,000	243,918	(22,082)	243,970
Reconnection fees	110,000	130,470	20,470	140,480
Recreation	375,700	384,620	8,920	364,589
Reimbursement for services	822,281	831,462	9,181	1,559,663
Rents	351,750	251,199	(100,551)	357,700
Report copies	5,160	2,804	(2,356)	3,989
Sale of property	19,385	86,326	66,941	20,635
Skeet, trap, and pistol/rifle fees	113,000	100,050	(12,950)	103,390
Total	2,741,026	2,787,263	46,237	3,528,766
<b>Investment Earnings:</b>				
Regular investments	442,218	472,411	30,193	474,591
Federal asset forfeitures	-	514	514	100
State asset forfeitures	-	135	135	284
Police Memorial - Fund 75	-	-	-	(11)
Block Grant - Fund 76	-	-	-	92
Hanson surcharge	100	205	105	158
Total	442,318	473,265	30,947	475,214
<b>Miscellaneous:</b>				
Donations	23,450	36,077	12,627	559
Parking violations	1,500	276	(1,224)	504
Discounts earned	500	94	(406)	170
Other	84,689	150,523	65,834	393,922
Insurance proceeds	-	-	-	13,204
Total	110,139	186,970	76,831	408,359
Total revenues	54,453,224	58,448,433	3,995,209	56,999,226

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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Final Budget	Actual	Variance Over/Under	Actual
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Mayor and Council:</b>				
Salaries and employee benefits	134,174	134,151	23	134,142
Operating expenditures	193,775	174,448	19,327	239,387
Capital outlay	18,300	-	18,300	-
Overhead allocated to other funds	(119,715)	(105,894)	(13,821)	(129,160)
Total	<u>226,534</u>	<u>202,705</u>	<u>23,829</u>	<u>244,369</u>
<b>Miscellaneous Grants and Donations:</b>				
Operating expenditures	<u>4,600</u>	<u>-</u>	<u>4,600</u>	<u>-</u>
Total	<u>4,600</u>	<u>-</u>	<u>4,600</u>	<u>-</u>
<b>Communications and Marketing:</b>				
Salaries and employee benefits	92,756	92,464	292	91,506
Operating expenditures	33,442	33,832	(390)	23,186
Overhead allocated to other funds	(56,096)	-	(56,096)	(91,617)
Total	<u>70,102</u>	<u>126,296</u>	<u>(56,194)</u>	<u>23,075</u>
<b>City Manager:</b>				
Salaries and employee benefits	321,224	319,824	1,400	313,011
Operating expenditures	73,863	49,849	24,014	42,282
Overhead allocated to other funds	(121,402)	(111,953)	(9,449)	(107,787)
Total	<u>273,685</u>	<u>257,720</u>	<u>15,965</u>	<u>247,506</u>
<b>Assistant City Manager - Director of Human Resources and Administration:</b>				
Salaries and employee benefits	62,948	62,675	273	62,531
Operating expenditures	6,101	5,837	264	3,772
Overhead allocated to other funds	(2,412)	(2,362)	(50)	(2,268)
Total	<u>66,637</u>	<u>66,150</u>	<u>487</u>	<u>64,035</u>
<b>Assistant City Manager - Public Infrastructure:</b>				
Salaries and employee benefits	155,012	154,511	501	153,305
Operating expenditures	5,342	4,673	669	5,892
Overhead allocated to other funds	(89,486)	(88,190)	(1,296)	(88,513)
Total	<u>70,868</u>	<u>70,994</u>	<u>(126)</u>	<u>70,684</u>
<b>Archives and History:</b>				
Operating expenditures	<u>-</u>	<u>9</u>	<u>(9)</u>	<u>177</u>
Total	<u>-</u>	<u>9</u>	<u>(9)</u>	<u>177</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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Final Budget	Actual	Variance Over/Under	Actual
<b>Human Resources:</b>				
Salaries and employee benefits	1,551,899	1,478,700	73,199	1,465,394
Operating expenditures	1,800,912	1,649,533	151,379	1,305,181
Overhead allocated to other funds	(602,723)	(604,487)	1,764	(532,501)
Total	2,750,088	2,523,746	226,342	2,238,074
<b>Technology Services:</b>				
<b>Administration:</b>				
Capital outlay	-	-	-	10,384
Total	-	-	-	10,384
<b>Admin Apps:</b>				
Salaries and employee benefits	-	-	-	113,440
Operating expenditures	33,766	15,499	18,267	108,597
Overhead allocated to other funds	-	-	-	(77,839)
Total	33,766	15,499	18,267	144,198
<b>Telephone Communication:</b>				
Salaries and employee benefits	-	-	-	58,693
Operating expenditures	-	-	-	41,424
Overhead allocated to other funds	-	-	-	(130,724)
Total	-	-	-	(30,607)
<b>Communication Division:</b>				
Salaries and employee benefits	-	-	-	646,010
Operating expenditures	-	-	-	111,478
Overhead allocated to other funds	-	-	-	(17,373)
Total	-	-	-	740,115
<b>Database Administration:</b>				
Salaries and employee benefits	-	-	-	228,585
Operating expenditures	-	-	-	116,446
Overhead allocated to other funds	-	-	-	(308,862)
Total	-	-	-	36,169
<b>Geographic Information Systems AM/FM:</b>				
Salaries and employee benefits	-	-	-	213,802
Operating expenditures	6,858	5,869	989	47,213
Overhead allocated to other funds	-	(5,282)	5,282	(228,976)
Total	6,858	587	6,271	32,039



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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Final Budget	Actual	Variance Over/Under	Actual
<b>Tech Services - Website:</b>				
Operating expenditures	7,185	7,215	(30)	52,400
Overhead allocated to other funds	-	(4,906)	4,906	(35,632)
Total	7,185	2,309	4,876	16,768
<b>Tech Services - CIS Apps:</b>				
Salaries and employee benefits	-	-	-	307,297
Operating expenditures	47,080	47,080	-	201,443
Overhead allocated to other funds	-	(46,138)	46,138	(496,155)
Total	47,080	942	46,138	12,585
<b>Tech Services - 800 Mhz System:</b>				
Operating expenditures	25,440	25,440	-	311,119
Total	25,440	25,440	-	311,119
Total technology services	120,329	44,777	75,552	1,272,770
<b>Financial Services:</b>				
<b>Accounting Division:</b>				
Salaries and employee benefits	466,659	462,140	4,519	456,913
Operating expenditures	107,519	102,552	4,967	75,328
Overhead allocated to other funds	(141,347)	(138,185)	(3,162)	(130,545)
Total	432,831	426,507	6,324	401,696
<b>Budget Division:</b>				
Salaries and employee benefits	168,352	169,589	(1,237)	162,282
Operating expenditures	80,614	67,092	13,522	27,197
Overhead allocated to other funds	(63,850)	(63,994)	144	(51,307)
Total	185,116	172,687	12,429	138,172
<b>Accounts Receivable Division:</b>				
Salaries and employee benefits	342,857	343,213	(356)	334,210
Operating expenditures	275,713	272,240	3,473	264,782
Overhead allocated to other funds	(582,735)	(600,867)	18,132	(583,982)
Total	35,835	14,586	21,249	15,010
<b>Purchasing Division:</b>				
Salaries and employee benefits	221,486	220,429	1,057	218,673
Operating expenditures	27,571	24,289	3,282	6,636
Overhead allocated to other funds	(80,780)	(78,937)	(1,843)	(72,759)
Total	168,277	165,781	2,496	152,550

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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Final Budget	Actual	Variance Over/Under	Actual
<b>Warehouse Division:</b>				
Salaries and employee benefits	104,565	101,058	3,507	95,969
Operating expenditures	73,344	12,979	60,365	(7,426)
Overhead allocated to other funds	(105,641)	(102,572)	(3,069)	(84,025)
Total	72,268	11,465	60,803	4,518
<b>Financial Services Administration:</b>				
Salaries and employee benefits	183,580	183,142	438	180,635
Operating expenditures	17,298	16,588	710	10,306
Overhead allocated to other funds	(85,078)	(85,736)	658	(81,644)
Total	115,800	113,994	1,806	109,297
<b>Garage Parts Room:</b>				
Salaries and employee benefits	103,301	103,302	(1)	101,312
Operating expenditures	8,004	13,019	(5,015)	35,221
Overhead allocated to other funds	(25,723)	(24,855)	(868)	(24,858)
Total	85,582	91,466	(5,884)	111,675
<b>Revenue Administration:</b>				
Salaries and employee benefits	196,337	195,767	570	194,021
Operating expenditures	8,898	8,476	422	9,545
Overhead allocated to other funds	(206,811)	(202,617)	(4,194)	(202,652)
Total	(1,576)	1,626	(3,202)	914
<b>Customer Service:</b>				
Salaries and employee benefits	483,293	472,383	10,910	456,808
Operating expenditures	500,213	482,724	17,489	434,636
Overhead allocated to other funds	(846,819)	(716,901)	(129,918)	(740,844)
Total	136,687	238,206	(101,519)	150,600
<b>Meter Services:</b>				
Salaries and employee benefits	565,169	554,745	10,424	566,182
Operating expenditures	110,411	107,181	3,230	103,631
Overhead allocated to other funds	(693,230)	(657,451)	(35,779)	(665,381)
Total	(17,650)	4,475	(22,125)	4,432
Total financial services	1,213,170	1,240,793	(27,623)	1,088,864

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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Final Budget	Actual	Variance Over/Under	Actual
<b>City Attorney:</b>				
Salaries and employee benefits	362,213	359,386	2,827	353,363
Operating expenditures	52,819	41,192	11,627	41,158
Overhead allocated to other funds	(79,356)	(75,925)	(3,431)	(74,791)
Total	335,676	324,653	11,023	319,730
<b>Special Project and Strategic Development:</b>				
Salaries and employee benefits	-	-	-	65,141
Operating expenditures	80,000	73,566	6,434	80,333
Overhead allocated to other funds	-	-	-	(7,007)
Total	80,000	73,566	6,434	138,467
<b>Development Services:</b>				
<b>Planning:</b>				
Salaries and employee benefits	484,625	480,041	4,584	323,443
Operating expenditures	82,789	54,122	28,667	37,820
Overhead allocated to other funds	(64,807)	(58,384)	(6,423)	(39,043)
Total	502,607	475,779	26,828	322,220
<b>Zoning:</b>				
Salaries and employee benefits	-	-	-	143,564
Operating expenditures	-	-	-	11,923
Total	-	-	-	155,487
<b>Economic Development:</b>				
Operating expenditures	200,977	95,379	105,598	115,154
Overhead allocated to other funds	(132,646)	(62,950)	(69,696)	(65,788)
Total	68,331	32,429	35,902	49,366
<b>Transportation Planning:</b>				
Salaries and employee benefits	435,053	390,480	44,573	295,231
Operating expenditures	261,475	137,273	124,202	251,449
Capital outlay	750	-	750	19,634
Total	697,278	527,753	169,525	566,314
<b>Building Services:</b>				
Salaries and employee benefits	644,121	644,938	(817)	584,825
Operating expenditures	418,571	233,095	185,476	218,673
Total	1,062,692	878,033	184,659	803,498

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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Final Budget	Actual	Variance Over/Under	Actual
<b>Neighborhoods and Housing:</b>				
Salaries and employee benefits	137,965	136,870	1,095	129,957
Operating expenditures	78,011	72,436	5,575	58,199
Overhead allocated to other funds	(104,003)	(104,421)	418	(92,012)
Total	111,973	104,885	7,088	96,144
<b>Development Services - Administration:</b>				
Operating expenditures	-	-	-	177
Total	-	-	-	177
<b>Keep Gastonia Beautiful:</b>				
Salaries and employee benefits	158,707	156,513	2,194	144,879
Operating expenditures	19,980	12,706	7,274	25,672
Total	178,687	169,219	9,468	170,551
<b>Land Development:</b>				
Salaries and employee benefits	655,933	644,280	11,653	650,052
Operating expenditures	27,465	21,973	5,492	43,897
Overhead allocated to other funds	(349,180)	(337,741)	(11,439)	(351,010)
Total	334,218	328,512	5,706	342,939
<b>Code Enforcement:</b>				
Operating expenditures	-	-	-	188
Total	-	-	-	188
<b>Sister Cities:</b>				
Salaries and employee benefits	26,701	26,563	138	26,164
Operating expenditures	5,100	5,086	14	5,588
Total	31,801	31,649	152	31,752
<b>Community Improvement - Downtown:</b>				
Salaries and employee benefits	103,506	99,593	3,913	84,968
Operating expenditures	-	-	-	2,248
Overhead allocated to other funds	(17,287)	(18,679)	1,392	(15,854)
Total	86,219	80,914	5,305	71,362
<b>Neighborhood Stabilization Program:</b>				
Operating expenditures	21,530	20,071	1,459	20,717
Total	21,530	20,071	1,459	20,717
Total development services	3,095,336	2,649,290	446,046	2,630,715

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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Final Budget	Actual	Variance Over/Under	Actual
<b>Loray Mills:</b>				
Operating expenditures	100,000	60,000	40,000	-
Overhead allocated to other funds	(70,000)	-	(70,000)	-
Total	30,000	60,000	(30,000)	-
<b>General Administration:</b>				
Operating expenditures	-	-	-	54,228
Total	-	-	-	54,228
<b>Non-Departmental:</b>				
Operating expenditures	187,978	12,223	175,755	-
Total	187,978	12,223	175,755	-
Total general government	8,525,003	7,652,922	872,081	8,392,694
<b>Public Safety:</b>				
<b>Police Department:</b>				
<b>Administration:</b>				
Salaries and employee benefits	518,920	520,180	(1,260)	493,288
Operating expenditures	1,521,353	1,505,979	15,374	75,495
Total	2,040,273	2,026,159	14,114	568,783
<b>Recruiting:</b>				
Operating expenditures	6,500	2,100	4,400	2,756
Total	6,500	2,100	4,400	2,756
<b>2014 JAG Grant:</b>				
Operating expenditures	36,630	15,281	21,349	-
Capital outlay	27,666	27,666	-	-
Total	64,296	42,947	21,349	-
<b>2012 JAG Grant:</b>				
Operating expenditures	19,454	19,423	31	24,191
Capital outlay	16,322	16,321	1	-
Total	35,776	35,744	32	24,191
<b>Justice Funds:</b>				
Operating expenditures	10,010	-	10,010	-
Capital outlay	31,962	9,990	21,972	-
Total	41,972	9,990	31,982	-

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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Final Budget	Actual	Variance Over/Under	Actual
<b>Treasury Funds:</b>				
Operating expenditures	105,421	-	105,421	-
Total	105,421	-	105,421	-
<b>Investigations:</b>				
Salaries and employee benefits	2,818,820	2,697,835	120,985	2,873,304
Operating expenditures	331,632	270,923	60,709	414,636
Total	3,150,452	2,968,758	181,694	3,287,940
<b>Field Services:</b>				
Salaries and employee benefits	6,934,679	6,837,974	96,705	6,592,633
Operating expenditures	1,317,845	1,040,595	277,250	1,453,838
Capital outlay	-	-	-	2,325
Total	8,252,524	7,878,569	373,955	8,048,796
<b>P.A.R.C.:</b>				
Salaries and employee benefits	268,141	256,770	11,371	234,665
Operating expenditures	18,908	17,746	1,162	27,908
Total	287,049	274,516	12,533	262,573
<b>M.I.S.:</b>				
Salaries and employee benefits	-	-	-	375,924
Operating expenditures	30,000	12,655	17,345	117,946
Total	30,000	12,655	17,345	493,870
<b>Support Services:</b>				
Salaries and employee benefits	571,054	569,738	1,316	560,343
Operating expenditures	269,553	166,671	102,882	286,280
Total	840,607	736,409	104,198	846,623
<b>ABC Enforcement:</b>				
Salaries and employee benefits	63,154	62,076	1,078	60,394
Operating expenditures	3,914	3,356	558	6,279
Total	67,068	65,432	1,636	66,673
<b>Early Police Retirement:</b>				
Salaries and employee benefits	855,765	855,631	134	841,246
Total	855,765	855,631	134	841,246

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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Final Budget	Actual	Variance Over/Under	Actual
<b>Asset Forfeiture:</b>				
Operating expenditures	100,710	30,555	70,155	38,690
Capital outlay	282,257	13,700	268,557	6,577
Total	382,967	44,255	338,712	45,267
<b>Police Memorial Trust:</b>				
Operating expenditures	2,000	200	1,800	-
Total	2,000	200	1,800	-
<b>Special Situations:</b>				
Operating expenditures	36,867	33,145	3,722	28,248
Total	36,867	33,145	3,722	28,248
<b>Police Records Bureau:</b>				
Salaries and employee benefits	559,359	547,835	11,524	529,615
Operating expenditures	17,912	15,821	2,091	239,905
Total	577,271	563,656	13,615	769,520
Total police department	16,776,808	15,550,166	1,226,642	15,286,486
<b>Fire Department:</b>				
<b>Administration:</b>				
Salaries and employee benefits	377,870	373,947	3,923	366,938
Operating expenditures	412,418	411,008	1,410	81,566
Total	790,288	784,955	5,333	448,504
<b>Life Safety:</b>				
Salaries and employee benefits	346,561	341,766	4,795	336,869
Operating expenditures	34,420	30,419	4,001	46,791
Total	380,981	372,185	8,796	383,660
<b>Operations:</b>				
Salaries and employee benefits	7,730,630	7,689,618	41,012	7,646,138
Operating expenditures	1,104,006	1,089,975	14,031	1,080,449
Capital outlay	102,726	102,344	382	19,426
Total	8,937,362	8,881,937	55,425	8,746,013
<b>Training:</b>				
Salaries and employee benefits	89,836	88,001	1,835	84,984
Operating expenditures	4,414	4,184	230	10,920
Total	94,250	92,185	2,065	95,904

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, 2015**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Final Budget	Actual	Variance Over/Under	Actual
<b>Early Fire Retirement:</b>				
Salaries and employee benefits	555,357	539,264	16,093	528,572
Total	555,357	539,264	16,093	528,572
<b>On-Behalf Payments:</b>				
Operating expenditures	-	37,646	(37,646)	96,803
Total	-	37,646	(37,646)	96,803
Total fire department	10,758,238	10,708,172	50,066	10,299,456
Total public safety	27,535,046	26,258,338	1,276,708	25,585,942
<b>Public Works:</b>				
<b>Enterprise Services:</b>				
<b>Solid Waste Administration:</b>				
Operating expenditures	-	-	-	(312)
Total	-	-	-	(312)
<b>Refuse Collection:</b>				
Operating expenditures	-	-	-	(357)
Total	-	-	-	(357)
<b>Refuse Disposal:</b>				
Operating expenditures	152,650	-	152,650	-
Total	152,650	-	152,650	-
<b>Garage Inventory:</b>				
Operating expenditures	25,396	17,807	7,589	7,170
Capital outlay	10,900	1,650	9,250	-
Overhead allocated to other funds	(10,689)	(4,077)	(6,612)	(6,030)
Total	25,607	15,380	10,227	1,140
<b>Equipment Services:</b>				
Salaries and employee benefits	928,771	903,909	24,862	872,582
Operating expenditures	199,700	175,648	24,052	118,733
Capital outlay	9,715	9,115	600	12,145
Overhead allocated to other funds	(396,347)	(376,037)	(20,310)	(357,096)
Total	741,839	712,635	29,204	646,364



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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Final Budget	Actual	Variance Over/Under	Actual
<b>Airport Operations:</b>				
Operating expenditures	119,273	101,053	18,220	86,276
Capital outlay	3,490	3,445	45	2,200
Total	<u>122,763</u>	<u>104,498</u>	<u>18,265</u>	<u>88,476</u>
Total enterprise services	<u>1,042,859</u>	<u>832,513</u>	<u>210,346</u>	<u>735,311</u>
<b>Public Works:</b>				
<b>Building and Grounds:</b>				
Salaries and employee benefits	682,072	652,783	29,289	668,651
Operating expenditures	285,000	274,038	10,962	334,085
Overhead allocated to other funds	(106,574)	(107,410)	836	(102,531)
Total	<u>860,498</u>	<u>819,411</u>	<u>41,087</u>	<u>900,205</u>
<b>Engineering:</b>				
Salaries and employee benefits	1,164,552	1,153,156	11,396	1,152,630
Operating expenditures	191,833	182,387	9,446	107,875
Overhead allocated to other funds	(719,443)	(709,701)	(9,742)	(662,114)
Total	<u>636,942</u>	<u>625,842</u>	<u>11,100</u>	<u>598,391</u>
<b>Traffic Services:</b>				
Salaries and employee benefits	478,845	479,515	(670)	456,555
Operating expenditures	162,566	154,816	7,750	184,914
Total	<u>641,411</u>	<u>634,331</u>	<u>7,080</u>	<u>641,469</u>
<b>Street Department:</b>				
Supervision				
Salaries and employee benefits	225,078	212,877	12,201	230,889
Operating expenditures	27,346	26,826	520	21,132
Overhead allocated to other funds	(157,112)	(145,027)	(12,085)	(152,690)
Total	<u>95,312</u>	<u>94,676</u>	<u>636</u>	<u>99,331</u>
<b>Powell Bill Street Funds:</b>				
Salaries and employee benefits	1,148,764	1,071,291	77,473	1,132,654
Operating expenditures	1,042,931	928,853	114,078	717,284
Capital outlay	91,000	88,240	2,760	11,542
Overhead allocated to other funds	(110,035)	(107,973)	(2,062)	(94,690)
Total	<u>2,172,660</u>	<u>1,980,411</u>	<u>192,249</u>	<u>1,766,790</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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Final Budget	Actual	Variance Over/Under	Actual
<b>Landscape:</b>				
Salaries and employee benefits	307,297	254,433	52,864	305,210
Operating expenditures	47,615	42,895	4,720	50,676
Overhead allocated to other funds	(25,978)	(19,312)	(6,666)	(22,272)
Total	<u>328,934</u>	<u>278,016</u>	<u>50,918</u>	<u>333,614</u>
<b>Cemeteries:</b>				
Salaries and employee benefits	154,847	146,941	7,906	133,550
Operating expenditures	<u>41,187</u>	<u>37,306</u>	<u>3,881</u>	<u>36,276</u>
Total	<u>196,034</u>	<u>184,247</u>	<u>11,787</u>	<u>169,826</u>
Total public works	<u>5,974,650</u>	<u>5,449,447</u>	<u>525,203</u>	<u>5,244,937</u>
<b>Cultural and Recreational:</b>				
<b>Recreational:</b>				
<b>Operation Playground Pride:</b>				
Operating expenditures	<u>4,900</u>	<u>-</u>	<u>4,900</u>	<u>5,700</u>
Total	<u>4,900</u>	<u>-</u>	<u>4,900</u>	<u>5,700</u>
<b>Administration:</b>				
Salaries and employee benefits	106,485	106,685	(200)	99,826
Operating expenditures	<u>83,601</u>	<u>80,405</u>	<u>3,196</u>	<u>26,076</u>
Total	<u>190,086</u>	<u>187,090</u>	<u>2,996</u>	<u>125,902</u>
<b>Athletics and Special Facilities:</b>				
Salaries and employee benefits	456,584	447,107	9,477	486,005
Operating expenditures	<u>576,395</u>	<u>368,570</u>	<u>207,825</u>	<u>293,808</u>
Total	<u>1,032,979</u>	<u>815,677</u>	<u>217,302</u>	<u>779,813</u>
<b>Roland E. Bradley Community Center:</b>				
Salaries and employee benefits	161,801	157,180	4,621	148,966
Operating expenditures	<u>28,251</u>	<u>26,261</u>	<u>1,990</u>	<u>26,173</u>
Total	<u>190,052</u>	<u>183,441</u>	<u>6,611</u>	<u>175,139</u>
<b>Erwin Community Center:</b>				
Salaries and employee benefits	179,982	174,532	5,450	173,997
Operating expenditures	101,117	85,885	15,232	128,256
Capital outlay	<u>65,132</u>	<u>61,446</u>	<u>3,686</u>	<u>-</u>
Total	<u>346,231</u>	<u>321,863</u>	<u>24,368</u>	<u>302,253</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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Final Budget	Actual	Variance Over/Under	Actual
<b>Martha Rivers Park:</b>				
Salaries and employee benefits	283,011	263,942	19,069	248,495
Operating expenditures	72,054	68,989	3,065	74,125
Total	355,065	332,931	22,134	322,620
<b>Phillips Community Center:</b>				
Salaries and employee benefits	163,314	156,570	6,744	151,924
Operating expenditures	35,023	32,824	2,199	33,672
Total	198,337	189,394	8,943	185,596
<b>Jeffers Community Center:</b>				
Salaries and employee benefits	153,378	141,841	11,537	139,553
Operating expenditures	27,106	26,165	941	26,799
Total	180,484	168,006	12,478	166,352
<b>Maintenance and Development:</b>				
Salaries and employee benefits	367,592	365,956	1,636	355,046
Operating expenditures	105,289	100,245	5,044	102,298
Total	472,881	466,201	6,680	457,344
<b>Golf Course:</b>				
Operating expenditures	6,000	1,200	4,800	6,442
Total	6,000	1,200	4,800	6,442
<b>Adult Recreation Center:</b>				
Salaries and employee benefits	157,229	141,366	15,863	152,165
Operating expenditures	106,578	79,976	26,602	89,431
Total	263,807	221,342	42,465	241,596
<b>Sims Park:</b>				
Operating expenditures	19,000	18,222	778	15,010
Total	19,000	18,222	778	15,010
<b>Southeast Community Center:</b>				
Salaries and employee benefits	12,303	5,035	7,268	23,570
Operating expenditures	1,500	1,180	320	4,397
Total	13,803	6,215	7,588	27,967

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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Final Budget	Actual	Variance Over/Under	Actual
<b>Skeet/Trap Range:</b>				
Salaries and employee benefits	39,936	38,413	1,523	40,280
Operating expenditures	65,778	58,664	7,114	71,230
Total	121,714	113,023	8,691	111,510
<b>Lineberger Park:</b>				
Salaries and employee benefits	13,311	9,732	3,579	9,706
Operating expenditures	7,812	7,073	739	7,382
Total	21,123	16,805	4,318	17,088
<b>Rankin Lake:</b>				
Salaries and employee benefits	128,813	119,115	9,698	95,235
Operating expenditures	21,703	19,153	2,550	21,027
Total	150,516	138,268	12,248	116,262
<b>Greenways:</b>				
Operating expenditures	17,073	14,276	2,797	16,889
Total	17,073	14,276	2,797	16,889
<b>District C:</b>				
Capital outlay	21,000	2,167	18,833	35,374
Total	21,000	2,167	18,833	35,374
<b>District D:</b>				
Capital outlay	54,857	54,857	-	-
Total	54,857	54,857	-	-
<b>Recreation Grants:</b>				
Operating expenditures	13,403	1,043	12,360	1,430
Total	13,403	1,043	12,360	1,430
Total recreational	3,673,311	3,252,021	421,290	3,110,287
<b>Collections/Research:</b>				
Salaries and employee benefits	125,725	125,381	344	123,915
Operating expenditures	10,650	10,014	636	15,431
Total	136,375	135,395	980	139,346

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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Final Budget	Actual	Variance Over/Under	Actual
<b>Education:</b>				
Salaries and employee benefits	388,965	386,857	2,108	337,953
Operating expenditures	57,120	54,905	2,215	61,714
Total	446,085	441,762	4,323	399,667
<b>Exhibits:</b>				
Salaries and employee benefits	155,381	146,298	9,083	155,073
Operating expenditures	35,837	35,417	420	34,000
Capital outlay	-	-	-	5,668
Total	191,218	181,715	9,503	194,741
<b>Administration:</b>				
Salaries and employee benefits	311,058	308,080	2,978	303,079
Operating expenditures	247,986	270,021	(22,035)	201,970
Total	559,044	578,101	(19,057)	505,049
<b>Operations:</b>				
Salaries and employee benefits	186,325	180,626	5,699	179,805
Operating expenditures	122,044	121,752	292	126,359
Total	308,369	302,378	5,991	306,164
<b>Programs:</b>				
Salaries and employee benefits	89,832	86,804	3,028	87,170
Operating expenditures	8,357	7,646	711	26,677
Total	98,189	94,450	3,739	113,847
<b>Special Projects:</b>				
Operating expenditures	4,500	4,056	444	4,000
Total	4,500	4,056	444	4,000
Total museum	1,743,780	1,737,857	5,923	1,662,814
<b>Webb Theatre - Nicks:</b>				
Operating expenditures	53,150	6,124	47,026	-
Total	53,150	6,124	47,026	-
<b>Conference Center:</b>				
Operating expenditures	397,551	334,056	63,495	198,629
Capital outlay	52,131	52,128	3	-
Total	449,682	386,184	63,498	198,629
Total cultural and recreational	5,919,923	5,382,186	537,737	4,971,730

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, 2015**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Final Budget	Actual	Variance Over/Under	Actual
<b>Debt Service:</b>				
Principal	4,316,668	4,316,666	2	4,185,667
Interest	2,085,116	2,084,826	290	2,253,762
Service charges	13,000	6,186	6,814	6,694
Total	<u>6,414,784</u>	<u>6,407,678</u>	<u>7,106</u>	<u>6,446,123</u>
Total expenditures	<u>54,369,406</u>	<u>51,150,571</u>	<u>3,218,835</u>	<u>50,641,426</u>
Revenues over (under) expenditures	<u>83,818</u>	<u>7,297,862</u>	<u>7,214,044</u>	<u>6,357,800</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds:				
Electric Fund	2,000,000	2,000,000	-	2,000,000
Special revenue funds	60,000	60,000	-	60,000
Capital project funds	-	-	-	684,440
Transfers to other funds:				
Electric Fund	(380,000)	(380,000)	-	-
Transit Fund	(671,756)	(671,756)	-	(620,460)
Solid Waste	(3,365,106)	(3,365,106)	-	(3,392,381)
Internal service funds	(636,403)	(636,403)	-	(415,242)
Special revenue funds	(153,996)	(153,996)	-	(310,685)
Capital project funds	(946,667)	(946,667)	-	(338,731)
Budgetary amounts:				
Appropriated fund balance	<u>4,010,110</u>	<u>-</u>	<u>(4,010,110)</u>	<u>-</u>
Total other financing sources (uses)	<u>(83,818)</u>	<u>(4,093,928)</u>	<u>(4,010,110)</u>	<u>(2,333,059)</u>
Net change in fund balance	<u>\$ -</u>	<u>3,203,934</u>	<u>\$ 3,203,934</u>	<u>4,024,741</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		24,945,980		20,916,901
Increase (decrease) in inventories		<u>(46,249)</u>		<u>4,338</u>
End of year - June 30		<u>\$ 28,103,665</u>		<u>\$ 24,945,980</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.

### Economic Stimulus Grants Fund

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

CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2015

	Community Development Block Grant				
	Program Fund	Affordable Housing Fund	Rehabilitation Fund	Home Investment Trust Fund	108 Loan/ Revitalization
<b>Assets:</b>					
Cash, cash equivalents, and investments	\$ 22,196	\$ 70,896	\$ 1,005	\$ -	\$ -
Taxes receivable, net	-	-	-	-	-
Accounts receivable, net	44,639	40,315	-	93,288	-
Due from other governments	-	-	-	-	-
Loan pool receivable, net	49,161	409,786	-	304,951	-
Property acquired for rehabilitation and resale	656,167	-	39,779	584,396	-
Total assets	<u>\$ 772,163</u>	<u>\$ 520,997</u>	<u>\$ 40,784</u>	<u>\$ 982,635</u>	<u>\$ -</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 8,687	\$ -	\$ -	\$ 20,234	\$ -
Due to General Fund	238,406	-	-	99,021	314,627
Total liabilities	<u>247,093</u>	<u>-</u>	<u>-</u>	<u>119,255</u>	<u>314,627</u>
<b>Deferred Inflows of Resources:</b>					
Unavailable taxes	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances (Deficits):</b>					
Non-spendable:					
Long-term receivable	49,161	409,786	-	304,951	-
Inventories	656,167	-	39,779	584,396	-
Restricted:					
Stabilization by State statute	54,639	40,315	-	129,796	-
Restricted, all other	-	70,896	1,005	-	-
Unassigned	(234,897)	-	-	(155,763)	(314,627)
Total fund balances (deficits)	<u>525,070</u>	<u>520,997</u>	<u>40,784</u>	<u>863,380</u>	<u>(314,627)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 772,163</u>	<u>\$ 520,997</u>	<u>\$ 40,784</u>	<u>\$ 982,635</u>	<u>\$ -</u>



CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2015

	<u>CDBG (continued)</u>					
	<u>108 Loan/ Economic</u>	<u>Economic Development</u>	<u>Occupancy Tax Fund</u>	<u>Uptown Municipal Tax District</u>	<u>Economic Grants Fund</u>	<u>Total</u>
<b>Assets:</b>						
Cash, cash equivalents, and investments	\$ -	\$ -	\$ 108,014	\$ 105,139	\$ 82,613	\$ 389,863
Taxes receivable, net	-	-	-	17,562	-	17,562
Accounts receivable, net	-	-	-	13	-	178,255
Due from other governments	-	-	52,943	-	-	52,943
Loan pool receivable, net	-	-	-	-	293,626	1,057,524
Property acquired for rehabilitation and resale	193,464	-	-	-	-	1,473,806
Total assets	<u>\$ 193,464</u>	<u>\$ -</u>	<u>\$ 160,957</u>	<u>\$ 122,714</u>	<u>\$ 376,239</u>	<u>\$ 3,169,953</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 159,509	\$ 1,306	\$ 7,951	\$ 197,687
Due to General Fund	22,522	2,598	-	-	-	677,174
Total liabilities	<u>22,522</u>	<u>2,598</u>	<u>159,509</u>	<u>1,306</u>	<u>7,951</u>	<u>874,861</u>
<b>Deferred Inflows of Resources:</b>						
Unavailable taxes	-	-	-	17,562	-	17,562
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,562</u>	<u>-</u>	<u>17,562</u>
<b>Fund Balances (Deficits):</b>						
Non-spendable:						
Long-term receivable	-	-	-	-	293,626	1,057,524
Inventories	193,464	-	-	-	-	1,473,806
Restricted:						
Stabilization by State statute	-	-	52,943	13	-	277,706
Restricted, all other	-	-	-	103,833	74,662	250,396
Unassigned	(22,522)	(2,598)	(51,495)	-	-	(781,902)
Total fund balances (deficits)	<u>170,942</u>	<u>(2,598)</u>	<u>1,448</u>	<u>103,846</u>	<u>368,288</u>	<u>2,277,530</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 193,464</u>	<u>\$ -</u>	<u>\$ 160,957</u>	<u>\$ 122,714</u>	<u>\$ 376,239</u>	<u>\$ 3,169,953</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, 2015

	Community Development Block Grant				
	Program Fund	Affordable Housing Fund	Rehabilitation Fund	Home Investment Trust Fund	108 Loan/ Revitalization
<b>Revenues:</b>					
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	-	-	-	-	-
Restricted intergovernmental	475,304	-	-	675,671	-
Sales and services	3,233	4,038	-	127,388	-
Investment earnings	244	96	9	217	-
Miscellaneous	140	-	-	4,168	-
Total revenues	<u>478,921</u>	<u>4,134</u>	<u>9</u>	<u>807,444</u>	<u>-</u>
<b>Expenditures:</b>					
Public safety	-	-	-	-	-
Economic and physical development	238,961	-	-	700,570	960
Debt service:					
Principal	199,000	-	-	-	-
Interest	36,253	19,360	-	-	-
Total expenditures	<u>474,214</u>	<u>19,360</u>	<u>-</u>	<u>700,570</u>	<u>960</u>
Revenues over (under) expenditures	<u>4,707</u>	<u>(15,226)</u>	<u>9</u>	<u>106,874</u>	<u>(960)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers from other funds	1,338	-	-	1,338	-
Transfers (to) other funds	(2,289)	-	(55,000)	(1,145)	-
Total other financing sources (uses)	<u>(951)</u>	<u>-</u>	<u>(55,000)</u>	<u>193</u>	<u>-</u>
Net change in fund balances	<u>3,756</u>	<u>(15,226)</u>	<u>(54,991)</u>	<u>107,067</u>	<u>(960)</u>
<b>Fund Balances:</b>					
Beginning of year - July 1	515,027	113,795	95,775	434,014	(237,567)
Restatement	54,681	422,428	-	323,077	-
Beginning of year - July 1, as restated	569,708	536,223	95,775	757,091	(237,567)
Increase (decrease) in inventories and property/ land acquired redevelopment/rehabilitation	(48,394)	-	-	(778)	(76,100)
End of year - June 30	<u>\$ 525,070</u>	<u>\$ 520,997</u>	<u>\$ 40,784</u>	<u>\$ 863,380</u>	<u>\$ (314,627)</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, 2015

	CDBG (continued)		Occupancy Tax Fund	Uptown Municipal Tax District	Economic Stimulus Grants Fund	Total
	108 Loan/ Economic	Economic Development				
<b>Revenues:</b>						
Ad valorem taxes	\$ -	\$ -	\$ -	\$ 122,424	\$ -	\$ 122,424
Other taxes and licenses	-	-	567,496	-	-	567,496
Restricted intergovernmental	-	-	-	-	69,096	1,220,071
Sales and services	-	-	-	-	-	134,659
Investment earnings	699	-	-	156	367	1,788
Miscellaneous	-	-	-	1,054	2,354	7,716
Total revenues	<u>699</u>	<u>-</u>	<u>567,496</u>	<u>123,634</u>	<u>71,817</u>	<u>2,054,154</u>
<b>Expenditures:</b>						
Public safety	-	-	-	-	103,300	103,300
Economic and physical development	-	-	567,496	59,746	12,031	1,579,764
Debt service:						
Principal	521,000	-	-	-	-	720,000
Interest	-	-	-	-	-	55,613
Total expenditures	<u>521,000</u>	<u>-</u>	<u>567,496</u>	<u>59,746</u>	<u>115,331</u>	<u>2,458,677</u>
Revenues over (under) expenditures	<u>(520,301)</u>	<u>-</u>	<u>-</u>	<u>63,888</u>	<u>(43,514)</u>	<u>(404,523)</u>
<b>Other Financing Sources (Uses):</b>						
Transfers from other funds	-	-	-	-	453,996	456,672
Transfers (to) other funds	(23,427)	-	-	(60,000)	(2,676)	(144,537)
Total other financing sources (uses)	<u>(23,427)</u>	<u>-</u>	<u>-</u>	<u>(60,000)</u>	<u>451,320</u>	<u>312,135</u>
Net change in fund balances	<u>(543,728)</u>	<u>-</u>	<u>-</u>	<u>3,888</u>	<u>407,806</u>	<u>(92,388)</u>
<b>Fund Balances:</b>						
Beginning of year - July 1	714,670	(2,598)	1,448	99,958	(337,079)	1,397,443
Restatement	-	-	-	-	297,561	1,097,747
Beginning of year - July 1, as restated	<u>714,670</u>	<u>(2,598)</u>	<u>1,448</u>	<u>99,958</u>	<u>(39,518)</u>	<u>2,495,190</u>
Increase (decrease) in inventories and property/ land acquired redevelopment/rehabilitation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(125,272)</u>
End of year - June 30	<u>\$ 170,942</u>	<u>\$ (2,598)</u>	<u>\$ 1,448</u>	<u>\$ 103,846</u>	<u>\$ 368,288</u>	<u>\$ 2,277,530</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, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 1,713,201	\$ 475,304	\$ (1,237,897)
Sales and services	4,500	8,753	4,253
Miscellaneous	-	140	140
Total revenues	<u>1,717,701</u>	<u>484,441</u>	<u>(1,233,260)</u>
<b>Expenditures:</b>			
Economic and physical development:			
Industrial development	9,180	-	9,180
Administration	279,455	130,298	149,157
Housing rehabilitation	713,358	101,872	611,486
Fair housing	17,208	6,791	10,417
Debt service:			
Principal	270,000	199,000	71,000
Interest	70,701	36,253	34,448
Total expenditures	<u>1,359,902</u>	<u>474,214</u>	<u>885,688</u>
Revenues over (under) expenditures	<u>357,799</u>	<u>10,227</u>	<u>(347,572)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	1,338	1,338	-
Transfers to other funds	(2,289)	(2,289)	-
Appropriated fund balance/contingency	(356,848)	-	356,848
Total other financing sources (uses)	<u>(357,799)</u>	<u>(951)</u>	<u>356,848</u>
Net change in fund balance	<u>\$ -</u>	9,276	<u>\$ 9,276</u>
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>			
Current year loan repayments		<u>(5,520)</u>	
Net change in fund balance - modified accrual basis		<u>\$ 3,756</u>	
<b>Fund Balance:</b>			
Beginning of year - July 1		\$ 515,027	
Restatement		<u>54,681</u>	
Beginning of year - July 1, as restated		569,708	
Increase (decrease) in inventories and property/land acquired for redevelopment/rehabilitation		<u>(48,394)</u>	
End of year - June 30		<u>\$ 525,070</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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Sales and services	\$ 18,400	\$ 16,680	\$ (1,720)
Investment earnings	-	96	96
Total revenues	<u>18,400</u>	<u>16,776</u>	<u>(1,624)</u>
<b>Expenditures:</b>			
Economic and physical development:			
Debt service:			
Interest	47,155	19,360	27,795
Total expenditures	<u>93,500</u>	<u>19,360</u>	<u>74,140</u>
Revenues over (under) expenditures	<u>(75,100)</u>	<u>(2,584)</u>	<u>72,516</u>
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	75,100	-	(75,100)
Total other financing sources (uses)	<u>75,100</u>	<u>-</u>	<u>(75,100)</u>
Net change in fund balance	<u>\$ -</u>	<u>(2,584)</u>	<u>\$ (2,584)</u>
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>			
Current year loan repayments		<u>(12,642)</u>	
Net change in fund balance - modified accrual basis		<u>\$ (15,226)</u>	
<b>Fund Balance:</b>			
Beginning of year - July 1		\$ 113,795	
Restatement		<u>422,428</u>	
Beginning of year - July 1, as restated		<u>536,223</u>	
End of year - June 30		<u>\$ 520,997</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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 9	\$ 9
Total revenues	<u>-</u>	<u>9</u>	<u>9</u>
<b>Expenditures:</b>			
Economic and physical development:			
Housing rehabilitation	701	-	701
Total expenditures	<u>701</u>	<u>-</u>	<u>701</u>
Revenues over (under) expenditures	<u>(701)</u>	<u>9</u>	<u>710</u>
<b>Other Financing Sources (Uses):</b>			
Transfers to other funds	(55,000)	(55,000)	-
Appropriated fund balance	55,701	-	(55,701)
Total other financing sources (uses)	<u>701</u>	<u>(55,000)</u>	<u>(55,701)</u>
Net change in fund balance	<u>\$ -</u>	<u>(54,991)</u>	<u>\$ (54,991)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>95,775</u>	
End of year - June 30		<u>\$ 40,784</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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 2,528,279	\$ 675,671	\$ (1,852,608)
Sales and services	88,560	145,514	56,954
Investment earnings	-	217	217
Miscellaneous	4,200	4,168	(32)
Total revenues	<u>2,621,039</u>	<u>825,570</u>	<u>(1,795,469)</u>
<b>Expenditures:</b>			
Economic and physical development:			
Home program	<u>2,161,466</u>	<u>700,570</u>	<u>1,460,896</u>
Total expenditures	<u>2,161,466</u>	<u>700,570</u>	<u>1,460,896</u>
Revenues over (under) expenditures	<u>459,573</u>	<u>125,000</u>	<u>(334,573)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers to other funds	(1,145)	(1,145)	-
Transfer from other funds	1,338	1,338	-
Appropriated fund balance/contingency	<u>(459,766)</u>	<u>-</u>	<u>459,766</u>
Total other financing sources (uses)	<u>(459,573)</u>	<u>193</u>	<u>459,766</u>
Net change in fund balance	<u>\$ -</u>	125,193	<u>\$ 125,193</u>
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>			
Current year loan repayments		<u>(18,126)</u>	
Net change in fund balance - modified accrual basis		<u>\$ 107,067</u>	
<b>Fund Balance:</b>			
Beginning of year - July 1		\$ 434,014	
Restatement		<u>323,077</u>	
Beginning of year - July 1, as restated		<u>757,091</u>	
Increase (decrease) in inventories and property/land acquired for redevelopment/rehabilitation		<u>(778)</u>	
End of year - June 30		<u>\$ 863,380</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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Expenditures:</b>			
Economic and physical development:			
Miscellaneous	\$ -	\$ 960	\$ (960)
Net change in fund balance	<u>\$ -</u>	<u>(960)</u>	<u>\$ (960)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		(237,567)	
Increase (decrease) in inventories and property/land acquired for redevelopment/rehabilitation		<u>(76,100)</u>	
End of year - June 30		<u>\$ (314,627)</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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 699	\$ 699
Total revenues	<u>-</u>	<u>699</u>	<u>699</u>
<b>Expenditures:</b>			
Debt service:			
Principal repayments	477,359	521,000	(43,641)
Total expenditures	<u>477,359</u>	<u>521,000</u>	<u>(43,641)</u>
Revenues over (under) expenditures	<u>(477,359)</u>	<u>(520,301)</u>	<u>(42,942)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers to other funds	(23,427)	(23,427)	-
Appropriated fund balance	500,786	-	(500,786)
Total other financing sources (uses)	<u>477,359</u>	<u>(23,427)</u>	<u>(500,786)</u>
Net change in fund balance	<u>\$ -</u>	(543,728)	<u>\$ (543,728)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>714,670</u>	
End of year - June 30		<u>\$ 170,942</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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Net change in fund balance	\$ -	-	\$ -
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>(2,598)</u>	
End of year - June 30		<u>\$ (2,598)</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, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Other taxes and licenses	\$ 475,000	\$ 567,496	\$ 92,496
Total revenues	<u>475,000</u>	<u>567,496</u>	<u>92,496</u>
<b>Expenditures:</b>			
Economic and physical development:			
Gastonia Tourism Development Authority	475,000	567,496	(92,496)
Total expenditures	<u>475,000</u>	<u>567,496</u>	<u>(92,496)</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, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 120,023	\$ 122,424	\$ 2,401
Investment earnings	-	156	156
Miscellaneous	960	1,054	94
Total revenues	<u>120,983</u>	<u>123,634</u>	<u>2,651</u>
<b>Expenditures:</b>			
Economic and physical development:			
Community improvement downtown	151,275	59,746	91,529
Total expenditures	<u>151,275</u>	<u>59,746</u>	<u>91,529</u>
Revenues over (under) expenditures	<u>(30,292)</u>	<u>63,888</u>	<u>94,180</u>
<b>Other Financing Sources (Uses):</b>			
Transfers to other funds	(60,000)	(60,000)	-
Appropriated fund balance	90,292	-	(90,292)
Total other financing sources (uses)	<u>30,292</u>	<u>(60,000)</u>	<u>(90,292)</u>
Net change in fund balance	<u>\$ -</u>	<u>3,888</u>	<u>\$ 3,888</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>99,958</u>	
End of year - June 30		<u>\$ 103,846</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, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 199,256	\$ 69,096	\$ (130,160)
Investment earnings	-	367	367
Miscellaneous	<u>6,648</u>	<u>6,289</u>	<u>(359)</u>
Total revenues	<u>205,904</u>	<u>75,752</u>	<u>(130,152)</u>
<b>Expenditures:</b>			
Public safety:			
Police/Field Services Grant - ARRA	164,278	103,300	60,978
Fire-2010 AFG Grant	138	-	138
Economic and physical development:			
Neighborhood Stabilization Grant	372,886	12,031	360,855
Energy Efficiency Government Buildings	62,109	-	62,109
Neighborhood Stabilization Project 3	<u>3,972</u>	<u>-</u>	<u>3,972</u>
Total expenditures	<u>603,383</u>	<u>115,331</u>	<u>488,052</u>
Revenues over (under) expenditures	<u>(397,479)</u>	<u>(39,579)</u>	<u>357,900</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	453,996	453,996	-
Transfers to other funds	(2,676)	(2,676)	-
Contingency	<u>(53,841)</u>	<u>-</u>	<u>53,841</u>
Total other financing sources (uses)	<u>397,479</u>	<u>451,320</u>	<u>53,841</u>
Net change in fund balance	<u>\$ -</u>	411,741	<u>\$ 411,741</u>
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>			
Current year loan repayments		<u>(3,935)</u>	
Net change in fund balance - modified accrual basis		<u>\$ 407,806</u>	
<b>Fund Balance:</b>			
Beginning of year - July 1		(337,079)	
Restatement		<u>297,561</u>	
Beginning of year - July 1, as restated		<u>(39,518)</u>	
End of year - June 30		<u>\$ 368,288</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.

## **CAPITAL PROJECTS FUNDS (cont)**

### 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

**MAJOR CAPITAL PROJECT FUND - STREETS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 4,709,974	\$ 422,594	\$ (4,287,380)
Miscellaneous revenues	-	205	205
Investment earnings	-	19,362	19,362
Total revenues	<u>4,709,974</u>	<u>442,161</u>	<u>(4,267,813)</u>
<b>Expenditures:</b>			
Capital outlay:			
Joint Venture - Street Improvements	91,055	-	91,055
Walgreens at Cox Road	157,828	-	157,828
Aquatic Center	275,000	-	275,000
Administration	13,777	13,777	-
Speed humps	30,000	24,198	5,802
West Davidson Bridge Replacement	175,664	-	175,664
Traffic signal system improvements	259,975	259,906	69
General Obligation Bonds Road Widening	25,872,974	2,217,703	23,655,271
General Obligation Bonds Sidewalks	149,369	70,119	79,250
General Obligation Bonds Resurfacing	2,333	1,365	968
2010 GO Bonds - links and sidewalks	160,000	130,110	29,890
2010 GO Bonds - resurfacing	485,908	388,180	97,728
Total expenditures	<u>27,673,883</u>	<u>3,105,358</u>	<u>24,568,525</u>
Revenues over (under) expenditures	<u>(22,963,909)</u>	<u>(2,663,197)</u>	<u>20,300,712</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	30,000	30,000	-
Appropriated fund balance	22,933,909	-	(22,933,909)
Total other financing sources (uses)	<u>22,963,909</u>	<u>30,000</u>	<u>(22,933,909)</u>
Net change in fund balance	<u>\$ -</u>	<u>(2,633,197)</u>	<u>\$ (2,633,197)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>22,933,909</u>	
End of year - June 30		<u>\$ 20,300,712</u>	

CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2015

	<u>Mayor/Council Fund</u>	<u>Developer Sidewalk Fund</u>	<u>Airport Fund</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 2,688,060	\$ 66,842	\$ 117,957
Accounts receivable	<u>-</u>	<u>-</u>	<u>89,703</u>
Total assets	<u>\$ 2,688,060</u>	<u>\$ 66,842</u>	<u>\$ 207,660</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 66,134	\$ 422	\$ 2,796
Due to General Fund	<u>-</u>	<u>-</u>	<u>147,959</u>
Total liabilities	<u>66,134</u>	<u>422</u>	<u>150,755</u>
<b>Fund Balances:</b>			
Non-spendable:			
Restricted:			
Stabilization by State statute	323,585	-	104,032
Restricted, all other	-	-	-
Assigned	2,298,341	66,420	-
Unassigned	<u>-</u>	<u>-</u>	<u>(47,127)</u>
Total fund balances	<u>2,621,926</u>	<u>66,420</u>	<u>56,905</u>
Total liabilities and fund balances	<u>\$ 2,688,060</u>	<u>\$ 66,842</u>	<u>\$ 207,660</u>

CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2015

	<u>Downtown Revitalization Fund</u>	<u>Infrastructure Rehabilitation Fund</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 7,999	\$ 553,301	\$ 3,434,159
Accounts receivable	<u>275</u>	<u>2,271</u>	<u>92,249</u>
Total assets	<u>\$ 8,274</u>	<u>\$ 555,572</u>	<u>\$ 3,526,408</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ -	\$ 43	\$ 69,395
Due to General Fund	<u>-</u>	<u>-</u>	<u>147,959</u>
Total liabilities	<u>-</u>	<u>43</u>	<u>217,354</u>
<b>Fund Balances:</b>			
Non-spendable:			
Restricted:			
Stabilization by State statute	275	2,271	430,163
Restricted, all other	7,999	-	7,999
Assigned	-	553,258	2,918,019
Unassigned	<u>-</u>	<u>-</u>	<u>(47,127)</u>
Total fund balances	<u>8,274</u>	<u>555,529</u>	<u>3,309,054</u>
Total liabilities and fund balances	<u>\$ 8,274</u>	<u>\$ 555,572</u>	<u>\$ 3,526,408</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, 2015

	<u>Mayor/Council Fund</u>	<u>Developer Sidewalk Fund</u>	<u>Airport Fund</u>
<b>Revenues:</b>			
Payment in lieu of construction	\$ -	\$ 1,250	\$ -
Restricted intergovernmental revenues	-	-	4,216
Investment earnings	2,393	136	-
Miscellaneous revenues	<u>425,902</u>	<u>-</u>	<u>-</u>
Total revenues	<u>428,295</u>	<u>1,386</u>	<u>4,216</u>
<b>Expenditures:</b>			
Capital outlay	<u>608,285</u>	<u>53,800</u>	<u>36,324</u>
Total expenditures	<u>608,285</u>	<u>53,800</u>	<u>36,324</u>
Revenues over (under) expenditures	<u>(179,990)</u>	<u>(52,414)</u>	<u>(32,108)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers to other funds	(245,000)	-	-
Transfers from other funds	<u>923,427</u>	<u>-</u>	<u>16,667</u>
Total other financing sources (uses)	<u>678,427</u>	<u>-</u>	<u>16,667</u>
Net change in fund balances	498,437	(52,414)	(15,441)
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>2,123,489</u>	<u>118,834</u>	<u>72,346</u>
End of year - June 30	<u>\$ 2,621,926</u>	<u>\$ 66,420</u>	<u>\$ 56,905</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, 2015

	<u>Downtown Revitalization Fund</u>	<u>Infrastructure Rehabilitation Fund</u>	<u>Total</u>
<b>Revenues:</b>			
Payment in lieu of construction	\$ -	\$ -	\$ 1,250
Restricted intergovernmental revenues	-	-	4,216
Investment earnings	5	740	3,274
Miscellaneous revenues	-	214,436	640,338
Total revenues	<u>5</u>	<u>215,176</u>	<u>649,078</u>
<b>Expenditures:</b>			
Capital outlay	-	65,995	764,404
Total expenditures	<u>-</u>	<u>65,995</u>	<u>764,404</u>
Revenues over (under) expenditures	<u>5</u>	<u>149,181</u>	<u>(115,326)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers to other funds	-	-	(245,000)
Transfers from other funds	-	-	940,094
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>695,094</u>
Net change in fund balances	5	149,181	579,768
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>8,269</u>	<u>406,348</u>	<u>2,729,286</u>
End of year - June 30	<u>\$ 8,274</u>	<u>\$ 555,529</u>	<u>\$ 3,309,054</u>

## CITY OF GASTONIA, NORTH CAROLINA

**CAPITAL PROJECT FUND - MAYOR / COUNCIL  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenue	\$ 2,600,400	\$ -	\$ (2,600,400)
Investment earnings	-	2,393	2,393
Miscellaneous revenues	425,000	425,902	902
Total revenues	<u>3,025,400</u>	<u>428,295</u>	<u>(2,597,105)</u>
<b>Expenditures:</b>			
Mayor's Youth Council	300	-	300
Financial services - accounting	124,092	804	123,288
Mayor Council Project	35,105	35,104	1
F.S. Equipment Services	388,500	-	388,500
Transportation planning	2,233,000	62,500	2,170,500
Public Works - Powell Bill	910,957	13,016	897,941
Keep Gastonia Beautiful	2,819	-	2,819
Greenway parking	301,500	8,940	292,560
Marth Rivers Park	10,133	-	10,133
2010 LOBs - recreation projects	15,663	1,215	14,448
Greenways	590,848	13,911	576,937
Gastonia Optimist Club Park	156,377	88,765	67,612
Schiele Environmental Services Center	234,264	219,874	14,390
Miscellaneous Park Projects	146,871	101,897	44,974
2010 2/3 General Obligation Bonds	52,225	-	52,225
Annexation Street	131,396	48,276	83,120
Capital Project Reserve	308,035	-	308,035
General Obligation Bonds Project	13,983	13,983	-
Total expenditures	<u>5,656,068</u>	<u>608,285</u>	<u>5,047,783</u>
Revenues over (under) expenditures	<u>(2,630,668)</u>	<u>(179,990)</u>	<u>2,450,678</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	971,427	923,427	(48,000)
Transfers to other funds	(245,000)	(245,000)	-
Appropriated fund balance	1,904,241	-	(1,904,241)
Total other financing sources (uses)	<u>2,630,668</u>	<u>678,427</u>	<u>(1,952,241)</u>
Net change in fund balance	<u>\$ -</u>	498,437	<u>\$ 498,437</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>2,123,489</u>	
End of year - June 30		<u>\$ 2,621,926</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, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Payment in lieu of construction	\$ -	\$ 1,250	\$ 1,250
Investment earnings	-	136	136
Total revenues	<u>-</u>	<u>1,386</u>	<u>1,386</u>
<b>Expenditures:</b>			
Redbud-Eckerds	5,876	-	5,876
Sundance Village	45,931	36,975	8,956
Bessemer City Highway	14,015	-	14,015
Capital project reserve	34,353	-	34,353
Total expenditures	<u>117,000</u>	<u>53,800</u>	<u>63,200</u>
Revenues over (under) expenditures	<u>(117,000)</u>	<u>(52,414)</u>	<u>64,586</u>
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>117,000</u>	-	<u>(117,000)</u>
Total other financing sources (uses)	<u>117,000</u>	-	<u>(117,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>(52,414)</u>	<u>\$ (52,414)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>118,834</u>	
End of year - June 30		<u>\$ 66,420</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, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenues	737,642	4,216	(733,426)
Total revenues	<u>737,642</u>	<u>4,216</u>	<u>(733,426)</u>
<b>Expenditures:</b>			
Airport operations/non-routine	824,729	36,324	788,405
Revenues over (under) expenditures	<u>(87,087)</u>	<u>(32,108)</u>	<u>54,979</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	16,667	16,667	-
Appropriated fund balance	<u>70,420</u>	<u>-</u>	<u>(70,420)</u>
Total other financing sources (uses)	<u>87,087</u>	<u>16,667</u>	<u>(70,420)</u>
Net change in fund balance	<u>\$ -</u>	<u>(15,441)</u>	<u>\$ (15,441)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>72,346</u>	
End of year - June 30		<u>\$ 56,905</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, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 5	\$ 5
Total revenues	<u>-</u>	<u>5</u>	<u>5</u>
Net change in fund balance	<u>\$ -</u>	5	<u>\$ 5</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>8,269</u>	
End of year - June 30		<u>\$ 8,274</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, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ 200	\$ 740	\$ 540
Miscellaneous	111,420	214,436	103,016
Total revenues	<u>111,620</u>	<u>215,176</u>	<u>103,556</u>
<b>Expenditures:</b>			
Economic and physical development:	73,410	55,498	17,912
Administration	81,347	10,497	70,850
Capital project reserve	197,401	-	197,401
General Obligation Bonds properties	112,127	-	112,127
Total expenditures	<u>464,285</u>	<u>65,995</u>	<u>398,290</u>
Revenues over (under) expenditures	<u>(352,665)</u>	<u>149,181</u>	<u>501,846</u>
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	352,665	-	(352,665)
Total other financing sources (uses)	<u>352,665</u>	<u>-</u>	<u>(352,665)</u>
Net change in fund balance	<u>\$ -</u>	149,181	<u>\$ 149,181</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>406,348</u>	
End of year - June 30		<u>\$ 555,529</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.

### Solid Waste Fund

The Solid Waste Fund accounts for the operations of the County's collection and disposal of solid waste.



## CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2015

	Transit System Fund	Municipal Golf Course Fund	Solid Waste Fund	Total
<b>Assets:</b>				
Current assets:				
Cash, cash equivalents, and investments	\$ 220,804	\$ 1,895	\$ 958,674	\$ 1,181,373
Accounts receivable, net	-	-	190,592	190,592
Inventory	-	10,999	-	10,999
Due from other governments	285,878	-	-	285,878
Total current assets	<u>506,682</u>	<u>12,894</u>	<u>1,149,266</u>	<u>1,668,842</u>
Non-current assets:				
Depreciable capital assets, net	628,577	526,800	-	1,155,377
Non-depreciable capital assets	290,786	67,992	-	358,778
Total capital assets	<u>919,363</u>	<u>594,792</u>	<u>-</u>	<u>1,514,155</u>
Pension asset	83,939	-	-	83,939
Total non-current assets	<u>1,003,302</u>	<u>594,792</u>	<u>-</u>	<u>1,598,094</u>
Total assets	<u>1,509,984</u>	<u>607,686</u>	<u>1,149,266</u>	<u>3,266,936</u>
<b>Deferred Outflows of Resources:</b>				
Contributions to pension plan in current fiscal year	57,019	-	-	57,019
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	11,661	-	120,282	131,943
Accrued salaries and benefits	48,468	-	62,081	110,549
Compensated absences	37,662	-	60,599	98,261
Total current liabilities	<u>97,791</u>	<u>-</u>	<u>242,962</u>	<u>340,753</u>
Non-current liabilities:				
Compensated absences, non-current	12,554	-	20,200	32,754
Other post-employment benefits obligation, non-current	401,061	-	-	401,061
Total non-current liabilities	<u>413,615</u>	<u>-</u>	<u>20,200</u>	<u>433,815</u>
Total liabilities	<u>511,406</u>	<u>-</u>	<u>263,162</u>	<u>774,568</u>
<b>Deferred Inflows of Resources:</b>				
Pension deferrals	210,431	-	-	210,431
<b>Net Position:</b>				
Net investment in capital assets	919,363	594,792	-	1,514,155
Unrestricted	(74,197)	12,894	886,104	824,801
Total net position	<u>\$ 845,166</u>	<u>\$ 607,686</u>	<u>\$ 886,104</u>	<u>\$ 2,338,956</u>

## CITY OF GASTONIA, NORTH CAROLINA

**NONMAJOR ENTERPRISE FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN FUND NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Transit System Fund</u>	<u>Municipal Golf Course Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
<b>Operating Revenues:</b>				
Charges for services	\$ 192,436	\$ -	\$ 1,207,498	\$ 1,399,934
Other operating revenues	<u>9,243</u>	<u>-</u>	<u>15,331</u>	<u>24,574</u>
Total operating revenues	<u>201,679</u>	<u>-</u>	<u>1,222,829</u>	<u>1,424,508</u>
<b>Operating Expenses:</b>				
Administration	625,784	-	267,480	893,264
Maintenance	295,175	-	-	295,175
ADA/Para-transit expenses	207,494	-	-	207,494
Operations area	945,451	-	4,116,048	5,061,499
Depreciation and amortization	<u>38,980</u>	<u>36,959</u>	<u>-</u>	<u>75,939</u>
Total operating expenses	<u>2,112,884</u>	<u>36,959</u>	<u>4,383,528</u>	<u>6,533,371</u>
Operating income (loss)	<u>(1,911,205)</u>	<u>(36,959)</u>	<u>(3,160,699)</u>	<u>(5,108,863)</u>
Income (loss) before capital contributions and transfers	(1,911,205)	(36,959)	(3,160,699)	(5,108,863)
Capital contributions:				
Federal and State grants	1,456,018	-	-	1,456,018
Transfers:				
Transfers to other funds	(24,037)	-	(42,351)	(66,388)
Transfers from other funds	<u>671,756</u>	<u>-</u>	<u>3,365,106</u>	<u>4,036,862</u>
Change in net position	<u>192,532</u>	<u>(36,959)</u>	<u>162,056</u>	<u>317,629</u>
<b>Net Position:</b>				
Beginning of year - July 1	775,331	644,645	724,048	2,144,024
Restatement (GASB 68)	<u>(122,697)</u>	<u>-</u>	<u>-</u>	<u>(122,697)</u>
Beginning of year - July 1 as restated	<u>652,634</u>	<u>644,645</u>	<u>724,048</u>	<u>2,021,327</u>
End of year - June 30	<u>\$ 845,166</u>	<u>\$ 607,686</u>	<u>\$ 886,104</u>	<u>\$ 2,338,956</u>

## CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2015

	Transit System Fund	Municipal Golf Course Fund	Solid Waste Fund	Total
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers and users	\$ 201,679	\$ -	\$ 1,217,318	\$ 1,418,997
Cash paid to suppliers	(801,939)	-	(2,603,678)	(3,405,617)
Cash paid to employees	(1,285,803)	-	(1,776,131)	(3,061,934)
Net cash provided (used) by operating activities	<u>(1,886,063)</u>	<u>-</u>	<u>(3,162,491)</u>	<u>(5,048,554)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Transfers from other funds	671,756	-	3,365,106	4,036,862
Transfers to other funds	(24,037)	-	(42,351)	(66,388)
Net cash provided (used) by non-capital financing activities	<u>647,719</u>	<u>-</u>	<u>3,322,755</u>	<u>3,970,474</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Federal and State grants received	1,307,415	-	-	1,307,415
Acquisition and construction of capital assets	(9,190)	-	-	(9,190)
Net cash provided (used) by capital and related financing activities	<u>1,298,225</u>	<u>-</u>	<u>-</u>	<u>1,298,225</u>
Net increase (decrease) in cash and cash equivalents	59,881	-	160,264	220,145
<b>Cash and Cash Equivalents:</b>				
Beginning of year - July 1	<u>160,923</u>	<u>1,895</u>	<u>798,410</u>	<u>961,228</u>
End of year - June 30	<u>\$ 220,804</u>	<u>\$ 1,895</u>	<u>\$ 958,674</u>	<u>\$ 1,181,373</u>
<b>Reconciliation of Operating Income to Cash Flows from Operating Activities:</b>				
Operating income (loss)	\$ (1,911,205)	\$ (36,959)	\$ (3,160,699)	\$ (5,108,863)
Depreciation and amortization	38,980	36,959	-	75,939
Pension expense	3,795	-	-	3,795
Change in assets and liabilities:				
(Increase) decrease in deferred outflows of resources for pensions	(57,019)	-	-	(57,019)
(Increase) decrease in accounts receivables	-	-	(5,511)	(5,511)
Increase (decrease) in accounts payable	8,410	-	(3,607)	4,803
Increase (decrease) in accrued salaries	3,201	-	5,279	8,480
Increase (decrease) in compensated absences	(11,732)	-	2,047	(9,685)
Increase (decrease) in other post-employment benefits	39,507	-	-	39,507
Net cash provided (used) by operating activities	<u>\$ (1,886,063)</u>	<u>\$ -</u>	<u>\$ (3,162,491)</u>	<u>\$ (5,048,554)</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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Water sales and sewer charges	\$ 32,659,000	\$ 32,305,227	\$ (353,773)	\$ 32,273,206
Utilities for City use	1,121,985	1,328,255	206,270	1,192,060
Water and sewer taps	62,000	78,254	16,254	60,939
Other operating revenues	197,576	243,708	46,132	284,920
Pretreatment monitoring charge	62,500	65,900	3,400	51,163
Total	<u>34,103,061</u>	<u>34,021,344</u>	<u>(81,717)</u>	<u>33,862,288</u>
Non-operating revenues:				
Proceeds from sale of fixed assets	13,000	20,799	7,799	1,332
Investment earnings	11,000	30,392	19,392	30,950
Other non-operating revenues	62,350	110,243	47,893	126,589
Total	<u>86,350</u>	<u>161,434</u>	<u>75,084</u>	<u>158,871</u>
Total revenues	<u>34,189,411</u>	<u>34,182,778</u>	<u>(6,633)</u>	<u>34,021,159</u>
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
General services:				
Salaries and employee benefits	791,511	832,479	(40,968)	525,471
Other operating expenditures	6,626,381	3,673,487	2,952,894	2,824,279
Capital outlay	38,050	38,050	-	5,117
Renewal and replacement	1,617,099	-	1,617,099	-
Overhead charged by other departments	3,087,824	2,892,004	195,820	3,337,067
Total	<u>12,160,865</u>	<u>7,436,020</u>	<u>4,724,845</u>	<u>6,691,934</u>
Cramerton sewer:				
Other operating expenditures	-	-	-	150
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>150</u>
Customer service:				
Salaries and employee benefits	440,481	422,366	18,115	441,145
Other operating expenditures	352,280	332,798	19,482	372,588
Overhead charged by other departments	(1,000)	(605)	(395)	(1,591)
Total	<u>791,761</u>	<u>754,559</u>	<u>37,202</u>	<u>812,142</u>
Total administration	<u>12,952,626</u>	<u>8,190,579</u>	<u>4,762,047</u>	<u>7,504,226</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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Operations area:				
AM/FM GIS:				
Other operating expenditures	21,257	10,659	10,598	20,342
Total	21,257	10,659	10,598	20,342
PW Landscape:				
Salaries and employee benefits	140,262	122,795	17,467	131,307
Other operating expenditures	23,425	20,698	2,727	22,706
Total	163,687	143,493	20,194	154,013
Water and sewer street maintenance:				
Salaries and employee benefits	188,650	169,685	18,965	193,463
Other operating expenditures	146,906	140,460	6,446	101,315
Total	335,556	310,145	25,411	294,778
Service and meter repair:				
Other operating expenditures	-	-	-	119
Total	-	-	-	119
Utility locator:				
Other operating expenditures	-	-	-	192
Total	-	-	-	192
Water line maintenance:				
Salaries and employee benefits	1,057,505	1,045,426	12,079	1,016,811
Other operating expenditures	366,784	295,670	71,114	395,105
Overhead charged by other departments	(35,736)	(35,600)	(136)	(35,485)
Total	1,388,553	1,305,496	83,057	1,376,431
Sewer line maintenance:				
Salaries and employee benefits	909,442	842,575	66,867	910,023
Other operating expenditures	747,102	669,532	77,570	790,153
Capital outlay	67,870	38,453	29,417	98,677
Overhead charged by other departments	(39,646)	(30,634)	(9,012)	(35,546)
Total	1,684,768	1,519,926	164,842	1,763,307
Total operations area	3,593,821	3,289,719	304,102	3,609,182

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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Water supply and treatment:				
Salaries and employee benefits	1,365,948	1,289,944	76,004	1,267,622
Other operating expenditures	2,711,926	2,503,092	208,834	2,521,815
Overhead charged by other departments	37,631	30,631	7,000	6,560
Total	4,115,505	3,823,667	291,838	3,795,997
Facility maintenance:				
Salaries and employee benefits	835,726	807,650	28,076	836,123
Other operating expenditures	775,586	678,784	96,802	714,614
Overhead charged by other departments	18,550	10,351	8,199	30,537
Total	1,629,862	1,496,785	133,077	1,581,274
Sewage treatment:				
Salaries and employee benefits	2,644,363	2,587,671	56,692	2,609,164
Other operating expenditures	3,768,779	3,673,592	95,187	3,923,740
Capital outlay	15,025	14,943	82	37,585
Total	6,428,167	6,276,206	151,961	6,570,489
Payseur Mountain Resource Recovery:				
Other operating expenditures	1,221,410	1,326,956	(105,546)	1,219,929
Total	1,221,410	1,326,956	(105,546)	1,219,929
Debt service:				
Debt principal	6,368,250	6,368,249	1	3,637,666
Interest and fees	1,092,166	964,244	127,922	1,018,366
Bond issuance costs	-	-	-	69,770
Total	7,460,416	7,332,493	127,923	4,725,802
Total expenditures	37,401,807	31,736,405	5,665,402	29,006,899
Revenues over (under) expenditures	(3,212,396)	2,446,373	5,658,769	5,014,260
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	-	-	-	5,895,000
Payments to refunded bond escrow agent	-	-	-	(5,820,049)
Intrafund transfers	(2,442,679)	(2,442,679)	-	(5,957,511)
Transfers to other funds	(147,655)	(147,655)	-	(3,272)
Appropriated fund balance	5,802,730	-	(5,802,730)	-
Total other financing sources (uses)	3,212,396	(2,590,334)	(5,802,730)	(5,885,832)
Net change in fund balance	\$ -	\$ (143,961)	\$ (143,961)	\$ (871,572)

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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
<b>Reconciliation from Budgetary Basis to Full Accrual Basis:</b>				
Net change in fund balance		\$ (143,961)		
Reconciling items:				
Depreciation and amortization		(4,824,756)		
Amortization of debt premiums		165,809		
Long-term debt principal repayments		6,368,249		
Gain/(loss) on sale of capital assets		(7,341)		
Intrafund transfers to capital project funds		2,442,679		
Capital project revenues		258,832		
Capital project expenditures		(4,370,848)		
Capital assets purchased/capitalized		4,099,736		
Contributed capital - developers		1,345,434		
Change in unbilled revenues receivable		165,651		
Change in accrued vacation pay		4,581		
Deferred outflows of resources for contributions made to pension plan in the current year		399,134		
Pension expense		(26,571)		
Change in deferred revenues and inventories		9,307		
Change in accrued interest payable		47,142		
Other post-employment benefits		(240,453)		
Change in net position		\$ 5,692,624		

## 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, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Water and Sewer System expansion fee	\$ 5,620,000	\$ 250,307	\$ (5,369,693)
Restricted intergovernmental	600,000	-	(600,000)
Investment earnings	-	7,196	7,196
Other	26,577	1,329	(25,248)
Total revenues	<u>6,246,577</u>	<u>258,832</u>	<u>(5,987,745)</u>
<b>Expenditures:</b>			
Non-departmental	143,492	-	143,492
Regionalization	3,049,128	128,871	2,920,257
Crowders Creek	8,905	-	8,905
NCDOT Sewer Utility	398,260	383,441	14,819
Municipal operations	5,051,795	51,795	5,000,000
Collection system	1,465,801	799,267	666,534
Special assessment	133,498	113,514	19,984
Pumpstation Force Main	388,514	110,467	278,047
Long Creek Wastewater Treatment Plant	193,342	684	192,658
Water improvements - NCDOT conflicts	770,046	610,515	159,531
Water distribution	440,000	-	440,000
Water supply and treatment	148,110	14,600	133,510
Other special assessment	8,364	1,976	6,388
Water improvements - Revenue Bonds	79,404	75,824	3,580
Plant renovation	2,563,295	2,079,894	483,401
Total expenditures	<u>14,841,954</u>	<u>4,370,848</u>	<u>10,471,106</u>
Revenues over (under) expenditures	<u>(8,595,377)</u>	<u>(4,112,016)</u>	<u>4,483,361</u>
<b>Other Financing Sources (Uses):</b>			
Intrafund transfers	2,442,679	2,442,679	-
Issuance of long-term debt	2,200,000	-	(2,200,000)
Appropriated fund balance	3,976,698	-	(3,976,698)
Total other financing sources (uses)	<u>8,595,377</u>	<u>2,442,679</u>	<u>(6,152,698)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (1,669,337)</u>	<u>\$ (1,669,337)</u>

CITY OF GASTONIA, NORTH CAROLINA

ELECTRIC FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2015

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Over/Under	2014
	Budget	Actual		Actual
<b>Revenues:</b>				
Operating revenues:				
Electricity sales	\$ 75,191,917	\$ 72,893,941	\$ (2,297,976)	\$ 72,920,497
Utilities for City use	1,422,517	1,326,031	(96,486)	1,323,644
Other operating revenues	609,933	638,548	28,615	730,016
Total	<u>77,224,367</u>	<u>74,858,520</u>	<u>(2,365,847)</u>	<u>74,974,157</u>
Non-operating revenues:				
Investment earnings	15,000	15,878	878	23,108
Proceeds from sale of equipment	30,000	20,257	(9,743)	57,880
Total	<u>45,000</u>	<u>36,135</u>	<u>(8,865)</u>	<u>80,988</u>
Total revenues	<u>77,269,367</u>	<u>74,894,655</u>	<u>(2,374,712)</u>	<u>75,055,145</u>
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
Salaries and employee benefits	824,477	728,468	96,009	849,872
Overhead charged by other departments	2,244,943	2,024,830	220,113	2,471,197
Other operating expenditures	2,284,095	2,190,568	93,527	1,643,247
Capital outlay	-	-	-	5,117
Total	<u>5,353,515</u>	<u>4,943,866</u>	<u>409,649</u>	<u>4,969,433</u>
Operations:				
AM/FM GIS:				
Other operating expenditures	58,836	34,599	24,237	29,825
Total	<u>58,836</u>	<u>34,599</u>	<u>24,237</u>	<u>29,825</u>
Utility locator:				
Salaries and employee benefits	105,376	103,873	1,503	128,371
Other operating expenditures	35,911	24,217	11,694	37,262
Reimbursement for services	(81,546)	(76,432)	(5,114)	(98,066)
Total	<u>59,741</u>	<u>51,658</u>	<u>8,083</u>	<u>67,567</u>
Electric service:				
Salaries and employee benefits	749,708	727,003	22,705	758,415
Other operating expenditures	326,663	305,496	21,167	417,449
Reimbursement of services	(2,000)	(10,389)	8,389	(57,345)
Total	<u>1,074,371</u>	<u>1,022,110</u>	<u>52,261</u>	<u>1,118,519</u>

CITY OF GASTONIA, NORTH CAROLINA

**ELECTRIC FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Electric substation:				
Salaries and employee benefits	333,131	327,270	5,861	312,236
Other operating expenditures	239,609	208,678	30,931	337,269
Total	572,740	535,948	36,792	649,505
Street lights:				
Salaries and employee benefits	193,726	194,053	(327)	212,179
Other operating expenditures	427,922	382,740	45,182	371,981
Total	621,648	576,793	44,855	584,160
Load management:				
Other operating expenditures	800	50	750	650
Total	800	50	750	650
Electric line maintenance:				
Salaries and employee benefits	387,070	348,550	38,520	390,326
Other operating expenditures	913,079	900,864	12,215	916,777
Reimbursement for services	(40,000)	(79,856)	39,856	(48,207)
Total	1,260,149	1,169,558	90,591	1,258,896
Line construction:				
Salaries and employee benefits	639,193	634,575	4,618	636,958
Other operating expenditures	70,473	60,863	9,610	101,784
Capital outlay	77,263	68,600	8,663	69,490
Reimbursement for services	(8,000)	-	(8,000)	(3,573)
Total	778,929	764,038	14,891	804,659
Underground line construction:				
Salaries and employee benefits	328,209	278,848	49,361	314,890
Other operating expenditures	77,934	64,445	13,489	91,560
Capital outlay	101,863	95,894	5,969	97,868
Total	508,006	439,187	68,819	504,318
Financial services / warehouse:				
Other operating expenditures	133,483	(19,151)	152,634	(29,537)
Total	133,483	(19,151)	152,634	(29,537)
Electric service - generators:				
Other operating expenditures	102,320	100,081	2,239	146,843
Reimbursement for services	(20,000)	(20,000)	-	(20,002)
Total	82,320	80,081	2,239	126,841

CITY OF GASTONIA, NORTH CAROLINA

**ELECTRIC FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Renewal and replacement	1,405,384	-	1,405,384	-
Total	1,405,384	-	1,405,384	-
Total operations	6,556,407	4,654,871	1,901,536	5,115,403
Purchased power:				
Cost of electricity purchased	65,260,192	65,005,458	254,734	62,714,754
Debt service:				
Interest and fees	16,869	16,869	-	16,869
Total	16,869	16,869	-	16,869
Total expenditures	77,186,983	74,621,064	2,565,919	72,816,459
Revenues over (under) expenditures	82,384	273,591	191,207	2,238,686
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	(1,671,507)	(1,671,507)	-	(2,001,168)
Intrafund transfer	(900,000)	(900,000)	-	(1,000,000)
Appropriated fund balance	2,489,123	-	(2,489,123)	-
Total other financing sources (uses)	(82,384)	(2,571,507)	(2,489,123)	(3,001,168)
Net change in fund balance	\$ -	\$ (2,297,916)	\$ (2,297,916)	\$ (762,482)

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

Net change in fund balance	\$ (2,297,916)
Reconciling items:	
Depreciation	(1,991,353)
Intrafund transfers to capital project funds	900,000
Capital project revenues	161,201
Capital project expenditures	(1,317,132)
Capital assets purchased/capitalized	2,438,448
Change in unbilled revenues receivable	551,067
Deferred outflows of resources for contributions made to pension plan in the current year	171,057
Pension expense	(11,387)
Change in accrued vacation pay	9,553
Change in deferred revenues and inventories	(59,480)
Other post-employment benefits	(114,324)
Change in net position	\$ (1,560,266)

## 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, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Miscellaneous	\$ 158,579	\$ 158,770	\$ 191
Investment earnings	-	2,431	2,431
Total revenues	<u>158,579</u>	<u>161,201</u>	<u>2,622</u>
<b>Expenditures:</b>			
Economic development	206,200	-	206,200
Electric truck shed	41,380	-	41,380
SCADA replacement	35,800	-	35,800
Capital project reserve	505	-	505
Long Creek Generator Project	78,373	-	78,373
City electrical tie lines	690,883	355,576	335,307
Kendrick extension	64,000	48,999	15,001
US 74 line extension	499,170	70,604	428,566
Electric development	259,755	216,539	43,216
Residential development	283,028	125,203	157,825
NCDOT City Fiber	69,144	-	69,144
Loray Mill	425,087	409,286	15,801
GO Bonds Project	73,680	-	73,680
Total expenditures	<u>2,806,760</u>	<u>1,317,132</u>	<u>1,489,628</u>
Revenues over (under) expenditures	<u>(2,648,181)</u>	<u>(1,155,931)</u>	<u>1,492,250</u>
<b>Other Financing Sources (Uses):</b>			
Intrafund transfers	876,000	900,000	24,000
Appropriated fund balance	1,772,181	-	(1,772,181)
Total other financing sources (uses)	<u>2,648,181</u>	<u>900,000</u>	<u>(1,748,181)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (255,931)</u>	<u>\$ (255,931)</u>



CITY OF GASTONIA, NORTH CAROLINA

**STORMWATER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Stormwater fees	\$ 2,481,317	\$ 2,433,954	\$ (47,363)	\$ 2,066,034
Stormwater fees to other funds	64,845	60,046	(4,799)	50,848
Other operating revenues	250	1,556	1,306	1,888
Total	<u>2,546,412</u>	<u>2,495,556</u>	<u>(50,856)</u>	<u>2,118,770</u>
Non-operating revenues:				
Investment earnings	650	850	200	618
Total	<u>650</u>	<u>850</u>	<u>200</u>	<u>618</u>
Total revenues	<u>2,547,062</u>	<u>2,496,406</u>	<u>(50,656)</u>	<u>2,119,388</u>
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
Salaries and benefits	288,360	271,078	17,282	213,387
Other operating expenditures	230,085	227,416	2,669	18,501
Overhead allocation from General Fund	715,469	695,524	19,945	786,135
Total	<u>1,233,914</u>	<u>1,194,018</u>	<u>39,896</u>	<u>1,018,023</u>
Operations:				
Salaries and benefits	338,401	304,603	33,798	314,355
Other operating expenditures	233,829	197,124	36,705	177,239
Total	<u>572,230</u>	<u>501,727</u>	<u>70,503</u>	<u>491,594</u>
AM/FM/GIS:				
Other operating expenditures	11,874	4,926	6,948	6,127
Total	<u>11,874</u>	<u>4,926</u>	<u>6,948</u>	<u>6,127</u>
Total expenditures	<u>1,818,018</u>	<u>1,700,671</u>	<u>117,347</u>	<u>1,515,744</u>

CITY OF GASTONIA, NORTH CAROLINA

STORMWATER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Revenues over (under) expenditures	729,044	795,735	66,691	603,644
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	(6,868)	(6,868)	-	(182)
Intrafund transfer	(773,800)	(773,800)	-	(379,737)
Appropriated fund balance	51,624	-	(51,624)	-
Total other financing sources (uses)	(729,044)	(780,668)	51,624	(379,919)
Net change in fund balance	\$ -	\$ 15,067	\$ 15,067	\$ 223,725

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

Net change in fund balance	\$ 15,067
Reconciling items:	
Depreciation	(645,035)
Capital project revenues	8,275
Intrafund transfer to Capital Project Fund	773,800
Developer capital contributions	357,759
Gain/(loss) on sale of capital assets	(174,458)
Change in unbilled revenues receivable	(371)
Deferred outflows of resources for contributions made to pension plan in the current year	28,510
Pension expense	(1,898)
Change in accrued vacation pay	6,309
Change in deferred revenues and inventories	24,666
Other post-employment benefits	(18,464)
Change in net position	\$ 374,160

## 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, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 1,245	\$ 1,245
Miscellaneous revenues	20,000	7,030	(12,970)
Total revenues	<u>20,000</u>	<u>8,275</u>	<u>(11,725)</u>
<b>Expenditures:</b>			
Stormwater system	1,375,644	491,402	884,242
Stormwater, non-capital	76,967	11,583	65,384
Total expenditures	<u>1,452,611</u>	<u>502,985</u>	<u>949,626</u>
Revenues over (under) expenditures	<u>(1,432,611)</u>	<u>(494,710)</u>	<u>937,901</u>
<b>Other Financing Sources (Uses):</b>			
Intrafund transfer in	773,800	773,800	-
Appropriated fund balance	658,811	-	(658,811)
Total other financing sources (uses)	<u>1,432,611</u>	<u>773,800</u>	<u>(658,811)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 279,090</u>	<u>\$ 279,090</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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Bus user fees	\$ 218,700	\$ 192,436	\$ (26,264)	\$ 197,850
Restricted intergovernmental	1,618,612	1,456,018	(162,594)	1,339,953
Miscellaneous	9,000	9,243	243	15,799
Total operating revenues	<u>1,846,312</u>	<u>1,657,697</u>	<u>(188,615)</u>	<u>1,553,602</u>
Non-operating revenues:				
Investment earnings	-	-	-	163
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>163</u>
Total revenues	<u>1,846,312</u>	<u>1,657,697</u>	<u>(188,615)</u>	<u>1,553,765</u>
<b>Expenditures:</b>				
Fleet services	-	16,143	(16,143)	(2,852)
Total	<u>-</u>	<u>16,143</u>	<u>(16,143)</u>	<u>(2,852)</u>
Administration:				
Salaries and benefits	281,037	238,487	42,550	275,200
Other operating expenditures	50,753	42,288	8,465	28,133
Overhead allocation from General Fund	376,804	358,726	18,078	345,481
Total	<u>708,594</u>	<u>639,501</u>	<u>69,093</u>	<u>648,814</u>
Operations:				
Salaries and benefits	592,832	566,832	26,000	578,447
Other operating expenditures	438,438	370,505	67,933	404,081
Capital outlay	44,885	12,893	31,992	23,401
Total	<u>1,076,155</u>	<u>950,230</u>	<u>125,925</u>	<u>1,005,929</u>
Maintenance:				
Salaries and benefits	297,224	276,967	20,257	284,686
Other operating expenditures	24,556	18,208	6,348	15,650
Capital outlay	1,055	-	1,055	-
Total	<u>322,835</u>	<u>295,175</u>	<u>27,660</u>	<u>300,336</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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
ADA / Paratransit:				
Salaries and benefits	190,773	181,269	9,504	151,876
Other operating expenditures	212,418	26,225	186,193	32,546
Total	404,191	207,494	196,697	184,422
Total expenditures	2,511,775	2,108,543	403,232	2,136,649
Revenues over (under) expenditures	(665,463)	(450,846)	214,617	(582,884)
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	671,756	671,756	-	621,610
Transfers to other funds	(24,037)	(24,037)	-	(545)
Appropriated fund balance	17,744	-	(17,744)	-
Total other financing sources (uses)	665,463	647,719	(17,744)	621,065
Net change in fund balance	\$ -	\$ 196,873	\$ 196,873	\$ 38,181

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

Net change in fund balance	\$ 196,873
Reconciling items:	
Depreciation	(38,980)
Deferred outflows of resources for contributions made to pension plan in the current year	57,019
Pension expense	(3,795)
Capital assets purchased	9,190
Decrease in accrued vacation pay	11,732
Other post-employment benefits	(39,507)
Change in net position	\$ 192,532

## 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, 2015**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	<u>2015</u>		<u>2014</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
			<u>Variance</u>
			<u>Over/Under</u>
<b>Reconciliation from Budgetary Basis</b>			
<b>to Full Accrual Basis:</b>			
Net change in fund balance		\$ -	
Reconciling items:			
Depreciation		<u>(36,959)</u>	
Change in net position		<u>\$ (36,959)</u>	

**CITY OF GASTONIA, NORTH CAROLINA**

**SOLID WASTE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Collection and recycling fees	\$ 1,115,450	\$ 1,202,621	\$ 87,171	\$ 1,171,202
Other operating revenues	3,500	15,331	11,831	5,160
Total revenues	<u>1,118,950</u>	<u>1,217,952</u>	<u>99,002</u>	<u>1,176,362</u>
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
Salaries and benefits	173,405	172,835	570	209,833
Other operating expenditures	110,636	109,925	711	80,482
Overhead allocation from General Fund	(56,236)	(17,327)	(38,909)	(17,694)
Total	<u>227,805</u>	<u>265,433</u>	<u>(37,628)</u>	<u>272,621</u>
Refuse collection:				
Salaries and benefits	1,658,309	1,610,622	47,687	1,584,720
Other operating expenditures	1,965,926	1,924,483	41,443	1,880,549
Overhead allocation from General Fund	(35,935)	(34,713)	(1,222)	(33,200)
Total	<u>3,588,300</u>	<u>3,500,392</u>	<u>87,908</u>	<u>3,432,069</u>
Refuse disposal:				
Other operating expenditures	625,600	615,656	9,944	575,184
Total	<u>625,600</u>	<u>615,656</u>	<u>9,944</u>	<u>575,184</u>
Capital outlay	416,710	-	416,710	-
Total expenditures	<u>4,858,415</u>	<u>4,381,481</u>	<u>476,934</u>	<u>4,279,874</u>

CITY OF GASTONIA, NORTH CAROLINA

SOLID WASTE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Revenues over (under) expenditures	<u>(3,739,465)</u>	<u>(3,163,529)</u>	<u>575,936</u>	<u>(3,103,512)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	3,365,106	3,365,106	-	3,392,381
Transfers to other funds	(42,351)	(42,351)	-	(987)
Appropriated fund balance	<u>416,710</u>	<u>-</u>	<u>(416,710)</u>	<u>-</u>
Total other financing sources (uses)	<u>3,739,465</u>	<u>3,322,755</u>	<u>416,710</u>	<u>3,391,394</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 159,226</u>	<u>\$ 159,226</u>	<u>\$ 287,882</u>
<b>Reconciliation from Budgetary Basis to Full Accrual Basis:</b>				
Net change in fund balance		\$ 159,226		
Reconciling items:				
Change in deferred revenues and inventories		8,222		
Change in unbilled revenues receivable		(3,345)		
Change in accrued vacation pay		<u>(2,047)</u>		
Change in net position		<u>\$ 162,056</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 STATEMENT OF NET POSITION  
JUNE 30, 2015

	<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	\$ -	\$ 744,450	\$ 144,256	\$ 232,262	\$ 1,120,968
Accounts receivable, net	-	415,288	-	2,899	418,187
Due from other funds	-	-	11,236	780,388	791,624
Cash and cash equivalents, restricted	<u>2,432,641</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,432,641</u>
Total current assets	<u>2,432,641</u>	<u>1,159,738</u>	<u>155,492</u>	<u>1,015,549</u>	<u>4,763,420</u>
Non-current assets:					
Depreciable capital assets, net	<u>9,056,086</u>	<u>80,776</u>	<u>-</u>	<u>-</u>	<u>9,136,862</u>
Total non-current assets	<u>9,056,086</u>	<u>80,776</u>	<u>-</u>	<u>-</u>	<u>9,136,862</u>
Total assets	<u>\$ 11,488,727</u>	<u>\$ 1,240,514</u>	<u>\$ 155,492</u>	<u>\$ 1,015,549</u>	<u>\$ 13,900,282</u>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	\$ 123,577	\$ 84,871	\$ -	\$ 838,376	\$ 1,046,824
Accrued salaries and benefits	-	125,766	-	-	125,766
Compensated absences, current	-	195,187	-	-	195,187
Accrued interest	27,954	-	-	-	27,954
Due to other funds	-	-	79,432	-	79,432
Current portion of long-term debt	<u>2,545,042</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,545,042</u>
Total current liabilities	<u>2,696,573</u>	<u>405,824</u>	<u>79,432</u>	<u>838,376</u>	<u>4,020,205</u>
Non-current liabilities:					
Compensated absences, non-current	-	65,062	-	-	65,062
Non-current portion of long-term debt	<u>5,610,156</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,610,156</u>
Total non-current liabilities	<u>5,610,156</u>	<u>65,062</u>	<u>-</u>	<u>-</u>	<u>5,675,218</u>
Total liabilities	<u>8,306,729</u>	<u>470,886</u>	<u>79,432</u>	<u>838,376</u>	<u>9,695,423</u>
<b>Net Position:</b>					
Net investment in capital assets	3,333,529	80,776	-	-	3,414,305
Unrestricted	<u>(151,531)</u>	<u>688,852</u>	<u>76,060</u>	<u>177,173</u>	<u>790,554</u>
Total net position	<u>\$ 3,181,998</u>	<u>\$ 769,628</u>	<u>\$ 76,060</u>	<u>\$ 177,173</u>	<u>\$ 4,204,859</u>

## CITY OF GASTONIA, NORTH CAROLINA

**INTERNAL SERVICE FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN FUND NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2015**

	<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	\$ 2,465,584	\$ 4,752,025	\$ 311,766	\$ 6,203,896	\$ 13,733,271
Other revenues	-	1,066,901	-	-	1,066,901
Total	<u>2,465,584</u>	<u>5,818,926</u>	<u>311,766</u>	<u>6,203,896</u>	<u>14,800,172</u>
<b>Operating Expenses:</b>					
Operations area	445,903	5,413,755	323,724	7,022,369	13,205,751
Depreciation and amortization	2,364,513	30,693	-	-	2,395,206
Total	<u>2,810,416</u>	<u>5,444,448</u>	<u>323,724</u>	<u>7,022,369</u>	<u>15,600,957</u>
Operating income (loss)	<u>(344,832)</u>	<u>374,478</u>	<u>(11,958)</u>	<u>(818,473)</u>	<u>(800,785)</u>
<b>Non-Operating Revenues (Expenses):</b>					
Miscellaneous	208,070	-	-	-	208,070
Investment earnings	3,264	539	202	1,469	5,474
Gain (loss) on disposal of fixed assets	(28,513)	-	-	-	(28,513)
Interest on long-term debt	(142,248)	-	-	-	(142,248)
Total non-operating revenues (expenses)	<u>40,573</u>	<u>539</u>	<u>202</u>	<u>1,469</u>	<u>42,783</u>
Income (loss) before and transfers	<u>(304,259)</u>	<u>375,017</u>	<u>(11,756)</u>	<u>(817,004)</u>	<u>(758,002)</u>
<b>Transfers:</b>					
Transfers from other funds	-	-	-	948,882	948,882
Transfers (to) other funds	-	(36,627)	-	-	(36,627)
Total transfers	<u>-</u>	<u>(36,627)</u>	<u>-</u>	<u>948,882</u>	<u>912,255</u>
Change in net position	(304,259)	338,390	(11,756)	131,878	154,253
<b>Net Position:</b>					
Beginning of year - July 1	<u>3,486,257</u>	<u>431,238</u>	<u>87,816</u>	<u>45,295</u>	<u>4,050,606</u>
End of year - June 30	<u>\$ 3,181,998</u>	<u>\$ 769,628</u>	<u>\$ 76,060</u>	<u>\$ 177,173</u>	<u>\$ 4,204,859</u>

## CITY OF GASTONIA, NORTH CAROLINA

INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2015

	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	\$ 2,673,654	\$ 5,574,911	\$ 311,766	\$ 6,412,584	\$ 14,972,915
Cash paid to suppliers	(459,119)	(4,713,111)	(323,724)	(7,024,819)	(12,520,773)
Cash paid to employees	-	(366,153)	-	-	(366,153)
Net cash provided (used) by operating activities	<u>2,214,535</u>	<u>495,647</u>	<u>(11,958)</u>	<u>(612,235)</u>	<u>2,085,989</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>					
Change in due to/from other funds	-	-	28,029	(105,854)	(77,825)
Transfers from (to) other funds	-	-	-	948,882	948,882
Transfers to other funds	-	(36,627)	-	-	(36,627)
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>(36,627)</u>	<u>28,029</u>	<u>843,028</u>	<u>834,430</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Proceeds from issuance of debt	2,883,000	-	-	-	2,883,000
Principal paid on long-term debt	(2,318,397)	-	-	-	(2,318,397)
Acquisition and construction of capital assets	(3,092,424)	(64,555)	-	-	(3,156,979)
Interest paid on long-term debt	(149,575)	-	-	-	(149,575)
Net cash provided (used) by capital and related financing activities	<u>(2,677,396)</u>	<u>(64,555)</u>	<u>-</u>	<u>-</u>	<u>(2,741,951)</u>
<b>Cash Flows from Investing Activities:</b>					
Interest on investments	3,264	539	202	1,469	5,474
Net cash provided (used) by investing activities	<u>3,264</u>	<u>539</u>	<u>202</u>	<u>1,469</u>	<u>5,474</u>
Net increase (decrease) in cash and cash equivalents	(459,597)	395,004	16,273	232,262	183,942
<b>Cash and Cash Equivalents:</b>					
Beginning of year - July 1	<u>2,892,238</u>	<u>349,446</u>	<u>127,983</u>	<u>-</u>	<u>3,369,667</u>
End of year - June 30	<u>\$ 2,432,641</u>	<u>\$ 744,450</u>	<u>\$ 144,256</u>	<u>\$ 232,262</u>	<u>\$ 3,553,609</u>
<b>Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:</b>					
Operating income (loss)	\$ (344,832)	\$ 374,478	\$ (11,958)	\$ (818,473)	\$ (800,785)
Depreciation and amortization	2,364,513	30,693	-	-	2,395,206
Non-operating revenues (expenses)	208,070	-	-	-	208,070
Change in assets and liabilities:					
(Increase) decrease in accounts receivables	-	(244,015)	-	208,688	(35,327)
Increase (decrease) in accounts payable	(13,216)	149,862	-	(2,450)	134,196
Increase (decrease) in compensated absences	-	184,629	-	-	184,629
Net cash provided (used) by operating activities	<u>\$ 2,214,535</u>	<u>\$ 495,647</u>	<u>\$ (11,958)</u>	<u>\$ (612,235)</u>	<u>\$ 2,085,989</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, 2015

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Plan	Actual	Variance Over/Under	Actual
<b>Operating Revenues:</b>				
Vehicle and equipment rentals	\$ 2,465,584	\$ 2,465,584	\$ -	\$ 2,224,572
Total	<u>2,465,584</u>	<u>2,465,584</u>	<u>-</u>	<u>2,224,572</u>
<b>Non-Operating Revenues:</b>				
Miscellaneous	-	208,070	208,070	126,186
Investment earnings	-	3,264	3,264	(3,047)
Total	<u>-</u>	<u>211,334</u>	<u>211,334</u>	<u>123,139</u>
Total revenues	<u>2,465,584</u>	<u>2,676,918</u>	<u>211,334</u>	<u>2,347,711</u>
<b>Expenditures:</b>				
Operating expenditures:				
Equipment manager 2013:				
Capital outlay	<u>159,543</u>	<u>-</u>	<u>159,543</u>	<u>260,846</u>
Total	<u>159,543</u>	<u>-</u>	<u>159,543</u>	<u>260,846</u>
Technology systems 2013:				
Other operating expenditures	87,266	87,266	-	99,182
Capital outlay	<u>14,934</u>	<u>14,934</u>	<u>-</u>	<u>105,934</u>
Total	<u>102,200</u>	<u>102,200</u>	<u>-</u>	<u>205,116</u>
Technology systems 2012:				
Capital outlay	<u>129</u>	<u>129</u>	<u>-</u>	<u>9,057</u>
Total	<u>129</u>	<u>129</u>	<u>-</u>	<u>9,057</u>
Equipment manager:				
Capital outlay	<u>77,627</u>	<u>77,095</u>	<u>532</u>	<u>(304)</u>
Total	<u>77,627</u>	<u>77,095</u>	<u>532</u>	<u>(304)</u>
Financial services/Meter services:				
Other operating expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,855</u>
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,855</u>
Financial services/warehouse:				
Capital outlay	<u>13,000</u>	<u>11,853</u>	<u>1,147</u>	<u>-</u>
Total	<u>13,000</u>	<u>11,853</u>	<u>1,147</u>	<u>-</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, 2015

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Plan	Actual	Variance Over/Under	Actual
Technology Systems 2014:				
Other operating expenditures	48,818	47,316	1,502	184,038
Capital outlay	172,685	172,685	-	294,459
Total	221,503	220,001	1,502	478,497
Technology Systems 2015:				
Other operating expenditures	327,800	286,049	41,751	-
Capital outlay	84,000	21,082	62,918	-
Total	411,800	307,131	104,669	-
Equipment Manager 2014:				
Capital outlay	1,249,923	1,199,657	50,266	772,227
Total	1,249,923	1,199,657	50,266	772,227
Equipment Manager 2015:				
Capital outlay	1,766,896	794,481	972,415	-
Total	1,766,896	794,481	972,415	-
Financial services - customer service:				
Other operating expenditures	57,281	15,441	41,840	-
Police field services:				
Other operating expenditures	22,727	14,268	8,459	28,954
Capital outlay	46,378	42,508	3,870	313,752
Total	69,105	56,776	12,329	342,706
Fire operations:				
Other operating expenditures	781,629	753,564	28,065	-
Capital reserve:				
Other operating expenditures	203,797	-	203,797	-
Total	203,797	-	203,797	-
Total operating expenditures	5,114,433	3,538,328	1,576,105	2,073,000

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, 2015

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Plan	Actual	Variance Over/Under	Actual
Debt service:				
Principal repayments	2,318,993	2,318,397	596	2,076,620
Interest and fees	100,766	122,775	(22,009)	100,016
Debt issuance costs	17,750	17,750	-	14,750
Other debt service costs	41,630	9,050	32,580	3,050
Total	<u>2,479,139</u>	<u>2,467,972</u>	<u>11,167</u>	<u>2,194,436</u>
Total expenditures	<u>7,593,572</u>	<u>6,006,300</u>	<u>1,587,272</u>	<u>4,267,436</u>
Revenues over (under) expenditures	<u>(5,127,988)</u>	<u>(3,329,382)</u>	<u>1,798,606</u>	<u>(1,919,725)</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	2,882,696	2,883,000	304	3,164,000
Appropriated fund balance	2,245,292	-	(2,245,292)	-
Total other financing sources (uses)	<u>5,127,988</u>	<u>2,883,000</u>	<u>(2,244,988)</u>	<u>3,164,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (446,382)</u>	<u>\$ (446,382)</u>	<u>\$ 1,244,275</u>

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

Net change in fund balance	\$ (446,382)
Reconciling items:	
Depreciation and amortization	(2,364,513)
Gain/(loss) on sale of capital assets	(28,513)
Proceeds from issuance of long-term debt	(2,883,000)
Long-term debt principal repayments	2,318,397
Capital outlay, capitalized	3,092,424
Change in accrued interest	<u>7,328</u>
Change in net position	<u>\$ (304,259)</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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Over/Under	2014
	Plan	Actual		Actual
<b>Operating Revenues:</b>				
Technology services	\$ 4,610,534	\$ 4,752,025	\$ 141,491	\$ 1,880,464
Miscellaneous	1,723,057	1,066,901	(656,156)	2,952
Total	6,333,591	5,818,926	(514,665)	1,883,416
<b>Non-Operating Revenues:</b>				
Investment earnings	800	539	(261)	644
Total	800	539	(261)	644
Total revenues	6,334,391	5,819,465	(514,926)	1,884,060
<b>Expenditures:</b>				
Operating expenditures:				
Network access:				
Other operating expenditures	4,364	4,364	-	225,625
Capital outlay	-	-	-	12,094
Total	4,364	4,364	-	237,719
Technology services - administration:				
Salaries and employee benefits	155,451	155,883	(432)	138,003
Other operating expenditures	37,733	27,120	10,613	25,753
Total	193,184	183,003	10,181	163,756
Admin - apps:				
Salaries and employee benefits	157,610	156,158	1,452	-
Other operating expenditures	90,335	81,845	8,490	-
Total	247,945	238,003	9,942	-
Database administration:				
Salaries and employee benefits	231,198	230,309	889	-
Other operating expenditures	116,517	92,331	24,186	-
Total	347,715	322,640	25,075	-

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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Plan	Actual	Variance Over/Under	Actual
Geographic Information Systems AM/FM:				
Salaries and employee benefits	251,458	214,812	36,646	-
Other operating expenditures	51,880	35,009	16,871	-
Total	303,338	249,821	53,517	-
Tech services - website:				
Other operating expenditures	66,000	45,899	20,101	-
Total	66,000	45,899	20,101	-
Tech services - CIS apps:				
Salaries and employee benefits	310,099	308,579	1,520	-
Other operating expenditures	247,659	213,997	33,662	-
Total	557,758	522,576	35,182	-
Communication division:				
Salaries and employee benefits	677,026	680,102	(3,076)	-
Other operating expenditures	156,236	(23,764)	180,000	-
Total	833,262	656,338	176,924	-
Tech services - 800Mhz system:				
Other operating expenditures	308,834	307,143	1,691	-
Total	308,834	307,143	1,691	-
Tech services - public safety:				
Salaries and employee benefits	420,113	422,015	(1,902)	-
Other operating expenditures	459,411	10,391	449,020	-
Total	879,524	432,406	447,118	-
Telephone communications:				
Salaries and employee benefits	59,201	58,223	978	-
Other operating expenditures	493,823	473,641	20,182	-
Total	553,024	531,864	21,160	-

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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Plan	Actual	Variance Over/Under	Actual
Technology services - public safety:				
Other operating expenditures	7,000	1,838	5,162	49,676
Capital outlay	6,660	6,659	1	18,215
Total	13,660	8,497	5,163	67,891
Technology services - computer support:				
Salaries and employee benefits	361,095	321,396	39,699	182,657
Other operating expenditures	107,595	69,587	38,008	81,341
Total	468,690	390,983	77,707	263,998
Technology service - Assistant City Manager:				
Salaries and employee benefits	550	550	-	73,840
Other operating expenditures	-	-	-	2,912
Total	550	550	-	76,752
Technology-city equipment:				
Other operating expenditures	331,813	331,810	3	326,047
Total	331,813	331,810	3	326,047
Technology services - support administration:				
Salaries and employee benefits	165,119	164,981	138	220,406
Other operating expenditures	474,226	365,843	108,383	151,790
Capital outlay	9,600	-	9,600	-
Total	648,945	530,824	118,121	372,196
Technology services - core services:				
Salaries and employee benefits	187,910	187,809	101	241,064
Other operating expenditures	195,267	109,752	85,515	36,733
Total	383,177	297,561	85,616	277,797
Technology services - admin services:				
Salaries and employee benefits				
Other operating expenditures	3,665	2,908	757	70,626
Total	3,665	2,908	757	70,626

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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Over/Under	2014
	Plan	Actual		Actual
IT/Core applications:				
Other operating expenditures	243,000	236,491	6,509	145,937
Total technology equipment	243,000	236,491	6,509	145,937
Technology services - capital projects:				
Other operating expenditures	330,128	-	330,128	-
Total expenditures	6,718,576	5,293,681	1,424,895	2,002,719
Revenues over (under) expenditures	(384,185)	525,784	909,969	(118,659)
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	(36,627)	(36,627)	-	(260)
Appropriated fund balance	420,812	-	(420,812)	-
Total other financing sources (uses)	384,185	(36,627)	(420,812)	(260)
Net change in fund balance	\$ -	\$ 489,157	\$ 489,157	\$ (118,919)
<b>Reconciliation from Budgetary Basis to Full Accrual Basis:</b>				
Net change in fund balance		\$ 489,157		
Reconciling items:				
Depreciation and amortization		(30,693)		
Capital outlay, capitalized		64,555		
Change in accrued vacation pay		(184,629)		
Change in net position		\$ 338,390		

## 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, 2015

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Plan	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Charges for services	\$ 340,000	\$ 311,766	\$ (28,234)	\$ 317,419
Total operating revenues	<u>340,000</u>	<u>311,766</u>	<u>(28,234)</u>	<u>317,419</u>
Non-operating revenues:				
Investment earnings	-	202	202	127
Total non-operating revenues	<u>-</u>	<u>202</u>	<u>202</u>	<u>127</u>
Total revenues	<u>340,000</u>	<u>311,968</u>	<u>(28,032)</u>	<u>317,546</u>
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
Operating expenditures	340,000	323,724	16,276	327,566
Total expenditures	<u>340,000</u>	<u>323,724</u>	<u>16,276</u>	<u>327,566</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (11,756)</u>	<u>\$ (11,756)</u>	<u>\$ (10,020)</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, 2015**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Plan	Actual	Variance Over/Under	Actual
<b>Operating Revenues:</b>				
Charges for services	\$ 6,376,497	\$ 6,203,896	\$ (172,601)	\$ 6,382,765
Total operating revenues	<u>6,376,497</u>	<u>6,203,896</u>	<u>(172,601)</u>	<u>6,382,765</u>
<b>Non-Operating Revenues:</b>				
Investment earnings	750	1,469	719	1,793
Total non-operating revenues	<u>750</u>	<u>1,469</u>	<u>719</u>	<u>1,793</u>
Total revenues	<u>6,377,247</u>	<u>6,205,365</u>	<u>(171,882)</u>	<u>6,384,558</u>
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
Operating expenditures	7,326,129	7,022,369	303,760	6,739,266
Total expenditures	<u>7,326,129</u>	<u>7,022,369</u>	<u>303,760</u>	<u>6,739,266</u>
Revenues over (under) expenditures	<u>(948,882)</u>	<u>(817,004)</u>	<u>131,878</u>	<u>(354,708)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	948,882	948,882	-	421,734
Total other financing sources (uses)	<u>948,882</u>	<u>948,882</u>	<u>-</u>	<u>421,734</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 131,878</u>	<u>\$ 131,878</u>	<u>\$ 67,026</u>

## **AGENCY FUND**

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds.

Individual fund description:

### Cramerton Stormwater Fund

The Cramerton Stormwater Fund accounts for the collection of stormwater fees for the Town of Cramerton.





## CITY OF GASTONIA, NORTH CAROLINA

## AGENCY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2015</u>
<b>Cramerton Stormwater Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 14,052	\$ 152,060	\$ 149,838	\$ 16,274
Accounts receivable	<u>22,645</u>	<u>76,705</u>	<u>75,527</u>	<u>23,823</u>
Total assets	<u>\$ 36,697</u>	<u>\$ 228,765</u>	<u>\$ 225,365</u>	<u>\$ 40,097</u>
<b>Liabilities:</b>				
Accounts payable	<u>\$ 36,697</u>	<u>\$ 76,533</u>	<u>\$ 73,133</u>	<u>\$ 40,097</u>
Total liabilities	<u>\$ 36,697</u>	<u>\$ 76,533</u>	<u>\$ 73,133</u>	<u>\$ 40,097</u>



## **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 Position by Component**  
**Last Ten Years**  
(accural basis of accounting)

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Governmental activities</b>										
Net investment in capital assets										
Restricted	\$118,844,527	\$120,843,698	\$126,226,919	\$133,748,816	\$138,540,308	\$139,559,976	\$141,102,212	\$136,620,839	\$133,728,859	\$130,418,562
Unrestricted	19,904,920	10,490,248	9,627,851	11,607,308	15,584,703	-	-	-	67,748	339,013
Total governmental activities net position	<u>(6,649,369)</u>	<u>2,587,020</u>	<u>(527,578)</u>	<u>(5,919,857)</u>	<u>(10,820,650)</u>	<u>9,452,047</u>	<u>12,175,237</u>	<u>20,046,618</u>	<u>22,418,301</u>	<u>22,251,093</u>
	\$132,100,078	\$133,920,966	\$135,327,192	\$139,436,267	\$143,304,361	\$149,012,023	\$153,277,449	\$156,667,457	\$156,214,906	\$153,008,668
<b>Business Type activities</b>										
Net investment in capital assets										
Restricted	\$236,950,245	\$229,381,517	\$225,259,816	\$226,763,782	\$224,855,825	\$218,955,191	\$220,064,680	\$218,603,743	\$208,813,019	\$202,212,703
Unrestricted	33,815,134	37,939,875	36,849,517	32,314,759	29,242,547	28,646,390	24,800,189	24,571,909	22,035,934	20,574,098
Total Business Type activities net position	<u>\$270,765,379</u>	<u>\$267,321,392</u>	<u>\$262,109,333</u>	<u>\$259,078,541</u>	<u>\$254,098,372</u>	<u>\$247,601,581</u>	<u>\$244,864,869</u>	<u>\$243,175,652</u>	<u>\$230,848,953</u>	<u>\$222,786,801</u>
<b>Primary Government</b>										
Net investment in capital assets										
Restricted	\$355,794,772	\$350,225,215	\$351,486,735	\$360,512,598	\$363,396,133	\$358,515,167	\$361,166,892	\$355,224,582	\$342,541,878	\$332,631,265
Unrestricted	19,904,920	10,490,248	9,627,851	11,607,308	15,584,703	-	-	-	67,748	339,013
Total primary government net position	<u>27,165,765</u>	<u>40,526,895</u>	<u>36,321,939</u>	<u>26,394,902</u>	<u>18,421,897</u>	<u>38,098,437</u>	<u>36,975,426</u>	<u>44,618,527</u>	<u>44,454,235</u>	<u>42,825,191</u>
	\$402,865,457	\$401,242,358	\$397,436,525	\$398,514,808	\$397,402,733	\$396,613,604	\$398,142,318	\$399,843,109	\$387,063,861	\$375,795,469

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	\$10,806,827	\$14,384,930	\$13,066,786	\$12,786,945	\$13,757,722	\$14,984,907	\$14,927,520	\$13,338,063	\$9,331,598	\$10,396,128
Public Safety	27,478,999	26,786,547	27,337,102	27,808,577	28,459,755	27,143,754	26,558,148	25,412,069	24,197,724	21,382,176
Public Works and Cemeteries	8,257,303	9,215,118	10,628,247	12,267,869	18,653,965	16,745,302	17,418,712	17,082,502	16,117,031	15,170,385
Cultural and Recreation	6,076,535	5,311,960	5,477,231	5,692,774	5,536,988	4,789,198	5,421,420	5,240,922	5,148,069	4,384,943
Economic and physical development	5,574,798	4,269,451	5,366,599	3,561,687	3,561,687	4,125,961	2,530,415	4,163,290	3,308,247	2,087,714
Interest on long-term debt	2,251,252	2,405,042	2,599,970	2,834,675	2,982,111	992,757	1,566,308	1,265,501	1,645,874	1,528,145
Total governmental activities expenses	60,445,714	62,374,048	64,475,935	63,830,199	72,952,198	68,781,879	68,422,123	66,502,347	59,743,543	54,949,491
<b>Business-type activities:</b>										
Water and Sewer	30,100,924	29,574,629	29,094,851	29,633,999	27,806,172	27,530,541	27,710,123	21,923,630	25,339,542	23,898,970
Electric	75,415,945	73,735,847	70,939,145	65,639,003	65,738,586	61,777,655	60,517,626	58,629,603	55,777,621	55,558,941
Transit	2,112,884	2,400,929	2,382,934	2,394,328	4,559,377	2,346,151	2,483,516	2,371,822	2,105,284	1,980,207
Golf	36,959	22,266	38,958	39,634	46,068	43,125	351,034	1,350,589	1,053,475	1,148,528
Stormwater	2,505,707	2,160,888	2,296,654	2,586,383	3,114,638	2,671,930	2,495,300	2,597,473	2,279,060	2,017,039
Solid Waste	4,383,528	4,261,659	4,456,951	5,394,611	-	-	-	-	-	-
Total business-type activities expenses	114,555,947	112,156,217	109,209,493	105,687,958	101,264,831	94,389,402	93,587,599	86,872,917	86,554,982	84,603,685
<b>Total primary government expenses</b>	<b>\$175,001,661</b>	<b>\$174,530,265</b>	<b>\$173,685,428</b>	<b>\$169,518,157</b>	<b>\$174,217,029</b>	<b>\$163,151,281</b>	<b>\$161,989,722</b>	<b>\$153,375,264</b>	<b>\$146,298,525</b>	<b>\$139,553,176</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services:										
General government	\$7,266,484	\$7,654,425	\$8,066,339	\$8,852,324	\$6,508,600	\$6,426,452	\$7,980,309	\$7,376,991	\$6,801,438	\$4,659,178
Public Safety	1,092,265	841,503	1,063,056	850,748	1,285,005	925,868	915,682	976,090	1,037,069	914,264
Public Works and Cemeteries	46,644	40,739	53,677	40,770	1,580,194	1,491,713	1,632,041	1,480,559	1,176,743	1,071,621
Cultural and Recreation	628,538	608,559	605,687	616,093	570,237	574,519	557,575	534,573	503,688	483,749
Economic and physical development	134,659	53,384	66,640	127,886	107,524	79,408	256,297	129,767	170,842	8,035
Operating grants and contributions	4,581,909	4,595,445	5,306,834	4,426,634	6,056,309	7,254,047	5,016,364	5,513,514	5,456,919	3,270,271
Capital grants and contributions	426,810	439,408	505,279	1,406,920	4,086,757	770,492	1,767,284	5,030,594	3,803,343	3,222,660
Total governmental activities program revenues	14,177,309	14,233,463	15,667,512	16,361,471	20,195,126	17,522,499	18,125,529	21,042,086	18,950,042	13,629,786
<b>Business-type activities:</b>										
Charges for services:										
Water and Sewer	34,338,725	34,121,040	33,348,282	32,558,363	29,512,890	27,832,309	27,324,795	28,829,972	28,648,609	29,325,717
Electric	75,350,298	75,152,961	72,269,486	69,229,324	71,003,975	67,631,621	64,915,480	64,204,033	58,651,015	56,871,868
Transit	201,679	213,649	266,732	221,549	195,491	186,699	194,563	199,307	180,338	197,350
Golf	-	-	-	-	-	-	203,286	852,578	883,963	835,656
Stormwater	2,526,881	2,140,036	2,090,130	2,056,131	2,052,610	2,072,081	2,075,115	2,017,308	1,916,827	2,028,012
Solid Waste	1,222,829	1,223,413	1,146,749	1,511,139	-	-	-	-	-	-
Operating grants and contributions	2,498,530	2,259,217	914,077	1,333,951	3,423,573	1,341,804	1,478,376	1,322,680	1,189,055	1,143,028
Capital grants and contributions	1,069,567	486,064	557,133	1,603,308	3,261,820	184,523	457,237	1,761,894	3,232,242	1,481,317
Total business-type activities program revenues	117,208,509	115,596,370	110,592,599	108,513,765	109,448,959	99,249,037	96,648,862	99,287,772	94,702,039	91,882,938
<b>Total primary government program revenues</b>	<b>\$131,385,818</b>	<b>\$129,829,833</b>	<b>\$126,260,111</b>	<b>\$124,875,236</b>	<b>\$129,645,085</b>	<b>\$116,771,536</b>	<b>\$114,774,391</b>	<b>\$120,329,860</b>	<b>\$113,652,081</b>	<b>\$105,512,706</b>

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Net (Expense)/Revenue</b>										
Governmental activities	(\$46,268,405)	(\$48,140,565)	(\$48,608,423)	(\$47,468,728)	(\$52,757,072)	(\$51,259,380)	(\$50,296,594)	(\$45,460,259)	(\$40,793,501)	(\$41,319,723)
Business-type activities	2,652,682	3,140,153	1,983,106	2,805,807	8,185,128	4,879,635	3,081,263	12,414,855	8,147,067	7,279,253
Total primary government net expense	(\$43,615,843)	(\$44,700,432)	(\$47,425,317)	(\$44,662,921)	(\$44,571,944)	(\$46,379,745)	(\$47,215,331)	(\$33,045,404)	(\$32,646,444)	(\$34,040,470)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities										
Ad valorem taxes	\$29,226,233	\$29,677,867	\$28,142,234	\$27,224,338	\$27,376,171	\$27,442,703	\$27,318,145	\$26,666,751	\$24,414,295	\$23,932,639
Sales taxes	9,638,696	9,188,630	9,245,172	9,461,249	9,456,007	9,728,777	9,988,923	9,988,922	9,988,923	9,988,923
Payments in lieu of taxes	3,328,873	3,239,138	3,108,107	3,077,026	2,834,845	2,456,745	2,198,584	2,053,633	1,927,844	1,832,018
Utility franchise taxes	903,042 (1)	3,739,966	3,734,179	3,636,750	3,637,666	3,525,229	3,604,081	3,397,786	3,323,537	3,180,450
Other taxes	6,450,830 (1)	1,923,653	1,682,131	1,551,035	1,447,636	1,403,700	1,489,749	1,479,962	1,549,937	1,435,104
Interest earned on investments	670,356	670,401	682,081	701,594	476,840	139,237	506,639	1,314,797	1,534,154	1,044,888
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Special Item-Contribution of Infrastructure to Stormwater Fund	-	-	-	-	-	-	-	-	-	-
Gain (loss) on disposal of assets	-2,144,444	-1,705,326	-1,894,556	-2,051,358	-1,820,244	2,297,562	1,800,465	1,010,957	1,261,051	1,689,723
Transfers	48,073,586	46,734,359	44,699,348	43,600,634	47,049,409	46,993,953	46,906,586	45,912,808	43,999,741	43,103,755
Total governmental activities	57,992	66,580	74,924	103,004	131,907	154,639	408,419	922,801	1,176,146	1,088,933
Business-type activities:										
Interest earned on investments	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Liquidated Damages Recovery	-	-	-	-	-	-	-	-	-	-
Gain (loss) on disposal of assets	2,144,444	1,705,326	1,894,556	2,051,358	(1,820,244)	(2,297,562)	(1,800,465)	(1,010,957)	(1,261,051)	(1,689,723)
Transfers	2,202,436	1,771,906	1,969,480	2,154,362	(1,688,337)	(2,142,923)	(1,392,046)	(68,156)	(84,905)	(600,790)
Total Business-type activities	\$50,276,022	\$48,506,265	\$46,668,428	\$45,754,996	\$45,361,072	\$44,851,030	\$46,514,540	\$45,824,652	\$43,914,836	\$42,502,965
Total primary government	\$1,805,181	(\$1,406,226)	(\$4,109,075)	(\$3,868,094)	(\$5,707,663)	(\$4,265,427)	(\$3,390,008)	\$452,549	\$3,206,240	\$1,794,031
Governmental activities	4,854,988	5,212,039	3,352,586	4,960,169	6,436,791	2,736,712	1,689,217	12,326,639	8,062,152	6,678,463
Business-type activities	\$6,660,179	\$3,805,833	(\$756,469)	\$1,112,075	\$769,128	(\$1,528,715)	(\$1,700,791)	\$12,779,248	\$11,268,392	\$8,462,494

(1) In Fiscal Year 2015 the State implemented a Utility Sales Tax and repealed the Utility Franchise Tax statute.

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Non Spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 547,632	\$ 561,648	\$ 1,337,871	\$ 674,941	\$ 623,318
Restricted	-	-	-	-	-	8,318,593	6,609,664	5,840,423	6,656,217	7,109,193
Assigned	-	-	-	-	-	177,856	79,500	885,000	1,359,364	1,075,528
Unassigned	-	-	-	-	-	7,982,950	11,004,582	12,853,607	16,255,458	19,295,626
Reserved	7,948,007	7,791,312	7,374,962	6,777,335	8,872,364	-	-	-	-	-
Unreserved	8,680,480	10,315,422	10,435,150	9,637,414	7,132,237	-	-	-	-	-
Total general fund	\$16,628,487	\$18,106,734	\$17,810,112	\$16,414,749	\$16,004,601	\$17,037,031	\$18,255,394	\$20,916,901	\$24,945,980	\$28,103,665
All other Governmental Funds										
Non Spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,667,572	\$ 1,599,078	\$ 1,735,269	\$ 1,599,078	\$ 2,531,330
Restricted										
Mayor/Council Capital Project Fund	-	-	-	-	-	6,103,037	4,678,039	-	-	-
Streets Capital Project Fund	-	-	-	-	-	26,373,447	26,586,512	24,607,933	24,567,467	31,829,717
Other Governmental Funds	-	-	-	-	-	6,865,013	1,940,844	2,387,157	1,672,903	966,264
Assigned										
Mayor/Council Capital Project Fund	-	-	-	-	-	584,454	-	-	-	-
Other Governmental Funds	-	-	-	-	-	374,248	300,949	1,942,921	2,397,336	2,918,019
Unassigned										
Other Governmental Funds	-	-	-	-	-	(1,627,203)	(1,955,138)	(1,760,494)	(1,542,588)	(829,029)
Mayor/Council Capital Project Fund	-	-	-	-	-	-	(1,083,288)	-	-	-
Streets Capital Project Fund	-	-	-	-	-	-	(798,496)	-	(1,633,558)	(11,529,005)
Reserved, reported in:										
Mayor/Council Capital Project Fund	44,720	239,178	1,157,677	803,631	708,310	-	-	-	-	-
Other Governmental Funds	3,446,185	4,058,649	4,671,316	4,462,211	5,862,568	-	-	-	-	-
Unreserved, reported in:										
Mayor/Council Capital Project Fund	998,534	1,302,184	1,634,921	1,418,181	1,386,361	-	-	-	-	-
Other Governmental Funds	1,198,326	459,430	2,088,019	2,291,756	(556,559)	-	-	-	-	-
Total all other governmental funds	\$5,687,765	\$6,059,441	\$9,551,933	\$8,975,779	\$7,400,680	\$40,340,568	\$31,288,500	\$28,912,786	\$27,060,638	\$25,887,296

Note: The significant increase in other governmental funds fund balances is directed related to the issuance of capital projects debt. Significant These projects are still in the planning phase. In Fiscal Year 2011 the City implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.



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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues</b>										
Ad valorem taxes	\$23,966,246	\$24,458,231	\$26,581,312	\$27,238,368	\$27,446,629	\$27,453,644	\$27,347,456	\$27,875,770	\$29,598,524	\$29,416,567
Other taxes and licenses	16,436,495	16,790,241	16,920,303	17,281,337	17,114,451	17,376,154	17,726,060	17,769,589	18,091,417	20,321,441
Unrestricted intergovernmental revenues	1,087,056	1,232,970	1,633,727	1,811,720	1,821,361	2,481,664	1,629,995	1,893,441	1,724,960	1,844,467
Restricted intergovernmental revenues	6,018,455	5,345,953	6,444,156	6,058,245	6,975,492	6,434,710	4,640,456	5,395,363	4,618,211	4,680,242
Permits and fees	626,678	1,097,740	999,738	743,410	549,800	626,451	809,381	782,845	942,613	1,075,019
Sales and services	4,948,879	5,430,463	5,002,323	5,033,550	4,494,145	4,705,447	3,066,550	3,982,089	3,582,150	2,921,922
Investment earnings	942,043	1,266,500	1,081,437	458,517	145,188	314,173	538,938	518,166	500,644	497,689
Miscellaneous	281,371	673,450	1,043,725	1,422,226	561,224	1,331,963	3,128,408	917,813	736,893	836,479
<b>Total revenues</b>	<b>54,307,223</b>	<b>56,295,548</b>	<b>59,706,721</b>	<b>60,047,373</b>	<b>59,108,290</b>	<b>60,724,206</b>	<b>58,887,244</b>	<b>59,135,076</b>	<b>59,955,312</b>	<b>61,593,826</b>
<b>Expenditures</b>										
<b>Current:</b>										
General government	8,787,333	8,403,961	9,089,348	9,553,424	9,598,133	8,709,365	8,391,686	8,045,356	8,392,694	7,652,922
Public Safety	21,163,473	23,273,025	24,527,453	25,704,818	26,426,963	26,964,024	26,706,437	26,463,281	25,884,059	26,361,638
Public works and cemeteries	10,188,437	9,950,758	10,795,304	11,257,939	10,596,754	11,216,635	5,759,727	5,226,613	5,244,937	5,449,447
Cultural and recreation	3,841,965	4,503,247	4,555,067	4,804,856	4,811,947	4,830,337	4,973,676	5,133,096	4,971,730	5,382,186
Economic and physical development	3,027,392	3,178,595	3,655,570	2,236,652	4,328,382	2,540,421	1,668,954	2,588,573	1,730,797	1,579,764
Capital outlay	1,776,775	1,394,321	2,662,256	4,691,159	2,298,712	10,610,551	11,771,548	3,436,766	2,472,047	3,869,762
Debt Service:										
Principal repayments	3,972,434	3,995,435	3,833,152	3,491,529	3,182,767	3,577,924	3,297,770	3,260,527	4,335,667	5,036,666
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	-
Interest	1,537,989	1,417,371	1,184,142	1,190,809	989,965	2,022,227	2,641,881	2,482,836	2,327,797	2,146,625
<b>Total expenditures</b>	<b>54,295,798</b>	<b>56,116,713</b>	<b>60,302,292</b>	<b>62,931,186</b>	<b>62,233,623</b>	<b>70,471,484</b>	<b>65,211,679</b>	<b>56,637,048</b>	<b>55,359,728</b>	<b>57,479,010</b>
Revenues over (under) expenditures	11,425	178,835	(95,571)	(2,883,813)	(3,125,333)	(9,747,278)	(6,324,435)	2,498,028	4,435,584	4,114,816
<b>Other Financing Sources (Uses)</b>										
Payments to refunded bond escrow agent	-	-	-	-	-	(5,277,343.00)	(1,649,848.00)	-	-	-
Transfers from other funds	2,497,181	2,902,209	3,990,273	4,117,105	3,061,405	3,590,426	3,621,460	2,908,766	3,696,367	3,486,766
Transfers to other funds	(825,824)	(1,641,158)	(2,974,316)	(2,913,463)	(2,291,868)	(1,716,546)	(5,194,957)	(5,303,164)	(5,823,167)	(6,543,465)
Operating transfers from component unit	-	-	-	-	-	-	-	-	-	-
Section 108 loan proceeds	-	-	-	-	-	-	-	-	-	-
Issuance of long term debt	-	-	2,550,020	-	-	46,070,930.00	1,694,000.00	-	-	-
Bond premium received	-	-	-	-	-	1,671,930.00	-	-	-	-
Total other financing sources (uses)	1,671,357	1,261,051	3,565,977	1,203,642	769,537	44,339,397	(1,529,345)	(2,394,398)	(2,126,800)	(3,056,699)
<b>Net change in fund balances</b>	<b>\$1,682,782</b>	<b>\$1,439,886</b>	<b>\$2,970,406</b>	<b>-\$1,680,171</b>	<b>-\$2,355,796</b>	<b>\$34,592,119</b>	<b>-\$7,853,780</b>	<b>\$103,630</b>	<b>\$2,308,784</b>	<b>\$1,058,117</b>
Debt service as a percentage of noncapital expenditures	10.69%	9.88%	8.61%	8.01%	6.99%	8.93%	11.12%	10.88%	12.84%	13.30%

**Note:** The significant increase in fund balances in 2011 was related to the issuance of significant debt. Some of the projects were completed in 2012 however the street projects are still in the planning and right-of-way acquisition phases.

**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		Utility Sales Tax		Franchise Tax		Video Franchise Tax		Beer and Wine Tax		Rental Vehicle Tax		Total
2006	\$ 23,869,281	\$ 9,988,923	\$ -	\$ 3,180,450	\$ -	\$ -	\$ -	\$ -	\$ 303,925	\$ 54,991	\$ 37,397,570				
2007	24,356,610	9,988,923	-	3,323,537	-	-	-	-	317,568	59,486	38,046,124				
2008	26,581,312	9,988,923	-	3,397,786	-	-	-	571,029	328,786	61,364	40,929,200				
2009	27,238,368	9,988,923	-	3,604,081	-	-	-	635,429	327,159	56,976	41,850,936				
2010	27,446,629	9,728,777	-	3,525,229	-	-	-	634,707	106,282	54,439	41,496,063				
2011	27,136,501	9,456,007	-	3,637,666	-	-	-	628,273	331,788	59,379	41,249,614				
2012	27,019,001	9,461,249	-	3,636,750	-	-	-	543,537	331,310	73,580	41,065,427				
2013	27,586,250	9,245,172	-	3,734,179	-	-	-	540,586	291,396	64,728	41,462,311				
2014	29,244,897	9,188,630	-	3,739,996	-	-	-	533,480	317,167	68,196	43,092,366				
2015	29,097,588	9,638,696	4,689,016	903,042				543,977	347,911	79,337	45,299,567				

**Note:** In 2004, 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 that capped 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 specified that the County must divide their newly captured money – 50% to the public schools and 50% for water and sewer improvements. During this time the county made hold harmless payments to the City that made sure the City received \$9,988,893 each year. However, in 2009 the County once again amended the agreement whereas the County capped their hold harmless payment for 2010 at the 2009 amount and began reducing this cap by 20% per year. The County's last hold harmless payment will be only \$379,531 for the 2014 fiscal year and will not make further payments in subsequent years.

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

Fiscal Year	Real Property <sup>(1)</sup>	Personal Property <sup>(2)</sup>	Motor Vehicles	Public Service Companies	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
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
2010	4,135,722	489,271	402,900	116,435	5,144,328	0.5300	5,144,328
2011	4,159,158	470,599	373,641	108,636	5,112,034	0.5300	5,112,034
2012	4,184,015	461,499	389,889	120,953	5,156,356	0.5200	5,156,356
2013	4,213,068	481,162	419,048	115,685	5,228,963	0.5300	5,228,963
2014	4,262,079	495,290	414,707	113,014	5,285,090	0.5300	5,285,090
2015	4,307,805	526,332	376,054	116,399	5,326,590	0.5300	5,326,590

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, 2009, 2010, 2011, 2012 and the 2013 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. The next required reappraisal will be completed in 2014 and will be applicable to ad valorem tax revenues in the City's 2014/2015 fiscal year.

**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>Basic Rate</b>		<b>City Direct Rates</b>		<b>Total Direct Rate</b>	<b>Overlapping Rates</b>	<b>Combined Tax Rate</b>
	<b>General Fund</b>	<b>Debt Retirement</b>	<b>Debt Retirement</b>	<b>Rate</b>			
2006	\$ 0.4275	\$ 0.1125	\$ 0.1125	0.5400	\$ 0.5400	0.8930	\$ 1.4330
2007	0.4275	0.1125	0.1125	0.5400	0.5400	0.8800	1.4200
2008	0.4175	0.1125	0.1125	0.5300	0.5300	0.8400	1.3700
2009	0.4175	0.1125	0.1125	0.5300	0.5300	0.8350	1.3650
2010	0.4175	0.1125	0.1125	0.5300	0.5300	0.8350	1.3650
2011	0.4175	0.1125	0.1125	0.5300	0.5300	0.8350	1.3650
2012	0.4075	0.1125	0.1125	0.5200	0.5200	0.8350	1.3550
2013	0.4175	0.1125	0.1125	0.5300	0.5300	0.8350	1.3650
2014	0.4175	0.1125	0.1125	0.5300	0.5300	0.8700	1.4000
2015	0.4175	0.1125	0.1125	0.5300	0.5300	0.8700	1.4000

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

	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Daimler Trucks North America	\$60,869,938	1	1.23%	\$59,462,995	1	1.36%
Wix Corporation	42,237,836	2	0.85%	40,804,819	3	0.94%
PSNC Energy	36,447,448	3	0.74%	34,438,324	6	0.79%
Southwood Realty	33,426,053	4	0.68%	-	-	-
Stabilus Inc.	30,798,017	5	0.62%	33,818,301	7	0.78%
Duke Energy	28,267,273	6	0.57%	-	-	-
Triangle Real Estate	28,021,251	7	0.57%	54,753,208	2	1.26%
Centro Bradley Spe 1 LLC	27,293,721	8	0.55%	-	-	-
Roehling Engineered Plastics	25,547,122	9	0.52%	-	-	-
BellSouth Company	25,167,381	10	0.51%	37,742,349	5	0.87%
Parkdale Mills	-	-	-	39,232,289	4	0.90%
Walmart	-	-	-	26,811,136	8	0.62%
Heritage Properties	-	-	-	26,136,650	9	0.60%
E & A Franklin Square LTD	-	-	-	24,018,140	10	0.55%

Source: City of Gastonia Treasurer

(a) Triangle Real Estate was number 2 in 2014 however the company spun-off a portion of its property holdings to another legal entity.

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	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	\$ 23,687	\$ 22,715	95.90%	\$ 916	\$ 23,631	99.76%
2007	24,167	23,238	96.16%	863	24,101	99.73%
2008	26,447	25,366	95.91%	995	26,361	99.67%
2009	27,115	25,950	95.70%	1,061	27,011	99.62%
2010	27,283	26,195	96.01%	972	27,167	99.57%
2011	27,247	26,243	96.32%	858	27,101	99.46%
2012	26,969	26,139	96.92%	683	26,822	99.45%
2013	27,802	26,930	96.87%	684	27,614	99.32%
2014	27,240	26,662	97.88%	343	27,005	99.14%
2015	26,360	25,944	98.42%	-	25,944	98.42%

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	Limited Obligation Bonds	Section 108 Loan	General Obligation Bonds	Water Revenue Bonds	Installment Financing	State Revolving Loans				
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	3.72%	1,218
2009	14,494	9,925	12,130	-	2,080	2,772	39,290	-	-	1,750	82,441	4.63%	1,106
2010	12,547	8,955	10,374	-	1,863	1,523	36,715	-	-	1,576	73,553	4.17%	977
2011	39,941	2,965	8,982	17,335	2,389	539	34,965	475	5,809	5,278	113,400	6.93%	1,581
2012	38,319	2,415	8,347	16,668	2,124	430	31,916	475	5,278	3,995	105,972	6.80%	1,468
2013	36,621	1,845	7,703	14,840	1,888	430	27,939	425	3,995	3,713	95,686	6.01%	1,320
2014	34,182	1,255	8,524	13,970	1,718	430	25,161	375	3,431	3,431	89,328	5.72%	1,232
2015	31,670	640	8,822	13,080	965	430	19,125	325	3,431	3,431	78,488	NA	1,076

**Note:** Details regarding the City's outstanding debt can be found in the notes to the financial statements. Some of the increase in per capita debt from 2010 going forward is due to the results of the 2010 census. Previous years' estimates were much higher than the census results.

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
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
2010	14,070	0.27%	75,280	187
2011	40,480	0.79%	71,741	564
2012	38,749	0.75%	72,173	537
2013	37,051	0.71%	72,507	511
2014	34,612	0.67%	72,507	477
2015	32,100	0.60%	72,947	440

**Note:** Details regarding the City's outstanding debt can be found in the notes to the financial statements. The decrease in early years in general obligation debt was due to a financing movement to revenue bonds in the Water & Sewer Enterprise Fund. The decrease in population from 2010 going forward is due to the results of 2010 census. Previous years' estimates were greater than the census results.



**Schedule 12**  
**City of Gastonia**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2015**  
(dollars in thousands)

<u>Governmental Unit</u>	<u>Total Debt</u>	<u>Estimated Percentage Applicable <sup>(2)</sup></u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Direct Debt:			
City of Gastonia	\$55,177 <sup>(1)</sup>	100%	\$55,177
Overlapping Debt			
Gaston County	<u>178,203 <sup>(3)</sup></u>	34.67%	<u>61,782</u>
Total direct and overlapping debt	<u>\$233,380</u>		<u>\$116,959</u>

**Notes:**

- (1) Total debt was calculated as general obligation bonds, certificates of participation, section 108 loan, installment purchases, limited obligation bonds 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, state revolving loans, 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 2015**

Assessed value	\$5,348,449
Debt limit (8% of assessed value)	427,876
Debt applicable to limit:	
Authorized & Outstanding bonded debt	64,305
Outstanding debt not evidenced by bonds	14,183
	<u>78,488</u>
Statutory Deductions:	
Bonds and other debt not evidenced by	22,881
bonds applicable to Enterprise Funds	
Amount designated for payment of gross	30
debt other than Enterprise Funds	<u>22,911</u>
Net Debt	<u>55,577</u>
Legal Debt Limit	<u><u>\$372,299</u></u>

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$350,923	\$358,036	\$407,191	\$411,642	\$411,546	\$408,963	\$414,915	\$418,317	\$411,170	\$427,876
Total net debt applicable to limit	44,888	41,463	41,110	38,598	31,847	67,687	66,505	60,980	60,049	55,577
Legal debt margin	<u>\$306,035</u>	<u>\$316,573</u>	<u>\$366,081</u>	<u>\$373,044</u>	<u>\$379,699</u>	<u>\$341,276</u>	<u>\$348,410</u>	<u>\$357,337</u>	<u>\$351,121</u>	<u>\$372,299</u>
Total net debt applicable to the limit	12.79%	11.58%	10.10%	9.38%	7.74%	16.55%	16.03%	14.58%	14.60%	12.99%
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			
2006	\$ 29,898	\$ 14,986	\$ 14,912	\$ 5,464	\$ 2,645	1.84			
2007	29,238	16,939	12,299	5,331	2,585	1.55			
2008	29,438	13,580	15,858	5,155	2,389	2.10			
2009	27,590	19,443	8,147	3,805	2,181	1.36			
2010	27,951	18,993	8,958	4,379	1,612	1.50			
2011	29,484	19,743	9,741	4,079	1,614	1.71			
2012	32,860	21,295	11,565	3,612	1,480	2.27			
2013	33,557	20,950	12,607	4,405	1,301	2.21			
2014	33,760	20,985	12,775	3,570	961	2.82			
2015	34,350	22,126	12,224	3,693	902	2.66			

(1) "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.

(2) "Expenses" exclude debt service payment, depreciation of fixed assets, amortization of deferred charges, transfers to other funds, and payments to escrow which are reflected as expenses in the financial statements. Per the sixth supplemental trust agreement, dated July 1, 2005, payments to the General Fund for payments in lieu of taxes and franchise fees shall not be included in current expenses for purposes of calculating the debt coverage ratio.

(3) "Principal" excludes refunding activity and any early redemption of debt. Includes all subordinated debt service.

(4) "Interest" includes all subordinated debt service.

Note: Trust agreement coverage ratio for subordinated indebtedness (all debt) is 1.00.

Schedule 15  
City of Gastonia  
Demographic and Economic Statistics,  
Last Ten Calendar Years

Calendar Year	Population <sup>(1)</sup>	Personal Income (thousands of dollars) <sup>(2)</sup>	Per Capita Personal Income <sup>(3)</sup>	Unemployment Rate <sup>(4)</sup>
2006	70,278	\$ 2,171,028	\$ 30,892	5.4%
2007	71,349	2,253,558	31,585	5.7%
2008	72,848	2,384,096	32,727	7.5%
2009	74,518	1,780,757	23,897	13.3%
2010	75,280	1,762,079	23,407	10.4%
2011	71,741	1,636,269	22,808	11.3%
2012	72,173	1,558,287	21,591	10.5%
2013	72,507	1,591,094	21,944	9.7%
2014	72,507	1,561,148	21,531	6.7%
2015	72,947	NA	NA	6.7%

**Notes:**

- <sup>(1)</sup> North Carolina Office of State Budget and Management
- <sup>(2)</sup> Per Capita Personal Income Extended By Population
- <sup>(3)</sup> Bureau of Economic Analysis
- <sup>(4)</sup> NC Employment Security Commission

Schedule 16  
 City of Gastonia  
 Principal Employers  
 Current Year and Nine Years Ago

	2015			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Gaston County Schools	1,000 & Over	1	-	1,000 & Over	1	-
Caromont Health	1,000 & Over	2	-	1,000 & Over	2	-
Freightliner	1,000 & Over	3	-	1,000 & Over	5	-
Wal-mart Association, Inc.	1,000 & Over	4	-	1,000 & Over	9	-
Gaston County	1,000 & Over	5	-	1,000 & Over	4	-
American & Efird	1,000 & Over	6	-	1,000 & Over	6	-
FKA Wix Filtration Corp	1,000 & Over	7	-	1,000 & Over	3	-
City of Gastonia	500-999	8	-	1,000 & Over	10	-
Pharr Yarns	500-999	9	-	1,000 & Over	7	-
Gaston College	500-999	10	-	500-999	-	-
Sara Lee Corporation	-	-	-	1,000 & Over	8	-

Note: Employers in the City of Gastonia and Gaston County in close proximity to the City.

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. 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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government	139	135	185	187	177	158	148	151	164	172
Police	181	188	170	170	178	171	171	170	164	158
Fire	142	141	139	140	140	139	137	134	137	137
Public Works	141	145	152	158	158	141	92	89	74	74
Cultural and Recreation	51	51	56	56	54	51	49	48	46	53
Water and Sewer	129	125	121	127	133	128	134	130	131	131
Electric	40	40	40	44	44	47	46	45	44	43
Transit	18	21	17	20	20	21	20	20	21	22
Golf Course	8	8	8	0	0	0	0	0	0	0
Solid Waste	0	0	0	0	0	0	48	40	38	39
Stormwater	8	6	5	5	5	5	8	7	6	7
Total	857	860	893	907	909	861	853	834	825	836

Notes: All fiscal years are actual data obtained from the City's Human Resources department. In the 2012 fiscal year the City created the Solid Waste Enterprise fund and these employees were previously in Public Works. In 2009 the City pricitized the management of the golf course.

**Schedule 18**  
**City of Gastonia**  
**Operating Indicators by Function/Program,**  
**Last Ten Fiscal Years**

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government										
Commercial Construction										
Commercial Building permits issued	629	577	548	514	563	564	636	629	467	368
Commercial Building permit value	80,082	60,589	62,785	57,213	25,221	26,487	97,074	64,292	120,524	62,040
Residential Construction										
Residential Building permits issued	439	789	800	586	461	480	514	347	545	733
Residential Building permit value	40,903	109,402	98,364	49,945	39,607	56,445	68,468	46,624	53,848	94,602
Police										
Physical arrests	5,936	6,067	7,867	8,116	8,127	7,963	7,605	7,454	6,359	7,612
Parking violations	152	34	19	22	38	51	53	34	23	17
Traffic violations	6,570	5,984	8,615	9,103	11,269	9,750	8,836	9,092	8,634	7,003
Fire										
Number of calls answered	7,611	8,648	8,810	8,968	8,624	8,856	8,689	9,082	9,567	10,060
Fires extinguished	390	329	491	403	332	361	293	336	283	326
Inspections	1,337	2,776	2,123	2,662	3,051	3,625	4,293	3,066	4,505	3,848
Sanitation/Solid Waste										
Residential Refuse collected (tons annually)	25,810	27,687	26,650	25,421	29,865	29,984	21,532	18,939	18,710	18,707
Commercial Refuse collected (tons annually)	32,370	36,441	24,483	24,908	23,632	20,922	20,395	0 (A)	0	0
Contractor/Recyclables collected (tons annually)	549	364	806	896	1,253	1,226	2,348	3,741	4,042	4,025
City Crews/Recyclables collected (tons annually)	72	104	126	161	143	120	103	32	28	27
Other public works										
Street resurfacing (miles)	-	5	9	7	4	10	0	0.44	1.23	1.06
Potholes repaired	-	597	499	637	1,104	739	1,052	691	1,052	460
Water										
Number of service connections	26,854	27,140	27,931	25,591	25,879	25,784	27,684	27,648	28,095	28,899
Water main breaks	-	168	176	608	934	162	111	144	149	110
Average daily consumption (thousands of gallons)	12.69 MGD	12.26 MGD	11.48 MGD	11.40 MGD	12.09 MGD	12.79 MGD	13.07 MGD	12.18 MGD	11.98 MGD	12.7 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	25.2 MGD	26 MGD	25.3 MGD
Wastewater										
Average daily sewage treatment (thousands of gallons)	9.0 MGD	8.4 MGD	7.8 MGD	8.0 MGD	8.9 MGD	8.1 MGD	8.3 MGD	8.8 MGD	10.8 MGD	9.05 MGD
Maximum daily capacity of treatment in gallons	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	26 MGD	26 MGD	26 MGD	26 MGD
Number of service connections	22,238	22,731	23,247	23,324	23,534	23,680	25,244	25,210	25,610	26,389
Transit										
Total route miles	300,871	191,045	295,495	286,726	286,382	285,024	289,028	293,896	284,602	280,808

**Sources: Various City Departments**

**Note (A): As of July 1, 2012 the City ceased providing commercial refuse services. Commercial entities now have to contract directly with private commercial refuse collection companies.**

**Schedule 19**  
**City of Gastonia**  
**Capital Asset Statistics by Function/Program,**  
**Last Ten Fiscal Years**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	132	131	133	133	133	139	139	143	143	145
Fire Stations	8	8	8	8	8	8	8	8	8	8
Refuse collection										
Collection trucks	22	22	22	22	22	22	22	21	21	21
Other Public Works										
Streets (miles)	323.05	329.05	334.73	335.56	335.56	335.56	335.56	336	337.23	338.29
Streetlights	9423	9466	9566	9687	9696	9770	9874	9891	9915	9924
Parks and recreation										
Acreeage	587	587	587	587	587	587	587	587	587	587
Parks	16	16	16	16	16	16	16	16	16	16
Baseball/softball diamonds	17	17	19	19	19	19	19	19	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	46	46	46	46	46	46	46	32	32	32
Jogging Tracks	8	8	8	8	8	8	8	8	8	8
Skeet & Trap Range	1	1	1	1	1	1	1	1	1	1
Skate Park	1	1	1	1	1	1	1	0	0	0
Water										
Water mains (miles)	534.87	537.85	547	548.2	548	556	589	591.77	593.2	594.95
Fire Hydrants	3,107	3,143	3,226	3,776	3,237	3,308	3,497	3512	3538	3564
Maximum daily capacity of plant in gallons	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	25.4 MGD	25.4 MGD	27.3 MGD	25.2 MGD	25.4 MGD	25.3 MGD
Wastewater										
Number of treatment plants	2	2	2	2	2	2	3	3	3	3
Sanitary Sewers (miles)	490	497	528	504.9	505	509	542	553.19	554.7	556.9
Storm sewers (miles)	141	146	156	156	156	156	156	156	156	156
Maximum daily capacity of treatment in gallons	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	26 MGD	26 MGD	26 MGD	26 MGD
Transit										
Buses	8	8	8	8	8	9	9	9	9	8
ADA vans	5	5	5	5	5	5	5	5	5	5
Electric										
Distribution miles	469	470	471	474	476	476	471	473	483	474
Customers	25403	25536	25929	26256	26063	26133	26067	26268	26850	27054
Conference Centers	-	-	-	-	-	-	1	1	1	1

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**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable of the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 23, 2015. The financial statements of the Gastonia Tourism Development Authority and the City of Gastonia ABC Board were not audited in accordance with *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Gastonia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of non-compliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2015-001.

### **City of Gastonia's Response to Finding**

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

### **Purpose of this Report**

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

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

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
October 23, 2015

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

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

## **Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act**

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

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

#### **Report on Compliance for Each Major Federal Program**

We have audited the compliance of the City of Gastonia, North Carolina, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. 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.

#### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Gastonia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Gastonia's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the City of Gastonia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### **Report on Internal Control Over Compliance**

Management of the City of Gastonia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Gastonia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Gastonia's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
October 23, 2015

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

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

## **Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act**

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

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

#### **Report on Compliance for Each Major State Program**

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 could have a direct and material effect on each of the City of Gastonia's major State programs for the year ended June 30, 2015. 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.

#### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Gastonia's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, 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 non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City of 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 on compliance for each major State program. However, our audit does not provide a legal determination of the City of Gastonia's compliance.

### **Opinion on Each Major State Program**

In our opinion, the City of Gastonia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2015.

### **Report on Internal Control Over Compliance**

Management of the City of Gastonia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Gastonia's internal control over compliance with the requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Gastonia's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on our requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
October 23, 2015



# CITY OF GASTONIA, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

### 1. Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency identified that is not considered to be a material weakness	None reported
Non-compliance material to financial statements noted?	Yes

#### Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency identified that is not considered to be a material weakness	None reported
Non-compliance material to federal awards?	No
Type of auditor's report issued on compliance for major federal programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with U.S Office of Management and Budget, Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i> , Section 510(a)?	No

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA #</u>
CDBG - Entitlement Grants Program	14.218
CDBG - Home Investment Trust Fund	14.239
Federal Transit Cluster	20.500, 20.507, 20.525, 20.526
Highway Planning and Construction Cluster	20.205, 20.219, 23.003

Dollar threshold used to distinguish between Type A and Type B programs	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	Yes

**CITY OF GASTONIA, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**1. Summary of Auditor's Results**

**State Awards**

Internal control over major State programs:

- Material weakness identified? No
- Significant deficiency identified that is not considered to be a material weakness? None reported

Non-compliance material to State awards? No

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? No

Identification of major State programs:

**Program Name**

Powell Bill

# CITY OF GASTONIA, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

### 2. Findings Related to the Audit of the Basic Financial Statements

#### Finding 2015-001

**Criteria:** Management should have a system in place to reduce the likelihood that violations of General Statutes occur and go undetected.

**Condition:** In the current year, there were several violations of the General Statutes regarding funds operating in a deficit and expenditures over appropriations.

**Context:** While reviewing financial statements we noted the condition described above.

**Effect:** The City was in violation of North Carolina General Statutes.

**Cause:** Timing difference of grant and offsetting revenue for the special revenue funds caused the deficit fund balance and in regards to expenditures over appropriations this was caused by additional revenue received for occupancy tax and additional principal payments in the current year on outstanding debt.

**Recommendation:** Implement stringent budgetary controls and additional monitoring controls, to identify areas where transfers may be required to ensure that a fund is not operating in a deficit and where budget amendments may be necessary to incorporate additional funding.

**Name of Contact Person:** Edward C. Munn

**Management Response/Corrective Action:** Management concurs with the recommendation. Management also adds that since the last audit we have resolved the largest deficit fund balance in the Economic Stimulus Grants Fund. A budget amendment to correct the CDBG Economic Development Fund deficit was processed in October, 2015. The final deficit fund balance in the CDBG 108 Loan/Revitalization Fund is due to a timing issue. The City plans to resolve by selling the inventory of property. As revenues are received, we will recognize in the 108 Loan fund to offset the deficit fund balance or transfer funds to balance this account within 24 months.

The City adopts the annual budget at the functional level. We work diligently to not overspend at the line item level. Certain revenues, like Occupancy Tax are not received until after June 30<sup>th</sup> and can overspend. The City plans to analyze and estimate these and process the appropriate budget amendments going forward.

### 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 YEAR'S AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**2014-001** – Modified and repeated

CITY OF GASTONIA, NORTH CAROLINA

SCHEDULED OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

<u>Grantor/Pass-Through</u>	<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through/ Grantor's Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>	<u>State Expenditures</u>
<b>FEDERAL GRANTS - Cash Programs:</b>					
<b><u>U.S. Department of Housing and Urban Development</u></b>					
Direct Program:					
	Community Development Block Grant/Entitlement Program	14.218		\$ 476,501	\$ -
	Section 108 Loan Guarantee Program	14.218		563,786	-
	Community Development Block Grant/Home Investment Partnerships Program	14.239		701,714	-
	<b>Total U.S. Department of Housing and Urban Development</b>			<u>1,742,001</u>	<u>-</u>
<b><u>U.S. Department of Transportation</u></b>					
Direct Program:					
Federal Transit Cluster					
	Urbanized Area Formula Program- Operating Expenditures-14/15	20.507	NC90X468, 500, 535	656,987	-
	Urbanized Area Formula Program- Capital Expenditures-14/15	20.507	NC90X468, 500	448,478	-
	Urbanized Area Formula Program-Capital/Planning Capital/Planning Grant Agreement Expenditures-14/15	20.507		14,940	-
	<b>Total Federal Transit Cluster</b>			<u>1,120,405</u>	<u>-</u>
Passed-Through N.C. Department of Transportation:					
Highway Planning and Construction Cluster					
	NC DOT Bicycle and Pedestrian Planning Grant Initiative	20.205	TIP# M-0371	24,117	-
	NC DOT Bicycle and Pedestrian Planning Grant Initiative	20.205	TIP# C-5562	45,393	-
	Highway Planning, Research and Construction:				
	Section 104(f)	20.205		404,575	-
	Section 5303	20.205		16,967	-
	Federal-Aid Federal Highway Administration (FHWA)	20.205	NCDOT Project # C-4934	117,226	-
	<b>Total Highway Planning and Construction Cluster</b>			<u>608,278</u>	<u>-</u>
Highway Safety Cluster					
	NC Governor's Highway Safety Program	20.600		9,284	-
	<b>Total Highway Safety Cluster</b>			<u>9,284</u>	<u>-</u>
Division of Aviation:					
	Airport Improvement Program	20.106	36237.55.9.1	877	-
	<b>Total U.S. Department of Transportation</b>			<u>1,738,844</u>	<u>-</u>
<b><u>North Carolina Department of Public Safety</u></b>					
	Governor's Crime Commission Paul Coverdell Forensic Sciences Improvement Grant	16.742	(PROJ0010748)	29,261	-
	<b>Total NC Department of Public Safety</b>			<u>29,261</u>	<u>-</u>
<b><u>U.S. Department of Treasury</u></b>					
	Treasury Forfeiture Fund Program	21.000		80,248	-
	<b>Total U.S. Department of Treasury</b>			<u>80,248</u>	<u>-</u>
<b><u>U.S. Department of Justice</u></b>					
	Equitable Sharing Program	16.922		176,465	-
	Edward Byrne Memorial Justice Assistance -2014	16.738	2014 JAG	13,685	-
	Edward Byrne Memorial Justice Assistance	16.738	2013 JAG	35,316	-
	<b>Total U.S. Department of Justice</b>			<u>225,466</u>	<u>-</u>
	<b>Total Assistance - Federal Programs</b>			<u>3,815,820</u>	<u>-</u>

CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

<u>Grantor/Pass-Through</u>	<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through/ Grantor's Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>	<u>State Expenditures</u>
<b>STATE GRANTS- Cash Programs:</b>					
<b><u>N.C. Department of Transportation</u></b>					
	Powell Bill	NA		-	2,053,258
	State Maintenance Assistance Program	NA		-	220,109
	<b>Total N.C. Department of Transportation</b>			-	<u>2,273,367</u>
	<b>Total Assistance - State Programs</b>			-	<u>2,273,367</u>
	<b>Total Federal &amp; State Assistance</b>			<u>\$ 3,815,820</u>	<u>\$ 2,273,367</u>

**Awards Which Have Been Passed Through to Subrecipients:**

**Federal:**

U.S. Department of Justice-2013 JAG Grant- (\$428)  
Gaston County- \$428  
U.S. Department of Justice-2014 JAG Grant- (\$13,685)  
Gaston County- \$13,685  
Community Development Block Entitlement Grant Subrecipients (\$25,771)  
Reinvestment in Communities- \$24,771  
Family Promise of Gaston County- \$500  
With Friends, Inc.- \$500  
Community Development Block Home program Grant Subrecipients (\$226,774)  
Reinvestment in Communities- \$126,774  
Gaston Residential Services- \$100,000

**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.