

City of Gastonia North Carolina

Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2010



**Prepared by
The Financial Services
Department**

City of Gastonia

North Carolina

Comprehensive Annual Financial Report

Year Ended June 30, 2010

Jennifer T. Stultz, Mayor

Council Members

Ward 1 – Keith Tidwell

Ward 2 – Dave Kirlin

Ward 3 – R. Dale Burkett

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

Ward 5 – John B. Howren, Jr.

Ward 6 – Brenda B. Craig

**City Managers
James M. Palenick**

**Director of Financial Services
Melody B. Usery**



CITY OF GASTONIA, NORTH CAROLINA

FINANCIAL STATEMENTS AND COMPLIANCE REPORTS FOR THE YEAR ENDED JUNE 30, 2010

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INTRODUCTORY SECTION

Letter of Transmittal

City Facts

Certificate of Achievement for Excellence in Financial Reporting

Organizational Chart





OFFICE OF
THE CITY MANAGER

City of Gastonia

A COMMITMENT TO EXCELLENCE

March 17, 2011

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, 2010, with comparative numbers for the fiscal year ended June 30, 2009.

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, 2010, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Gastonia's financial statements for the fiscal year ended June 30, 2010 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first

component of the financial section of this report.

The independent audit of the financial statements of the City of Gastonia was a part of a broader, federally mandated “Single Audit” and state mandated “State Single Audit Implementation Act” designed to meet the special needs of the federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on the internal controls and legal requirements involving the administration of the federal and state awards. These reports are presented in the report’s compliance section.

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

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Gastonia’s MD&A can be found immediately following the report of the independent auditors.

ECONOMIC OUTLOOK

The City’s growth in recent years has been in the commercial, retail and housing areas. The economy has benefited from the close proximity to Charlotte, access to major interstate highways and a retail boom. This boom began in 1990 and continued a steady growth through 2000, experienced economic turndowns in 2001 and 2002, slight economic upturns in 2003 through 2007 and has experienced an overall economic downturn in 2008, 2009 and 2010, as has the entire country.

U.S. economic growth and inflation is expected to pick up a bit next year, while the jobless situation will improve slightly, according to a survey conducted by the Federal Reserve Bank of Chicago.

According to Reuters, the U.S. real gross domestic product is expected to grow 3 percent next year, up from an expected 2.4 percent pace this year. This is based on a survey of 30 business leaders and academics participating in the Chicago Fed's Economic Outlook Symposium on December 3, 2010. In addition, participants stated that inflation, as measured by the consumer price index, is expected to edge up to 1.6 percent from 0.9 percent this year. National unemployment, which rose to 9.8 percent in November, will still be high at 9.2 percent by the end of next year. Both inflation and employment are seen at

levels that fall well short of those the Fed sees as consistent with its mandates. That is despite the fact that survey participants were more optimistic than the consensus among private economists, who see 2.5 percent growth next year.

In addition, survey participants expected the trade-weighted U.S. dollar to be unchanged next year.

During the twelve-month period from July 2009 through June 2010, total Gaston County retail sales tax collected by the State was \$74,232,367 as compared to \$62,094,275 for the same period in the 2009 fiscal year, an increase of \$12,138,092 (19.55%). During the twelve-month period from July 2009 through June 2010, total taxable sales for Gaston County were \$1,385,332,241 as compared to \$1,403,855,458 for the same period in the 2009 fiscal year, a decrease of \$18,523,217 (1.32). The increase in sales tax revenues coupled with a decrease in taxable sales was due to a 1% increase in the State's portion of the sales tax rate. The County's portion of the sales tax rate remained the same as in 2009. The total sales tax rate for the 2010 fiscal year was 7.75%. The county's portion of this rate was 2.5% thus sales tax revenues for the county decreased by approximately 1.32%. While textiles continue to be a force in our economy, the focus has begun to shift to non-textile manufacturing and assembly plants and "mega" retail stores. These continue to be significant components of our local economy.

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

Unemployment in the City was 10.4%, less than the county rate of 11.6% but higher than the state rate of 10.2% and the national average of 9.6% at fiscal year end June 2010. This is a decrease from a rate of 13.3% a year ago. Unemployment in the City was 9.6% as of December 2010.

The City and the surrounding Gaston County municipalities emphasize the attraction of new and diverse industry while providing support for the existing commercial and industrial community. According to the Gaston County Economic Development Commission, from January 1, 2009 through June 30, 2010 new manufacturing companies and expansions and renovations of existing companies resulted in investments of approximately \$2,800,000 however these investments did not create any new jobs. In addition, during the same period, new and existing retail business made investments totaling approximately \$14,200,000.

The national and worldwide economic downturn since Summer 2008 has certainly been felt in Gastonia, however, a variety of new manufacturing and retail establishments were established or expanded recently. Peak Resources, a nursing home operator, located its 10,000 sq. ft. corporate headquarters in the City. Mountain Khakis, a premier outdoor-lifestyle apparel brand, located a new fulfillment warehouse on Plastics Drive in Gastonia. The move from Texas allows the company to improve quality control, better customer service and improve operational efficiencies and savings. Mountain Khakis, founded in 2004, recently was selected among America's "Fastest-Growing Private Companies" by

Inc. Magazine. Other new and expanding industries in Gastonia include Jeff Gunn Floor Sanding, Fastenal Company, Norcap Facility and the Cookson Company. Construction of single family residential neighborhoods continues to slow, and residential addition, renovation and remodel permit valuation decreased by 31% from last year. The Gastonia Technology Park, the area's premier business park, is ready for business with new roads, site grading and "free" power backup generation. Designated as a Prime Power Park, businesses will have 4 megawatts of back-up power with the ability to expand up to 12 megawatts. This is crucial for industrial users with precision machinery, critical heating and cooling components, or other functions that depend on constant electricity.

Caromont Health, Inc. the parent corporation for a multi-state, integrated health care system consisting of Gaston Memorial 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 main facility 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. and the non-profit corporation operating the hospital. 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 Thomas Reuters' "Top 100 Hospitals" award for Quality and Safety and the Advanced Diabetes Certification and Advanced Certification in Heart Failure from the Joint Commission.

The downtown area of the City is undergoing notable revitalization. Federal stimulus funds have provided \$850,000 for streetscape improvements; \$2,600,000 neighborhood stabilization funds will provide for 16 owner-occupied single-family units; and a \$600,000 pedestrian plaza that opened in the Fall of 2010. This in addition to several new business openings, an active downtown events calendar, and a downtown outdoor market. A \$10.0 million, 29,000 sq. ft., LEED-certified conference center and an integrally-designed 160 space parking deck project will be a cornerstone in the redevelopment of downtown. Construction of the project is underway with the opening slated for the fall of 2011. The construction costs of the project is being financed through installment financing obligations issued as recovery zone economic development bonds and repaid primarily from hotel occupancy tax revenues of the City. The conference center project has already attracted additional investment, including a new, fine-dining restaurant, located steps from the conference center, that is projected to open in Spring or Summer, 2011 in a renovated historic theater. Also located in the central City, will be the construction of a new Environmental Studies Center addition to the City's Schiele Museum of Natural History. This 5,000 sq. ft. LEED-certified conference/classroom addition will be the new front entrance to the Museum. This project is scheduled to break ground in the Summer of 2011.

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.

On June 10, 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 61-year old National Civic League awards program recognizes neighborhoods, villages, towns, cities, counties and metro regions for outstanding civic accomplishments. To win, 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 City Manager’s Electric Transfer Policy in February of 1994, we established a set policy on the allowable transfer from the Electric Fund to supplement the General Fund. In prior years, all profits remaining after operating costs were transferred to the General Fund at year-end. The rationale behind this was that this enabled the City to keep the property tax rate as low as possible. However, due to a request by the bond rating agencies and the Local Government Commission, beginning in Fiscal Year 1994-95, the City began to reduce its reliance on electric transfers. The transfer from the Electric Fund to the General fund should be reduced each Fiscal Year until a level equating to 3% of gross capital assets is attained. This mark is reflective of Council’s April 1997 change to the Electric Transfer Policy from a target of 8% to a maximum of 3%. The total transfer budgeted and transferred for fiscal year 2010 was \$2,100,000 and was \$451,824 below the level established by City Council as acceptable – 3 percent of Gross Electric Capital Assets.

Since fiscal year 2002, the City has increased its Available Fund Balance to total expenditures ratio in the General Fund from a low of 4% (June 30, 2002) to a high of 19.65% (June 30, 2007). Available Fund balance at June 30, 2010 was 12.47%. Through a disciplined approach to expenditures, Gastonia is now sufficiently over the 8% minimum Available Fund Balance recommended by the Local Government Commission. We have reached our goal as defined in the City’s Reserve Policy that Available Fund Balance should be between 12% and 15%. In addition, with each year’s budget the City evaluates a number of valid, high-priority capital projects that the City simply cannot fund given the identified resources at the time. In this regard, the City has typically created a list (Unfunded Projects List) with each year’s budget to identify those next-highest-priority capital projects which we would likely fund in the event the City’s Available Fund Balance, as of June 30 of the preceding fiscal year, is above our policy-guided minimum Available Fund Balance requirement. The City has appropriated Available Fund Balance for such projects in the amounts of \$665,600, \$780,000, \$1,377,750 and \$1,758,500 for fiscal years 2006, 2007, 2008 and 2009, respectively. However, due to the current economic conditions the City did not prepare a potential unfunded projects list for the fiscal years 2010 and 2011 budgets.

The City of Gastonia's total financing debt obligations decreased by \$8,886,538 (10.78%) during the current fiscal year. The key factors in this decrease were the overall debt retirements of \$11,021,076 and defeasance of \$19,300,000 of revenue bonds, while the City incurred \$21,434,538 of new financing debt obligations. New debt consisted of the issuance of a combined utility system revenue refunding bonds in the amount of \$19,605,000, \$1,750,000 vehicle equipment-financing instrument, and a \$159,076 State of North Carolina Department of Environment and Natural Resources loan; whereas, \$79,538 of principal was forgiven through the American Recovery and Reinvestment Act.

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 bonded debt are: Standard and Poor's Corporation AA-, Moody's Investor Service A2, and Fitch A+.

Staff's dedicated efforts in assuming added responsibilities during staff turnover and a mandated hiring freeze for non-critical positions resulted in a salaries and benefits favorable budget-to-actual variance approximating \$1,200,000 city-wide.

CHALLENGES FOR THE FUTURE

Fiscal Management and Economic Condition:

The 2011 budget was prepared and designed to provide its user with a consistent and measurable point of reference against which to gauge the City's effectiveness in evaluating, delivering, and managing municipal services, programs, and functions. Its aims are multi-faceted and multi-focused -- to outline financial priorities; to identify and accurately project resources; to effectively allocate those resources based upon priorities; and to indicate where substantial changes have occurred or are proposed.

The Fiscal-Year 2011 budget represents a comprehensive fiscal plan for the effective and progressive management of our community over the twelve-month period identified. While much of the preparation of the 2011 budget involved focusing on fiscal austerity measures and cost-cutting strategies, we never allowed our focus to stray from the established and deeply-intrinsic desire for transparency, accuracy, and forthrightness. We demanded nothing less than complete accountability for cost effectiveness and fiscal conservatism, not just to deal with the current-year impacts resulting from the ongoing severity of the economic downturn, but to look to impacts projected for the next several years as well -- as a true component part to a multi-year planning and programming effort.

Fiscal management during a time of such austerity can produce much in the way of frustration as we find ourselves waging a mostly-losing battle to merely preserve and maintain the continuity of basic programs and service delivery, while still hoping to support the aspirations inherent to the creation of a bolder, more vibrant and sustainable future. The silver lining, to the extent that one exists, is that these "aspirations" can and will find some fulfillment in the form of the "Project Budgets" left intact (Center City Revitalization) due to the creative and/or dedicated revenue streams used to support them.

To understand fully the effective fiscal management during a time of financial struggle, one must first understand the established priorities of the organization. In that regard, fiscal management is first and foremost a product of the established budget objectives produced by the City Council first-coalesced in the Strategic Planning Retreat, and later enumerated, in detail, in the follow-up budget work session. These objectives established clear-cut priorities which staff focused upon and tentatively achieved -- they were influenced significantly by the ongoing economic downturn and are as follows:

- 1.) Any retail electric rate increases to our customers should be actually less than that which would otherwise be necessary to equal the wholesale rate increase “pass-through” that we will receive from NCMPA#1 (Electricities). The 2011 budget achieves that task by both requesting and projecting an average 4.5% retail rate increase, beginning July 1, 2010, which is less than the currently-projected wholesale increase in purchased power costs of 5.5%, which will be passed-on to the City’s electric utility from NCMPA#1 beginning July 1, 2010. The final actual wholesale purchase power cost to the City could yet prove higher than this current projection but will likely remain well-below the initially-projected wholesale increase of 8.9%.
- 2.) Some substantial reorganization, consolidation and streamlining was necessary in order to meet the very real need for decreasing total personnel costs. We achieved this task by substantially reorganizing the Development Services Department as well as the overall City hierarchy in a manner which permanently eliminated 27 full-time positions; decreased the total number of City departments to eight; and produced estimated personnel cost savings of \$1,600,474 compared to that which was budgeted for FY 2010. In designing this new organizational structure, we consolidated a number of organizational relationships and management responsibilities within subgroups and broadened certain “spans of control” without sacrificing overall service delivery.
- 3.) We prioritized Health Care Cost Containment as critical, following a budget year in which we were forced to make amendments to provide for an added \$900,000 (15% of total budget) to cover employee/retiree health care costs. In hopes of achieving this task, the 2011 budget provides for, and the City Council approved, a July 1, 2010 introduction of a Blue Cross/Blue Shield-administered high-deductible, self-funded insurance program in combination with a newly-introduced Health Savings Account (HSA) into which the City will deposit \$750 for each covered employee. By introducing this program of coverage, the City hopes to maintain total City-covered health care costs for FY 2011 similar to that of the amended budget for FY 2010 -- but which would still prove \$1,072,615 over the originally-approved FY 2010 budget for health care when accounting for all costs as covered by both the City and covered employees/retirees.
- 4.) It was important to protect the City’s General Fund “Fund Balance” and to not budget any appropriations from reserve accounts or general operating expenditures. The 2011 budget achieves that task in that no General Fund allocation of unreserved fund balance is requested.

- 5.) The City's current efforts toward the financing, collection, and disposal of solid waste is flawed in many regards and in need of substantive restructuring. We have not achieved such task through the 2011 budget, however, it was the consensus of the City Council to direct staff to hold-off any further discussions on this matter or major program overhauls resulting there from until sometime during the actual budget year at issue. In the meantime, staff has continued to plan for such future program evaluation and implementation.
- 6.) It is important to work to maintain positive employee morale during such a time of uncertainty and change. The possible achievement of this task is difficult to quantify or assess. Maintaining an environment that both respects and rewards employees and their efforts during times of financial struggle is not easy by any account. In fact, the 2011 budget proposed a second consecutive year of no wage or step increases, along with further increasing the actual cost of Health Care to employees and retirees. On balance, however, Gastonia's work force is arguably faring better than most in similar circumstances given that the City's efforts through its hiring freeze, Early Retirement Incentive Program, and Reorganization and Consolidation Program will result in minimal, if any, actual lay-offs. In addition, the FY 2011 budget manages to avoid any proposal for furloughs or pay-cuts, and maintains the traditional Christmas Bonus Program.
- 7.) We have gone on record that privatization must be given serious consideration wherever it is determined to be appropriate and cost-effective. In the longer term, we are continuing our comprehensive review of the City's electric utility and solid waste programming to determine if there might be privatization opportunities, in whole or in part, in either functional area. The FY 2011 budget, however, does not propose or rely on any such "opportunities". What is contemplated and relied upon in the 2011 budget, though, is the movement away from the acceptance of walk-up cash payment of utility bills with customer service representatives and, in turn, a switch to a multitude of convenient payment options (including remote kiosks and non-fee credit card payments) which could also involve the addition of payment options/locations at non-City locations for a fee.
- 8.) We committed ourselves to the ongoing Revitalization efforts earlier-commenced in the Central City, Highland Neighborhood, and West Side. We achieve these tasks within the FY 2011 budget not because of any new requests for allocation of funding, but rather as the simple carry-forward of a multitude of project budgets already funded and underway. Specifically, this includes: the Downtown Conference Center and Parking Deck; the development of the Schiele Museum Environmental Studies Center; the completion of the Marietta Street Streetscape/Thread Trail Project; the completion of the Carriage Company Condos along with parking and public realm improvements; Downtown Resurfacing and Intersection Improvements; Support of the Loray Mill Redevelopment Project; site improvements in support of the Highland Neighborhood Credit Union and Retail Redevelopment; and, the West Side Senior Housing Initiative. All of these projects are funded either through legally dedicated revenue streams, stimulus grants, or some combination of the two.

- 9.) We established the need for an increased Public Safety presence and have continued that priority. The 2011 budget provides for the continuing support and funding for the eight (8) police officers added to the force as a result of the Community Oriented Policing grant received through the Federal Stimulus Program. Said grant provides full, personnel cost funding for a three-year period and then the City must provide for such costs (base estimate of \$367,446 per year) first-beginning with a portion of FY 2013 and thereafter. The City also is under consideration for the funding of nine additional firefighters through the S.A.F.E.R. Program -- which, like the police officers, would be real additions to the force, not merely grant-funded supplanted positions. The grant for the fire positions would fully fund two complete years (whereas, the police grant covers three full years) and thereafter the City would begin picking up the additional \$408,330 cost; also likely to first impact the FY 2013 Budget. The 2011 budget year could see the impact of the loss of a gang grant-funded police officer position.
- 10.) We added the priority that further progress should be made toward the full implementation of 800 MHz Communications Systems for our Public Safety personnel. To achieve portions of this task, we have continued to aggressively solicit State and Federal Grant Funding and have established partnerships with other area Public Safety Departments in order to enhance our competitiveness. It is further believed that ABC Board contributions will serve to assist on the "local match" portion of potentially-successful grant awards.
- 11.) More public outreach in education is essential for our citizenry across all media. Our budgetary resource limitations make this difficult, but at the same time, the 2011 budget contemplates the more complete utilization of those limited, yet-existing resources, including; using our bus advertising contract; our enhanced and revamped website; the City Newsletter; and more in the way of general personal outreach. Also, this year's Municipal Services District budget does contemplate an increased emphasis on marketing, cooperative advertising, and events planning and support.
- 12.) The Christmas Bonus has been continued for all employees, particularly in light of the inability to provide for general wage increases. The 2011 budget does include full funding for the Christmas Bonus Program -- which costs \$281,586 and provides for a lump-sum bonus of 3% of salary up to a maximum payment of \$300 per employee.
- 13.) Across-the-board wage cuts and/or furloughs will be contemplated only as the last possible alternative. The 2011 budget fully avoided any across-the-board cuts and proposes no furloughs of any kind.
- 14.) Any increases to the property tax rate were simply not feasible given the current state of the economy. The 2011 budget maintained the property tax levy at \$.53 per \$100 of assessed valuation and equal to the levies in FY 2008, 2009 and 2010.
- 15.) Fee increases should be avoided if at all possible. As earlier stated, the 2011 budget provides for a retail electric rate increase to consumers at a level less than the actual

power-cost pass-through the City will receive on a wholesale basis from Power Agency #1. No other Enterprise Fund or General Fund fee increases were implemented beyond anything previously established and approved.

- 16.) Finally, the substantive elimination of any ongoing programs should also be approached only as a last resort. The 2011 budget managed to avoid any substantive elimination of programming and, in some cases, like that of the changes to utility billing payment options, we believe we have created better and more convenient options even though they may differ from the status quo.

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

GENERAL GOVERNMENT, ADMINISTRATION, CITY-WIDE OVERVIEW:

The Fiscal-Year 2011 budget (City-wide for all funds) provides for 884 total full-time positions. This net total results from the permanent elimination of 22 full-time positions; the elimination of 5 part-time positions; the change of 5 full-time positions to part-time; and the addition of 2 part-time positions as compared to that which was budgeted for in FY 2010. These rather significant changes to City staffing have come as a result of the continuing "Hiring Freeze" on "non-critical" positions; the successful implementation of the "Early Retirement Incentive Program"; and, the substantial "Reorganization" -- both to the Development Services Department and organization-wide. All of these changes combined have resulted in overall personnel cost savings in the FY 2011 budget totaling \$1,600,474. This comes on the heels of last-year's budget which cut \$930,579 from recurring personnel costs. Travel and training expenses have been reduced throughout the budget, totaling \$120,399. Again, this is in addition to the \$102,568 in similar cuts to last-year's budget -- as you might imagine, there is little in the way of "discretionary" funding remaining in this line-item. As has been noted, no provisions exist anywhere within the FY 2011 budget for any compensation increases to employees except for the \$281,586 total cost attributed to the Annual Christmas Bonus, and the "Compensation Reserve" funded at a total of \$95,942. The fact that the City will provide for no step-plan improvements for Public Safety employees, nor wage adjustments for all other employees, will save the City \$1,584,080, as calculated based on the last budget-year (FY 2009) that such increases were actually implemented.

The FY 2011 budget also had to provide for the State-mandated increase to Employer Retirement Contributions which, (without any corresponding increase to benefits) added \$702,227 to the FY 2011 budget and, if State projections hold true through FY 2015, will increase to a then-yearly-additional cost to the City (in FY 2015) of \$1,811,227. The FY 2011 budget further includes the \$71,429 in yearly contract payments to the U.S. National Whitewater Center in keeping with the City's contract, which is representative of year "four" of the seven-year total commitment. Finally, we have proposed decreasing what had been a yearly contribution of \$25,000 to the Economic Development Division of the Chamber, in support of E.D.C. marketing expenses, and instead funding only half of that total (\$12,500) which, in effect, equals our normal contribution through the calendar-year 2010 and then eliminates funding with the calendar-year 2011.

PUBLIC SAFETY:

- **Police:** In spite of the focused, fiscal austerity pervasive to the budgeting process over the last two years, the FY 2011 budget not only doesn't contemplate decreases to Police Department staffing, it maintains the City's allocated force of sworn police officers at 177, with an additional 28 civilian employees also retained. This staffing level represents the largest number during my tenure as City Manager and includes the eight (8) grant-funded officer positions. With the increased staffing numbers; pension cost increases; and \$127,653 increase to the cost of providing the Police Supplemental Separation Allowance, all affecting the "personnel" side of the budget, the "non-personnel" portion of the budget was doubly challenging. As a result, we gave serious consideration to recommending a movement away from the one-car-per-officer policy (take-home cars) in an attempt to reduce capital and maintenance costs; but instead reached a series of compromises which had similar effect on the non-personnel budgeting. Specifically, we have budgeted for the replacement of only four (4) police patrol cars, wherein a typical budget year might include 20. Also, while we are budgeting for the change-out of the mobile data terminals (lap-tops) in this proposal, we have limited the number to 80 for the Police Department and have scaled the cost of each down to \$2,300 by limiting otherwise-unnecessary features. Finally, on the revenue side, we will be instituting a per-mile charge to all officers driving their patrol cars home and that rate will be calculated at \$.15 per-mile inside the City limits, and \$.20 per-mile for miles driven outside of the City limits. These new fees are expected to generate revenues totaling \$94,000. There is also ongoing efforts on the part of the IT Department to yet fund additional mobile data terminals, using the same total budget allocation, by further reviewing and modifying unit features, and by possibly using FY 2010 unused equipment funds. To the extent this can be accomplished we will do so, but under no circumstances would we look to increase the total equipment budget beyond that which has been proposed.
- **Fire Department:** For the Fire Department also, this budget does not contemplate anything but a high level of staffing consistent with our stated commitment to a strong Public Safety presence. Specifically, this budget calls for the maintenance of 131 firefighters assigned to operations, 10 officers assigned to administration and fire prevention, and 2 civilian employees. In addition, we remain optimistic that the 9 requested additional firefighters, to be funded through the S.A.F.E.R. grant will yet be approved and, in turn, provide that added number of staffing to the FY 2011 budget. On the equipment side, this budget contemplates the purchase of a single, fire engine/pumper truck at a total budgeted cost of \$481,006 and 17 mobile data terminals at \$2,300 each. In the FY 2011 budget, the increased (year-to-year) cost of providing the "Supplemental Separation Allowance", added \$63,804.

HEALTH INSURANCE:

With the unrelenting health care cost increases moving at a rate disproportionately higher than that of inflation, we again have made dramatic changes in the name of cost containment. Specifically, beginning with the commencement of the 2011 fiscal-year, we

moved to a high-deductible, Blue Cross/Blue Shield-administered program of basic coverage, with no buy-up option, in combination with the first-ever introduction of a City-wide Health Savings Account (HSA). The Health Savings Account allows for a pre-tax vehicle whereby both the employer (City) and employee/retiree can contribute to an individual account, held in the name of the employee/retiree, which can then be drawn against throughout the year for any and all eligible medical-related expenditures. Any unused funds remaining in the account at the conclusion of the fiscal-year would then carry forward. The new BC/BS coverage program entails a \$1,500 deductible for individual employees/retirees, with 10% co-pay required from the point the deductible is met to a maximum “out-of-pocket” yearly total of \$4,000. For covered employees/retirees with dependant care coverage, the deductible moves to \$3,000 and the out-of-pocket maximum becomes \$8,000. In all cases, the City will deposit the first \$750 into the covered employee/retiree’s Health Savings Account and they will then be allowed to contribute additionally up to specified, federally determined maximums.

During the course of the FY 2010 budget year, amendments were made to infuse an additional \$1,000,000 into the Health Self-Insurance Fund, with \$900,000 coming from the City and \$100,000 being contributed by employees/retirees. So while this new program for FY 2011 budget calls for only an approximate 2% greater overall cost than that which was ultimately budgeted for in FY 2010, it represents a real increase of \$1,072,615 over the originally-approved FY 2010 budget. The coverage provided for dental care remains largely unchanged from the previous budget year -- with the same program of coverage in place and calling for a total budgeted cost increase of \$9,900 (2.67%).

MUNICIPAL SERVICES DISTRICT:

This year’s uptown Municipal Services District budget balances revenues and expenditures at a total \$124,023. Revenues are generated exclusively from the service district tax levy, while expenditures comprise \$56,600 for I.D.E.A.L. rent and up-fit incentive program subsidies for new business; architectural design subsidies of \$3,000; \$33,544 for contracted services associated with events, advertising, and festivals; \$12,260 for non-capital equipment, including banners and hardware, along with a pressure washer graffiti removal system; \$2,025 for operating supplies; \$4,734 associated with utilities for downtown plaza/pavilion electric; and \$11,860 for various advertising and promotional expenditures. For the second budget year in a row (and since the City took over budgeting of these funds from the GDDC) no funds are earmarked for ongoing salary or administrative expenses.

ONGOING REVITALIZATION INITIATIVES:

As already mentioned, the comprehensive mix of funds represented by the FY 2011 budget provides for the continuation, and expected completion of a number of major revitalization efforts/initiatives. Of course, the cornerstone of these projects is the nearly-\$10,000,000 Conference Center/Parking Deck project, which includes \$7,550,000 in the sale of “Limited Obligation Bonds”; \$1.1 million in Series 2008, 2/3 bond monies; over \$220,000 in dedicated Hotel Occupancy Tax fund balance; \$240,000 from the Infrastructure Rehabilitation fund, General Fund transfers of \$161,000, unspent project funds of approximately \$350,000 in the Downtown Capital Projects fund, approximately \$280,000 from the Developer Sidewalk fund, and the remaining funds coming from and interest

earnings on bond monies held for investment prior to expenditure. Also, since the Marietta Streetscape/Thread Trail project was originally funded through City-designated sources and then later became the recipient of an \$850,000 stimulus grant to be administered by NC D.O.T.; we freed-up some \$543,375 toward other, Downtown improvement projects. You will see such funds budgeted as carry-forwards of \$300,000 in the Downtown Capital Projects Fund for Marietta/Franklin street improvements, which will go to a number of Downtown resurfacing/crosswalk/intersection improvements; and \$243,375, in the Downtown Capital Projects Fund, from the 2/3 G.O. bonds, which will also contribute to those same projects. All of this will be done entirely in addition to the completion of the South Street Pedestrian Plaza and the Marietta Streetscape/Thread Trail Project and any public realm improvements associated with the Carriage Company Condo redevelopment.

UNFUNDED PROJECTS LIST:

A typical practice, for budget years prior to FY 2010, was for the City to evaluate a number of valid, high-priority capital projects which we could not fund given the identified resources at the time, and then, in turn, create a so-called, “Unfunded Projects List” identifying those next-highest-priority capital projects which we might likely fund in the event of new increments of revenues otherwise unallocated and above our policy-guided minimum Fund Balance Reserve. However, for the fiscal-year 2011 budget, much like that of the FY 2010 version, we have again chosen not to create such a list given the severity of the Economic Downturn and its overall affects on budget preparation decisions. In effect, we didn’t want to create an expectation through the simple creation of an “Unfunded Projects List”, that there would be any chance of actually funding items therein when, in fact, should our own fiscal discipline or pure good fortune find us completing the fiscal-year with an unallocated, year-to-year surplus, we would then likely use such “surplus” to return portions of the operational requirements cut or deferred as a result of the significant austerity measures.

STREET REPAIRS AND RESURFACING:

In September 2010 the City issued voter approved, General Obligation Street and Sidewalk Improvement Bonds in the amount of \$27,365,000. The proceeds of these bonds will be used to fund various roadway and sidewalk construction and resurfacing improvement projects throughout the City. Independent thereof, within the FY 2011 operational budget, the projected receipt of Powell Bill revenues from the State (\$1,951,786 budgeted for FY 2011) are precisely equal to that budgeted for FY 2010, based on up-to-date projections from State sources and on actual receipts for FY 2010 -- which came in at \$1,968,791. This total represents a real decline of \$241,231 (11%) compared to FY 2009, and a further decline of an additional \$218,482 from FY 2008. The hope is we have stabilized and we could yet see a slight increase over last year’s levels. For FY 2011, we have budgeted \$163,269 in total street resurfacing, which contrasts to the FY 2010 budget total of \$128,769. These numbers contrast to the FY 2009 budget when the City funded \$437,120 in street resurfacing and then further extended that amount by an additional \$200,000 in Unfunded Projects List resurfacing monies as well. In FY 2008, we funded \$220,718 in initial street resurfacing work and then later added \$115,000 in Unfunded Projects List funding. As you can tell by these total numbers, and as further validation for the need for the issuance of the above mentioned General Obligation Bonds, without a fundamental

overhaul of the State system for generating revenues to support street repair and maintenance, or without some entirely new revenue stream developed at the local level, we will continue to have little means to adequately address the ongoing requirements for road repair and resurfacing.

FUNDING FOR VEHICLES AND EQUIPMENT:

The City has traditionally financed its purchases of vehicles, equipment, and computer hardware and software through an annual loan spread-over a 59-month period, which serves to level the overall economic impact of equipment needs purchasing from year-to-year. In the FY 2011 budget, we are proposing the funding of a combined total replacement of \$1,847,459 in vehicles, rolling stock, and computer and radio equipment. This represents an approximate-\$1.3 million decrease when compared to the five-year average replacement cost total. In the aggregate, the total cost for the replacement of vehicles and rolling stock is \$1,053,985. Within the area of Technology Services, we are budgeting \$718,100 in combined purchases for computer hardware and software as well as equipment associated with radio, telephone, and mobile data systems (not including any possible costs associated with 800 MHz radio systems to be funded through grant purchases). Specifically, we have budgeted \$100,000 for the replacement of desktop and laptop computers along with associated printers and other peripherals. Also, there is \$225,000 budgeted for the replacement of servers older than five-years and out of warranty; \$130,000 for the replacement of LAN and wireless networking gear; and, \$40,000 for the purchase of Windows 7 Professional Operating System licenses for Public Safety. Additionally, the purchase of the combined 97 mobile data terminals (laptops) for the Police and Fire Departments is budgeted at a total \$223,100 -- allowing for \$2,300 per-unit purchased. Finally, CPAT test equipment for the Fire Department (\$22,874); self-payment kiosks for the Finance Department (\$45,000); and a gator for Public Utilities (\$7,500) have been budgeted as well. Because of the nearly-five-year debt amortization period for equipment financing, the \$1.3 million dollar decrease in yearly expenditures will have no impact on the capital FY 2011 budget, but it will, however, begin to show a substantial debt service saving with FY 2012 and beyond.

SCHIELE MUSEUM:

For FY 2011, total budgeted City expenditures for the Schiele Museum (not counting those funded and accounted for by the Board) equal \$1,850,927. This amount is offset by budgeted revenues of \$378,000, resulting in a total yearly, General Fund subsidy of \$1,472,927. In contrast to FY 2010, we see that last year's budgeted expenditures totaled \$2,002,303; revenues were budgeted at \$403,000; resulting in a total yearly subsidy of \$1,599,303. For FY 2009, the subsidy was set at \$1,664,954. As you can see, we have decreased the subsidy, in real terms, for the second budget year in a row. This year's budget contains funding for 18 total, City-funded staff in contrast to the FY 2010 Budget wherein 22 such staff were funded; a decrease of 4 positions.

ELECTRIC DEPARTMENT:

The FY 2011 Electric Department budget contemplates the imposition of an average 4.5% retail rate increase, effective July 1, 2010, in order to partially offset the expected 5.5% wholesale increase to purchased power costs which the City will incur as a result of the rate hike from Power Agency #1. In order to make up some of the gap between the expected additional revenues to be derived from the retail rate hike, and the greater impact of the added expenditures resulting from the purchased power cost increase, the Electric Fund has decreased its annual transfer to the General Fund (\$2,000,000) by \$100,000. Also, the Water and Sewer Fund is now paying for 100% of all its electric charges -- increasing costs to water/sewer and providing a corresponding increase in revenues to the Electric Fund of \$349,000. For the Fiscal-Year 2011, the Electric Fund will provide for \$1,576,968 in new capital improvements (a \$120,696 increase over capital FY 2010); eliminate any contribution to Center-City Revitalization; fund \$28,000 in new G.E.A.R. program subsidies; and fund \$75,000 toward the cost of credit card fees, allowing for bill payments by such cards without fees to our customers. We expect to begin the FY 2011 budget year with approximately 6.5% (as measured against yearly budgeted expenditures) in "Available Fund Balance". The Budget does not contemplate, nor budget for any additions to this total given the upward rate pressures faced.

WATER/SEWER:

The FY 2011 Water/Sewer budget has incorporated, for the first year ever, the full payment, at full cost, of all actual electric usage -- this is adding \$349,000 to the Budget, while increasing revenues to the Electric Fund by an equal amount. In addition, we are also, for the first time ever, properly calculating the "payment-in-lieu-of-taxes" for the Water/Sewer Fund payments to the General Fund, and that is increasing expenditures by \$505,104, with a corresponding revenue increase to the General Fund in a like amount. The multi-year, phased-in water and sewer rate restructuring which went into effect with the FY 2010 budget year, further impacts the FY 2011 budget by the imposition of a 5.5% average retail rate increase to all customers beginning January 1, 2011. Other features of note within the FY 2011 budget include the elimination of 4 full-time positions, including 3 assigned to water supply and treatment, and 1 assigned to sewage treatment. Also, we have earmarked \$1,221,000 for capital improvement projects which includes \$461,457 for collection system improvements; \$277,200 in Long Creek Wastewater Treatment Plant upgrades; and \$188,720 for improvements to the Water Treatment Plant. In addition to the capital improvements and obligated debt service budgeted for, this budget also sets aside \$526,721 in debt service reserve monies as proper and conservative planning for future needed capital investments. The expected beginning operational fund balance for the Water/Sewer Fund is \$9,750,000 -- the FY 2011 budget proposal does not contemplate the use of any portion of said fund balance to cover either operational or capital needs.

STORMWATER FUND:

The Stormwater fees assessed against all classes of property throughout the City represent the Stormwater Fund's sole source of revenues. These fees have not been adjusted since they were first imposed in 2003, and inflationary pressures have eroded the City's overall ability to achieve capital improvement efforts utilizing the Fund. For FY 2011, the

Stormwater Fund budget provides \$370,405 in total funded capital improvement expenditures, of which \$277,804 will go toward prioritized system upgrades, and \$92,601 will go toward one-time improvements designed to benefit the greater good of the system, such as creek-bank stabilization and flood mitigation.

TRANSIT:

Within the Transit Fund for FY 2011, we have budgeted total expenditures of \$2,098,636. This corresponds to total revenues established at \$1,596,495, leaving the City to subsidize a total \$502,141 from the General Fund. For FY 2010, a similar review indicates total expenditures of \$2,136,803, and total revenues of \$1,653,060 -- resulting in a total General Fund subsidy of \$483,743.

A LOOK TO THE FUTURE:

While the budget development processes are ones that can only be categorized as dominated by both fiscal austerity and sacrifice, we must not lose sight of the fact that a great many improvements and projects will still be completed as a result of either past local funding decisions creating dedicated revenue streams, or because of Federal or State grant funds injected through the ARRA Stimulus Grant Awards or State-administered off-shoots thereof. Our Center-City Revitalization and Highland Neighborhood Development will see some of the most dramatic effects; and, if the current understanding of the financing package holds true, then the Loray Mill Redevelopment Project will likely move forward as well. The issuance of the 2010 General Obligation Bonds will influence an exceptionally busy FY 2011 as we embark on some dramatic and far-reaching park and roadway improvements. We also hope to finalize an implementation plan for the comprehensive restructuring of Solid Waste Management services which could yet have some phased-in effect during the course of FY 2011.

We will also continue our aggressive look to consolidate services and programs wherever possible and economically feasible -- this holds true for our internal organization as well as our priority pursuit of the external consolidation of water and sewer services with multiple other jurisdictions whenever and wherever those efforts can result in positive economic impacts to all participating.

Some flexibility must always be maintained within any quality fiscal management process in order to be able to respond quickly and decisively in the face of economic opportunity that can positively impact the community. We think the 2011 budget allows for that flexibility while still responding fully and cautiously to an economic climate which has caused much deeper and more traumatic disruptions to many other levels and jurisdictions of government -- whose previous planning showed less in the way of discipline when compared to that of Gastonia.

To conclude, it is our sincere belief that the FY 2011 budget represents the optimal possible financial alternatives available to the City of Gastonia at this time. It is as creative and proactive as one can hope given the economic uncertainty, yet it remains responsible and entirely within the City's financial ability to fund.

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, 2010, provided no instances in the internal controls of reportable conditions or material violations of applicable laws and regulations.

DEBT ADMINISTRATION

The City's sound financial condition is evidenced by its AA- bond rating from Standard & Poor's Corporation, Aa2 from Fitch and A1- from Moody's Investors Service. The current credit ratings for revenue bonded debt are: Standard and Poor's Corporation AA-, Moody's Investor Service A2, and Fitch A+.

Pursuant to the North Carolina General Statutes, the City's outstanding general obligation debt is subject to a legal limitation based on 8 percent of the total assessed valuation of real and personal property. As of June 30, 2010, the City's legal debt limit was \$411,546,239. The outstanding debt subject to this limit was \$31,846,883, leaving a net legal debt margin of \$379,699,356. The total gross bonded debt at June 30, 2010, was \$50,785,003. The only other jurisdiction within the City limits having property taxing power is Gaston County. The assessed property valuation (100% assessment ratio) for the County totaled \$14.704

billion, which includes the City's valuation of \$5.145 billion, resulting in a City to County ratio of 34.99%.

CASH MANAGEMENT

Effective cash management, including forecasting of cash requirements, provides for good utilization of available cash resources. For the year ended June 30, 2010, the City's General Fund investments yielded investment earnings of \$139,481 as compared to \$374,070 for the year ended June 30, 2009. The decrease in investment earnings is directly related to a continued downturn in the overall financial investments market. The current year investment earnings equates to approximately one-third cent on the 2010 ad valorem tax rate.

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

The investment policy of the City is to minimize credit and market risks while maintaining a competitive yield and high liquidity on its portfolio. Because of the credit risk uncertainties in the current worldwide financial market, the City maintained 2.75% of its cash available for investment in commercial paper, 36.63% in certificates of deposit (reported as cash in the financial statements and the notes to the financial statements) and 60.62% in the North Carolina Capital Management Trust. The NCCMT cash portfolio is an SEC registered 2a-7 mutual fund and has opted to participate in the new US Treasury Temporary Guarantee Program for Money Market Funds, which guaranteed the principal balances in the fund. The NCCMT investing objective is to seek to obtain as high a level of current income as is consistent with the preservation of capital.

RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtains, through commercial companies, general liability coverage of \$1 million per occurrence with a \$3 million aggregate limit, auto liability coverage of \$1 million combined single limit coverage with a \$4 million excess policy, property coverage up to the total insurance values of the property, workers' compensation coverage up to \$1 million per accident, unlimited lifetime employee health coverage, police liability and public official liability of \$2 million, boiler and machinery coverage of \$1 million, museum of fine arts and articles at the military museum for \$5.48 million, airport coverage for \$25 million, earthquake coverage limited to \$5 million, and full coverage for community development housing renovation inventory (for houses that will be rehabilitated and not demolished).

The City is not in close proximity to any major waterways, thus, the City does not carry flood insurance.

All insurances are fully insured except workers' compensation and health and dental. For the 2011 fiscal year, the City had a \$300,000 self-insured retention for all employees, except police and fire that had a \$500,000 self-insured retention. Settled claims have not exceeded coverage in any of the past six fiscal years.

The City is self-insured on healthcare and dental care. The City has purchased specific stop-loss coverage for any claim that exceeds \$150,000. Based on a cost verses risk study the City does not carry an aggregate stop-loss coverage.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance-bonded through a commercial surety bond. The finance officer is individually bonded for \$150,000. The remaining employees that have access to funds are bonded under a blanket bond for \$150,000.

INDEPENDENT AUDIT

North Carolina General Statutes require an annual independent audit of all local government units in the state. Martin Starnes & Associates, CPAs, P.A., a firm of independent certified public accountants, has audited the financial records of the City and their opinion has been included in this report. Their audit was made in accordance with generally accepted auditing standards and, included examining, on a test basis, evidence supporting the amounts and disclosures in the City of Gastonia's basic financial statements as well as assessing the accounting principles used and significant estimates made by management. Their opinion indicates that the accompanying City of Gastonia's basic financial statements for the fiscal year ended June 30, 2010, 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,


2009. The 2009 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 seventeen (17) years. We believe the report for Fiscal Year 2010 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 2010. The City has received this award for the past seventeen (17) 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 2011 budget continues to conform to program requirements and it has been submitted to the GFOA to determine its eligibility for another award.

ACKNOWLEDGMENTS

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

Respectfully,

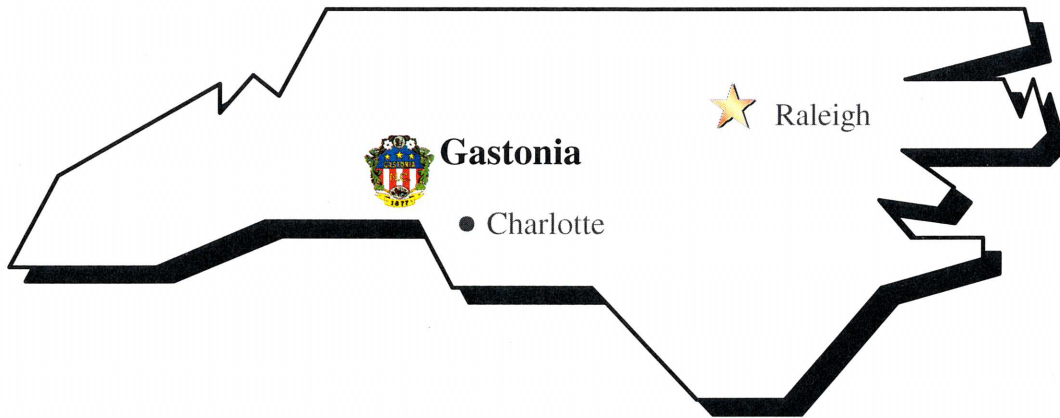


James M. Palenick
City Manager



Melody B. Usery
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 50.43 square miles and more than 75,280 residents.

City Facts

General Description

The City of Gastonia is located in the heart of the Piedmont section of North Carolina on the South Carolina border. It is the twelfth largest city in the state and is the second largest city in the Charlotte-Gastonia-Rock Hill Metropolitan Statistical Area (MSA) as defined by the United States Bureau of the Census. The MSA currently has a 2005 estimated population of just under 1,500,000 persons. The City is located approximately 22 miles west of downtown Charlotte, the largest city in the state. The City has served as the County seat for Gaston County since 1911, and is the largest of the County's 13 municipalities with approximately 50.43 square miles and 75,280 residents within its corporate limits. Its location along Interstate 85, equidistant from Atlanta and Raleigh, places the City in the heart of the rapidly developing Piedmont region of North Carolina; and, it is midway between the Florida Keys and New England, and just 200 miles from the Atlantic Ocean, making it a strategic center for serving Eastern United States.

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

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

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

The City's History

The City of Gastonia was incorporated in 1877, the year reconstruction ended. The impetus for the early development of Gastonia, which began in 1873 as a small depot, was the combined effect of the realignment of the Atlanta & Charlotte Airline Railroad (now Norfolk Southern) from its original intended path several miles to the north of the City, the charter of the Chester & Lenoir Narrow Gauge Railroad (now

CSX) which crossed the Atlanta & Charlotte railroad and the introduction of the steam powered textile mill. The crossing of these two railroads and the beginning of the City's textile industry brought opportunity for employment and social life. The initial population of the town was approximately 200 persons, and the land area was only .5 miles.

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

The City provides a wide range of services that include public safety, electric distribution, water and sewer services, stormwater management, public transportation, community development, solid waste collection and disposal, cultural and recreational activities, general administration, and other amenities not often found in a city of 75,280 people.

All America City Recognition

The All America City Award is the oldest and most respected community recognition program in the nation. In its 61th year, the National Civic League recognizes neighborhoods, villages, towns, cities, counties, and metro regions for outstanding civic accomplishments. To win, 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.

Gastonia became a finalist and joined 25 other American communities in June 2010 to share stories of building community through citizen involvement. Sharing projects such as Hope for Gaston, Highland health Center, Run for the Money, Lowering the Drop Out Rate and Gaston Career Climb.

On June 10, 2010, the National Civic League named Gastonia as one of only ten All America Cities for the 2010 designation period. Gastonia's commitment as an All America City is to build on the current successes and to expand citizen participation in Building CommUnity through stronger partnerships and continued City Wide City Pride.

The City also received this distinguished award for the 2001 designation period.

Governmental Structure

The City of Gastonia is an incorporated city established under the Constitution and the laws of the State of North Carolina. Legislative control is vested with a Mayor elected biennially on a non-partisan basis and a six-member City Council, each of

whom is elected for a four-year term. Each member of the City Council represents a defined geographical ward, but elections are determined by an at-large vote. The terms run concurrently and all current terms expire November 2011. Elections to the City Council are held in November of odd-numbered years. Any registered voter who resides within the city limits is eligible to run for City Council. The Council takes office on the first Tuesday in December following the November election. At its first meeting, the Council selects a Mayor Pro-Tempore from among its six members.

The major duties of the City Council are as follows:

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

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

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

Major duties of the Manager include:

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

The City Manager has a staff that includes the two Assistant City Managers, the City Attorney, and 8 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, 2010, the City of Gastonia had 884 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, 2010 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. Gaston County has adopted such an ordinance, which requires reappraisal every four years. The City's most recent reappraisal was completed by the County in the 2006/2007 fiscal year and was applicable to ad valorem tax revenues beginning in the City's 2007/2008 fiscal year.

Economy, Commerce and Industry

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

For many years, the primary industry in the City was textiles. However, the recent national trend of companies relocating manufacturing facilities outside the United States has resulted in significant losses of jobs and investments in the textile industry. Over the past decade, the City's economy has diversified and expanded its commercial and industrial base through a variety of industry, trade and tourism sectors, while the significance of the textile industry has declined. In 2010, approximately 17% of the industrial workforce in the County was employed in manufacturing, 17% in wholesale and retail trade, 18% in the health care and social assistance, 4% in construction, 9% in accommodation and food services, 29% in the service sector and 6% in public administration. The expansion and diversification of the City's economy can be attributed to the City's proximity to the City of Charlotte, and the City's access to major interstate highways.

The City emphasizes the attraction of new and diverse industry while providing support for the existing commercial and industrial community. According to the Gaston County Economic Development Commission, in 2010, from new and expanding industry, new manufacturing companies and expansions and renovations of existing companies resulted in investments of approximately \$3 million, however these investments did not create any new jobs.

The City and the surrounding Gaston County municipalities emphasize the attraction of new and diverse industry while providing support for the existing commercial and industrial community. According to the Gaston County Economic Development Commission, from January 1, 2009 through June 30, 2010 new manufacturing companies and expansions and renovations of existing companies resulted in investments of approximately \$2,800,000 however these investments did not create any new jobs. In addition, during the same period, new and existing retail business made investments totaling approximately \$14,200,000.

The national and worldwide economic downturn since Summer 2008 has certainly been felt in Gastonia, however, a variety of new manufacturing and retail establishments were established or expanded recently. Peak Resources, a nursing home operator, located its 10,000 sq. ft. corporate headquarters in the City. Mountain Khakis, a premier outdoor-lifestyle apparel brand, located a new fulfillment warehouse on Plastics Drive in Gastonia. The move from Texas allows the company to improve quality control, better customer service and improve operational efficiencies and savings. Mountain Khakis, founded in 2004, recently was selected among America's "Fastest-Growing Private Companies" by Inc. Magazine. Other new and expanding industries in Gastonia include Jeff Gunn Floor Sanding, Fastenal Company, Norcap Facility and the Cookson Company. Construction of single family residential neighborhoods continues to slow, and residential addition, renovation and remodel permit valuation decreased by 31% from last year. The Gastonia Technology Park, the area's premier business park, is ready for business with new roads, site grading and "free" power backup generation. Designated as a Prime Power Park, businesses will have 4 megawatts of back-up power with the ability to expand up to 12 megawatts. This is crucial for industrial users with precision machinery, critical heating and cooling components, or other functions that depend on constant electricity.

Caromont Health, Inc. the parent corporation for a multi-state, integrated health care system consisting of Gaston Memorial 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 main facility 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. and the non-profit corporation operating the hospital. 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 Thomas Reuters' "Top 100 Hospitals" award for Quality and Safety and the Advanced Diabetes Certification and Advanced Certification in Heart Failure from the Joint Commission.

The downtown area of the City is undergoing notable revitalization. Federal stimulus funds have provided \$850,000 for streetscape improvements; \$2,600,000 neighborhood stabilization funds will provide for 16 owner-occupied single-family units; and a \$600,000 pedestrian plaza that opened in the Fall of 2010. This in addition to several new business openings, an active downtown events calendar, and a downtown outdoor market. A \$10.0 million, 29,000 sq. ft., LEED-certified conference center and an integrally-designed 160 space parking deck project will be

a cornerstone in the redevelopment of downtown. Construction of the project is underway with the opening slated for the fall of 2011. The construction costs of the project is being financed through installment financing obligations issued as recovery zone economic development bonds and repaid primarily from hotel occupancy tax revenues of the City. The conference center project has already attracted additional investment, including a new, fine-dining restaurant, located steps from the conference center, that is projected to open in Spring or Summer, 2011 in a renovated historic theater. Also located in the central City, will be the construction of a new Environmental Studies Center addition to the City's Schiele Museum of Natural History. This 5,000 sq. ft. LEED-certified conference/classroom addition will be the new front entrance to the Museum. This project is scheduled to break ground in the Summer of 2011.

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 Westfield Shoppingtown Eastridge, 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 is currently undergoing a major redevelopment including a new "big box" store with smaller anchor tenants and retail establishments. This will include Dick's Sporting Goods, Ollie's Bargain Warehouse and SuperTarget stores. The completed project is expected to generate 393 new jobs with annual sales expected to be over \$56 million. Westfield Shoppingtown Eastridge (formerly Eastridge Mall) is an approximately 1,560,000 square-foot retail facility and is the fourth largest mall in North Carolina and South Carolina. Belk, Dillard's, Sears and 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 a 2008 expansion, the Shops at Franklin Square, includes additional retail space with H.H.Gregg and Ashley Furniture as anchor stores.

Triangle Real Estate is the City's largest taxpayer with .97% 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 6.84% 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. A longer-range transportation objective is the Garden Parkway, U.S. Highway 321/74 Bypass, that will loop around Gastonia and connect to Charlotte's outer belt, I-485, and Charlotte-Douglas International Airport. This freeway is currently in the planning stages.

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

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

Gastonia is within a 15-minute drive of the Charlotte-Douglas International Airport. Charlotte-Douglas is 8th nationwide in operations, 11th in nationwide passengers and 40th in cargo. The airport is serviced by 9 major airlines and 5 regional airlines with approximately 650 scheduled commercial departures daily to virtually any North American location and parts of Europe with over 34.5 million passengers boarding a year. US Airways maintains an operational hub at the airport. The airport offers non-stop flights to 33 international locations. On February 12, 2010 the airport commissioned a forth runway which will permit triple independent landings. At 9,000 feet long, the new "third parallel" runway will allow three independent approaches for arrivals, automatically increasing air service by 33 percent. The runway was constructed at a total cost of \$325 million. The airport is as accessible to Gastonia as it is to the downtown Charlotte area, providing Gastonia with a tremendous intra-regional advantage. Additionally, the City owns the Gastonia Municipal Airport, a general aviation facility that serves both the City and the County for both business and pleasure flights. The facility has one lighted runway of 3,750 feet and one unlighted emergency runway of 2,500 feet. The airport recently completed a \$1,200,000 runway, taxiway, and ramp-resurfacing project. Fly Carolina serves as the fixed base operator for the airport.

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

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

Education

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

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

Cultural and Recreational Activities

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

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

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

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

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

Summary

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Gastonia
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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



A stylized, handwritten signature in black ink.

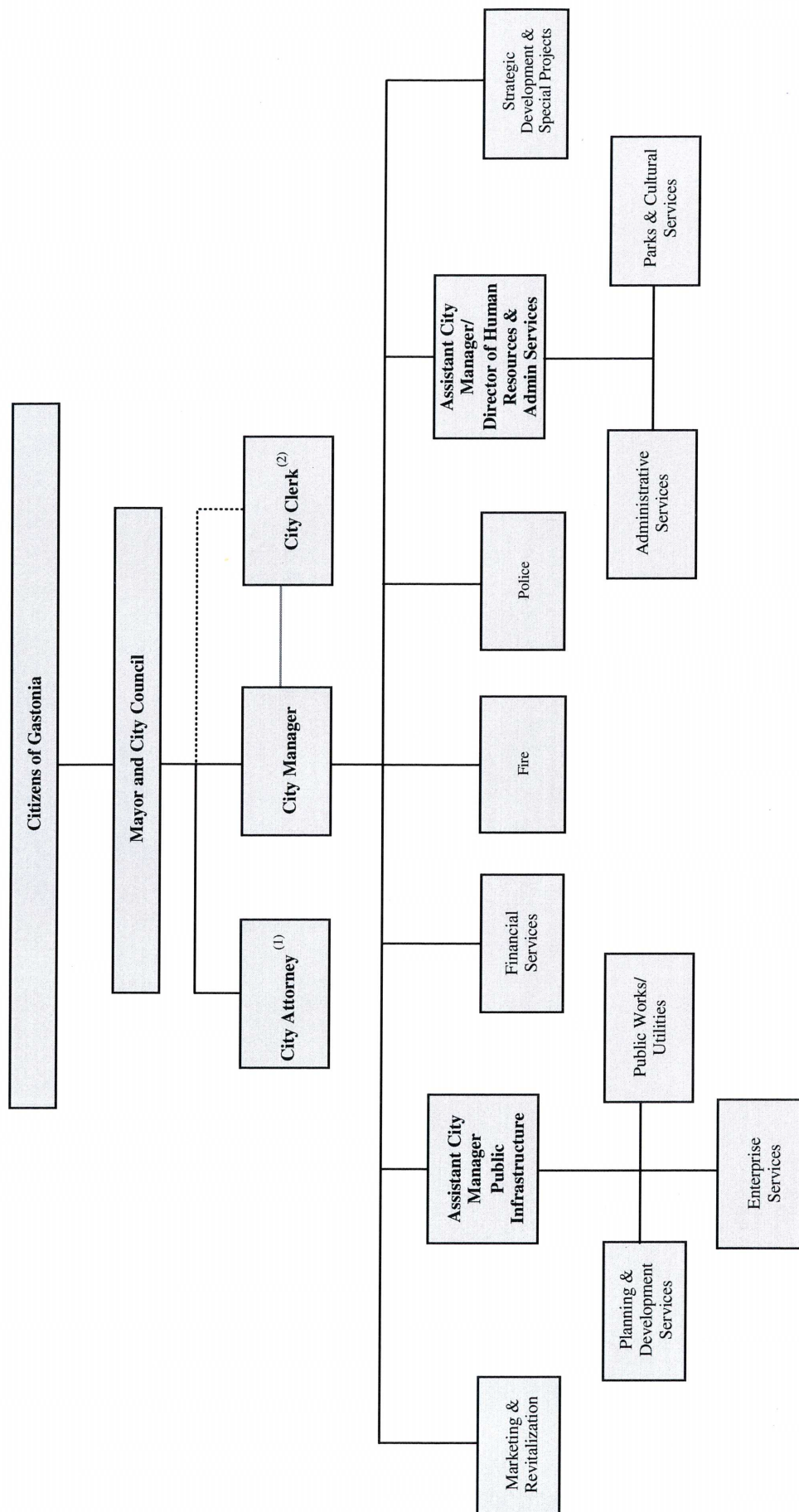
President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

City of Gastonia, North Carolina

Organizational Chart



(1) Appointed by the City Council

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



FINANCIAL SECTION

Independent Auditors' Report

Management Discussion and Analysis

Financial Statements (Combined Statements – Overview)

Combining and Individual Fund Statements and Schedules

Other Supplementary Financial Data



INDEPENDENT AUDITORS' REPORT



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

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gastonia, North Carolina, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Gastonia, North Carolina's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Gastonia ABC Board which represents 71 percent, 69 percent, and 94 percent, respectively, of the assets, net assets, and revenues of the component unit columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and, our opinion, insofar as it relates to the amounts included for the City of Gastonia ABC Board, is based solely on the reports of the other auditors.

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

In our opinion, based upon our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gastonia, North Carolina, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 13, 2010, on our consideration of the City of Gastonia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
December 13, 2010

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, 2010. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The assets of the City of Gastonia exceeded its liabilities at the close of the fiscal year by \$396,613,604 (*net assets*).
- The City's total net assets decreased by \$1,528,714. Governmental activity net assets decreased by \$4,265,426 and business-type activities increased by \$2,736,712. The decrease in the governmental activities net assets is primarily due to the following (The reader needs to keep in mind that the City's fiscal policy is governed by the modified accrual basis of accounting which requires budgeted expenditures to equal budgeted revenues. Favorable budget variances, capital purchases, debt principal payments, and contributed assets will increase net assets. Unfavorable budget variances and use of appropriated fund balances will decrease net assets): The net change in governmental funds' fund balances under the modified accrual basis of accounting resulted in a \$1,985,247 decrease of net assets. General Fund expenditures exceeded revenues by \$410,148, and the combined other governmental funds' expenditures exceeded revenues by \$1,575,099. The City budgeted to use \$1,693,575 of General Fund fund balance to fund the early retirement incentive program, Rankin Lake Park improvements, miscellaneous sidewalk projects, subsidize a Community Development grocery store project, fund certain law enforcement projects, subsidization of the Medical Self-Insurance Fund, and carryover encumbrances. The City used \$410,148 of fund balance for the year ended June 30, 2010.

Actual revenues (General Fund) were less than budgeted revenues by \$1,504,517. Local option sales tax revenues were under budget by \$260,145 due to the continued retail sales decline and initial year effect of a modified County/City sales tax distribution agreement. The utility franchise tax allocation from the State was under budget by \$328,771 and intergovernmental revenue allocations for beer and wine taxes and ABC Board distributions were under budget by \$243,718 and \$200,000, respectively. All of which are directly related to the unpredictable health of the economy. Interest earned on investments was under budget by \$141,263 due to the continued deterioration in the investments market. In addition, construction permits were under budget by \$191,600 due to the continued deterioration of the housing and other construction markets. Actual expenditures came in under budget by \$2,479,449. Of this amount, approximately \$1,050,000 was related to salaries and benefits, and the remaining amount was spread out over numerous operating expenditure account types. Excess expenditures over revenues of \$1,575,099 in the combined other governmental funds was mostly due to the utilization of capital projects funds fund balance to fund carryover capital projects and a revenue recognition timing difference in the Airport Capital Projects Fund. The capital projects funds budgeted appropriated fund balance of \$4,931,523.

The full accrual basis treatment of capital outlay, depreciation, gain/(loss) on disposal of capital assets, debt service principal payments, bond refunding payments, debt issuance proceeds, private developer contributions of capital assets, expenses related to OPEB, and various other modified accrual to full accrual adjustments resulted in a \$1,909,630 decrease in governmental activity net assets. See Exhibit E for a detailed analysis of the budgetary basis to full accrual basis (GAAP basis) reconciling items.

- As of July 1, 2006, the City established a Medical Self-Insurance Internal Service Fund, which provides medical coverage to all City employees. For the year ended June 30, 2010, claims, administrative fees and stop/loss premiums exceeded fund charges for services by \$1,508,550. Claims continued to increase and the City required various other City funds to subsidize this fund in the amount of \$1,600,000 for the year ended June 30, 2010. The City's 2010 budget included no premium increases for the City or the employees. However, the City increased employee premiums as of February 1 2010. In spite of this subsidization, the fund ended the 2010 fiscal year with a \$58,406 fund balance. The 2011 budget discussions addressed this by revamping the health insurance plan into a high-deductible plan with an HAS (Health Savings Account). This internal service fund predominantly services the governmental funds; thus, the fund's activities are included in the City's governmental activities.
- The business-type activities' increase in net assets was primarily due to the following: charges for services exceeded program expenses by \$3,964,953 as compared to the prior year amount of \$1,145,650. This increase was mainly due to electric retail rate increases coupled with a lesser than anticipated overall increase in the cost of purchased power for resale and somewhat stagnate other operating costs. The Electric Fund implemented retail rate increases of 1.8% and 3.8% effective 1/1/2009 and 7/1/2009, respectively. The cost of purchased power for resale increased 2.6% and other operating costs decreased by .05%. Under the modified accrual basis of accounting (budgetary basis), Electric Fund revenues came in under budgeted revenues by \$2,645,315. Overall customer consumption was down by .6%. Expenditures came in under budget by \$3,390,040 due to a \$1,420,350 favorable budget-to-actual variance in the cost of purchased power for resale, a \$1,109,814 favorable budget-to-actual variance in emergency replacement and renewal of system infrastructure cost, and an \$859,876 favorable budget-to-actual variance in other controllable operating expenditures. Under the modified accrual basis of accounting (budgetary basis), Water and Sewer Fund revenues came in under budgeted revenues by \$926,585 which was mostly due to a continued emphasis on water conservation. Expenditures came in under budget by \$3,983,073 due to a concerted effort by management to reduce controllable expenditures, a \$1,485,304 favorable budget-to-actual variance in emergency replacement and renewal of system infrastructure expenditures, and a budgeted \$913,970 favorable budget-to-actual variance in debt service to fund the reduction of future bond issuance needs. All other business-type funds operated fairly close to break-even on the budgetary basis of accounting.

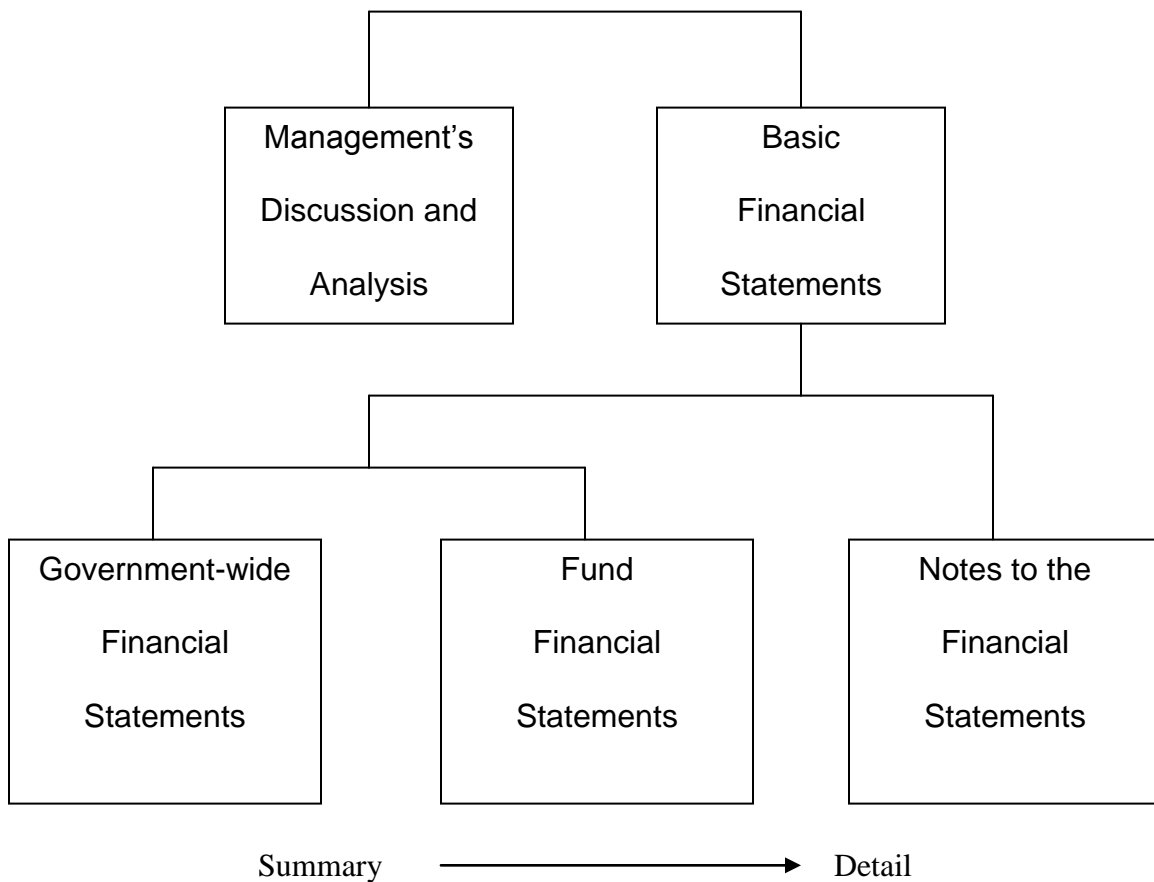
- Program revenue capital asset grants and contributions, for which there are no related expenses, amounted to \$184,523 as compared to the prior year amount of \$457,237. This decrease was due to less developer-contributed capital in the 2010 fiscal year which was related to the continued deterioration of the housing industry. Operating grants and contributions were \$1,341,804 as compared to the prior year amount of \$1,478,376, and investment earnings were \$154,639 as compared to the prior year amount of \$408,419. The decrease in investment earnings is related to the continued deterioration of the investments market. Transfers to governmental activities decreased business-type activities net assets by \$2,297,562 as compared to the prior year amount of \$1,800,465.
- As of the close of the current fiscal year, the City of Gastonia's General Fund reported an ending fund balance of \$16,004,601, a decrease of \$410,148 from the prior year ending fund balance.
- Approximately 44.56 percent of this total amount, or \$7,132,237, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, *available fund balance* for the General Fund was \$7,132,237, or 12.47 percent of total General Fund expenditures, including transfers to other funds, for the fiscal year. Prior year's *available fund balance* was \$9,637,414, or 16.52 percent of total General Fund expenditures, including transfers to other funds. This decrease is mostly due to a \$410,148 decrease in total fund balance, a \$1,619,461 increase in reserved by State statute, a \$301,441 increase in reserved for inventories, and a \$174,127 increase in reserved for encumbrances. The increase in reserved by State statute is mostly due to a \$1,440,540 increase in Special Revenue Funds accounts receivables, of which \$1,406,078 was directly related to year-end grant receivables for grants awarded through the American Recovery and Reinvestment Act. These were reimbursable type grants and the allowable expenditures were fronted by General Fund monies. The North Carolina Local Government Commission defines available fund balance as unrestricted cash net of current liabilities.
- The City of Gastonia's total financing debt obligations decreased by \$8,886,538 (10.78%) during the current fiscal year. The key factors in this decrease were the overall scheduled debt retirements of \$11,021,076 and defeasance of \$19,300,000 of revenue bonds, while the City incurred \$21,434,538 of new financing debt obligations. New debt obligations consisted of the issuance of combined utility system revenue refunding bonds in the amount of \$19,605,000, a \$1,750,000 vehicle equipment-financing instrument, and a \$159,076 State of North Carolina Department of Environment and Natural Resources loan; whereas, \$79,538 of principal was forgiven through the American Recovery and Reinvestment Act.
- 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 A2, and Fitch A+.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

Government-Wide Financial Analysis

The City of Gastonia's Net Assets

Figure 2

	Governmental Activities		Business-Type Activities		Total	Total
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 33,050,355	\$ 34,201,296	\$ 43,685,058	\$ 39,625,917	\$ 76,735,413	\$ 73,827,213
Capital assets	164,500,405	170,367,368	257,531,327	259,433,991	422,031,732	429,801,359
Total assets	197,550,760	204,568,664	301,216,385	299,059,908	498,767,145	503,628,572
Long-term liabilities						
outstanding	35,413,278	38,398,390	38,968,217	41,085,356	74,381,495	79,483,746
Other liabilities	13,125,459	12,892,825	14,646,587	13,109,683	27,772,046	26,002,508
Total liabilities	48,538,737	51,291,215	53,614,804	54,195,039	102,153,541	105,486,254
Net assets:						
Invested in capital assets,						
net of related debt	139,559,976	141,102,212	218,955,191	220,064,680	358,515,167	361,166,892
Unrestricted	9,452,047	12,175,237	28,646,390	24,800,189	38,098,437	36,975,426
Total net assets	\$ 149,012,023	\$ 153,277,449	\$ 247,601,581	\$ 244,864,869	\$ 396,613,604	\$ 398,142,318

As noted earlier, net assets may serve, over time, as one useful indicator of a government's financial condition. The assets of the City of Gastonia exceeded liabilities by \$396,613,604 as of June 30, 2010. The City's net assets decreased by \$1,528,714 for the fiscal year ended June 30, 2010. However, the largest portion (90.39%) reflects the City's investment in capital assets (e.g. land, buildings, roads, bridges, utility infrastructure, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The City of Gastonia uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Gastonia's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining balance of unrestricted net assets \$38,098,437 may be used to meet the government's ongoing obligations to citizens and creditors.

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

- Continued low cost of debt due to the City's high bond rating.
- A continued effort on the part of management to perform and/or expand its services with the same or fewer permanent staffing.
- Staff's dedicated efforts in assuming added responsibilities during staff turnover and a mandated hiring freeze for non-critical positions resulted in a salaries and benefits favorable budget-to-actual variance, approximating \$1,200,000 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.

City of Gastonia Changes in Net Assets

Figure 3

	Governmental Activities		Business-Type Activities		Total	Total
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 9,497,960	\$ 11,341,904	\$ 97,722,710	\$ 94,713,249	\$ 107,220,670	\$ 106,055,153
Operating grants and contributions	7,254,047	5,016,361	1,341,804	1,478,376	8,595,851	6,494,737
Capital grants and contributions	770,492	1,767,264	184,523	457,237	955,015	2,224,501
General revenues:						
Ad valorem taxes	27,442,703	27,318,145	-	-	27,442,703	27,318,145
Local option sales tax	9,728,777	9,988,923	-	-	9,728,777	9,988,923
Other taxes	7,385,674	7,292,414	-	-	7,385,674	7,292,414
Interest earned on investments	139,237	506,639	154,639	408,419	293,876	915,058
Total revenues	<u>62,218,890</u>	<u>63,231,650</u>	<u>99,403,676</u>	<u>97,057,281</u>	<u>161,622,566</u>	<u>160,288,931</u>
Expenses:						
General government	14,984,907	14,927,520	-	-	14,984,907	14,927,520
Public safety	27,143,754	26,558,148	-	-	27,143,754	26,558,148
Public works and cemeteries	16,745,302	17,418,712	-	-	16,745,302	17,418,712
Cultural and recreation	4,789,198	5,421,420	-	-	4,789,198	5,421,420
Economic and physical development	4,125,961	2,530,015	-	-	4,125,961	2,530,015
Interest on long-term debt	992,756	1,566,308	-	-	992,756	1,566,308
Water and sewer	-	-	27,530,541	27,710,123	27,530,541	27,710,123
Electric	-	-	61,777,655	60,517,626	61,777,655	60,517,626
Transit	-	-	2,346,151	2,493,516	2,346,151	2,493,516
Golf	-	-	43,125	351,034	43,125	351,034
Stormwater	-	-	2,671,930	2,495,300	2,671,930	2,495,300
Total expenses	<u>68,781,878</u>	<u>68,422,123</u>	<u>94,369,402</u>	<u>93,567,599</u>	<u>163,151,280</u>	<u>161,989,722</u>
Increase in net assets before transfers	(6,562,988)	(5,190,473)	5,034,274	3,489,682	(1,528,714)	(1,700,791)
Transfers	<u>2,297,562</u>	<u>1,800,465</u>	<u>(2,297,562)</u>	<u>(1,800,465)</u>	<u>-</u>	<u>-</u>
Increase in net assets	(4,265,426)	(3,390,008)	2,736,712	1,689,217	(1,528,714)	(1,700,791)
Net Assets:						
Beginning of year - July 1	<u>153,277,449</u>	<u>156,667,457</u>	<u>244,864,869</u>	<u>243,175,652</u>	<u>398,142,318</u>	<u>399,843,109</u>
End of year - June 30	<u>\$ 149,012,023</u>	<u>\$ 153,277,449</u>	<u>\$ 247,601,581</u>	<u>\$ 244,864,869</u>	<u>\$ 396,613,604</u>	<u>\$ 398,142,318</u>

Governmental Activities. The 2010 fiscal year governmental activities decreased the City's net assets by \$4,265,426. Key elements of this decrease are as follows:

- The decrease in the governmental activities net assets is primarily due to the following (The reader needs to keep in mind that the City's fiscal policy is governed by the modified accrual basis of accounting which requires budgeted expenditures to equal budgeted revenues. Favorable budget variances, capital purchases, debt principal payments, and contributed assets will increase net assets. Unfavorable budget variances and use of appropriated fund balances will decrease net assets): The net change in governmental funds' fund balances under the modified accrual basis of accounting resulted in a \$1,985,247 decrease of net assets. General Fund expenditures exceeded revenues by \$410,148, and the combined other governmental funds' expenditures exceeded revenues by \$1,575,099. The City budgeted to use \$1,693,575 of General Fund fund balance to fund the early retirement incentive program, Rankin Lake Park improvements, miscellaneous sidewalk projects, subsidize a Community Development grocery store project, fund certain law enforcement projects, subsidization of the Medical Self-Insurance Fund, and carryover encumbrances. The City used \$410,148 of fund balance for the year ended June 30, 2010.

Actual revenues were less than budgeted revenues by \$1,504,517. Local option sales tax revenues were under budget by \$260,145 due to the continued retail sales decline and initial year effect of a modified County/City sales tax distribution agreement. The utility franchise tax allocation from the State was under budget by \$328,771, and intergovernmental revenue allocations for beer and wine taxes and ABC Board distributions were under budget by \$243,718 and \$200,000, respectively. All of which are directly related to the unpredictable health of the economy. Interest earned on investments was under budget by \$141,263 due to the continued deterioration in the investments market. In addition, construction permits were under budget by \$191,600 due to the continued deterioration of the housing and other construction markets. Actual expenditures came in under budget by \$2,479,449. Of this amount, approximately \$1,050,000 was related to salaries and benefits, and the remaining amount was spread out over numerous operating expenditure account types. Excess expenditures over revenues of \$1,575,099 in the combined other governmental funds was mostly due to the utilization of capital projects funds fund balance to fund carryover capital projects and a revenue recognition timing difference in the Airport Capital Projects Fund. The capital projects funds budgeted appropriated fund balance of \$4,931,523. The full accrual basis treatment of capital outlay, depreciation, gain (loss) on disposal of capital assets, debt service principal payments, bond refunding payments, debt issuance proceeds, private developer contributions of capital assets, expenses related to OPEB, and various other modified accrual to full accrual adjustments resulted in a \$1,909,630 decrease in governmental activity net assets. See Exhibit E for a detailed analysis of the budgetary basis to full accrual basis (GAAP basis) reconciling items.

Business-Type Activities: The 2010 fiscal year business-type activities increased the City of Gastonia's net assets by \$2,736,712. Key elements of this increase are as follows:

- The business-type activities increase in net assets was primarily due to the following: charges for services exceeded program expenses by \$3,964,953 as compared to the prior year amount of \$1,145,650. This increase was mainly due to electric retail rate increases coupled with a lesser than anticipated overall increase in the cost of purchased power for resale and somewhat stagnate other operating costs. The Electric Fund implemented retail rate increases of 1.8% and 3.8% effective 1/1/2009 and 7/1/2009, respectively. The cost of purchased power for resale increased 2.6% and other operating costs decreased by .05%. Under the modified accrual basis of accounting (budgetary basis), Electric Fund revenues came in under budgeted revenues by \$2,645,315. Overall customer consumption was down by .6%. Expenditures came in under budget by \$3,390,040 due to a \$1,420,350 favorable budget-to-actual variance in the cost of purchased power for resale, a \$1,109,814 favorable budget to-actual variance in emergency replacement and renewal of system infrastructure cost, and an \$859,876 favorable budget-to-actual variance in other controllable operating expenditures. Under the modified accrual basis of accounting (budgetary basis), Water and Sewer Fund revenues came in under budgeted revenues by \$926,585 which was mostly due to a continued emphasis on water conservation. Expenditures came in under budget by \$3,983,073 due to a concerted effort by management to reduce controllable expenditures, a \$1,485,304 favorable budget-to-actual variance in emergency replacement and renewal of system infrastructure expenditures, and a budgeted \$913,970 favorable budget to actual variance in debt service to fund the reduction of future bond issuance needs. All other business-type funds operated fairly close to break-even on the budgetary basis of accounting. Program revenue capital asset grants and contributions, for which there are no related expenses, amounted to \$184,523 as compared to the prior year amount of \$457,237. This decrease was due to less developer-contributed capital in the 2010 fiscal year which was related to the continued deterioration of the housing industry. Operating grants and contributions were \$1,341,804 as compared to the prior year amount of \$1,478,376, and investment earnings were \$154,639 as compared to the prior year amount of \$408,419. The decrease in investment earnings is related to the continued deterioration of the investments market. Transfers to governmental activities decreased business-type activities net assets by \$2,297,562 as compared to the prior year amount of \$1,800,465.

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City of Gastonia's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Gastonia's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the City of Gastonia. At the end of the current fiscal year, *available fund balance* of the General Fund was \$7,132,237, a \$2,505,177 decrease from the prior year. Total fund balance decreased by \$410,148 to \$16,004,601. Reservations of fund balance increased by \$2,085,029 from the prior year, thus, decreasing *available fund balance* by a like amount. Please refer back to the *available fund balance* and *total fund balance* discussion in the Financial Highlights section. 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 12.47 percent of total General Fund expenditures and transfers out to other funds, while *total fund balance* represents 27.98 percent of that same amount.

At June 30, 2010, the governmental funds of the City of Gastonia reported a combined fund balance of \$23,405,281, a 7.82 percent decrease over last year. Included in this change in fund balance is a \$410,148 decrease in fund balance in the General Fund, a \$127,141 decrease in the Mayor/Council Capital Project Fund, and a \$1,447,958 decrease in Other Nonmajor Governmental Funds. These decreases resulted mostly from budgeted uses of fund balances and the recognition of certain grant revenues related to receivables under the modified accrual basis of accounting.

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

Significant amendments were made to the following revenue types and expenditure functions: unrestricted intergovernmental revenues account type budgeted funds increased \$300,000 in order to recognize an additional distribution from the City of Gastonia ABC Board and restricted intergovernmental revenues account type budgeted funds increased \$416,141 in order to recognize various unanticipated grant awards. There were no significant budget amendments made to any expenditure function account types.

Significant amendments were made to the following other financing sources/(uses) account types: the original budget for appropriated fund balance had a net increase of \$1,585,444 in order to fund carryover encumbrances, fund certain recreational and sidewalk projects on the 2010 unfunded projects list, subsidization of the Medical Self-Insurance Fund, subsidization of a Section 108 loan community development project, fund the City's one-time early retirement incentive program, and fund various other minimal cost projects; and the original budget for transfers to other funds had a net increase of \$903,174 in order to fund certain projects on the 2010 unfunded projects list for which the projects expenditures were to be accounted for in the Mayor/Council Capital Projects Fund, to subsidize the Medical Self-Insurance Fund and to assist in the funding a Section 108 loan community development project.

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

Actual revenues were under budgeted revenues by \$1,504,517. Local option sales tax revenues were under budget by \$260,145 due to the continued retail sales decline and initial year effect of a modified County/City sales tax distribution agreement. The utility franchise tax allocation from the State was under budget by \$328,771, and intergovernmental revenue allocations for beer and wine taxes and ABC Board distributions were under budget by \$243,718 and \$200,000, respectively, all of which are directly related to the unpredictable health of the economy. Interest earned on investments was under budget by \$141,263 due to the continued deterioration in the investments market. In addition, construction permits were under budget by \$191,600 due to the continued deterioration of the housing and other construction markets.

As a result of management's and the City's staff's continued effort to hold down operating costs in light of past and current economic conditions, the General Fund's actual expenditures were \$2,479,449 under budget. Of this amount, approximately \$1,050,000 of this favorable variance was directly related to the salaries and benefits cost effect of unexpected employee turnover and a mandated hiring freeze for all non-critical positions. The remaining amount was spread out over numerous operating expenditure account types in order to hold down operating costs in light of the current economic turndown.

Proprietary Funds. The City of Gastonia's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Net assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$160,010,093; the Electric Fund amounted to \$54,220,485; the Stormwater Fund amounted to \$29,884,622; and the other nonmajor funds, Transit and Golf, amounted to \$2,574,674. The total growth in net assets for these funds was \$33,245, \$3,671,772, (\$561,461), and (\$377,418), respectively. Factors concerning the finances of these funds have already been addressed in the discussion of the City of Gastonia's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The City of Gastonia's investment in capital assets for its governmental and business-type activities as of June 30, 2010 totals \$422,031,732 (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 \$10,140,678 and \$1,218,505, respectively, and the net effect of depreciation resulted in a \$16,691,800 decrease.

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

- Construction in progress activities for various water and sewer capital asset improvements of \$2,030,884 and \$153,301 placed in service.
- Water and sewer system capital assets of \$28,360 for system improvements.
- Construction in progress of \$2,007,728 in governmental-type activities which was mostly related to the airport runway overlay project of \$618,664, South Street Plaza Park project of \$444,201, Highland Rail Trail project of \$110,538, implementation of a new financial software system of \$322,214, Grace Street/Beatrice Costner street improvements of \$341,755, and planning and design for the proposed Conference Center, and parking deck of \$101,069.
- There were no General infrastructure additions in the governmental-type activities mostly due to limited residential development construction because of the economic conditions.
- Construction in progress for electric capital asset improvements of \$1,151,282 and none placed in service.
- Electrical distribution capital assets of \$1,559,518 for new line construction.
- Internal Service Fund capital assets of \$2,739,814 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	Total
	2010	2009	2010	2009	2010	2009
Land, land improvements and buildings	\$ 65,855,630	\$ 64,540,813	\$ 19,237,318	\$ 19,227,251	\$ 85,092,948	\$ 83,768,064
Water and sewer treatment facilities	-	-	69,547,348	69,547,348	69,547,348	69,547,348
Machinery/equipment/vehicles	41,688,504	40,526,222	19,481,575	19,416,251	61,170,079	59,942,473
Electrical distribution	-	-	75,554,982	73,995,464	75,554,982	73,995,464
Water and sewer system	-	-	168,359,384	168,245,461	168,359,384	168,245,461
General infrastructure	263,721,153	263,721,153	-	-	263,721,153	263,721,153
Stormwater infrastructure	-	-	44,275,519	44,045,820	44,275,519	44,045,820
Construction in progress	5,849,157	4,568,696	10,869,101	7,683,019	16,718,258	12,251,715
Total	<u>377,114,444</u>	<u>373,356,884</u>	<u>407,325,227</u>	<u>402,160,614</u>	<u>784,439,671</u>	<u>775,517,498</u>
Less accumulated depreciation	<u>212,614,039</u>	<u>202,989,516</u>	<u>149,793,900</u>	<u>142,726,623</u>	<u>362,407,939</u>	<u>345,716,139</u>
Capital assets, net	<u>\$ 164,500,405</u>	<u>\$ 170,367,368</u>	<u>\$ 257,531,327</u>	<u>\$ 259,433,991</u>	<u>\$ 422,031,732</u>	<u>\$ 429,801,359</u>

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

Long-Term Debt. As of June 30, 2010, the City of Gastonia had total bonded debt outstanding of \$50,784,997. Of this, \$14,069,997 is debt backed by the full faith and credit of the City. The remainder of the City's bonded debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

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

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 12,547,360	\$ 14,493,465	\$ 1,522,637	\$ 2,771,538	\$ 14,069,997	\$ 17,265,003
Revenue bonds	-	-	36,715,000	39,290,000	36,715,000	39,290,000
Total	<u>\$ 12,547,360</u>	<u>\$ 14,493,465</u>	<u>\$ 38,237,637</u>	<u>\$ 42,061,538</u>	<u>\$ 50,784,997</u>	<u>\$ 56,555,003</u>

- The City of Gastonia's total financing debt obligations decreased by \$8,886,538 (10.78%) during the current fiscal year. The key factors in this decrease were the overall scheduled debt retirements of \$11,021,076 and defeasance of \$19,300,000 of revenue bonds while the City incurred \$21,434,538 of new financing debt obligations. New debt obligations consisted of the issuance of combined utility system revenue refunding bonds in the amount of \$19,605,000, a \$1,750,000 vehicle equipment-financing instrument and a \$159,076 State of North Carolina Department of Environment and Natural Resources loan; whereas, \$79,538 of principal was forgiven through the American Recovery and Reinvestment Act.
- 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 A2, and Fitch A+.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Gastonia is \$379,699,356. Net general obligation debt was \$31,846,883 at June 30, 2010.

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 10.4%, less than the county rate of 11.6%, but higher than the State rate of 10.2% and the national average of 9.6 % at fiscal year end June 2010. This is a decrease from a rate of 13.3% a year ago. Unemployment in the City was 9.0% as of October 2010.
- Population growth was fairly level with a slight increase of 762 from a year ago. The current year population estimate is 75,280.
- "U.S. economic growth and inflation is expected to pick up a bit next year, while the jobless situation will improve slightly, according to a survey conducted by the Federal Reserve Bank of Chicago."

"U.S. real gross domestic product is forecast to grow 3.0 percent next year, up from an expected 2.4 percent pace this year, according to a survey of 30 business leaders and academics participating in the Chicago Fed's Economic Outlook Symposium on December 3."

"Inflation, as measured by the consumer price index, is expected to edge up to 1.6 percent from 0.9 percent this year, survey participants said. Unemployment, which rose to 9.8 percent in November, is seen at a "still quite high" 9.2 percent by the end of next year."

"Despite the slightly rosier picture for 2011, the outlook appears to give further support to the Fed's recent controversial decision to buy another \$600 billion in Treasury securities to help boost the economy."

"Both inflation and employment are seen at levels that fall well short of those the Fed sees as consistent with its mandates; that is, despite the fact that survey participants were more optimistic than the consensus among private economists, who see 2.5 percent growth next year, according to the most recent Blue Chip Economic Indicators survey."

"Chicago Fed President Charles Evans has been one of the most vocal supporters of the U.S. central bank's decision to provide new stimulus. The move drew criticism from politicians at home and abroad, with U.S. trade partners particularly concerned that a weaker U.S. dollar would hurt their exports."

"The trade-weighted U.S. dollar is expected to be unchanged next year, according to the Chicago Fed survey."

Above economic outlook obtained and quoted from REUTERS.

- Construction within the City decreased significantly with 1,024 permits issued on construction of \$64,828,753 as compared to 1,100 permits issued on construction of \$107,158,053 in the prior year. This included residential permits of 461 and commercial permits of 563, with construction costs of \$39,607,491 and \$25,221,262, respectively.
- 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, 2011

Governmental Activities. The fiscal year 2010-2011 budget was balanced while achieving strategic objectives and priorities established by the City Council. Those objectives and priorities included maintaining the existing property tax rate of \$.53 per \$100 of valuation, no appropriation of fund balance, introduction of a Health Savings Account structure to the City's health coverage designed to contain the City's costs to fiscal year 2010 levels, and a major reorganization and consolidation of City departments. The reorganization included the permanent elimination of 27 full-time-equivalent positions and personnel cost savings of \$1.6 million. The City's Police Department was approved to hire eight new positions through grant funding.

Business-Type Activities. The electric retail rate was increased by 4.5%, with no use of fund balance, and the electric contribution to the General Fund decreased by \$100,000. The water retail rate will increase by 5.5% effective January 1, 2011 in accordance with a recent study and rate restructure and the Fund had no appropriation of fund balance.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Financial Services, City of Gastonia, 186 West Franklin Blvd., Gastonia, 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 ASSETS
JUNE 30, 2010

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	City of Gastonia ABC Board	Gastonia Tourism Development Authority
Assets:					
Cash and cash equivalents	\$ 13,479,471	\$ 24,555,650	\$ 38,035,121	\$ 1,263,606	\$ 992,828
Taxes receivable, net	1,210,586	-	1,210,586	-	-
Accounts receivable, net	5,275,885	14,220,637	19,496,522	1,339	-
Interest receivable	114,707	128,148	242,855	-	-
Due from other governments	4,004,597	151,872	4,156,469	-	115,926
Internal balances	(892,952)	892,952	-	-	-
Inventories	2,761,412	783,071	3,544,483	616,192	-
Prepaid items	160,395	-	160,395	23,454	-
Deferred charges, net	-	479,744	479,744	-	-
Cash and cash equivalents, restricted	6,936,254	2,472,984	9,409,238	-	-
Non-depreciable assets	16,279,800	24,182,351	40,462,151	163,637	-
Capital assets, net	148,220,605	233,348,976	381,569,581	655,812	-
Total assets	197,550,760	301,216,385	498,767,145	2,724,040	1,108,754
Liabilities:					
Current liabilities:					
Accounts payable	3,245,622	9,062,354	12,307,976	440,077	71,706
Accrued salaries and benefits	1,170,037	382,674	1,552,711	-	-
Accrued interest	368,118	271,829	639,947	-	-
Customer deposits	-	462,436	462,436	-	-
Unearned revenues	185,077	15,997	201,074	-	-
Current portion of long-term liabilities	8,156,605	4,451,297	12,607,902	-	-
Long-term liabilities:					
Due in more than one year	35,413,278	38,968,217	74,381,495	-	-
Total liabilities	48,538,737	53,614,804	102,153,541	440,077	71,706
Net Assets:					
Invested in capital assets, net of related debt	139,559,976	218,955,191	358,515,167	819,449	-
Restricted for:					
Working capital	-	-	-	219,277	-
Unrestricted	9,452,047	28,646,390	38,098,437	1,245,237	1,037,048
Total net assets	\$ 149,012,023	\$ 247,601,581	\$ 396,613,604	\$ 2,283,963	\$ 1,037,048

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, 2010

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 14,984,907	\$ 6,426,452	\$ 99,093	\$ -
Public safety	27,143,754	925,868	498,751	-
Public works and cemeteries	16,745,302	1,491,713	2,302,494	664,381
Cultural and recreation	4,789,198	574,519	100,000	-
Economic and physical development	4,125,961	79,408	4,253,709	106,111
Interest on long-term debt	992,757	-	-	-
Total governmental activities	68,781,878	9,497,960	7,254,047	770,492
Business-Type Activities:				
Water and sewer	27,530,541	27,832,309	-	125,523
Electric	61,777,655	67,631,621	-	-
Transit	2,346,151	186,699	1,341,804	-
Golf	43,125	-	-	-
Stormwater	2,671,930	2,072,081	-	59,000
Total business-type activities	94,369,402	97,722,710	1,341,804	184,523
Total primary government	\$ 163,151,280	\$ 107,220,670	\$ 8,595,851	\$ 955,015
Component Units:				
ABC Board	\$ 6,089,651	\$ 5,778,024	\$ -	\$ -
Tourism Development Authority	76,381	-	-	-
Total component units	\$ 6,166,032	\$ 5,778,024	\$ -	\$ -

General Revenues:

Taxes:

Ad valorem taxes
Sales taxes
Payments in lieu of taxes
Franchise taxes
Other taxes
Interest earned on investments
Transfers
Total general revenues and transfers

Change in net assets

Net Assets:

Beginning of year - July 1

End of year - June 30

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

Exhibit B

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	City of Gastonia ABC Board	Gastonia Tourism Development Authority
\$ (8,459,362)	\$ -	\$ (8,459,362)		
(25,719,135)	-	(25,719,135)		
(12,286,714)	-	(12,286,714)		
(4,114,679)	-	(4,114,679)		
313,267	-	313,267		
(992,757)	-	(992,757)		
(51,259,379)	-	(51,259,379)		
-	427,291	427,291		
-	5,853,966	5,853,966		
-	(817,648)	(817,648)		
-	(43,125)	(43,125)		
-	(540,849)	(540,849)		
-	4,879,635	4,879,635		
(51,259,379)	4,879,635	(46,379,744)		
			\$ (311,627)	\$ -
			-	(76,381)
			(311,627)	(76,381)
27,442,703	-	27,442,703	-	-
9,728,777	-	9,728,777	-	-
2,456,745	-	2,456,745	-	-
3,525,229	-	3,525,229	-	-
1,403,700	-	1,403,700	-	356,734
139,237	154,639	293,876	12,703	834
2,297,562	(2,297,562)	-	-	-
46,993,953	(2,142,923)	44,851,030	12,703	357,568
(4,265,426)	2,736,712	(1,528,714)	(298,924)	281,187
153,277,449	244,864,869	398,142,318	2,582,887	755,861
\$ 149,012,023	\$ 247,601,581	\$ 396,613,604	\$ 2,283,963	\$ 1,037,048

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



CITY OF GASTONIA, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2010

	General Fund	Mayor/Council Capital Project Fund	Other Governmental Funds	Total
Assets:				
Cash and cash equivalents	\$ 9,858,832	\$ 1,479,597	\$ 1,208,062	\$ 12,546,491
Taxes receivable, net	1,185,305	-	25,281	1,210,586
Accounts receivable, net	853,295	280,734	3,782,712	4,916,741
Interest receivable	114,179	-	-	114,179
Prepaid items	31,257	-	-	31,257
Inventory	500,487	-	2,260,925	2,761,412
Cash and investments, restricted	398,465	540,154	3,089,752	4,028,371
Due from other funds	3,472,870	-	-	3,472,870
Due from other governments	3,937,911	-	66,686	4,004,597
Total assets	<u>\$ 20,352,601</u>	<u>\$ 2,300,485</u>	<u>\$ 10,433,418</u>	<u>\$ 33,086,504</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,316,751	\$ 65,447	\$ 953,847	\$ 2,336,045
Accrued salaries and benefits	1,144,860	-	-	1,144,860
Due to other funds	51,389	-	2,969,621	3,021,010
Deferred revenue	1,835,000	140,367	1,203,941	3,179,308
Total liabilities	<u>4,348,000</u>	<u>205,814</u>	<u>5,127,409</u>	<u>9,681,223</u>
Fund Balances:				
Reserved by State statute	7,913,637	280,734	2,681,401	10,875,772
Reserved for prepaid items and inventories	531,744	-	2,260,925	2,792,669
Reserved for encumbrances	426,983	427,576	920,242	1,774,801
Unreserved, reported in:				
General Fund	7,132,237	-	-	7,132,237
Special revenue funds	-	-	(2,314,444)	(2,314,444)
Capital project funds	-	1,386,361	1,757,885	3,144,246
Total fund balances	<u>16,004,601</u>	<u>2,094,671</u>	<u>5,306,009</u>	<u>23,405,281</u>
Total liabilities and fund balances	<u>\$ 20,352,601</u>	<u>\$ 2,300,485</u>	<u>\$ 10,433,418</u>	<u>\$ 33,086,504</u>

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

CITY OF GASTONIA, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS **JUNE 30, 2010**

	<u>Total</u>
Reconciliation with Net Assets of Governmental Activities - Government-Wide (Exhibit A):	
Total fund balances - modified accrual (see above)	\$ 23,405,281
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	152,919,172
Internal service funds are used by management to charge the costs of equipment and vehicles to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	5,887,972
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.	(911,707)
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(35,140,850)
The governmental activities net assets includes an accrual for interest on long-term debt.	(272,790)
Unbilled services of the governmental activities are not considered revenues in the fund statements until collected.	130,714
Deferred revenues in the governmental funds are used to offset accounts receivable not expected to be available within 90 days of year-end. These receivables are a component of net assets in the Statement of Net Assets.	<u>2,994,231</u>
Net assets of governmental activities - government-wide (Exhibit A)	<u><u>\$ 149,012,023</u></u>

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, 2010**

	General Fund	Mayor/Council Capital Project Fund	Other Governmental Funds	Total
Revenues:				
Ad valorem taxes	\$ 27,331,105	\$ -	\$ 115,524	\$ 27,446,629
Other taxes and licenses	16,777,758	-	336,693	17,114,451
Unrestricted intergovernmental revenues	1,796,266	-	25,095	1,821,361
Restricted intergovernmental revenues	2,886,202	118,250	3,971,040	6,975,492
Permits and fees	549,800	-	-	549,800
Sales and services	4,414,737	-	79,408	4,494,145
Investment earnings	141,834	7,823	(4,469)	145,188
Miscellaneous	463,814	762	96,648	561,224
Total revenues	<u>54,361,516</u>	<u>126,835</u>	<u>4,619,939</u>	<u>59,108,290</u>
Expenditures:				
Current:				
General government	9,598,133	-	-	9,598,133
Public safety	26,035,494	-	391,469	26,426,963
Public works and cemeteries	10,596,754	-	-	10,596,754
Cultural and recreation	4,811,947	-	-	4,811,947
Economic and physical development	-	-	4,328,382	4,328,382
Capital outlay	-	583,800	1,714,912	2,298,712
Debt service:				
Principal repayments	3,182,767	-	-	3,182,767
Interest	963,188	-	26,777	989,965
Total expenditures	<u>55,188,283</u>	<u>583,800</u>	<u>6,461,540</u>	<u>62,233,623</u>
Revenues over (under) expenditures	<u>(826,767)</u>	<u>(456,965)</u>	<u>(1,841,601)</u>	<u>(3,125,333)</u>
Other Financing Sources (Uses):				
Transfers from other funds	2,120,041	329,824	611,540	3,061,405
Transfers to other funds	<u>(2,011,917)</u>	<u>-</u>	<u>(279,951)</u>	<u>(2,291,868)</u>
Total other financing sources (uses)	<u>108,124</u>	<u>329,824</u>	<u>331,589</u>	<u>769,537</u>
Net change in fund balances	(718,643)	(127,141)	(1,510,012)	(2,355,796)
Fund Balances:				
Beginning of year - July 1	16,414,749	2,221,812	6,753,967	25,390,528
Increase (decrease) in inventories	<u>308,495</u>	<u>-</u>	<u>62,054</u>	<u>370,549</u>
End of year - June 30	<u>\$ 16,004,601</u>	<u>\$ 2,094,671</u>	<u>\$ 5,306,009</u>	<u>\$ 23,405,281</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, 2010**

Net change in fund balances - total governmental funds per Exhibit D	\$ (2,355,796)
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.	(3,926)
Miscellaneous revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	377,192
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.	370,549
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.	(1,094,645)
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.	2,567,045
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(7,900,943)
Private developer and Schiele Museum's contribution of capital assets is reported as a program revenue in the Statement of Activities and is not reported in the governmental funds statement.	546,131
Principal repayments and bond refunding payments on long-term debt are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	3,399,766
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.	(83,991)
Interest on long-term debt incurred, but not paid, is reported as an expense in the governmental activities statements.	30,894
Portion of internal Service Fund activities change in net assets allocable to the governmental activities are reported with governmental activities.	<u>(117,702)</u>
Change in net assets of governmental activities per Exhibit B	<u>\$ (4,265,426)</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, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Over/Under
Revenues:				
Ad valorem taxes	\$ 27,303,379	\$ 27,303,379	\$ 27,331,105	\$ 27,726
Other taxes and licenses	17,085,262	17,385,262	16,777,758	(607,504)
Unrestricted intergovernmental revenues	1,875,000	2,175,000	1,796,266	(378,734)
Restricted intergovernmental revenues	2,515,072	2,931,213	2,886,202	(45,011)
Permits and fees	741,400	741,400	549,800	(191,600)
Sales and services	4,571,702	4,582,079	4,414,737	(167,342)
Interest earned on investments	282,900	283,097	141,834	(141,263)
Miscellaneous	371,348	464,603	463,814	(789)
Total revenues	<u>54,746,063</u>	<u>55,866,033</u>	<u>54,361,516</u>	<u>(1,504,517)</u>
Expenditures:				
General government	9,939,692	10,286,056	9,598,133	687,923
Public safety	25,731,286	26,954,967	26,035,494	919,473
Public works and cemeteries	10,957,589	11,135,503	10,596,754	538,749
Cultural and recreation	5,065,639	5,139,556	4,811,947	327,609
Debt service:				
Principal	3,182,767	3,182,767	3,182,767	-
Interest and fees	968,478	968,883	963,188	5,695
Total expenditures	<u>55,845,451</u>	<u>57,667,732</u>	<u>55,188,283</u>	<u>2,479,449</u>
Revenues over (under) expenditures	<u>(1,099,388)</u>	<u>(1,801,699)</u>	<u>(826,767)</u>	<u>974,932</u>
Other Financing Sources (Uses):				
Transfers from other funds	2,100,000	2,120,041	2,120,041	-
Transfers to other funds	(1,108,743)	(2,011,917)	(2,011,917)	-
Appropriated fund balance	108,131	1,693,575	-	(1,693,575)
Total other financing sources (uses)	<u>1,099,388</u>	<u>1,801,699</u>	<u>108,124</u>	<u>(1,693,575)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(718,643)	<u>\$ (718,643)</u>
Fund Balance:				
Beginning of year - July 1			16,414,749	
Increase in inventories			<u>308,495</u>	
End of year - June 30			<u>\$ 16,004,601</u>	

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

CITY OF GASTONIA, NORTH CAROLINA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Business-Type Activities					Governmental Activities
	Water and Sewer Fund	Electric Fund	Stormwater Fund	Other Nonmajor Funds	Total	Internal Service Funds
Assets:						
Current assets:						
Cash, cash equivalents, and investments	\$ 11,902,779	\$ 11,145,519	\$ 1,505,467	\$ 1,885	\$ 24,555,650	\$ 932,980
Accounts receivable, net	5,142,389	8,868,114	210,134	-	14,220,637	228,430
Interest receivable	60,602	59,517	8,019	10	128,148	528
Inventory	113,694	658,378	-	10,999	783,071	-
Due from other governments	-	-	-	151,872	151,872	-
Due from other funds	-	-	-	-	-	53,971
Prepays	-	-	-	-	-	129,138
Cash and cash equivalents, restricted	2,034,567	438,417	-	-	2,472,984	2,907,883
Total current assets	19,254,031	21,169,945	1,723,620	164,766	42,312,362	4,252,930
Non-current assets:						
Depreciable capital assets, net	167,961,406	34,741,222	28,282,091	2,364,257	233,348,976	11,581,233
Non-depreciable capital assets	17,937,677	5,664,022	227,858	352,794	24,182,351	-
Deferred charges, net	479,744	-	-	-	479,744	-
Total non-current assets	186,378,827	40,405,244	28,509,949	2,717,051	258,011,071	11,581,233
Total assets	\$ 205,632,858	\$ 61,575,189	\$ 30,233,569	\$ 2,881,817	\$ 300,323,433	\$ 15,834,163
Liabilities:						
Current liabilities:						
Accounts payable	\$ 2,957,217	\$ 5,857,273	\$ 213,788	\$ 34,076	\$ 9,062,354	\$ 909,577
Accrued salaries and benefits	238,689	93,337	15,810	34,838	382,674	25,177
Compensated absences	213,017	111,722	18,905	50,210	393,853	41,707
Accrued interest	271,829	-	-	-	271,829	95,328
Customer deposits	116,251	346,185	-	-	462,436	-
Current portion of long-term debt	4,057,444	-	-	-	4,057,444	3,011,458
Due to other funds	-	-	-	18,755	18,755	487,076
Deferred revenues	15,997	-	-	-	15,997	-
Total current liabilities	7,870,444	6,408,517	248,503	137,879	14,665,342	4,570,323
Non-current liabilities:						
Non-current portion of compensated absences	119,000	46,814	6,515	-	172,328	13,000
Non-current portion of long-term debt	36,561,676	430,000	-	-	36,991,676	5,362,868
Other post-employment benefits obligation	1,071,645	469,374	93,930	169,264	1,804,213	-
Total non-current liabilities	37,752,321	946,188	100,445	169,264	38,968,217	5,375,868
Total liabilities	45,622,765	7,354,704	348,947	307,143	53,633,559	9,946,191
Net Assets:						
Invested in capital assets, net of related debt	147,314,530	40,413,661	28,509,949	2,717,051	218,955,191	6,114,790
Unrestricted	12,695,563	13,806,824	1,374,673	(142,377)	27,734,683	(226,818)
Total net assets	\$ 160,010,093	\$ 54,220,485	\$ 29,884,622	\$ 2,574,674	\$ 246,689,874	\$ 5,887,972
Total net assets - proprietary funds presentation					\$ 246,689,874	
Portion of profit generated by Internal Service Fund allocated to business-type activities - history to date					911,707	
Net assets of business-type activities - government-wide					\$ 247,601,581	

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

CITY OF GASTONIA, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Business-Type Activities				Total	Governmental
	Water and Sewer Fund	Electric Fund	Stormwater Fund	Other Nonmajor Funds		Activities Internal Service Funds
Operating Revenues:						
Charges for services	\$ 27,533,937	\$ 64,775,814	\$ 2,006,930	\$ 183,549	\$ 94,500,230	\$ 13,494,984
Utilities for City use	302,601	873,507	49,951	-	1,226,059	-
Other operating revenues	25,197	1,982,300	15,200	3,150	2,025,847	96,899
Total operating revenues	27,861,735	67,631,621	2,072,081	186,699	97,752,136	13,591,883
Operating Expenses:						
Water treatment/electric and other purchases	3,063,746	51,967,715	-	-	55,031,461	-
Administration	7,055,709	4,567,383	1,101,920	802,423	13,527,435	-
Facility maintenance	1,367,038	-	-	-	1,367,038	-
Payseur Mountain resource recovery	1,323,967	-	-	-	1,323,967	-
Sewage treatment	4,860,880	-	-	-	4,860,880	-
Substation operations	-	417,244	-	-	417,244	-
Maintenance	2,958,040	2,409,003	396,841	269,138	6,033,022	-
ADA/Para-transit expenses	-	-	-	170,154	170,154	-
Operations area	-	-	566,554	837,275	1,403,829	12,250,100
Street lights	-	674,787	-	-	674,787	-
Depreciation and amortization	4,909,179	1,746,463	606,615	310,286	7,572,543	2,744,478
Total operating expenses	25,538,559	61,782,595	2,671,930	2,389,276	92,382,360	14,994,578
Operating income (loss)	2,323,176	5,849,026	(599,849)	(2,202,577)	5,369,776	(1,402,695)
Non-operating Revenues (Expenses):						
Investment earnings	88,715	57,444	8,868	(388)	154,639	(5,951)
Gain (loss) on disposal of capital assets	3,882	21,809	-	-	25,691	(15,822)
Advance interest/fees paid refunding agent	(616,996)	-	-	-	(616,996)	-
Interest on long-term debt	(1,378,868)	(16,869)	-	-	(1,395,737)	(250,685)
Total non-operating revenues (expenses)	(1,903,267)	62,384	8,868	(388)	(1,832,403)	(272,458)
Income (loss) before capital contributions and transfers	419,909	5,911,410	(590,981)	(2,202,965)	3,537,373	(1,675,153)
Capital Contributions:						
Federal and State grants	97,163	-	59,000	1,341,804	1,497,967	-
Local capital contributions	28,360	-	-	-	28,360	-
Transfers:						
Transfers from other funds	53,875	-	-	483,743	537,618	1,600,000
Transfers to other funds	(566,062)	(2,239,638)	(29,480)	-	(2,835,180)	(71,975)
Change in net assets	33,245	3,671,772	(561,461)	(377,418)	2,766,138	(147,128)
Net Assets:						
Beginning of year - July 1	159,976,848	50,548,713	30,446,083	2,952,092	243,923,736	6,035,100
End of year - June 30	\$ 160,010,093	\$ 54,220,485	\$ 29,884,622	\$ 2,574,674	\$ 246,689,874	\$ 5,887,972
Reconciliation with Exhibit B Change in Net Assets - Business-Type Activities:						
Change in net assets - fund perspective					\$ 2,766,138	
Internal Service Fund profits allocated to business-type activities					(29,426)	
Change in net assets - entity-wide perspective - Exhibit B					\$ 2,736,712	

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, 2010

	Business-Type Activities					Governmental Activities
	Water and Sewer Fund	Electric Fund	Stormwater Fund	Other Nonmajor Funds	Total	Internal Service Funds
Cash Flows from Operating Activities:						
Cash received from customers and users	\$ 26,593,821	\$ 66,079,342	\$ 2,059,212	\$ 186,699	\$ 94,919,074	\$ 13,539,768
Cash paid to suppliers	(11,292,290)	(56,365,970)	(1,169,900)	(858,408)	(69,686,568)	(11,309,090)
Cash paid to employees	(7,722,791)	(2,594,270)	(643,912)	(1,170,230)	(12,131,203)	(928,331)
Net cash provided (used) by operating activities	7,578,740	7,119,102	245,400	(1,841,939)	13,101,303	1,302,347
Cash Flows from Non-Capital Financing Activities:						
Changes in due to/from other funds	-	-	-	18,755	18,755	337,944
Transfers from other funds	53,875	-	-	483,743	537,618	1,600,000
Transfers to other funds	(566,062)	(2,239,638)	(29,480)	-	(2,835,180)	(71,975)
Net cash provided (used) by non-capital financing activities	(512,187)	(2,239,638)	(29,480)	502,498	(2,278,807)	1,865,969
Cash Flows from Capital and Related Financing Activities:						
Federal and State grants	97,163	-	59,000	1,307,474	1,463,637	-
Proceeds from issuance of debt	19,605,000	-	-	-	19,605,000	1,750,000
Payments to escrow agents	(616,996)	-	-	-	(616,996)	-
Payments to refunding agent - debt defeasance	(19,300,000)	-	-	-	(19,300,000)	-
Principal paid on long-term debt	(4,382,878)	-	-	-	(4,382,878)	(3,238,429)
Proceeds from sale of capital assets	3,882	21,809	-	-	25,691	-
Acquisition and construction of capital assets	(2,061,178)	(2,737,969)	(395,416)	(31,039)	(5,225,602)	(1,765,095)
Bond premium received	778,091	-	-	-	778,091	-
Debt issuance cost paid	(459,707)	-	-	-	(459,707)	-
Interest paid on long-term debt	(1,532,804)	(16,869)	-	-	(1,549,673)	(311,927)
Net cash provided (used) by capital and related financing activities	(7,869,427)	(2,733,029)	(336,416)	1,276,435	(9,662,437)	(3,565,451)
Cash Flows from Investing Activities:						
Interest on investments	41,180	8,119	2,685	(334)	51,650	(6,234)
Net cash provided (used) by investing activities	41,180	8,119	2,685	(334)	51,650	(6,234)
Net increase (decrease) in cash and cash equivalents	(761,694)	2,154,554	(117,811)	(63,340)	1,211,709	(403,369)
Cash and Cash Equivalents:						
Beginning of year - July 1	14,699,040	9,429,382	1,623,278	65,225	25,816,925	4,244,232
End of year - June 30	\$ 13,937,346	\$ 11,583,936	\$ 1,505,467	\$ 1,885	\$ 27,028,634	\$ 3,840,863

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, 2010

	Business-Type Activities					Governmental Activities
	Water and Sewer Fund	Electric Fund	Stormwater Fund	Other Nonmajor Funds	Total	Internal Service Funds
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ 2,323,176	\$ 5,849,026	\$ (599,849)	\$ (2,202,577)	\$ 5,369,776	\$ (1,402,695)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	4,909,179	1,746,463	606,615	310,286	7,572,543	2,744,478
Bad debt expense (recovery)	(31,948)	53,690	10,870	-	32,612	-
Change in assets and liabilities:						
(Increase) decrease in accounts receivables	(1,258,526)	(1,539,130)	(12,869)	-	(2,810,525)	(52,115)
(Increase) decrease in prepaids	-	-	-	-	-	(129,138)
(Increase) decrease in inventories	(6,204)	69,550	-	-	63,346	-
Increase (decrease) in accounts payable	1,371,962	808,652	207,576	(3,477)	2,384,713	150,671
Increase (decrease) in accrued salaries	55,033	13,681	(121)	5,561	74,154	-
Increase (decrease) in compensated absences	(143,985)	(28,719)	(639)	(1,081)	(174,424)	(8,854)
Increase (decrease) in other post-employment benefits	369,441	159,038	33,817	49,349	611,645	-
Increase (decrease) in customer deposits	(9,388)	(13,149)	-	-	(22,537)	-
Net cash provided (used) by operating activities	\$ 7,578,740	\$ 7,119,102	\$ 245,400	\$ (1,841,939)	\$ 13,101,303	\$ 1,302,347

Non-Cash Transactions:

Water and Sewer Fund capital assets were increased \$28,360 due to additions to the system from local developers.

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Blended Component Unit

Gastonia/Gaston County HOME Consortium

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

Discretely Presented Component Units

City of Gastonia ABC Board

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

Gastonia Tourism Development Authority

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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.

B. Government–Wide and Fund Financial Statements

The government-wide financial statements (Exhibit A - Statement of Net Assets and Exhibit B - Statement of Activities) report information on all of the activities of the primary government and its component units. The effect of interfund activity has been removed from these statements in all material areas. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

The City reports the following major governmental funds:

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

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

The City reports the following major enterprise funds:

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

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

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

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

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

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues, except for property tax revenue and other taxes and licenses, to be available if they are collected within 90 days of June 30, 2010. Property tax revenue and other taxes and licenses, except for local option sales tax and utility franchise tax, are recognized when collected. Local option sales tax and utility franchise tax are recognized if collected within 60 days and 90 days of June 30 year-end, 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 are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Gaston County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Gastonia. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered in Gaston County from March 2009 through February 2010 apply to the fiscal year ended June 30, 2008. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. Those taxes for vehicles registered from March 1 through the fiscal year-end apply to the 2010-2011 fiscal year and are not shown as receivables at June 30, 2010.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Sales taxes collected and held by the State at year-end on behalf of the City are recognized as revenue. Certain intergovernmental revenues, such as utility franchise tax and sales and services, are not susceptible to accrual, because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenditures are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues. On-behalf payments made by the State to the Firemen's and Rescue Squad Workers' Pension Plan for City firemen are recognized as revenues and expenditures during the period in which the State makes the contributions to the plan. Also, the State's contributions to the Firemen's Relief Fund, which have been spent by the local Board of Trustees for various salary supplements and stipends for employees and volunteers, have been recognized as revenues and expenditures during the period in which those payments were received.

The effect of interfund activity has been eliminated from the government-wide financial statements, with the exception of payments-in-lieu-of-taxes and other charges between the City's enterprise funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish between operating revenues/expenses and non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the enterprise funds are charges to customers for services. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Basis of Presentation – Fund Accounting

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

The City has the following fund categories:

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

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

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

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

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

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

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

E. Budgetary Data

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

Expenditures may not legally exceed appropriations at the function level for all annually budgeted funds and at the project level for the capital project funds. The Budget Administrator may approve line item transfers within a budget appropriation or transfers between appropriations if it does not involve salary or travel and is less than \$10,000. A monthly report of budget transfers approved by the Budget Administrator shall be submitted to the City Manager. The City Manager or his designee may approve budget ordinance amendments greater than \$10,000, transferring funds from one appropriation to another within the same fund, provided that the City Council is notified of such amendments. The City Manager may authorize modifications between individual sub-accounts (line items) appropriations, provided that the modifications do not exceed the total expenditures authorized by the budget ordinance. All budget ordinance amendments between funds must be authorized by City Council. Also, any change in budgeted revenue estimates, including changes to the amounts appropriated from fund balance, must be approved by City Council except for the following: (1) grant funding not depleted during the prior fiscal year may be carried over with the City Manager's approval and (2) Trust and Agency funding not depleted during the prior fiscal year may be carried over with the City Manager's approval. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing body must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Also, as required by State law, the City's Vehicle and Equipment Renewal and Replacement Fund, Information Technology Fund, Medical Self-Insurance Fund, and Dental Self-Insurance Fund, internal service funds, operate under financial plans. The City's Vehicle and Equipment Renewal and Replacement Fund, Information Technology Fund, and Medical Self-Insurance Fund financial plans were adopted by the governing board at the time the City's budget ordinance was approved, and the newly established Dental Self-Insurance Fund financial plan was adopted during the fiscal year in the form of a budget amendment approved by the Council. The financial plans also were entered into the minutes of the governing board. During the year, several changes to the original financial plans were necessary, the effects of which were not material.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

F. Assets, Liabilities, and Fund Equity

Deposits and Investments

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

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

The City's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, 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, grant proceeds, loan pool receivable funds, and the Water and Sewer Renewal and Replacement Fund balance, established by the City's revenue bond trust document, are presented as restricted cash as their use is completely restricted to the purposes for which the funds were received or designated for by an outside third party.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Ad Valorem Taxes Receivable

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

Allowances for Doubtful Accounts

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

Inventories and Prepaid Items

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

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

Capital Assets

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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

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

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

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

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

Compensated Absences

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the City has no obligation for the accumulated sick leave until it is actually taken, no accrual of sick leave has been made.

Deferred/Unearned Revenues

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

Long-Term Debt

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Net Assets/Fund Balances

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

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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

The governmental fund types classify balances as follows:

Reserved

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

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

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

Unreserved

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

Interfund Transactions

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are allowance for doubtful accounts, unbilled receivables, and depreciation lives.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Comparative Data/Reclassifications

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

2. Detailed Notes on All Funds

A. Assets

Deposits

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The City relies on the State Treasurer to monitor those financial institutions. The City analyzes the financial soundness of any other financial institution used by the City. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The City has no policy regarding custodial credit risk for deposits.

At June 30, 2010, the City's deposits had a carrying amount of \$29,247,961 and a bank balance of \$28,158,200. Of the bank balance, \$200,000 was covered by federal depository insurance and the remaining bank balance is insured under the Pooling Method. The City had \$29,795 cash on hand as of June 30, 2010.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Investments

At June 30, 2010, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>6 Months</u>	<u>6-12 Months</u>	<u>1-3 Years</u>
Ford Motors - Commercial Paper	\$ 788,671	\$ -	\$ 788,671	\$ -
North Carolina Capital Management Trust	17,377,932	17,377,932	-	-
Total	<u>\$ 18,166,603</u>	<u>\$ 17,377,932</u>	<u>\$ 788,671</u>	<u>\$ -</u>

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

Credit Risk. Investments in the N.C. Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2010. The investment in Ford Motors Commercial Paper carried credit ratings of P-1 and A-1+ by Moody's and Standard & Poor's, respectively.

Concentration of Credit Risk. The City places no limit on the amount that the City may invest in any one issuer.

Receivables

The amounts presented in Exhibit A, the Statement of Net Assets, are net of the following allowances for doubtful accounts as of June 30, 2010:

General Fund:

Property taxes	\$ 1,151,799
Other receivables	876,276
Vehicle tags receivable	223,166

Enterprise Funds:

Water and Sewer Fund - utility receivables	612,674
Water and Sewer Fund - miscellaneous	5,357
Electric Fund - utility receivables	1,588,595
Electric Fund - miscellaneous	37,608
Stormwater Fund - utility receivables	109,433
Golf Course Fund - miscellaneous	6,345

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Capital Assets

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

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2010</u>
Non-Depreciable Assets:					
Land	\$ 10,423,594	\$ 7,049	\$ -	\$ -	\$ 10,430,643
Construction in progress	4,568,696	2,007,728	-	(727,267)	5,849,157
Depreciable Assets:					
Other improvements	12,247,417	28,628	-	727,267	13,003,312
Buildings	41,738,406	551,873	-	-	42,290,279
Building - Internal Service Fund	131,396	-	-	-	131,396
Equipment	10,492,438	517,897	(157,504)	-	10,852,831
Equipment - Internal Service Fund	30,033,784	1,765,093	(963,204)	-	30,835,673
General infrastructure	263,721,153	-	-	-	263,721,153
Total capital assets	<u>373,356,884</u>	<u>4,878,268</u>	<u>(1,120,708)</u>	<u>-</u>	<u>377,114,444</u>
Less Accumulated Depreciation:					
Other improvements	6,156,211	492,738	-	-	6,648,949
Buildings	14,762,981	1,186,577	(21,357)	-	15,928,201
Building - Internal Service Fund	39,387	4,662	-	-	44,049
Equipment	8,437,535	360,062	(52,156)	-	8,745,441
Equipment - Internal Service Fund	17,549,355	2,739,814	(947,382)	-	19,341,787
General infrastructure	156,044,047	5,861,565	-	-	161,905,612
Total accumulated depreciation	<u>202,989,516</u>	<u>\$ 10,645,418</u>	<u>\$ (1,020,895)</u>	<u>\$ -</u>	<u>212,614,039</u>
Capital assets, net	<u>\$ 170,367,368</u>				<u>\$ 164,500,405</u>

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

Capital Outlay Expenditures:

General Fund	\$ 300,658
Special Revenue Fund	88,167
Internal Service Fund	1,765,096
Capital Project - Mayor/Council Fund	583,497
Local Law Block Grant	169,856
Asset Forfeiture Fund	13,040
Airport Capital Project	618,664
Downtown Revitalization Capital Project	689,430
Capital Project - Street Fund	383,251
Non-capital special revenue expenditures	(88,167)
Non-capital expenditures in capital projects funds	(195,765)
Developer contributed infrastructure	546,131
Miscellaneous additions	4,410
Total additions	<u>\$ 4,878,268</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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:

	Governmental Funds	Internal Service Funds	Total
Governmental Activities:			
General government	\$ 720,984	\$ 1,634,147	\$ 2,355,131
Public safety	606,218	518,408	1,124,626
Public works	5,922,473	534,570	6,457,043
Cultural and recreation	651,267	57,351	708,618
Total	<u>\$ 7,900,942</u>	<u>\$ 2,744,476</u>	<u>\$ 10,645,418</u>

Enterprise Fund Capital Assets

The capital assets for the major enterprise funds of the City at June 30, 2010 are as follows:

	Balance July 1, 2009	Additions	Retirements	Transfers	Balance June 30, 2010
Water and Sewer Fund:					
Non-Depreciable Assets:					
Land	\$ 12,011,808	\$ -	\$ -	\$ -	\$ 12,011,808
Construction in progress	4,056,786	2,030,884	(8,500)	(153,301)	5,925,869
Depreciable Assets:					
Land improvements	2,888,504	-	-	-	2,888,504
Buildings	69,547,348	-	-	-	69,547,348
Machinery, equipment, and vehicles	12,936,107	38,741	(11,711)	67,738	13,030,875
Water and sewer system	168,245,461	28,360	-	85,563	168,359,384
Total capital assets	<u>269,686,014</u>	<u>2,097,985</u>	<u>(20,211)</u>	<u>-</u>	<u>271,763,788</u>
Less Accumulated Depreciation:					
Land improvements	1,373,589	71,088	-	-	1,444,677
Buildings	24,675,184	1,467,415	-	-	26,142,599
Machinery, equipment, and vehicles	6,587,301	365,281	(11,711)	-	6,940,871
Water and sewer system	48,747,133	2,589,425	-	-	51,336,558
Total accumulated depreciation	<u>81,383,207</u>	<u>\$ 4,493,209</u>	<u>\$ (11,711)</u>	<u>\$ -</u>	<u>85,864,705</u>
Capital assets, net	<u>\$ 188,302,807</u>				<u>\$ 185,899,083</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2010</u>
Electric Fund:					
Non-Depreciable Assets:					
Land	\$ 918,648	\$ -	\$ -	\$ -	\$ 918,648
Construction in progress	3,594,092	1,151,282	-	-	4,745,374
Depreciable Assets:					
Land improvements	212,329	-	-	-	212,329
Buildings	136,953	4,193	-	-	141,146
Electrical distribution	73,995,464	1,559,518	-	-	75,554,982
Machinery, equipment, and vehicles	3,521,080	22,977	(55,726)	-	3,488,331
Total capital assets	<u>82,378,566</u>	<u>2,737,970</u>	<u>(55,726)</u>	<u>-</u>	<u>85,060,810</u>
Less Accumulated Depreciation:					
Land improvements	34,849	10,298	-	-	45,147
Buildings	25,989	5,963	-	-	31,952
Electrical distribution	40,276,540	1,591,048	-	-	41,867,588
Machinery, equipment, and vehicles	2,627,450	139,155	(55,726)	-	2,710,879
Total accumulated depreciation	<u>42,964,828</u>	<u>\$ 1,746,464</u>	<u>\$ (55,726)</u>	<u>\$ -</u>	<u>44,655,566</u>
Capital assets, net	<u>\$ 39,413,738</u>				<u>\$ 40,405,244</u>

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2010</u>
Stormwater Fund:					
Non-Depreciable Assets:					
Land	\$ 30,000	\$ -	\$ -	\$ -	\$ 30,000
Construction in progress	32,141	395,416	-	(229,699)	197,858
Depreciable Assets:					
Buildings	5,360	-	-	-	5,360
Stormwater infrastructure	44,045,820	-	-	229,699	44,275,519
Machinery, equipment, and vehicles	140,581	-	(21,860)	-	118,721
Total capital assets	<u>44,253,902</u>	<u>395,416</u>	<u>(21,860)</u>	<u>-</u>	<u>44,627,458</u>
Less Accumulated Depreciation:					
Buildings	2,351	358	-	-	2,709
Stormwater infrastructure	15,411,833	603,678	-	-	16,015,511
Machinery, equipment, and vehicles	118,570	2,579	(21,860)	-	99,289
Total accumulated depreciation	<u>15,532,754</u>	<u>\$ 606,615</u>	<u>\$ (21,860)</u>	<u>\$ -</u>	<u>16,117,509</u>
Capital assets, net	<u>\$ 28,721,148</u>				<u>\$ 28,509,949</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

The capital assets for the nonmajor enterprise funds of the City at June 30, 2010 are as follows:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2010</u>
Transit and Golf Funds:					
Non-Depreciable Assets:					
Land	\$ 352,794	\$ -	\$ -	\$ -	\$ 352,794
Depreciable Assets:					
Land improvements	1,134,990	-	-	-	1,134,990
Buildings	1,535,865	5,874	-	-	1,541,739
Machinery, equipment, and vehicles	<u>2,818,483</u>	<u>25,165</u>	<u>-</u>	<u>-</u>	<u>2,843,648</u>
Total capital assets	<u>5,842,132</u>	<u>31,039</u>	<u>-</u>	<u>-</u>	<u>5,873,171</u>
Less Accumulated Depreciation:					
Land improvements	578,123	44,536	-	-	622,659
Buildings	564,059	36,152	-	-	600,211
Machinery, equipment, and vehicles	<u>1,703,652</u>	<u>229,598</u>	<u>-</u>	<u>-</u>	<u>1,933,250</u>
Total accumulated depreciation	<u>2,845,834</u>	<u>\$ 310,286</u>	<u>\$ -</u>	<u>\$ -</u>	<u>3,156,120</u>
Capital assets, net	<u>\$ 2,996,298</u>				<u>\$ 2,717,051</u>

Invested in Capital Assets, Net of Debt

The total invested in capital assets, net of related debt at June 30, 2010 is composed of the following elements:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
Capital assets	\$ 164,500,405	\$ 257,531,327
Long-term debt	(33,739,610)	(41,049,120)
Unspent debt proceeds	6,936,254	2,472,984
Long-term debt for assets not owned by the City	<u>1,862,927</u>	<u>-</u>
Invested in capital assets, net of related debt	<u>\$ 139,559,976</u>	<u>\$ 218,955,191</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

B. Liabilities

Pension Plan Obligations

Local Governmental Employees' Retirement System

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. The current rate for employees not engaged in law enforcement and for law enforcement officers is 4.8% and 4.78%, respectively, of annual covered payroll. As of July 1, 2010, these rates increased to 6.35% and 6.41% for employees not engaged in law enforcement and for law enforcement officers, respectively. The contribution requirements of members and of the City are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2010, 2009, and 2008 were \$2,035,832, \$2,049,761, and \$1,962,207, respectively. The contributions made by the City equaled the required contributions for each year.

Law Enforcement Officers' and Firemen's Special Separation Allowance

Plan Description. The City administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The City has also elected to provide this benefit to all qualified firemen. The Separation Allowance is equal to .85% of the annual equivalent of the base rate of compensation most recently applicable to the covered employee for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

All full-time law enforcement officers and firemen of the City are covered by the Separation Allowance. At December 31, 2009, the Separation Allowance's membership consisted of:

Retirees receiving benefits and terminated plan	
members entitled to, but not yet receiving, benefits	53
Active plan members	<u>325</u>
Total	<u><u>378</u></u>

A separate report is not issued for the plan.

Summary of Significant Accounting Policies

Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

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

Contributions

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

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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

Annual required contribution	\$ 782,277
Interest on net pension obligation	110,212
Adjustment to annual required contribution	<u>(95,760)</u>
Annual pension costs	796,729
Contributions made	<u>916,648</u>
Increase (decrease) in net pension obligation	(119,919)
Net pension obligation:	
Beginning of year - July 1	<u>1,520,163</u>
End of year - June 30	<u><u>\$ 1,400,244</u></u>

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	\$ 753,146	113.27%	\$ 1,686,723
2009	748,776	122.24%	1,520,163
2010	796,729	115.05%	1,400,244

Funding Status and Funding Progress

As of December 31, 2009, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$11,967,191. The covered payroll (annual payroll of the active employees covered by the plan) was \$15,198,129, and the ratio of the UAAL to the covered payroll was 78.74 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, 2010

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, 2010 were \$647,754, which consisted of \$431,710 from the City and \$216,044 from the law enforcement officers.

Supplemental Retirement Income Plan for Firemen

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

Funding Policy. The City contributes on a bi-weekly basis an amount equal to five percent of each fireman's salary, and all amounts are vested immediately. Also, the firemen may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2010 were \$439,957, which consisted of \$329,165 from the City and \$110,792 from the firemen.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Supplemental Retirement Income Plan

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

Funding Policy. The City contributes to the North Carolina 401(k) Plan on a bi-weekly basis an amount equal to 5.0% of each employee's salary, and all amounts are vested immediately. The City contributes to the 401(a) Money Purchase Plan an additional amount equal to 5.0% of the City Manager's salary. Also, the employees may make voluntary contributions to the plans. Contributions to the North Carolina 401(k) Plan for the year ended June 30, 2010 were \$1,933,936, which consisted of \$1,393,728 from the City and \$540,208 from the employees. Contributions to the 401(a) Purchase Plan for the year ended June 30, 2009 were \$7,070, which consisted of \$7,070 from the City and \$-0- from the City Manager.

Firemen's and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the City, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible firemen and rescue squad workers that have elected to become members of the Fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina, 27699-1410, or by calling (919) 981-5454.

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Deferred Compensation Plan

City employees can elect to participate in a City-sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457 and administered by ICMA Retirement Corporation. The Plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available until termination, retirement, death, or an unforeseeable emergency. The City contributes to the Plan 5% of the City Attorney's salary. Contributions to the 457 Plan for the year ended June 30, 2010 were \$65,933, which consisted of \$6,523 from the City and \$59,410 from the employees.

Other Post-Employment Benefits

Healthcare Benefits

Plan Description. According to a City resolution, the City provides post-retirement healthcare benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five years of creditable service with the City and have not become eligible for Medicare. The City pays the full cost of coverage for these benefits for employees hired prior to September 1, 2000 and a percentage of the premium cost based on years of service for employees hired on or after September 1, 2000. There is a small premium required for retirees who elect the PPO Plan. Also, the City's retirees can purchase coverage for their dependents at the City's group rates. For the fiscal year ended June 30, 2010, the City made payments for post-retirement health benefit premiums of \$775,704. 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, 2010, the City made payments for post-retirement life insurance benefit premiums of \$34,102.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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

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

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

Membership of the healthcare plan consisted of the following at December 31, 2009, the date of the latest actuarial valuation:

Retirees	413
General employees	614
Law enforcement	185
Firefighters	<u>140</u>
Total	<u><u>1,352</u></u>

Funding Policy. The City pays the full cost of coverage for these benefits for employees hired prior to September 1, 2000 and a percentage of the premium cost based on years of service for employees hired on or after September 1, 2000, as noted above. There is a small premium required for retirees who elect the PPO Plan. There are two PPO plans available to employees, Buy-up 1 and Buy-up 2. They are differentiated by coverage limits. Also, the City's retirees can purchase coverage for their dependents at the City's group rates. The City's pays from \$355.60 to \$1,079.60 per month for employee/retiree and dependent coverage, based on plan election and dependents covered. The City's members pay from \$404.70 to \$1,270.29 per month for employee/retiree and dependent coverage, based on plan election and number of dependents covered. The City has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current ARC rate is 8.52% of annual covered payroll. For the current year, the City contributed \$809,806, or 1.90% 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 buy-up options and dependent coverage were \$274,184 for the year ended June 30, 2010.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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

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

Annual required contribution	\$ 3,622,695
Interest on net OPEB obligation	212,105
Adjustment to annual required contribution	<u>(182,991)</u>
Annual OPEB cost (expense)	3,651,809
Contributions made	<u>809,806</u>
Increase (decrease) in net OPEB obligation	2,842,003
Net OPEB obligation, beginning of year	<u>5,302,615</u>
Net OPEB obligation, end of year	<u>\$ 8,144,618</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:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 3,428,106	22.50%	\$ 2,654,506
2009	3,428,106	22.75%	5,302,615
2010	3,651,809	22.20%	8,144,618

Funded Status and Funding Progress. As of December 31, 2009, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$46,086,802. The covered payroll (annual payroll of active employees covered by the Plan) was \$42,482,474, and the ratio of the UAAL to the covered payroll was 108.5%. 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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing, over time, relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2009 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 10.5 to 5.00 percent annually. Both rates included a 3.75 percent inflation assumption. The UAAL is being amortized as a level percentage of projected pay on an open basis. The remaining amortization period at December 31, 2009 was 30 years.

Other Employment Benefits

The City has also elected to provide death benefits to employees through the Death Benefit Plan for law enforcement officers who are members of the Local Government Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those officers who die in active service after one year of contributing membership in the System or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the officer's 12 highest months' salary in a row during the 24 months prior to the officer's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 2010, the City made contributions to the State for death benefits of \$12,089. The City's required contributions for law enforcement officers represented .14% of covered payroll. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Deferred/Unearned Revenues

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

	General Fund	Other Governmental Funds	Total
Taxes receivable, net	\$ 1,185,305	\$ 25,281	\$ 1,210,586
HUD loans and mortgages	-	1,167,997	1,167,997
Prepaid revenues - other	4,150	-	4,150
Other receivables, net	464,618	151,030	615,648
Prepaid taxes and licenses	180,927	-	180,927
Total	<u>\$ 1,835,000</u>	<u>\$ 1,344,308</u>	<u>\$ 3,179,308</u>

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

	Governmental Activities	Business-Type Activities	Total
Prepaid taxes and licenses	\$ 180,927	\$ -	\$ 180,927
Prepaid revenues - other	4,150	-	4,150
Prepaid fees	-	15,997	15,997
Total	<u>\$ 185,077</u>	<u>\$ 15,997</u>	<u>\$ 201,074</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Commitments

The City had the following outstanding or planned projects as of June 30, 2010. These projects are evidenced by contractual obligations. The projects are funded by a combination of City monies, long-term debt, and special assessment taxes.

<u>Governmental Activities Projects</u>	<u>Expended To Date</u>	<u>Remaining Commitment</u>
Street Improvements:		
West Davidson bridge	\$ 195,918	\$ 828,838
Total	<u>195,918</u>	<u>828,838</u>
 General Government - Mayor/Council, Airport Capital Projects, and Downtown Capital Projects:		
Design Tulip Drive bridge	1,463,679	131,960
Airport runway rehabilitation	681,659	694,185
Schiele Museum Environmental Studies Facility	-	750,000
Downtown Convention Center and Parking Deck Design	70,203	357,297
Rankin Lake improvements	-	300,000
Total	<u>2,215,541</u>	<u>2,233,442</u>
 Total commitments - governmental-type activities	<u>\$ 2,411,459</u>	<u>\$ 3,062,280</u>
 <u>Business-Type Activities Projects</u>		
Water and Sewer:		
Crowders Creek Wastewater Plant improvements	\$ 107,039	\$ 650,689
Water plant improvements - revenue bonds	<u>2,806,699</u>	<u>1,064,565</u>
Total	<u>2,913,738</u>	<u>1,715,254</u>
 Total commitments - business-type activities	<u>\$ 2,913,738</u>	<u>\$ 1,715,254</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtains, through commercial companies, general liability coverage of \$1 million per occurrence with a \$3 million aggregate limit, auto liability coverage of \$1 million combined single limit coverage with a \$4 million excess policy, property coverage up to the total insurance values of the property which is \$2.49 million for the 2011 coverage year, workers' compensation coverage up to \$1 million per accident, unlimited lifetime employee health coverage, police liability and public official liability of \$2 million, boiler and machinery coverage of \$1 million, museum of fine arts and articles at the military museum for \$5.48 million, airport coverage for \$25 million, earthquake coverage limited to \$5 million, and full coverage for community development housing renovation inventory (for houses that will be rehabilitated and not demolished).

All insurances are fully insured except workers' compensation and health and dental. For the 2010 fiscal year, the City has a \$300,000 self-insured retention for all employees, except police and fire which had a \$500,000 self-insured retention. Settled claims have not exceeded coverage in any of the past six fiscal years.

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 an aggregate stop/loss coverage.

The City is not in close proximity to any major waterways, thus the City does not carry flood insurance for real and personal property owned by the City.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The Finance Officer is individually bonded for \$150,000. The remaining employees that have access to funds are bonded under a blanket bond for \$150,000.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Reconciliation of Claims Liability

Changes in the City's claims liability balance during fiscal year 2010 are as follows:

	Dental Self- Insurance Fund	Medical Self- Insurance Fund	Total
Balance, June 30, 2008	\$ 13,665	\$ 545,129	\$ 558,794
Add incurred claims (including IBNRs) and changes in estimates	332,573	8,643,370	8,975,943
Deduct claims payments	<u>(346,238)</u>	<u>(8,562,874)</u>	<u>(8,909,112)</u>
Balance, June 30, 2009	-	625,625	625,625
Add incurred claims (including IBNRs) and changes in estimates	348,098	9,312,872	9,660,970
Deduct claims payments	<u>(348,098)</u>	<u>(9,127,870)</u>	<u>(9,475,968)</u>
Balance, June 30, 2010	<u>\$ -</u>	<u>\$ 810,627</u>	<u>\$ 810,627</u>

Claims and Judgments

At June 30, 2010, the City was a defendant in various matters of litigation. While any litigation contains an element of uncertainty, attorneys engaged by the City's insurance carrier believe that the outcome of any lawsuit or claim which is pending, or all of them combined, will not have a materially adverse effect on the City's financial position. These matters are generally covered by insurance.

Long-Term Obligations

\$5,000,000 Sewer State Bond Loan

In May 1996, the City entered into a loan agreement with the State of North Carolina Department of Environment and Natural Resources. The City was approved for a loan of \$5,000,000 from the State Bond Fund Account to provide financial assistance in connection with the upgrade and expansion of an existing wastewater treatment plant and pumping

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

station. The loan agreement calls for 20 annual installments of \$250,000 each on May 1 of each year with interest at 5.850% semi-annually on May 1 and November 1 of each year. The amount outstanding at June 30, 2010 is \$1,500,000. The loan is being carried in the Water and Sewer Fund.

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

Year Ending June 30	Principal	Interest	Total
2011	\$ 250,000	\$ 76,666	\$ 326,666
2012	250,000	62,406	312,406
2013	250,000	47,156	297,156
2014	250,000	32,656	282,656
2015	250,000	18,250	268,250
2016	250,000	3,438	253,438
Total	<u>\$ 1,500,000</u>	<u>\$ 240,572</u>	<u>\$ 1,740,572</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, 2010 is \$75,562. The loan is being carried in the Water and Sewer Fund.

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

Year Ending June 30	Principal	Interest	Total
2011	\$ 3,977	\$ -	\$ 3,977
2012	3,977	-	3,977
2013	3,977	-	3,977
2014	3,977	-	3,977
2015	3,977	-	3,977
2016-2020	19,885	-	19,885
2021-2025	19,885	-	19,885
2026-2029	15,907	-	15,907
Total	<u>\$ 75,562</u>	<u>\$ -</u>	<u>\$ 75,562</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Section 108 Loan Guarantee

In August 2001, the City received a \$570,000 loan under this Section 108 Loan Guarantee. \$280,241 of the proceeds was used to pay principal of \$280,000 and interest of \$241 on a September 1999 \$280,000 interim loan. Interest on the \$570,000 borrowing is payable on February 1 and August 1 at rates ranging from 5.33% to 6.00%. The first interest payment was due February 1, 2002. Annual principal payments of \$95,000 began August 1, 2007. The amount outstanding at June 30, 2010 is \$285,000.

In March 2002, the City received a \$2,000,000 loan under this Section 108 Loan Guarantee. The loan agreement calls for 18 annual principal installments from \$110,000 to \$120,000 beginning August 1, 2004, with semi-annual interest payments due on February 1 and August 1 of each year at rates ranging from 1.21% to 5.69%. The amount outstanding at June 30, 2010 is \$1,340,000.

In March 2007, the City received a \$249,930 loan under this Section 108 Loan Guarantee. The loan agreement calls for six (6) annual principal installments from \$12,000 to \$147,930 beginning August 1, 2009, with semi-annual interest payments beginning February 1, 2007 at 5.05%. The amount outstanding at June 30, 2010 is \$237,927.

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

Future minimum payments on the Section 108 Loan Guarantee as of June 30, 2010 are as follows:

Year Ending				
June 30	Principal	Interest	Total	
2011	\$ 220,000	\$ 91,099	\$ 311,099	
2012	225,000	80,012	305,012	
2013	230,000	68,271	298,271	
2014	140,000	58,815	198,815	
2015	110,000	48,887	158,887	
2016-2020	700,000	140,360	840,360	
2021-2022	237,927	13,380	251,307	
Total	<u>\$ 1,862,927</u>	<u>\$ 500,824</u>	<u>\$ 2,363,751</u>	

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Other Financing Agreements

In September 2005, the City entered into a financing agreement for the acquisition of various vehicles and equipment. Total loan proceeds received by the City amounted to \$3,191,783. The terms of the agreement call for annual installments of \$703,720 from September 23, 2006 through September 23, 2010, including interest at 3.36%. The amount outstanding at June 30, 2010 is \$495,050. The loan is related to Internal Service Fund activity and is, therefore, reported in the fund Statement of Net Assets as Internal Service Fund debt and in the government-wide Statement of Net Assets as governmental activity debt.

Debt service requirements to maturity as of June 30, 2010 are as follows:

Year Ending			
June 30	Principal	Interest	Total
2011	\$ 495,050	\$ 16,623	\$ 511,673
Total	\$ 495,050	\$ 16,623	\$ 511,673

In October 2006, the City entered into a financing agreement for the acquisition of various vehicles and equipment. Total loan proceeds received by the City amounted to \$2,763,116. The terms of the agreement call for annual installments of \$614,863 from October 1, 2007 through October 1, 2011, including interest at 3.73%. The amount outstanding at June 30, 2010 is \$1,162,760. The loan is related to Internal Service Fund activity and is, therefore, reported in the fund Statement of Net Assets as Internal Service Fund debt and in the government-wide Statement of Net Assets as governmental activity debt.

Debt service requirements to maturity as of June 30, 2010 are as follows:

Year Ending			
June 30	Principal	Interest	Total
2011	\$ 571,439	\$ 43,424	\$ 614,863
2012	591,321	23,542	614,863
Total	\$ 1,162,760	\$ 66,966	\$ 1,229,726

In August 2007, the City entered into a financing agreement for the acquisition of various vehicles and equipment. Total loan proceeds received by the City amounted to \$4,116,329. The terms of the agreement call for semi-annual payments of \$452,068 from February 1, 2008 through August 1, 2012, including interest at 3.59%. The amount outstanding at June 30, 2010 is \$2,143,541. The loan is related to Internal Service Fund activity and is, therefore, reported in the fund Statement of Net Assets as Internal Service Fund debt and in the government-wide Statement of Net Assets as governmental activity debt.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Debt service requirements to maturity as of June 30, 2010 are as follows:

Year Ending June 30	Principal	Interest	Total
2011	\$ 834,607	\$ 69,529	\$ 904,136
2012	864,838	39,298	904,136
2013	444,096	7,972	452,068
Total	<u>\$ 2,143,541</u>	<u>\$ 116,799</u>	<u>\$ 2,260,340</u>

In December 2008, the City entered into a financing agreement for the acquisition of various vehicles and equipment. Total loan proceeds received by the City amounted to \$3,972,000. The terms of the agreement call for semi-annual payments of \$425,313 from May 1, 2009 through November 1, 2013, including interest at 2.69%. The amount outstanding at June 30, 2010 is \$2,822,975. The loan is related to Internal Service Fund activity and is, therefore, reported in the fund Statement of Net Assets as Internal Service Fund debt and in the government-wide Statement of Net Assets as governmental activity debt.

Debt service requirements to maturity as of June 30, 2010 are as follows:

Year Ending June 30	Principal	Interest	Total
2011	\$ 779,890	\$ 70,736	\$ 850,626
2012	801,010	49,616	850,626
2013	822,703	27,924	850,627
2014	419,372	5,645	425,017
Total	<u>\$ 2,822,975</u>	<u>\$ 153,921</u>	<u>\$ 2,976,896</u>

In May 2010, the City entered into a financing agreement for the acquisition of various vehicles and equipment. Total loan proceeds received by the City amounted to \$1,750,000. The terms of the agreement call for annual payments of \$380,703 from May 26, 2010 through April 26, 2015, including interest at 2.87%. The amount outstanding at June 30, 2010 is \$1,750,000. The loan is related to Internal Service Fund activity and is, therefore, reported in the fund Statement of Net Assets as Internal Service Fund debt and in the government-wide Statement of Net Assets as governmental activity debt.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Debt service requirements to maturity as of June 30, 2010 are as follows:

Year Ending June 30	Principal	Interest	Total
2011	\$ 330,478	\$ 50,225	\$ 380,703
2012	339,963	40,740	380,703
2013	349,720	30,983	380,703
2014	359,757	20,946	380,703
2015	370,082	9,884	379,966
Total	<u>\$ 1,750,000</u>	<u>\$ 152,778</u>	<u>\$ 1,902,778</u>

Certificates of Participation

In June 2002, the City issued \$12,495,000 of Certificates of Participation. The debt proceeds were used to finance various City-wide equipment and the construction of four new fire stations. The Certificates of Participation are due in annual principal installments from \$450,000 to \$1,240,000 from October 1, 2002 through October 1, 2021, with semi-annual interest payments from April 1, 2002 through October 1, 2021 at rates ranging from 2.75% to 5.10%. The amount outstanding at June 30, 2010 is \$5,455,000. The debt is related to the General Fund and the governmental-type Internal Service Fund; therefore, the debt and debt service are reported in the governmental activities of the government-wide Statement of Net Assets. The Internal Service Fund portion of the debt was also reported in the fund Statement of Net Assets, but was paid in full in 2008.

The future minimum payments on the Certificates of Participation as of June 30, 2010 are as follows:

Year Ending June 30	Principal	Interest	Total
2011	\$ 455,000	\$ 251,360	\$ 706,360
2012	455,000	231,568	686,568
2013	455,000	211,320	666,320
2014	455,000	190,504	645,504
2015	455,000	169,233	624,233
2016-2020	2,275,000	514,013	2,789,013
2021-2022	905,000	46,028	951,028
Total	<u>\$ 5,455,000</u>	<u>\$ 1,614,026</u>	<u>\$ 7,069,026</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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, 2010 is \$1,999,997. The debt is related to General Fund activity and, therefore, is reported in the governmental activities of the government-wide Statement of Net Assets.

The future minimum payments on the installment financing as of June 30, 2010 are as follows:

Year Ending June 30	Principal	Interest	Total
2011	\$ 266,667	\$ 71,747	\$ 338,414
2012	266,667	61,996	328,663
2013	266,667	51,960	318,627
2014	266,667	42,067	308,734
2015	266,667	32,174	298,841
2015-2018	666,662	37,215	703,877
Total	<u>\$ 1,999,997</u>	<u>\$ 297,159</u>	<u>\$ 2,297,156</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, 2010 is \$3,500,000. The debt is related to General Fund activity and, therefore, is reported in the governmental activities of the government-wide Statement of Net Assets.

The future minimum payments on the Certificates of Participation as of June 30, 2010 are as follows:

Year Ending June 30	Principal	Interest	Total
2011	\$ 535,000	\$ 122,313	\$ 657,313
2012	550,000	103,325	653,325
2013	570,000	83,013	653,013
2014	590,000	61,263	651,263
2015	615,000	37,900	652,900
2015-2016	640,000	12,800	652,800
Total	<u>\$ 3,500,000</u>	<u>\$ 420,614</u>	<u>\$ 3,920,614</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

General Obligation and Revenue Bond Indebtedness

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

Bonds payable at June 30, 2010 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the General Fund:

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

\$19,815,000 2003 Refunding Serial Bonds, due in annual principal installments from \$160,000 to \$3,350,000 from April 1, 2004 through April 1, 2012, with semi-annual interest payments beginning October 1, 2003 at rates ranging from 2.00% to 3.50%. (31.94% of the proceeds were used to refund governmental activities debt and 68.06% to refund water and sewer business-type activities debt.) 512,360

\$4,705,000 2004 Refunding Serial Bonds, due in annual principal installments from \$75,000 to \$605,000 from May 1, 2005 through May 1, 2014, with semi-annual interest payments beginning November 1, 2004 at rates ranging from 2.00% to 3.50%. 1,760,000

\$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% 5,725,000

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

General Obligation Bonds (continued)

Serviced by the General 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 various recreational and general infrastructure projects. 1,025,000

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

Total general obligation bonds - governmental activities 12,547,360

Serviced by the Water and Sewer Fund:

\$19,815,000 2003 Refunding Serial Bonds, due in annual principal installments from \$160,000 to \$3,350,000 from April 1, 2004 through April 1, 2012, with semi-annual interest payments beginning October 1, 2003 at rates ranging from 2.00% to 3.50%. (31.94% of the proceeds were used to refund governmental activities debt and 68.06% to refund water and sewer business-type activities debt.) 1,092,637

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Serviced by the Electric Fund:

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

430,000

Total general obligation bonds - business-type activities

1,522,637

Total general obligation bonds - governmental
and business-type activities

\$ 14,069,997

Revenue Bonds

Serviced by the Water and Sewer Fund:

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

\$ 4,580,000

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

12,805,000

\$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. (*)

19,330,000

Total revenue bonds

\$ 36,715,000

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

(*) In August 2009, the City issued Combined Utility System Revenue Refunding Bonds totaling \$19,605,000 with interest rates ranging from 2.0% to 4.0%. \$3,070,736 of the proceeds were used to partially advance refund \$2,825,000 of the \$9,745,000 Series 2001 Combined Utility System Revenue Bonds, with remaining interest rates of 4.375% to 5.100%. The City refunded \$2,825,000 of the August 2010 outstanding principal of \$7,740,000. \$3,070,736 was placed with an escrow agent to provide all future debt service payments on the refunded portion of the bonds. As a result, the refunded portion of the bonds is considered to be defeased and the related liability for the bonds has been removed from the balance sheet. \$16,846,259 of the proceeds were to be used to redeem in full the \$16,475,000 outstanding balance of the Series 1998 Combined Utility System Revenue Bonds with remaining interest rates of 4.75%. The bonds were called at 101% of the principal amount on the date the 2009 bonds were issued. The average life of the refunded bonds was 6.387 years compared to the average life of the refunding bonds of 6.203 years. The aggregate difference in debt service between the refunding debt, and the refunded debt was \$1,360,128. The refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,158,023. At June 30, 2010, there was \$2,945,285 held in escrow by the escrow agent.

At June 30, 2010, the City had a legal debt margin of \$379,699,356.

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, 2010 is as follows:

Gross revenues available for debt service	\$ 27,765,738
Expenses, as defined in the covenants	<u>19,282,171</u>
Income available for debt service	<u>\$ 8,483,567</u>
Debt service , principal and interest, parity indebtedness	<u>\$ 4,655,392</u>
Debt service coverage ratio	182%
Debt service, principal and interest, parity and subordinated indebtedness	<u>\$ 5,981,507</u>
Debt service coverage ratio	142%

At June 30, 2010, the City was in compliance with the requirements described above.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

The City has pledged future water and sewer revenues, net of specified operating expenses, to repay \$43,915,000 in combined utility system revenue bonds issued from 2001 to 2009. Proceeds from the bonds were used to finance capital improvements to the water and sewer infrastructure. 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 20 percent of water and sewer customer net revenues. Total principal and interest remaining to be paid on the bonds is \$47,021,279.

Annual debt service requirements to maturity for general obligation bonds as of June 30, 2010 are as follows:

Governmental Activities:

Year Ending June 30	Principal	Interest	Total
2011	\$ 2,101,257	\$ 483,879	\$ 2,585,136
2012	1,701,104	412,137	2,113,241
2013	1,670,000	346,386	2,016,386
2014	1,465,000	281,498	1,746,498
2015	1,315,000	222,961	1,537,961
2016-2020	3,386,237	447,067	3,833,304
2021-2025	570,618	132,412	703,030
2026-2028	338,144	26,826	364,970
Total	<u>\$ 12,547,360</u>	<u>\$ 2,353,166</u>	<u>\$ 14,900,526</u>

Business-Type Activities:

Year Ending June 30	Principal	Interest	Total
2011	\$ 983,467	\$ 54,118	\$ 1,037,585
2012	109,170	20,680	129,850
2013	-	16,869	16,869
2014	-	16,869	16,869
2015	-	16,869	16,869
2016-2020	48,763	84,345	133,108
2021-2025	239,382	55,548	294,930
2026-2028	141,855	11,254	153,109
Total	<u>\$ 1,522,637</u>	<u>\$ 276,552</u>	<u>\$ 1,799,189</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Annual debt service requirements to maturity for revenue bonds as of June 30, 2010 are as follows:

Business-Type Activities:

Year Ending June 30	Principal	Interest	Total
2011	\$ 2,820,000	\$ 1,490,636	\$ 4,310,636
2012	2,935,000	1,376,524	4,311,524
2013	3,050,000	1,261,824	4,311,824
2014	3,165,000	1,142,244	4,307,244
2015	3,270,000	1,048,844	4,318,844
2016-2020	15,385,000	3,131,069	18,516,069
2021-2025	6,090,000	855,138	6,945,138
Total	<u>\$ 36,715,000</u>	<u>\$ 10,306,279</u>	<u>\$ 47,021,279</u>

Changes in Long-Term Liabilities

During the year ended June 30, 2010, the following changes occurred in long-term liabilities:

	Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010	Due Within One Year
Governmental Activities:					
General Fund:					
General obligation bonds	\$ 14,493,465	\$ -	\$ 1,946,105	\$ 12,547,360	\$ 2,101,257
Compensated absences	3,050,707	993,766	2,009,555	2,034,918	1,525,510
Unfunded pension obligation	1,520,163	796,729	916,648	1,400,244	-
Other post-employment benefits obligation	4,110,047	2,230,358	-	6,340,405	-
Installment financing	2,266,664	-	266,667	1,999,997	266,667
Certificates of participation	9,925,000	-	970,000	8,955,000	990,000
Special Revenue Funds:					
Section 108 Loan Guarantee	2,079,930	-	217,003	1,862,927	220,000
Internal Service Funds:					
Installment financing	9,862,750	1,750,000	3,238,424	8,374,326	3,011,464
Compensated absences	63,561	54,706	63,561	54,706	41,707
Governmental activity long-term liabilities	<u>\$ 47,372,287</u>	<u>\$ 5,825,559</u>	<u>\$ 9,627,963</u>	<u>\$ 43,569,883</u>	<u>\$ 8,156,605</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due Within</u> <u>One Year</u>
Business-Type Activities:					
General obligation bonds	\$ 2,771,538	\$ -	\$ 1,248,901	\$ 1,522,637	\$ 983,467
Compensated absences	740,605	566,181	740,605	566,181	393,853
Other post-employment benefits obligation	1,192,568	611,645	-	1,804,213	-
Revenue bonds	39,290,000	19,605,000	22,180,000	36,715,000	2,820,000
Bond premium	623,639	778,091	165,809	1,235,921	-
State revolving loans	<u>1,750,000</u>	<u>79,538</u>	<u>253,976</u>	<u>1,575,562</u>	<u>253,977</u>
Business-type activity long-term liabilities	<u>\$ 46,368,350</u>	<u>\$ 21,640,455</u>	<u>\$ 24,589,291</u>	<u>\$ 43,419,514</u>	<u>\$ 4,451,297</u>

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

C. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2010 is as follows:

Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Special Revenue Funds, Internal Service Funds	\$ 3,472,870
Internal Service Funds	General, Nonmajor Governmental Funds	53,971
Total		<u>\$ 3,526,841</u>

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

The General Fund receivables from the internal service funds represent plan administration fees and stop/loss premiums paid by the General Fund and not reimbursed as of June 30, 2010. The General Fund and other nonmajor governmental fund payables to the internal service funds represent plan premiums not paid as of June 30, 2010.

D. Revenues, Expenditures, and Expenses

On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2010, the City has recognized on-behalf payments for pension contributions made by the State as revenue and an expenditure of \$36,724 for the 129 employed firemen who perform firefighting duties for the City's fire department. The employees are elected to be members of the Firemen's and Rescue Squad Workers' Pension Fund, a cost-sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

Also, the City has recognized as revenue and an expenditure on-behalf payments for fringe benefits and salaries of \$41,853 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, 2010. 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, 2010 were \$51,967,715.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Centralina Council of Governments

The Centralina Council of Governments is a voluntary association of eight county governments and 60 municipalities. The Council was established by the participating governments to coordinate funding from federal and State agencies. Each participating government appoints one member to the Council's governing board, whose responsibilities include approving the budget and designating the management of the Council. The City paid membership dues of \$18,195 during the fiscal year ended June 30, 2010.

4. Joint Venture

The City and the members of the City's fire department each appoint two members to the five-member local Board of Trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local Board of Trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these monies to the local Board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf 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, 2010, the City reported revenues and expenditures for the payments of \$41,853 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, 2010. 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.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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 2010, the City's Electric Fund provided services to the general government and other funds and did not charge the funds a fee for these services. The fair market value of these services is estimated at:

<u>Service</u>	<u>General Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Electricity	\$ 832,149	\$ 340,836	\$ 1,172,985
Electricity for street lights	582,898	-	582,898
Electricity charges for street lights billed by outside parties	<u>249,694</u>	<u>-</u>	<u>249,694</u>
Total	<u>\$ 1,664,741</u>	<u>\$ 340,836</u>	<u>\$ 2,005,577</u>

In 2010, 2009, and 2008, the Water and Sewer Fund calculated "payment in lieu of taxes" based on the Water and Sewer Fund capital assets value and the effective tax rate was \$990,861, \$964,687, and \$940,022, respectively. However, the budgeted "payment in lieu of taxes" to the General Fund was \$495,431, \$254,151, and \$227,086, respectively.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

8. Transfers From/To Other Funds

In 2010, the City made the following transfers within its fund structure. Transfers to the General Fund from the electric funds were made to distribute profits to the general government. Transfers from the General Fund to the Transit Fund were made to underwrite the enterprise funds activities. Transfers from the General Fund to the Mayor/Council Capital Project Fund, Streets Capital Projects, and the Airport Capital Projects Fund were made to provide the local support of the capital projects' capital outlay activities. Transfers from the General Fund, Electric Fund, Water and Sewer Fund, Stormwater Fund, Special Revenue Funds, and Information Technology Fund were made to subsidize the Health Self-Insurance Fund. Transfers from the General Fund, Electric Fund, and Infrastructure Rehabilitation Fund were made to provide support for the Downtown Capital Projects Fund.

	Transfers	
	From	To
Transfers from/to Other Funds:		
General	\$ 2,011,917	\$ 2,120,041
Enterprise Fund:		
Electric	2,239,638	-
Water and Sewer	566,062	53,875
Stormwater	29,480	-
Transit	-	483,743
Internal Service Fund:		
Information Technology Fund	18,100	-
Vehicle Replacement Fund	53,875	-
Health Self-Insurance Fund	-	1,600,000
Special Revenue Fund:		
Community Development	5,430	262,540
Uptown Municipal Tax District	20,041	9,000
Infrastructure Rehabilitation	240,000	-
Economic Stimulus Grants Fund	14,480	-
Capital Project Funds:		
Airport	-	15,000
Downtown Capital Projects	-	325,000
Mayor/Council	-	329,824
Total	<u>\$ 5,199,023</u>	<u>\$ 5,199,023</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

9. Stewardship, Compliance, and Accountability

Deficit Fund Balance of Individual Funds

The following funds had deficit fund balances at June 30, 2010:

Special Revenue Funds:	
108 Loan/Revitalization	\$ (236,385)
Economic Development	(2,579)
Capital Project Fund:	
Airport Capital Project Fund	(334,209)

Corrective Action

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

10. Subsequent Events

In September 2010, the City issued \$2,130,000 of General Parks and Recreation Improvement Obligation Bonds, Series 2010A, \$9,560,000 General Street and Sidewalk Improvement Obligation Bonds, Series 2010B, and \$17,805,000 of Taxable general Street and Sidewalk Improvement Obligation Bonds, Series 2010C "Build America Bonds". The Series 2010A bonds are due in annual principal installments of \$950,000 to \$1,180,000 from September 1, 2013 to September 1, 2014. Interest rates range from 3.00% to 4.00% and are payable semi-annually on each September 1 and March 1, commencing March 1, 2011. The Series 2010B bonds are due in annual principal installments of \$1,300,000 to \$1,810,000 from September 1, 2015 to September 1, 2020. Interest rates range from 3.00% to 5.00% and are payable semi-annually on each September 1 and March 1, commencing March 1, 2011. The Series 2010C bonds are due in annual principal installments of \$1,750,000 to \$1,925,000 from September 1, 2021 to September 1, 2025 with a final principal installment of \$8,750,000 due September, 2030. Interest rates range from 3.861% to 4.961% and are payable semi-annually on each September 1 and March 1, commencing March 1, 2011. The City will receive a subsidy payment from the United States Treasury equal to 35% of the amount of each interest payment on the 2010C "Build America Bonds".

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

In October 2010, the City issued \$7,830,000 Limited Obligation Bonds, Series 2010A and \$8,000,000 Taxable Limited Obligation Bonds (Recovery Zone Economic Development Bonds), Series 2010B. The bonds are being issued to provide funds, together with any other available funds, for the following “2010 project”: approximately \$7.55 million of the proceeds will be used to construct a 29,000 square-foot stand-alone publicly-owned conference center and integrally-designed, 160-space, publicly-owned parking deck in the City’s downtown; approximately \$750,000 of the proceeds will be used to construct an approximately 5,000 square-foot conference and classroom space addition to the City’s existing Schiele Museum, located in the downtown; approximately \$2.5 million of the proceeds will be used to finance renovations and new construction at the City’s Lineberger and Rankin Lake Parks and facilitate connections of these parks to the Avon-Catawba Greenway, and \$5.28 million of the proceeds from the Series 2010A bonds will be used to refund in advance of their maturities all of the outstanding Certificates of Participation (Gastonia Public Facilities and Equipment Project), Series 2001. The Series 2010A bonds are due in annual principal installments of \$425,000 to \$915,000 from April 1, 2012 to April 1, 2022. Interest rates range from 2.00% to 4.00% and are payable semiannually on each April 1 and September 1, commencing April 1, 2011. The Series 2010B bonds are due in annual principal installments of \$320,000 to \$550,000 from April 1, 2020 to April 1, 2025 with a final principal installment of \$5,075,000 due April, 2033. Interest rates range from 4.470% to 5.992% and are payable semi-annually on each April 1 and September 1, commencing April 1, 2011. The City will receive a subsidy payment from the United States Treasury equal to 45% of the amount of each interest payment on the 2010C “Recovery Zone Economic Development Bonds”.



REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

- Schedule of Funding Progress for the Law Enforcement Officers' and Firemen's Special Separation Allowance
- Schedule of Employer Contributions for the Law Enforcement Officers' and Firemen's Special Separation Allowance
- Notes to the Required Schedules for the Law Enforcement Officers' and Firemen's Special Separation Allowance
- Schedule of Funding Progress for the Other Post-Employment Retiree Health Plan
- Schedule of Employer Contributions for the Other Post-Employment Retiree Health Plan
- Notes to the Required Schedules for the Other Post-Employment Retiree Health Plan



CITY OF GASTONIA, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' AND FIREMEN'S
SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010**

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
12/31/2000	\$ -	\$ 5,789,656	\$ 5,789,656	0.00%	\$ 11,586,216	49.97%
12/31/2001	-	6,270,500	6,270,500	0.00%	11,920,420	52.60%
12/31/2002	-	6,669,595	6,669,595	0.00%	12,117,445	55.04%
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%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Amount Contributed By Employer	Percentage of ARC Contributed
2000	\$ 573,335	\$ -	0.00%
2001	604,767	-	0.00%
2002	630,811	-	0.00%
2003	653,321	-	0.00%
2004	730,031	-	0.00%
2005	730,031	-	0.00%
2006	733,401	-	0.00%
2007	733,401	-	0.00%
2008	729,611	-	0.00%
2009	782,277	-	0.00%

Notes to the Required Schedules:

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

Valuation date	12/31/2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	22 years
Asset valuation method	Market value
Actuarial Assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	4.5% to 14.7%
Cost of living adjustments	None
* Includes inflation at 3.75%	

CITY OF GASTONIA, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS - RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010

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%

Schedule of Employer Contributions

Year Ended June 30	Required Contribution (ARC)	Amount Contributed By Employer	Percentage of ARC Contributed
2008	\$ 3,428,106	\$ -	0.00%
2009	3,428,106	-	0.00%
2010	3,622,695	-	0.00%

Notes to the Required Schedules:

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

Valuation date	12/31/2009
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:	30 years
Investment rate of return*	4.00%
Medical cost trend rate	10.50%-5.00%
Year of Ultimate trend rate	2017
* Includes inflation at 3.75%	

OTHER SUPPLEMENTARY FINANCIAL DATA

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



DETAILED FINANCIAL STATEMENTS AND SCHEDULES

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

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



CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010

	Nonmajor		
	Special Revenue Funds	Capital Project Funds	Total
Assets:			
Cash, cash equivalents, and investments	\$ 465,362	\$ 742,700	\$ 1,208,062
Taxes receivable, net	25,281	-	25,281
Accounts receivable, net	2,586,213	28,502	2,614,715
Due from other governments	66,686	-	66,686
Loan pool receivable, net	1,167,997	-	1,167,997
Cash and cash equivalents, restricted	642,803	2,446,949	3,089,752
Property acquired for rehabilitation and resale	2,260,925	-	2,260,925
Total assets	\$ 7,215,267	\$ 3,218,151	\$ 10,433,418
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 651,025	\$ 302,822	\$ 953,847
Due to General Fund	2,638,247	331,374	2,969,621
Deferred revenues	1,195,761	8,180	1,203,941
Total liabilities	4,485,033	642,376	5,127,409
Fund Balances:			
Reserved by State statute	2,652,899	28,502	2,681,401
Reserved for inventory	2,260,925	-	2,260,925
Reserved for encumbrances	130,854	789,388	920,242
Unreserved	(2,314,444)	1,757,885	(556,559)
Total fund balances	2,730,234	2,575,775	5,306,009
Total liabilities and fund balances	\$ 7,215,267	\$ 3,218,151	\$ 10,433,418

CITY OF GASTONIA, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010**

	Nonmajor		
	Special Revenue Funds	Capital Project Funds	Total
Revenues:			
Ad valorem taxes	\$ 115,524	\$ -	\$ 115,524
Other taxes and licenses	336,693	-	336,693
Unrestricted intergovernmental	-	25,095	25,095
Restricted intergovernmental	3,864,929	106,111	3,971,040
Sales and services	79,408	-	79,408
Investment earnings	(10,533)	6,064	(4,469)
Miscellaneous	48,559	48,089	96,648
Total revenues	<u>4,434,580</u>	<u>185,359</u>	<u>4,619,939</u>
Expenditures:			
Public safety	391,469	-	391,469
Economic and physical development	4,328,382	-	4,328,382
Capital outlay	-	1,714,912	1,714,912
Debt service:			
Interest	26,777	-	26,777
Total expenditures	<u>4,746,628</u>	<u>1,714,912</u>	<u>6,461,540</u>
Revenues over (under) expenditures	<u>(312,048)</u>	<u>(1,529,553)</u>	<u>(1,841,601)</u>
Other Financing Sources (Uses):			
Transfers from other funds	271,540	340,000	611,540
Transfers to other funds	(279,951)	-	(279,951)
Total other financing sources (uses)	<u>(8,411)</u>	<u>340,000</u>	<u>331,589</u>
Net change in fund balances	(320,459)	(1,189,553)	(1,510,012)
Fund Balances:			
Beginning of year - July 1	2,988,639	3,765,328	6,753,967
Increase (decrease) in inventories and property/land acquired for redevelopment/rehabilitation	<u>62,054</u>	<u>-</u>	<u>62,054</u>
End of year - June 30	<u>\$ 2,730,234</u>	<u>\$ 2,575,775</u>	<u>\$ 5,306,009</u>

CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2010

Fiscal Year	Balance June 30, 2009	Additions and Adjustments	Collections and Credits	Balance June 30, 2010
2009-2010	\$ -	\$ 27,729,070	\$ 26,641,545	\$ 1,087,525
2008-2009	1,165,617	10,475	837,639	338,453
2007-2008	257,175	3,013	91,152	169,036
2006-2007	129,531	1,393	28,557	102,367
2005-2006	98,006	1,396	16,033	83,369
2004-2005	76,022	1,385	14,181	63,226
2003-2004	99,490	10	5,958	93,542
2002-2003	71,420	7	3,645	67,782
2001-2002	59,626	7	2,548	57,085
2000-2001	119,149	31	2,637	116,543
1999-2000	52,862	7	52,869	-
Total	<u>\$ 2,128,898</u>	<u>\$ 27,746,794</u>	<u>\$ 27,696,764</u>	2,178,928

Less allowance for uncollectible ad valorem taxes receivable	(1,151,799)
Add: Motor vehicle tag receivable	381,342
Less allowance for uncollectible motor vehicle tag receivable	<u>(223,166)</u>

Ad valorem taxes receivable - net \$ 1,185,305

Reconciliation with Revenues:

Taxes - ad valorem \$ 27,331,105

Reconciling Items:

Penalties and interest (199,796)

Amounts written off for tax year 1999-2000 52,869

Current year releases and adjustments of uncollected taxes 445,842

Prior year releases and adjustments of uncollected taxes 66,744

Total collections and credits \$ 27,696,764

CITY OF GASTONIA, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2010

	City-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	<u>\$5,189,466,475</u>	\$ 0.005300	<u>\$ 27,504,172</u>	<u>\$ 25,211,581</u>	<u>\$ 2,292,591</u>
Discoveries:					
Current year taxes	<u>42,433,411</u>	0.005300	<u>224,897</u>	<u>197,615</u>	<u>27,282</u>
Abatements:					
Current year taxes	<u>(82,563,335)</u>		<u>(445,842)</u>	<u>(193,727)</u>	<u>(252,115)</u>
Total property valuation	<u><u>\$5,149,336,551</u></u>				
Net Levy			27,283,227	25,215,469	2,067,758
Uncollected taxes at June 30, 2010			<u>1,087,525</u>	<u>752,059</u>	<u>335,466</u>
Current year's tax collections			<u>\$ 26,195,702</u>	<u>\$ 24,463,410</u>	<u>\$ 1,732,292</u>
Current Levy Collection Percentage			<u>96.01%</u>	<u>97.02%</u>	<u>83.78%</u>
Prior Year Collection Percentage			<u>95.70%</u>	<u>96.72%</u>	<u>84.42%</u>

GOVERNMENTAL FUNDS

General Fund

Special Revenue Funds

Capital Projects Funds

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



GENERAL FUND

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

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

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



CITY OF GASTONIA, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Final Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Current year	\$ 26,183,379	\$ 26,171,348	\$ (12,031)	\$ 25,950,130
Prior year	950,000	959,961	9,961	984,996
Penalties and interest	170,000	199,796	29,796	189,659
Total	27,303,379	27,331,105	27,726	27,124,785
Other Taxes and Licenses:				
Local option sales tax	9,988,922	9,728,777	(260,145)	9,988,923
Payments in lieu of taxes	2,452,840	2,456,745	3,905	2,198,584
Utility franchise tax	3,854,000	3,525,229	(328,771)	3,604,081
Privilege licenses	265,000	247,433	(17,567)	264,493
Penalties and interest	4,500	4,339	(161)	4,485
Auto tag fee	765,000	760,796	(4,204)	794,091
Rental vehicle tax	55,000	54,439	(561)	56,976
Total	17,385,262	16,777,758	(607,504)	16,911,633
Unrestricted Intergovernmental Revenues:				
Beer and wine	350,000	106,282	(243,718)	327,159
N.C. Highway Commission	275,000	333,523	58,523	126,082
City of Gastonia ABC Board	900,000	700,000	(200,000)	460,000
Court costs	20,000	21,754	1,754	22,148
Video franchise tax	630,000	634,707	4,707	635,429
Total	2,175,000	1,796,266	(378,734)	1,570,818
Restricted Intergovernmental Revenues:				
Powell Bill allocation	1,951,786	1,968,971	17,185	2,193,017
Section 104(f) - Federal Grant	375,000	287,314	(87,686)	280,398
Section 5303 - federal/State	135,014	23,407	(111,607)	32,805
Federal asset forfeitures	20,000	52,599	32,599	97,070
State asset forfeitures	60,675	73,143	12,468	144,354
State grants	33,235	29,269	(3,966)	28,044
Miscellaneous federal and State grants	31,126	48,790	17,664	200,207
Gaston County	27,720	29,700	1,980	15,164
US DOJ Block Grant 2002	122,301	120,076	(2,225)	29,390
Federal grants - vest	174,356	174,356	-	-
On-behalf payments - firemen	-	78,577	78,577	76,230
Total	2,931,213	2,886,202	(45,011)	3,096,679
Permits	741,400	549,800	(191,600)	743,410

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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Final Budget	Actual	Variance Over/Under	Actual
Sales, Services, and Rents:				
Administration fees	365,000	399,482	34,482	390,029
Airport fees and rents	110,000	111,036	1,036	109,549
Cablevision fees	-	-	-	65,067
Commercial waste disposal fee	1,685,659	1,491,713	(193,946)	1,632,041
County grant - museum	100,000	100,000	-	100,000
Decorative street lights	41,000	51,558	10,558	50,338
Fire protection charges	350	800	450	250
Franchise fee - airport	200	125	(75)	-
Hanson surcharge	18,800	20,759	1,959	29,532
Late fees	10,000	9,790	(210)	10,340
Museum	269,000	223,084	(45,916)	236,587
Reconnection fees	102,000	68,359	(33,641)	110,425
Recreation	298,000	351,435	53,435	320,988
Recycling fees	92,000	126,994	34,994	94,883
Reimbursement for services	1,217,124	1,162,070	(55,054)	1,130,272
Rents	149,190	189,444	40,254	174,564
Report copies	8,756	12,666	3,910	9,338
Sale of property	25,000	12,247	(12,753)	118,849
Skeet, trap, and pistol/rifle fees	90,000	83,175	(6,825)	95,013
Total	4,582,079	4,414,737	(167,342)	4,678,065
Investment Earnings:				
Regular investments	280,700	139,481	(141,219)	374,070
Installment sale	-	-	-	1,110
Federal asset forfeitures	-	255	255	855
State asset forfeitures	2,000	966	(1,034)	2,204
Police Memorial - Fund 75	-	103	103	238
Block Grant - Fund 76	197	595	398	1,146
Hanson surcharge	200	434	234	1,169
Total	283,097	141,834	(141,263)	380,792
Miscellaneous:				
Donations	34,300	47,535	13,235	6,134
Parking violations	1,500	1,191	(309)	1,774
Discounts earned	1,000	380	(620)	534
Other	421,278	408,183	(13,095)	309,270
Insurance proceeds	6,525	6,525	-	19,941
Total	464,603	463,814	(789)	337,653
Total revenues	55,866,033	54,361,516	(1,504,517)	54,843,835

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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Final Budget	Actual	Variance Over/Under	Actual
Expenditures:				
General Government:				
Mayor and Council:				
Salaries and employee benefits	159,306	157,506	1,800	149,259
Operating expenditures	331,475	301,575	29,900	264,073
Overhead allocated to other funds	(144,411)	(144,424)	13	(136,433)
Total	346,370	314,657	31,713	276,899
Communications and Marketing:				
Salaries and employee benefits	87,240	86,877	363	86,725
Operating expenditures	75,155	33,349	41,806	87,015
Overhead allocated to other funds	(70,248)	(68,567)	(1,681)	-
Total	92,147	51,659	40,488	173,740
City Manager:				
Salaries and employee benefits	324,464	310,003	14,461	308,348
Operating expenditures	185,109	67,100	118,009	59,895
Overhead allocated to other funds	(127,213)	(113,812)	(13,401)	(112,478)
Total	382,360	263,291	119,069	255,765
Executive Director - Public Service:				
Salaries and employee benefits	142,930	142,867	63	142,193
Operating expenditures	6,726	4,727	1,999	5,881
Overhead allocated to other funds	(5,125)	(5,040)	(85)	(6,765)
Total	144,531	142,554	1,977	141,309
Executive Director - Public Works:				
Salaries and employee benefits	150,407	150,173	234	149,513
Operating expenditures	9,414	8,725	689	8,331
Overhead allocated to other funds	(103,126)	(102,926)	(200)	(102,406)
Total	56,695	55,972	723	55,438
Archives and History:				
Operating expenditures	269	198	71	188
Human Resources:				
Salaries and employee benefits	1,420,023	1,267,381	152,642	1,340,566
Operating expenditures	1,347,350	1,228,249	119,101	1,391,917
Overhead allocated to other funds	(699,449)	(646,971)	(52,478)	(720,509)
Total	2,067,924	1,848,659	219,265	2,011,974

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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Final Budget	Actual	Variance Over/Under	Actual
Central Services:				
Administration:				
Operating expenditures	-	(30)	30	-
Capital outlay	-	-	-	13,295
Total	-	(30)	30	13,295
Data Processing:				
Salaries and employee benefits	202,972	201,969	1,003	207,015
Operating expenditures	150,487	74,447	76,040	50,562
Overhead allocated to other funds	(115,604)	(95,201)	(20,403)	(93,561)
Total	237,855	181,215	56,640	164,016
Telephone Communication:				
Salaries and employee benefits	61,554	59,765	1,789	60,207
Operating expenditures	(84,753)	(66,438)	(18,315)	(71,490)
Overhead allocated to other funds	5,134	1,537	3,597	2,747
Total	(18,065)	(5,136)	(12,929)	(8,536)
Communications Division:				
Salaries and employee benefits	580,060	558,115	21,945	578,042
Operating expenditures	117,085	111,356	5,729	158,457
Overhead allocated to other funds	(8,729)	(14,546)	5,817	(8,368)
Total	688,416	654,925	33,491	728,131
Computer Support:				
Operating expenditures	1	-	1	1,701
Total	1	-	1	1,701
Database Administration:				
Salaries and employee benefits	218,453	218,075	378	220,235
Operating expenditures	124,577	109,961	14,616	106,365
Overhead allocated to other funds	(267,024)	(262,216)	(4,808)	(261,280)
Total	76,006	65,820	10,186	65,320
Geographic Information Systems AM/FM :				
Salaries and employee benefits	196,989	198,535	(1,546)	181,195
Operating expenditures	80,574	61,862	18,712	59,483
Capital outlay	4,000	4,000	-	-
Overhead allocated to other funds	(218,167)	(211,248)	(6,919)	(192,541)
Total	63,396	53,149	10,247	48,137

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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Final Budget	Actual	Variance Over/Under	Actual
Mobile Data Systems:				
Operating expenditures	-	-	-	(50)
Total	-	-	-	(50)
Tech Services - CIS Apps:				
Salaries and employee benefits	304,561	300,905	3,656	305,395
Operating expenditures	246,987	227,150	19,837	145,469
Capital outlay	4,000	3,763	237	-
Overhead allocated to other funds	(521,121)	(520,944)	(177)	(470,785)
Total	34,427	10,874	23,553	(19,921)
Tech Services - 800 Mhz System:				
Salaries and employee benefits	69,955	69,459	496	67,088
Operating expenditures	184,861	112,767	72,094	114,240
Total	254,816	182,226	72,590	181,328
Total central services	1,336,852	1,143,043	193,809	1,173,421
Financial Services:				
Accounting Division:				
Salaries and employee benefits	440,249	427,203	13,046	452,970
Operating expenditures	94,904	71,163	23,741	87,383
Capital outlay	-	-	-	17,114
Overhead allocated to other funds	(158,988)	(141,386)	(17,602)	(159,392)
Total	376,165	356,980	19,185	398,075
Budget Division:				
Salaries and employee benefits	242,269	240,973	1,296	236,363
Operating expenditures	43,051	33,969	9,082	49,783
Overhead allocated to other funds	(83,798)	(80,804)	(2,994)	(85,385)
Total	201,522	194,138	7,384	200,761
Billing Division:				
Salaries and employee benefits	476,144	471,162	4,982	1,012,550
Operating expenditures	273,177	261,294	11,883	332,876
Overhead allocated to other funds	(723,591)	(703,626)	(19,965)	(1,294,030)
Total	25,730	28,830	(3,100)	51,396
Purchasing Division:				
Salaries and employee benefits	211,214	210,292	922	210,242
Operating expenditures	14,952	11,683	3,269	14,458
Overhead allocated to other funds	(77,543)	(75,496)	(2,047)	(77,468)
Total	148,623	146,479	2,144	147,232

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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Final Budget	Actual	Variance Over/Under	Actual
Warehouse Division:				
Salaries and employee benefits	125,029	124,615	414	170,721
Operating expenditures	40,523	30,781	9,742	46,610
Overhead allocated to other funds	(172,911)	(129,877)	(43,034)	(189,443)
Total	(7,359)	25,519	(32,878)	27,888
Garage Division:				
Operating expenditures	15,235	226,730	(211,495)	31,431
Overhead allocated to other funds	(4,660)	(4,462)	(198)	(4,362)
Total	10,575	222,268	(211,693)	27,069
Print Shop:				
Salaries and employee benefits	22,064	22,407	(343)	50,803
Operating expenditures	19,692	19,211	481	21,415
Overhead allocated to other funds	(15,479)	(7,712)	(7,767)	(14,755)
Total	26,277	33,906	(7,629)	57,463
Financial Services Administration:				
Salaries and employee benefits	216,090	214,506	1,584	215,516
Operating expenditures	21,918	23,071	(1,153)	15,528
Overhead allocated to other funds	(102,793)	(102,640)	(153)	(100,482)
Total	135,215	134,937	278	130,562
Financial Services - Garage Parts Room				
Salaries and employee benefits	76,606	73,870	2,736	-
Operating expenditures	14,999	203,895	(188,896)	-
Total	91,605	277,765	(186,160)	-
Revenue Collections:				
Salaries and employee benefits	511,003	484,532	26,471	477,279
Operating expenditures	142,427	133,239	9,188	142,368
Overhead allocated to other funds	(537,740)	(505,159)	(32,581)	(507,071)
Total	115,690	112,612	3,078	112,576
Revenue Security:				
Salaries and employee benefits	602,383	591,357	11,026	98,175
Operating expenditures	74,169	68,316	5,853	5,744
Overhead allocated to other funds	(620,293)	(659,199)	38,906	(103,918)
Total	56,259	474	55,785	1
Total financial services	1,180,302	1,533,908	(353,606)	1,153,023

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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Final Budget	Actual	Variance Over/Under	Actual
City Attorney:				
Operating expenditures	-	-	-	4,500
Total	-	-	-	4,500
Deputy City Attorney:				
Salaries and employee benefits	343,864	340,145	3,719	339,442
Operating expenditures	62,008	52,263	9,745	47,201
Overhead allocated to other funds	(60,728)	(59,788)	(940)	(59,697)
Total	345,144	332,620	12,524	326,946
Planning:				
Administration:				
Salaries and employee benefits	401,350	399,040	2,310	401,338
Operating expenditures	68,765	56,592	12,173	44,676
Overhead allocated to other funds	(47,980)	(46,062)	(1,918)	(45,137)
Total	422,135	409,570	12,565	400,877
Economic Development:				
Operating expenditures	62,173	62,038	135	522
Overhead allocated to other funds	-	(40,944)	40,944	(344)
Total	62,173	21,094	41,079	178
Transportation:				
Salaries and employee benefits	357,181	344,250	12,931	328,002
Operating expenditures	260,118	90,853	169,265	204,581
Total	617,299	435,103	182,196	532,583
Inspections:				
Salaries and employee benefits	745,515	713,890	31,625	750,066
Operating expenditures	214,460	130,544	83,916	126,219
Total	959,975	844,434	115,541	876,285
Real Estate:				
Salaries and employee benefits	72,986	72,884	102	72,822
Operating expenditures	122,709	115,966	6,743	12,407
Capital outlay	8,000	-	8,000	4,694
Overhead allocated to other funds	(131,042)	(124,582)	(6,460)	(59,704)
Total	72,653	64,268	8,385	30,219

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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Final Budget	Actual	Variance Over/Under	Actual
New Development Services:				
Salaries and employee benefits	102,847	102,435	412	99,433
Operating expenditures	15,044	14,850	194	11,768
Total	117,891	117,285	606	111,201
 Total planning	 2,252,126	 1,891,754	 360,372	 1,951,343
 General Services:				
Building and Grounds:				
Salaries and employee benefits	731,634	705,096	26,538	690,136
Operating expenditures	227,211	208,296	18,915	225,903
Overhead allocated to other funds	(107,135)	(99,027)	(8,108)	(102,656)
Total	851,710	814,365	37,345	813,383
 Total general services	 851,710	 814,365	 37,345	 813,383
 Community Improvement:				
Clean City Program:				
Salaries and employee benefits	149,274	148,534	740	148,743
Operating expenditures	33,514	29,357	4,157	27,480
Total	182,788	177,891	4,897	176,223
 Uptown Development:				
Operating expenditures	7,756	7,755	1	20,990
Total uptown development	7,756	7,755	1	20,990
 Administration:				
Salaries and employee benefits	151,692	159,699	(8,007)	150,533
Operating expenditures	32,706	29,505	3,201	30,970
Total	184,398	189,204	(4,806)	181,503
 Code Enforcement:				
Salaries and employee benefits	388,935	394,466	(5,531)	391,066
Operating expenditures	284,329	275,130	9,199	334,598
Overhead allocated to other funds	(13,067)	(13,703)	636	(14,881)
Total	660,197	655,893	4,304	710,783
 Sister Cities:				
Salaries and employee benefits	21,921	19,566	2,355	18,835
Operating expenditures	12,865	11,518	1,347	16,978
Total	34,786	31,084	3,702	35,813

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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Final Budget	Actual	Variance Over/Under	Actual
Community Improvement - Downtown:				
Salaries and employee benefits	92,820	91,497	1,323	93,277
Operating expenditures	3,115	3,115	-	-
Capital outlay	-	-	-	3,073
Overhead allocated to other funds	(16,754)	(17,007)	253	(16,834)
Total	79,181	77,605	1,576	79,516
Graffiti Program:				
Operating expenditures	10,000	-	10,000	-
Total	10,000	-	10,000	-
Neighborhood Stabilization Program:				
Operating expenditures	16,830	13,615	3,215	10,667
Total	16,830	13,615	3,215	10,667
Total community improvement	1,175,936	1,153,047	22,889	1,215,495
General Administration:				
Operating expenditures	53,690	52,406	1,284	-
Total	53,690	52,406	1,284	-
Total general government	10,286,056	9,598,133	687,923	9,553,424
Public Safety:				
Police Department:				
Administration:				
Salaries and employee benefits	507,236	481,411	25,825	501,664
Operating expenditures	87,122	76,300	10,822	69,024
Total	594,358	557,711	36,647	570,688
Recruiting:				
Operating expenditures	10,000	4,547	5,453	7,393
Total	10,000	4,547	5,453	7,393
Support Services - Investigations:				
Salaries and employee benefits	2,690,306	2,598,950	91,356	2,968,322
Operating expenditures	545,428	523,670	21,758	548,246
Overhead allocated to other funds	(7,760)	(6,864)	(896)	(7,738)
Total	3,227,974	3,115,756	112,218	3,508,830

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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Final Budget	Actual	Variance Over/Under	Actual
Field Services:				
Salaries and employee benefits	7,271,471	7,220,913	50,558	6,780,439
Operating expenditures	1,622,831	1,590,757	32,074	1,669,235
Capital outlay	5,861	-	5,861	11,750
Total	8,900,163	8,811,670	88,493	8,461,424
P.A.R.C.:				
Salaries and employee benefits	262,200	212,148	50,052	207,079
Operating expenditures	37,574	35,189	2,385	40,690
Overhead allocated to other funds	(1,928)	(2,156)	228	(1,809)
Total	297,846	245,181	52,665	245,960
M.I.S.:				
Salaries and employee benefits	433,982	432,841	1,141	437,451
Operating expenditures	182,809	143,537	39,272	163,448
Total	616,791	576,378	40,413	600,899
Support Services:				
Salaries and employee benefits	533,043	521,178	11,865	522,351
Operating expenditures	357,336	298,269	59,067	272,874
Total	890,379	819,447	70,932	795,225
ABC Enforcement:				
Salaries and employee benefits	70,001	66,292	3,709	68,455
Operating expenditures	12,154	10,913	1,241	11,323
Total	82,155	77,205	4,950	79,778
Early Police Retirement:				
Salaries and employee benefits	548,112	528,780	19,332	539,002
Total	548,112	528,780	19,332	539,002
Police Department Asset Forfeiture:				
Operating expenditures	297,925	105,158	192,767	121,750
Capital outlay	31,150	13,040	18,110	7,995
Total	329,075	118,198	210,877	129,745
Police Memorial Trust - Reserves:				
Operating expenditures	21,185	922	20,263	8,888
Total	21,185	922	20,263	8,888
Special Situations:				
Operating expenditures	53,091	48,446	4,645	48,371
Total	53,091	48,446	4,645	48,371

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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Final Budget	Actual	Variance Over/Under	Actual
K-9 Competition:				
Operating expenditures	174,356	174,356	-	-
Total	174,356	174,356	-	-
Police Department Grants:				
Operating expenditures	147,174	143,867	3,307	5,000
Total	147,174	143,867	3,307	5,000
Police Records Bureau:				
Salaries and employee benefits	533,087	509,966	23,121	535,905
Operating expenditures	137,390	135,514	1,876	122,079
Total	670,477	645,480	24,997	657,984
Total police department	16,563,136	15,867,944	695,192	15,659,187
Fire Department:				
Administration:				
Salaries and employee benefits	370,346	364,978	5,368	327,525
Operating expenditures	62,783	56,978	5,805	63,466
Total	433,129	421,956	11,173	390,991
Life Safety:				
Salaries and employee benefits	402,287	397,560	4,727	392,089
Operating expenditures	59,164	56,496	2,668	67,474
Total	461,451	454,056	7,395	459,563
Operations:				
Salaries and employee benefits	7,615,712	7,552,392	63,320	7,478,036
Operating expenditures	1,394,462	1,223,305	171,157	1,159,127
Capital outlay	39,804	28,720	11,084	-
Total	9,049,978	8,804,417	245,561	8,637,163
Training:				
Salaries and employee benefits	16,703	802	15,901	86,581
Operating expenditures	17,958	17,283	675	18,769
Total	34,661	18,085	16,576	105,350
Early Fire Retirement:				
Salaries and employee benefits	412,612	387,869	24,743	376,334
Total	412,612	387,869	24,743	376,334
Risk Management Division:				
Salaries and employee benefits	-	2,590	(2,590)	-
Total	-	2,590	(2,590)	-

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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Final Budget	Actual	Variance Over/Under	Actual
On-Behalf Payments:				
Operating expenditures	-	78,577	(78,577)	76,230
Total	-	78,577	(78,577)	76,230
Total fire department	10,391,831	10,167,550	224,281	10,045,631
Total public safety	26,954,967	26,035,494	919,473	25,704,818
Public Works:				
Sanitation Department:				
Supervision:				
Salaries and employee benefits	222,445	213,308	9,137	273,688
Operating expenditures	43,107	37,554	5,553	50,382
Overhead allocated to other funds	(18,837)	(17,165)	(1,672)	(22,199)
Total	246,715	233,697	13,018	301,871
Refuse Collection:				
Salaries and employee benefits	1,892,260	1,815,560	76,700	1,814,697
Operating expenditures	2,141,815	2,043,149	98,666	2,114,238
Overhead allocated to other funds	(39,963)	(38,561)	(1,402)	(39,290)
Total	3,994,112	3,820,148	173,964	3,889,645
Refuse Disposal:				
Operating expenditures	1,601,578	1,496,771	104,807	1,529,134
Total	1,601,578	1,496,771	104,807	1,529,134
Total sanitation department	5,842,405	5,550,616	291,789	5,720,650
Public Works Engineering:				
Salaries and employee benefits	2,099,639	2,083,515	16,124	2,224,807
Operating expenditures	195,430	183,820	11,610	197,394
Overhead allocated to other funds	(1,219,121)	(1,219,267)	146	(1,306,728)
Total	1,075,948	1,048,068	27,880	1,115,473
Equipment Services:				
Salaries and employee benefits	1,069,499	1,040,576	28,923	978,715
Operating expenditures	133,561	155,192	(21,631)	131,613
Capital outlay	6,033	6,033	-	17,542
Overhead allocated to other funds	(449,501)	(456,050)	6,549	(435,524)
Total	759,592	745,751	13,841	692,346
Airport Operations:				
Operating expenditures	95,448	91,391	4,057	106,392
Total	95,448	91,391	4,057	106,392

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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Final Budget	Actual	Variance Over/Under	Actual
Traffic Services:				
Salaries and employee benefits	476,948	471,797	5,151	458,002
Operating expenditures	161,581	156,560	5,021	195,888
Total	638,529	628,357	10,172	653,890
Street Department:				
Supervision				
Salaries and employee benefits	236,663	228,449	8,214	280,727
Operating expenditures	33,263	29,722	3,541	112,403
Overhead allocated to other funds	(176,435)	(157,313)	(19,122)	(239,809)
Total	93,491	100,858	(7,367)	153,321
Powell Bill Street Funds:				
Salaries and employee benefits	1,221,478	1,192,731	28,747	1,192,850
Operating expenditures	887,530	736,157	151,373	1,120,273
Capital outlay	-	-	-	1,425
Overhead allocated to other funds	(107,744)	(100,228)	(7,516)	(120,357)
Total	2,001,264	1,828,660	172,604	2,194,191
Landscape:				
Salaries and employee benefits	392,663	389,135	3,528	391,948
Operating expenditures	66,983	63,641	3,342	70,211
Overhead allocated to other funds	(28,389)	(27,907)	(482)	(28,775)
Total	431,257	424,869	6,388	433,384
Total public works	10,937,934	10,418,570	519,364	11,069,647
Cemeteries:				
Salaries and employee benefits	175,965	158,393	17,572	157,416
Operating expenditures	21,604	19,791	1,813	30,876
Total	197,569	178,184	19,385	188,292
Total public works and cemeteries	11,135,503	10,596,754	538,749	11,257,939
Cultural and Recreational:				
Recreational:				
Administration:				
Operating expenditures	28,600	4,808	23,792	-
Total	28,600	4,808	23,792	-
Administration:				
Salaries and employee benefits	151,590	149,293	2,297	151,977
Operating expenditures	37,248	34,719	2,529	40,071
Total	188,838	184,012	4,826	192,048

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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Final Budget	Actual	Variance Over/Under	Actual
Athletics and Special Facilities:				
Salaries and employee benefits	466,670	455,998	10,672	443,977
Operating expenditures	336,517	317,404	19,113	285,418
Total	803,187	773,402	29,785	729,395
Roland E. Bradley Community Center:				
Salaries and employee benefits	166,031	164,059	1,972	163,166
Operating expenditures	42,594	32,007	10,587	36,792
Total	208,625	196,066	12,559	199,958
Erwin Community Center:				
Salaries and employee benefits	170,505	165,357	5,148	164,200
Operating expenditures	92,044	87,373	4,671	80,016
Total	262,549	252,730	9,819	244,216
Martha Rivers Park:				
Salaries and employee benefits	299,139	295,471	3,668	264,197
Operating expenditures	57,062	48,230	8,832	66,932
Total	356,201	343,701	12,500	331,129
Phillips Community Center:				
Salaries and employee benefits	174,400	151,392	23,008	157,460
Operating expenditures	41,387	37,947	3,440	36,516
Total	215,787	189,339	26,448	193,976
Jeffers Community Center:				
Salaries and employee benefits	151,324	141,728	9,596	141,008
Operating expenditures	41,554	34,239	7,315	25,333
Total	192,878	175,967	16,911	166,341
Maintenance and Development:				
Salaries and employee benefits	334,258	320,043	14,215	350,467
Operating expenditures	106,294	100,171	6,123	90,708
Total	440,552	420,214	20,338	441,175
Golf Course:				
Salaries and employee benefits	2,086	372	1,714	248
Operating expenditures	68,188	66,730	1,458	66,873
Total	70,274	67,102	3,172	67,121

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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Final Budget	Actual	Variance Over/Under	Actual
Adult Recreation Center:				
Salaries and employee benefits	166,951	147,918	19,033	147,815
Operating expenditures	128,124	115,599	12,525	92,991
Total	295,075	263,517	31,558	240,806
Sims Park:				
Operating expenditures	18,591	16,421	2,170	9,276
Total	18,591	16,421	2,170	9,276
Southeast Community Center:				
Salaries and employee benefits	26,223	25,824	399	23,935
Operating expenditures	5,135	4,450	685	4,438
Total	31,358	30,274	1,084	28,373
Skeet/Trap Range:				
Salaries and employee benefits	40,616	39,014	1,602	37,786
Operating expenditures	59,573	49,019	10,554	52,230
Total	100,189	88,033	12,156	90,016
Lineberger Park:				
Salaries and employee benefits	16,163	16,200	(37)	3,291
Operating expenditures	11,000	10,668	332	3,565
Total	27,163	26,868	295	6,856
Greenways:				
Operating expenditures	21,677	19,764	1,913	14,184
Total	21,677	19,764	1,913	14,184
Total recreational	3,261,544	3,052,218	209,326	2,954,870
Museum:				
Collections/Research:				
Salaries and employee benefits	119,553	116,697	2,856	116,267
Operating expenditures	16,078	15,383	695	14,903
Total	135,631	132,080	3,551	131,170
Education:				
Salaries and employee benefits	326,490	326,378	112	317,983
Operating expenditures	74,572	72,532	2,040	72,431
Total	401,062	398,910	2,152	390,414

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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Final Budget	Actual	Variance Over/Under	Actual
Exhibits:				
Salaries and employee benefits	137,545	118,376	19,169	181,265
Operating expenditures	63,181	62,657	524	44,540
Total	200,726	181,033	19,693	225,805
Administration:				
Salaries and employee benefits	322,159	324,237	(2,078)	300,201
Operating expenditures	184,684	126,523	58,161	156,733
Total	506,843	450,760	56,083	456,934
Operations:				
Salaries and employee benefits	273,494	258,447	15,047	277,774
Operating expenditures	161,126	154,461	6,665	166,640
Total	434,620	412,908	21,712	444,414
Programs:				
Salaries and employee benefits	156,808	142,737	14,071	157,024
Operating expenditures	37,622	37,535	87	41,479
Total	194,430	180,272	14,158	198,503
Special Programs:				
Operating expenditures	4,700	3,766	934	2,746
Total	4,700	3,766	934	2,746
Total museum	1,878,012	1,759,729	118,283	1,849,986
Total cultural and recreational	5,139,556	4,811,947	327,609	4,804,856
Debt Service:				
Principal	3,182,767	3,182,767	-	3,286,529
Interest	957,800	957,800	-	1,065,202
Service charges	11,083	5,388	5,695	4,984
Total	4,151,650	4,145,955	5,695	4,356,715
Total expenditures	57,667,732	55,188,283	2,479,449	55,677,752
Revenues over (under) expenditures	(1,801,699)	(826,767)	974,932	(833,917)

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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Final Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Transfers from (to) other funds:				
Electric Fund	2,100,000	2,100,000	-	2,100,000
Special revenue funds	20,041	20,041	-	-
Internal service funds	(901,810)	(901,810)	-	(351,575)
Transit System Fund	(483,743)	(483,743)	-	(514,032)
Municipal Golf Course Fund	-	-	-	(87,418)
Capital project funds	(354,824)	(354,824)	-	(1,698,902)
Special revenue funds	(271,540)	(271,540)	-	(11,536)
Budgetary amounts:				
Appropriated fund balance	<u>1,693,575</u>	<u>-</u>	<u>(1,693,575)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,801,699</u>	<u>108,124</u>	<u>(1,693,575)</u>	<u>(563,463)</u>
Net change in fund balance	<u>\$ -</u>	<u>(718,643)</u>	<u>\$ (718,643)</u>	<u>(1,397,380)</u>
Fund Balance:				
Beginning of year - July 1		16,414,749		17,810,112
Increase (decrease) in inventories		<u>308,495</u>		<u>2,017</u>
End of year - June 30		<u>\$ 16,004,601</u>		<u>\$ 16,414,749</u>



SPECIAL REVENUE FUNDS

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

Community Development Block Grant Program Fund

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

Occupancy Tax Fund

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

Uptown Municipal Fund

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

Infrastructure Rehabilitation Fund

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

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, 2010

	Community Development Block Grant				
	Program Fund	Affordable Housing Fund	Rehabilitation Fund	Home Investment Trust Fund	108 Loan/ Revitalization
Assets:					
Cash, cash equivalents, and investments	\$ -	\$ -	\$ 63,669	\$ -	\$ -
Taxes receivable, net	-	-	-	-	-
Accounts receivable, net	590,460	250,000	-	336,669	-
Due from other governments	-	-	-	-	-
Cash and investments, restricted	44,637	-	-	-	-
Loan pool receivable, net	42,020	468,008	74,500	583,469	-
Property acquired for rehabilitation and resale	798,434	-	39,779	977,311	76,100
Total assets	<u>\$ 1,475,551</u>	<u>\$ 718,008</u>	<u>\$ 177,948</u>	<u>\$ 1,897,449</u>	<u>\$ 76,100</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 19,538	\$ -	\$ -	\$ 10,462	\$ -
Due to General Fund	575,346	197,611	-	807,094	312,485
Deferred revenues	42,020	468,008	74,500	583,469	-
Total liabilities	<u>636,904</u>	<u>665,619</u>	<u>74,500</u>	<u>1,401,025</u>	<u>312,485</u>
Fund Balances (Deficits):					
Reserved by State statute	590,460	250,000	-	336,669	-
Reserved for inventory	798,434	-	39,779	977,311	76,100
Reserved for encumbrances	16,122	-	33,654	77,328	-
Unreserved	(566,369)	(197,611)	30,015	(894,884)	(312,485)
Total fund balances (deficits)	<u>838,647</u>	<u>52,389</u>	<u>103,448</u>	<u>496,424</u>	<u>(236,385)</u>
Total liabilities and fund balances	<u>\$ 1,475,551</u>	<u>\$ 718,008</u>	<u>\$ 177,948</u>	<u>\$ 1,897,449</u>	<u>\$ 76,100</u>

CDBG (continued)						
108 Loan/ Economic	Economic Development	Occupancy Tax Fund	Uptown Municipal Tax District	Infrastructure Rehabilitation Fund	Economic Stimulus Grants Fund	Total
\$ 248,478	\$ -	\$ -	\$ -	\$ 117,006	\$ 36,209	\$ 465,362
-	-	-	25,281	-	-	25,281
-	-	-	537	2,469	1,406,078	2,586,213
-	-	66,686	-	-	-	66,686
522,631	-	30,647	44,888	-	-	642,803
-	-	-	-	-	-	1,167,997
369,301	-	-	-	-	-	2,260,925
<u>\$ 1,140,410</u>	<u>\$ -</u>	<u>\$ 97,333</u>	<u>\$ 70,706</u>	<u>\$ 119,475</u>	<u>\$ 1,442,287</u>	<u>\$ 7,215,267</u>
\$ 6,298	\$ -	\$ 95,885	\$ 600	\$ -	\$ 518,242	\$ 651,025
-	2,579	-	-	-	743,132	2,638,247
-	-	-	25,295	2,469	-	1,195,761
<u>6,298</u>	<u>2,579</u>	<u>95,885</u>	<u>25,895</u>	<u>2,469</u>	<u>1,261,374</u>	<u>4,485,033</u>
-	-	66,686	537	2,469	1,406,078	2,652,899
369,301	-	-	-	-	-	2,260,925
3,750	-	-	-	-	-	130,854
<u>761,061</u>	<u>(2,579)</u>	<u>(65,238)</u>	<u>44,274</u>	<u>114,537</u>	<u>(1,225,165)</u>	<u>(2,314,444)</u>
<u>1,134,112</u>	<u>(2,579)</u>	<u>1,448</u>	<u>44,811</u>	<u>117,006</u>	<u>180,913</u>	<u>2,730,234</u>
<u>\$ 1,140,410</u>	<u>\$ -</u>	<u>\$ 97,333</u>	<u>\$ 70,706</u>	<u>\$ 119,475</u>	<u>\$ 1,442,287</u>	<u>\$ 7,215,267</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, 2010

	Community Development Block Grant				
	Program Fund	Affordable Housing Fund	Rehabilitation Fund	Home Investment Trust Fund	108 Loan/ Revitalization
Revenues:					
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	-	-	-	-	-
Restricted intergovernmental	590,458	-	-	336,669	-
Sales and services	5,397	23,428	-	49,213	1,370
Investment earnings	(2,544)	-	607	(5,107)	(4,824)
Miscellaneous	-	-	-	-	-
Total revenues	<u>593,311</u>	<u>23,428</u>	<u>607</u>	<u>380,775</u>	<u>(3,454)</u>
Expenditures:					
Public safety	-	-	-	-	-
Economic and physical development	789,454	-	27,260	693,580	-
Debt service:					
Interest	-	24,428	-	-	2,349
Total expenditures	<u>789,454</u>	<u>24,428</u>	<u>27,260</u>	<u>693,580</u>	<u>2,349</u>
Revenues over (under) expenditures	<u>(196,143)</u>	<u>(1,000)</u>	<u>(26,653)</u>	<u>(312,805)</u>	<u>(5,803)</u>
Other Financing Sources (Uses):					
Transfers from other funds	-	-	-	-	-
Transfers to other funds	(3,620)	-	-	(1,810)	-
Total other financing sources (uses)	<u>(3,620)</u>	<u>-</u>	<u>-</u>	<u>(1,810)</u>	<u>-</u>
Net change in fund balances	(199,763)	(1,000)	(26,653)	(314,615)	(5,803)
Fund Balances:					
Beginning of year - July 1	983,856	53,389	122,601	811,039	(230,582)
Increase (decrease) in inventories and property/land acquired redevelopment/rehabilitation	<u>54,554</u>	<u>-</u>	<u>7,500</u>	<u>-</u>	<u>-</u>
End of year - June 30	<u>\$ 838,647</u>	<u>\$ 52,389</u>	<u>\$ 103,448</u>	<u>\$ 496,424</u>	<u>\$ (236,385)</u>

CDBG (continued)						
108 Loan/ Economic	Economic Development	Occupancy Tax Fund	Uptown Municipal Tax District	Infrastructure Rehabilitation Fund	Economic Stimulus Grants Fund	Total
\$ -	\$ -	\$ -	\$ 115,524	\$ -	\$ -	\$ 115,524
-	-	336,693	-	-	-	336,693
-	-	-	-	-	2,937,802	3,864,929
-	-	-	-	-	-	79,408
977	(20)	-	-	1,748	(1,370)	(10,533)
-	-	-	5,342	43,217	-	48,559
977	(20)	336,693	120,866	44,965	2,936,432	4,434,580
-	-	-	-	-	391,469	391,469
24,317	-	336,693	68,900	38,608	2,349,570	4,328,382
-	-	-	-	-	-	26,777
24,317	-	336,693	68,900	38,608	2,741,039	4,746,628
(23,340)	(20)	-	51,966	6,357	195,393	(312,048)
262,540	-	-	9,000	-	-	271,540
-	-	-	(20,041)	(240,000)	(14,480)	(279,951)
262,540	-	-	(11,041)	(240,000)	(14,480)	(8,411)
239,200	(20)	-	40,925	(233,643)	180,913	(320,459)
894,912	(2,559)	1,448	3,886	350,649	-	2,988,639
-	-	-	-	-	-	62,054
<u>\$ 1,134,112</u>	<u>\$ (2,579)</u>	<u>\$ 1,448</u>	<u>\$ 44,811</u>	<u>\$ 117,006</u>	<u>\$ 180,913</u>	<u>\$ 2,730,234</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, 2010**

	Budget	Actual	Variance Over/Under
Revenues:			
Restricted intergovernmental revenues	\$ 1,528,688	\$ 590,458	\$ (938,230)
Sales and services	1,800	5,397	3,597
Investment earnings	1,954	(2,544)	(4,498)
Total revenues	<u>1,532,442</u>	<u>593,311</u>	<u>(939,131)</u>
Expenditures:			
Economic and physical development:			
CDBG Stimulus	171,503	-	171,503
Industrial development	46,989	1,500	45,489
Administration	290,775	192,812	97,963
Housing rehabilitation	843,763	595,131	248,632
Fair housing	6,600	11	6,589
Total expenditures	<u>1,359,630</u>	<u>789,454</u>	<u>570,176</u>
Revenues over (under) expenditures	<u>172,812</u>	<u>(196,143)</u>	<u>(368,955)</u>
Other Financing Sources (Uses):			
Transfers to other funds	(3,620)	(3,620)	-
Appropriated fund balance	<u>(169,192)</u>	<u>-</u>	<u>169,192</u>
Total other financing sources (uses)	<u>(172,812)</u>	<u>(3,620)</u>	<u>169,192</u>
Net change in fund balance	<u>\$ -</u>	<u>(199,763)</u>	<u>\$ (199,763)</u>
Fund Balance:			
Beginning of year - July 1		983,856	
Increase (decrease) in inventories and property/land acquired for redevelopment/rehabilitation		<u>54,554</u>	
End of year - June 30		<u>\$ 838,647</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, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Sales and services	\$ 826,652	\$ 23,428	\$ (803,224)
Total revenues	<u>826,652</u>	<u>23,428</u>	<u>(803,224)</u>
Expenditures:			
Economic and physical development:			
Affordable housing	494,572	-	494,572
Debt service:			
Principal repayments	260,000	-	260,000
Interest	<u>125,470</u>	<u>24,428</u>	<u>101,042</u>
Total expenditures	<u>880,042</u>	<u>24,428</u>	<u>855,614</u>
Revenues over (under) expenditures	(53,390)	(1,000)	52,390
Other Financing Sources (Uses):			
Appropriated fund balance/contingency	<u>53,390</u>	<u>-</u>	<u>(53,390)</u>
Net change in fund balance	<u>\$ -</u>	<u>(1,000)</u>	<u>\$ (1,000)</u>
Fund Balance:			
Beginning of year - July 1		<u>53,389</u>	
End of year - June 30		<u>\$ 52,389</u>	

CITY OF GASTONIA, NORTH CAROLINA

**COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM
REHABILITATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Sales and services	\$ 90,000	\$ -	\$ (90,000)
Investment earnings	1,931	607	(1,324)
Total revenues	<u>91,931</u>	<u>607</u>	<u>(91,324)</u>
Expenditures:			
Economic and physical development:			
Housing rehabilitation	139,747	27,260	112,487
Highland Grocery rehabilitation	262,540	-	262,540
Total expenditures	<u>402,287</u>	<u>27,260</u>	<u>375,027</u>
Revenues over (under) expenditures	<u>(310,356)</u>	<u>(26,653)</u>	<u>283,703</u>
Other Financing Sources (Uses):			
Transfers from other funds	262,540	-	(262,540)
Appropriated fund balance/contingency	<u>47,816</u>	<u>-</u>	<u>(47,816)</u>
Total other financing sources (uses)	<u>310,356</u>	<u>-</u>	<u>(310,356)</u>
Net change in fund balance	<u>\$ -</u>	<u>(26,653)</u>	<u>\$ (26,653)</u>
Fund Balance:			
Beginning of year - July 1		122,601	
Increase (decrease) in inventories and property/land acquired for redevelopment/rehabilitation		<u>7,500</u>	
End of year - June 30		<u>\$ 103,448</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, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental revenues	\$ 912,715	\$ 336,669	\$ (576,046)
Sales and services	582,569	49,213	(533,356)
Investment earnings	-	(5,107)	(5,107)
Total revenues	<u>1,495,284</u>	<u>380,775</u>	<u>(1,114,509)</u>
Expenditures:			
Economic and physical development:			
Home program	<u>1,166,527</u>	<u>693,580</u>	<u>472,947</u>
Total expenditures	<u>1,166,527</u>	<u>693,580</u>	<u>472,947</u>
Revenues over (under) expenditures	<u>328,757</u>	<u>(312,805)</u>	<u>(641,562)</u>
Other Financing Sources (Uses):			
Transfers to other funds	(1,810)	(1,810)	-
Appropriated fund balance	<u>(326,947)</u>	<u>-</u>	<u>326,947</u>
Total other financing sources (uses)	<u>(328,757)</u>	<u>(1,810)</u>	<u>326,947</u>
Net change in fund balance	<u>\$ -</u>	<u>(314,615)</u>	<u>\$ (314,615)</u>
Fund Balance:			
Beginning of year - July 1		<u>811,039</u>	
End of year - June 30		<u>\$ 496,424</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, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Sales and services	\$ 139,357	\$ 1,370	\$ (137,987)
Investment earnings	<u>-</u>	<u>(4,824)</u>	<u>(4,824)</u>
Total revenues	<u>139,357</u>	<u>(3,454)</u>	<u>(142,811)</u>
Expenditures:			
Economic and physical development:			
108 guaranteed loan	72,997	-	72,997
Debt service:			
Interest	<u>2,349</u>	<u>2,349</u>	<u>-</u>
Total expenditures	<u>75,346</u>	<u>2,349</u>	<u>72,997</u>
Revenues over (under) expenditures	64,011	(5,803)	(69,814)
Other Financing Sources (Uses):			
Appropriated fund balance	<u>(64,011)</u>	<u>-</u>	<u>64,011</u>
Net change in fund balance	<u>\$ -</u>	<u>(5,803)</u>	<u>\$ (5,803)</u>
Fund Balance:			
Beginning of year - July 1		<u>(230,582)</u>	
End of year - June 30		<u>\$ (236,385)</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, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ 12,000	\$ 977	\$ (11,023)
Expenditures:			
Economic and physical development:			
108 Guaranteed loan	525,608	24,317	501,291
Debt service:			
Principal repayments	12,000	-	12,000
Interest	<u>1</u>	<u>-</u>	<u>1</u>
Total expenditures	<u>537,609</u>	<u>24,317</u>	<u>513,292</u>
Revenues over (under) expenditures	<u>(525,609)</u>	<u>(23,340)</u>	<u>502,269</u>
Other Financing Sources (Uses):			
Transfers from other funds	-	262,540	262,540
Appropriated fund balance	<u>525,609</u>	<u>-</u>	<u>(525,609)</u>
Total other financing sources (uses)	<u>525,609</u>	<u>262,540</u>	<u>(263,069)</u>
Net change in fund balance	<u>\$ -</u>	<u>239,200</u>	<u>\$ 239,200</u>
Fund Balance:			
Beginning of year - July 1		<u>894,912</u>	
End of year - June 30		<u>\$ 1,134,112</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, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ -	\$ (20)	\$ (20)
Expenditures:			
Economic and physical development:			
EDI Grant	948	-	948
Revenues over (under) expenditures	(948)	(20)	928
Other Financing Sources (Uses):			
Appropriated fund balance	948	-	(948)
Net change in fund balance	<u>\$ -</u>	(20)	<u>\$ (20)</u>
Fund Balance:			
Beginning of year - July 1		<u>(2,559)</u>	
End of year - June 30		<u>\$ (2,579)</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, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Other taxes and licenses	\$ 352,000	\$ 336,693	\$ (15,307)
Expenditures:			
Economic and physical development:			
Gastonia Tourism Development Authority	<u>352,000</u>	<u>336,693</u>	<u>15,307</u>
Net change in fund balance	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance:			
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, 2010

	Budget	Actual	Variance Over/Under
Revenues:			
Ad valorem taxes	\$ 118,210	\$ 115,524	\$ (2,686)
Miscellaneous	2,892	5,342	2,450
Total revenues	<u>121,102</u>	<u>120,866</u>	<u>(236)</u>
Expenditures:			
Economic and physical development:			
Community improvement downtown	<u>113,290</u>	<u>68,900</u>	<u>44,390</u>
Total expenditures	<u>113,290</u>	<u>68,900</u>	<u>44,390</u>
Revenues over (under) expenditures	<u>7,812</u>	<u>51,966</u>	<u>44,154</u>
Other Financing Sources (Uses):			
Transfers from other funds	9,000	9,000	-
Transfers to other funds	(20,041)	(20,041)	-
Appropriated fund balance	<u>3,229</u>	<u>-</u>	<u>(3,229)</u>
Total other financing sources (uses)	<u>(7,812)</u>	<u>(11,041)</u>	<u>(3,229)</u>
Net change in fund balance	<u>\$ -</u>	<u>40,925</u>	<u>\$ 40,925</u>
Fund Balance:			
Beginning of year - July 1		<u>3,886</u>	
End of year - June 30		<u>\$ 44,811</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, 2010

	Budget	Actual	Variance Over/Under
Revenues:			
Investment earnings	\$ 4,332	\$ 1,748	\$ (2,584)
Miscellaneous	24,048	43,217	19,169
Total revenues	<u>28,380</u>	<u>44,965</u>	<u>16,585</u>
Expenditures:			
Economic and physical development:			
Administration	67,423	38,608	28,815
Capital project reserve	43,451	-	43,451
General Obligation Bonds properties	<u>27,600</u>	<u>-</u>	<u>27,600</u>
Total expenditures	<u>138,474</u>	<u>38,608</u>	<u>99,866</u>
Revenues over (under) expenditures	<u>(110,094)</u>	<u>6,357</u>	<u>116,451</u>
Other Financing Sources (Uses):			
Transfers to other funds	(240,000)	(240,000)	-
Appropriated fund balance	<u>350,094</u>	<u>-</u>	<u>(350,094)</u>
Total other financing sources (uses)	<u>110,094</u>	<u>(240,000)</u>	<u>(350,094)</u>
Net change in fund balance	<u>\$ -</u>	<u>(233,643)</u>	<u>\$ (233,643)</u>
Fund Balance:			
Beginning of year - July 1		<u>350,649</u>	
End of year - June 30		<u>\$ 117,006</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, 2010

	Budget	Actual	Variance Over/Under
Revenues:			
Restricted intergovernmental revenues	\$ 5,121,446	\$ 2,937,802	\$ (2,183,644)
Investment earnings	-	(1,370)	(1,370)
Total revenues	<u>5,121,446</u>	<u>2,936,432</u>	<u>(2,185,014)</u>
Expenditures:			
Public safety:			
Police/Field Services Grant-ARRA	1,024,480	207,625	816,855
COPS Equipment Grant-ARRA	32,000	31,890	110
JAG-DOJ Grant-ARRA	312,994	151,954	161,040
Fire-2010 AFG Grant	431,792	-	431,792
Economic and physical development:			
Neighborhood Stabilization Grant	2,600,000	1,855,156	744,844
CDBG Recovery Grant	-	(72,418)	72,418
Energy Efficiency Block Grant	705,700	566,832	138,868
Total expenditures	<u>5,106,966</u>	<u>2,741,039</u>	<u>2,365,927</u>
Revenues over (under) expenditures	<u>14,480</u>	<u>195,393</u>	<u>180,913</u>
Other Financing Sources (Uses):			
Transfers from other funds			-
Transfers to other funds	(14,480)	(14,480)	-
Total other financing sources (uses)	<u>(14,480)</u>	<u>(14,480)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>180,913</u>	<u>\$ 180,913</u>
Fund Balance:			
Beginning of year - July 1		-	
End of year - June 30		<u>\$ 180,913</u>	

CAPITAL PROJECTS FUNDS

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

Mayor / Council Fund

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

Streets Fund

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

Developer Sidewalk Fund

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

Airport Fund

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

Downtown Revitalization Fund

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



CITY OF GASTONIA, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND - MAYOR / COUNCIL SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2010

	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
Revenues:			
Restricted intergovernmental revenue	\$ 511,913	\$ 118,250	\$ (393,663)
Unrestricted intergovernmental revenue	(61,834)	-	61,834
Investment earnings	-	7,823	7,823
Miscellaneous revenues	750,000	762	(749,238)
Total revenues	<u>1,200,079</u>	<u>126,835</u>	<u>(1,073,244)</u>
Expenditures:			
Capital outlay:			
Economic development:			
Financial services - accounting	649,764	322,214	327,550
Technology services - radio system	39,040	39,040	-
Public works - Powell Bill	91,261	-	91,261
Keep Gastonia Beautiful	6,005	1,830	4,175
Lineberger Park renovations	95,199	(15,121)	110,320
Rankin Lane	300,000	-	300,000
Tulip Drive bridge	131,960	-	131,960
Greenways	304,946	116,304	188,642
Miscellaneous sidewalks	29,824	-	29,824
Schiele Environmental Services Center	750,000	20,924	729,076
Miscellaneous park projects	153,133	3,468	149,665
2010 2/3 General Obligation Bonds	-	304	(304)
Annexation street	176,107	-	176,107
Main Street improvements	3,650	3,650	-
Capital project reserve	7,350	-	7,350
General Obligation Bonds project	455,096	88,930	366,166
Main Avenue properties	2,258	2,257	1
City Hall repairs	5	-	5
Total expenditures	<u>3,195,598</u>	<u>583,800</u>	<u>2,611,798</u>
Debt Service:			
Bond issuance costs	20,605	-	20,605
Total debt service	<u>20,605</u>	<u>-</u>	<u>20,605</u>
Total expenditures	<u>3,216,203</u>	<u>583,800</u>	<u>2,632,403</u>

CITY OF GASTONIA, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND - MAYOR / COUNCIL SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2010

	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
Revenues over (under) expenditures	<u>(2,016,124)</u>	<u>(456,965)</u>	<u>1,559,159</u>
Other Financing Sources (Uses):			
Transfers from other funds	329,824	329,824	-
Appropriated fund balance	<u>1,686,300</u>	<u>-</u>	<u>(1,686,300)</u>
Total other financing sources (uses)	<u>2,016,124</u>	<u>329,824</u>	<u>(1,686,300)</u>
Net change in fund balance	<u>\$ -</u>	<u>(127,141)</u>	<u>\$ (127,141)</u>
Fund Balance:			
Beginning of year - July 1		<u>2,221,812</u>	
End of year - June 30		<u>\$ 2,094,671</u>	

CITY OF GASTONIA, NORTH CAROLINA

**NONMAJOR CAPITAL PROJECT FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2010**

	<u>Streets</u>	<u>Developer Sidewalk</u>	<u>Airport</u>	<u>Downtown Revitalization</u>	<u>Total</u>
Assets:					
Cash and cash equivalents	\$ 306,098	\$ -	\$ -	\$ 436,602	\$ 742,700
Cash and cash equivalents, restricted	504,923	387,150	-	1,554,876	2,446,949
Accounts receivable	<u>23,921</u>	<u>-</u>	<u>4,581</u>	<u>-</u>	<u>28,502</u>
Total assets	<u>\$ 834,942</u>	<u>\$ 387,150</u>	<u>\$ 4,581</u>	<u>\$ 1,991,478</u>	<u>\$ 3,218,151</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 131,545	\$ -	\$ 7,416	\$ 163,861	\$ 302,822
Due to General Fund	-	-	331,374	-	331,374
Deferred revenue	<u>8,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,180</u>
Total liabilities	<u>139,725</u>	<u>-</u>	<u>338,790</u>	<u>163,861</u>	<u>642,376</u>
Fund Balances:					
Reserved by State statute	23,921	-	4,581	-	28,502
Reserved for encumbrances	27,632	-	125,545	636,211	789,388
Unreserved	<u>643,664</u>	<u>387,150</u>	<u>(464,335)</u>	<u>1,191,406</u>	<u>1,757,885</u>
Total fund balances	<u>695,217</u>	<u>387,150</u>	<u>(334,209)</u>	<u>1,827,617</u>	<u>2,575,775</u>
Total liabilities and fund balances	<u>\$ 834,942</u>	<u>\$ 387,150</u>	<u>\$ 4,581</u>	<u>\$ 1,991,478</u>	<u>\$ 3,218,151</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, 2010

	<u>Streets</u>	<u>Developer Sidewalk</u>	<u>Airport</u>	<u>Downtown Revitalization</u>	<u>Total</u>
Revenues:					
Payment in lieu of construction	\$ -	\$ 7,250	\$ -	\$ -	\$ 7,250
Unrestricted intergovernmental revenues	-	25,095	-	-	25,095
Restricted intergovernmental revenues	9,962	-	96,149	-	106,111
Investment earnings	(368)	2,012	(736)	5,156	6,064
Miscellaneous revenues	40,839	-	-	-	40,839
Total revenues	<u>50,433</u>	<u>34,357</u>	<u>95,413</u>	<u>5,156</u>	<u>185,359</u>
Expenditures:					
Capital outlay	<u>406,818</u>	<u>-</u>	<u>618,664</u>	<u>689,430</u>	<u>1,714,912</u>
Total expenditures	<u>406,818</u>	<u>-</u>	<u>618,664</u>	<u>689,430</u>	<u>1,714,912</u>
Revenues over (under) expenditures	<u>(356,385)</u>	<u>34,357</u>	<u>(523,251)</u>	<u>(684,274)</u>	<u>(1,529,553)</u>
Other Financing Sources (Uses)					
Transfers from other funds	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>325,000</u>	<u>340,000</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>325,000</u>	<u>340,000</u>
Net change in fund balances	<u>(356,385)</u>	<u>34,357</u>	<u>(508,251)</u>	<u>(359,274)</u>	<u>(1,189,553)</u>
Fund Balances:					
Beginning of year - July 1	<u>1,051,602</u>	<u>352,793</u>	<u>174,042</u>	<u>2,186,891</u>	<u>3,765,328</u>
End of year - June 30	<u>\$ 695,217</u>	<u>\$ 387,150</u>	<u>\$ (334,209)</u>	<u>\$ 1,827,617</u>	<u>\$ 2,575,775</u>

CITY OF GASTONIA, NORTH CAROLINA

CAPITAL PROJECT FUND - STREETS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Budget	Actual	Variance Over/Under
Revenues:			
Restricted intergovernmental revenues	\$ 775,745	\$ 9,962	\$ (765,783)
Miscellaneous revenues	40,839	40,839	-
Investment earnings	24,350	(368)	(24,718)
Total revenues	<u>840,934</u>	<u>50,433</u>	<u>(790,501)</u>
Expenditures:			
Capital outlay:			
Joint venture - street improvements	58,565	-	58,565
West Franklin streetscape	9,470	8,482	988
Walgreens at Cox Road	157,828	-	157,828
Miscellaneous sidewalk construction	222,430	20,369	202,061
Speed humps	3,409	1	3,408
West Davidson bridge replacement	941,290	12,453	928,837
Traffic signal system improvements	916	-	916
General Obligation Bonds project	489,870	341,755	148,115
General Obligation Bonds Road Widening	-	21,261	(21,261)
General Obligation Bonds Sidewalks	-	1,004	(1,004)
General Obligation Bonds Resurfacing	-	1,493	(1,493)
Total expenditures	<u>1,883,778</u>	<u>406,818</u>	<u>1,476,960</u>
Revenues over (under) expenditures	<u>(1,042,844)</u>	<u>(356,385)</u>	<u>686,459</u>
Other Financing Sources (Uses):			
Appropriated fund balance	<u>1,042,844</u>	<u>-</u>	<u>(1,042,844)</u>
Total other financing sources (uses)	<u>1,042,844</u>	<u>-</u>	<u>(1,042,844)</u>
Net change in fund balance	<u>\$ -</u>	<u>(356,385)</u>	<u>\$ (356,385)</u>
Fund Balance:			
Beginning of year - July 1		<u>1,051,602</u>	
End of year - June 30		<u>\$ 695,217</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, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Unrestricted intergovernmental revenues	\$ -	\$ 25,095	\$ 25,095
Payment in lieu of construction	-	7,250	7,250
Investment earnings	-	2,012	2,012
Total revenues	-	34,357	34,357
Expenditures:			
Redbud-Eckerds	5,876	-	5,876
Bessemer City Highway	14,015	-	14,015
Total expenditures	19,891	-	19,891
Revenues over (under) expenditures	(19,891)	34,357	14,466
Other Financing Sources (Uses):			
Appropriated fund balance	19,891	-	(19,891)
Net change in fund balance	\$ -	34,357	\$ 34,357
Fund Balance:			
Beginning of year - July 1		352,793	
End of year - June 30		\$ 387,150	

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, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental revenues	\$ 1,112,131	\$ 96,149	\$ (1,015,982)
Investment earnings	2,000	(736)	(2,736)
Total revenues	<u>1,114,131</u>	<u>95,413</u>	<u>(1,018,718)</u>
Expenditures:			
Airport operations/non-routine	<u>1,312,849</u>	<u>618,664</u>	<u>694,185</u>
Revenues over (under) expenditures	<u>(198,718)</u>	<u>(523,251)</u>	<u>(324,533)</u>
Other Financing Sources (Uses):			
Transfers from other funds	15,000	15,000	-
Contingency	<u>183,718</u>	<u>-</u>	<u>(183,718)</u>
Total other financing sources (uses)	<u>198,718</u>	<u>15,000</u>	<u>(183,718)</u>
Net change in fund balance	<u>\$ -</u>	<u>(508,251)</u>	<u>\$ (508,251)</u>
Fund Balance:			
Beginning of year - July 1		<u>174,042</u>	
End of year - June 30		<u>\$ (334,209)</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, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Miscellaneous revenues	\$ 1,035,759	\$ -	\$ (1,035,759)
Investment earnings	15,000	5,156	(9,844)
Total revenues	<u>1,050,759</u>	<u>5,156</u>	<u>(1,045,603)</u>
Expenditures:			
Capital outlay:			
Marietta/Franklin Street project	300,000	-	300,000
South Street Plaza	500,000	444,201	55,799
GO bonds project	1,376,729	84,724	1,292,005
Downtown plan	<u>1,284,886</u>	<u>107,570</u>	<u>1,177,316</u>
Total expenditures	<u>3,461,615</u>	<u>636,495</u>	<u>2,825,120</u>
Debt service:			
Interest	92,712	52,935	39,777
Bond issuance costs	<u>3,920</u>	<u>-</u>	<u>3,920</u>
Total debt service	<u>96,632</u>	<u>52,935</u>	<u>43,697</u>
Total expenditures	<u>3,558,247</u>	<u>689,430</u>	<u>2,868,817</u>
Revenues over (under) expenditures	<u>(2,507,488)</u>	<u>(684,274)</u>	<u>1,823,214</u>
Other Financing Sources (Uses):			
Transfers from other funds	325,000	325,000	-
Appropriated fund balance	<u>2,182,488</u>	<u>-</u>	<u>(2,182,488)</u>
Total other financing sources (uses)	<u>2,507,488</u>	<u>325,000</u>	<u>(2,182,488)</u>
Net change in fund balance	<u>\$ -</u>	<u>(359,274)</u>	<u>\$ (359,274)</u>
Fund Balance:			
Beginning of year - July 1		<u>2,186,891</u>	
End of year - June 30		<u>\$ 1,827,617</u>	

ENTERPRISE FUNDS

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

Water and Sewer Fund

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

Electric Fund

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

Stormwater Fund

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

Transit System Fund

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

Municipal Golf Course Fund

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



CITY OF GASTONIA, NORTH CAROLINA

TRANSIT SYSTEM FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2010

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Bus user fees	\$ 191,000	\$ 183,549	\$ (7,451)	\$ 182,083
Restricted intergovernmental	3,535,240	1,341,804	(2,193,436)	1,478,376
Miscellaneous	7,000	3,150	(3,850)	12,480
Total	3,733,240	1,528,503	(2,204,737)	1,672,939
Non-operating revenues:				
Investment earnings	-	(314)	(314)	241
Total non-operating revenues	-	(314)	(314)	241
Total revenues	3,733,240	1,528,189	(2,205,051)	1,673,180
Expenditures:				
Fleet services	-	6,497	(6,497)	-
Total	-	6,497	(6,497)	-
Administration:				
Salaries and benefits	246,752	255,821	(9,069)	230,381
Other operating expenditures	48,746	44,280	4,466	44,734
Overhead allocation from General Fund	454,411	441,444	12,967	451,608
Total	749,909	741,545	8,364	726,723
Operations:				
Salaries and benefits	586,627	576,659	9,968	577,013
Other operating expenditures	302,770	271,630	31,140	432,416
Capital outlay	2,119,425	26,139	2,093,286	120,442
Total	3,008,822	874,428	2,134,394	1,129,871
Maintenance:				
Salaries and benefits	255,377	249,223	6,154	250,610
Other operating expenditures	15,185	11,986	3,199	15,767
Capital outlay	10,000	7,929	2,071	2,931
Total	280,562	269,138	11,424	269,308

CITY OF GASTONIA, NORTH CAROLINA**TRANSIT SYSTEM FUND****SCHEDULE OF REVENUES AND EXPENDITURES****BUDGET AND ACTUAL (NON-GAAP)****FOR THE YEAR ENDED JUNE 30, 2010****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
ADA / Paratransit:				
Salaries and benefits	159,137	153,885	5,252	143,716
Other operating expenditures	19,055	16,269	2,786	18,976
Capital outlay	3,000	-	3,000	8,756
Total	181,192	170,154	11,038	171,448
Total expenditures	4,220,485	2,061,762	2,158,723	2,297,350
Revenues over (under) expenditures	(487,245)	(533,573)	(46,328)	(624,170)
Other Financing Sources (Uses):				
Transfers from other funds	483,744	483,743	(1)	514,032
Appropriated fund balance	3,501	-	(3,501)	-
Total other financing sources (uses)	487,245	483,743	(3,502)	514,032
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (49,830)</u>	<u>\$ (49,830)</u>	<u>\$ (110,138)</u>

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

Net change in fund balance	\$ (49,830)
Reconciling items:	
Depreciation	(255,632)
Capital assets purchased	31,040
Increase in accrued vacation pay	1,081
Other post-employment benefits	(60,878)
Change in net assets	<u>\$ (334,219)</u>

CITY OF GASTONIA, NORTH CAROLINA

MUNICIPAL GOLF COURSE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Green fees/cart rentals	\$ -	\$ -	\$ -	\$ 162,255
Equipment sales	-	-	-	12,673
Food/beverage sales	-	-	-	12,881
Reimbursement for service	-	-	-	3,000
Total	-	-	-	190,809
Non-operating revenues:				
Investment earnings	-	(74)	(74)	755
Cellular tower rental	-	-	-	12,477
Total	-	(74)	(74)	13,232
Total revenues	-	(74)	(74)	204,041
Expenditures:				
Operating expenditures:				
Golf course:				
Salaries and benefits	-	-	-	151,774
Operations	-	-	-	165,662
Overhead charged by other departments	-	-	-	28,118
Total golf course	-	-	-	345,554
Grill:				
Salaries and benefits	-	-	-	6,275
Operations	-	-	-	6,883
Total grill	-	-	-	13,158
Total expenditures	-	-	-	358,712

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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	<u>2010</u>			<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues over (under) expenditures	<u>-</u>	<u>(74)</u>	<u>(74)</u>	<u>(154,671)</u>
Other Financing Sources (Uses):				
Transfers from other funds	-	-	-	87,418
Intrafund transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,582)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (74)</u>	<u>\$ (74)</u>	<u>\$ (167,253)</u>
Reconciliation from Budgetary Basis to Full Accrual Basis:				
Net change in fund balance		\$ (74)		
Reconciling items:				
Depreciation		(54,654)		
Other post-employment benefits		<u>11,529</u>		
Change in net assets		<u>\$ (43,199)</u>		

CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010

	Transit System Fund	Municipal Golf Course Fund	Total
Assets:			
Cash, cash equivalents, and investments	\$ -	\$ 1,885	\$ 1,885
Interest receivable	-	10	10
Inventory	-	10,999	10,999
Due from other governments	151,872	-	151,872
Depreciable capital assets, net	1,647,599	716,658	2,364,257
Non-depreciable capital assets	290,786	62,008	352,794
Total assets	\$ 2,090,257	\$ 791,560	\$ 2,881,817
Liabilities and Net Assets:			
Liabilities:			
Accounts payable	\$ 34,076	\$ -	\$ 34,076
Accrued salaries and benefits	34,838	-	34,838
Due to other funds	18,755	-	18,755
Compensated absences	50,210	-	50,210
Total current liabilities	137,879	-	137,879
Other post-employment benefits obligation, non-current	169,264	-	169,264
Total liabilities	307,143	-	307,143
Net Assets:			
Invested in capital assets, net of related debt	1,938,385	778,666	2,717,051
Unrestricted	(155,271)	12,894	(142,377)
Total net assets	1,783,114	791,560	2,574,674
Total liabilities and net assets	\$ 2,090,257	\$ 791,560	\$ 2,881,817

CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	Transit System Fund	Municipal Golf Course Fund	Total
Operating Revenues:			
Charges for services	\$ 183,549	\$ -	\$ 183,549
Other operating revenues	3,150	-	3,150
Total operating revenues	<u>186,699</u>	<u>-</u>	<u>186,699</u>
Operating Expenses:			
Administration	802,423	-	802,423
Maintenance	269,138	-	269,138
ADA/Para-transit expenses	170,154	-	170,154
Operations area	848,804	(11,529)	837,275
Depreciation and amortization	<u>255,632</u>	<u>54,654</u>	<u>310,286</u>
Total operating expenses	<u>2,346,151</u>	<u>43,125</u>	<u>2,389,276</u>
Operating income (loss)	<u>(2,159,452)</u>	<u>(43,125)</u>	<u>(2,202,577)</u>
Non-Operating Revenues (Expenses):			
Investment earnings	<u>(314)</u>	<u>(74)</u>	<u>(388)</u>
Income (loss) before capital contributions and transfers	(2,159,766)	(43,199)	(2,202,965)
Capital Contributions:			
Federal and State grants	1,341,804	-	1,341,804
Transfers:			
Transfers from other funds	<u>483,743</u>	<u>-</u>	<u>483,743</u>
Change in net assets	(334,219)	(43,199)	(377,418)
Net Assets:			
Beginning of year - July 1	<u>2,117,333</u>	<u>834,759</u>	<u>2,952,092</u>
End of year - June 30	<u>\$ 1,783,114</u>	<u>\$ 791,560</u>	<u>\$ 2,574,674</u>

CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

	Transit System Fund	Municipal Golf Course Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 186,699	\$ -	\$ 186,699
Cash paid to suppliers	(858,408)	-	(858,408)
Cash paid to employees	(1,170,230)	-	(1,170,230)
Net cash provided (used) by operating activities	(1,841,939)	-	(1,841,939)
Cash Flows from Non-Capital Financing Activities:			
Changes in due to/from other funds	18,755	-	18,755
Transfers from other funds	483,743	-	483,743
Net cash provided (used) by non-capital financing activities	502,498	-	502,498
Cash Flows from Capital and Related Financing Activities:			
Federal and State grants received	1,307,474	-	1,307,474
Acquisition and construction of capital assets	(31,039)	-	(31,039)
Net cash provided (used) by capital and related financing activities	1,276,435	-	1,276,435
Cash Flows from Investing Activities:			
Interest on investments	(252)	(82)	(334)
Net cash provided (used) by investing activities	(252)	(82)	(334)
Net increase (decrease) in cash and cash equivalents	(63,258)	(82)	(63,340)
Cash and Cash Equivalents:			
Beginning of year - July 1	63,258	1,967	65,225
End of year - June 30	\$ -	\$ 1,885	\$ 1,885
Reconciliation of Operating Income to Cash Flows from Operating Activities:			
Operating income (loss)	\$ (2,159,452)	\$ (43,125)	\$ (2,202,577)
Depreciation and amortization	255,632	54,654	310,286
Change in assets and liabilities:			
Increase (decrease) in accounts payable	(3,477)	-	(3,477)
Increase (decrease) in accrued salaries	5,561	-	5,561
Increase (decrease) in compensated absences	(1,081)	-	(1,081)
Increase (decrease) in other post-employment benefits	60,878	(11,529)	49,349
Net cash provided (used) by operating activities	\$ (1,841,939)	\$ -	\$ (1,841,939)

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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Water sales and sewer charges	\$ 27,884,975	\$ 27,091,573	\$ (793,402)	\$ 26,736,406
Utilities for City use	200,386	302,601	102,215	230,941
Water and sewer taps	85,000	58,454	(26,546)	57,653
Other operating revenues	222,000	99,688	(122,312)	157,700
Pretreatment monitoring charge	93,450	111,932	18,482	96,729
Total	<u>28,485,811</u>	<u>27,664,248</u>	<u>(821,563)</u>	<u>27,279,429</u>
Non-operating revenues:				
Proceeds from sale of fixed assets	15,000	12,382	(2,618)	11,537
Investment earnings	156,500	65,920	(90,580)	157,078
Other non-operating revenues	35,012	23,188	(11,824)	24,349
Total	<u>206,512</u>	<u>101,490</u>	<u>(105,022)</u>	<u>192,964</u>
Total revenues	<u>28,692,323</u>	<u>27,765,738</u>	<u>(926,585)</u>	<u>27,472,393</u>
Expenditures:				
Operating expenditures:				
Administration:				
General services:				
Salaries and employee benefits	731,910	738,696	(6,786)	618,465
Other operating expenditures	2,670,856	1,744,215	926,641	1,483,616
Renewal and replacement	1,485,304	-	1,485,304	-
Overhead charged by other departments	3,595,907	3,505,008	90,899	3,585,622
Total	<u>8,483,977</u>	<u>5,987,919</u>	<u>2,496,058</u>	<u>5,687,703</u>
AM/FM/GIS:				
Other operating expenditures	<u>31,090</u>	<u>11,114</u>	<u>-</u>	<u>9,689</u>
Customer service:				
Salaries and employee benefits	450,741	440,122	10,619	388,482
Other operating expenditures	466,497	415,336	51,161	279,910
Overhead charged by other departments	(1,000)	(6,920)	5,920	(4,359)
Total	<u>916,238</u>	<u>848,538</u>	<u>67,700</u>	<u>664,033</u>
Total administration	<u>9,431,305</u>	<u>6,847,571</u>	<u>2,583,734</u>	<u>6,361,425</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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Utility locator:				
Salaries and employee benefits	125,266	104,137	21,129	142,292
Other operating expenditures	24,430	21,522	2,908	21,785
Overhead charged by other departments	(54,051)	(33,149)	(20,902)	(41,372)
Total	95,645	92,510	3,135	122,705
Water line maintenance:				
Salaries and employee benefits	1,187,137	1,191,419	(4,282)	1,095,936
Other operating expenditures	236,619	220,439	16,180	315,843
Overhead charged by other departments	(68,706)	(68,624)	(82)	(69,137)
Total	1,355,050	1,343,234	11,816	1,342,642
Sewer line maintenance:				
Salaries and employee benefits	853,087	835,640	17,447	816,670
Other operating expenditures	775,059	745,626	29,433	835,883
Capital outlay	12,000	9,615	2,385	12,975
Sewer line extensions	23,000	22,641	359	168,209
Overhead charged by other departments	(67,454)	(63,600)	(3,854)	(66,622)
Total	1,595,692	1,549,922	45,770	1,767,115
Total operations area	3,046,387	2,985,666	60,721	3,232,462
Water supply and treatment:				
Salaries and employee benefits	1,479,319	1,458,602	20,717	1,430,503
Other operating expenditures	1,852,952	1,596,840	256,112	1,742,464
Overhead charged by other departments	12,000	8,304	3,696	5,537
Total	3,344,271	3,063,746	280,525	3,178,504
Facility maintenance:				
Salaries and employee benefits	804,749	812,974	(8,225)	776,151
Other operating expenditures	574,677	533,242	41,435	532,451
Overhead charged by other departments	20,900	20,822	78	12,500
Total	1,400,326	1,367,038	33,288	1,321,102
Sewage treatment:				
Salaries and employee benefits	2,527,275	2,525,827	1,448	2,563,063
Other operating expenditures	2,488,890	2,335,053	153,837	2,813,968
Capital outlay	-	-	-	115,296
Total	5,016,165	4,860,880	155,285	5,492,327

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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Payseur Mountain Resource Recovery:				
Other operating expenditures	1,278,308	1,323,967	(45,659)	1,083,772
Capital outlay	-	-	-	100,000
Total	<u>1,278,308</u>	<u>1,323,967</u>	<u>(45,659)</u>	<u>1,183,772</u>
Debt service:				
Debt principal	5,292,871	4,378,901	913,970	3,805,139
Interest and fees	<u>1,613,606</u>	<u>1,612,397</u>	<u>1,209</u>	<u>2,180,818</u>
Total	<u>6,906,477</u>	<u>5,991,298</u>	<u>915,179</u>	<u>5,985,957</u>
Total expenditures	<u>30,423,239</u>	<u>26,440,166</u>	<u>3,983,073</u>	<u>26,755,549</u>
Revenues over (under) expenditures	<u>(1,730,916)</u>	<u>1,325,572</u>	<u>3,056,488</u>	<u>716,844</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	19,605,000	19,605,000	-	-
Premium on long-term debt issue	778,092	778,091	(1)	-
Payments to refunded bond escrow agent	(19,916,996)	(19,916,996)	-	-
Bond issuance costs	(466,096)	(459,707)	6,389	-
Intrafund transfers	(1,727,977)	(1,727,977)	-	(1,100,000)
Transfers to other funds	(566,062)	(566,062)	-	(156,235)
Appropriated fund balance	<u>4,024,955</u>	<u>-</u>	<u>(4,024,955)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,730,916</u>	<u>(2,287,651)</u>	<u>(4,018,567)</u>	<u>(1,256,235)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (962,079)</u>	<u>\$ (962,079)</u>	<u>\$ (539,391)</u>

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

Net change in fund balance	\$ (962,079)
Reconciling items:	
Depreciation and amortization	(4,493,262)
Amortization of debt issue costs	(415,917)
Amortization of debt premiums	165,809
Bad debt expense	31,948
Issuance of long-term debt	(19,605,000)
Long-term debt principal repayments	4,382,878
Payment to refunding agent - debt defeasance	19,300,000
Bond issuance costs	459,707

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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	<u>2010</u>			<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Premium received - refunding debt issue		(778,091)		
Book value of disposed capital assets		(8,500)		
Intrafund transfers to capital project funds		1,727,977		
Capital project revenues		119,958		
Capital project expenditures		(2,034,860)		
Capital projects - transfers from (to) other funds		53,875		
Capital assets purchased/capitalized		2,069,623		
Contributed capital - developers		28,360		
Change in unbilled revenues receivable		125,008		
Change in accrued vacation pay		143,985		
Change in deferred revenues and inventories		23,547		
Change in accrued interest payable		67,720		
Other post-employment benefits		<u>(369,441)</u>		
Change in net assets		<u>\$ 33,245</u>		

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, 2010

	Budget	Actual	Variance Over/Under
Revenues:			
Restricted intergovernmental	\$ 37,000	\$ 97,163	\$ 60,163
Investment earnings	56,000	22,795	(33,205)
Other	5,000	-	(5,000)
Total revenues	<u>98,000</u>	<u>119,958</u>	<u>21,958</u>
Expenditures:			
GRADE project	90,875	67,738	23,137
Non-departmental	132,096	-	132,096
Crowders Creek	733,348	82,659	650,689
NCDOT sewer utility	162,701	-	162,701
Joint venture sewer	274,808	37,376	237,432
Utility system improvements	198,029	20,050	177,979
Collection system	394,595	240,255	154,340
Special assessment	239,559	-	239,559
Field operations sewer line maintenance	159,077	159,077	-
Pumpstation force main	117,713	102,324	15,389
Long Creek Wastewater Treatment Plant	636,644	537,679	98,965
Water improvements - NCDOT conflicts	352,200	-	352,200
Water distribution	702,857	110,409	592,448
Water supply and treatment	688,577	305,940	382,637
Water improvements - revenue bonds	1,425,461	367,376	1,058,085
Debt service	3,977	3,977	-
Total expenditures	<u>6,312,517</u>	<u>2,034,860</u>	<u>4,277,657</u>
Revenues over (under) expenditures	<u>(6,214,517)</u>	<u>(1,914,902)</u>	<u>4,299,615</u>
Other Financing Sources (Uses):			
Intrafund transfers	1,727,977	1,727,977	-
Transfers to other funds	53,875	53,875	-
Issuance of long-term debt	159,077	79,539	(79,538)
Bond issuance costs	(13,952)	-	13,952
Appropriated fund balance	4,287,540	-	(4,287,540)
Total other financing sources (uses)	<u>6,214,517</u>	<u>1,861,391</u>	<u>(4,353,126)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (53,511)</u>	<u>\$ (53,511)</u>

CITY OF GASTONIA, NORTH CAROLINA

**ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Electricity sales	\$ 66,449,436	\$ 64,027,062	\$ (2,422,374)	\$ 62,078,638
Utilities for City use	974,456	873,507	(100,949)	990,293
Other operating revenues	2,040,856	1,986,725	(54,131)	1,718,923
Total	<u>69,464,748</u>	<u>66,887,294</u>	<u>(2,577,454)</u>	<u>64,787,854</u>
Non-operating revenues:				
Investment earnings	141,000	51,330	(89,670)	116,790
Proceeds from sale of equipment	-	21,809	21,809	603
Total	<u>141,000</u>	<u>73,139</u>	<u>(67,861)</u>	<u>117,393</u>
Total revenues	<u>69,605,748</u>	<u>66,960,433</u>	<u>(2,645,315)</u>	<u>64,905,247</u>
Expenditures:				
Operating expenditures:				
Administration:				
Salaries and employee benefits	762,722	744,739	17,983	717,368
Overhead charged by other departments	2,450,493	2,363,464	87,029	2,351,684
Other operating expenditures	1,486,119	1,365,171	120,948	1,144,235
Total	<u>4,699,334</u>	<u>4,473,374</u>	<u>225,960</u>	<u>4,213,287</u>
Operations:				
Electric service:				
Salaries and employee benefits	788,146	781,588	6,558	775,675
Other operating expenditures	360,834	294,034	66,800	408,412
Capital outlay	4,193	4,191	2	-
Reimbursement of services	-	-	-	(325)
Total	<u>1,153,173</u>	<u>1,079,813</u>	<u>73,360</u>	<u>1,183,762</u>
Electric substation:				
Salaries and employee benefits	251,344	248,646	2,698	249,904
Other operating expenditures	228,827	160,541	68,286	224,060
Capital outlay	10,257	8,057	2,200	-
Total	<u>490,428</u>	<u>417,244</u>	<u>73,184</u>	<u>473,964</u>
Street lights:				
Salaries and employee benefits	248,595	246,530	2,065	215,084
Other operating expenditures	493,933	428,257	65,676	424,959
Total	<u>742,528</u>	<u>674,787</u>	<u>67,741</u>	<u>640,043</u>

CITY OF GASTONIA, NORTH CAROLINA

ELECTRIC FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2010

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Load management:				
Other operating expenditures	1,000	413	587	2,725
Total	1,000	413	587	2,725
Electric line maintenance:				
Salaries and employee benefits	382,955	373,990	8,965	414,511
Other operating expenditures	1,036,318	976,221	60,097	919,538
Reimbursement for services	-	-	-	(800)
Total	1,419,273	1,350,211	69,062	1,333,249
Line construction:				
Salaries and employee benefits	599,616	589,307	10,309	672,398
Other operating expenditures	277,625	243,357	34,268	303,603
Capital outlay	101,260	101,100	160	193,502
Reimbursement for services	-	(6,790)	6,790	(19,608)
Total	978,501	926,974	51,527	1,149,895
Underground line construction:				
Salaries and employee benefits	366,710	363,223	3,487	327,781
Other operating expenditures	60,595	44,629	15,966	149,787
Capital outlay	298,000	185,740	112,260	133,573
Total	725,305	593,592	131,713	611,141
Financial services / warehouse:				
Other operating expenditures	27,384	(105,860)	133,244	185,199
Total	27,384	(105,860)	133,244	185,199
Electric service - generators:				
Other operating expenditures	81,317	64,690	16,627	91,478
Reimbursement for services	(20,000)	(20,004)	4	(20,002)
Total	61,317	44,686	16,631	71,476
Renewal and replacement	1,109,814	-	1,109,814	-
Total	1,109,814	-	1,109,814	-
Total operations	6,708,723	4,981,860	1,726,863	5,651,454
Purchased power:				
Cost of electricity purchased	53,388,065	51,967,715	1,420,350	50,608,519

CITY OF GASTONIA, NORTH CAROLINA

ELECTRIC FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2010

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Debt service:				
Interest and fees	33,736	16,869	16,867	15,698
Total	33,736	16,869	16,867	15,698
 Total expenditures	 64,829,858	 61,439,818	 3,390,040	 60,488,958
 Revenues over (under) expenditures	 4,775,890	 5,520,615	 744,725	 4,416,289
 Other Financing Sources (Uses):				
Transfers to other funds	(2,239,638)	(2,239,638)	-	(2,210,446)
Intrafund transfer	(1,806,272)	(1,806,272)	-	(1,755,083)
Appropriated fund balance	(729,980)	-	729,980	-
Total other financing sources (uses)	(4,775,890)	(4,045,910)	729,980	(3,965,529)
 Revenues and other financing sources over (under) expenditures and other financing uses	 \$ -	 \$ 1,474,705	 \$ 1,474,705	 \$ 450,760

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

Net change in fund balance	\$ 1,474,705
Reconciling items:	
Depreciation	(1,746,463)
Bad debt expense	(53,690)
Intrafund transfers to capital project funds	1,806,272
Capital project revenues	6,114
Capital project expenditures	(1,151,281)
Capital projects - transfers from (to) other funds	
Capital assets purchased/capitalized	2,737,967
Change in unbilled revenues receivable	678,405
Change in accrued vacation pay	28,719
Change in deferred revenues and inventories	50,062
Other post-employment benefits	(159,038)
 Change in net assets	 \$ 3,671,772

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, 2010

	Budget	Actual	Variance Over/Under
Revenues:			
Miscellaneous	\$ 949,885	\$ -	\$ (949,885)
Investment earnings	1,000	6,114	5,114
Total revenues	<u>950,885</u>	<u>6,114</u>	<u>(944,771)</u>
Expenditures:			
Financial management	92	-	92
Electric truck shed	6,493	-	6,493
SCADA replacement	285	-	285
City electrical tie lines	604,750	52,005	552,745
US 74 line extension	624,007	544,519	79,488
Fiber optic connections	1	-	1
Electric development	381,116	92,728	288,388
Residential development	996,552	58,140	938,412
NCDOT City fiber	705,141	272,860	432,281
Wi-Max connectivity	40,000	39,933	67
GO bonds project	226,719	91,096	135,623
Total expenditures	<u>3,585,156</u>	<u>1,151,281</u>	<u>2,433,875</u>
Revenues over (under) expenditures	<u>(2,634,271)</u>	<u>(1,145,167)</u>	<u>1,489,104</u>
Other Financing Sources (Uses):			
Intrafund transfers	1,806,272	1,806,272	-
Bond issuance costs	(9,606)	-	9,606
Appropriated fund balance	837,605	-	(837,605)
Total other financing sources (uses)	<u>2,634,271</u>	<u>1,806,272</u>	<u>(827,999)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 661,105</u>	<u>\$ 661,105</u>

CITY OF GASTONIA, NORTH CAROLINA

STORMWATER FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2010

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Stormwater fees	\$ 2,009,500	\$ 2,015,747	\$ 6,247	\$ 1,998,879
Stormwater fees to other funds	56,144	49,951	(6,193)	49,638
Other operating revenues	-	15,200	15,200	225
Total	<u>2,065,644</u>	<u>2,080,898</u>	<u>15,254</u>	<u>2,048,742</u>
Non-operating revenues:				
Investment earnings	<u>6,000</u>	<u>250</u>	<u>(5,750)</u>	<u>3,779</u>
Total	<u>6,000</u>	<u>250</u>	<u>(5,750)</u>	<u>3,779</u>
Total revenues	<u>2,071,644</u>	<u>2,081,148</u>	<u>9,504</u>	<u>2,052,521</u>
Expenditures:				
Operating expenditures:				
Administration:				
Salaries and benefits	223,421	223,058	363	192,611
Other operating expenditures	61,535	22,194	39,341	21,329
Overhead allocation from General Fund	<u>834,974</u>	<u>823,490</u>	<u>11,484</u>	<u>900,078</u>
Total	<u>1,119,930</u>	<u>1,068,742</u>	<u>51,188</u>	<u>1,114,018</u>
Operations:				
Salaries and benefits	381,704	373,059	8,645	366,887
Other operating expenditures	<u>218,576</u>	<u>193,495</u>	<u>25,081</u>	<u>213,180</u>
Total	<u>600,280</u>	<u>566,554</u>	<u>33,726</u>	<u>580,067</u>
AM/FM/GIS:				
Salaries and benefits	83,263	80,852	2,411	83,204
Other operating expenditures	<u>20,144</u>	<u>9,782</u>	<u>10,362</u>	<u>6,573</u>
Total	<u>103,407</u>	<u>90,634</u>	<u>12,773</u>	<u>89,777</u>
Total expenditures	<u>1,823,617</u>	<u>1,725,930</u>	<u>97,687</u>	<u>1,783,862</u>
Revenues over (under) expenditures	<u>248,027</u>	<u>355,218</u>	<u>107,191</u>	<u>268,659</u>

CITY OF GASTONIA, NORTH CAROLINA

STORMWATER FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2010

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Transfers to other funds	(14,480)	(14,480)	-	(18,567)
Intrafund transfer	(291,097)	(291,097)	-	(639,132)
Appropriated fund balance	57,550	-	(57,550)	-
Total other financing sources (uses)	(248,027)	(305,577)	57,550	(657,699)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 49,641	\$ 49,641	\$ (389,040)

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

Net change in fund balance	\$ 49,641
Reconciling items:	
Depreciation	(606,615)
Capital project revenues	67,618
Capital project expenditures	(701,623)
Intrafund transfer to Capital Project Fund	291,097
Capital projects - transfers from (to) other funds	(15,000)
Capital assets purchased/capitalized	395,416
Bad debt expense	(10,870)
Change in unbilled revenues receivable	2,927
Change in accrued vacation pay	639
Change in deferred revenues and inventories	(874)
Other post-employment benefits	(33,817)
Change in net assets	\$ (561,461)

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, 2010

	Budget	Actual	Variance Over/Under
Revenues:			
Investment earnings	\$ 17,000	\$ 8,618	\$ (8,382)
Restricted intergovernmental revenue	91,186	59,000	(32,186)
Total revenues	<u>108,186</u>	<u>67,618</u>	<u>(40,568)</u>
Expenditures:			
Stormwater system	1,643,698	615,187	1,028,511
Stormwater non-capital	309,499	86,436	223,063
Total expenditures	<u>1,953,197</u>	<u>701,623</u>	<u>1,251,574</u>
Revenues over (under) expenditures	<u>(1,845,011)</u>	<u>(634,005)</u>	<u>1,211,006</u>
Other Financing Sources (Uses):			
Intrafund transfer in	291,097	291,097	-
Transfers to other funds	(15,000)	(15,000)	-
Appropriated fund balance	1,568,914	-	(1,568,914)
Total other financing sources (uses)	<u>1,845,011</u>	<u>276,097</u>	<u>(1,568,914)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (357,908)</u>	<u>\$ (357,908)</u>



INTERNAL SERVICE FUNDS

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

The Vehicle and Equipment Renewal and Replacement Fund

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

Information Technology Fund

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

Dental Self-Insurance Fund

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

Medical Self-Insurance Fund

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



CITY OF GASTONIA, NORTH CAROLINA

INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010

	Vehicle Replacement Fund	Information Technology Fund	Dental Self-Insurance Fund	Medical Self-Insurance Fund	Total
Assets:					
Current assets:					
Cash, cash equivalents, and investments	\$ -	\$ 99,185	\$ 74,244	\$ 759,551	\$ 932,980
Accounts receivable, net	-	228,430	-	-	228,430
Interest receivable	-	528	-	-	528
Due from other funds	-	-	13,020	40,951	53,971
Prepays	-	-	-	129,138	129,138
Cash and cash equivalents, restricted	2,907,883	-	-	-	2,907,883
Total current assets	<u>2,907,883</u>	<u>328,143</u>	<u>87,264</u>	<u>929,640</u>	<u>4,252,930</u>
Non-current assets:					
Depreciable capital assets, net	11,466,562	114,671	-	-	11,581,233
Total non-current assets	<u>11,466,562</u>	<u>114,671</u>	<u>-</u>	<u>-</u>	<u>11,581,233</u>
Total assets	<u>\$ 14,374,445</u>	<u>\$ 442,814</u>	<u>\$ 87,264</u>	<u>\$ 929,640</u>	<u>\$ 15,834,163</u>
Liabilities:					
Current liabilities:					
Accounts payable	\$ 38,980	\$ 59,970	\$ -	\$ 810,627	\$ 909,577
Accrued salaries and benefits	-	25,177	-	-	25,177
Compensated absences, current	-	41,707	-	-	41,707
Accrued interest	95,328	-	-	-	95,328
Due to other funds	424,372	-	2,100	60,604	487,076
Current portion of long-term debt	3,011,458	-	-	-	3,011,458
Total current liabilities	<u>3,570,138</u>	<u>126,854</u>	<u>2,100</u>	<u>871,231</u>	<u>4,570,323</u>
Non-current liabilities:					
Compensated absences, noncurrent	-	13,000	-	-	13,000
Non-current portion of long-term debt	5,362,868	-	-	-	5,362,868
Total non-current liabilities	<u>5,362,868</u>	<u>13,000</u>	<u>-</u>	<u>-</u>	<u>5,375,868</u>
Total liabilities	<u>8,933,006</u>	<u>139,854</u>	<u>2,100</u>	<u>871,231</u>	<u>9,946,191</u>
Net Assets:					
Invested in capital assets, net of related debt	6,000,119	114,671	-	-	6,114,790
Unrestricted	(558,680)	188,289	85,164	58,409	(226,818)
Total net assets	<u>5,441,439</u>	<u>302,960</u>	<u>85,164</u>	<u>58,409</u>	<u>5,887,972</u>
Total liabilities and net assets	<u>\$ 14,374,445</u>	<u>\$ 442,814</u>	<u>\$ 87,264</u>	<u>\$ 929,640</u>	<u>\$ 15,834,163</u>

CITY OF GASTONIA, NORTH CAROLINA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	Vehicle Replacement Fund	Information Technology Fund	Dental Self-Insurance Fund	Medical Self-Insurance Fund	Total
Operating Revenues:					
Charges for services	\$ 3,150,295	\$ 2,343,084	\$ 382,990	\$ 7,618,615	\$ 13,494,984
Other operating revenues	96,759	140	-	-	96,899
Total	3,247,054	2,343,224	382,990	7,618,615	13,591,883
Operating Expenses:					
Operations area	419,373	2,354,819	348,038	9,127,870	12,250,100
Depreciation and amortization	2,669,963	74,515	-	-	2,744,478
Total	3,089,336	2,429,334	348,038	9,127,870	14,994,578
Operating income (loss)	157,718	(86,110)	34,952	(1,509,255)	(1,402,695)
Non-Operating Revenues (Expenses):					
Investment earnings	(7,736)	1,025	55	705	(5,951)
Gain (loss) on disposal of fixed assets	(15,822)	-	-	-	(15,822)
Interest on long-term debt	(250,685)	-	-	-	(250,685)
Total non-operating revenues (expenses)	(274,243)	1,025	55	705	(272,458)
Income (loss) before capital contributions and transfers	(116,525)	(85,085)	35,007	(1,508,550)	(1,675,153)
Transfers:					
Transfers from other funds	-	-	-	1,600,000	1,600,000
Transfers to other funds	(53,875)	(18,100)	-	-	(71,975)
Total transfers	(53,875)	(18,100)	-	1,600,000	1,528,025
Change in net assets	(170,400)	(103,185)	35,007	91,450	(147,128)
Net Assets:					
Beginning of year - July 1	5,611,839	406,145	50,157	(33,041)	6,035,100
End of year - June 30	\$ 5,441,439	\$ 302,960	\$ 85,164	\$ 58,409	\$ 5,887,972

CITY OF GASTONIA, NORTH CAROLINA

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010**

	Vehicle Replacement Fund	Information Technology Fund	Dental Self-Insurance Fund	Medical Self-Insurance Fund	Total
Cash Flows from Operating Activities:					
Cash received from customers and users	\$ 3,247,054	\$ 2,291,109	\$ 382,990	\$ 7,618,615	\$ 13,539,768
Cash paid to suppliers	(454,354)	(1,434,693)	(348,037)	(9,072,006)	(11,309,090)
Cash paid to employees	-	(928,331)	-	-	(928,331)
Net cash provided (used) by operating activities	<u>2,792,700</u>	<u>(71,915)</u>	<u>34,953</u>	<u>(1,453,391)</u>	<u>1,302,347</u>
Cash Flows from Non-Capital Financing Activities:					
Change in due to/from other funds	424,372	-	(3,241)	(83,187)	337,944
Transfers from other funds	-	-	-	1,600,000	1,600,000
Transfers to other funds	(53,875)	(18,100)	-	-	(71,975)
Net cash provided (used) by non-capital financing activities	<u>370,497</u>	<u>(18,100)</u>	<u>(3,241)</u>	<u>1,516,813</u>	<u>1,865,969</u>
Cash Flows from Capital and Related Financing Activities:					
Proceeds from issuance of debt	1,750,000	-	-	-	1,750,000
Principal paid on long-term debt	(3,238,429)	-	-	-	(3,238,429)
Acquisition and construction of capital assets	(1,738,610)	(26,485)	-	-	(1,765,095)
Interest paid on long-term debt	(311,927)	-	-	-	(311,927)
Net cash provided (used) by capital and related financing activities	<u>(3,538,966)</u>	<u>(26,485)</u>	<u>-</u>	<u>-</u>	<u>(3,565,451)</u>
Cash Flows from Investing Activities:					
Interest on investments	(7,736)	742	55	705	(6,234)
Net cash provided (used) by investing activities	<u>(7,736)</u>	<u>742</u>	<u>55</u>	<u>705</u>	<u>(6,234)</u>
Net increase (decrease) in cash and cash equivalents	(383,505)	(115,758)	31,767	64,127	(403,369)
Cash and Cash Equivalents:					
Beginning of year - July 1	<u>3,291,388</u>	<u>214,943</u>	<u>42,477</u>	<u>695,424</u>	<u>4,244,232</u>
End of year - June 30	<u>\$ 2,907,883</u>	<u>\$ 99,185</u>	<u>\$ 74,244</u>	<u>\$ 759,551</u>	<u>\$ 3,840,863</u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:					
Operating income (loss)	\$ 157,718	\$ (86,110)	\$ 34,952	\$ (1,509,255)	\$ (1,402,695)
Depreciation and amortization	2,669,963	74,515	-	-	2,744,478
Change in assets and liabilities:					
(Increase) decrease in accounts receivables	-	(52,115)	-	-	(52,115)
(Increase) decrease in prepaids	-	-	-	(129,138)	(129,138)
Increase (decrease) in accounts payable	(34,981)	649	1	185,002	150,671
Increase (decrease) in compensated absences	-	(8,854)	-	-	(8,854)
Net cash provided (used) by operating activities	<u>\$ 2,792,700</u>	<u>\$ (71,915)</u>	<u>\$ 34,953</u>	<u>\$ (1,453,391)</u>	<u>\$ 1,302,347</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, 2010

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Vehicle and equipment rentals	\$ 3,275,748	\$ 3,150,295	\$ (125,453)	\$ 3,293,658
Total	3,275,748	3,150,295	(125,453)	3,293,658
Non-Operating Revenues:				
Miscellaneous	7,046	96,759	89,713	192,900
Investment earnings	40,000	(7,736)	(47,736)	39,499
Total	47,046	89,023	41,977	232,399
Total revenues	3,322,794	3,239,318	(83,476)	3,526,057
Expenditures:				
Operating expenditures:				
Equipment manager:				
Other operating expenditures	2,377	40	2,337	51,856
Capital outlay	1,570,231	1,178,950	391,281	3,323,903
Total	1,572,608	1,178,990	393,618	3,375,759
Computer systems:				
Other operating expenditures	342,251	288,190	54,061	422,380
Capital outlay	279,906	279,906	-	195,727
Total	622,157	568,096	54,061	618,107
Telephone and radio systems:				
Capital outlay	278,699	278,699	-	43,383
Total telephone and radio systems	278,699	278,699	-	43,383
Mobile data system:				
Other operating expenditures	208,216	132,196	76,020	-
Total	208,216	132,196	76,020	-
Police field services:				
Other operating expenditures	36,000	-	36,000	-
Total	36,000	-	36,000	-

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, 2010

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Non-departmental:				
Other operating expenditures	24,014	-	24,014	-
Total	24,014	-	24,014	-
Water supply and treatment:				
Capital outlay	-	-	-	800,000
Total	-	-	-	800,000
Wastewater treatment:				
Other operating expenditures	138	-	138	573
Capital outlay	17,008	-	17,008	132,892
Total	17,146	-	17,146	133,465
Total operating expenditures	2,758,840	2,157,981	600,859	4,970,714
Debt service:				
Principal repayments	3,238,436	3,238,429	7	2,989,635
Interest and fees	306,775	306,387	388	341,688
Debt issuance costs	10,117	1,500	8,617	404
Other debt service costs	11,770	4,040	7,730	31,597
Total	3,567,098	3,550,356	16,742	3,363,324
Total expenditures	6,325,938	5,708,337	617,601	8,334,038
Revenues over (under) expenditures	(3,003,144)	(2,469,019)	534,125	(4,807,981)
Other Financing Sources (Uses):				
Transfers from other funds	-	-	-	7,523
Transfers to other funds	(53,875)	(53,875)	-	-
Issuance of long-term debt	1,745,192	1,750,000	4,808	3,972,000
Appropriated fund balance	1,311,827	-	(1,311,827)	-
Total other financing sources (uses)	3,003,144	1,696,125	(1,307,019)	3,979,523
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (772,894)	\$ (772,894)	\$ (828,458)

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, 2010

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010		2009
	Budget	Actual	Variance Over/Under
			Actual
Reconciliation from Budgetary Basis to Full Accrual Basis:			
Net change in fund balance		\$ (772,894)	
Reconciling items:			
Depreciation and amortization		(2,669,963)	
Gain/(loss) on sale of capital assets		(15,822)	
Proceeds from issuance of long-term debt		(1,750,000)	
Long-term debt principal repayments		3,238,429	
Capital outlay, capitalized		1,738,608	
Change in accrued interest		<u>61,242</u>	
Change in net assets		\$ <u>(170,400)</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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Technology services	\$ 2,347,757	\$ 2,343,084	\$ (4,673)	\$ 2,358,628
Non-Operating Revenues:				
Investment earnings	500	1,025	525	2,354
Total revenues	2,348,257	2,344,249	(4,008)	2,360,982
Expenditures:				
Operating expenditures:				
Network access:				
Other operating expenditures	249,086	220,013	29,073	158,176
Capital outlay	30,070	26,487	3,583	40,425
Total	279,156	246,500	32,656	198,601
Technology services - administration:				
Salaries and employee benefits	330,938	329,469	1,469	332,018
Other operating expenditures	273,864	253,469	20,395	224,270
Capital outlay	-	-	-	24,769
Total	604,802	582,938	21,864	581,057
Technology services - public safety:				
Salaries and employee benefits	78,498	71,832	6,666	76,299
Other operating expenditures	111,324	105,746	5,578	82,621
Capital outlay	-	-	-	20,965
Total	189,822	177,578	12,244	179,885
Technology services - computer support:				
Salaries and employee benefits	307,899	304,455	3,444	307,213
Other operating expenditures	156,532	132,212	24,320	117,047
Total	464,431	436,667	27,764	424,260
Technology service - Assistant City Manager:				
Salaries and employee benefits	75,451	74,758	693	73,952
Other operating expenditures	16,218	22,964	(6,746)	21,500
Total	91,669	97,722	(6,053)	95,452

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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Technology-city equipment:				
Other operating expenditures	661,753	588,060	73,693	504,358
Total	661,753	588,060	73,693	504,358
Technology services - support administration:				
Salaries and employee benefits	222,734	214,134	8,600	216,477
Other operating expenditures	48,625	46,561	2,064	20,754
Total	271,359	260,695	10,664	237,231
Technology services - capital projects:				
Other operating expenditures	76,712	-	76,712	-
Total	76,712	-	76,712	-
Total expenditures	2,639,704	2,390,160	249,544	2,220,844
Revenues over (under) expenditures	(291,447)	(45,911)	245,536	140,138
Other Financing Sources (Uses):				
Transfers to other funds	(18,100)	(18,100)	-	(7,700)
Appropriated fund balance	309,547	-	(309,547)	-
Total other financing sources (uses)	291,447	(18,100)	(309,547)	(7,700)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (64,011)	\$ (64,011)	\$ 132,438

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

Net change in fund balance	\$ (64,011)
Reconciling items:	
Depreciation and amortization	(74,515)
Capital outlay, capitalized	26,487
Change in accrued vacation pay	8,854
Change in net assets	\$ (103,185)

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, 2010

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Charges for services	\$ 370,000	\$ 382,990	\$ 12,990	\$ 366,555
Total operating revenues	<u>370,000</u>	<u>382,990</u>	<u>12,990</u>	<u>366,555</u>
Non-operating revenues:				
Investment earnings	<u>100</u>	<u>55</u>	<u>(45)</u>	<u>208</u>
Total non-operating revenues	<u>100</u>	<u>55</u>	<u>(45)</u>	<u>208</u>
Total revenues	<u>370,100</u>	<u>383,045</u>	<u>12,945</u>	<u>366,763</u>
Expenditures:				
Operating expenditures:				
Administration:				
Operating expenditures	<u>370,100</u>	<u>348,038</u>	<u>22,062</u>	<u>346,238</u>
Total expenditures	<u>370,100</u>	<u>348,038</u>	<u>22,062</u>	<u>346,238</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 35,007</u>	<u>\$ 35,007</u>	<u>\$ 20,525</u>

CITY OF GASTONIA, NORTH CAROLINA

MEDICAL SELF-INSURANCE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
FINANCIAL PLAN AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services	\$ 7,468,000	\$ 7,618,615	\$ 150,615	\$ 7,391,977
Total operating revenues	7,468,000	7,618,615	150,615	7,391,977
Non-Operating Revenues:				
Investment earnings	2,800	705	(2,095)	6,061
Total non-operating revenues	2,800	705	(2,095)	6,061
Total revenues	7,470,800	7,619,320	148,520	7,398,038
Expenditures:				
Operating expenditures:				
Administration:				
Operating expenditures	9,070,800	9,127,870	(57,070)	8,562,874
Total expenditures	9,070,800	9,127,870	(57,070)	8,562,874
Total expenditures	9,070,800	9,127,870	(57,070)	8,562,874
Revenues over (under) expenditures	(1,600,000)	(1,508,550)	91,450	(1,164,836)
Other Financing Sources (Uses):				
Transfers from other funds	1,600,000	1,600,000	-	597,000
Total other financing sources (uses)	1,600,000	1,600,000	-	597,000
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 91,450	\$ 91,450	\$ (567,836)

STATISTICAL SECTION

Schedule of Net Assets by Component, Last Nine Fiscal Years

Schedule of Changes in Net Assets, Last Nine Fiscal Years

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

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

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

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

Schedule of Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years

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

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

Schedule of Ratios of Outstanding Debt by Type, Last Ten Fiscal Years

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

Schedule of Direct and Overlapping Governmental Activities Debt, As of June 30, 2010

Schedule of Legal Debt Margin Information, Last Ten Fiscal Years

Schedule of Pledged-Revenue Coverage, Last Ten Fiscal Years

Schedule of Demographic and Economic Statistics, Last Ten Calendar Years

Schedule of Principal Employers, Current Year and Nine Years Ago

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

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

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



STATISTICAL SECTION

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

Financial Trends - Schedules 1-4

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

Revenue Capacity – Schedules 5-9

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

Debt Capacity – Schedules 10-14

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

Demographic and Economic Information – Schedules 15-17

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

Operating Information – Tables 18-19

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

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



Schedule 1

City of Gastonia
Net Assets by Component
Last Nine Years
(accrual basis of accounting)

	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Governmental activities									
Invested in capital assets, net of related debt	\$ 139,559,976	\$ 141,102,212	\$ 136,620,839	\$ 133,728,859	\$ 130,418,562	\$ 131,207,914	\$ 132,044,864	\$ 131,033,488	\$ 133,094,350
Restricted	-	-	-	67,748	339,013	339,013	76,578	402,179	7,078,299
Unrestricted	9,452,047	12,175,237	20,046,618	22,418,301	22,251,093	19,677,710	19,335,610	16,967,239	14,418,843
Total governmental activities net assets	\$ 149,012,023	\$ 153,277,449	\$ 156,667,457	\$ 156,214,908	\$ 153,008,668	\$ 151,224,637	\$ 151,457,052	\$ 148,402,906	\$ 154,591,492
Business Type activities									
Invested in capital assets, net of related debt	\$ 218,955,191	\$ 220,064,680	\$ 218,603,743	\$ 208,813,019	\$ 202,212,703	\$ 194,017,463	\$ 193,972,864	\$ 181,214,465	\$ 179,912,271
Restricted	-	-	-	-	-	-	100,688	-	308,344
Unrestricted	28,646,390	24,800,189	24,571,909	22,035,934	20,574,098	22,090,875	16,001,763	21,245,491	21,735,108
Total Business Type activities net assets	\$ 247,601,581	\$ 244,864,869	\$ 243,175,652	\$ 230,848,953	\$ 222,786,801	\$ 216,108,338	\$ 210,075,315	\$ 202,459,956	\$ 201,955,723
Primary Government									
Invested in capital assets, net of related debt	\$ 358,515,167	\$ 361,166,892	\$ 355,224,582	\$ 342,541,878	\$ 332,631,265	\$ 325,225,377	\$ 326,017,728	\$ 312,247,953	\$ 313,006,621
Restricted	-	-	-	67,748	339,013	339,013	177,266	402,179	7,386,643
Unrestricted	38,098,437	36,975,426	44,618,527	44,454,235	42,825,191	41,768,585	35,337,373	38,212,730	36,153,951
Total primary government net assets	\$ 396,613,604	\$ 398,142,318	\$ 399,843,109	\$ 387,063,861	\$ 375,795,469	\$ 367,332,975	\$ 361,532,367	\$ 350,862,862	\$ 356,547,215

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

Schedule 2

City of Gastonia
Changes in Net Assets, Last Nine Fiscal Years
 (accrual basis of accounting)

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	
Expenses										
Governmental activities:										
General government										
Public Safety	\$ 14,984,907	\$ 14,927,520	\$ 13,338,063	\$ 9,331,598	\$ 10,396,128	\$ 10,237,774	\$ 11,139,541	\$ 14,144,240	\$ 20,452,175	
Public Works and Cemeteries	27,143,754	26,558,148	25,412,069	24,197,724	21,382,176	19,987,676	19,087,084	19,712,213	20,041,012	
Cultural and Recreation	16,745,302	17,418,712	17,082,502	16,112,031	15,170,385	15,046,678	14,378,510	10,280,612	4,520,767	
Economic and physical development	4,789,198	5,421,420	5,240,922	5,148,069	4,384,943	4,296,996	4,255,090	4,457,914	4,215,876	
Interest on long-term debt	4,125,961	2,530,015	4,163,290	3,308,247	2,087,714	3,207,660	2,983,732	1,876,446	2,655,916	
Interest on short-term debt	992,757	1,566,308	1,265,501	1,645,874	1,528,145	2,097,324	2,625,523	3,445,214	2,336,434	
Total governmental activities expenses	<u>68,781,879</u>	<u>68,422,123</u>	<u>66,502,347</u>	<u>59,743,543</u>	<u>54,949,491</u>	<u>54,874,108</u>	<u>54,469,480</u>	<u>53,916,639</u>	<u>54,222,180</u>	
Business-type activities:										
Water and Sewer										
Electric	27,530,541	27,710,123	21,923,630	25,339,542	23,898,970	23,091,897	23,888,379	23,028,548	23,996,476	
Transit	61,777,655	60,517,626	58,629,603	55,777,621	55,558,941	52,465,962	51,699,579	51,039,933	49,624,521	
Golf	2,346,151	2,493,516	2,371,622	2,105,284	1,980,207	1,810,988	1,647,779	1,666,322	1,692,596	
Stormwater	43,125	351,034	1,350,589	1,053,475	1,148,528	1,030,983	990,202	1,025,022	1,091,672	
Total business-type activities expenses	<u>2,671,930</u>	<u>2,495,300</u>	<u>2,597,473</u>	<u>2,279,060</u>	<u>2,017,039</u>	<u>2,081,911</u>	<u>1,944,978</u>	<u>1,456,511</u>	<u>1,232,093</u>	
Total primary government expenses	<u>94,369,402</u>	<u>93,567,599</u>	<u>86,872,917</u>	<u>86,554,982</u>	<u>84,603,695</u>	<u>80,481,741</u>	<u>80,170,917</u>	<u>79,216,337</u>	<u>77,637,358</u>	
Total primary government expenses	<u>\$ 163,151,281</u>	<u>\$ 161,989,722</u>	<u>\$ 153,375,264</u>	<u>\$ 146,298,525</u>	<u>\$ 139,553,176</u>	<u>\$ 135,355,849</u>	<u>\$ 134,640,397</u>	<u>\$ 132,132,976</u>	<u>\$ 131,859,538</u>	
Program Revenues										
Governmental activities:										
Charges for services:										
General government										
Public Safety	\$ 6,426,452	\$ 7,980,309	\$ 7,376,991	\$ 6,801,438	\$ 4,659,178	\$ 5,972,453	\$ 3,895,413	\$ 4,121,332	\$ 4,582,602	
Public Works and Cemeteries	925,868	915,882	976,090	1,037,069	914,264	888,095	117,898	94,022	6,568	
Cultural and Recreation	1,491,713	1,632,041	1,480,559	1,176,743	1,071,621	276,013	1,165,977	27,360	872,343	
Economic and physical development	574,519	557,575	534,573	503,688	483,749	408,725	525,879	405,576	557,239	
Operating grants and contributions	79,408	256,297	129,767	170,842	80,395	493,794	950,490	-	-	
Capital grants and contributions	7,254,047	5,016,361	5,513,514	5,456,919	3,270,271	2,821,083	3,395,852	4,508,986	2,475,081	
Total governmental activities program revenues	<u>770,492</u>	<u>1,767,264</u>	<u>5,030,594</u>	<u>3,803,343</u>	<u>3,222,650</u>	<u>2,267,142</u>	<u>4,384,092</u>	<u>532,022</u>	<u>3,211,872</u>	
Total business-type activities program revenues	<u>17,522,499</u>	<u>18,125,529</u>	<u>21,042,086</u>	<u>18,950,042</u>	<u>13,629,768</u>	<u>13,127,305</u>	<u>14,435,601</u>	<u>9,689,298</u>	<u>11,705,705</u>	
Total business-type activities program revenues	<u>\$ 116,771,536</u>	<u>\$ 114,774,391</u>	<u>\$ 120,329,860</u>	<u>\$ 113,652,081</u>	<u>\$ 105,512,706</u>	<u>\$ 100,618,539</u>	<u>\$ 104,168,003</u>	<u>\$ 94,198,676</u>	<u>\$ 118,826,984</u>	
Business-type activities:										
Charges for services:										
Water and Sewer										
Electric	27,832,309	27,324,795	28,829,972	28,648,609	29,325,717	26,827,996	25,141,778	25,063,012	24,595,050	
Transit	67,631,621	64,915,490	64,204,033	58,651,015	56,871,858	53,869,434	54,020,286	54,499,868	52,234,981	
Golf	186,699	194,563	199,307	180,336	197,350	174,364	193,847	200,154	215,300	
Stormwater	2,072,081	2,075,115	952,578	883,953	835,656	844,310	778,626	721,836	779,016	
Operating grants and contributions	1,341,804	1,478,376	2,017,308	1,916,827	2,028,012	1,868,670	2,003,137	1,924,282	586,254	
Capital grants and contributions	184,523	457,237	1,322,680	1,189,055	1,143,028	1,242,265	2,615,825	1,000,544	1,184,029	
Total business-type activities program revenues	<u>99,249,037</u>	<u>96,648,862</u>	<u>1,761,894</u>	<u>3,232,242</u>	<u>1,481,317</u>	<u>2,664,195</u>	<u>4,978,903</u>	<u>1,099,682</u>	<u>27,526,649</u>	
Total primary government program revenues	<u>\$ 116,771,536</u>	<u>\$ 114,774,391</u>	<u>\$ 120,329,860</u>	<u>\$ 113,652,081</u>	<u>\$ 105,512,706</u>	<u>\$ 100,618,539</u>	<u>\$ 104,168,003</u>	<u>\$ 94,198,676</u>	<u>\$ 118,826,984</u>	

Schedule 2

City of Gastonia
Changes in Net Assets, Last Nine Fiscal Years
 (accrual basis of accounting)

	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Net (Expense)/Revenue									
Governmental activities	\$ (51,259,380)	\$ (50,296,594)	\$ (45,460,259)	\$ (40,793,501)	\$ (41,319,723)	\$ (41,746,803)	\$ (40,033,879)	\$ (44,227,341)	\$ (42,516,475)
Business-type activities	4,879,636	3,081,263	12,414,855	8,147,057	7,279,253	7,009,493	9,561,485	6,293,041	29,483,921
Total primary government net expense	<u>(46,379,745)</u>	<u>(47,215,331)</u>	<u>(33,045,404)</u>	<u>(32,646,444)</u>	<u>(34,040,470)</u>	<u>(34,737,310)</u>	<u>(30,472,394)</u>	<u>(37,934,300)</u>	<u>(13,032,554)</u>
General Revenues and Other Changes in Net Assets									
Governmental activities									
Ad valorem taxes	27,442,703	27,318,145	26,666,751	24,414,295	23,932,639	23,380,799	22,669,086	20,292,755	18,425,051
Sales taxes	9,728,777	9,988,923	9,988,922	9,988,923	9,988,923	9,988,923	9,988,893	8,640,145	7,996,447
Other taxes	7,385,674	7,292,414	6,931,381	6,801,318	6,447,572	6,275,867	7,492,204	5,603,164	6,743,476
Interest earned on investments	139,237	506,639	1,314,797	1,534,154	1,044,898	477,790	227,310	331,334	764,166
Miscellaneous	-	-	-	-	-	-	-	1,512,560	347,423
Special Item-Contribution of Infrastructure to Stormwater Fund	-	-	-	-	-	-	-	-	(27,171,430)
Gain (loss) on disposal of assets	-	-	-	-	-	-	-	(2,767,506)	486,237
Transfers	2,297,562	1,800,465	1,010,957	1,261,051	1,689,723	1,410,694	2,129,069	4,426,305	1,889,047
Total governmental activities	<u>46,993,953</u>	<u>46,906,586</u>	<u>45,912,808</u>	<u>43,999,741</u>	<u>43,103,755</u>	<u>41,534,073</u>	<u>42,506,562</u>	<u>38,038,755</u>	<u>9,480,417</u>
Business-type activities:									
Interest earned on investments	154,639	408,419	922,801	1,176,146	1,088,933	434,224	182,943	269,821	547,471
Miscellaneous	-	-	-	-	-	-	-	21,760	-
Liquidated Damages Recovery	-	-	-	-	-	-	-	718,847	-
Gain (loss) on disposal of assets	-	-	-	-	-	-	-	(2,372,931)	(326,618)
Transfers	(2,297,562)	(1,800,465)	(1,010,957)	(1,261,051)	(1,689,723)	(1,410,694)	(2,129,069)	(4,426,305)	(1,889,047)
Total Business-type activities	<u>(2,142,923)</u>	<u>(1,392,046)</u>	<u>(88,156)</u>	<u>(84,905)</u>	<u>(600,790)</u>	<u>(976,470)</u>	<u>(1,946,126)</u>	<u>(5,788,806)</u>	<u>(1,868,194)</u>
Total primary government	<u>\$ 44,851,030</u>	<u>\$ 45,514,540</u>	<u>\$ 45,824,652</u>	<u>\$ 43,914,836</u>	<u>\$ 42,502,965</u>	<u>\$ 40,557,603</u>	<u>\$ 40,560,436</u>	<u>\$ 32,249,947</u>	<u>\$ 7,612,223</u>
Changes in Net Assets									
Governmental activities	\$ (4,265,427)	\$ (3,390,008)	\$ 452,549	\$ 3,206,240	\$ 1,784,031	\$ (212,730)	\$ 2,472,683	\$ (6,188,586)	\$ (33,036,058)
Business-type activities	2,736,712	1,689,217	12,326,699	8,082,152	6,678,463	6,033,023	7,615,359	504,233	27,815,727
Total primary government	<u>\$ (1,528,715)</u>	<u>\$ (1,700,791)</u>	<u>\$ 12,779,248</u>	<u>\$ 11,288,392</u>	<u>\$ 8,462,494</u>	<u>\$ 5,820,293</u>	<u>\$ 10,088,042</u>	<u>\$ (5,684,353)</u>	<u>\$ (5,220,331)</u>

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

Schedule 3

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$ 4,922,227	\$ 4,907,418	\$ 5,467,732	\$ 5,856,130	\$ 5,882,457	\$ 7,948,007	\$ 7,791,312	\$ 7,374,962	\$ 6,777,335	\$ 8,872,364
Unreserved	6,077,480	1,750,414	1,947,664	5,826,604	8,378,956	8,680,480	10,315,422	10,435,150	9,637,414	7,132,237
Total general fund	\$ 10,999,707	\$ 6,657,832	\$ 7,415,396	\$ 11,682,734	\$ 14,261,413	\$ 16,628,487	\$ 18,106,734	\$ 17,810,112	\$ 16,414,749	\$ 16,004,601
All other Governmental Funds										
Reserved, reported in:										
Mayor/Council Capital Project Fund	\$ 6,497,878	\$ 2,337,743	\$ 4,302,467	\$ 4,302,467	\$ 73,998	\$ 44,720	\$ 239,178	\$ 1,157,677	\$ 803,631	\$ 708,310
Other Governmental Funds	2,531,362	2,265,700	2,913,145	1,566,402	1,239,395	3,446,185	4,058,649	4,671,316	4,462,211	5,862,568
Unreserved, reported in:										
Mayor/Council Capital Project Fund	3,599,951	1,703,261	226,186	(2,488,596)	1,014,546	998,534	1,302,184	1,634,921	1,418,181	1,386,361
Other Governmental Funds	254,361	4,928,126	3,234,609	3,637,918	3,516,651	1,198,326	459,430	2,088,019	2,291,756	(556,559)
Total all other governmental funds	\$ 12,883,552	\$ 11,234,830	\$ 10,676,407	\$ 7,018,191	\$ 5,844,590	\$ 5,687,765	\$ 6,059,441	\$ 9,551,933	\$ 8,975,779	\$ 7,400,680

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

Schedule 4

**City of Gastonia
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years**

(modified accrual basis of accounting)

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Ad valorem taxes	\$ 18,049,432	\$ 18,501,281	\$ 20,418,811	\$ 22,639,101	\$ 23,373,800	\$ 23,966,246	\$ 24,458,231	\$ 26,581,312	\$ 27,238,368	\$ 27,446,629
Other taxes and licenses	8,788,414	10,565,863	11,463,645	12,970,759	16,264,790	16,436,495	16,790,241	16,920,303	17,281,337	17,114,451
Unrestricted intergovernmental revenues	7,143,654	4,174,060	4,382,486	4,536,755	1,216,412	1,087,056	1,232,970	1,633,727	1,811,720	1,821,361
Restricted intergovernmental revenues	4,361,070	5,661,953	4,945,508	3,978,279	4,595,552	6,018,455	5,345,953	6,444,156	6,058,245	6,975,492
Permits and fees	657,075	623,895	942,894	785,382	780,417	626,678	1,097,740	998,738	743,410	549,800
Sales and services	3,976,379	5,360,964	4,377,221	4,858,900	4,730,450	4,948,879	5,430,463	5,002,323	5,033,550	4,494,145
Investment earnings	1,351,366	687,200	372,601	227,692	440,837	942,043	1,266,500	1,081,437	458,517	145,188
Miscellaneous	276,065	142,874	950,953	973,664	438,395	281,371	673,450	1,043,725	1,422,226	561,224
Total revenues	<u>44,603,455</u>	<u>45,718,090</u>	<u>47,794,119</u>	<u>50,970,532</u>	<u>51,840,653</u>	<u>54,307,223</u>	<u>56,295,548</u>	<u>59,706,721</u>	<u>60,047,373</u>	<u>59,108,290</u>
Expenditures										
Current:										
General government	11,977,066	13,246,123	14,216,451	9,139,017	9,074,541	8,787,333	8,403,961	9,089,348	9,553,424	9,598,133
Public Safety	19,166,533	19,546,288	19,205,362	18,974,037	19,688,974	21,163,473	23,273,025	24,527,453	25,704,818	26,426,963
Public works and cemeteries	5,400,969	4,998,758	4,705,778	9,609,414	9,901,062	10,188,437	9,950,758	10,795,304	11,257,939	10,596,754
Cultural and recreation	3,575,972	3,861,804	3,924,129	3,724,833	3,746,778	3,841,965	4,503,247	4,555,067	4,804,856	4,811,947
Economic and physical development	2,832,207	2,122,876	1,908,271	1,945,723	2,554,789	3,027,392	3,178,595	3,655,570	2,236,652	4,328,382
Capital outlay	5,040,189	9,896,382	4,846,521	4,142,350	1,376,734	1,776,775	1,394,321	2,662,256	4,691,159	2,298,712
Debt Service:										
Principal repayments	2,615,000	2,935,000	2,988,333	3,533,454	3,770,971	3,972,434	3,995,435	3,833,152	3,491,529	3,182,767
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	-
Interest	2,012,196	1,889,169	2,387,408	2,126,596	2,086,891	1,537,989	1,417,371	1,184,142	1,190,809	989,965
Total expenditures	<u>52,620,132</u>	<u>58,496,400</u>	<u>54,182,253</u>	<u>53,195,424</u>	<u>52,200,740</u>	<u>54,295,798</u>	<u>56,116,713</u>	<u>60,302,292</u>	<u>62,931,186</u>	<u>62,233,623</u>
Revenues over (under) expenditures	<u>(8,016,677)</u>	<u>(12,778,310)</u>	<u>(6,388,134)</u>	<u>(2,224,892)</u>	<u>(360,087)</u>	<u>11,425</u>	<u>178,835</u>	<u>(595,571)</u>	<u>(2,883,813)</u>	<u>(3,125,333)</u>
Other Financing Sources (Uses)										
Payments to refunded bond escrow agent	-	-	(6,420,977)	(4,640,371)	(13,445,368)	-	-	-	-	-
Transfers from other funds	6,721,700	4,494,468	4,398,171	4,376,129	2,321,000	2,497,181	2,902,209	3,990,273	4,117,105	3,061,405
Transfers to other funds	(3,659,578)	(2,721,527)	(1,891,510)	(2,247,060)	(910,306)	(825,824)	(1,641,158)	(2,974,316)	(2,913,463)	(2,291,868)
Operating transfers from component unit	530,000	-	-	-	-	-	-	-	-	-
Section 108 loan proceeds	-	-	-	-	-	-	-	-	-	-
Issuance of long term debt	8,254,037	5,270,000	10,328,911	4,705,000	13,575,000	-	-	-	-	-
Bond premium received	-	1,675	132,517	30,038	141,102	-	-	2,550,020	-	-
Total other financing sources (uses)	<u>11,846,159</u>	<u>7,044,616</u>	<u>6,547,112</u>	<u>2,223,736</u>	<u>1,681,428</u>	<u>1,671,357</u>	<u>1,261,051</u>	<u>3,565,977</u>	<u>1,203,642</u>	<u>769,537</u>
Net change in fund balances	<u>\$ 3,829,482</u>	<u>\$ (5,733,694)</u>	<u>\$ 158,978</u>	<u>\$ (1,156)</u>	<u>\$ 1,321,341</u>	<u>\$ 1,682,782</u>	<u>\$ 1,439,886</u>	<u>\$ 2,970,406</u>	<u>\$ (1,680,171)</u>	<u>\$ (2,355,796)</u>
Debt service as a percentage of noncapital expenditures	9.73%	9.93%	10.90%	11.54%	11.53%	10.49%	9.89%	8.70%	8.04%	6.96%

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

Schedule 5

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

Fiscal Year	Property Tax	Local Option Sales Tax	Franchise Tax	Video Franchise Tax	Beer and Wine Tax	Intangibles Tax	Inventory Tax	Rental Vehicle Tax	Total
2001	\$ 17,958,094	\$ 7,889,743	\$ 3,139,885	\$ -	\$ 277,497	\$ 417,545	\$ 989,267	\$ 35,814	\$ 30,707,845
2002	18,404,530	7,996,447	1,547,577	-	-	439,358	499,123	31,688	28,918,723
2003	20,321,063	8,640,145	3,070,912	-	288,948	-	-	20,599	32,341,667
2004	22,539,485	9,988,893	3,181,734	-	293,098	-	-	19,151	36,022,361
2005	23,272,597	9,988,923	3,149,026	-	303,281	-	-	53,159	36,766,986
2006	23,869,281	9,988,923	3,180,450	-	303,925	-	-	54,991	37,397,570
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

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

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

Schedule 6

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

Fiscal Year	Real Property ⁽¹⁾	Personal Property ⁽²⁾	Motor Vehicles	Public Service Companies	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
2001	\$ 2,610,259	\$ 574,244	\$ 390,667	\$ 109,196	\$ 3,684,366	0.4925	\$ 3,827,913
2002	2,676,903	556,023	398,821	105,555	3,737,302	0.4925	3,934,002
2003	2,723,971	558,030	385,933	107,648	3,775,582	0.5425	4,027,287
2004	3,213,975	481,328	434,471	117,053	4,246,827	0.5300	4,591,164
2005	3,396,429	392,600	380,558	99,560	4,269,147	0.5400	4,678,517
2006	3,389,163	477,540	420,911	98,925	4,386,539	0.5400	4,873,932
2007	3,463,484	496,793	410,628	103,924	4,474,829	0.5400	4,972,032
2008	3,945,878	500,405	432,830	110,132	4,989,245	0.5300	4,989,245
2009	4,082,384	482,831	433,571	116,429	5,115,215	0.5300	5,115,215
2010	4,135,722	489,271	402,900	116,435	5,144,328	0.5300	5,144,328

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 increase. Based on the economic condition in the current housing market, 2008 and 2009 taxable value (market value) is estimated to be approximately 100% of the County assessed value.

⁽¹⁾ 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.

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

Schedule 7

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

Fiscal Year	City Direct Rates					Overlapping Rates	Combined Tax Rate
	Basic Rate (General Fund)	Debt Retirement		Capital Projects Fund			
							Gaston County
2001	\$ 0.3500	\$ 0.1125	\$ 0.0300	\$ 0.4925	\$ 0.8250	\$ 1.3175	
2002	0.3500	0.1125	0.0300	0.4925	0.9183	1.4108	
2003	0.4000	0.1125	0.0300	0.5425	0.9183	1.4608	
2004	0.3875	0.1125	0.0300	0.5300	0.8930	1.4230	
2005	0.4275	0.1125	-	0.5400	0.8930	1.4330	
2006	0.4275	0.1125	-	0.5400	0.8930	1.4330	
2007	0.4275	0.1125	-	0.5400	0.8800	1.4200	
2008	0.4175	0.1125	-	0.5300	0.8400	1.3700	
2009	0.4175	0.1125	-	0.5300	0.8350	1.3650	
2010	0.4175	0.1125	-	0.5300	0.8350	1.3650	

Schedule 8

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

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Triangle Real Estate	\$ 45,885,215	1	0.97%	\$ -		
Bellsouth Tel Co	39,379,678	2	0.83%	42,877,201	4	1.30%
Wix Corp	36,201,250	3	0.76%	41,962,500	5	1.27%
Stabilus	35,767,603	4	0.75%	44,818,101	3	1.36%
PSNC Energy	35,306,207	5	0.74%	36,288,607	7	1.10%
Gastonia Components	32,138,912	6	0.68%	-	-	-
Centro Bradley Spe 1 LLC	27,293,721	7	0.58%	-	-	-
Southwood Realty	26,261,705	8	0.55%	-	-	-
E & A Franklin Square LTD	23,649,095	9	0.50%	37,159,500	6	1.13%
Daimler Trucks North America	22,531,363	10	0.48%	-	-	-
Freightliner	-	-	-	60,018,424	1	1.82%
Parkdale Mills	-	-	-	47,587,524	2	1.44%
American & Efird	-	-	-	35,644,919	8	1.08%
Eastridge Mall	-	-	-	24,071,015	9	0.73%
Danaher Tools	-	-	-	22,926,249	10	0.70%

Source: City of Gastonia Treasurer

Schedule 9

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	\$ 18,184	\$ 17,336	95.34%	\$ 729	\$ 18,065	99.35%
2002	18,406	17,668	95.99%	679	18,347	99.68%
2003	20,452	19,614	95.04%	767	20,381	99.65%
2004	22,506	22,168	98.50%	239	22,407	99.56%
2005	23,053	22,036	95.59%	941	22,977	99.67%
2006	23,687	22,715	95.90%	874	23,589	99.59%
2007	24,167	23,238	96.16%	800	24,038	99.47%
2008	26,447	25,366	95.91%	824	26,190	99.03%
2009	27,115	25,950	95.70%	-	25,950	95.70%
2010	27,283	26,195	96.01%	-	26,195	96.01%

Source: City Of Gastonia Treasurer

Schedule 10

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

Fiscal Year	Governmental Activities				Business-Type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Participation	Installment Financing	Section 108 Loan	General Obligation Bonds	Water Revenue Bonds	State Revolving Loans					
2001	\$ 27,845	\$ 22,705	\$ 5,316	\$ 1,080	\$ 17,300	\$ 46,165	\$ 9,900			\$ 130,311	7.66%	\$ 1,966
2002	28,330	20,990	4,162	3,245	15,360	44,855	8,750			125,692	6.78%	1,842
2003	26,154	17,921	9,658	3,110	13,486	43,225	7,600			121,154	6.42%	1,775
2004	23,914	16,595	7,547	2,960	11,206	41,450	6,450			110,122	5.57%	1,614
2005	21,944	15,485	8,248	2,690	9,056	39,610	5,300			102,333	4.98%	1,487
2006	19,238	13,821	9,445	2,410	6,976	46,545	4,150			102,585	4.73%	1,460
2007	16,610	12,105	10,287	2,490	5,125	44,215	3,000			93,832	4.16%	1,315
2008	16,558	11,010	11,286	2,285	3,837	41,780	2,000			88,756	NA	1,218
2009	14,494	9,925	12,130	2,080	2,772	39,290	1,750			82,441	NA	1,106
2010	12,547	8,955	10,374	1,863	1,523	36,715	1,576			73,553	NA	987

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

Schedule 11

City of Gastonia
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(dollars in thousands, except per capita)

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Population	Per Capita
2001	\$ 45,145	1.18%	66,277	\$ 681
2002	43,690	1.11%	68,255	640
2003	39,640	0.98%	68,255	581
2004	35,120	0.76%	68,246	515
2005	31,000	0.66%	68,809	451
2006	26,215	0.54%	70,278	373
2007	21,735	0.44%	71,349	305
2008	20,395	0.41%	72,848	280
2009	17,266	0.34%	74,518	232
2010	14,070	0.28%	75,280	187

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. The decrease in general obligation debt is due to a financing movement to revenue bonds in the Water & Sewer Enterprise Fund.

Schedule 12

**City of Gastonia
Direct and Overlapping Governmental Activities Debt
As of June 30, 2010
(dollars in thousands)**

<u>Governmental Unit</u>	<u>Net Bonded Debt</u>	<u>Estimated Percentage Applicable ⁽²⁾</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Direct Debt:			
City of Gastonia	\$ 31,876 ⁽¹⁾	100%	\$ 31,876
Overlapping Debt Gaston County	<u>223,725 ⁽³⁾</u>	35.43%	<u>78,281</u>
Total direct and overlapping debt	<u>\$ 255,601</u>		<u>\$ 110,157</u>

Notes:

- (1) Net bonded debt was calculated as general obligation bonds, certificates of participation, installment purchases, less general obligation bonds incurred for water & sewer.
- (2) Allocated based on assessed valuation.
- (3) Overlapping debt is owned by Gaston County and benefits all areas within the county. Payment of this debt is the responsibility of Gaston County. Net debt is calculated as general obligation bonds, certificates of participation, installment purchases, capital leases, less debt incurred for enterprise funds.

Schedule 13

**City of Gastonia
Legal Debt Margin Information,
Last Ten Fiscal Years
(dollars in thousands)**

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed value \$5,144,328

Debt limit (8% of assessed value) 411,546

Debt applicable to limit:

Authorized & Outstanding bonded debt 50,785

Outstanding debt not evidenced by bonds 20,829

71,614

Statutory Deductions:

Bonds and other debt not evidenced by

bonds applicable to Enterprise Funds 39,738

Amount designated for payment of gross

debt other than Enterprise Funds 29

39,767

Net Debt 31,847

Legal Debt Limit \$ 379,699

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit	\$ 294,749	\$ 298,984	\$ 302,047	\$ 339,725	\$ 341,532	\$ 350,923	\$ 358,036	\$ 407,191	\$ 411,642	\$ 411,546
Total net debt applicable to limit	56,946	56,727	56,842	51,016	48,341	44,888	41,463	41,110	38,598	31,847
Legal debt margin	<u>\$ 237,803</u>	<u>\$ 242,257</u>	<u>\$ 245,205</u>	<u>\$ 288,709</u>	<u>\$ 293,191</u>	<u>\$ 306,035</u>	<u>\$ 316,573</u>	<u>\$ 366,081</u>	<u>\$ 373,044</u>	<u>\$ 379,699</u>
Total net debt applicable to the limit	19.32%	18.97%	18.82%	15.02%	14.15%	12.79%	11.58%	10.10%	9.38%	7.74%
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 ⁽¹⁾	Less: Operating Expenses ⁽²⁾	Net Available Revenue	Debt Service Principal ⁽³⁾	Debt Service Interest ⁽⁴⁾	Coverage
2001	\$ 26,237	\$ 17,043	\$ 9,194	\$ 4,218	\$ 3,595	1.18
2002	24,396	15,835	8,561	4,400	3,604	1.07
2003	25,378	16,416	8,962	4,800	3,327	1.10
2004	25,709	16,484	9,225	5,205	2,774	1.16
2005	28,875	17,222	11,653	5,141	2,634	1.50
2006	28,865	17,512	11,353	5,464	2,645	1.40
2007	28,493	18,605	9,888	5,331	2,585	1.25
2008	28,676	19,475	9,201	5,155	2,389	1.22
2009	27,472	20,770	6,702	3,805	2,181	1.12
2010	27,766	20,449	7,317	4,379	1,612	1.22

⁽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. Amounts reported on budgetary basis, modified accrual basis of accounting.

⁽²⁾ "Expenses" exclude debt service payment, depreciation of fixed assets, amortization of deferred charges, and payments to escrow which are reflected as expenses in the financial statements. Amount reported on budgetary basis, modified accrual basis of accounting. Excludes transfers to other funds except transfer related to payment in lieu of taxes.

⁽³⁾ "Principal" excludes refunding activity.

⁽⁴⁾ "Interest" reported on budgetary basis, modified accrual basis of accounting.

Schedule 15

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

Calendar Year	Population ⁽¹⁾	Personal Income (thousands of dollars) ⁽²⁾	Per Capita Personal Income ⁽³⁾	Unemployment Rate ⁽⁴⁾
2001	66,277	\$ 1,700,204	\$ 25,653	6.4%
2002	68,255	1,854,693	27,173	7.5%
2003	68,255	1,887,182	27,649	7.7%
2004	68,246	1,976,472	28,961	7.1%
2005	68,809	2,054,224	29,854	6.4%
2006	70,278	2,171,028	30,892	5.4%
2007	71,349	2,253,558	31,585	5.7%
2008	72,848	NA	NA	7.5%
2009	74,518	NA	NA	13.3%
2010	75,280	NA	NA	10.4%

Notes:

⁽¹⁾ North Carolina Office of State Budget and Management

⁽²⁾ Per Capita Personal Income Extended By Population

⁽³⁾ Bureau of Economic Analysis

⁽⁴⁾ NC Employment Security Commission

Schedule 16

City of Gastonia
Principal Employers
Current Year and Nine Years Ago

<u>Employer</u>	2010			2001		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Gaston County Schools	1,000 & Over	1	-	1,000 & Over	1	-
Caromont Health	1,000 & Over	2	-	1,000 & Over	2	-
Wal-mart Association, Inc.	1,000 & Over	3	-	-	-	-
Gaston County	1,000 & Over	4	-	1,000 & Over	6	-
FKA Wix Filtration Corp	1,000 & Over	5	-	1,000 & Over	3	-
Pharr Yarns	1,000 & Over	6	-	-	-	-
American & Efird	1,000 & Over	7	-	1,000 & Over	4	-
City of Gastonia	500-999	8	-	1,000 & Over	7	-
Freightliner	500-999	9	-	1,000 & Over	5	-
Gaston College	500-999	10	-	-	-	-
Stabilus, Inc.	-	-	-	500-999	9	-
Parkdale Mills	-	-	-	1,000 & Over	8	-
R.L. Stowe Mills	-	-	-	500-999	10	-

Source: Gaston County Economic Development Commission.

Due to the confidentiality policies of many employers, obtaining exact number of employees for the principal employers, beginning FYE 2003 the number of employees is reported by an employment range; therefore, the percentage of total city employment is unavailable for the 2009 information. The Gaston County Economic Development Commission and NC Employment Security Commission provides this information in ranges only.

Schedule 17

City of Gastonia
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function/Program	Full-Time Equivalent Employees as of June 30									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government	-	188	163	134	113	139	135	185	187	177
Police	-	195	195	192	193	181	188	170	170	178
Fire	-	146	146	143	146	142	141	139	140	140
Public Works and Cemeteries	-	167	167	157	167	141	145	152	158	158
Cultural and Recreation	-	61	61	61	61	51	51	56	56	54
Water and Sewer	-	146	146	146	146	129	125	121	127	133
Electric	-	40	40	40	40	40	40	40	44	44
Transit	-	20	20	15	20	18	21	17	20	20
Golf Course	-	9	9	9	9	8	8	8	0	0
Stormwater	-	11	11	11	11	8	6	5	5	5
Total	-	983	958	908	906	857	860	893	907	909

Notes: Fiscal years 2010, 2009, 2008, 2007 and 2006 were actual data obtained from the City's Human Resources department.
Fiscal years 2005, 2004, 2003 and 2002 actual data was not readily available; therefore, data obtained from the City's Budget department (budgeted employees). Fiscal year 2001 data not readily available.

Schedule 18

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

Function/Program	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government										
Commercial Construction										
Commercial Building permits issued	443	376	437	516	381	629	577	548	514	563
Commercial Building permit value	43,712	41,085	104,117	59,836	51,347	80,082	60,589	62,785	57,213	25,221
Residential Construction										
Residential Building permits issued	485	531	1,040	621	649	439	789	800	586	461
Residential Building permit value	47,949	42,297	55,825	63,955	69,706	40,903	109,402	98,364	49,945	39,607
Police										
Physical arrests	5,485	4,412	5,056	5,292	5,517	5,936	6,067	7,867	8,116	8,127
Parking violations	867	614	607	371	354	152	34	19	22	38
Traffic violations	12,330	10,376	9,110	7,669	5,721	6,570	5,984	8,615	9,103	11,269
Fire										
Number of calls answered	7,255	7,525	8,023	7,611	7,750	7,611	8,648	8,810	8,968	8,624
Fires extinguished	-	-	-	-	-	390	329	491	403	332
Inspections	1,875	1,634	2,337	2,185	1,637	1,337	2,776	2,123	2,662	3,051
Sanitation/Solid Waste										
Residential Refuse collected (tons annually)	26,165	25,086	26,709	25,590	25,919	25,810	27,687	26,650	25,421	29,865
Commercial Refuse collected (tons annually)	20,342	21,131	20,912	20,371	30,530	32,370	36,441	24,483	24,908	23,632
Contractor/Recyclables collected (tons annually)	755	812	853	1,188	1,374	549	364	806	896	1,253
City Crews/Recyclables collected (tons annually)	444	376	348	204	122	72	104	126	161	143
Other public works										
Street resurfacing (miles)	-	-	-	-	-	-	5	9	7	4
Potholes repaired	-	-	-	-	-	-	597	499	637	1,104
Water										
Number of service connections	23,923	24,609	23,863	25,997	26,361	26,854	27,140	27,931	25,591	25,879
Water main breaks	-	-	-	-	-	-	168	176	608	934
Average daily consumption (thousands of gallons)	13.76 MGD	13.19 MGD	14.30 MGD	11.83 MGD	11.97 MGD	12.69 MGD	12.26 MGD	11.48 MGD	11.40 MGD	12.09 MGD
Maximum daily capacity of plant in gallons (thousands of gallons)	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD
Wastewater										
Average daily sewage treatment (thousands of gallons)	10.60 MGD	8.8 MGD	9.7 MGD	9.0 MGD	11.97 MGD	9.0 MGD	8.4 MGD	7.8 MGD	8.0 MGD	8.9 MGD
Maximum daily capacity of treatment in gallons	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD
Number of service connections	20,891	21,146	20,800	21,491	22,130	22,238	22,731	23,247	23,324	23,534
Transit										
Total route miles	296,756	293,413	287,838	296,121	289,677	300,871	191,045	295,495	286,726	286,382

Sources: Various City Departments

Schedule 19

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	135	129	131	134	130	132	131	133	133	133
Fire Stations	7	8	8	8	8	8	8	8	8	8
Refuse collection										
Collection trucks	NA	NA	NA	NA	NA	22	22	22	22	22
Other Public Works										
Streets (miles)	309	312	315.14	318	321	323.05	329.05	334.73	335.56	335.56
Streetlights	8920	9037	9245	9408	9401	9423	9466	9566	9687	9696
Parks and recreation										
Acreage	587	587	587	587	587	587	587	587	587	587
Parks	16	16	16	16	16	16	16	16	16	16
Baseball/softball diamonds	5	17	17	17	17	17	17	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	50	50	54	46	46	46	46	46	46	46
Jogging Tracks	7	8	8	8	8	8	8	8	8	8
Skeet & Trap Range	1	1	1	1	1	1	1	1	1	1
Skate Park	NA	NA	NA	1	1	1	1	1	1	1
Water										
Water mains (miles)	510	513	520	526	531	534.87	537.85	547	548.2	548
Fire Hydrants	2837	2907	2907	3027	3075	3,107	3,143	3,226	3,776	3,237
Maximum daily capacity of plant in gallons	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	25.4 MGD
Wastewater										
Number of treatment plants	2	2	2	2	2	2	2	2	2	2
Sanitary Sewers (miles)	477	485	485	486	490	490	497	528	504.9	505
Storm sewers (miles)	250	250	250	250	250	250	255	265	265	265
Maximum daily capacity of treatment in gallons	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD
Transit										
Buses	NA	NA	NA	NA	NA	8	8	8	8	8
ADA vans	NA	NA	NA	NA	NA	5	5	5	5	5

Sources: Various City Departments

SUPPLEMENTARY INFORMATION
COMPLIANCE SECTION



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

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

Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregated remaining fund information of the City of Gastonia, North Carolina, as of and for the year ended June 30, 2010, which collectively comprise the City of Gastonia's basic financial statements, and have issued our report thereon dated December 13, 2010. Our report includes a reference to other auditors. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the City of Gastonia ABC Board, as described in our report on the City of Gastonia's financial statements. The financial statements of the City of Gastonia ABC Board and the Gastonia Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A 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 financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Gastonia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of the City Council, federal and State awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
December 13, 2010

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

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

Report On Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 And The State Single Audit Implementation Act

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

Compliance

We have audited the compliance of the City of Gastonia, North Carolina, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The City of Gastonia's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Responses. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Gastonia's management. Our responsibility is to express an opinion on the City of Gastonia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether 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. Our audit does not provide a legal determination on the City of Gastonia's compliance with those requirements.

In our opinion, the City of Gastonia complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

The management of the City of Gastonia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Gastonia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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'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 a 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.

Our consideration of the 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 deficiencies, significant deficiencies, or material weakness. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of the City Council, federal and State awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
December 13, 2010

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

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

Report On Compliance With Requirements That Could Have A Direct And Material Effect on Each Major State Program And Internal Control over Compliance In Accordance With Applicable Sections Of OMB Circular A-133 And The State Single Audit Implementation Act

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

Compliance

We have audited the compliance of the City of Gastonia, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major State programs for the year ended June 30, 2010. The City of Gastonia's major State programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Responses. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major State programs is the responsibility of the City of Gastonia's management. Our responsibility is to express an opinion on the City of Gastonia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether 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. Our audit does not provide a legal determination on the City of Gastonia's compliance with those requirements.

In our opinion, the City of Gastonia complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

The management of the City of Gastonia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to State programs. In planning and performing our audit, we considered the City of Gastonia's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133, as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A 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 a 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.

Our consideration of the 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 deficiencies, significant deficiencies, or material weakness. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of the City Council, federal and State awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
December 13, 2010

CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2010

1. Summary of Auditors' Results

- A. An unqualified opinion was issued on the financial statements of the City of Gastonia, North Carolina.
- B. Our audit of the basic financial statements disclosed no significant deficiencies or material weaknesses in internal control over financial reporting.
- C. Our audit disclosed no significant deficiencies or material weaknesses in internal control and no findings regarding compliance over federal awards.
- E. An unqualified opinion was issued on the City of Gastonia's compliance with the types of compliance requirements applicable to its major federal programs.
- F. Our audit disclosed no significant deficiencies or material weaknesses in internal control and no findings regarding compliance over State awards.
- G. An unqualified opinion was issued on the City of Gastonia's compliance with the types of compliance requirements applicable to its major State programs.
- H. The major federal programs for the City of Gastonia for the year ended June 30, 2010 are:

CFDA #	Program Name
14.218	Community Development Block Grant/Entitlement Program Section 108 Loan Guarantee Program
14.239	CDBG - Home Investment Trust Fund
14.228	CDBG -Entitlement Program-Neighborhood Stabilization Program
81.128	Energy Efficiency Block Grant
20.507	Urbanized Area Formula Program Grants
20.205	Highway Planning Research and Construction Grants
20.106	Airport Improvement Program-Aviation Grant

- I. The major State programs for the City of Gastonia for the year ended June 30, 2010 are:

Powell Bill
- J. The threshold for determining Type A programs for City of Gastonia was \$300,000.
- K. The City of Gastonia did not qualify as a low risk auditee under Section .530 of Circular No. A-133.

CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2010

2. Findings Related to the Audit of the Financial Statements

None reported

3. Findings and Questioned Costs Related to the Audit of Federal Awards

None reported.

4. Findings and Questioned Costs Related to the Audit of State Awards

None reported

CITY OF GASTONIA, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

None reported in prior year.

CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Grantor/Pass-Through	Grantor/Program Title	Federal CFDA Number	Pass-Through/ Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures
FEDERAL GRANTS-Cash Programs:						
<u>U.S. Department of Housing and Urban Development</u>						
Direct Program:						
	Community Development Block Grant/Entitlement Program	14.218		\$ 827,410	\$ -	\$ -
	Section 108 Loan Guarantee Program	14.218		51,094	-	-
	Community Development Block Grant/Home Investment Trust Fund	14.239		693,519	-	-
	ARRA Office of Community Planning and Development					
	CDBG-Recovery Grant - Entitlement Program	14.253	# B-09-MY-37-0006	36,208	-	-
	Total U.S. Department of Housing and Urban Development			<u>1,608,231</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Commerce: Division of Community Assistance</u>						
Passed-through the State:						
	ARRA Neighborhood Stabilization Program	14.228	08-N-1891	1,855,155	-	-
	Total U.S. Department of Commerce: Division of Community Assistance			<u>1,855,155</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Energy</u>						
Direct Program:						
	ARRA Office of Energy Efficiency and Renew-Energy Efficient Block Grant	81.128	DE-SC0002829	566,831	-	-
	Total U.S. Department of Energy			<u>566,831</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Transportation</u>						
Direct Program:						
	Urbanized Area Formula Program- Operating Expenditures-09/10	20.507	NC90X454	693,314	-	693,314
	Urbanized Area Formula Program- Capital Expenditures-09/10	20.507	NC90X433, 454, 468	374,344	-	93,586
Passed-Through N.C. Department of Transportation:						
	Highway Planning, Research and Construction:					
	Section 104(f)	20.205		302,721	-	75,681
	Section 5303	20.205		20,805	2,600	2,600
	Federal-Aid Highway Bridge Replacement and Rehabilitation Program	20.205	B-4860	9,961	-	2,490
	Bicycle and Pedestrian Improvement Program	20.205	E-5017			
Division of Aviation:						
	Aviation Grant	20.106	36244.13.3.1, 36237.55.5.1, 36237.55.4.1	554,186	-	61,576
	Total U.S. Department of Transportation			<u>1,955,331</u>	<u>2,600</u>	<u>929,247</u>
<u>U.S. Department of Justice</u>						
Direct Program:						
	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009 JAG	119,976	-	-
	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007 JAG NC03606/	23,891	-	-
	ARRA COPS CHRP-Hiring Personnel Grant	16.710	2009RKWX0552	207,140	-	-
Passed-Through Gaston County:						
	ARRA Edward Byrne Memorial Justice Assistance Grant Program	16.804	2009 JAG	151,954	-	-
	Total U.S. Department of Justice			<u>502,961</u>	<u>-</u>	<u>-</u>
<u>N.C. Department of Crime Control and Public Safety</u>						
Direct Program:						
	ARRA Division of Governor's Crime Commission	16.803	COPS 2009 036-1-09-R01-RJ-802	31,890	-	-
	Total U.S. Department of Crime Control and Public Safety			<u>31,890</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>						
Passed-through N.C. Department of Crime Control and Public Safety:						
	Homeland Security Grant Program	97.067	2008-GE-T8-0033-1117	174,356	-	-
	Total U.S. Department of Homeland Security			<u>174,356</u>	<u>-</u>	<u>-</u>
<u>U.S. Environmental Protection Agency</u>						
Passed-through N.C. Department of Environment and Natural Resources:						
	- Recreational Trails Program-2008 DENR Grant	23.219	08RTP-M04	75,000	-	25,000
	-Carolina Thread Trail Grant			3,403	-	3,403
	Total U.S. Environmental Protection Agency			<u>78,403</u>	<u>-</u>	<u>28,403</u>

CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Grantor/Pass-Through	Grantor/Program Title	Federal CFDA Number	Pass-Through/ Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures
<u>N.C. Department of Environment and Natural Resources</u>						
Direct Program:						
	ARRA Division of Water Quality		2W370744-04	159,077	-	-
	Total N.C. Department of Environment and Natural Resources			159,077	-	-
<u>U.S. Environmental Protection Agency</u>						
Passed-through Mecklenburg County:						
	National Clean Diesel Emissions Reduction Program	66.039		17,625	-	50,113
	Total U.S. Environmental Protection Agency			17,625	-	50,113
	Total assistance-Federal programs			6,949,860	2,600	1,007,763
STATE GRANTS- Cash Programs:						
<u>N.C. Department of Transportation</u>						
	Powell Bill	NA		-	1,968,971	-
	Governor's Highway Safety Program	NA		-	11,515	5,838
	State Maintenance Assistance Program	NA		-	2,668	-
	Total N.C. Department of Transportation			-	1,983,154	5,838
<u>N.C. Department of Crime Control and Public Safety</u>						
Passed-through Alliance for Children and Youth						
	Gang Initiative Grant	NA		-	48,290	-
	Total N.C. Department of Crime Control and Public Safety			-	48,290	-
<u>N.C. Department of Housing Finance Agency</u>						
Passed-through Urgent Repair Program						
	Total N.C. Department of Housing Finance Agency	NA		-	27,259	-
	Total assistance-State programs			-	2,058,703	5,838
	Total assistance			\$ 6,949,860	\$ 2,061,303	\$ 1,013,601

The U.S. Department of Housing and Urban Development Section 108 Loan Guarantee Program received \$2,570,000 and \$249,930 in loan proceeds in the fiscal years 2002 and 2007, respectively. The loan balances outstanding at June 30, 2010 totaled \$1,862,927. In The City also received a ARRA loan pass-through the State of North Carolina Department of Environment and Natural Resources in the amount of \$159,076. The loan bears no no interest and \$79,538 of principal is to be foregiven. The outstanding balance to be paid back is \$75,562 at June 30, 2010.

Awards Which Have Been Passed Through to Subrecipients

Federal:

U.S. Department of Justice-JAG Grant (\$60,038)
Gaston County-\$60,038

State:

Community Development Block Grant Home Program Subrecipients (\$182,543):
Reinvestment in Communities- \$182,543

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.

