

City of Gastonia North Carolina

Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2011



**Prepared by
The Financial Services
Department**

City of Gastonia

North Carolina

Comprehensive Annual Financial Report

Year Ended June 30, 2011

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 Usery



CITY OF GASTONIA, NORTH CAROLINA

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INTRODUCTORY SECTION

Letter of Transmittal

City Facts

Certificate of Achievement for Excellence in Financial Reporting

Organizational Chart





City of Gastonia

A COMMITMENT TO EXCELLENCE

February 7, 2012

Prepared for the Citizens of the City of Gastonia, North Carolina

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, 2011, with comparative numbers for the fiscal year ended June 30, 2010.

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, 2011, 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, 2011 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 economy has benefited from its location within a major population center, its proximity to Charlotte, access to major interstate highways, and Charlotte-Douglas International Airport. For many years, the primary industry in the City was textiles. However, the 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 through a variety of commercial, industrial, trade and tourism sectors, while the significance of the textile industry has declined. The City emphasizes the attraction of new and diverse industry while providing support for the existing commercial and industrial community, as evidenced by the City's economic development incentives package. These incentives promote industrial projects, as well as major retail and office development, with extra inducements for the construction of LEED buildings. Qualified downtown projects can also receive rent assistance and/or funds for building up-fits and architectural assistance.

The national and worldwide economic downturn, which began in late 2008, has certainly been felt in Gastonia, however, the City has made positive strides towards economic recovery. The economic outlook based on the November 1, 2011 joint meeting of the Federal Open Market Committee and the Board of Governors of the Federal Reserve System is as follows:

“The overall outlook for economic activity, participants generally agreed that the most probable outcome was a moderate pace of economic growth over the medium run with only a gradual decline in the unemployment rate. While some factors were seen as likely to support growth going forward--such as pent-up demand, improvements in household and business balance sheets, and accommodative monetary policy--participants observed that the pace of economic recovery would likely continue to be held down for some time by persistent headwinds. In particular, they pointed to very low levels of consumer and business confidence, further efforts by households to deleverage, cutbacks at all levels of government, elevated financial market volatility, still-tight credit conditions for some households and small businesses, and the ongoing weakness in the labor and housing markets. While recent incoming data suggested reduced odds that the economy would slide back into recession, participants still saw significant downside risks to the outlook for economic growth. Risks included potential spillovers to U.S. financial markets and institutions, and so to the broader U.S. economy, if the European debt and banking crisis were to worsen significantly. In addition, participants noted the risk of a larger-than-expected fiscal tightening and the possibility that structural problems in the housing market had attenuated the transmission of monetary policy actions to the real economy. It was also noted that the extended period of highly accommodative monetary policy could eventually lead to a buildup of financial imbalances. A few participants, however, mentioned the possibility that economic growth could be more rapid than currently expected, particularly if gains in output and employment led to a virtuous cycle of improvements in household balance sheets, increased confidence, and easier credit conditions.

With respect to the outlook for inflation, participants generally anticipated that inflation would recede further over coming quarters and would settle over the medium run at levels at or below those judged to be most consistent with the Committee's dual mandate. They pointed to the further dissipation of the effects of earlier increases in the prices of energy and some commodities, the significant slack in resource utilization, the continued subdued growth in labor compensation, and well-anchored inflation expectations as factors likely to contribute to the moderation in inflation over time. A number of participants saw the risks to the outlook for inflation as roughly balanced. A few participants felt that the continuation of the current stance of monetary policy, coupled with the possibility of a rebound in energy and commodity prices, posed some upside risks to inflation. Other participants instead saw inflation risks as tilted to the downside, in light of their expectations for persistent resource slack. It was noted that U.S. inflation had been influenced relatively more by commodity price fluctuations in recent years; because commodity prices reflect global economic conditions, U.S. inflation might be less affected by domestic factors and more linked to the global outlook than in the past.”

During the twelve-month period from July 2010 through June 2011, total Gaston County retail sales tax collected by the State was \$86,559,479 as compared to \$74,232,367 for the same period in the 2010 fiscal year, an increase of \$12,327,112. During the twelve-month period from July 2010 through June 2011, total taxable sales for Gaston County were \$1,501,091,334 as compared to \$1,385,332,241 for the same period in the 2010 fiscal year, an increase of \$115,759,093.

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 10.9%, less than the county rate of 11.6%, but higher than the State rate of 10.4% and the national average of 9.3 % at fiscal year end June 2011. This is an increase from a rate of 10.4% a year ago. Unemployment in the City was 9.9% as of October 2011.

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 July 1, 2010 through June 30, 2011 new manufacturing companies and expansions and renovations of existing companies resulted in investments of approximately \$4,198,273 however these investments did not create any new jobs. In addition, during the same period, new and existing retail business made investments totaling approximately \$30,220,281.

A variety of new manufacturing and retail establishments were established or expanded recently. Peak Resources, a nursing home operator, constructed a \$1.3 million dollar, 10,000 square foot corporate headquarters on Summit Crossing Place. Brixx Pizza constructed a \$950,000 facility on Cox Road, two Dollar General stores were constructed in the City with a combined value of \$1.8 million. Other new and expanding facilities include Carolinas Healthcare System Urgent Care, renovations and system upgrades at the Caromont Health surgery center, and renovations of the hospital lobby and front vestibule. Construction of single family residential neighborhoods has been slow, consistent with other North Carolina communities, while residential addition, renovation and remodel permits have been steady.

Gastonia Technology Park (GTP), the area's premier business park, will soon be home to two new international businesses. LANXESS Corporation, a German company, manufactures a wide range of specialty chemicals and polymers. The Gaston County project will manufacture high-tech compounds that enable engineers to design, as an example, lighter and safer parts for automobiles. Increased efficiency standards are driving demand for these advanced materials. The \$15 million investment will create 55 new jobs. REPI is the second firm to recently announce its plans to locate at the GTP. The Italian company develops and produces high performance liquid colors, additives and dosing systems for applications in the polyurethane sectors (automotive, footwear, furniture) and the thermoplastic sectors (soft drink bottles, cosmetics). The company plans to create 27 new jobs and invest \$5.8 million. The GTP has been prepared for additional firms by the recent paving of new roads, site grading, and power backup generation. Designated as a Prime Power Park, businesses will have a designated system for back-up power, which is crucial for industrial users with

precision machinery, 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 physical plant is approximately 1,300,000 square feet and includes 435 licensed beds, a specialty surgery center, a diagnostic center, medical office buildings and a business services annex. The campus is owned by the County and leased to CaroMont Health, Inc. 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 in neighborhood stabilization funds will provide for 16 owner-occupied single-family units, a new \$600,000 pedestrian plaza opened in 2010, a public art piece was dedicated in the central city park, and a third round of neighborhood stabilization funds will enable the renovation and reuse of both the Gaston Memorial Hospital on Highland Street and the Marietta Street Apartments, both adding quality residential units into the center city. This is in addition to several new business openings, an active downtown events calendar, and a downtown outdoor market. A \$10 million, 29,506 sq. ft., LEED-certified conference center and an integrally-designed 169 space parking deck project will be a cornerstone in the redevelopment of downtown. Construction of the project began in October 2010 with the opening slated for the fall of 2011. The construction costs of the project will be 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 opened in April 2011 in a renovated historic theater.

Construction of a new Environmental Studies Center addition to the City's Schiele Museum of Natural History will be underway in fall 2011. The 7,700 square foot, LEED-certified conference/classroom addition is expected to open in fall 2012.

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.

Gaston Mall is currently undergoing a major redevelopment including a new “big box” store with several smaller anchor tenants and numerous new retail establishments totaling over 180,000 square feet of retail space. The \$37 million investment includes anchors such as Target, Dick’s Sporting Goods, and TJMaxx. The completed project is expected to generate 393 new jobs with over \$56 million in annual sales. Westfield Shopping town 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 JCPenney anchor this facility, which is supported by 70 smaller retailers. Franklin Square is another retail shopping area consisting of over 1,000,000 square feet, anchored by Wal-Mart, K-Mart, Lowe’s, Sam’s Club, Best Buy and Kohl’s. Numerous retailers, restaurants and a 13-screen movie theater are also located in Franklin Square, and a 2008 expansion, the Shops at Franklin Square, includes additional retail space with H.H.Gregg and Ashley Furniture as anchor stores.

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 62-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.

The Electric Transfer Policy sets a 3% of gross capital assets limit on the amount that can be transferred to the General Fund. This policy was adopted in response 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 total transfer budgeted and transferred for fiscal year 2011 was \$2,000,000 and was \$614,412 below the level established by City Council as acceptable – 3 percent of Gross Electric Capital Assets.

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, 2011 was 14.61%. 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%.

The City of Gastonia’s total financing debt obligations increased by \$37,273,750 (50.68%) during the current fiscal year. The key factors in this increase were the overall scheduled debt retirements of \$10,670,524 and defeasance of \$5,000,000 of certificates of participation, while the City incurred \$52,944,274 of new financing debt obligations. New debt obligations consisted of the issuance of tax exempt General Obligation Bonds in the amount of

\$11,690,000, taxable Build America General Obligation Bonds in the amount of \$17,805,000, tax exempt Limited Obligation Bonds in the amount of \$7,830,000, taxable Limited Obligation Recovery Zone Economic Development Bonds in the amount of \$8,000,000, a \$1,885,000 vehicle equipment-financing instrument, \$745,930 of Section 108 Loans, a \$500,000 installment loan along with the assumption of \$4,488,344 of North Carolina State revolving loans related to the acquisition of the Cramerton water and sewer system.

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+.

FUTURE CHALLENGES / FISCAL MANAGEMENT AND ECONOMIC CONDITION:

The 2012 budget was prepared 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 2012 budget represents a comprehensive fiscal plan for the effective management of the city. The preparation of the 2012 budget focused on fiscal austerity and cost-cutting strategies. The Budget process for fiscal year 2012 was established based on organizational priorities established by Council. These objectives, which staff focused on to produce the 2012 Budget, were achieved as follows:

- 1.) Employee wage adjustments. An across-the-board 1.5% wage increase was provided as well as an additional bonus of \$475. The additional bonus was paid with the annual Christmas bonus of \$300.**
- 2.) Health Care Cost Containment. The Budget achieved a reduction in both employer and employee monthly premium payments; maintains previous benefit levels, including the employer-provided deposit of \$750 to HSA accounts.**
- 3.) Protects Fund Balance. The Budget requires no appropriation of unreserved Fund Balance from the General Fund, for recurring, operational, or capital costs.**
- 4.) No property tax rate increases. The Budget decreases the rate 1¢ per \$100 of valuation; from 53¢ to 52¢. This decrease was to begin to offset the January introduction of a Solid Waste fee.**
- 5.) The Budget included a retail rate increase to Electric customers of 2.6%, a level less than the increase of wholesale purchase power cost to the City 5%. In addition, the multi-year adjustment to Water and Sewer rates, the fees for combined water/sewer bills will go up by an average of 5.5% (8% sewer, 3% water). The Budget included, for the first time a \$6.00 per-month, mandatory fee for all residential Solid Waste services, beginning January 1, 2012.**

GENERAL GOVERNMENT, ADMINISTRATION, CITY-WIDE OVERVIEW:

The Fiscal-Year 2012 Budget provides for 887 total full-time positions, this is 100 less than Fiscal Year 2002. In the last three years, we have decreased personnel costs by approximately \$2.6 million dollars. The Budget provided for the State-mandated increase to employer retirement contributions which added \$256,000 to the FY 2012 Budget (\$846,000 cumulative when the FY 2011 Budget is considered).

PUBLIC SAFETY:

- **Police:** The 2012 Budget maintained the full complement of Police Department staffing – holding steady at an allocated force of 177 sworn police officers, and an additional 28 civilian employees. The 177 officers includes the 8 (eight) C.O.P.S.-grant-funded positions, now representative of slightly past the second full year in a three-year grant cycle set to conclude in 2013. Thereafter, it will cost the Police Department Budget approximately \$380,000 per-year to maintain these 8 (eight) full-time officer positions.
- **Fire Department:** The 2012 Budget supports the maintenance of current levels of staffing within the Fire Department -- set at 131 firefighters assigned to operations, 10 officers assigned to administration and fire prevention, and 2 civilian employees. Also, for the second year in a row, we have submitted a grant request to fund 9 additional firefighters through the S.A.F.E.R. Grant Program. This Budget did not recommend the replacement of any vehicles or major apparatus.

STREET REPAIRS AND RESURFACING:

All of the construction, reconstruction, and resurfacing efforts during 2012, is a result of the Capital G.O. and 2/3rds Bond Projects previously contracted. The City has essentially arrived at a point where, without additional revenues, the Budget will simply not support even the most basic of re-pavement or rehabilitation efforts. For fiscal-year 2012, we are budgeted total Powell Bill revenues from the State at \$1,927,376. This revenue source has steadily declined for each of the last four fiscal-years to the point that it now reflects a \$484,123 decrease. The budget includes \$163,269 in street 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. The 2012 Budget funded a combined total replacement of \$2,577,800 in vehicles, rolling stock, and computer and radio equipment.

ELECTRIC UTILITY:

The City's Electric Fund received a 5% wholesale rate increase effective July 1, 2011. The City increased electric rates 2.6%, less than the wholesale increase. For the fiscal-year 2012, the Electric Fund again calls for a contribution to the General Fund of \$2 million dollars. The Electric Operating Fund began the year with approximately 11.9% in "Available Fund Balance".

WATER/SEWER:

The FY 2012 Budget represented the third year of the multi-year, phased-in rate restructuring which first went into effect with the FY 2010 Budget year. As such, a 5.5% average retail rate increase will affect all customers beginning January 1, 2012. Other features of note within the FY 2012 Budget include the fact that we will be increasing employment by 4, full-time positions as a result of the Cramerton consolidation and the absorption of existing Cramerton town employees. Also, we have earmarked \$1,200,000 for capital improvement projects. The Water and Sewer Operating Fund began the capital FY 2012 Budget year with approximately 12.0% in "Available Fund Balance".

STORMWATER FUND:

The Stormwater fees represent the Stormwater Fund's sole source of revenues. The fees have not been adjusted since they were first imposed in 2003, and inflationary pressures have eroded the City's overall ability to achieve substantive capital improvement efforts utilizing the Fund.

TRANSIT:

The Transit Fund for FY 2012, has budgeted total expenditures of \$2,169,969. This corresponds to total revenues established at \$1,577,072, the City to subsidy is \$592,897 from the General Fund. The subsidy was \$568,054 in FY 2011 and \$483,743 in FY 2010.

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 Moody's Investors Service and AA from Fitch. The current credit ratings for revenue bonded debt are: Standard and Poor's Corporation AA-, Moody's Investor Service 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, 2011, the City's legal debt limit was \$408,962,734. The outstanding debt subject to this limit was \$67,687,295, leaving a net legal debt margin of \$341,275,439. The total gross bonded debt at June 30, 2011, was \$108,688,316. 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 \$14.687 billion, which includes the City's valuation of \$5.112 billion, resulting in a City to County ratio of 34.81%.

CASH MANAGEMENT

Effective cash management, including forecasting of cash requirements, provides for good utilization of available cash resources. For the year ended June 30, 2011, the City's General Fund investments yielded investment earnings of \$198,083 as compared to \$139,481 for the year ended June 30, 2010. This slight increase in investment earnings is directly related to an increase in cash available for investment. The returns available in the financial investments market continued to decline. The current year investment earnings equates to approximately one-half cent on the 2011 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 13.30% of its cash available for investment in commercial paper and federal notes, 5.07% in certificates of deposit (reported as cash in the financial statements and the notes to the financial statements), 51.70% in money market accounts (reported as cash in the financial statements and the notes to the financial statements), and 29.93% 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, 2011, 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.

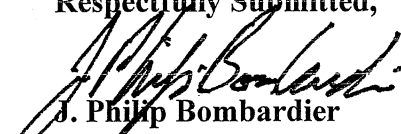
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Gastonia for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. The 2010 report was judged to conform 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 eighteen (18) years. We believe the report for Fiscal Year 2011 continues to substantially conform to those standards and this report is being submitted to GFOA.

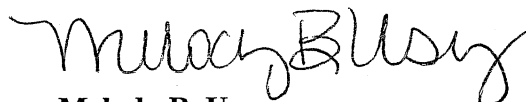
GFOA also presented the City of Gastonia with its Distinguished Budget Presentation Award for its annual budget for Fiscal Year 2011. The City has received this award for the past eighteen (18) years. To receive this award, a governmental unit must publish a budget document that meets program criteria. This award is also valid for one year only. The City believes the Fiscal Year 2012 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 Submitted,


J. Philip Bombardier
Assistant City Manager,
Public Infrastructure


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 71,741 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 71,741 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 62nd 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 expired 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, 2011, 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 \$.52 for the new fiscal year beginning July 1, 2011 places it at the twelfth 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, during the period July 2010 to June 2011, new and expanding industry, new manufacturing companies and expansions and renovations of existing companies resulted in investments of approximately \$4.2 million, however these investments did not create any new jobs. In addition, during the same period, new and existing retail business made investments totaling approximately \$30,200,000.

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 recently completed a major redevelopment including a new "big box" store with smaller anchor tenants and retail establishments. This includes Dick's Sporting Goods, TJMaxx and SuperTarget stores. It is expected to generate annual sales of 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.

Daimler Trucks North America is the City's largest taxpayer with 1.01% 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 6.95% 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 project is currently in a discussion stage.

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 five trips into uptown Charlotte every morning and five 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 7th nationwide in operations, 11th in nationwide passengers and 34th in cargo. The airport is serviced by 10 major airlines and 4 regional airlines with approximately 684 scheduled commercial departures daily to virtually any North American location and parts of Europe with over 39 million passengers boarding a year. US Airways maintains an operational hub at the airport. The airport offers non-stop flights to 138 destinations. On February 12, 2010 the airport commissioned a forth runway which permits triple independent landings. At 9,000 feet long, the new "third parallel" runway allows 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 ninth largest school district in the state. There are currently 30 elementary schools (grades K-5), 11 middle schools (grades 6-8), and 10 high schools (grades 9-12) located within the Gaston County school system. There is also 1 alternative school (grades 6 – 12), 1 special needs school (Pre-K – 12), and 2 intermediate schools. Total enrollment is approximately 32,000 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 opened 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, 2010

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.



Linda C. Sandson

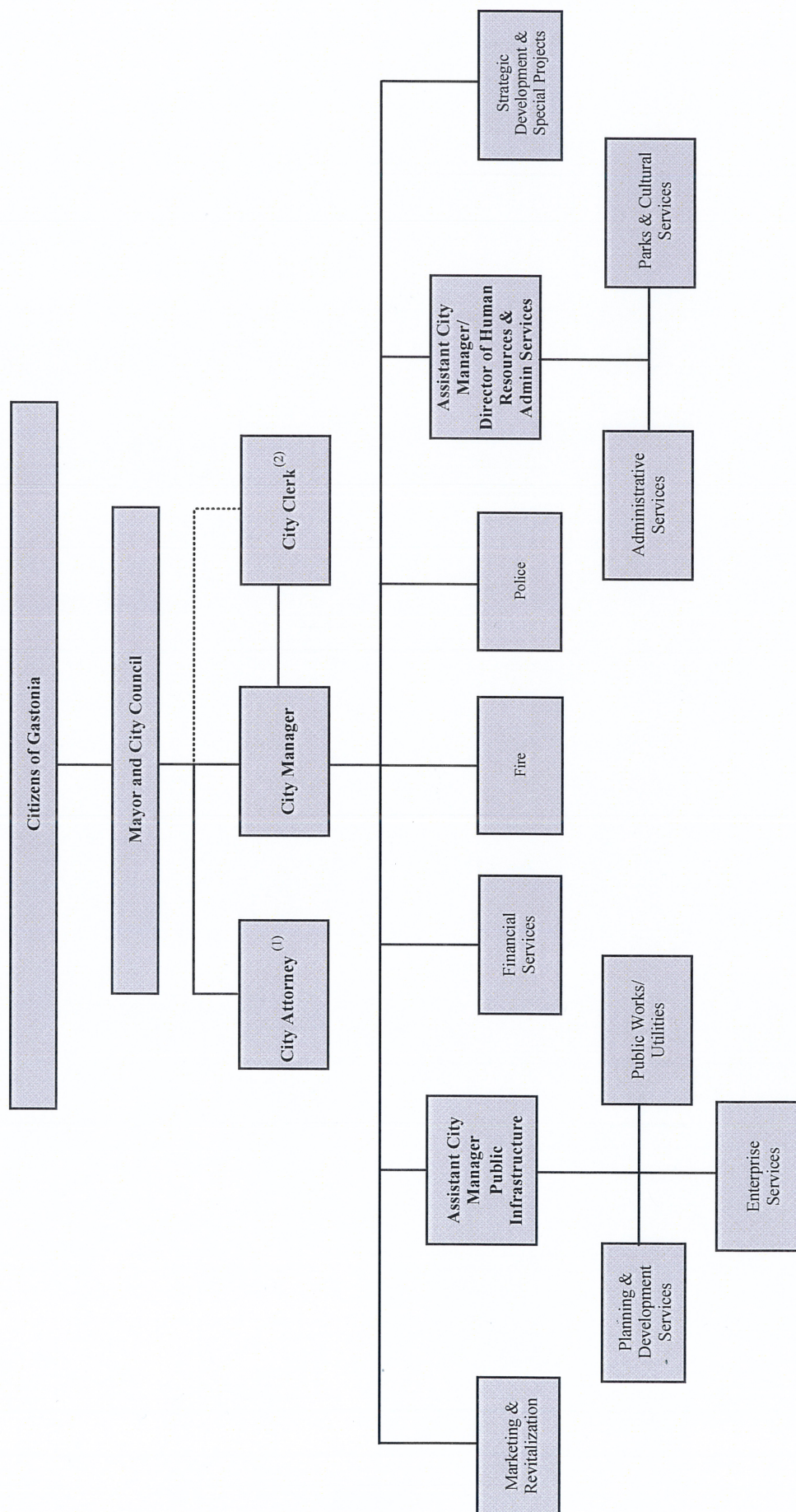
President

Jeffrey R. Enen

Executive Director

City of Gastonia, North Carolina

Organizational Chart





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, 2011, 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 65 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, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Law Enforcement Officer's Special Separation Allowance and the Other Post-Employment Benefits-Retiree Health Plan Schedule of Funding Progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

Our audit was performed for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements of the City of Gastonia, North Carolina as a whole. The introductory section, combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and statistical tables 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 U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act and is also not a required part of the basic financial statements. The combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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.
December 9, 2011

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, 2011. 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 \$397,402,733 (*net assets*).
- The City's total net assets increased by \$789,129. Governmental activity net assets decreased by \$5,707,662 and business-type activities increased by \$6,496,791.

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, use of appropriated fund balances, depreciation, and certain employee benefit accruals will decrease net assets): Governmental funds' fund balances increased by \$34,592,119. General Fund expenditures exceeded revenues by \$1,026,283, and the combined other governmental funds' expenditures exceeded revenues by \$33,565,836.

The General Fund revenues were \$88,304 under budget however included in this was an \$810,000 transportation grant for which no revenue was recognized since the allowable expenditures had not been incurred, thus routine operating revenues were actually over budget by \$721,696. The majority of this favorable budget to actual variance was due to the receipt of more than anticipated utility franchise tax, ABC Board distributions and several sales, services and fees revenues. In addition expenditures were under budget by \$2,970,258 however routine operating expenditures were only under budget by \$2,160,259 after factoring in the effect of the above discussed transportation grant. Salaries and benefits accounted for approximately \$754,000 of the favorable variance and were mostly attributable to hiring lag related to terminations and retirements and the effects of an upper management reorganization. The remaining amount was spread out over numerous operating expenditure account types influenced by a City-wide effort to hold down operating costs in light of the continued economic turnaround.

The combined other governmental funds' \$33,565,836 increase in fund balances was mainly due to the issuance of \$40,970,930 of long-term debt in the forms of Limited Obligation Bonds, General Obligation Bonds, and Section 108 Loans for which the majority of the related projects, except for the Gastonia Conference Center project and the Webb Theater project, were only in the planning and design phase with minimal expenditures.

The net change in governmental funds' fund balances under the modified accrual basis of accounting resulted in a \$34,592,119 increase. Readers need to refer the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Net Assets, Exhibit E, to understand what modified accrual basis of accounting to full accrual basis of accounting differences influenced the \$5,707,662 decrease in governmental type net assets.

- The business-type activities' increase in net assets of \$6,496,791, as compared to \$2,736,712 in fiscal year 2010, was primarily due to the following: charges for services and operating grants exceeded program expenses by \$1,499,735 as compared to the prior year amount of \$3,353,308 however capital grant revenues and capital contributions were \$6,685,393 as compared to \$1,526,327 in the 2010 fiscal year. This increase was directly related to more developer contributions of water and sewer line expansions in the 2011 fiscal year.

Under the modified accrual basis of accounting (budgetary basis), Electric Fund revenues came in over budgeted revenues by \$3,592,259. Expenditures came in under budget by \$298,568 due to a \$1,191,486 unfavorable budget-to-actual variance in the cost of purchased power for resale, a \$1,158,814 favorable budget-to-actual variance in emergency replacement and renewal of system infrastructure cost, and a \$331,240 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 over budgeted revenues by \$566,744. Expenditures came in under budget by \$2,406,655 due to a concerted effort by management to reduce controllable expenditures, a \$1,488,873 favorable budget-to-actual variance in emergency replacement and renewal of system infrastructure expenditures, and a budgeted \$528,381 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.

Readers need to refer to the Reconciliation from Budgetary Basis to Full Accrual Basis section in Schedules E-4, E-6, E-8 and E-10 to understand what modified accrual basis of accounting to full accrual basis of accounting adjustments influenced the \$6,496,791 increase in business-type net assets.

- 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, 2011, fund charges for services exceeded claims, administrative fees and stop/loss premiums by \$1,002,044. In 2011 the City revamped the health insurance plan into a high-deductible plan with an HAS (Health Savings Account). Claims were \$4,669,278 as compared to the 2010 claims of \$8,223,401. The fund ended the 2011 fiscal year with a \$1,060,450 fund balance. This internal service fund predominantly services the governmental funds; thus, the fund's activities are included in the City's governmental activities.
- As of the close of the current fiscal year, the City of Gastonia's General Fund reported an ending fund balance of \$17,037,031, an increase of \$1,032,430 from the prior year ending fund balance.
- Approximately 46.92 percent of this total amount, or \$7,992,950, is available for spending at the government's discretion (*unassigned fund balance*).

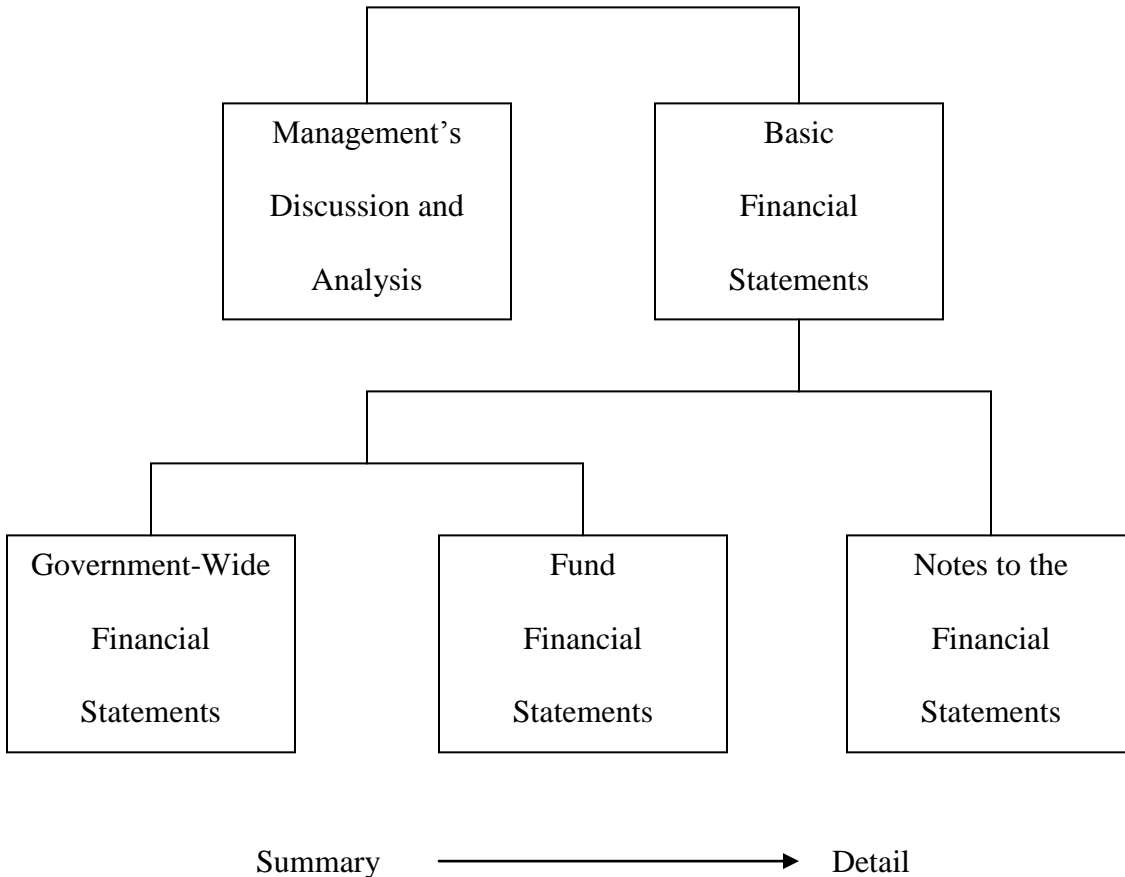
- At the end of the current fiscal year, *available fund balance* for the General Fund was \$8,286,925, or 14.61 percent of total General Fund expenditures, including transfers to other funds, for the fiscal year. Prior year's *available fund balance* was \$7,132,237, or 12.52 percent of total General Fund expenditures, including transfers to other funds. This increase is mostly due to a \$1,032,430 increase in total fund balance along with no significant increases or decreases in inventories, prepaids or Stabilization by State Statute (mostly restrictions related to receivables and carryover encumbrances) from the previous year's balances.
- The City of Gastonia's total financing debt obligations increased by \$37,273,750 (50.68%) during the current fiscal year. The key factors in this increase were the overall scheduled debt retirements of \$10,670,524 and defeasance of \$5,000,000 of certificates of participation, while the City incurred \$52,944,274 of new financing debt obligations. New debt obligations consisted of the issuance of tax exempt General Obligation Bonds in the amount of \$11,690,000, taxable Build America General Obligation Bonds in the amount of \$17,805,000, tax exempt Limited Obligation Bonds in the amount of \$7,830,000, taxable Limited Obligation Recovery Zone Economic Development Bonds in the amount of \$8,000,000, a \$1,885,000 vehicle equipment-financing instrument, \$745,930 of Section 108 Loans, a \$500,000 installment loan along with the assumption of \$4,488,344 of North Carolina State revolving loans related to the acquisition of the Cramerton water and sewer system.
- 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 1) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Gastonia, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Gastonia can be divided into 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

City of Gastonia's Net Assets

Figure 2

	Governmental Activities		Business-Type Activities		Total	Total
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 87,046,217	\$ 33,050,355	\$ 66,860,413	\$ 43,685,058	\$ 153,906,630	\$ 76,735,413
Capital assets	147,720,875	164,500,405	240,021,958	257,531,327	387,742,833	422,031,732
Total assets	<u>234,767,092</u>	<u>197,550,760</u>	<u>306,882,371</u>	<u>301,216,385</u>	<u>541,649,463</u>	<u>498,767,145</u>
Long-term liabilities						
outstanding	75,652,826	35,413,278	40,875,203	38,968,217	116,528,029	74,381,495
Other liabilities	15,809,905	13,125,459	11,908,796	14,646,587	27,718,701	27,772,046
Total liabilities	<u>91,462,731</u>	<u>48,538,737</u>	<u>52,783,999</u>	<u>53,614,804</u>	<u>144,246,730</u>	<u>102,153,541</u>
Net assets:						
Invested in capital assets,						
net of related debt	138,540,308	139,559,976	224,855,825	218,955,191	363,396,133	358,515,167
Restricted	15,584,703	-	-	-	15,584,703	-
Unrestricted	(10,820,650)	9,452,047	29,242,547	28,646,390	18,421,897	38,098,437
Total net assets	<u>\$ 143,304,361</u>	<u>\$ 149,012,023</u>	<u>\$ 254,098,372</u>	<u>\$ 247,601,581</u>	<u>\$ 397,402,733</u>	<u>\$ 396,613,604</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of Gastonia exceeded liabilities by \$397,402,733 as of June 30, 2011. The City's net assets increased by \$789,129 for the fiscal year ended June 30, 2011. However, the largest portion (91.44%) 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. \$15,584,703 of the City's net assets is restricted by State statute or external parties. The remaining balance of unrestricted net assets \$18,421,897 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 \$1,040,000 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's Changes in Net Assets

Figure 3

	Governmental Activities		Business-Type Activities		Total	Total
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 10,052,060	\$ 9,497,960	\$ 102,764,566	\$ 97,722,710	\$ 112,816,626	\$ 107,220,670
Operating grants and contributions	6,056,309	7,254,047	-	-	6,056,309	7,254,047
Capital grants and contributions	4,086,757	770,492	6,685,393	1,526,327	10,772,150	2,296,819
General revenues:						
Ad valorem taxes	27,376,171	27,442,703	-	-	27,376,171	27,442,703
Local option sales tax	9,456,007	9,728,777	-	-	9,456,007	9,728,777
Other taxes	7,920,147	7,385,674	-	-	7,920,147	7,385,674
Interest earned on investments	476,840	139,237	131,907	154,639	608,747	293,876
Total revenues	<u>65,424,291</u>	<u>62,218,890</u>	<u>109,581,866</u>	<u>99,403,676</u>	<u>175,006,157</u>	<u>161,622,566</u>
Expenses:						
General government	13,757,722	14,984,907	-	-	13,757,722	14,984,907
Public safety	28,459,755	27,143,754	-	-	28,459,755	27,143,754
Public works and cemeteries	18,653,955	16,745,302	-	-	18,653,955	16,745,302
Cultural and recreation	5,536,988	4,789,198	-	-	5,536,988	4,789,198
Economic and physical development	3,561,666	4,125,961	-	-	3,561,666	4,125,961
Interest on long-term debt	2,982,111	992,756	-	-	2,982,111	992,756
Water and sewer	-	-	27,806,172	27,530,541	27,806,172	27,530,541
Electric	-	-	65,738,586	61,777,655	65,738,586	61,777,655
Transit	-	-	4,559,377	2,346,151	4,559,377	2,346,151
Golf	-	-	46,058	43,125	46,058	43,125
Stormwater	-	-	3,114,638	2,671,930	3,114,638	2,671,930
Total expenses	<u>72,952,197</u>	<u>68,781,878</u>	<u>101,264,831</u>	<u>94,369,402</u>	<u>174,217,028</u>	<u>163,151,280</u>
Increase (decrease) in net assets before transfers	(7,527,906)	(6,562,988)	8,317,035	5,034,274	789,129	(1,528,714)
Transfers	<u>1,820,244</u>	<u>2,297,562</u>	<u>(1,820,244)</u>	<u>(2,297,562)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	(5,707,662)	(4,265,426)	6,496,791	2,736,712	789,129	(1,528,714)
Net Assets:						
Beginning of year - July 1	<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>
End of year - June 30	<u>\$ 143,304,361</u>	<u>\$ 149,012,023</u>	<u>\$ 254,098,372</u>	<u>\$ 247,601,581</u>	<u>\$ 397,402,733</u>	<u>\$ 396,613,604</u>

Governmental Activities. The 2011 fiscal year governmental activities decreased the City's net assets by \$5,707,662. 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, use of appropriated fund balances, depreciation, and certain employee benefit accruals will decrease net assets): Governmental funds' fund balances increased by \$34,592,119. General Fund expenditures exceeded revenues by \$1,026,283, and the combined other governmental funds' expenditures exceeded revenues by \$33,565,836.

The General Fund revenues were \$88,304 under budget however included in this was an \$810,000 transportation grant for which no revenue was recognized since the allowable expenditures had not been incurred, thus routine operating revenues were actually over budget by \$721,696. The majority of this favorable budget to actual variance was due to the receipt of more than anticipated utility franchise tax, ABC Board distributions and several sales, services and fees revenues. In addition expenditures were under budget by \$2,970,258 however routine operating expenditures were only under budget by \$2,160,259 after factoring in the effect of the above discussed transportation grant. Salaries and benefits accounted for approximately \$754,000 of the favorable variance and were mostly attributable to the hiring lag related to terminations and retirements and the effects of an upper management reorganization. The remaining amount was spread out over numerous operating expenditure account types influenced by a City-wide effort to hold down operating costs in light of the continued economic turndown.

The combined other governmental funds' \$33,565,836 increase in fund balances was mainly due to the issuance of \$40,970,930 of long-term debt in the forms of Limited Obligation Bonds, General Obligation Bonds, and Section 108 Loans for which the majority of the related projects, except for the Gastonia Conference Center project and the Webb Theater project, were only in the planning and design phase with minimal expenditures.

The net change in governmental funds' fund balances under the modified accrual basis of accounting resulted in a \$34,592,119 increase. Readers need to refer the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Net Assets, Exhibit E, to understand what modified accrual basis of accounting to full accrual basis of accounting differences influenced the \$5,707,662 decrease in governmental type net assets.

Business-Type Activities. The 2011 fiscal year business-type activities increased the City of Gastonia's net assets by \$6,496,791. Key elements of this increase are as follows:

- The business-type activities' increase in net assets of \$6,496,791, as compared to \$2,736,712 in fiscal year 2010, was primarily due to the following: charges for services and operating grants exceeded program expenses by \$1,499,735 as compared to the prior year amount of \$3,353,308 however capital grant revenues and capital contributions were \$6,685,393 as compared to \$1,526,327 in the 2010 fiscal year. This increase was directly related to more developer contributions of water and sewer line expansions in the 2011 fiscal year.

Under the modified accrual basis of accounting (budgetary basis), Electric Fund revenues came in over budgeted revenues by \$3,592,259. Expenditures came in under budget by \$298,568 due to a \$1,191,486 unfavorable budget-to-actual variance in the cost of purchased power for resale, a \$1,158,814 favorable budget-to-actual variance in emergency replacement and renewal of system infrastructure cost, and a \$331,240 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 over budgeted revenues by \$566,744. Expenditures came in under budget by \$2,406,655 due to a concerted effort by management to reduce controllable expenditures, a \$1,488,873 favorable budget-to-actual variance in emergency replacement and renewal of system infrastructure expenditures, and a budgeted \$528,381 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.

Readers need to refer to the Reconciliation from Budgetary Basis to Full Accrual Basis section in Schedules E-4, E-6, E-8 and E-10 to understand what modified accrual basis of accounting to full accrual basis of accounting adjustments influenced the \$6,496,791 increase in business-type net assets.

Financial Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City of Gastonia. At the end of the current fiscal year, *available fund balance* of the General Fund was \$8,286,925, a \$1,154,688 increase from the prior year. Total fund balance increased by \$1,032,430 to \$17,037,031. Restrictions of fund balance decreased by \$6,139 from the prior year, thus, increasing *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 14.61 percent of total General Fund expenditures and transfers out to other funds, while *total fund balance* represents 30.03 percent of that same amount.

At June 30, 2011, the governmental funds of the City of Gastonia reported a combined fund balance of \$57,377,599, a 245.15 percent increase over last year. Included in this change in fund balance is a \$1,032,430 increase in fund balance in the General Fund, a \$4,592,820 increase in the Mayor/Council Capital Project Fund, a \$25,678,230 increase in the Streets Capital Project Fund, and a \$3,294,786 increase in Other Nonmajor Governmental Funds. The increase in the General Fund was mostly related to more than anticipated revenues for utility franchise taxes, ABC Board distributions, and certain sales, services and fees. In addition routine operating expenditures were only under budget by \$2,160,259. Salaries and benefits accounted for approximately \$754,000 of the favorable variance and were mostly attributable to the hiring lag related to terminations and retirements and the effects of an upper management reorganization. The remaining amount was spread out over numerous operating expenditure account types in order to hold down operating costs in light of the continued economic downturn.

General Fund Budgetary Highlights. During the fiscal year, the City revised the budget on several occasions. Amendments of \$8,112,128 which increased the overall original budget were approved during the year. Of this total \$5,277,343 was related to the issuance of a Limited Obligation Bond that advance refunded the Certificates of Participation, Series 2001. The remaining amendments were related to amendments made to adjust the estimates that were used to prepare the original budget ordinance once exact information was available, amendments made to recognize new funding amounts from external sources, which included federal and State grants, and increases in appropriations that become necessary to maintain services.

The General Fund revenues were \$88,304 under budget however included in this was an \$810,000 transportation grant for which no revenue was recognized since the allowable expenditures had not been incurred, thus routine operating revenues were actually over budget by \$721,696. The majority of this favorable budget to actual variance was due to more than anticipated utility franchise tax, ABC Board distributions and several sales, services and fees revenues. In addition expenditures were under budget by \$2,970,258 however routine operating expenditures were only under budget by \$2,160,259 after factoring in the effect of the above discussed transportation grant. Salaries and benefits accounted for approximately \$754,000 of the favorable variance and were mostly attributable to the hiring lag related to terminations and retirements and the effects of an upper management reorganization. The remaining amount was spread out over numerous operating expenditure account types due to a City-wide effort to hold down operating costs in light of the continued economic downturn.

The combined other governmental funds' \$33,565,836 increase in fund balances was mainly due to the issuance of \$40,970,930 of long-term debt in the forms of Limited Obligation Bonds, General Obligation Bonds, and Section 108 Loans for which the majority of the related projects, except for the Gastonia Conference Center project and the Webb Theater project, were only in the planning and design phase with minimal expenditures.

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 \$163,441,727; the Electric Fund amounted to \$57,550,976; the Stormwater Fund amounted to \$29,925,193; and the other nonmajor funds, Transit and Golf, amounted to \$2,156,861. The total growth in net assets for these funds was \$3,431,634, \$3,330,491, \$40,571, and (\$417,813), 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, 2011 totals \$429,643,259 (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 \$25,663,069 and \$304,097, respectively, and the net effect of depreciation resulted in a \$17,747,445 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 \$2,681,659 and \$3,751,256 placed in service.
- Water and sewer system capital assets of \$6,899,218 for system improvements and the acquisition of the Cramerton water and sewer system infrastructure.
- Construction in progress of \$7,427,371 in governmental-type activities which was mostly related to the Conference Center and attached parking deck of \$4,955,630, West Davidson Street Bridge project of \$742,692, Rankin Lake project of \$266,388, implementation of a new financial software system of \$210,709, downtown improvements project of \$211,133, and a museum improvement project of \$139,709.
- There was \$3,209,032 of General infrastructure additions in the governmental-type activities.
- Construction in progress for electric capital asset improvements of \$643,545 and \$205,635 placed in service.
- Electrical distribution capital assets of \$1,425,419 for new line construction.
- Internal Service Fund capital assets of \$1,707,256 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
	2011	2010	2011	2010	2011	2010
Land, land improvements and buildings	\$ 68,622,123	\$ 65,855,630	\$ 20,873,413	\$ 19,237,318	\$ 89,495,536	\$ 85,092,948
Water and sewer treatment facilities	-	-	69,369,105	69,547,348	69,369,105	69,547,348
Machinery/equipment/vehicles	44,069,047	41,688,504	19,881,631	19,481,575	63,950,678	61,170,079
Electrical distribution	-	-	77,103,058	75,554,982	77,103,058	75,554,982
Water and sewer system	-	-	177,235,811	168,359,384	177,235,811	168,359,384
General infrastructure	268,693,004	263,721,153	-	-	268,693,004	263,721,153
Stormwater infrastructure	-	-	45,799,978	44,275,519	45,799,978	44,275,519
Construction in progress	7,956,503	5,849,157	10,194,972	10,869,101	18,151,475	16,718,258
Total	<u>389,340,677</u>	<u>377,114,444</u>	<u>420,457,968</u>	<u>407,325,227</u>	<u>809,798,645</u>	<u>784,439,671</u>
Less accumulated depreciation	<u>223,282,544</u>	<u>212,614,039</u>	<u>156,872,842</u>	<u>149,793,900</u>	<u>380,155,386</u>	<u>362,407,939</u>
Capital assets, net	<u>\$ 166,058,133</u>	<u>\$ 164,500,405</u>	<u>\$ 263,585,126</u>	<u>\$ 257,531,327</u>	<u>\$ 429,643,259</u>	<u>\$ 422,031,732</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, 2011, the City of Gastonia had total bonded debt outstanding of \$74,375,283. Of this, \$40,480,273 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	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 39,941,103	\$ 12,547,360	\$ 539,170	\$ 1,522,637	\$ 40,480,273	\$ 14,069,997
Revenue bonds	-	-	33,895,000	36,715,000	33,895,000	36,715,000
Total	<u>\$ 39,941,103</u>	<u>\$ 12,547,360</u>	<u>\$ 34,434,170</u>	<u>\$ 38,237,637</u>	<u>\$ 74,375,273</u>	<u>\$ 50,784,997</u>

- The City of Gastonia's total financing debt obligations increased by \$37,273,750 (50.68%) during the current fiscal year. The key factors in this increase were the overall scheduled debt retirements of \$10,670,524 and defeasance of \$5,000,000 of certificates of participation, while the City incurred \$52,944,274 of new financing debt obligations. New debt obligations consisted of the issuance of tax exempt General Obligation Bonds in the amount of \$11,690,000, taxable Build America General Obligation Bonds in the amount of \$17,805,000, tax exempt Limited Obligation Bonds in the amount of \$7,830,000, taxable Limited Obligation Recovery Zone Economic Development Bonds in the amount of \$8,000,000, a \$1,885,000 vehicle equipment-financing instrument, \$745,930 of Section 108

Loans, a \$500,000 installment loan along with the assumption of \$4,488,344 of North Carolina State revolving loans related to the acquisition of the Cramerton water and sewer system.

- 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 \$341,275,439. 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 10.9%, less than the county rate of 11.6%, but higher than the State rate of 10.4% and the national average of 9.3 % at fiscal year end June 2011. This is an increase from a rate of 10.4% a year ago. Unemployment in the City was 9.9% as of October 2011.
- The current population growth has been fairly stagnant. The current year population per the 2010 Census is 71,741. This 2010 Census number is down by 3,539 from the 2010 State estimate.
- The economic outlook based on the November 1, 2011 joint meeting of the Federal Open Market Committee and the Board of Governors of the Federal Reserve System is as follows: "The overall outlook for economic activity, participants generally agreed that the most probable outcome was a moderate pace of economic growth over the medium run with only a gradual decline in the unemployment rate. While some factors were seen as likely to support growth going forward--such as pent-up demand, improvements in household and business balance sheets, and accommodative monetary policy--participants observed that the pace of economic recovery would likely continue to be held down for some time by persistent headwinds. In particular, they pointed to very low levels of consumer and business confidence, further efforts by households to deleverage, cutbacks at all levels of government, elevated financial market volatility, still-tight credit conditions for some households and small businesses, and the ongoing weakness in the labor and housing markets. While recent incoming data suggested reduced odds that the economy would slide back into recession, participants still saw significant downside risks to the outlook for economic growth. Risks included potential spillovers to U.S. financial markets and institutions, and so to the broader U.S. economy, if the European debt and banking crisis were to worsen significantly. In addition, participants noted the risk of a larger-than-expected fiscal tightening and the possibility that structural problems in the housing market had attenuated the transmission of monetary policy actions to the real economy. It was also noted that the extended period of highly accommodative monetary policy could eventually lead to a buildup of financial

imbalances. A few participants, however, mentioned the possibility that economic growth could be more rapid than currently expected, particularly if gains in output and employment led to a virtuous cycle of improvements in household balance sheets, increased confidence, and easier credit conditions.

- With respect to the outlook for inflation, participants generally anticipated that inflation would recede further over coming quarters and would settle over the medium run at levels at or below those judged to be most consistent with the Committee's dual mandate. They pointed to the further dissipation of the effects of earlier increases in the prices of energy and some commodities, the significant slack in resource utilization, the continued subdued growth in labor compensation, and well-anchored inflation expectations as factors likely to contribute to the moderation in inflation over time. A number of participants saw the risks to the outlook for inflation as roughly balanced. A few participants felt that the continuation of the current stance of monetary policy, coupled with the possibility of a rebound in energy and commodity prices, posed some upside risks to inflation. Other participants instead saw inflation risks as tilted to the downside, in light of their expectations for persistent resource slack. It was noted that U.S. inflation had been influenced relatively more by commodity price fluctuations in recent years; because commodity prices reflect global economic conditions, U.S. inflation might be less affected by domestic factors and more linked to the global outlook than in the past.”
- Construction within the City increased significantly with 1044 permits issued on construction of \$82,932,499 as compared to 1,024 permits issued on construction of \$64,828,753 in the prior year. This included residential permits of 564 and commercial permits of 480, with construction costs of \$26,487,075 and \$56,445,424, respectively. These figures exclude “other trade permits” of 1,753 issued on construction \$106,788.
- 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, 2012

Governmental Activities. The fiscal year 2011-2012 budget was balanced while achieving strategic objectives and priorities established by the City Council. Those objectives included decreasing the property tax rate from \$.53 to \$.52 per \$100 of valuation, while setting up solid waste services as an enterprise fund and charging for collection and no appropriation of fund balance. The adopted budget did include funding for a 1.50% pay increase and an additional one-time bonus of \$475.

Health care cost containment was prioritized as critical, following two years of exponential cost increases. After transformation to a high-deductible/HSA system of more-purposefully self-directed coverage, we achieved success and were able to reduce both employer and employee premiums. The City implemented hiring freeze in February 2009 to only fill critical positions is still in place.

Business-Type Activities. Water and Sewer rates were budgeted to increase January 1, 2012 and expenses for the Water and Sewer operations remained flat. Funding for new capital projects is \$1,200,000 in the adopted budget.

The City's Electric Fund received a 5.00% wholesale rate increase effective July 1, 2011. The City increased electric rates 2.60%, less than the wholesale increase. The transfer to the General Fund from the Electric Fund remained the same, \$2,000,000. Gastonia is now slightly under the transfer level established by the Local Government Commission as acceptable, 3% of gross electric capital assets.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Financial Services, City of Gastonia, 181 South Street, Gastonia, North Carolina 28052.



FINANCIAL STATEMENTS

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



CITY OF GASTONIA, NORTH CAROLINA

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	City of Gastonia ABC Board	Gastonia Tourism Development Authority
Assets:					
Cash and cash equivalents	\$ 15,018,947	\$ 25,471,487	\$ 40,490,434	\$ 863,724	\$ 948,784
Taxes receivable, net	1,133,114	-	1,133,114	-	-
Accounts receivable, net	3,695,395	12,473,748	16,169,143	1,056	-
Interest receivable	79,123	-	79,123	-	-
Due from other governments	3,806,991	2,162,935	5,969,926	-	85,590
Internal balances	1,054,673	(1,054,673)	-	-	-
Inventories	2,141,611	816,073	2,957,684	709,702	-
Prepaid items	73,593	-	73,593	36,513	-
Deferred charges, net	-	367,765	367,765	-	-
Cash and cash equivalents, restricted	41,705,512	3,059,910	44,765,422	-	-
Non-depreciable assets	18,337,258	23,563,168	41,900,426	163,637	-
Capital assets, net	147,720,875	240,021,958	387,742,833	568,003	-
Total assets	234,767,092	306,882,371	541,649,463	2,342,635	1,034,374
Liabilities:					
Current liabilities:					
Accounts payable	4,991,448	6,612,564	11,604,012	429,311	-
Accrued salaries and benefits	1,291,642	404,778	1,696,420	-	-
Accrued interest	775,954	240,751	1,016,705	-	-
Customer deposits	-	471,356	471,356	-	-
Unearned revenues	175,821	15,230	191,051	-	-
Current portion of long-term liabilities	8,575,040	4,164,117	12,739,157	-	-
Long-term liabilities:					
Due in more than one year	75,652,826	40,875,203	116,528,029	-	-
Total liabilities	91,462,731	52,783,999	144,246,730	429,311	-
Net Assets:					
Invested in capital assets, net of related debt	138,540,308	224,855,825	363,396,133	731,640	-
Restricted for:					
Stabilization by State Statute	14,724,528	-	14,724,528	-	85,590
General government	99,814	-	99,814	-	-
Economic and physical development	760,361	-	760,361	-	-
Tourism promotion	-	-	-	-	948,784
Working capital	-	-	-	217,950	-
Unrestricted	(10,820,650)	29,242,547	18,421,897	963,734	-
Total net assets	\$ 143,304,361	\$ 254,098,372	\$ 397,402,733	\$ 1,913,324	\$ 1,034,374

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, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 13,757,722	\$ 6,508,600	\$ 22,552	\$ -
Public safety	28,459,755	1,285,505	297,249	-
Public works and cemeteries	18,653,955	1,580,194	2,508,253	3,017,000
Cultural and recreation	5,536,988	570,237	100,000	-
Economic and physical development	3,561,667	107,524	3,128,255	1,069,757
Interest on long-term debt	2,982,111	-	-	-
Total governmental activities	<u>72,952,197</u>	<u>10,052,060</u>	<u>6,056,309</u>	<u>4,086,757</u>
Business-Type Activities:				
Water and sewer	27,806,172	29,512,890	-	2,163,405
Electric	65,738,586	71,003,575	-	-
Transit	4,559,377	195,491	-	3,423,573
Golf	46,058	-	-	-
Stormwater	3,114,638	2,052,610	-	1,098,415
Total business-type activities	<u>101,264,831</u>	<u>102,764,566</u>	<u>-</u>	<u>6,685,393</u>
Total primary government	<u>\$ 174,217,028</u>	<u>\$ 112,816,626</u>	<u>\$ 6,056,309</u>	<u>\$ 10,772,150</u>
Component Units:				
ABC Board	\$ 6,117,877	\$ 5,736,458	\$ -	\$ -
Tourism Development Authority	398,925	-	-	-
Total component units	<u>\$ 6,516,802</u>	<u>\$ 5,736,458</u>	<u>\$ -</u>	<u>\$ -</u>

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
\$ (7,226,570)	\$ -	\$ (7,226,570)		
(26,877,001)	-	(26,877,001)		
(11,548,508)	-	(11,548,508)		
(4,866,751)	-	(4,866,751)		
743,869	-	743,869		
(2,982,111)	-	(2,982,111)		
(52,757,071)	-	(52,757,071)		
-	3,870,123	3,870,123		
-	5,264,989	5,264,989		
-	(940,313)	(940,313)		
-	(46,058)	(46,058)		
-	36,387	36,387		
-	8,185,128	8,185,128		
(52,757,071)	8,185,128	(44,571,943)		
			\$ (381,419)	\$ -
			-	(398,925)
			(381,419)	(398,925)
27,376,171	-	27,376,171	-	-
9,456,007	-	9,456,007	-	-
2,834,845	-	2,834,845	-	-
3,637,666	-	3,637,666	-	-
1,447,636	-	1,447,636	-	394,982
476,840	131,907	608,747	10,780	1,269
1,820,244	(1,820,244)	-	-	-
47,049,409	(1,688,337)	45,361,072	10,780	396,251
(5,707,662)	6,496,791	789,129	(370,639)	(2,674)
149,012,023	247,601,581	396,613,604	2,283,963	1,037,048
\$ 143,304,361	\$ 254,098,372	\$ 397,402,733	\$ 1,913,324	\$ 1,034,374

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



CITY OF GASTONIA, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Mayor/Council Capital Project Fund	Streets Capital Project Fund	Other Governmental Funds	Total
Assets:					
Cash and cash equivalents	\$ 13,169,765	\$ 706,453	\$ -	\$ 620,439	\$ 14,496,657
Taxes receivable, net	1,109,968	-	-	23,146	1,133,114
Accounts receivable, net	985,659	-	594,154	1,883,519	3,463,332
Interest receivable	79,123	-	-	-	79,123
Prepaid items	40,998	-	-	32,595	73,593
Inventory	506,634	-	-	1,634,977	2,141,611
Cash and investments, restricted	116,119	6,103,037	27,173,626	6,499,715	39,892,497
Due from other funds	3,414,981	-	-	-	3,414,981
Due from other governments	3,721,401	-	-	85,590	3,806,991
Total assets	<u>\$ 23,144,648</u>	<u>\$ 6,809,490</u>	<u>\$ 27,767,780</u>	<u>\$ 10,779,981</u>	<u>\$ 68,501,899</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,565,491	\$ 121,999	\$ 1,394,333	\$ 1,337,765	\$ 4,419,588
Accrued salaries and benefits	1,260,859	-	-	-	1,260,859
Due to other funds	1,689,947	-	-	1,126,959	2,816,906
Deferred revenue	1,591,320	-	-	1,035,627	2,626,947
Total liabilities	<u>6,107,617</u>	<u>121,999</u>	<u>1,394,333</u>	<u>3,500,351</u>	<u>11,124,300</u>
Fund Balances:					
Non-Spendable:					
Inventories	506,634	-	-	1,634,977	2,141,611
Prepays	40,998	-	-	32,595	73,593
Restricted:					
Stabilization by State Statute	8,202,474	-	1,085,190	5,436,864	14,724,528
Restricted, all other	116,119	6,103,037	25,288,257	1,428,149	32,935,562
Assigned	177,856	584,454	-	374,248	1,136,558
Unassigned	7,992,950	-	-	(1,627,203)	6,365,747
Total fund balances	<u>17,037,031</u>	<u>6,687,491</u>	<u>26,373,447</u>	<u>7,279,630</u>	<u>57,377,599</u>
Total liabilities and fund balances	<u>\$ 23,144,648</u>	<u>\$ 6,809,490</u>	<u>\$ 27,767,780</u>	<u>\$ 10,779,981</u>	<u>\$ 68,501,899</u>

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

CITY OF GASTONIA, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2011

Total

Reconciliation with Net Assets of Governmental Activities - Government-Wide (Exhibit A):

Total fund balances - modified accrual (see above)	\$ 57,377,599
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	155,588,727
Internal service funds are used by management to charge the costs of equipment and vehicles to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	6,447,514
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.	(1,023,615)
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(75,409,232)
The governmental activities net assets includes an accrual for interest on long-term debt.	(713,136)
Unamortized bond premium is a revenue source in the fund statements and a deferred liability in the governmental activities Statement of Net Assets.	(1,504,737)
Unbilled services of the governmental activities are not considered revenues in the fund statements until collected.	90,115
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>2,451,126</u>
Net assets of governmental activities - government-wide (Exhibit A)	<u><u>\$ 143,304,361</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, 2011

	General Fund	Mayor/Council Capital Project Fund	Streets Capital Project Fund	Other Governmental Funds	Total
Revenues:					
Ad valorem taxes	\$ 27,336,891	\$ -	\$ -	\$ 116,753	\$ 27,453,644
Other taxes and licenses	16,981,172	-	-	394,982	17,376,154
Unrestricted intergovernmental revenues	2,401,740	79,924	-	-	2,481,664
Restricted intergovernmental revenues	2,527,397	-	597,953	3,309,360	6,434,710
Permits and fees	626,451	-	-	-	626,451
Sales and services	4,597,923	-	-	107,524	4,705,447
Investment earnings	199,467	10,581	28,938	75,187	314,173
Miscellaneous	608,775	13,430	40,122	669,636	1,331,963
Total revenues	<u>55,279,816</u>	<u>103,935</u>	<u>667,013</u>	<u>4,673,442</u>	<u>60,724,206</u>
Expenditures:					
Current:					
General government	8,709,365	-	-	-	8,709,365
Public safety	26,059,089	-	-	904,935	26,964,024
Public works and cemeteries	11,216,635	-	-	-	11,216,635
Cultural and recreation	4,830,337	-	-	-	4,830,337
Economic and physical development	-	-	-	2,540,421	2,540,421
Capital outlay	-	1,179,794	3,303,913	6,126,844	10,610,551
Debt service:					
Principal repayments	3,192,924	-	-	385,000	3,577,924
Interest	1,545,944	118,326	-	357,957	2,022,227
Total expenditures	<u>55,554,294</u>	<u>1,298,120</u>	<u>3,303,913</u>	<u>10,315,157</u>	<u>70,471,484</u>
Revenues over (under) expenditures	<u>(274,478)</u>	<u>(1,194,185)</u>	<u>(2,636,900)</u>	<u>(5,641,715)</u>	<u>(9,747,278)</u>
Other Financing Sources (Uses):					
Issuance of long-term debt	5,100,000	5,310,000	27,365,000	8,295,930	46,070,930
Bond premium received	218,902	348,236	950,130	154,662	1,671,930
Payments to refunded bond escrow agent	(5,277,343)	-	-	-	(5,277,343)
Transfers from other funds	2,443,923	128,769	-	1,017,734	3,590,426
Transfers to other funds	(1,184,721)	-	-	(531,825)	(1,716,546)
Total other financing sources (uses)	<u>1,300,761</u>	<u>5,787,005</u>	<u>28,315,130</u>	<u>8,936,501</u>	<u>44,339,397</u>
Net change in fund balances	1,026,283	4,592,820	25,678,230	3,294,786	34,592,119
Fund Balances:					
Beginning of year - July 1	16,004,601	2,094,671	695,217	4,610,792	23,405,281
Increase (decrease) in inventories	<u>6,147</u>	<u>-</u>	<u>-</u>	<u>(625,948)</u>	<u>(619,801)</u>
End of year - June 30	<u>\$ 17,037,031</u>	<u>\$ 6,687,491</u>	<u>\$ 26,373,447</u>	<u>\$ 7,279,630</u>	<u>\$ 57,377,599</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, 2011**

Net change in fund balances - total governmental funds per Exhibit D	\$ 34,592,119
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.	(77,473)
Miscellaneous revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	(506,231)
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.	(619,801)
Expenses related to compensated absences, law enforcement officers' separation allowance, and other post-employment benefits that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(2,775,376)
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.	7,749,885
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(8,097,330)
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.	3,017,000
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.	8,577,924
Bond premium received is reported as a deferred item in the Statement of Activities rather than a revenue in the fund financial statements. Amortization of bond premium is a reduction of interest expense in the Statement of Activities.	(1,504,737)
Proceeds from issuance of debt are reported as revenues in the governmental fund statement. However, in the Statement of Activities, they are not a revenue, rather they are an increase in liabilities.	(46,070,930)
Interest on long-term debt incurred, but not paid, is reported as an expense in the governmental activities statements.	(440,346)
Portion of internal Service Fund activities change in net assets allocable to the governmental activities are reported with governmental activities.	<u>447,634</u>
Change in net assets of governmental activities per Exhibit B	<u>\$ (5,707,662)</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, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Over/Under
Revenues:				
Ad valorem taxes	\$ 27,248,239	\$ 27,248,239	\$ 27,336,891	\$ 88,652
Other taxes and licenses	16,785,383	16,785,383	16,981,172	195,789
Unrestricted intergovernmental revenues	1,610,000	1,828,000	2,401,740	573,740
Restricted intergovernmental revenues	3,286,495	3,461,626	2,527,397	(934,229)
Permits and fees	599,925	599,925	626,451	26,526
Sales and services	4,366,774	4,417,926	4,597,923	179,997
Interest earned on investments	141,250	283,152	199,467	(83,685)
Miscellaneous	737,364	743,869	608,775	(135,094)
Total revenues	<u>54,775,430</u>	<u>55,368,120</u>	<u>55,279,816</u>	<u>(88,304)</u>
Expenditures:				
General government	9,752,063	10,397,286	8,709,365	1,687,921
Public safety	26,041,982	26,678,647	26,059,089	619,558
Public works and cemeteries	11,365,851	11,694,974	11,216,635	478,339
Cultural and recreation	4,899,192	5,007,424	4,830,337	177,087
Debt service:				
Principal	3,193,201	3,192,924	3,192,924	-
Interest and fees	862,015	1,553,297	1,545,944	7,353
Total expenditures	<u>56,114,304</u>	<u>58,524,552</u>	<u>55,554,294</u>	<u>2,970,258</u>
Revenues over (under) expenditures	<u>(1,338,874)</u>	<u>(3,156,432)</u>	<u>(274,478)</u>	<u>2,881,954</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	-	5,100,000	5,100,000	-
Premium on long-term debt issued	-	273,499	218,902	(54,597)
Payments to refunded bond escrow agent	-	(5,277,343)	(5,277,343)	-
Transfers from other funds	2,000,000	2,443,923	2,443,923	-
Transfers to other funds	(760,183)	(1,184,721)	(1,184,721)	-
Appropriated fund balance	99,057	1,801,074	-	(1,801,074)
Total other financing sources (uses)	<u>1,338,874</u>	<u>3,156,432</u>	<u>1,300,761</u>	<u>(1,855,671)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,026,283</u>	<u>\$ 1,026,283</u>
Fund Balance:				
Beginning of year - July 1			16,004,601	
Increase in inventories			<u>6,147</u>	
End of year - June 30			<u>\$ 17,037,031</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, 2011

	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	\$ 10,816,840	\$ 14,226,351	\$ 426,401	\$ 1,895	\$ 25,471,487	\$ 522,290
Accounts receivable, net	3,041,549	9,152,607	279,592	-	12,473,748	141,948
Inventory	130,909	674,165	-	10,999	816,073	-
Due from other governments	-	-	-	2,162,935	2,162,935	-
Due from other funds	-	-	-	-	-	1,689,947
Cash and cash equivalents, restricted	2,620,955	438,955	-	-	3,059,910	1,813,015
Total current assets	16,610,253	24,492,078	705,993	2,175,829	43,984,153	4,167,200
Non-current assets:						
Depreciable capital assets, net	174,140,933	34,624,122	29,195,744	2,061,159	240,021,958	10,469,406
Non-depreciable capital assets	16,840,025	6,156,014	214,335	352,794	23,563,168	-
Deferred charges, net	367,765	-	-	-	367,765	-
Total non-current assets	191,348,723	40,780,136	29,410,079	2,413,953	263,952,891	10,469,406
Total assets	\$ 207,958,976	\$ 65,272,214	\$ 30,116,072	\$ 4,589,782	\$ 307,937,044	\$ 14,636,606
Liabilities:						
Current liabilities:						
Accounts payable	\$ 635,600	\$ 5,921,074	\$ 32,583	\$ 23,307	\$ 6,612,564	\$ 571,860
Accrued salaries and benefits	236,341	111,848	18,382	38,207	404,778	30,783
Compensated absences	355,595	167,413	22,097	42,593	587,698	49,027
Accrued interest	240,751	-	-	-	240,751	62,818
Customer deposits	119,467	351,889	-	-	471,356	-
Current portion of long-term debt	3,576,419	-	-	-	3,576,419	2,961,450
Due to other funds	-	-	-	2,078,288	2,078,288	209,734
Deferred revenues	15,230	-	-	-	15,230	-
Total current liabilities	5,179,403	6,552,224	73,062	2,182,395	13,987,084	3,885,672
Non-current liabilities:						
Non-current portion of compensated absences	118,500	56,000	7,500	14,500	196,500	15,700
Non-current portion of long-term debt	37,782,792	430,000	-	-	38,212,792	4,287,720
Other post-employment benefits obligation	1,436,554	683,014	110,317	236,026	2,465,911	-
Total non-current liabilities	39,337,846	1,169,014	117,817	250,526	40,875,203	4,303,420
Total liabilities	44,517,249	7,721,238	190,879	2,432,921	54,862,287	8,189,092
Net Assets:						
Invested in capital assets, net of related debt	152,242,702	40,789,091	29,410,079	2,413,953	224,855,825	5,033,251
Unrestricted	11,199,025	16,761,885	515,114	(257,092)	28,218,932	1,414,263
Total net assets	\$ 163,441,727	\$ 57,550,976	\$ 29,925,193	\$ 2,156,861	\$ 253,074,757	\$ 6,447,514
Total net assets - proprietary funds presentation					\$ 253,074,757	
Portion of profit generated by Internal Service Fund allocated to business-type activities - history to date					1,023,615	
Net assets of business-type activities - government-wide					\$ 254,098,372	

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, 2011

	Business-Type Activities					Governmental Activities
	Water and Sewer Fund	Electric Fund	Stormwater Fund	Other Nonmajor Funds	Total	Internal Service Funds
Operating Revenues:						
Charges for services	\$ 29,038,899	\$ 69,206,648	\$ 2,002,337	\$ 191,413	\$ 100,439,297	\$ 12,474,316
Utilities for City use	323,578	1,235,776	50,248	-	1,609,602	-
Other operating revenues	38,505	561,151	25	4,078	603,759	-
Total operating revenues	29,400,982	71,003,575	2,052,610	195,491	102,652,658	12,474,316
Operating Expenses:						
Water treatment/electric and other purchases	3,434,004	55,490,088	-	-	58,924,092	-
Administration	7,486,702	4,656,697	1,036,629	835,482	14,015,510	-
Facility maintenance	1,642,721	-	-	-	1,642,721	-
Payseur Mountain resource recovery	1,082,950	-	-	-	1,082,950	-
Sewage treatment	4,932,658	-	-	-	4,932,658	-
Substation operations	-	467,468	-	-	467,468	-
Maintenance	3,226,394	2,747,467	1,343,313	303,958	7,621,132	-
ADA/Para-transit expenses	-	-	-	192,921	192,921	-
Operations area	-	-	123,889	2,969,974	3,093,863	8,795,334
Street lights	-	669,399	-	-	669,399	-
Depreciation and amortization	4,605,399	1,721,355	608,707	301,188	7,236,649	2,816,915
Total operating expenses	26,410,828	65,752,474	3,112,538	4,603,523	99,879,363	11,612,249
Operating income (loss)	2,990,154	5,251,101	(1,059,928)	(4,408,032)	2,773,295	862,067
Non-Operating Revenues (Expenses):						
Investment earnings	61,717	65,502	4,184	504	131,907	(4,526)
Gain (loss) on disposal of capital assets	21,662	30,757	(2,100)	(1,912)	48,407	(2,168)
Interest on long-term debt	(1,417,006)	(16,869)	-	-	(1,433,875)	(242,195)
Total non-operating revenues (expenses)	(1,333,627)	79,390	2,084	(1,408)	(1,253,561)	(248,889)
Income (loss) before capital contributions and transfers	1,656,527	5,330,491	(1,057,844)	(4,409,440)	1,519,734	613,178
Capital Contributions:						
Federal and State grants	19,375	-	64,372	3,423,573	3,507,320	-
Local capital contributions	2,144,030	-	1,034,043	-	3,178,073	-
Transfers:						
Transfers from other funds	55,625	-	-	568,054	623,679	1,989
Transfers to other funds	(443,923)	(2,000,000)	-	-	(2,443,923)	(55,625)
Change in net assets	3,431,634	3,330,491	40,571	(417,813)	6,384,883	559,542
Net Assets:						
Beginning of year - July 1	160,010,093	54,220,485	29,884,622	2,574,674	246,689,874	5,887,972
End of year - June 30	\$ 163,441,727	\$ 57,550,976	\$ 29,925,193	\$ 2,156,861		\$ 6,447,514
Reconciliation with Exhibit B Change in Net Assets - Business-Type Activities:						
Change in net assets - fund perspective					6,384,883	
Internal Service Fund profits allocated to business-type activities					111,908	
Change in net assets - entity-wide perspective - Exhibit B					\$ 6,496,791	

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, 2011

	Business-Type Activities				Governmental Activities
	Water and Sewer Fund	Electric Fund	Stormwater Fund	Other Nonmajor Funds	Internal Service Funds
Cash Flows from Operating Activities:					
Cash received from customers and users	\$ 31,324,330	\$ 70,518,618	\$ 1,991,032	\$ 195,491	\$ 104,029,471
Cash paid to suppliers	(16,067,842)	(60,849,703)	(2,104,526)	(2,987,446)	(82,009,517)
Cash paid to employees	(7,391,839)	(2,630,205)	(565,253)	(1,248,646)	(11,835,943)
Net cash provided (used) by operating activities	7,864,649	7,038,710	(678,747)	(4,040,601)	10,184,011
Cash Flows from Non-Capital Financing Activities:					
Changes in due to/from other funds	-	-	-	2,059,533	2,059,533
Transfers from other funds	55,625	-	-	568,054	623,679
Transfers to other funds	(443,923)	(2,000,000)	-	-	(2,443,923)
Net cash provided (used) by non-capital financing activities	(388,298)	(2,000,000)	-	2,627,587	239,289
Cash Flows from Capital and Related Financing Activities:					
Federal and State grants	19,375	-	64,372	1,412,510	1,496,257
Proceeds from issuance of debt	-	-	-	-	-
Principal paid on long-term debt	(4,082,444)	-	-	-	(4,082,444)
Proceeds from sale of capital assets	27,244	31,625	-	-	58,869
Acquisition and construction of capital assets	(2,448,503)	(2,097,115)	(476,894)	-	(5,022,512)
Interest paid on long-term debt	(1,613,893)	(16,869)	-	-	(1,630,762)
Net cash provided (used) by capital and related financing activities	(8,098,221)	(2,082,359)	(412,522)	1,412,510	(9,180,592)
Cash Flows from Investing Activities:					
Interest on investments	122,319	125,019	12,203	514	260,055
Net cash provided (used) by investing activities	122,319	125,019	12,203	514	260,055
Net increase (decrease) in cash and cash equivalents	(499,551)	3,081,370	(1,079,066)	10	1,502,763
Cash and Cash Equivalents:					
Beginning of year - July 1	13,937,346	11,583,936	1,505,467	1,885	27,028,634
End of year - June 30	\$ 13,437,795	\$ 14,665,306	\$ 426,401	\$ 1,895	\$ 28,531,397

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, 2011

	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)	\$ 2,990,154	\$ 5,251,101	\$ (1,059,928)	\$ (4,408,032)	\$ 2,773,295	\$ 862,067
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	4,605,399	1,721,355	608,707	301,188	7,236,649	2,816,915
Bad debt expense (recovery)	179,941	206,165	(7,881)	-	378,225	-
Change in assets and liabilities:						
(Increase) decrease in accounts receivables	1,920,899	(490,661)	(61,578)	-	1,368,660	86,482
(Increase) decrease in prepaids	-	-	-	-	-	129,138
(Increase) decrease in inventories	(17,215)	(15,787)	-	-	(33,002)	-
Increase (decrease) in accounts payable	(2,321,617)	63,804	(181,204)	(10,771)	(2,449,788)	(332,111)
Increase (decrease) in accrued salaries	(2,348)	18,511	2,572	3,369	22,104	-
Increase (decrease) in compensated absences	142,078	64,878	4,178	6,883	218,017	10,020
Increase (decrease) in other post- employment benefits	364,909	213,640	16,387	66,762	661,698	-
Increase (decrease) in customer deposits	3,216	5,704	-	-	8,920	-
Increase (decrease) in deferred revenues	(767)	-	-	-	(767)	-
Net cash provided (used) by operating activities	<u>\$ 7,864,649</u>	<u>\$ 7,038,710</u>	<u>\$ (678,747)</u>	<u>\$ (4,040,601)</u>	<u>\$ 10,184,011</u>	<u>\$ 3,572,511</u>

Non-Cash Transactions:

Water and Sewer Fund capital assets were increased \$2,144,030 due to additions to the system from local developers.

Water and Sewer Fund capital assets and debt were increased \$4,988,344 due to additions to the system in exchange for the assumption of debt outstanding on the assets.

Stormwater Fund capital assets were increased \$1,034,043 due to additions to the system from local developers.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Gastonia Tourism Development Authority

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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 Lineberger Park renovations, various greenway development, museum renovations, recreation improvements, miscellaneous park projects, Financial Services software upgrade, Rankin Lake Park improvements, and various other miscellaneous projects.

Streets Fund. The Streets Fund is used to account for major improvements primarily financed with the proceeds of bond sales, interfund transfers, and reimbursements from the North Carolina Department of transportation. Current projects include road widening, resurfacing, sidewalk improvements, and bridge replacement.

The City reports the following major enterprise funds:

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

Electric Fund. The Electric Fund includes the accounts of the Electric Operation Fund, Renewal and Replacement Fund, Power Agency Settlement Fund, and the Electric Capital Projects Fund. Financing of these funds, except for the Power Agency Settlement Fund, comes principally from charges to the users. Financing of the Power Agency Settlement Fund 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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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.

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, 2011. 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 2010 through February 2011 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 2011-2012 fiscal year and are not shown as receivables at June 30, 2011.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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, 2011

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 four special revenue funds: Community Development Block Grant Fund, Uptown Municipal Fund, Occupancy Tax Fund, and the Economic Stimulus Grants Fund.

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

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, 2011

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, 2011

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, 2011

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, 2011

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.

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Deferred/Unearned Revenues

In the fund financial statements, ad valorem taxes receivable are not accrued as 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

Net assets in 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.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Fund Balances

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

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

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

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

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

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

Restricted Fund Balance

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

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

Restricted for General Government - portion of fund balance that is restricted by revenue source for general government administration.

Restricted for Economic and Physical Development - portion of fund balance restricted by revenue source for economic development related activities, including activities accounted for in the City's Community Development Block Grant Fund.

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Restricted fund balance at June 30, 2011 is as follows:

Purpose	General Fund	Mayor/Council Capital Project Fund	Streets Capital Project Fund	Other Governmental Funds
Restricted, all other:				
General Government	\$ 99,814	\$ -	\$ -	\$ -
Economic and Physical Development	-	-	-	760,361
Capital Outlays	16,305	6,103,037	25,288,257	667,788
Total	\$ 116,119	\$ 6,103,037	\$ 25,288,257	\$ 1,428,149

Committed Fund Balance

This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the City of Gastonia's governing body (highest level of decision making authority, the City Council). Any changes or removal of specific purpose restrictions requires majority action by the governing body.

Assigned Fund Balance

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

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

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

Assigned fund balance at June 30, 2011 is as follows:

Purpose	General Fund	Mayor/Council Capital Project Fund	Streets Capital Project Fund	Other Governmental Funds
Subsequent year's expenditures	\$ 177,856	\$ -	\$ -	\$ -
Capital outlays	-	584,454	-	374,248
Total	\$ 177,856	\$ 584,454	\$ -	\$ 374,248

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Unassigned Fund Balance

Unassigned fund balance represents the portion of fund balance that has not been assigned to another fund or is not restricted, committed, or assigned to specific purposes within the general fund.

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

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

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

Total fund balance-General Fund	\$ 17,037,031
Less:	
Inventories	506,634
Prepays	40,998
Stabilization by State Statute	8,202,474
Total available fund balance	<u>\$ 8,286,925</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Outstanding encumbrances represent amounts needed to pay commitments related to purchase orders and contracts that remain unperformed at year-end. Encumbrances at June 30, 2011 are detailed as follows:

	<u>Encumbrances</u>
General Fund	\$ 306,841
Mayor/Council Capital Project Fund	309,990
Streets Capital Project Fund	491,036
Nonmajor Governmental Funds:	
Special revenue funds:	
CDBG Program Fund	30,487
Home Investment Trust Fund	88,007
108 Loan/Economic	59,873
Uptown Municipal Tax District	3,385
Economic Stimulus Grants Fund	75,628
Capital Project Funds:	
Airport	91,048
Downtown Revitalization	4,128,186
Infrastructure Rehabilitation Fund	3,609
Total	<u>\$ 5,588,090</u>

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, 2011

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, 2011, the City's deposits had a carrying amount of \$51,164,593 and a bank balance of \$51,782,533. 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 \$53,598 cash on hand as of June 30, 2011.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Investments

At June 30, 2011, the City had the following investments and maturities:

Investment Type	Fair Value	Less Than 6 Months	6-12 Months	1-3 Years
Intessa Funding - CP	\$ 998,406	\$ 998,406	\$ -	\$ -
Citigroup - CP	997,466	-	997,466	-
FCAR Owner Trust - CP	1,494,437	-	1,494,437	-
Abbey National - CP	996,117	-	996,117	-
Abbey National - CP	995,269	-	995,269	-
Toyota Motor Credit - CP	997,956	-	997,956	-
Intessa Funding - CP	996,678	-	996,678	-
Dealer's Capital - CP	999,100	999,100	-	-
FCAR Owner Trust - CP	996,775	-	996,775	-
Federal Farm Credit Disc Note	998,534	-	-	998,534
North Carolina Capital Management Trust	23,566,927	23,566,927	-	-
Total	\$ 34,037,665	\$ 25,564,433	\$ 7,474,698	\$ 998,534

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, 2011. The investment in Intessa Funding - CP carried credit ratings of P-1, A-1 and F-1 by Moody's, Standard & Poor's and Fitch, respectively. The investment in Citigroup Funding - CP carried credit ratings of P-1, A-1 and F-1+ by Moody's, Standard & Poor's and Fitch, respectively. The investment in FCAR Owner Trust - CP carried credit ratings of P-1 and A-1 by Moody's and Standard & Poor's, respectively. The investment in Abbey National - CP carried credit ratings of P-1, A-1+ and F-1+ by Moody's, Standard & Poor's and Fitch, respectively. The investment in Toyota Motor Credit - CP carried credit ratings of P-1 and A-1+ by Moody's and Standard & Poor's, respectively. The investment in Dealer's Capital - CP carried credit ratings of A-1 and F-1 by Standard & Poor's and Fitch, respectively. The investment in Federal Farm Credit Disc Note carried credit ratings of AAA and AA+ 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.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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, 2011:

General Fund:

Property taxes	\$ 1,180,812
Other receivables	1,072,687
Vehicle tags receivable	240,341

Enterprise Funds:

Water and Sewer Fund - utility receivables	792,615
Water and Sewer Fund - miscellaneous	5,357
Electric Fund - utility receivables	1,794,760
Electric Fund - miscellaneous	37,608
Stormwater Fund - utility receivables	101,552
Golf Course Fund - miscellaneous	6,345

Capital Assets

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

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2011</u>
Non-Depreciable Assets:					
Land	\$ 10,380,755	\$ -	\$ -	\$ -	\$ 10,380,755
Construction in progress	5,849,157	7,427,371	-	(5,320,025)	7,956,503
Depreciable Assets:					
Other improvements	12,987,983	-	-	2,707,316	15,695,299
Buildings	42,436,308	-	-	-	42,436,308
Building - Internal Service Fund	131,396	-	(21,635)	-	109,761
Equipment	10,840,005	130,481	(62,128)	781,904	11,690,262
Equipment - Internal Service Fund	30,835,673	1,707,256	(164,144)	-	32,378,785
General infrastructure	263,653,167	3,209,032	-	1,830,805	268,693,004
Total capital assets	<u>377,114,444</u>	<u>12,474,140</u>	<u>(247,907)</u>	<u>-</u>	<u>389,340,677</u>
Less Accumulated Depreciation:					
Other improvements	6,638,371	538,615	-	-	7,176,986
Buildings	16,061,401	1,216,822	-	-	17,278,223
Building - Internal Service Fund	44,049	3,216	(19,468)	-	27,797
Equipment	8,644,686	444,121	(62,128)	-	9,026,679
Equipment - Internal Service Fund	19,341,787	2,813,700	(164,144)	-	21,991,343
General infrastructure	161,883,745	5,897,771	-	-	167,781,516
Total accumulated depreciation	<u>212,614,039</u>	<u>\$ 10,914,245</u>	<u>\$ (245,740)</u>	<u>\$ -</u>	<u>223,282,544</u>
Capital assets, net	<u>\$ 164,500,405</u>				<u>\$ 166,058,133</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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	\$ 728,759	\$ 1,677,280	\$ 2,406,039
Public safety	647,786	532,090	1,179,876
Public works	6,072,998	548,680	6,621,678
Cultural and recreation	647,787	58,865	706,652
Total	<u>\$ 8,097,330</u>	<u>\$ 2,816,915</u>	<u>\$ 10,914,245</u>

Enterprise Fund Capital Assets

The capital assets for the major enterprise funds of the City at June 30, 2011 are as follows:

	Balance June 30, 2010	Additions	Retirements	Transfers	Balance June 30, 2011
Water and Sewer Fund:					
Non-Depreciable Assets:					
Land	\$ 11,989,337	\$ -	\$ -	\$ -	\$ 11,989,337
Construction in progress	5,925,869	2,681,659	(5,582)	(3,751,256)	4,850,690
Depreciable Assets:					
Land improvements	2,775,280	-	-	1,914,207	4,689,487
Buildings	69,356,947	-	-	12,158	69,369,105
Machinery, equipment, and vehicles	12,898,071	51,560	(45,728)	255,022	13,158,925
Water and sewer system	168,818,284	6,847,658	-	1,569,869	177,235,811
Total capital assets	<u>271,763,788</u>	<u>9,580,877</u>	<u>(51,310)</u>	<u>-</u>	<u>281,293,355</u>
Less Accumulated Depreciation:					
Land improvements	1,477,297	79,961	-	-	1,557,258
Buildings	26,080,621	1,454,040	-	-	27,534,661
Machinery, equipment, and vehicles	6,776,538	389,147	(45,728)	-	7,119,957
Water and sewer system	51,530,249	2,570,272	-	-	54,100,521
Total accumulated depreciation	<u>85,864,705</u>	<u>\$ 4,493,420</u>	<u>\$ (45,728)</u>	<u>\$ -</u>	<u>90,312,397</u>
Capital assets, net	<u>\$ 185,899,083</u>				<u>\$ 190,980,958</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2011</u>
Electric Fund:					
Non-Depreciable Assets:					
Land	\$ 973,598	\$ -	\$ -	\$ -	\$ 973,598
Construction in progress	4,745,374	643,545	(868)	(205,635)	5,182,416
Depreciable Assets:					
Land improvements	20,404	-	-	-	20,404
Buildings	117,132	-	-	-	117,132
Electrical distribution	75,472,004	1,425,419	-	205,635	77,103,058
Machinery, equipment, and vehicles	3,732,298	28,151	-	-	3,760,449
Total capital assets	<u>85,060,810</u>	<u>2,097,115</u>	<u>(868)</u>	<u>-</u>	<u>87,157,057</u>
Less Accumulated Depreciation:					
Land improvements	12,986	565	-	-	13,551
Buildings	26,966	5,533	-	-	32,499
Electrical distribution	41,666,003	1,614,318	-	-	43,280,321
Machinery, equipment, and vehicles	2,949,611	100,939	-	-	3,050,550
Total accumulated depreciation	<u>44,655,566</u>	<u>\$ 1,721,355</u>	<u>\$ -</u>	<u>\$ -</u>	<u>46,376,921</u>
Capital assets, net	<u>\$ 40,405,244</u>				<u>\$ 40,780,136</u>
	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2011</u>
Stormwater Fund:					
Non-Depreciable Assets:					
Land	\$ 30,000	\$ 22,470	\$ -	\$ -	\$ 52,470
Construction in progress	197,858	454,424	-	(490,416)	161,866
Depreciable Assets:					
Buildings	5,360	-	-	-	5,360
Stormwater infrastructure	44,277,619	1,034,043	(2,100)	490,416	45,799,978
Machinery, equipment, and vehicles	116,621	-	-	-	116,621
Total capital assets	<u>44,627,458</u>	<u>1,510,937</u>	<u>(2,100)</u>	<u>-</u>	<u>46,136,295</u>
Less Accumulated Depreciation:					
Buildings	2,709	357	-	-	3,066
Stormwater infrastructure	16,008,158	607,240	-	-	16,615,398
Machinery, equipment, and vehicles	106,642	1,110	-	-	107,752
Total accumulated depreciation	<u>16,117,509</u>	<u>\$ 608,707</u>	<u>\$ -</u>	<u>\$ -</u>	<u>16,726,216</u>
Capital assets, net	<u>\$ 28,509,949</u>				<u>\$ 29,410,079</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

The capital assets for the nonmajor enterprise funds of the City at June 30, 2011 are as follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2011</u>
Transit and Golf Funds:					
Non-Depreciable Assets:					
Land	\$ 352,794	\$ -	\$ -	\$ -	\$ 352,794
Depreciable Assets:					
Land improvements	1,130,989	-	-	-	1,130,989
Buildings	1,541,842	-	-	-	1,541,842
Machinery, equipment, and vehicles	2,847,548	-	(1,912)	-	2,845,636
Total capital assets	<u>5,873,173</u>	<u>-</u>	<u>(1,912)</u>	<u>-</u>	<u>5,871,261</u>
Less Accumulated Depreciation:					
Land improvements	619,059	35,988	-	-	655,047
Buildings	600,316	36,386	-	-	636,702
Machinery, equipment, and vehicles	1,936,745	228,814	-	-	2,165,559
Total accumulated depreciation	<u>3,156,120</u>	<u>\$ 301,188</u>	<u>\$ -</u>	<u>\$ -</u>	<u>3,457,308</u>
Capital assets, net	<u>\$ 2,717,053</u>				<u>\$ 2,413,953</u>

Invested in Capital Assets, Net of Debt

The total invested in capital assets, net of related debt at June 30, 2011 is composed of the following elements:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
Capital assets	\$ 166,058,133	\$ 263,585,126
Long-term debt	(71,612,197)	(41,789,211)
Unspent debt proceeds	41,705,512	3,059,910
Long-term debt for assets not owned by the City	2,388,860	-
Invested in capital assets, net of related debt	<u>\$ 138,540,308</u>	<u>\$ 224,855,825</u>

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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 6.35% and 6.41%, respectively, of annual covered payroll. The contribution requirements of members and of the City are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2011, 2010, and 2009 were \$2,624,877, \$2,035,832 and \$2,049,761, respectively. The contributions made by the City equaled the required contributions for each year. As of October 1, 2011 the employee contribution rate for employees not engaged in law enforcement increased to 6.88% and the rate for law enforcement officers increased to 7.05%.

Law Enforcement Officers' and Firemen's Special Separation Allowance

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

All full-time law enforcement officers and firemen of the City are covered by the Separation Allowance. At December 31, 2010, the Separation Allowance's membership consisted of:

Retirees receiving benefits and terminated plan	
members entitled to, but not yet receiving, benefits	58
Active plan members	319
Total	<u>377</u>

A separate report is not issued for the plan.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses), and (b) projected salary increases ranging from 4.5% 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, 2009 was 21 years.

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

Annual required contribution	\$	896,065
Interest on net pension obligation		70,012
Adjustment to annual required contribution		(74,964)
Annual pension costs		891,113
Contributions made		1,059,966
Increase (decrease) in net pension obligation		(168,853)
Net pension obligation:		
Beginning of year - July 1		1,400,244
End of year - June 30	\$	1,231,391

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 748,776	122.24%	\$ 1,520,163
2010	796,729	115.05%	1,400,244
2011	891,113	118.95%	1,231,391

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Funding Status and Funding Progress

As of December 31, 2010, 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 \$10,781,674. The covered payroll (annual payroll of the active employees covered by the plan) was \$15,149,434, and the ratio of the UAAL to the covered payroll was 71.17 percent.

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

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes 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, 2011 were \$643,018, which consisted of \$433,292 from the City and \$209,726 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.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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, 2011 were \$457,569, which consisted of \$330,303 from the City and \$127,266 from the firemen.

Supplemental Retirement Income Plan

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

Funding Policy. The City contributes to the North Carolina 401(k) Plan on a bi-weekly basis an amount equal to 5.0% of each employee's salary, and all amounts are vested immediately. The City contributes to the 401(a) Money Purchase Plan an additional amount equal to 5.0% of the City Manager's salary. Also, the employees may make voluntary contributions to the plans. Contributions to the North Carolina 401(k) Plan for the year ended June 30, 2011 were \$1,852,225, which consisted of \$1,292,283 from the City and \$559,942 from the employees. Contributions to the 401(a) Purchase Plan for the year ended June 30, 2011 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, 2011

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, 2011 were \$65,259, which consisted of \$6,538 from the City and \$59,721 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, 2011, the City made payments for post-retirement health benefit premiums of \$989,641. 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, 2011, the City made payments for post-retirement life insurance benefit premiums of \$25,657.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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 \$1,015,298, or 2.38% 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 \$177,730 for the year ended June 30, 2011.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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>1,015,298</u>
Increase (decrease) in net OPEB obligation	2,636,511
Net OPEB obligation, beginning of year	<u>8,144,618</u>
Net OPEB obligation, end of year	<u><u>\$ 10,781,129</u></u>

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

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 3,428,106	22.75%	\$ 5,302,615
2010	3,651,809	22.20%	8,144,618
2011	3,651,809	27.80%	10,781,129

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 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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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, 2011, the City made contributions to the State for death benefits of \$12,129. 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, 2011

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	\$ 1,109,968	\$ 23,159	\$ 1,133,127
HUD loans and mortgages	-	1,009,999	1,009,999
Prepaid revenues - other	1,300	-	1,300
Other receivables, net	305,531	2,469	308,000
Prepaid taxes and licenses	174,521	-	174,521
Total	<u>\$ 1,591,320</u>	<u>\$ 1,035,627</u>	<u>\$ 2,626,947</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	\$ 174,521	\$ -	\$ 174,521
Prepaid fees	1,300	15,230	16,530
Total	<u>\$ 175,821</u>	<u>\$ 15,230</u>	<u>\$ 191,051</u>

Commitments

The City had the following outstanding or planned projects as of June 30, 2011. These projects are evidenced by contractual obligations. The projects are funded by a combination of City monies, long-term debt, and special assessment taxes.

Governmental Activities Projects	Remaining Commitment
Street Improvements:	
Various Resurfacing and Road Widening	\$ 358,516
Total	<u>358,516</u>
General Government - Mayor/Council, Airport Capital Projects, and Downtown Capital Projects:	
Gastonia Conference Center and Parking Deck	4,065,659
Rankin Lake improvements	309,990
Total	<u>4,375,649</u>
Total commitments - governmental-type activities	<u>\$ 4,734,165</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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 2011 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, 2011

Reconciliation of Claims Liability

Changes in the City's claims liability balance during fiscal year 2011 are as follows:

	Dental Self- Insurance Fund	Medical Self- Insurance Fund	Total
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	-	810,627	810,627
Add incurred claims (including IBNRs) and changes in estimates	323,496	5,922,316	6,245,812
Deduct claims payments	<u>(323,496)</u>	<u>(6,225,243)</u>	<u>(6,548,739)</u>
Balance, June 30, 2011	<u>\$ -</u>	<u>\$ 507,700</u>	<u>\$ 507,700</u>

Claims and Judgments

At June 30, 2011, 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 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, 2011 is \$1,250,000. The loan is being carried in the Water and Sewer Fund.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

Year Ending June 30	Principal	Interest	Total
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>\$ 1,250,000</u>	<u>\$ 163,906</u>	<u>\$ 1,413,906</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, 2011 is \$71,585. The loan is being carried in the Water and Sewer Fund.

Debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2012	\$ 3,977	\$ -	\$ 3,977
2013	3,977	-	3,977
2014	3,977	-	3,977
2015	3,977	-	3,977
2016	3,977	-	3,977
2017-2021	19,885	-	19,885
2022-2026	19,885	-	19,885
2027-2029	11,930	-	11,930
Total	<u>\$ 71,585</u>	<u>\$ -</u>	<u>\$ 71,585</u>

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

Loan agreement with the State of North Carolina Department of Environment and Natural Resources. The loan is due in annual principal installments of \$266,276 from May 1, 2012 through May 1, 2027. Semi-annual interest payments at 2.305% from November 1, 2011 through May 1, 2027. The amount outstanding at June 30, 2011 is \$4,260,415. The loan was assumed from the Town of Cramerton, North Carolina, in relation to the transfer of the Town's water and sewer system operations and related infrastructure to the City of Gastonia. The loan is being carried in the Water and Sewer Fund.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2012	\$ 266,276	\$ 98,203	\$ 364,479
2013	266,276	92,065	358,341
2014	266,276	85,927	352,203
2015	266,276	79,790	346,066
2016	266,276	73,652	339,928
2017-2021	1,331,380	276,195	1,607,575
2022-2026	1,331,380	122,753	1,454,133
2027	266,275	6,138	272,413
Total	<u>\$ 4,260,415</u>	<u>\$ 834,723</u>	<u>\$ 5,095,138</u>

\$479,851 Water and Sewer State Revolving Loan

Loan agreement with the State of North Carolina Department of Environment and Natural Resources. The loan agreement calls for \$239,926 of principal to be forgiven. The loan agreement calls for 20 annual principal installments of \$11,996 each on May 1 of each year. The first principal payment was due May 1, 2010. The loan bears no interest. The amount outstanding at June 30, 2011 is \$227,929. The loan was assumed from the Town of Cramerton, North Carolina, in relation to the transfer of the Town's water and sewer system operations and related infrastructure to the City of Gastonia. The loan is being carried in the Water and Sewer Fund.

Debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2012	\$ 11,996	\$ -	\$ 11,996
2013	11,996	-	11,996
2014	11,996	-	11,996
2015	11,996	-	11,996
2016	11,996	-	11,996
2017-2021	59,981	-	59,981
2022-2026	59,981	-	59,981
2027-2030	47,987	-	47,987
Total	<u>\$ 227,929</u>	<u>\$ -</u>	<u>\$ 227,929</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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, 2011 is \$190,000.

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, 2011 is \$1,230,000.

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, 2011 is \$222,927.

In July 2010, the City received a \$249,930 loan under this Section 108 Loan Guarantee. The loan agreement calls for nineteen (19) annual principal installments from \$10,000 to \$15,000 beginning August 1, 2012, semi-annual interest payments on February 1, 2011 and August 1, 2011, \$4,580 and \$4,339, respectively. This note will be refinanced by HUD in November 2011. The amount outstanding at June 30, 2011 is \$249,930.

In September 2010, the City received a \$496,000 loan under this Section 108 Loan Guarantee. The loan agreement calls for twenty (20) annual principal installments from \$20,000 to \$26,000 beginning August 1, 2011, interest payments on February 1, 2011, April 1, 2011 and August 1, 2011, \$628, \$621 and \$580, respectively. This note will be refinanced by HUD in November 2011. The amount outstanding at June 30, 2011 is \$496,000.

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Future minimum payments on the Section 108 Loan Guarantee as of June 30, 2011 are as follows:

Year Ending June 30	Principal	Interest	Total
2012	\$ 245,000	\$ 84,931	\$ 329,931
2013	260,000	68,271	328,271
2014	170,000	58,815	228,815
2015	143,000	48,887	191,887
2016	143,000	39,585	182,585
2017-2021	890,000	110,801	1,000,801
2022-2026	324,000	3,354	327,354
2027-2030	213,857	-	213,857
Total	<u>\$ 2,388,857</u>	<u>\$ 414,644</u>	<u>\$ 2,803,501</u>

Other Financing Agreements

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, 2011 is \$590,919. 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, 2011 are as follows:

Year Ending June 30	Principal	Interest	Total
2012	\$ 590,919	\$ 23,944	\$ 614,863
Total	<u>\$ 590,919</u>	<u>\$ 23,944</u>	<u>\$ 614,863</u>

In August 2007, the City entered into a financing agreement for the acquisition of various vehicles and equipment. Total loan proceeds received by the City amounted to \$4,116,329. The terms of the agreement call for semi-annual payments of \$452,068 from February 1, 2008 through August 1, 2012, including interest at 3.59%. The amount outstanding at June 30, 2011 is \$1,308,935. 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, 2011

Debt service requirements to maturity as of June 30, 2011 are as follows:

Year Ending June 30	Principal	Interest	Total
2012	\$ 864,838	\$ 39,298	\$ 904,136
2013	444,097	7,972	452,069
Total	<u>\$ 1,308,935</u>	<u>\$ 47,270</u>	<u>\$ 1,356,205</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, 2011 is \$2,044,794. 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, 2011 are as follows:

Year Ending June 30	Principal	Interest	Total
2012	\$ 801,010	\$ 49,616	\$ 850,626
2013	822,703	27,924	850,627
2014	421,081	4,233	425,314
Total	<u>\$ 2,044,794</u>	<u>\$ 81,773</u>	<u>\$ 2,126,567</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, 2011 is \$1,419,522. 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, 2011

Debt service requirements to maturity as of June 30, 2011 are as follows:

Year Ending June 30	Principal	Interest	Total
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>\$ 1,419,522</u>	<u>\$ 102,553</u>	<u>\$ 1,522,075</u>

In May 2011, the City entered into a financing agreement for the acquisition of various vehicles and equipment. Total loan proceeds received by the City amounted to \$1,885,000. The terms of the agreement call for semi-annual payments of \$198,642 from October 26, 2011 through April 26, 2016, including interest at 1.990%. The amount outstanding at June 30, 2011 is \$1,885,000. 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.

Debt service requirements to maturity as of June 30, 2011 are as follows:

Year Ending June 30	Principal	Interest	Total
2012	\$ 364,720	\$ 32,565	\$ 397,285
2013	368,857	28,428	397,285
2014	376,233	21,052	397,285
2015	383,758	13,527	397,285
2016	391,432	5,853	397,285
Total	<u>\$ 1,885,000</u>	<u>\$ 101,425</u>	<u>\$ 1,986,425</u>

In June 2011, the City entered into a \$500,000 installment note with the Town of Cramerton. Annual principal installments of \$25,000 to \$100,000 begin August 1, 2011 and continue through August 1, 2018. The loan bears no interest. The installment loan is in relation to the transfer of the Town or Cramerton's water and sewer operations and related assets to the City of Gastonia. The amount outstanding at June 30, 2011 is \$475,000. The debt is being carried in the Water and Sewer Fund.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Debt service requirements to maturity as of June 30, 2011 are as follows:

Year Ending June 30	Principal	Interest	Total
2012	\$ -	\$ -	\$ -
2013	50,000	-	50,000
2014	50,000	-	50,000
2015	50,000	-	50,000
2016	50,000	-	50,000
2017-2019	275,000	-	275,000
Total	<u>\$ 475,000</u>	<u>\$ -</u>	<u>\$ 475,000</u>

Certificates of Participation/Installment Financing

In November 2002, the City entered into a \$4,000,000 installment financing agreement collateralized by City Hall. The debt proceeds were used to partially finance the renovation of the old county courthouse to be used as City municipal offices. The Certificates of Participation are due in semi-annual principal installments of \$133,333 from May 19, 2003 through November 19, 2017, with semi-annual interest payments from May 19, 2003 through November 19, 2017 at an interest rate of 3.71%. The amount outstanding at June 30, 2011 is \$1,733,330. 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, 2011 are as follows:

Year Ending June 30	Principal	Interest	Total
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
2016	266,667	22,335	289,002
2017-2018	399,995	14,880	414,875
Total	<u>\$ 1,733,330</u>	<u>\$ 225,412</u>	<u>\$ 1,958,742</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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, 2011 is \$2,965,000. 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, 2011 are as follows:

Year Ending				
June 30	Principal	Interest	Total	
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	
2016	640,000	12,800	652,800	
Total	<u>\$ 2,965,000</u>	<u>\$ 298,301</u>	<u>\$ 3,263,301</u>	

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.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Bonds payable at June 30, 2011 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%. \$ 1,800,000

\$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.) 51,103

\$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%. 1,220,000

\$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% 4,990,000

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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. 1,360,000

\$2,130,000 Series 2010A Parks and Recreation General Obligation Bonds, due in annual principal installments from \$950,000 to \$1,180,000 from September 1, 2013 through September 1, 2014, interest payable semi-annually beginning March 1, 2011 at 3.00% to 4.00%. Proceeds are scheduled for parks and recreation projects. 2,130,000

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

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

Total general obligation bonds - governmental activities \$ 39,941,103

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

General Obligation Bonds (continued) 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.)

109,170

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

539,170

Total general obligation bonds - governmental
and business-type activities

\$ 40,480,273

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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%. (*)

\$ 4,230,000

\$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.

11,935,000

\$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. (*)

17,730,000

Total revenue bonds

\$ 33,895,000

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

(*) 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, 2011, there was \$2,945,285 held in escrow by the escrow agent.

At June 30, 2011, the City had a legal debt margin of \$341,275,439.

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, 2011 is as follows:

Gross revenues available for debt service	\$ 29,484,361
Expenses, as defined in the covenants	<u>19,743,402</u>
Income available for debt service	<u>\$ 9,740,959</u>
Debt service , principal and interest, parity indebtedness	<u>\$ 4,662,303</u>
Debt service coverage ratio	209%
Debt service, principal and interest, parity and subordinated indebtedness	<u>\$ 5,683,019</u>
Debt service coverage ratio	171%

At June 30, 2011, 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, 2011

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 \$42,710,642.

Annual debt service requirements to maturity for general obligation bonds as of June 30, 2011 are as follows:

Governmental Activities:

Year Ending June 30	Principal	Interest	Total
2012	\$ 1,701,103	\$ 1,629,013	\$ 3,330,116
2013	1,670,000	1,563,262	3,233,262
2014	2,415,000	1,484,125	3,899,125
2015	2,495,000	1,387,737	3,882,737
2016	2,650,000	1,293,387	3,943,387
2017-2021	10,412,474	5,212,698	15,625,172
2022-2026	9,622,096	3,255,220	12,877,316
2027-2031	8,975,430	1,098,688	10,074,118
Total	<u>\$ 39,941,103</u>	<u>\$ 16,924,130</u>	<u>\$ 56,865,233</u>

Business-Type Activities:

Year Ending June 30	Principal	Interest	Total
2012	\$ 109,170	\$ 20,680	\$ 129,850
2013	-	16,869	16,869
2014	-	16,869	16,869
2015	-	16,869	16,869
2016	-	16,869	16,869
2017-2021	97,526	82,395	179,921
2022-2026	237,904	46,233	284,137
2027-2028	94,570	5,651	100,221
Total	<u>\$ 539,170</u>	<u>\$ 222,435</u>	<u>\$ 761,605</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Annual debt service requirements to maturity for revenue bonds as of June 30, 2011 are as follows:

Business-Type Activities:

Year Ending June 30	Principal	Interest	Total
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	3,400,000	907,893	4,307,893
2017-2021	13,100,000	2,499,219	15,599,219
2022-2025	4,975,000	579,094	5,554,094
Total	<u>\$ 33,895,000</u>	<u>\$ 8,815,642</u>	<u>\$ 42,710,642</u>

Limited Obligation Bond Indebtedness

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

Limited Obligation Bonds

Serviced by the General Fund:

\$7,830,000 Series 2010A Tax Exempt Limited Obligation Bonds, due in annual principal installments from \$425,000 to \$915,000 from April 1, 2012 through April 1, 2022, with semi-annual interest payments beginning April 1, 2011 at rates ranging from 2.00% to 4.00%. \$ 7,830,000

\$8,000,000 Series 2010B Recovery Zone Economic Development Taxable Limited Obligation Bonds, due in annual principal installments from \$320,000 to \$710,000 from April 1, 2020 through April 1, 2033, with semi-annual interest payments beginning April 1, 2011 at rates ranging from 4.470% to 5.992%. The City will receive a subsidy from the United States Treasury equal to 45% of the amount of each interest payment. 8,000,000

Total limited obligation bonds \$ 15,830,000

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Annual debt service requirements to maturity for limited obligation bonds as of June 30, 2011 are as follows:

Governmental Activities:

Year Ending June 30	Principal	Interest	Total
2012	\$ 500,000	\$ 712,252	\$ 1,212,252
2013	490,000	702,252	1,192,252
2014	870,000	687,552	1,557,552
2015	890,000	652,752	1,542,752
2016	890,000	632,727	1,522,727
2017-2021	4,580,000	2,684,479	7,264,479
2022-2026	3,100,000	1,811,363	4,911,363
2027-2031	3,115,000	990,178	4,105,178
2032-2033	1,395,000	126,132	1,521,132
Total	<u>\$ 15,830,000</u>	<u>\$ 8,999,687</u>	<u>\$ 24,829,687</u>

Changes in Long-Term Liabilities

During the year ended June 30, 2011, the following changes occurred in long-term liabilities:

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011	Due Within One Year
Governmental Activities:					
General Fund:					
General obligation bonds	\$ 12,547,360	\$ 29,495,000	\$ 2,101,257	\$ 39,941,103	\$ 1,701,103
Limited obligation bonds	-	15,830,000	-	15,830,000	500,000
Bond premium	-	1,671,930	167,193	1,504,737	-
Compensated absences	2,034,918	1,601,888	632,473	3,004,333	2,301,793
Unfunded pension obligation	1,400,244	891,113	1,059,966	1,231,391	-
Other post-employment benefits obligation	6,340,405	1,974,813	-	8,315,218	-
Installment financing	1,999,997	-	266,667	1,733,330	266,667
Certificates of participation	8,955,000	-	5,990,000	2,965,000	550,000
Special Revenue Funds:					
Section 108 Loan Guarantee	1,862,927	745,930	220,000	2,388,857	245,000
Internal Service Funds:					
Installment financing	8,374,326	1,885,000	3,010,156	7,249,170	2,961,450
Compensated absences	54,706	64,727	54,706	64,727	49,027
Governmental activity long-term liabilities	<u>\$ 43,569,883</u>	<u>\$ 54,160,401</u>	<u>\$ 13,502,418</u>	<u>\$ 84,227,866</u>	<u>\$ 8,575,040</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Due Within</u> <u>One Year</u>
Business-Type Activities:					
General obligation bonds	\$ 1,522,637	\$ -	\$ 983,467	\$ 539,170	\$ 109,170
Compensated absences	566,181	784,198	566,181	784,198	587,698
Other post-employment benefits obligation	1,804,213	661,698	-	2,465,911	-
Revenue bonds	36,715,000	-	2,820,000	33,895,000	2,935,000
Bond premium	1,235,921	-	165,809	1,070,112	-
Installment debt	-	500,000	25,000	475,000	-
State revolving loans	<u>1,575,562</u>	<u>4,488,344</u>	<u>253,977</u>	<u>5,809,929</u>	<u>532,249</u>
Business-type activity long-term liabilities	<u>\$ 43,419,514</u>	<u>\$ 6,434,240</u>	<u>\$ 4,814,434</u>	<u>\$ 45,039,320</u>	<u>\$ 4,164,117</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, 2011 is as follows:

Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
	Nonmajor Special Revenue Funds, Nonmajor Enterprise Funds,	
General	Internal Service Funds	\$ 3,414,981
Internal Service Funds	General	<u>1,689,947</u>
Total		<u>\$ 5,104,928</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.

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, 2011. The General Fund and other nonmajor governmental fund payables to the internal service funds represent plan premiums not paid as of June 30, 2011.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

D. Revenues, Expenditures, and Expenses

On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2011, the City has recognized on-behalf payments for pension contributions made by the State as revenue and an expenditure of \$44,134 for the 132 employed firemen who perform firefighting duties for the City's fire department. The employees are elected to be members of the Firemen's and Rescue Squad Workers' Pension Fund, a cost-sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

Also, the City has recognized as revenue and an expenditure on-behalf payments for fringe benefits and salaries of \$41,412 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, 2011. 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, 2011 were \$55,490,088.

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, 2011.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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, 2011, the City reported revenues and expenditures for the payments of \$41,412 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, 2011. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local Board of Trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

5. Related Organization

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

6. Summary Disclosure of Significant Contingencies

Federal and State-Assisted Programs

The City has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

7. Related Party Transactions

In 2011, the City's Electric Fund provided services to the general government and other funds and did not charge the funds a fee for these services. The fair market value of these services is estimated at:

<u>Service</u>	<u>General Fund</u>	<u>Total</u>
Electricity	\$ 835,052	\$ 835,052
Electricity for street lights	633,056	633,056
Electricity charges for street lights billed by outside parties	268,323	268,323
Total	<u>\$ 1,736,431</u>	<u>\$ 1,736,431</u>

8. Transfers From/To Other Funds

In 2011, the City made the following transfers within its fund structure. Transfers to the General Fund from the Electric and Water and Sewer 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 capital project funds were made to provide the local support of the capital projects' capital outlay activities. Transfers from the General Fund to the Economic Stimulus Grants Fund were made to supplement that fund's activities. Transfers from the General Fund, Developer Sidewalk, and Economic Stimulus Grants Fund were made to provide support for the Downtown Revitalization Capital Projects Fund. Transfers from the Downtown Revitalization Capital Projects Fund to the Community Development Fund were made to supplement Community Development activities. Various other transfers of an immaterial nature were made between funds to supplement various operating activities.

<u>Transfers from/to Other Funds:</u>	<u>Transfers</u>	
	<u>From</u>	<u>To</u>
General	\$ 1,184,721	\$ 2,443,923
Enterprise Fund:		
Electric	2,000,000	-
Water and Sewer	443,923	55,625
Transit	-	568,054
Internal Service Fund:		
Vehicle Replacement Fund	55,625	1,989
Special Revenue Fund:		
Community Development	-	148,004
Economic Stimulus Grants Fund	106,095	100,000
Capital Project Funds:		
Developer Sidewalk	277,726	-
Airport	-	16,667
Downtown Revitalization	148,004	753,063
Mayor/Council	-	128,769
Total	<u>\$ 4,216,094</u>	<u>\$ 4,216,094</u>



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, 2011**

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
12/31/2001	\$ -	\$ 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%
12/31/2010	-	10,781,674	10,781,674	0.00%	15,149,434	71.17%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Amount Contributed By Employer	Percentage of ARC Contributed
2002	\$ 604,767	\$ 582,692	96.35%
2003	630,811	613,360	97.23%
2004	653,321	645,642	98.82%
2005	730,031	679,623	93.10%
2006	730,031	715,392	97.99%
2007	733,401	770,943	105.12%
2008	733,401	853,088	116.32%
2009	729,611	915,292	125.45%
2010	782,277	916,637	117.18%
2011	896,065	1,059,996	118.29%

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	12/31/2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	21 years
Asset valuation method	Market value

Actuarial Assumptions:

Investment rate of return*	5.00%
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, 2011

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	Annual Required Contribution (ARC)	Amount Contributed By Employer	Percentage of ARC Contributed
2008	\$ 3,428,106	\$ 773,600	22.57%
2009	3,428,106	779,997	22.75%
2010	3,622,695	809,806	22.35%
2011	3,622,695	1,015,298	28.03%

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.



CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011

	Nonmajor		
	Special Revenue Funds	Capital Project Funds	Total
Assets:			
Cash, cash equivalents, and investments	\$ 155,901	\$ 464,538	\$ 620,439
Taxes receivable, net	23,146	-	23,146
Accounts receivable, net	857,701	15,819	873,520
Due from other governments	85,590	-	85,590
Loan pool receivable, net	1,009,999	-	1,009,999
Prepaid items	-	32,595	32,595
Cash and cash equivalents, restricted	701,039	5,798,676	6,499,715
Property acquired for rehabilitation and resale	1,634,977	-	1,634,977
 Total assets	 <u>\$ 4,468,353</u>	 <u>\$ 6,311,628</u>	 <u>\$ 10,779,981</u>
 Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 229,525	\$ 1,108,240	\$ 1,337,765
Due to General Fund	1,126,959	-	1,126,959
Deferred revenues	1,033,158	2,469	1,035,627
Total liabilities	<u>2,389,642</u>	<u>1,110,709</u>	<u>3,500,351</u>
 Fund Balances:			
Non-Spendable:			
Inventories	1,634,977	-	1,634,977
Prepays	-	32,595	32,595
Restricted:			
Stabilization by State Statute	1,200,671	4,236,193	5,436,864
Restricted, all other	760,361	667,788	1,428,149
Assigned	-	374,248	374,248
Unassigned	(1,517,298)	(109,905)	(1,627,203)
Total fund balances (deficits)	<u>2,078,711</u>	<u>5,200,919</u>	<u>7,279,630</u>
 Total liabilities and fund balances	 <u>\$ 4,468,353</u>	 <u>\$ 6,311,628</u>	 <u>\$ 10,779,981</u>

CITY OF GASTONIA, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011**

	Nonmajor		
	Special Revenue Funds	Capital Project Funds	Total
Revenues:			
Ad valorem taxes	\$ 116,753	\$ -	\$ 116,753
Other taxes and licenses	394,982	-	394,982
Restricted intergovernmental	2,837,556	471,804	3,309,360
Sales and services	107,524	-	107,524
Investment earnings	(3,971)	79,158	75,187
Miscellaneous	8,500	661,136	669,636
Total revenues	<u>3,461,344</u>	<u>1,212,098</u>	<u>4,673,442</u>
Expenditures:			
Public safety	904,935	-	904,935
Economic and physical development	2,540,421	-	2,540,421
Capital outlay	-	6,126,844	6,126,844
Debt service:			
Principal repayment	220,000	165,000	385,000
Interest	96,466	261,491	357,957
Total expenditures	<u>3,761,822</u>	<u>6,553,335</u>	<u>10,315,157</u>
Revenues over (under) expenditures	<u>(300,478)</u>	<u>(5,341,237)</u>	<u>(5,641,715)</u>
Other Financing Sources (Uses):			
Transfers from other funds	248,004	769,730	1,017,734
Transfers to other funds	(106,095)	(425,730)	(531,825)
Issuance of debt	250,000	8,045,930	8,295,930
Issuance of debt-premium	-	154,662	154,662
Total other financing sources (uses)	<u>391,909</u>	<u>8,544,592</u>	<u>8,936,501</u>
Net change in fund balances	91,431	3,203,355	3,294,786
Fund Balances:			
Beginning of year - July 1	2,613,228	1,997,564	4,610,792
Increase (decrease) in inventories and property/land acquired for redevelopment/rehabilitation	<u>(625,948)</u>	<u>-</u>	<u>(625,948)</u>
End of year - June 30	<u>\$ 2,078,711</u>	<u>\$ 5,200,919</u>	<u>\$ 7,279,630</u>

CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2011

<u>Fiscal Year</u>	<u>Balance June 30, 2010</u>	<u>Additions and Adjustments</u>	<u>Collections and Credits</u>	<u>Balance June 30, 2011</u>
2010-2011	\$ -	\$ 27,510,025	\$ 26,505,717	\$ 1,004,308
2009-2010	1,087,525	21,315	753,381	355,459
2008-2009	338,453	14,106	148,993	203,566
2007-2008	169,036	12,391	49,821	131,606
2006-2007	102,367	4,350	15,089	91,628
2005-2006	83,369	4,200	10,108	77,461
2004-2005	63,226	714	4,384	59,556
2003-2004	93,542	707	3,441	90,808
2002-2003	67,782	580	2,824	65,538
2001-2002	57,085	515	(25,128)	82,728
2000-2001	116,543	1,337	117,880	-
Total	<u>\$ 2,178,928</u>	<u>\$ 27,570,240</u>	<u>\$ 27,586,510</u>	<u>2,162,658</u>
Less allowance for uncollectible ad valorem taxes receivable				(1,180,812)
Add: Motor vehicle tag receivable				368,463
Less allowance for uncollectible motor vehicle tag receivable				<u>(240,341)</u>
Ad valorem taxes receivable - net				<u>\$ 1,109,968</u>
Reconciliation with Revenues:				
Taxes - ad valorem				\$ 27,336,891
Reconciling Items:				
Penalties and interest				(200,390)
Amounts written off for tax year 2000-2001				117,880
Current year releases and adjustments of uncollected taxes				262,793
Prior year releases and adjustments of uncollected taxes				<u>69,336</u>
Total collections and credits				<u>\$ 27,586,510</u>

CITY OF GASTONIA, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2011

	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>\$ 5,137,352,758</u>	\$ 0.005300	<u>\$ 27,227,970</u>	<u>\$ 25,183,592</u>	<u>\$ 2,044,378</u>
Discoveries:					
Current year taxes	<u>53,217,925</u>	0.005300	<u>282,055</u>	<u>260,109</u>	<u>21,946</u>
Abatements:					
Current year taxes	<u>(48,665,556)</u>		<u>(262,794)</u>	<u>(205,870)</u>	<u>(56,924)</u>
Total property valuation	<u><u>\$ 5,141,905,127</u></u>				
Net Levy			27,247,231	25,237,831	2,009,400
Uncollected taxes at June 30, 2011			<u>1,004,308</u>	<u>671,328</u>	<u>332,980</u>
Current year's tax collections			<u>\$ 26,242,923</u>	<u>\$ 24,566,503</u>	<u>\$ 1,676,420</u>
Current Levy Collection Percentage			<u>96.31%</u>	<u>97.34%</u>	<u>83.43%</u>
Prior Year Collection Percentage			<u>96.01%</u>	<u>97.02%</u>	<u>83.78%</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, 2011

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

	2011			2010
	Final Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Current year	\$ 26,128,239	\$ 26,154,024	\$ 25,785	\$ 26,171,348
Prior year	950,000	982,477	32,477	959,961
Penalties and interest	170,000	200,390	30,390	199,796
Total	27,248,239	27,336,891	88,652	27,331,105
Other Taxes and Licenses:				
Local option sales tax	9,688,922	9,456,007	(232,915)	9,728,777
Payments in lieu of taxes	2,770,461	2,834,845	64,384	2,456,745
Utility franchise tax	3,303,000	3,637,666	334,666	3,525,229
Privilege licenses	250,000	241,606	(8,394)	247,433
Penalties and interest	4,000	4,442	442	4,339
Auto tag fee	711,000	747,227	36,227	760,796
Rental vehicle tax	58,000	59,379	1,379	54,439
Total	16,785,383	16,981,172	195,789	16,777,758
Unrestricted Intergovernmental Revenues:				
Beer and wine	328,000	331,788	3,788	106,282
N.C. Highway Commission	320,000	599,839	279,839	333,523
City of Gastonia ABC Board	460,000	820,000	360,000	700,000
Court costs	20,000	21,840	1,840	21,754
Video franchise tax	700,000	628,273	(71,727)	634,707
Total	1,828,000	2,401,740	573,740	1,796,266
Restricted Intergovernmental Revenues:				
Powell Bill allocation	1,951,786	1,908,414	(43,372)	1,968,971
Section 104(f) - Federal Grant	390,000	245,233	(144,767)	287,314
Section 5303 - federal/State	846,000	21,552	(824,448)	23,407
Federal asset forfeitures	98,422	99,704	1,282	52,599
State asset forfeitures	50,000	41,967	(8,033)	73,143
State grants	26,677	14,051	(12,626)	29,269
Miscellaneous federal and State grants	-	9,863	9,863	48,790
Gaston County	28,709	31,035	2,326	29,700
US DOJ Block Grant 2002	70,032	70,032	-	120,076
Federal grants - vest	-	-	-	174,356
On-behalf payments - firemen	-	85,546	85,546	78,577
Total	3,461,626	2,527,397	(934,229)	2,886,202
Permits	599,925	626,451	26,526	549,800

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, 2011

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

	2011			2010
	Final Budget	Actual	Variance Over/Under	Actual
Sales, Services, and Rents:				
Administration fees	396,550	533,780	137,230	399,482
Airport fees and rents	109,000	105,644	(3,356)	111,036
Commercial waste disposal fee	1,573,053	1,540,072	(32,981)	1,491,713
County grant - museum	100,000	100,000	-	100,000
Decorative street lights	-	-	-	51,558
Fire protection charges	500	225	(275)	800
Franchise fee - airport	250	-	(250)	125
Hanson surcharge	24,700	22,335	(2,365)	20,759
Late fees	9,600	(469)	(10,069)	9,790
Museum	244,000	241,804	(2,196)	223,084
Reconnection fees	100,000	66,120	(33,880)	68,359
Recreation	318,200	328,433	10,233	351,435
Recycling fees	115,519	144,824	29,305	126,994
Reimbursement for services	1,118,138	1,135,509	17,371	1,162,070
Rents	189,180	222,617	33,437	189,444
Report copies	10,236	7,471	(2,765)	12,666
Sale of property	17,000	47,555	30,555	12,247
Skeet, trap, and pistol/rifle fees	92,000	102,003	10,003	83,175
Total	<u>4,417,926</u>	<u>4,597,923</u>	<u>179,997</u>	<u>4,414,737</u>
Investment Earnings:				
Regular investments	281,952	198,083	(83,869)	139,481
Federal asset forfeitures	-	31	31	255
State asset forfeitures	1,000	793	(207)	966
Police Memorial - Fund 75	-	(30)	(30)	103
Block Grant - Fund 76	-	267	267	595
Hanson surcharge	200	323	123	434
Total	<u>283,152</u>	<u>199,467</u>	<u>(83,685)</u>	<u>141,834</u>
Miscellaneous:				
Donations	150,000	22,552	(127,448)	47,535
Parking violations	850	2,178	1,328	1,191
Discounts earned	1,000	875	(125)	380
Other	592,019	583,170	(8,849)	408,183
Insurance proceeds	-	-	-	6,525
Total	<u>743,869</u>	<u>608,775</u>	<u>(135,094)</u>	<u>463,814</u>
Total revenues	<u>55,368,120</u>	<u>55,279,816</u>	<u>(88,304)</u>	<u>54,361,516</u>

CITY OF GASTONIA, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2011

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

	2011			2010
	Final Budget	Actual	Variance Over/Under	Actual
Expenditures:				
General Government:				
Mayor and Council:				
Salaries and employee benefits	142,879	142,720	159	157,506
Operating expenditures	290,969	281,674	9,295	301,575
Overhead allocated to other funds	(137,326)	(136,169)	(1,157)	(144,424)
Total	296,522	288,225	8,297	314,657
Communications and Marketing:				
Salaries and employee benefits	90,044	89,717	327	86,877
Operating expenditures	50,297	80,022	(29,725)	33,349
Overhead allocated to other funds	(63,503)	(79,658)	16,155	(68,567)
Total	76,838	90,081	(13,243)	51,659
City Manager:				
Salaries and employee benefits	315,606	314,026	1,580	310,003
Operating expenditures	203,009	66,706	136,303	67,100
Overhead allocated to other funds	(121,330)	(111,941)	(9,389)	(113,812)
Total	397,285	268,791	128,494	263,291
Assistant City Manager - Director of Human Resources and Administration:				
Salaries and employee benefits	144,851	144,176	675	142,867
Operating expenditures	7,419	6,862	557	4,727
Overhead allocated to other funds	(5,189)	(5,003)	(186)	(5,040)
Total	147,081	146,035	1,046	142,554
Assistant City Manager - Public Infrastructure:				
Salaries and employee benefits	152,111	151,713	398	150,173
Operating expenditures	8,207	7,800	407	8,725
Overhead allocated to other funds	(103,602)	(100,228)	(3,374)	(102,926)
Total	56,716	59,285	(2,569)	55,972
Archives and History:				
Operating expenditures	180	177	3	198
Human Resources:				
Salaries and employee benefits	1,658,973	1,559,328	99,645	1,267,381
Operating expenditures	1,499,244	1,310,223	189,021	1,228,249
Overhead allocated to other funds	(687,961)	(726,661)	38,700	(646,971)
Total	2,470,256	2,142,890	327,366	1,848,659

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, 2011

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

	2011			2010
	Final Budget	Actual	Variance Over/Under	Actual
Technology Services:				
Administration:				
Operating expenditures	-	-	-	(30)
Total	-	-	-	(30)
Admin Apps:				
Salaries and employee benefits	205,063	203,688	1,375	201,969
Operating expenditures	205,058	93,857	111,201	74,447
Overhead allocated to other funds	(118,862)	(101,116)	(17,746)	(95,201)
Total	291,259	196,429	94,830	181,215
Telephone Communication:				
Salaries and employee benefits	64,191	62,700	1,491	59,765
Operating expenditures	(63,524)	(72,310)	8,786	(66,438)
Overhead allocated to other funds	(299)	10,238	(10,537)	1,537
Total	368	628	(260)	(5,136)
Communication Division:				
Salaries and employee benefits	560,714	554,690	6,024	558,115
Operating expenditures	105,281	96,107	9,174	111,356
Overhead allocated to other funds	(8,916)	(13,470)	4,554	(14,546)
Total	657,079	637,327	19,752	654,925
Database Administration:				
Salaries and employee benefits	222,712	222,041	671	218,075
Operating expenditures	133,437	105,915	27,522	109,961
Overhead allocated to other funds	(273,701)	(249,846)	(23,855)	(262,216)
Total	82,448	78,110	4,338	65,820
Geographic Information Systems AM/FM:				
Salaries and employee benefits	243,322	215,707	27,615	198,535
Operating expenditures	83,449	62,640	20,809	61,862
Capital outlay	-	-	-	4,000
Overhead allocated to other funds	(325,466)	(243,947)	(81,519)	(211,248)
Total	1,305	34,400	(33,095)	53,149
Tech Services - CIS Apps:				
Salaries and employee benefits	306,674	303,720	2,954	300,905
Operating expenditures	239,812	192,926	46,886	227,150
Capital outlay	11,000	9,918	1,082	3,763
Overhead allocated to other funds	(529,097)	(482,180)	(46,917)	(520,944)
Total	28,389	24,384	4,005	10,874

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, 2011

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

	2011			2010
	Final Budget	Actual	Variance Over/Under	Actual
Tech Services - 800 Mhz System:				
Salaries and employee benefits	69,939	67,603	2,336	69,459
Operating expenditures	174,725	152,025	22,700	112,767
Total	244,664	219,628	25,036	182,226
Total technology services	1,305,512	1,190,906	114,606	1,143,043
Financial Services:				
Accounting Division:				
Salaries and employee benefits	454,766	444,062	10,704	427,203
Operating expenditures	71,408	66,881	4,527	71,163
Overhead allocated to other funds	(154,755)	(140,816)	(13,939)	(141,386)
Total	371,419	370,127	1,292	356,980
Budget Division:				
Salaries and employee benefits	216,497	208,929	7,568	240,973
Operating expenditures	45,243	35,249	9,994	33,969
Overhead allocated to other funds	(85,718)	(70,997)	(14,721)	(80,804)
Total	176,022	173,181	2,841	194,138
Accounts Receivable Division:				
Salaries and employee benefits	489,169	480,754	8,415	471,162
Operating expenditures	273,485	249,995	23,490	261,294
Overhead allocated to other funds	(732,710)	(686,848)	(45,862)	(703,626)
Total	29,944	43,901	(13,957)	28,830
Purchasing Division:				
Salaries and employee benefits	215,574	215,124	450	210,292
Operating expenditures	16,463	12,952	3,511	11,683
Overhead allocated to other funds	(78,917)	(75,212)	(3,705)	(75,496)
Total	153,120	152,864	256	146,479
Warehouse Division:				
Salaries and employee benefits	120,738	119,577	1,161	124,615
Operating expenditures	24,241	17,325	6,916	30,781
Overhead allocated to other funds	(127,540)	(119,066)	(8,474)	(129,877)
Total	17,439	17,836	(397)	25,519

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, 2011

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

	2011			2010
	Final Budget	Actual	Variance Over/Under	Actual
Print Shop:				
Salaries and employee benefits	-	(360)	360	22,407
Operating expenditures	16,659	13,152	3,507	19,211
Overhead allocated to other funds	(3,019)	(2,360)	(659)	(7,712)
Total	13,640	10,432	3,208	33,906
Financial Services Administration:				
Salaries and employee benefits	213,434	209,330	4,104	214,506
Operating expenditures	19,279	16,389	2,890	23,071
Overhead allocated to other funds	(103,155)	(94,966)	(8,189)	(102,640)
Total	129,558	130,753	(1,195)	134,937
Garage Parts Room:				
Salaries and employee benefits	99,698	99,459	239	73,870
Operating expenditures	15,135	38,031	(22,896)	203,895
Total	114,833	137,490	(22,657)	277,765
Revenue Administration:				
Salaries and employee benefits	28,334	30,873	(2,539)	-
Operating expenditures	1,357	1,578	(221)	-
Total	29,691	32,451	(2,760)	-
Customer Service:				
Salaries and employee benefits	408,030	408,028	2	484,532
Operating expenditures	160,080	128,982	31,098	133,239
Overhead allocated to other funds	(417,246)	(424,696)	7,450	(505,159)
Total	150,864	112,314	38,550	112,612
Meter Services:				
Salaries and employee benefits	535,918	527,784	8,134	591,357
Operating expenditures	72,601	72,717	(116)	68,316
Overhead allocated to other funds	(643,434)	(583,664)	(59,770)	(659,199)
Total	(34,915)	16,837	(51,752)	474
Total financial services	1,151,615	1,198,186	(46,571)	1,311,640
City Attorney:				
Salaries and employee benefits	351,350	348,541	2,809	340,145
Operating expenditures	52,613	42,272	10,341	52,263
Overhead allocated to other funds	(61,602)	(57,882)	(3,720)	(59,788)
Total	342,361	332,931	9,430	332,620

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, 2011

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

	2011			2010
	Final Budget	Actual	Variance Over/Under	Actual
Special Project and Strategic Development:				
Salaries and employee benefits	126,486	124,573	1,913	-
Operating expenditures	11,276	11,573	(297)	-
Overhead allocated to other funds	(6,290)	(13,350)	7,060	-
Total	131,472	122,796	8,676	-
Development Services:				
Planning:				
Salaries and employee benefits	301,375	300,729	646	399,040
Operating expenditures	70,524	58,821	11,703	56,592
Overhead allocated to other funds	(34,089)	(35,306)	1,217	(46,062)
Total	337,810	324,244	13,566	409,570
Economic Development:				
Operating expenditures	45,998	-	45,998	62,038
Overhead allocated to other funds	(30,360)	-	(30,360)	(40,944)
Total	15,638	-	15,638	21,094
Transportation Planning:				
Salaries and employee benefits	343,709	338,110	5,599	344,250
Operating expenditures	852,913	78,632	774,281	90,853
Total	1,196,622	416,742	779,880	435,103
Building Services:				
Salaries and employee benefits	837,077	834,604	2,473	713,890
Operating expenditures	455,576	368,160	87,416	130,544
Overhead allocated to other funds	(11,338)	(9,598)	(1,740)	-
Total	1,281,315	1,193,166	88,149	844,434
Neighborhoods and Housing:				
Salaries and employee benefits	119,902	118,461	1,441	72,884
Operating expenditures	137,455	125,852	11,603	115,966
Capital outlay	500	-	500	-
Overhead allocated to other funds	(139,172)	(158,316)	19,144	(124,582)
Total	118,685	85,997	32,688	64,268
Development Services-Administration:				
Salaries and employee benefits	117,931	117,850	81	102,435
Operating expenditures	20,541	9,399	11,142	14,850
Total	138,472	127,249	11,223	117,285

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, 2011

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

	2011			2010
	Final Budget	Actual	Variance Over/Under	Actual
Keep Gastonia Beautiful:				
Salaries and employee benefits	155,120	153,182	1,938	148,534
Operating expenditures	35,075	43,518	(8,443)	29,357
Total	190,195	196,700	(6,505)	177,891
Land Development:				
Salaries and employee benefits	565,215	558,261	6,954	-
Operating expenditures	46,325	14,010	32,315	-
Overhead allocated to other funds	(130,956)	(281,445)	150,489	-
Total	480,584	290,826	189,758	-
Uptown Development:				
Operating expenditures	-	-	-	7,755
Total	-	-	-	7,755
Neighborhood and Community Resources:				
Salaries and employee benefits	20,770	20,768	2	159,699
Operating expenditures	30,768	25,419	5,349	29,505
Total	51,538	46,187	5,351	189,204
Code Enforcement:				
Salaries and employee benefits	-	-	-	394,466
Operating expenditures	-	(3)	3	275,130
Overhead allocated to other funds	-	-	-	(13,703)
Total	-	(3)	3	655,893
Sister Cities:				
Salaries and employee benefits	23,541	22,910	631	19,566
Operating expenditures	12,002	10,884	1,118	11,518
Total	35,543	33,794	1,749	31,084
Community Improvement - Downtown:				
Salaries and employee benefits	93,471	91,094	2,377	91,497
Operating expenditures	-	-	-	3,115
Overhead allocated to other funds	(17,548)	(16,532)	(1,016)	(17,007)
Total	75,923	74,562	1,361	77,605
Graffiti Program:				
Operating expenditures	3,500	623	2,877	-
Total	3,500	623	2,877	-

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, 2011

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

	2011			2010
	Final Budget	Actual	Variance Over/Under	Actual
Neighborhood Stabilization Program:				
Operating expenditures	17,400	18,092	(692)	13,615
Total	17,400	18,092	(692)	13,615
 Total development services	 3,943,225	 2,808,179	 1,135,046	 3,044,801
 General Administration:				
Operating expenditures	48,534	60,883	(12,349)	52,406
Total	48,534	60,883	(12,349)	52,406
 Non-Departmental:				
Operating expenditures	29,689	-	29,689	-
Total	29,689	-	29,689	-
 Total general government	 10,397,286	 8,709,365	 1,687,921	 8,561,500
 Public Safety:				
Police Department:				
Administration:				
Salaries and employee benefits	510,995	491,557	19,438	481,411
Operating expenditures	91,266	82,616	8,650	76,300
Total	602,261	574,173	28,088	557,711
 Recruiting:				
Operating expenditures	10,000	6,848	3,152	4,547
Total	10,000	6,848	3,152	4,547
 2010 JAG Grant:				
Operating expenditures	70,032	70,032	-	-
Total	70,032	70,032	-	-
 Investigations:				
Salaries and employee benefits	2,735,805	2,726,900	8,905	2,598,950
Operating expenditures	524,630	518,209	6,421	523,670
Overhead allocated to other funds	(7,196)	(6,998)	(198)	(6,864)
Total	3,253,239	3,238,111	15,128	3,115,756
 Field Services:				
Salaries and employee benefits	7,170,759	7,041,205	129,554	7,220,913
Operating expenditures	1,394,776	1,378,658	16,118	1,590,757
Capital outlay	12,861	6,500	6,361	-
Total	8,578,396	8,426,363	152,033	8,811,670

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, 2011

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

	2011			2010
	Final Budget	Actual	Variance Over/Under	Actual
P.A.R.C.:				
Salaries and employee benefits	264,595	262,841	1,754	212,148
Operating expenditures	28,682	27,985	697	35,189
Overhead allocated to other funds	(1,753)	(2,067)	314	(2,156)
Total	291,524	288,759	2,765	245,181
M.I.S.:				
Salaries and employee benefits	445,629	444,173	1,456	432,841
Operating expenditures	206,012	166,963	39,049	143,537
Total	651,641	611,136	40,505	576,378
Support Services:				
Salaries and employee benefits	553,545	553,031	514	521,178
Operating expenditures	322,534	289,948	32,586	298,269
Total	876,079	842,979	33,100	819,447
ABC Enforcement:				
Salaries and employee benefits	73,918	70,421	3,497	66,292
Operating expenditures	12,850	12,209	641	10,913
Total	86,768	82,630	4,138	77,205
Early Police Retirement:				
Salaries and employee benefits	620,615	633,859	(13,244)	528,780
Total	620,615	633,859	(13,244)	528,780
Asset Forfeiture:				
Operating expenditures	378,390	211,737	166,653	105,158
Capital outlay	27,239	27,239	-	13,040
Total	405,629	238,976	166,653	118,198
Police Memorial Trust:				
Operating expenditures	21,759	7,271	14,488	922
Capital outlay	154,798	44,010	110,788	-
Total	176,557	51,281	125,276	922
Special Situations:				
Operating expenditures	52,292	51,030	1,262	48,446
Total	52,292	51,030	1,262	48,446
K-9 Competition:				
Operating expenditures	-	-	-	174,356
Total	-	-	-	174,356

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, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011			2010
	Final Budget	Actual	Variance Over/Under	Actual
Police Department Grants:				
Operating expenditures	3,307	-	3,307	143,867
Total	3,307	-	3,307	143,867
Police Records Bureau:				
Salaries and employee benefits	534,852	526,416	8,436	509,966
Operating expenditures	136,393	113,980	22,413	135,514
Total	671,245	640,396	30,849	645,480
Police Miscellaneous Grants:				
Operating expenditures	7,000	-	7,000	-
Total	7,000	-	7,000	-
Total police department	16,356,585	15,756,573	600,012	15,867,944
Fire Department:				
Administration:				
Salaries and employee benefits	377,173	369,142	8,031	364,978
Operating expenditures	70,322	67,503	2,819	56,978
Total	447,495	436,645	10,850	421,956
Life Safety:				
Salaries and employee benefits	402,261	395,549	6,712	397,560
Operating expenditures	57,455	57,101	354	56,496
Total	459,716	452,650	7,066	454,056
Operations:				
Salaries and employee benefits	7,639,498	7,570,843	68,655	7,552,392
Operating expenditures	1,215,773	1,207,698	8,075	1,223,305
Capital outlay	13,160	10,660	2,500	28,720
Total	8,868,431	8,789,201	79,230	8,804,417
Training:				
Salaries and employee benefits	-	-	-	802
Operating expenditures	18,235	18,423	(188)	17,283
Total	18,235	18,423	(188)	18,085
Early Fire Retirement:				
Salaries and employee benefits	435,441	426,858	8,583	387,869
Total	435,441	426,858	8,583	376,334

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, 2011

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

	2011			2010
	Final Budget	Actual	Variance Over/Under	Actual
Risk Management:				
Salaries and employee benefits	92,704	92,689	15	2,590
Operating expenditures	40	504	(464)	-
Total	92,744	93,193	(449)	2,590
On-Behalf Payments:				
Operating expenditures	-	85,546	(85,546)	78,577
Total	-	85,546	(85,546)	78,577
Total fire department	10,322,062	10,302,516	19,546	10,167,550
Total public safety	26,678,647	26,059,089	619,558	26,035,494
Public Works:				
Enterprise Services:				
Solid Waste Administration:				
Salaries and employee benefits	225,415	219,329	6,086	213,308
Operating expenditures	45,450	35,192	10,258	37,554
Overhead allocated to other funds	(18,511)	(16,950)	(1,561)	(17,165)
Total	252,354	237,571	14,783	233,697
Refuse Collection:				
Salaries and employee benefits	1,835,611	1,813,622	21,989	1,815,560
Operating expenditures	2,216,221	2,165,496	50,725	2,043,149
Overhead allocated to other funds	(38,774)	(37,224)	(1,550)	(38,561)
Total	4,013,058	3,941,894	71,164	3,820,148
Refuse Disposal:				
Operating expenditures	1,717,726	1,383,429	334,297	1,496,771
Total	1,717,726	1,383,429	334,297	1,496,771
Garage Inventory:				
Operating expenditures	18,322	74,128	(55,806)	226,730
Overhead allocated to other funds	(4,663)	(2,272)	(2,391)	(4,462)
Total	13,659	71,856	(58,197)	222,268
Equipment Services:				
Salaries and employee benefits	987,919	970,004	17,915	1,040,576
Operating expenditures	139,907	140,175	(268)	155,192
Capital outlay	3,351	-	3,351	6,033
Overhead allocated to other funds	(435,793)	(412,687)	(23,106)	(456,050)
Total	695,384	697,492	(2,108)	745,751

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, 2011

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

	2011			2010
	Final Budget	Actual	Variance Over/Under	Actual
Airport Operations:				
Operating expenditures	91,133	78,438	12,695	91,391
Total	91,133	78,438	12,695	91,391
Total enterprise services	6,783,314	6,410,680	372,634	6,610,026
Public Works:				
Building and Grounds:				
Salaries and employee benefits	641,689	630,397	11,292	705,096
Operating expenditures	273,714	229,750	43,964	208,296
Overhead allocated to other funds	(98,206)	(88,348)	(9,858)	(99,027)
Total	817,197	771,799	45,398	814,365
Engineering:				
Salaries and employee benefits	1,335,687	1,304,245	31,442	2,083,515
Operating expenditures	174,275	171,121	3,154	183,820
Overhead allocated to other funds	(815,471)	(742,512)	(72,959)	(1,219,267)
Total	694,491	732,854	(38,363)	1,048,068
Traffic Services:				
Salaries and employee benefits	479,250	471,174	8,076	471,797
Operating expenditures	170,272	170,770	(498)	156,560
Total	649,522	641,944	7,578	628,357
Street Department:				
Supervision				
Salaries and employee benefits	241,952	235,270	6,682	228,449
Operating expenditures	33,806	30,091	3,715	29,722
Overhead allocated to other funds	(165,212)	(157,340)	(7,872)	(157,313)
Total	110,546	108,021	2,525	100,858
Powell Bill Street Funds:				
Salaries and employee benefits	1,233,870	1,165,372	68,498	1,192,731
Operating expenditures	894,202	875,904	18,298	736,157
Overhead allocated to other funds	(110,474)	(95,387)	(15,087)	(100,228)
Total	2,017,598	1,945,889	71,709	1,828,660
Landscape:				
Salaries and employee benefits	397,551	390,541	7,010	389,135
Operating expenditures	65,726	67,595	(1,869)	63,641
Overhead allocated to other funds	(28,837)	(27,428)	(1,409)	(27,907)
Total	434,440	430,708	3,732	424,869

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, 2011

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

	2011			2010
	Final Budget	Actual	Variance Over/Under	Actual
Cemeteries:				
Salaries and employee benefits	160,576	149,897	10,679	158,393
Operating expenditures	27,290	24,843	2,447	19,791
Total	187,866	174,740	13,126	178,184
Total public works	11,694,974	11,216,635	478,339	11,633,387
Cultural and Recreational:				
Recreational:				
Operation Playground Pride:				
Operating expenditures	24,095	11,587	12,508	4,808
Total	24,095	11,587	12,508	4,808
Administration:				
Salaries and employee benefits	166,113	166,034	79	149,293
Operating expenditures	32,322	28,354	3,968	34,719
Total	198,435	194,388	4,047	184,012
Athletics and Special Facilities:				
Salaries and employee benefits	487,573	476,577	10,996	455,998
Operating expenditures	321,286	294,634	26,652	317,404
Total	808,859	771,211	37,648	773,402
Roland E. Bradley Community Center:				
Salaries and employee benefits	169,137	168,425	712	164,059
Operating expenditures	49,168	38,216	10,952	32,007
Total	218,305	206,641	11,664	196,066
Erwin Community Center:				
Salaries and employee benefits	168,806	152,265	16,541	165,357
Operating expenditures	89,842	84,018	5,824	87,373
Total	258,648	236,283	22,365	252,730
Martha Rivers Park:				
Salaries and employee benefits	285,171	267,086	18,085	295,471
Operating expenditures	65,210	62,541	2,669	48,230
Total	350,381	329,627	20,754	343,701
Phillips Community Center:				
Salaries and employee benefits	161,676	152,176	9,500	151,392
Operating expenditures	37,373	31,905	5,468	37,947
Total	199,049	184,081	14,968	189,339

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, 2011

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

	2011			2010
	Final Budget	Actual	Variance Over/Under	Actual
Jeffers Community Center:				
Salaries and employee benefits	158,194	156,833	1,361	141,728
Operating expenditures	35,658	33,625	2,033	34,239
Total	193,852	190,458	3,394	175,967
Maintenance and Development:				
Salaries and employee benefits	346,779	340,989	5,790	320,043
Operating expenditures	109,976	109,109	867	100,171
Total	456,755	450,098	6,657	420,214
Golf Course:				
Salaries and employee benefits	5,229	337	4,892	372
Operating expenditures	35,037	29,165	5,872	66,730
Total	40,266	29,502	10,764	67,102
Adult Recreation Center:				
Salaries and employee benefits	168,773	167,903	870	147,918
Operating expenditures	114,717	101,569	13,148	115,599
Total	283,490	269,472	14,018	263,517
Sims Park:				
Operating expenditures	13,800	12,768	1,032	16,421
Total	13,800	12,768	1,032	16,421
Southeast Community Center:				
Salaries and employee benefits	26,068	25,764	304	25,824
Operating expenditures	5,024	5,138	(114)	4,450
Total	31,092	30,902	190	30,274
Skeet/Trap Range:				
Salaries and employee benefits	40,346	39,546	800	39,014
Operating expenditures	58,890	50,597	8,293	49,019
Total	99,236	90,143	9,093	88,033
Lineberger Park:				
Salaries and employee benefits	16,130	15,899	231	16,200
Operating expenditures	8,975	6,476	2,499	10,668
Total	25,105	22,375	2,730	26,868

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, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011			2010
	Final Budget	Actual	Variance Over/Under	Actual
Greenways:				
Operating expenditures	20,799	18,626	2,173	19,764
Total	20,799	18,626	2,173	19,764
Total recreational	3,222,167	3,048,162	174,005	3,052,218
Museum:				
Collections/Research:				
Salaries and employee benefits	123,511	119,643	3,868	116,697
Operating expenditures	16,504	16,472	32	15,383
Total	140,015	136,115	3,900	132,080
Education:				
Salaries and employee benefits	353,999	351,632	2,367	326,378
Operating expenditures	66,847	69,342	(2,495)	72,532
Total	420,846	420,974	(128)	398,910
Exhibits:				
Salaries and employee benefits	134,804	130,567	4,237	118,376
Operating expenditures	58,556	59,682	(1,126)	62,657
Total	193,360	190,249	3,111	181,033
Administration:				
Salaries and employee benefits	309,099	304,690	4,409	324,237
Operating expenditures	205,511	222,914	(17,403)	126,523
Total	514,610	527,604	(12,994)	450,760
Operations:				
Salaries and employee benefits	203,622	194,556	9,066	258,447
Operating expenditures	163,841	169,818	(5,977)	154,461
Total	367,463	364,374	3,089	412,908
Programs:				
Salaries and employee benefits	106,622	100,012	6,610	142,737
Operating expenditures	37,841	38,480	(639)	37,535
Total	144,463	138,492	5,971	180,272
Special Projects:				
Operating expenditures	4,500	4,367	133	3,766
Total	4,500	4,367	133	3,766
Total museum	1,785,257	1,782,175	3,082	1,759,729
Total cultural and recreational	5,007,424	4,830,337	177,087	4,811,947

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, 2011

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

	2011			2010
	Final Budget	Actual	Variance Over/Under	Actual
Debt Service:				
Principal	3,192,924	3,192,924	-	3,182,767
Interest	1,436,823	1,436,823	-	957,800
Bond issuance costs	103,142	98,417	4,725	-
Service charges	13,332	10,704	2,628	5,388
Total	<u>4,746,221</u>	<u>4,738,868</u>	<u>7,353</u>	<u>4,145,955</u>
 Total expenditures	 <u>58,524,552</u>	 <u>55,554,294</u>	 <u>2,970,258</u>	 <u>55,188,283</u>
 Revenues over (under) expenditures	 <u>(3,156,432)</u>	 <u>(274,478)</u>	 <u>2,881,954</u>	 <u>(826,767)</u>
 Other Financing Sources (Uses):				
Issuance of long-term debt	5,100,000	5,100,000	-	-
Premium on long-term debt issued	273,499	218,902	(54,597)	-
Payments to refunded bond escrow agent	(5,277,343)	(5,277,343)	-	-
Transfers from other funds:				
Water and Sewer Fund	443,923	443,923	-	-
Electric Fund	2,000,000	2,000,000	-	2,100,000
Special revenue funds	-	-	-	20,041
Transfers to other funds:				
Transit Fund	(568,054)	(568,054)	-	(483,743)
Internal service funds	(1,989)	(1,989)	-	(901,810)
Special revenue funds	(100,000)	(100,000)	-	(271,540)
Capital project funds	(514,678)	(514,678)	-	(354,824)
Budgetary amounts:				
Appropriated fund balance	<u>1,801,074</u>	<u>-</u>	<u>(1,801,074)</u>	<u>-</u>
Total other financing sources (uses)	<u>3,156,432</u>	<u>1,300,761</u>	<u>(1,855,671)</u>	<u>108,124</u>
 Net change in fund balance	 <u>\$ -</u>	 <u>1,026,283</u>	 <u>\$ 1,026,283</u>	 <u>(718,643)</u>
 Fund Balance:				
Beginning of year - July 1		16,004,601		16,414,749
Increase (decrease) in inventories		<u>6,147</u>		<u>308,495</u>
 End of year - June 30		<u><u>\$ 17,037,031</u></u>		<u><u>\$ 16,004,601</u></u>



SPECIAL REVENUE FUNDS

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

Community Development Block Grant Program Fund

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

Occupancy Tax Fund

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

Uptown Municipal Fund

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

Economic Stimulus Grants Fund

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

CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS COMBINING BALANCE SHEET JUNE 30, 2011

	Community Development Block Grant				
	Program Fund	Affordable Housing Fund	Rehabilitation Fund	Home Investment Trust Fund	108 Loan/ Revitalization
Assets:					
Cash, cash equivalents, and investments	\$ -	\$ -	\$ 63,834	\$ -	\$ -
Taxes receivable, net	-	-	-	-	-
Accounts receivable, net	606,549	10,854	-	162,841	-
Due from other governments	-	-	-	-	-
Cash and investments, restricted	-	60,396	-	-	-
Loan pool receivable, net	37,155	454,053	74,500	444,291	-
Property acquired for rehabilitation and resale	707,338	-	39,779	618,296	76,100
Total assets	<u>\$ 1,351,042</u>	<u>\$ 525,303</u>	<u>\$ 178,113</u>	<u>\$ 1,225,428</u>	<u>\$ 76,100</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 17,515	\$ -	\$ -	\$ 6,709	\$ -
Due to General Fund	462,799	-	-	282,713	313,868
Deferred revenues	37,155	454,053	74,500	444,291	-
Total liabilities	<u>517,469</u>	<u>454,053</u>	<u>74,500</u>	<u>733,713</u>	<u>313,868</u>
Fund Balances (Deficits):					
Non-Spendable:					
Inventories	707,338	-	39,779	618,296	76,100
Restricted:					
Stabilization by State Statute	637,036	10,854	-	250,848	-
Restricted, all other	-	60,396	63,834	-	-
Unassigned	(510,801)	-	-	(377,429)	(313,868)
Total fund balances (deficits)	<u>833,573</u>	<u>71,250</u>	<u>103,613</u>	<u>491,715</u>	<u>(237,768)</u>
Total liabilities and fund balances	<u>\$ 1,351,042</u>	<u>\$ 525,303</u>	<u>\$ 178,113</u>	<u>\$ 1,225,428</u>	<u>\$ 76,100</u>

Schedule C-1

CDBG (continued)					
108 Loan/ Economic	Economic Development	Occupancy Tax Fund	Uptown Municipal Tax District	Economic Stimulus Grants Fund	Total
\$ -	\$ -	\$ 1,448	\$ 90,619	\$ -	\$ 155,901
-	-	-	23,146	-	23,146
-	-	-	128	77,329	857,701
-	-	85,590	-	-	85,590
640,643	-	-	-	-	701,039
-	-	-	-	-	1,009,999
193,464	-	-	-	-	1,634,977
<u>\$ 834,107</u>	<u>\$ -</u>	<u>\$ 87,038</u>	<u>\$ 113,893</u>	<u>\$ 77,329</u>	<u>\$ 4,468,353</u>
\$ 26,831	\$ -	\$ 85,590	\$ 5,029	\$ 87,851	\$ 229,525
-	2,589	-	-	64,990	1,126,959
-	-	-	23,159	-	1,033,158
<u>26,831</u>	<u>2,589</u>	<u>85,590</u>	<u>28,188</u>	<u>152,841</u>	<u>2,389,642</u>
193,464	-	-	-	-	1,634,977
59,873	-	85,590	3,513	152,957	1,200,671
553,939	-	-	82,192	-	760,361
-	(2,589)	(84,142)	-	(228,469)	(1,517,298)
<u>807,276</u>	<u>(2,589)</u>	<u>1,448</u>	<u>85,705</u>	<u>(75,512)</u>	<u>2,078,711</u>
<u>\$ 834,107</u>	<u>\$ -</u>	<u>\$ 87,038</u>	<u>\$ 113,893</u>	<u>\$ 77,329</u>	<u>\$ 4,468,353</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, 2011

	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	396,030	-	-	828,540	-
Sales and services	6,429	25,192	-	75,903	-
Investment earnings	(1,996)	234	165	(1,874)	(1,383)
Miscellaneous	-	-	-	-	-
Total revenues	<u>400,463</u>	<u>25,426</u>	<u>165</u>	<u>902,569</u>	<u>(1,383)</u>
Expenditures:					
Public safety	-	-	-	-	-
Economic and physical development	254,540	-	-	548,263	-
Debt service:					
Principal	220,000	-	-	-	-
Interest	89,901	6,565	-	-	-
Total expenditures	<u>564,441</u>	<u>6,565</u>	<u>-</u>	<u>548,263</u>	<u>-</u>
Revenues over (under) expenditures	<u>(163,978)</u>	<u>18,861</u>	<u>165</u>	<u>354,306</u>	<u>(1,383)</u>
Other Financing Sources (Uses):					
Issuance of debt	250,000	-	-	-	-
Transfers from other funds	-	-	-	-	-
Transfers to other funds	-	-	-	-	-
Total other financing sources (uses)	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	86,022	18,861	165	354,306	(1,383)
Fund Balances:					
Beginning of year - July 1	838,647	52,389	103,448	496,424	(236,385)
Increase (decrease) in inventories and property/land acquired redevelopment/rehabilitation	<u>(91,096)</u>	<u>-</u>	<u>-</u>	<u>(359,015)</u>	<u>-</u>
End of year - June 30	<u>\$ 833,573</u>	<u>\$ 71,250</u>	<u>\$ 103,613</u>	<u>\$ 491,715</u>	<u>\$ (237,768)</u>

CDBG (continued)					
108 Loan/ Economic	Economic Development	Occupancy Tax Fund	Uptown Municipal Tax District	Economic Stimulus Grants Fund	Total
\$ -	\$ -	\$ -	\$ 116,753	\$ -	\$ 116,753
-	-	394,982	-	-	394,982
-	-	-	-	1,612,986	2,837,556
-	-	-	-	-	107,524
1,071	(10)	-	463	(641)	(3,971)
-	-	-	8,500	-	8,500
<u>1,071</u>	<u>(10)</u>	<u>394,982</u>	<u>125,716</u>	<u>1,612,345</u>	<u>3,461,344</u>
-	-	-	-	904,935	904,935
300,074	-	394,982	84,822	957,740	2,540,421
-	-	-	-	-	220,000
-	-	-	-	-	96,466
<u>300,074</u>	<u>-</u>	<u>394,982</u>	<u>84,822</u>	<u>1,862,675</u>	<u>3,761,822</u>
<u>(299,003)</u>	<u>(10)</u>	<u>-</u>	<u>40,894</u>	<u>(250,330)</u>	<u>(300,478)</u>
-	-	-	-	-	250,000
148,004	-	-	-	100,000	248,004
-	-	-	-	(106,095)	(106,095)
<u>148,004</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,095)</u>	<u>391,909</u>
(150,999)	(10)	-	40,894	(256,425)	91,431
1,134,112	(2,579)	1,448	44,811	180,913	2,613,228
<u>(175,837)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(625,948)</u>
<u>\$ 807,276</u>	<u>\$ (2,589)</u>	<u>\$ 1,448</u>	<u>\$ 85,705</u>	<u>\$ (75,512)</u>	<u>\$ 2,078,711</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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental revenues	\$ 1,326,610	\$ 396,030	\$ (930,580)
Sales and services	1,600	6,429	4,829
Investment earnings	1,550	(1,996)	(3,546)
Total revenues	<u>1,329,760</u>	<u>400,463</u>	<u>(929,297)</u>
Expenditures:			
Economic and physical development:			
Industrial development	45,539	4,454	41,085
Administration	201,420	113,221	88,199
Housing rehabilitation	528,013	135,598	392,415
Fair housing	10,907	1,267	9,640
Debt service:			
Principal	220,000	220,000	-
Interest	90,843	89,901	942
Total expenditures	<u>1,096,722</u>	<u>564,441</u>	<u>532,281</u>
Revenues over (under) expenditures	<u>233,038</u>	<u>(163,978)</u>	<u>(397,016)</u>
Other Financing Sources (Uses):			
Issuance of debt	250,000	250,000	-
Appropriated fund balance	(483,038)	-	483,038
Total other financing sources (uses)	<u>(233,038)</u>	<u>250,000</u>	<u>483,038</u>
Net change in fund balance	<u>\$ -</u>	<u>86,022</u>	<u>\$ 86,022</u>
Fund Balance:			
Beginning of year - July 1		838,647	
Increase (decrease) in inventories and property/land acquired for redevelopment/rehabilitation		<u>(91,096)</u>	
End of year - June 30		<u>\$ 833,573</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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Sales and services	\$ 18,600	\$ 25,192	\$ 6,592
Investment earnings	-	234	234
Total revenues	<u>18,600</u>	<u>25,426</u>	<u>6,826</u>
Expenditures:			
Debt service:			
Interest	<u>18,600</u>	<u>6,565</u>	<u>12,035</u>
Total expenditures	<u>18,600</u>	<u>6,565</u>	<u>12,035</u>
Net change in fund balance	<u>\$ -</u>	18,861	<u>\$ 18,861</u>
Fund Balance:			
Beginning of year - July 1		<u>52,389</u>	
End of year - June 30		<u>\$ 71,250</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, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Sales and services	\$ 90,000	\$ -	\$ (90,000)
Investment earnings	-	165	165
Total revenues	<u>90,000</u>	<u>165</u>	<u>(89,835)</u>
Expenditures:			
Economic and physical development:			
Housing rehabilitation	<u>112,487</u>	<u>-</u>	<u>112,487</u>
Total expenditures	<u>112,487</u>	<u>-</u>	<u>112,487</u>
Revenues over (under) expenditures	<u>(22,487)</u>	<u>165</u>	<u>22,652</u>
Other Financing Sources (Uses):			
Appropriated fund balance/contingency	<u>22,487</u>	<u>-</u>	<u>(22,487)</u>
Total other financing sources (uses)	<u>22,487</u>	<u>-</u>	<u>(22,487)</u>
Net change in fund balance	<u>\$ -</u>	<u>165</u>	<u>\$ 165</u>
Fund Balance:			
Beginning of year - July 1		<u>103,448</u>	
End of year - June 30		<u>\$ 103,613</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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental revenues	\$ 1,669,361	\$ 828,540	\$ (840,821)
Sales and services	397,502	75,903	(321,599)
Investment earnings	-	(1,874)	(1,874)
Total revenues	<u>2,066,863</u>	<u>902,569</u>	<u>(1,164,294)</u>
Expenditures:			
Economic and physical development:			
Home program	<u>1,390,164</u>	<u>548,263</u>	<u>841,901</u>
Total expenditures	<u>1,390,164</u>	<u>548,263</u>	<u>841,901</u>
Revenues over (under) expenditures	<u>676,699</u>	<u>354,306</u>	<u>(322,393)</u>
Other Financing Sources (Uses):			
Appropriated fund balance	<u>(676,699)</u>	-	<u>676,699</u>
Total other financing sources (uses)	<u>(676,699)</u>	-	<u>676,699</u>
Net change in fund balance	<u>\$ -</u>	354,306	<u>\$ 354,306</u>
Fund Balance:			
Beginning of year - July 1		496,424	
Increase (decrease) in inventories and property/land acquired for redevelopment/rehabilitation		<u>(359,015)</u>	
End of year - June 30		<u>\$ 491,715</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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ -	\$ (1,383)	\$ (1,383)
Total revenues	-	(1,383)	(1,383)
 Net change in fund balance	 \$ -	 (1,383)	 \$ (1,383)
 Fund Balance:			
Beginning of year - July 1		(236,385)	
 End of year - June 30		 \$ (237,768)	

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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ 11,000	\$ 1,071	\$ (9,929)
Total revenues	<u>11,000</u>	<u>1,071</u>	<u>(9,929)</u>
Expenditures:			
Economic and physical development:			
108 Guaranteed loan	501,268	300,074	201,194
Highland Grocery site	410,544	-	410,544
Debt service:			
Principal repayments	<u>12,000</u>	<u>-</u>	<u>12,000</u>
Total expenditures	<u>923,812</u>	<u>300,074</u>	<u>623,738</u>
Revenues over (under) expenditures	<u>(912,812)</u>	<u>(299,003)</u>	<u>613,809</u>
Other Financing Sources (Uses):			
Transfers from other funds	148,004	148,004	-
Appropriated fund balance	<u>764,808</u>	<u>-</u>	<u>(764,808)</u>
Total other financing sources (uses)	<u>912,812</u>	<u>148,004</u>	<u>(764,808)</u>
Net change in fund balance	<u>\$ -</u>	<u>(150,999)</u>	<u>\$ (150,999)</u>
Fund Balance:			
Beginning of year - July 1		1,134,112	
Increase (decrease) in inventories and property/land acquired for redevelopment/rehabilitation		<u>(175,837)</u>	
End of year - June 30		<u>\$ 807,276</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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ -	\$ (10)	\$ (10)
Total revenues	<u>-</u>	<u>(10)</u>	<u>(10)</u>
 Net change in fund balance	 <u>\$ -</u>	 (10)	 <u>\$ (10)</u>
 Fund Balance:			
Beginning of year - July 1		<u>(2,579)</u>	
 End of year - June 30		<u><u>\$ (2,589)</u></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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Other taxes and licenses	\$ 407,599	\$ 394,982	\$ (12,617)
Total revenues	<u>407,599</u>	<u>394,982</u>	<u>(12,617)</u>
Expenditures:			
Economic and physical development:			
Gastonia Tourism Development Authority	<u>407,599</u>	<u>394,982</u>	<u>12,617</u>
Total expenditures	<u>407,599</u>	<u>394,982</u>	<u>12,617</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad valorem taxes	\$ 119,223	\$ 116,753	\$ (2,470)
Investment earnings	-	463	463
Miscellaneous	1,700	8,500	6,800
Total revenues	<u>120,923</u>	<u>125,716</u>	<u>4,793</u>
Expenditures:			
Economic and physical development:			
Community improvement downtown	<u>165,734</u>	<u>84,822</u>	<u>80,912</u>
Total expenditures	<u>165,734</u>	<u>84,822</u>	<u>80,912</u>
Revenues over (under) expenditures	<u>(44,811)</u>	<u>40,894</u>	<u>85,705</u>
Other Financing Sources (Uses):			
Appropriated fund balance	<u>44,811</u>	-	<u>(44,811)</u>
Total other financing sources (uses)	<u>44,811</u>	-	<u>(44,811)</u>
Net change in fund balance	<u>\$ -</u>	<u>40,894</u>	<u>\$ 40,894</u>
Fund Balance:			
Beginning of year - July 1		<u>44,811</u>	
End of year - June 30		<u>\$ 85,705</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, 2011

	Budget	Actual	Variance Over/Under
Revenues:			
Restricted intergovernmental revenues	\$ 2,710,329	\$ 1,612,986	\$ (1,097,343)
Investment earnings	-	(641)	(641)
Total revenues	<u>2,710,329</u>	<u>1,612,345</u>	<u>(1,097,984)</u>
Expenditures:			
Public safety:			
Police/Field Services Grant-ARRA	817,261	311,066	506,195
COPS Equipment Grant-ARRA	110	-	110
JAG-DOJ Grant-ARRA	161,251	160,975	276
Fire-2010 AFG Grant	431,792	432,894	(1,102)
Economic and physical development:			
Neighborhood Stabilization Grant	915,008	792,930	122,078
CDBG Recovery Grant	29,199	-	29,199
Energy Efficiency Block Grant	138,869	129,105	9,764
Energy Efficiency Government Buildings	<u>357,227</u>	<u>35,705</u>	<u>321,522</u>
Total expenditures	<u>2,850,717</u>	<u>1,862,675</u>	<u>988,042</u>
Revenues over (under) expenditures	<u>(140,388)</u>	<u>(250,330)</u>	<u>(109,942)</u>
Other Financing Sources (Uses):			
Transfers from other funds	100,000	100,000	-
Transfers to other funds	(106,095)	(106,095)	-
Appropriated fund balance	<u>146,483</u>	<u>-</u>	<u>(146,483)</u>
Total other financing sources (uses)	<u>140,388</u>	<u>(6,095)</u>	<u>(146,483)</u>
Net change in fund balance	<u>\$ -</u>	<u>(256,425)</u>	<u>\$ (256,425)</u>
Fund Balance:			
Beginning of year - July 1		<u>180,913</u>	
End of year - June 30		<u>\$ (75,512)</u>	



CAPITAL PROJECTS FUNDS

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

Mayor / Council Fund

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

Streets Fund

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

Developer Sidewalk Fund

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

Airport Fund

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

Downtown Revitalization Fund

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

CAPITAL PROJECTS FUNDS (cont)

Infrastructure Rehabilitation Fund

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

CITY OF GASTONIA, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND - MAYOR / COUNCIL SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2011

	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
Revenues:			
Restricted intergovernmental revenue	\$ 947,911	\$ -	\$ (947,911)
Unrestricted intergovernmental revenue	141,759	79,924	(61,835)
Investment earnings	-	10,581	10,581
Miscellaneous revenues	<u>763,080</u>	<u>13,430</u>	<u>(749,650)</u>
Total revenues	<u>1,852,750</u>	<u>103,935</u>	<u>(1,748,815)</u>
Expenditures:			
Capital outlay:			
Mayor's Youth Council	300	-	300
Financial Services -Accounting	327,550	210,709	116,841
Public Works - Powell Bill	220,030	53,490	166,540
Keep Gastonia Beautiful	4,175	954	3,221
Marth Rivers Park	12,780	-	12,780
Lineberger Park Renovations	110,320	99,820	10,500
Rankin Lane	3,060,425	266,778	2,793,647
Tulip Drive Bridge	131,960	-	131,960
Greenways	371,898	133,534	238,364
Miscellaneous Sidewalks	29,824	25,371	4,453
Schiele Environmental Services Center	1,479,076	139,477	1,339,599
Miscellaneous Park Projects	142,165	-	142,165
2010 2/3 General Obligation Bonds	2,130,000	50,562	2,079,438
Annexation Street	176,107	-	176,107
2010 GO Bonds-Recreation Projects	200,978	196,926	4,052
Capital Project Reserve	7,355	2,173	5,182
General Obligation Bonds Project	<u>366,165</u>	<u>-</u>	<u>366,165</u>
Total	<u>8,771,108</u>	<u>1,179,794</u>	<u>7,591,314</u>
Debt Service:			
Bond issuance costs	<u>170,976</u>	<u>118,326</u>	<u>52,650</u>
Total	<u>170,976</u>	<u>118,326</u>	<u>52,650</u>
 Total expenditures	 <u>8,942,084</u>	 <u>1,298,120</u>	 <u>7,643,964</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, 2011

	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
Revenues over (under) expenditures	<u>(7,089,334)</u>	<u>(1,194,185)</u>	<u>5,895,149</u>
Other Financing Sources (Uses):			
Transfers from other funds	128,769	128,769	-
Issuance of debt	5,310,000	5,310,000	-
Issuance of debt-premium	301,893	348,236	46,343
Appropriated fund balance	<u>1,348,672</u>	<u>-</u>	<u>(1,348,672)</u>
Total other financing sources (uses)	<u>7,089,334</u>	<u>5,787,005</u>	<u>(1,302,329)</u>
Net change in fund balance	<u>\$ -</u>	<u>4,592,820</u>	<u>\$ 4,592,820</u>
Fund Balance:			
Beginning of year - July 1		<u>2,094,671</u>	
End of year - June 30		<u>\$ 6,687,491</u>	

CITY OF GASTONIA, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND - STREETS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental revenues	\$ 5,148,914	\$ 597,953	\$ (4,550,961)
Miscellaneous revenues	37,853	40,122	2,269
Investment earnings	-	28,938	28,938
Total revenues	<u>5,186,767</u>	<u>667,013</u>	<u>(4,519,754)</u>
Expenditures:			
Capital outlay:			
Joint Venture - Street Improvements	71,285	-	71,285
West Franklin Streetscape	1,113	1,113	-
Walgreens at Cox Road	157,828	-	157,828
Miscellaneous Sidewalk Construction	206,252	43,542	162,710
West Davidson Bridge Replacement	928,845	742,692	186,153
Capital Project Reserve	8,130	-	8,130
General Obligation Bonds Project	148,114	148,114	-
General Obligation Bonds Road Widening	28,923,290	359,672	28,563,618
General Obligation Bonds Sidewalks	1,186,865	316,414	870,451
General Obligation Bonds Resurfacing	1,702,832	1,475,923	226,909
2010 GO Bonds-Links and Sidewalks	213,312	53,312	160,000
2010 GO Bonds-Resurfacing	653,130	163,131	489,999
Total expenditures	<u>34,200,996</u>	<u>3,303,913</u>	<u>30,897,083</u>
Revenues over (under) expenditures	<u>(29,014,229)</u>	<u>(2,636,900)</u>	<u>26,377,329</u>
Other Financing Sources (Uses):			
Issuance of debt	27,365,000	27,365,000	-
Issuance of debt-premium	950,130	950,130	-
Appropriated fund balance	699,099	-	(699,099)
Total other financing sources (uses)	<u>29,014,229</u>	<u>28,315,130</u>	<u>(699,099)</u>
Net change in fund balance	<u>\$ -</u>	25,678,230	<u>\$ 25,678,230</u>
Fund Balance:			
Beginning of year - July 1		<u>695,217</u>	
End of year - June 30		<u>\$ 26,373,447</u>	

CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011

	Developer Sidewalk	Airport	Downtown Revitalization	Infrastructure Rehabilitation Fund	Total
Assets:					
Cash and cash equivalents	\$ 240,144	\$ 86,681	\$ -	\$ 137,713	\$ 464,538
Cash and cash equivalents, restricted	-	-	5,798,676	-	5,798,676
Accounts receivable	-	13,350	-	2,469	15,819
Prepays	-	-	32,595	-	32,595
Total assets	<u>\$ 240,144</u>	<u>\$ 100,031</u>	<u>\$ 5,831,271</u>	<u>\$ 140,182</u>	<u>\$ 6,311,628</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ 105,538	\$ 1,002,702	\$ -	\$ 1,108,240
Deferred revenue	-	-	-	2,469	2,469
Total liabilities	<u>-</u>	<u>105,538</u>	<u>1,002,702</u>	<u>2,469</u>	<u>1,110,709</u>
Fund Balances:					
Non-Spendable:					
Prepays	-	-	32,595	-	32,595
Restricted:					
Stabilization by State Statute	-	104,398	4,128,186	3,609	4,236,193
Restricted, all other	-	-	667,788	-	667,788
Assigned	240,144	-	-	134,104	374,248
Unassigned	-	(109,905)	-	-	(109,905)
Total fund balances	<u>240,144</u>	<u>(5,507)</u>	<u>4,828,569</u>	<u>137,713</u>	<u>5,200,919</u>
Total liabilities and fund balances	<u>\$ 240,144</u>	<u>\$ 100,031</u>	<u>\$ 5,831,271</u>	<u>\$ 140,182</u>	<u>\$ 6,311,628</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, 2011

	Developer Sidewalk	Airport	Downtown Revitalization	Infrastructure Rehabilitation Fund	Total
Revenues:					
Payment in lieu of construction	\$ 128,441	\$ -	\$ -	\$ -	\$ 128,441
Restricted intergovernmental revenues	-	471,804	-	-	471,804
Investment earnings	2,279	406	75,892	581	79,158
Miscellaneous revenues	-	-	458,837	73,858	532,695
Total revenues	<u>130,720</u>	<u>472,210</u>	<u>534,729</u>	<u>74,439</u>	<u>1,212,098</u>
Expenditures:					
Capital outlay	-	160,175	5,912,937	53,732	6,126,844
Debt service:					
Principal	-	-	165,000	-	165,000
Interest	-	-	261,491	-	261,491
Total expenditures	<u>-</u>	<u>160,175</u>	<u>6,339,428</u>	<u>53,732</u>	<u>6,553,335</u>
Revenues over (under) expenditures	<u>130,720</u>	<u>312,035</u>	<u>(5,804,699)</u>	<u>20,707</u>	<u>(5,341,237)</u>
Other Financing Sources (Uses)					
Transfers to other funds	(277,726)	-	(148,004)	-	(425,730)
Transfers from other funds	-	16,667	753,063	-	769,730
Issuance of debt	-	-	8,045,930	-	8,045,930
Issuance of debt-premium	-	-	154,662	-	154,662
Total other financing sources (uses)	<u>(277,726)</u>	<u>16,667</u>	<u>8,805,651</u>	<u>-</u>	<u>8,544,592</u>
Net change in fund balances	(147,006)	328,702	3,000,952	20,707	3,203,355
Fund Balances:					
Beginning of year - July 1	<u>387,150</u>	<u>(334,209)</u>	<u>1,827,617</u>	<u>117,006</u>	<u>1,997,564</u>
End of year - June 30	<u>\$ 240,144</u>	<u>\$ (5,507)</u>	<u>\$ 4,828,569</u>	<u>\$ 137,713</u>	<u>\$ 5,200,919</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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Payment in lieu of construction	\$ -	\$ 128,441	\$ 128,441
Investment earnings	-	2,279	2,279
Total revenues	-	130,720	130,720
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)	130,720	150,611
Other Financing Sources (Uses):			
Transfers to other funds	(277,726)	(277,726)	-
Appropriated fund balance	297,617	-	(297,617)
Total other financing sources (uses)	19,891	(277,726)	(297,617)
Net change in fund balance	\$ -	(147,006)	\$ (147,006)
Fund Balance:			
Beginning of year - July 1		387,150	
End of year - June 30		\$ 240,144	

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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental revenues	\$ 1,165,982	\$ 471,804	\$ (694,178)
Investment earnings	-	406	406
Total revenues	<u>1,165,982</u>	<u>472,210</u>	<u>(693,772)</u>
Expenditures:			
Airport operations/Non-routine	<u>860,852</u>	<u>160,175</u>	<u>700,677</u>
Revenues over (under) expenditures	<u>305,130</u>	<u>312,035</u>	<u>6,905</u>
Other Financing Sources (Uses):			
Transfers from other funds	16,667	16,667	-
Contingency	<u>(321,797)</u>	<u>-</u>	<u>321,797</u>
Total other financing sources (uses)	<u>(305,130)</u>	<u>16,667</u>	<u>321,797</u>
Net change in fund balance	<u>\$ -</u>	<u>328,702</u>	<u>\$ 328,702</u>
Fund Balance:			
Beginning of year - July 1		<u>(334,209)</u>	
End of year - June 30		<u>\$ (5,507)</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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Miscellaneous revenues	\$ 1,180,772	\$ 458,837	\$ (721,935)
Investment earnings	128,785	75,892	(52,893)
Total revenues	<u>1,309,557</u>	<u>534,729</u>	<u>(774,828)</u>
Expenditures:			
Capital outlay:			
South Street Plaza	56,116	44,061	12,055
Webb Theater Project	703,133	701,043	2,090
GO Bonds Project	1,316,143	1,174,521	141,622
Limited Obligation Bonds 2010	7,906,859	3,272,350	4,634,509
Downtown Plan	1,369,543	573,210	796,333
Bond issuance costs	147,752	147,752	-
Total	<u>11,499,546</u>	<u>5,912,937</u>	<u>5,586,609</u>
Debt service:			
Principal	165,000	165,000	-
Interest	260,242	261,491	(1,249)
Total	<u>425,242</u>	<u>426,491</u>	<u>(1,249)</u>
Total expenditures	<u>11,924,788</u>	<u>6,339,428</u>	<u>5,585,360</u>
Revenues over (under) expenditures	<u>(10,615,231)</u>	<u>(5,804,699)</u>	<u>4,810,532</u>
Other Financing Sources (Uses):			
Transfers to other funds	(148,004)	(148,004)	-
Transfers from other funds	753,063	753,063	-
Issuance of debt	8,045,930	8,045,930	-
Issuance of debt-premium	145,994	154,662	8,668
Appropriated fund balance	1,818,248	-	(1,818,248)
Total other financing sources (uses)	<u>10,615,231</u>	<u>8,805,651</u>	<u>(1,809,580)</u>
Net change in fund balance	<u>\$ -</u>	<u>3,000,952</u>	<u>\$ 3,000,952</u>
Fund Balance:			
Beginning of year - July 1		<u>1,827,617</u>	
End of year - June 30		<u>\$ 4,828,569</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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ 8,700	\$ 581	\$ (8,119)
Miscellaneous	68,122	73,858	5,736
Total revenues	<u>76,822</u>	<u>74,439</u>	<u>(2,383)</u>
Expenditures:			
Economic and physical development:			
Administration	97,775	53,732	44,043
Capital project reserve	51,313	-	51,313
General Obligation Bonds properties	27,600	-	27,600
Total expenditures	<u>176,688</u>	<u>53,732</u>	<u>122,956</u>
Revenues over (under) expenditures	<u>(99,866)</u>	<u>20,707</u>	<u>120,573</u>
Other Financing Sources (Uses):			
Appropriated fund balance	99,866	-	(99,866)
Total other financing sources (uses)	<u>99,866</u>	<u>-</u>	<u>(99,866)</u>
Net change in fund balance	<u>\$ -</u>	<u>20,707</u>	<u>\$ 20,707</u>
Fund Balance:			
Beginning of year - July 1		<u>117,006</u>	
End of year - June 30		<u>\$ 137,713</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.



CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2011

	Transit System Fund	Municipal Golf Course Fund	Total
Assets:			
Cash, cash equivalents, and investments	\$ -	\$ 1,895	\$ 1,895
Inventory	-	10,999	10,999
Due from other governments	2,162,935	-	2,162,935
Depreciable capital assets, net	1,390,559	670,600	2,061,159
Non-depreciable capital assets	290,786	62,008	352,794
 Total assets	 <u>\$ 3,844,280</u>	 <u>\$ 745,502</u>	 <u>\$ 4,589,782</u>
Liabilities and Net Assets:			
Liabilities:			
Accounts payable	\$ 23,307	\$ -	\$ 23,307
Accrued salaries and benefits	38,207	-	38,207
Due to other funds	2,078,288	-	2,078,288
Compensated absences	42,593	-	42,593
Total current liabilities	<u>2,182,395</u>	<u>-</u>	<u>2,182,395</u>
 Compensated absences, non-current	 14,500	 -	 14,500
Other post-employment benefits obligation, non-current	236,026	-	236,026
 Total liabilities	 <u>2,432,921</u>	 <u>-</u>	 <u>2,432,921</u>
Net Assets:			
Invested in capital assets, net of related debt	1,681,345	732,608	2,413,953
Unrestricted	(269,986)	12,894	(257,092)
Total net assets	<u>1,411,359</u>	<u>745,502</u>	<u>2,156,861</u>
 Total liabilities and net assets	 <u>\$ 3,844,280</u>	 <u>\$ 745,502</u>	 <u>\$ 4,589,782</u>

CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	Transit System Fund	Municipal Golf Course Fund	Total
Operating Revenues:			
Charges for services	\$ 191,413	\$ -	\$ 191,413
Other operating revenues	4,078	-	4,078
Total operating revenues	<u>195,491</u>	<u>-</u>	<u>195,491</u>
Operating Expenses:			
Administration	835,482	-	835,482
Maintenance	303,958	-	303,958
ADA/Para-transit expenses	192,921	-	192,921
Operations area	2,969,974	-	2,969,974
Depreciation and amortization	255,130	46,058	301,188
Total operating expenses	<u>4,557,465</u>	<u>46,058</u>	<u>4,603,523</u>
Operating income (loss)	<u>(4,361,974)</u>	<u>(46,058)</u>	<u>(4,408,032)</u>
Non-Operating Revenues (Expenses):			
Investment earnings	504	-	504
Gain (loss) on disposal of capital assets	(1,912)	-	(1,912)
Total non-operating revenues (expenses)	<u>(1,408)</u>	<u>-</u>	<u>(1,408)</u>
Income (loss) before capital contributions and transfers	(4,363,382)	(46,058)	(4,409,440)
Capital Contributions:			
Federal and State grants	3,423,573	-	3,423,573
Transfers:			
Transfers from other funds	<u>568,054</u>	<u>-</u>	<u>568,054</u>
Change in net assets	(371,755)	(46,058)	(417,813)
Net Assets:			
Beginning of year - July 1	<u>1,783,114</u>	<u>791,560</u>	<u>2,574,674</u>
End of year - June 30	<u>\$ 1,411,359</u>	<u>\$ 745,502</u>	<u>\$ 2,156,861</u>

CITY OF GASTONIA, NORTH CAROLINA

**NONMAJOR ENTERPRISE FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2011**

	Transit System Fund	Municipal Golf Course Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 195,491	\$ -	\$ 195,491
Cash paid to suppliers	(2,987,446)	-	(2,987,446)
Cash paid to employees	(1,248,646)	-	(1,248,646)
Net cash provided (used) by operating activities	(4,040,601)	-	(4,040,601)
Cash Flows from Non-Capital Financing Activities:			
Changes in due to/from other funds	2,059,533	-	2,059,533
Transfers from other funds	568,054	-	568,054
Net cash provided (used) by non-capital financing activities	2,627,587	-	2,627,587
Cash Flows from Capital and Related Financing Activities:			
Federal and State grants received	1,412,510	-	1,412,510
Net cash provided (used) by capital and related financing activities	1,412,510	-	1,412,510
Cash Flows from Investing Activities:			
Interest on investments	504	10	514
Net cash provided (used) by investing activities	504	10	514
Net increase (decrease) in cash and cash equivalents	-	10	10
Cash and Cash Equivalents:			
Beginning of year - July 1	-	1,885	1,885
End of year - June 30	\$ -	\$ 1,895	\$ 1,895
Reconciliation of Operating Income to Cash Flows from Operating Activities:			
Operating income (loss)	\$ (4,361,974)	\$ (46,058)	\$ (4,408,032)
Depreciation and amortization	255,130	46,058	301,188
Change in assets and liabilities:			
Increase (decrease) in accounts payable	(10,771)	-	(10,771)
Increase (decrease) in accrued salaries	3,369	-	3,369
Increase (decrease) in compensated absences	6,883	-	6,883
Increase (decrease) in other post-employment benefits	66,762	-	66,762
Net cash provided (used) by operating activities	\$ (4,040,601)	\$ -	\$ (4,040,601)

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, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Water sales and sewer charges	\$ 28,404,855	\$ 28,962,079	\$ 557,224	\$ 27,091,573
Utilities for City use	266,247	323,578	57,331	302,601
Water and sewer taps	65,000	77,393	12,393	58,454
Other operating revenues	129,600	73,925	(55,675)	99,688
Pretreatment monitoring charge	94,200	85,600	(8,600)	111,932
Total	<u>28,959,902</u>	<u>29,522,575</u>	<u>562,673</u>	<u>27,664,248</u>
Non-operating revenues:				
Proceeds from sale of fixed assets	15,000	27,244	12,244	12,382
Investment earnings	66,000	47,537	(18,463)	65,920
Other non-operating revenues	30,012	40,302	10,290	23,188
Total	<u>111,012</u>	<u>115,083</u>	<u>4,071</u>	<u>101,490</u>
Total revenues	<u>29,070,914</u>	<u>29,637,658</u>	<u>566,744</u>	<u>27,765,738</u>
Expenditures:				
Operating expenditures:				
Administration:				
General services:				
Salaries and employee benefits	809,923	775,011	34,912	738,696
Other operating expenditures	3,530,877	2,290,063	1,240,814	1,744,215
Renewal and replacement	1,488,873	-	1,488,873	-
Overhead charged by other departments	3,563,808	3,253,998	309,810	3,505,008
Total	<u>9,393,481</u>	<u>6,319,072</u>	<u>3,074,409</u>	<u>5,987,919</u>
AM/FM/GIS:				
Other operating expenditures	34,413	10,838	-	11,114
Total	<u>34,413</u>	<u>10,838</u>	<u>23,575</u>	<u>11,114</u>
Customer service:				
Salaries and employee benefits	403,949	385,718	18,231	440,122
Other operating expenditures	317,486	292,854	24,632	415,336
Overhead charged by other departments	(1,000)	(714)	(286)	(6,920)
Total	<u>720,435</u>	<u>677,858</u>	<u>42,577</u>	<u>848,538</u>
Total administration	<u>10,148,329</u>	<u>7,007,768</u>	<u>3,140,561</u>	<u>6,847,571</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, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
Operations area:				
Service and meter repair:				
Other operating expenditures	-	38	(38)	-
Total service and meter repair	-	38	(38)	-
Utility locator:				
Salaries and employee benefits	49,014	41,450	7,564	104,137
Other operating expenditures	17,005	13,707	3,298	21,522
Overhead charged by other departments	(36,882)	(14,373)	(22,509)	(33,149)
Total	29,137	40,784	(11,647)	92,510
Water line maintenance:				
Salaries and employee benefits	1,215,302	1,196,582	18,720	1,191,419
Other operating expenditures	292,656	261,174	31,482	220,439
Cramerton	-	2,262	(2,262)	-
Overhead charged by other departments	(72,055)	(36,533)	(35,522)	(68,624)
Total	1,435,903	1,423,485	12,418	1,343,234
Sewer line maintenance:				
Salaries and employee benefits	831,102	788,943	42,159	835,640
Other operating expenditures	783,497	724,695	58,802	745,626
Capital outlay	37,750	24,000	13,750	9,615
Sewer line extensions	10,150	10,150	-	22,641
Overhead charged by other departments	(66,838)	(29,696)	(37,142)	(63,600)
Total	1,595,661	1,518,092	77,569	1,549,922
Total operations area	3,060,701	2,982,399	78,302	2,985,666
Water supply and treatment:				
Salaries and employee benefits	1,370,389	1,353,699	16,690	1,458,602
Other operating expenditures	2,304,332	2,080,305	224,027	1,596,840
Overhead charged by other departments	10,000	-	10,000	8,304
Total	3,684,721	3,434,004	250,717	3,063,746
Facility maintenance:				
Salaries and employee benefits	962,335	952,161	10,174	812,974
Other operating expenditures	771,940	690,560	81,380	533,242
Overhead charged by other departments	-	-	-	20,822
Total	1,734,275	1,642,721	91,554	1,367,038

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, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
Sewage treatment:				
Salaries and employee benefits	2,513,140	2,444,364	68,776	2,525,827
Other operating expenditures	2,678,162	2,488,294	189,868	2,335,053
Total	5,191,302	4,932,658	258,644	4,860,880
Payseur Mountain Resource Recovery:				
Other operating expenditures	1,158,700	1,082,950	75,750	1,323,967
Total	1,158,700	1,082,950	75,750	1,323,967
Debt service:				
Debt principal	4,605,188	4,078,467	526,721	4,378,901
Interest and fees	1,615,553	1,613,893	1,660	1,612,397
Total	6,220,741	5,692,360	528,381	5,991,298
Total expenditures	31,198,769	26,774,860	4,423,909	26,440,166
Revenues over (under) expenditures	(2,127,855)	2,862,798	4,990,653	1,325,572
Other Financing Sources (Uses):				
Issuance of long-term debt	-	-	-	19,605,000
Premium on long-term debt issue	-	-	-	778,091
Payments to refunded bond escrow agent	-	-	-	(19,916,996)
Bond issuance costs	-	-	-	(459,707)
Intrafund transfers	(1,204,367)	(1,204,367)	-	(1,727,977)
Transfers to other funds	(443,923)	(443,923)	-	(566,062)
Appropriated fund balance	3,776,145	-	(3,776,145)	-
Total other financing sources (uses)	2,127,855	(1,648,290)	(3,776,145)	(2,287,651)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 1,214,508	\$ 1,214,508	\$ (962,079)

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, 2011 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011		2010
	Budget	Actual	Variance Over/Under
			Actual
Reconciliation from Budgetary Basis			
to Full Accrual Basis:			
Net change in fund balance		\$ 1,214,508	
Reconciling items:			
Depreciation and amortization		(4,493,420)	
Amortization of debt issue costs		(111,979)	
Amortization of debt premiums		165,809	
Bad debt expense		(179,941)	
Long-term debt principal repayments		4,082,444	
Book value of disposed capital assets		(5,582)	
Intrafund transfers to capital project funds		1,204,367	
Capital project revenues		33,555	
Capital project expenditures		(2,685,637)	
Capital projects - transfers from (to) other funds		55,625	
Capital assets purchased/capitalized		2,448,503	
Contributed capital - developers		2,144,030	
Change in unbilled revenues receivable		1,880	
Change in accrued vacation pay		(142,078)	
Change in deferred revenues and inventories		33,381	
Change in accrued interest payable		31,078	
Other post-employment benefits		(364,909)	
Change in net assets		<u>\$ 3,431,634</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, 2011

	Budget	Actual	Variance Over/Under
Revenues:			
Restricted intergovernmental	\$ 19,375	\$ 19,375	\$ -
Investment earnings	21,047	14,180	(6,867)
Total revenues	<u>40,422</u>	<u>33,555</u>	<u>(6,867)</u>
Expenditures:			
GRADE project	78,762	72,797	5,965
Rankin Lake	6,500	-	6,500
Non-departmental	132,096	-	132,096
Highland Grocery Site	650,919	588,087	62,832
Regionalization	81,459	3,511	77,948
Crowders Creek	571,697	438,384	133,313
NCDOT Sewer Utility	164,300	-	164,300
Facility Upgrade-Sewer	141,832	-	141,832
Joint Venture Sewer	40,349	40,349	-
Utility System Improvements	177,979	58,470	119,509
Collection System	589,798	210,736	379,062
Special Assessment	302,873	202,974	99,899
Pumpstation Force Main	26,693	11,304	15,389
Long Creek Wastewater Treatment Plant	346,891	26,696	320,195
Water Improvements - NCDOT Conflicts	383,200	-	383,200
Water Distribution	549,311	480,309	69,002
Water Supply and Treatment	669,223	272,602	396,621
Water Improvements - Revenue Bonds	643,399	275,441	367,958
Debt service	4,367	3,977	390
Total expenditures	<u>5,561,648</u>	<u>2,685,637</u>	<u>2,876,011</u>
Revenues over (under) expenditures	<u>(5,521,226)</u>	<u>(2,652,082)</u>	<u>2,869,144</u>
Other Financing Sources (Uses):			
Intrafund transfers	1,204,367	1,204,367	-
Transfers to other funds	55,625	55,625	-
Bond issuance costs	(13,952)	-	13,952
Appropriated fund balance	4,275,186	-	(4,275,186)
Total other financing sources (uses)	<u>5,521,226</u>	<u>1,259,992</u>	<u>(4,261,234)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (1,392,090)</u>	<u>\$ (1,392,090)</u>

CITY OF GASTONIA, NORTH CAROLINA

**ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	<u>2011</u>			<u>2010</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Operating revenues:				
Electricity sales	\$ 65,526,038	\$ 69,364,569	\$ 3,838,531	\$ 64,027,062
Utilities for City use	1,391,464	1,235,776	(155,688)	873,507
Other operating revenues	<u>703,677</u>	<u>573,317</u>	<u>(130,360)</u>	<u>1,986,725</u>
Total	<u>67,621,179</u>	<u>71,173,662</u>	<u>3,552,483</u>	<u>66,887,294</u>
Non-operating revenues:				
Investment earnings	48,200	56,351	8,151	51,330
Proceeds from sale of equipment	<u>-</u>	<u>31,625</u>	<u>31,625</u>	<u>21,809</u>
Total	<u>48,200</u>	<u>87,976</u>	<u>39,776</u>	<u>73,139</u>
Total revenues	<u>67,669,379</u>	<u>71,261,638</u>	<u>3,592,259</u>	<u>66,960,433</u>
Expenditures:				
Operating expenditures:				
Administration:				
Salaries and employee benefits	827,403	819,237	8,166	744,739
Overhead charged by other departments	2,371,231	2,216,947	154,284	2,363,464
Other operating expenditures	<u>1,408,543</u>	<u>1,341,375</u>	<u>67,168</u>	<u>1,365,171</u>
Total	<u>4,607,177</u>	<u>4,377,559</u>	<u>229,618</u>	<u>4,473,374</u>
Operations:				
Utility locator:				
Salaries and employee benefits	81,450	81,290	160	-
Other operating expenditures	6,100	6,121	(21)	-
Reimbursement for services	<u>(58,500)</u>	<u>(61,265)</u>	<u>2,765</u>	<u>-</u>
Total	<u>29,050</u>	<u>26,146</u>	<u>2,904</u>	<u>-</u>
Electric service:				
Salaries and employee benefits	836,497	833,470	3,027	781,588
Other operating expenditures	334,698	327,866	6,832	294,034
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,191</u>
Total	<u>1,171,195</u>	<u>1,161,336</u>	<u>9,859</u>	<u>1,079,813</u>

CITY OF GASTONIA, NORTH CAROLINA

ELECTRIC FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2011

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

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
Electric substation:				
Salaries and employee benefits	254,506	252,150	2,356	248,646
Other operating expenditures	261,656	215,318	46,338	160,541
Capital outlay	-	-	-	8,057
Total	516,162	467,468	48,694	417,244
Street lights:				
Salaries and employee benefits	256,151	252,193	3,958	246,530
Other operating expenditures	452,447	417,206	35,241	428,257
Total	708,598	669,399	39,199	674,787
Load management:				
Other operating expenditures	-	-	-	413
Total	-	-	-	413
Electric line maintenance:				
Salaries and employee benefits	385,176	384,971	205	373,990
Other operating expenditures	979,232	955,935	23,297	976,221
Total	1,364,408	1,340,906	23,502	1,350,211
Line construction:				
Salaries and employee benefits	636,400	637,406	(1,006)	589,307
Other operating expenditures	260,518	256,382	4,136	243,357
Capital outlay	88,175	95,118	(6,943)	101,100
Reimbursement for services	(8,000)	-	(8,000)	(6,790)
Total	977,093	988,906	(11,813)	926,974
Underground line construction:				
Salaries and employee benefits	349,443	347,148	2,295	363,223
Other operating expenditures	71,693	70,970	723	44,629
Capital outlay	184,390	166,088	18,302	185,740
Total	605,526	584,206	21,320	593,592
Electric charging stations:				
Other operating expenditures	18,000	17,637	363	-
Total	18,000	17,637	363	-

CITY OF GASTONIA, NORTH CAROLINA

**ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
Financial services / warehouse:				
Other operating expenditures	-	16,407	(16,407)	(105,860)
Total	-	16,407	(16,407)	(105,860)
Electric service - generators:				
Other operating expenditures	85,900	101,899	(15,999)	64,690
Reimbursement for services	(20,000)	(20,000)	-	(20,004)
Total	65,900	81,899	(15,999)	44,686
Renewal and replacement	1,158,814	-	1,158,814	-
Total	1,158,814	-	1,158,814	-
Total operations	6,614,746	5,354,310	1,260,436	4,981,860
Purchased power:				
Cost of electricity purchased	54,298,602	55,490,088	(1,191,486)	51,967,715
Debt service:				
Interest and fees	16,869	16,869	-	16,869
Total	16,869	16,869	-	16,869
Total expenditures	65,537,394	65,238,826	298,568	61,439,818
Revenues over (under) expenditures	2,131,985	6,022,812	3,890,827	5,520,615
Other Financing Sources (Uses):				
Transfers to other funds	(2,000,000)	(2,000,000)	-	(2,239,638)
Intrafund transfer	(1,576,968)	(1,576,968)	-	(1,806,272)
Appropriated fund balance	1,444,983	-	(1,444,983)	-
Total other financing sources (uses)	(2,131,985)	(3,576,968)	(1,444,983)	(4,045,910)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 2,445,844	\$ 2,445,844	\$ 1,474,705

CITY OF GASTONIA, NORTH CAROLINA

ELECTRIC FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2011

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

	<u>2011</u>			<u>2010</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Reconciliation from Budgetary Basis to Full Accrual Basis:				
Net change in fund balance		\$ 2,445,844		
Reconciling items:				
Depreciation		(1,721,355)		
Bad debt expense		(206,165)		
Write off of construction in progress		(868)		
Intrafund transfers to capital project funds		1,576,968		
Capital project revenues		9,151		
Capital project expenditures		(643,546)		
Capital assets purchased/capitalized		2,097,115		
Change in unbilled revenues receivable		(205,370)		
Change in accrued vacation pay		(64,878)		
Change in deferred revenues and inventories		257,235		
Other post-employment benefits		<u>(213,640)</u>		
Change in net assets		<u>\$ 3,330,491</u>		

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, 2011

	Budget	Actual	Variance Over/Under
Revenues:			
Miscellaneous	\$ 61,780	\$ -	\$ (61,780)
Investment earnings	3,000	9,151	6,151
Total revenues	<u>64,780</u>	<u>9,151</u>	<u>(55,629)</u>
Expenditures:			
Electric Truck Shed	16,493	4,825	11,668
Upgrade Highway 321	22	22	-
SCADA Replacement	285	-	285
City Electrical Tie Lines	441,745	168,384	273,361
US 74 Line Extension	339,488	138,252	201,236
Electric Development	902,929	177,841	725,088
Residential Development	650,712	1,768	648,944
NCDOT City Fiber	482,282	129,723	352,559
Wi-Max Connectivity	67	-	67
GO Bonds Project	<u>135,624</u>	<u>22,731</u>	<u>112,893</u>
Total expenditures	<u>2,969,647</u>	<u>643,546</u>	<u>2,326,101</u>
Revenues over (under) expenditures	<u>(2,904,867)</u>	<u>(634,395)</u>	<u>2,270,472</u>
Other Financing Sources (Uses):			
Intrafund transfers	1,576,968	1,576,968	-
Bond issuance costs	(9,606)	-	9,606
Appropriated fund balance	<u>1,337,505</u>	<u>-</u>	<u>(1,337,505)</u>
Total other financing sources (uses)	<u>2,904,867</u>	<u>1,576,968</u>	<u>(1,327,899)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 942,573</u>	<u>\$ 942,573</u>

CITY OF GASTONIA, NORTH CAROLINA

STORMWATER FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2011

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

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Stormwater fees	\$ 2,029,500	\$ 1,992,424	\$ (37,076)	\$ 2,015,747
Stormwater fees to other funds	50,336	50,248	(88)	49,951
Other operating revenues	350	25	(325)	15,200
Total	2,080,186	2,042,697	(37,489)	2,080,898
Non-operating revenues:				
Investment earnings	200	1,246	1,046	250
Total	200	1,246	1,046	250
Total revenues	2,080,386	2,043,943	(36,443)	2,081,148
Expenditures:				
Operating expenditures:				
Administration:				
Salaries and benefits	222,080	216,756	5,324	223,058
Other operating expenditures	20,355	18,715	1,640	22,194
Overhead allocation from General Fund	856,322	780,593	75,729	823,490
Total	1,098,757	1,016,064	82,693	1,068,742
Operations:				
Salaries and benefits	383,368	371,634	11,734	373,059
Other operating expenditures	225,139	229,148	(4,009)	193,495
Total	608,507	600,782	7,725	566,554
AM/FM/GIS:				
Salaries and benefits	-	-	-	80,852
Other operating expenditures	23,679	11,253	12,426	9,782
Total	23,679	11,253	12,426	90,634
Total expenditures	1,730,943	1,628,099	102,844	1,725,930

CITY OF GASTONIA, NORTH CAROLINA

STORMWATER FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2011

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

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
Revenues over (under) expenditures	<u>349,443</u>	<u>415,844</u>	<u>66,401</u>	<u>355,218</u>
Other Financing Sources (Uses):				
Transfers to other funds	-	-	-	(14,480)
Intrafund transfer	(360,405)	(360,405)	-	(291,097)
Appropriated fund balance	<u>10,962</u>	<u>-</u>	<u>(10,962)</u>	<u>-</u>
Total other financing sources (uses)	<u>(349,443)</u>	<u>(360,405)</u>	<u>10,962</u>	<u>(305,577)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 55,439</u>	<u>\$ 55,439</u>	<u>\$ 49,641</u>

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

Net change in fund balance	\$ 55,439
Reconciling items:	
Depreciation	(608,707)
Book value of disposed capital assets	(2,100)
Capital project revenues	67,310
Capital project expenditures	(1,332,060)
Intrafund transfer to Capital Project Fund	360,405
Capital assets purchased/capitalized	476,894
Developer capital contributions	1,034,043
Bad debt expense	7,881
Change in unbilled revenues receivable	(2,134)
Change in accrued vacation pay	(4,178)
Change in deferred revenues and inventories	4,165
Other post-employment benefits	<u>(16,387)</u>
Change in net assets	<u>\$ 40,571</u>

CITY OF GASTONIA, NORTH CAROLINA

STORMWATER CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Over/Under
Revenues:			
Investment earnings	\$ 10,000	\$ 2,938	\$ (7,062)
Restricted intergovernmental revenue	32,186	64,372	32,186
Total revenues	<u>42,186</u>	<u>67,310</u>	<u>25,124</u>
Expenditures:			
Stormwater system	1,367,919	1,227,462	140,457
Stormwater, non-capital	254,060	104,598	149,462
Total expenditures	<u>1,621,979</u>	<u>1,332,060</u>	<u>289,919</u>
Revenues over (under) expenditures	<u>(1,579,793)</u>	<u>(1,264,750)</u>	<u>315,043</u>
Other Financing Sources (Uses):			
Intrafund transfer in	360,405	360,405	-
Appropriated fund balance	1,219,388	-	(1,219,388)
Total other financing sources (uses)	<u>1,579,793</u>	<u>360,405</u>	<u>(1,219,388)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (904,345)</u>	<u>\$ (904,345)</u>

CITY OF GASTONIA, NORTH CAROLINA

**TRANSIT SYSTEM FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Bus user fees	\$ 186,000	\$ 191,413	\$ 5,413	\$ 183,549
Restricted intergovernmental	3,475,210	3,423,573	(51,637)	1,341,804
Miscellaneous	4,000	4,078	78	3,150
Total operating revenues	<u>3,665,210</u>	<u>3,619,064</u>	<u>(46,146)</u>	<u>1,528,503</u>
Non-operating revenues:				
Investment earnings	-	504	504	(314)
Total non-operating revenues	<u>-</u>	<u>504</u>	<u>504</u>	<u>(314)</u>
Total revenues	<u>3,665,210</u>	<u>3,619,568</u>	<u>(45,642)</u>	<u>1,528,189</u>
Expenditures:				
Fleet services	<u>869</u>	<u>5,499</u>	<u>(4,630)</u>	<u>6,497</u>
Total	<u>869</u>	<u>5,499</u>	<u>(4,630)</u>	<u>6,497</u>
Administration:				
Salaries and benefits	298,796	298,620	176	255,821
Other operating expenditures	44,809	44,257	552	44,280
Overhead allocation from General Fund	<u>427,219</u>	<u>425,843</u>	<u>1,376</u>	<u>441,444</u>
Total	<u>770,824</u>	<u>768,720</u>	<u>2,104</u>	<u>741,545</u>
Operations:				
Salaries and benefits	567,226	566,368	858	576,659
Other operating expenditures	436,968	451,170	(14,202)	271,630
Capital outlay	<u>1,953,545</u>	<u>1,940,054</u>	<u>13,491</u>	<u>26,139</u>
Total	<u>2,957,739</u>	<u>2,957,592</u>	<u>147</u>	<u>874,428</u>
Maintenance:				
Salaries and benefits	289,375	288,563	812	249,223
Other operating expenditures	15,493	14,842	651	11,986
Capital outlay	<u>5,528</u>	<u>553</u>	<u>4,975</u>	<u>7,929</u>
Total	<u>310,396</u>	<u>303,958</u>	<u>6,438</u>	<u>269,138</u>

CITY OF GASTONIA, NORTH CAROLINA

TRANSIT SYSTEM FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2011

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

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
ADA / Paratransit:				
Salaries and benefits	173,656	172,109	1,547	153,885
Other operating expenditures	19,780	20,812	(1,032)	16,269
Total	193,436	192,921	515	170,154
 Total expenditures	 4,233,264	 4,228,690	 4,574	 2,061,762
 Revenues over (under) expenditures	 (568,054)	 (609,122)	 (41,068)	 (533,573)
 Other Financing Sources (Uses):				
Transfers from other funds	568,054	568,054	-	483,743
Total other financing sources (uses)	568,054	568,054	-	483,743
 Revenues and other financing sources over (under) expenditures and other financing uses	 \$ -	 \$ (41,068)	 \$ (41,068)	 \$ (49,830)

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

Net change in fund balance	\$ (41,068)
Reconciling items:	
Depreciation	(255,130)
Book value of disposed capital assets	(1,912)
Increase in accrued vacation pay	(6,883)
Other post-employment benefits	(66,762)
 Change in net assets	 \$ (371,755)

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, 2011

	Vehicle Replacement Fund	Information Technology Fund	Dental Self-Insurance Fund	Medical Self-Insurance Fund	Total
Assets:					
Current assets:					
Cash, cash equivalents, and investments	\$ -	\$ 340,018	\$ 52,007	\$ 130,265	\$ 522,290
Accounts receivable, net	-	141,948	-	-	141,948
Due from other funds	-	-	70,638	1,619,309	1,689,947
Cash and cash equivalents, restricted	1,813,015	-	-	-	1,813,015
Total current assets	1,813,015	481,966	122,645	1,749,574	4,167,200
Non-current assets:					
Depreciable capital assets, net	10,398,884	70,522	-	-	10,469,406
Total non-current assets	10,398,884	70,522	-	-	10,469,406
Total assets	\$ 12,211,899	\$ 552,488	\$ 122,645	\$ 1,749,574	\$ 14,636,606
Liabilities:					
Current liabilities:					
Accounts payable	\$ 63,279	\$ 881	\$ -	\$ 507,700	\$ 571,860
Accrued salaries and benefits	-	30,783	-	-	30,783
Compensated absences, current	-	49,027	-	-	49,027
Accrued interest	62,818	-	-	-	62,818
Due to other funds	-	-	28,313	181,421	209,734
Current portion of long-term debt	2,961,450	-	-	-	2,961,450
Total current liabilities	3,087,547	80,691	28,313	689,121	3,885,672
Non-current liabilities:					
Compensated absences, non-current	-	15,700	-	-	15,700
Non-current portion of long-term debt	4,287,720	-	-	-	4,287,720
Total non-current liabilities	4,287,720	15,700	-	-	4,303,420
Total liabilities	7,375,267	96,391	28,313	689,121	8,189,092
Net Assets:					
Invested in capital assets, net of related debt	4,962,729	70,522	-	-	5,033,251
Unrestricted	(126,097)	385,575	94,332	1,060,453	1,414,263
Total net assets	4,836,632	456,097	94,332	1,060,453	6,447,514
Total liabilities and net assets	\$ 12,211,899	\$ 552,488	\$ 122,645	\$ 1,749,574	\$ 14,636,606

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, 2011

	Vehicle Replacement Fund	Information Technology Fund	Dental Self-Insurance Fund	Medical Self-Insurance Fund	Total
Operating Revenues:					
Charges for services	\$ 2,834,738	\$ 2,081,008	\$ 332,618	\$ 7,225,952	\$ 12,474,316
Total	<u>2,834,738</u>	<u>2,081,008</u>	<u>332,618</u>	<u>7,225,952</u>	<u>12,474,316</u>
Operating Expenses:					
Operations area	393,372	1,853,223	323,496	6,225,243	8,795,334
Depreciation and amortization	<u>2,740,765</u>	<u>76,150</u>	<u>-</u>	<u>-</u>	<u>2,816,915</u>
Total	<u>3,134,137</u>	<u>1,929,373</u>	<u>323,496</u>	<u>6,225,243</u>	<u>11,612,249</u>
Operating income (loss)	<u>(299,399)</u>	<u>151,635</u>	<u>9,122</u>	<u>1,000,709</u>	<u>862,067</u>
Non-Operating Revenues (Expenses):					
Investment earnings	(7,409)	1,502	46	1,335	(4,526)
Gain (loss) on disposal of fixed assets	(2,168)	-	-	-	(2,168)
Interest on long-term debt	<u>(242,195)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(242,195)</u>
Total non-operating revenues (expenses)	<u>(251,772)</u>	<u>1,502</u>	<u>46</u>	<u>1,335</u>	<u>(248,889)</u>
Income (loss) before capital contributions and transfers	<u>(551,171)</u>	<u>153,137</u>	<u>9,168</u>	<u>1,002,044</u>	<u>613,178</u>
Transfers:					
Transfers from other funds	1,989	-	-	-	1,989
Transfers to other funds	<u>(55,625)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(55,625)</u>
Total transfers	<u>(53,636)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(53,636)</u>
Change in net assets	(604,807)	153,137	9,168	1,002,044	559,542
Net Assets:					
Beginning of year - July 1	<u>5,441,439</u>	<u>302,960</u>	<u>85,164</u>	<u>58,409</u>	<u>5,887,972</u>
End of year - June 30	<u>\$ 4,836,632</u>	<u>\$ 456,097</u>	<u>\$ 94,332</u>	<u>\$ 1,060,453</u>	<u>\$ 6,447,514</u>

CITY OF GASTONIA, NORTH CAROLINA

**INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2011**

	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	\$ 2,834,738	\$ 2,167,490	\$ 332,618	\$ 7,225,952	\$ 12,560,798
Cash paid to suppliers	(369,073)	(1,083,667)	(323,496)	(6,399,032)	(8,175,268)
Cash paid to employees	-	(813,019)	-	-	(813,019)
Net cash provided (used) by operating activities	<u>2,465,665</u>	<u>270,804</u>	<u>9,122</u>	<u>826,920</u>	<u>3,572,511</u>
Cash Flows from Non-Capital Financing Activities:					
Change in due to/from other funds	(424,372)	-	(31,405)	(1,457,541)	(1,913,318)
Transfers from other funds	1,989	-	-	-	1,989
Transfers to other funds	<u>(55,625)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(55,625)</u>
Net cash provided (used) by non-capital financing activities	<u>(478,008)</u>	<u>-</u>	<u>(31,405)</u>	<u>(1,457,541)</u>	<u>(1,966,954)</u>
Cash Flows from Capital and Related Financing Activities:					
Proceeds from issuance of debt	1,885,000	-	-	-	1,885,000
Principal paid on long-term debt	(3,010,151)	-	-	-	(3,010,151)
Acquisition and construction of capital assets	(1,675,255)	(32,001)	-	-	(1,707,256)
Interest paid on long-term debt	<u>(274,710)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(274,710)</u>
Net cash provided (used) by capital and related financing activities	<u>(3,075,116)</u>	<u>(32,001)</u>	<u>-</u>	<u>-</u>	<u>(3,107,117)</u>
Cash Flows from Investing Activities:					
Interest on investments	<u>(7,409)</u>	<u>2,030</u>	<u>46</u>	<u>1,335</u>	<u>(3,998)</u>
Net cash provided (used) by investing activities	<u>(7,409)</u>	<u>2,030</u>	<u>46</u>	<u>1,335</u>	<u>(3,998)</u>
Net increase (decrease) in cash and cash equivalents	(1,094,868)	240,833	(22,237)	(629,286)	(1,505,558)
Cash and Cash Equivalents:					
Beginning of year - July 1	<u>2,907,883</u>	<u>99,185</u>	<u>74,244</u>	<u>759,551</u>	<u>3,840,863</u>
End of year - June 30	<u>\$ 1,813,015</u>	<u>\$ 340,018</u>	<u>\$ 52,007</u>	<u>\$ 130,265</u>	<u>\$ 2,335,305</u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:					
Operating income (loss)	\$ (299,399)	\$ 151,635	\$ 9,122	\$ 1,000,709	\$ 862,067
Depreciation and amortization	2,740,765	76,150	-	-	2,816,915
Change in assets and liabilities:					
(Increase) decrease in accounts receivables	-	86,482	-	-	86,482
(Increase) decrease in prepaids	-	-	-	129,138	129,138
Increase (decrease) in accounts payable	24,299	(53,483)	-	(302,927)	(332,111)
Increase (decrease) in compensated absences	<u>-</u>	<u>10,020</u>	<u>-</u>	<u>-</u>	<u>10,020</u>
Net cash provided (used) by operating activities	<u>\$ 2,465,665</u>	<u>\$ 270,804</u>	<u>\$ 9,122</u>	<u>\$ 826,920</u>	<u>\$ 3,572,511</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, 2011

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

	2011			2010
	Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Vehicle and equipment rentals	\$ 2,834,738	\$ 2,834,738	\$ -	\$ 3,150,295
Total	2,834,738	2,834,738	-	3,150,295
Non-Operating Revenues:				
Miscellaneous	14,803	-	(14,803)	96,759
Investment earnings	-	(7,409)	(7,409)	(7,736)
Total	14,803	(7,409)	(22,212)	89,023
Total revenues	2,849,541	2,827,329	(22,212)	3,239,318
Expenditures:				
Operating expenditures:				
Equipment manager:				
Other operating expenditures	2,337	-	2,337	40
Capital outlay	1,535,056	1,291,516	243,540	1,178,950
Total	1,537,393	1,291,516	245,877	1,178,990
Computer systems:				
Other operating expenditures	229,059	149,992	79,067	288,190
Capital outlay	320,000	248,091	71,909	279,906
Total	549,059	398,083	150,976	568,096
Telephone and radio systems:				
Capital outlay	-	-	-	278,699
Total telephone and radio systems	-	-	-	278,699
Mobile data system:				
Other operating expenditures	299,120	298,603	517	132,196
Capital outlay	-	-	-	-
Total	299,120	298,603	517	132,196
Financial services - customer service:				
Other operating expenditures	70,300	63,712	6,588	-

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, 2011

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

	2011			2010
	Plan	Actual	Variance Over/Under	Actual
Police field services:				
Other operating expenditures	36,000	-	36,000	-
Total	36,000	-	36,000	-
Fire operations:				
Other operating expenditures	22,874	16,713	6,161	-
Total operating expenditures	2,514,746	2,068,627	446,119	2,157,981
Debt service:				
Principal repayments	3,045,499	3,010,151	35,348	3,235,710
Interest and fees	253,958	251,845	2,113	309,106
Debt issuance costs	20,265	18,765	1,500	1,500
Other debt service costs	21,822	4,094	17,728	4,040
Total	3,341,544	3,284,855	56,689	3,550,356
Total expenditures	5,856,290	5,353,482	502,808	5,708,337
Revenues over (under) expenditures	(3,006,749)	(2,526,153)	480,596	(2,469,019)
Other Financing Sources (Uses):				
Transfers from other funds	1,989	1,989	-	-
Transfers to other funds	(55,625)	(55,625)	-	(53,875)
Issuance of long-term debt	1,885,000	1,885,000	-	1,750,000
Appropriated fund balance	1,175,385	-	(1,175,385)	-
Total other financing sources (uses)	3,006,749	1,831,364	(1,175,385)	1,696,125
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (694,789)	\$ (694,789)	\$ (772,894)

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, 2011

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

	2011		2010	
	Plan	Actual	Variance Over/Under	Actual
Reconciliation from Budgetary Basis to Full Accrual Basis:				
Net change in fund balance		\$ (694,789)		
Reconciling items:				
Depreciation and amortization		(2,740,765)		
Gain/(loss) on sale of capital assets		(2,168)		
Proceeds from issuance of long-term debt		(1,885,000)		
Long-term debt principal repayments		3,010,151		
Capital outlay, capitalized		1,675,255		
Change in accrued interest		<u>32,509</u>		
Change in net assets		<u>\$ (604,807)</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, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2010			2010
	Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Technology services	\$ 2,060,003	\$ 2,081,008	\$ 21,005	\$ 2,343,084
Miscellaneous	-	-	-	140
Total	2,060,003	2,081,008	21,005	2,343,224
Non-Operating Revenues:				
Investment earnings	500	1,502	1,002	1,025
Total	500	1,502	1,002	1,025
Total revenues	2,060,503	2,082,510	22,007	2,344,249
Expenditures:				
Operating expenditures:				
Network access:				
Other operating expenditures	242,585	187,646	54,939	220,013
Capital outlay	32,000	32,000	-	26,487
Total	274,585	219,646	54,939	246,500
Technology services - administration:				
Salaries and employee benefits	336,781	333,155	3,626	329,469
Other operating expenditures	217,642	174,854	42,788	253,469
Total	554,423	508,009	46,414	582,938
Technology services - public safety:				
Salaries and employee benefits	78,397	73,161	5,236	71,832
Other operating expenditures	112,144	67,467	44,677	105,746
Total	190,541	140,628	49,913	177,578
Technology services - computer support:				
Salaries and employee benefits	317,709	313,951	3,758	304,455
Other operating expenditures	110,023	67,643	42,380	132,212
Total	427,732	381,594	46,138	436,667
Technology service - Assistant City Manager:				
Salaries and employee benefits	75,808	72,840	2,968	74,758
Other operating expenditures	13,664	3,561	10,103	22,964
Total	89,472	76,401	13,071	97,722

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, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2010			2010
	Plan	Actual	Variance Over/Under	Actual
Technology-city equipment:				
Other operating expenditures	425,680	425,680	-	588,060
Total	425,680	425,680	-	588,060
Technology services - support administration:				
Salaries and employee benefits	104,929	108,378	(3,449)	214,134
Other operating expenditures	25,790	14,867	10,923	46,561
Total	130,719	123,245	7,474	260,695
Technology services - capital projects:				
Other operating expenditures	4,477	-	4,477	-
Total expenditures	2,097,629	1,875,203	222,426	2,390,160
Revenues over (under) expenditures	(37,126)	207,307	244,433	(45,911)
Other Financing Sources (Uses):				
Transfers to other funds	-	-	-	(18,100)
Appropriated fund balance	37,126	-	(37,126)	-
Total other financing sources (uses)	37,126	-	(37,126)	(18,100)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 207,307	\$ 207,307	\$ (64,011)
Reconciliation from Budgetary Basis to Full Accrual Basis				
Net change in fund balance		\$ 207,307		
Reconciling items:				
Depreciation and amortization		(76,150)		
Capital outlay, capitalized		32,000		
Change in accrued vacation pay		(10,020)		
Change in net assets		\$ 153,137		

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, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Plan	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Charges for services	\$ 380,000	\$ 332,618	\$ (47,382)	\$ 382,990
Total operating revenues	<u>380,000</u>	<u>332,618</u>	<u>(47,382)</u>	<u>382,990</u>
Non-operating revenues:				
Investment earnings	-	46	46	55
Total non-operating revenues	<u>-</u>	<u>46</u>	<u>46</u>	<u>55</u>
Total revenues	<u>380,000</u>	<u>332,664</u>	<u>(47,336)</u>	<u>383,045</u>
Expenditures:				
Operating expenditures:				
Administration:				
Operating expenditures	<u>380,000</u>	<u>323,496</u>	<u>56,504</u>	<u>348,038</u>
Total expenditures	<u>380,000</u>	<u>323,496</u>	<u>56,504</u>	<u>348,038</u>
Total expenditures	<u>380,000</u>	<u>323,496</u>	<u>56,504</u>	<u>348,038</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 9,168</u>	<u>\$ 9,168</u>	<u>\$ 35,007</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, 2011

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

	2011			2010
	Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services	\$ 8,540,615	\$ 7,225,952	\$ (1,314,663)	\$ 7,618,615
Total operating revenues	<u>8,540,615</u>	<u>7,225,952</u>	<u>(1,314,663)</u>	<u>7,618,615</u>
Non-Operating Revenues:				
Investment earnings	<u>700</u>	<u>1,335</u>	<u>635</u>	<u>705</u>
Total non-operating revenues	<u>700</u>	<u>1,335</u>	<u>635</u>	<u>705</u>
Total revenues	<u>8,541,315</u>	<u>7,227,287</u>	<u>(1,314,028)</u>	<u>7,619,320</u>
Expenditures:				
Operating expenditures:				
Administration:				
Operating expenditures	<u>8,541,315</u>	<u>6,225,243</u>	<u>2,316,072</u>	<u>9,127,870</u>
Total expenditures	<u>8,541,315</u>	<u>6,225,243</u>	<u>2,316,072</u>	<u>9,127,870</u>
Total expenditures	<u>8,541,315</u>	<u>6,225,243</u>	<u>2,316,072</u>	<u>9,127,870</u>
Revenues over (under) expenditures	<u>-</u>	<u>1,002,044</u>	<u>1,002,044</u>	<u>(1,508,550)</u>
Other Financing Sources (Uses):				
Transfers from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,600,000</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,600,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,002,044</u>	<u>\$ 1,002,044</u>	<u>\$ 91,450</u>

STATISTICAL SECTION

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

Financial Trends - Schedules 1-4

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

Revenue Capacity – Schedules 5-9

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

Debt Capacity – Schedules 10-14

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

Demographic and Economic Information – Schedules 15-17

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

Operating Information – Tables 18-19

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

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



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

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Governmental activities										
Invested in capital assets, net of related debt	\$ 138,540,308	\$ 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	15,584,703	-	-	-	67,748	339,013	339,013	76,578	402,179	7,078,299
Unrestricted	(10,820,650)	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	\$ 143,304,361	\$ 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	\$ 224,855,825	\$ 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	29,242,547	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	\$ 254,098,372	\$ 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	\$ 363,396,133	\$ 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	15,584,703	-	-	-	67,748	339,013	339,013	177,266	402,179	7,386,643
Unrestricted	18,421,897	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	\$ 397,402,733	\$ 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 Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Expenses										
Governmental activities:										
General government										
Public Safety	\$ 13,757,722	\$ 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	28,459,755	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	18,653,955	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	5,536,988	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	3,561,667	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
Total governmental activities expenses	2,982,111	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
Business-type activities:										
Water and Sewer	72,952,198	68,781,879	68,422,123	66,502,347	59,743,543	54,949,491	54,874,108	54,469,480	53,916,639	54,222,180
Electric	27,806,172	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	65,738,586	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	4,559,377	2,346,151	2,493,516	2,371,622	2,105,284	1,980,207	1,810,988	1,647,779	1,666,323	1,692,596
Stormwater	46,058	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	3,114,838	2,671,930	2,495,300	2,597,473	2,279,060	2,017,039	2,081,911	1,944,978	1,456,511	1,232,093
Total primary government expenses	101,264,831	94,369,402	93,567,599	86,872,917	86,554,982	84,803,885	80,481,741	80,170,917	78,216,337	77,637,358
	\$ 174,217,029	\$ 163,151,281	\$ 161,989,722	\$ 153,375,264	\$ 146,298,525	\$ 139,553,176	\$ 135,355,849	\$ 134,640,397	\$ 132,132,976	\$ 131,859,538
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 6,508,600	\$ 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 Safety	1,285,505	925,868	915,692	976,090	1,037,069	914,264	888,095	117,898	94,022	6,568
Public Works and Cemeteries	1,580,194	1,491,713	1,632,041	1,480,559	1,176,743	1,071,621	276,013	1,165,977	27,360	872,343
Cultural and Recreation	570,237	574,519	557,575	534,573	503,688	483,749	408,725	525,879	405,576	557,239
Economic and physical development	107,524	79,408	256,297	129,767	170,842	8,035	493,794	950,490	-	-
Operating grants and contributions	6,056,309	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
Capital grants and contributions	4,086,757	770,492	1,767,264	5,030,594	3,803,343	3,222,650	2,267,142	4,384,092	532,022	3,211,872
Total governmental activities program revenues	20,195,126	17,522,499	18,125,529	21,042,088	18,950,042	13,629,768	13,127,305	14,435,601	9,689,298	11,705,705
Business-type activities:										
Charges for services:										
Water and Sewer	29,512,890	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
Electric	71,003,575	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
Transit	195,491	186,699	194,563	199,307	180,338	197,350	174,364	193,847	200,154	215,300
Golf	2,052,610	2,072,081	2,075,115	952,578	883,953	835,656	844,310	778,626	721,836	779,016
Stormwater	3,423,573	1,341,804	1,478,376	2,017,308	1,918,827	2,028,012	1,868,670	2,003,137	1,924,282	586,254
Operating grants and contributions	3,261,820	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
Capital grants and contributions	109,449,959	99,249,037	96,648,862	99,287,772	94,702,039	91,882,938	2,664,195	4,978,903	1,099,682	27,526,649
Total business-type activities program revenues	\$ 129,645,085	\$ 116,771,536	\$ 114,774,391	\$ 120,329,860	\$ 113,652,081	\$ 105,512,706	\$ 100,618,539	\$ 104,168,003	\$ 94,198,676	\$ 118,826,984
Total primary government program revenues										

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

	Fiscal Year									
	2012	2010	2009	2008	2007	2006	2005	2004	2003	2002
Net (Expense)/Revenue										
Governmental activities	\$ (52,757,072)	\$ (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	8,185,128	4,879,635	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>\$ (44,571,944)</u>	<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	\$ 27,376,171	\$ 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	9,456,007	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	7,920,147	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	476,840	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	-	-	-	-	-	-	-	-	-	(27,171,430)
Infrastructure to Stormwater Fund	-	-	-	-	-	-	-	-	(2,767,508)	486,237
Gain (loss) on disposal of assets	1,820,244	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
Transfers	<u>47,049,409</u>	<u>46,993,953</u>	<u>46,906,586</u>	<u>45,912,808</u>	<u>43,993,741</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>
Total governmental activities										
Business-type activities:										
Interest earned on investments	131,907	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	(1,820,244)	(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>(1,688,337)</u>	<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>(5,788,808)</u>	<u>(1,668,194)</u>
Total primary government	<u>\$ 45,361,072</u>	<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>\$ 7,812,223</u>
Changes in Net Assets										
Governmental activities	\$ (5,707,663)	\$ (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	6,496,791	2,736,712	1,689,217	12,326,699	8,062,152	6,678,463	6,033,023	7,615,359	504,233	27,815,727
Total primary government	<u>\$ 789,128</u>	<u>\$ (1,528,715)</u>	<u>\$ (1,700,791)</u>	<u>\$ 12,779,248</u>	<u>\$ 11,268,392</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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Non Spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 547,632
Restricted	-	-	-	-	-	-	-	-	-	8,318,593
Assigned	-	-	-	-	-	-	-	-	-	177,856
Unassigned	-	-	-	-	-	-	-	-	-	7,992,950
Reserved	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	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	\$ 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	\$ 17,037,031
All other Governmental Funds										
Non Spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,667,572
Other Governmental Funds										
Restricted	-	-	-	-	-	-	-	-	-	-
Mayor/Council Capital Project Fund	-	-	-	-	-	-	-	-	-	6,103,037
Mayor/Streets Capital Project Fund	-	-	-	-	-	-	-	-	-	26,373,447
Other Governmental Funds	-	-	-	-	-	-	-	-	-	6,865,013
Assigned	-	-	-	-	-	-	-	-	-	-
Mayor/Council Capital Project Fund	-	-	-	-	-	-	-	-	-	584,454
Other Governmental Funds	-	-	-	-	-	-	-	-	-	374,248
Unassigned	-	-	-	-	-	-	-	-	-	(1,627,203)
Reserved, reported in:										
Mayor/Council Capital Project Fund	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	2,265,700	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	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	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	\$ 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	\$ 40,340,568

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Ad valorem taxes	\$ 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	\$ 27,453,644
Other taxes and licenses	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	17,376,154
Unrestricted intergovernmental revenues	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	2,481,664
Restricted intergovernmental revenues	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	6,434,710
Permits and fees	623,895	942,894	785,382	780,417	626,678	1,097,740	999,738	743,410	549,800	626,451
Sales and services	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	4,705,447
Investment earnings	687,200	312,601	227,692	440,837	942,043	1,266,500	1,081,437	458,517	145,188	314,173
Miscellaneous	142,874	950,953	973,664	438,395	281,371	673,450	1,043,725	1,422,226	561,224	1,331,963
Total revenues	45,718,090	47,794,119	50,970,532	51,840,653	54,307,223	56,295,548	59,706,721	60,047,373	59,108,290	60,724,206
Expenditures										
Current:										
General government	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	8,709,365
Public Safety	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	26,964,024
Public works and cemeteries	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	11,216,635
Cultural and recreation	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	4,830,337
Economic and physical development	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	2,540,421
Capital outlay	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	10,610,551
Debt Service:										
Principal repayments	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	3,577,924
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	-
Interest	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	2,022,227
Total expenditures	58,496,400	54,182,253	53,195,424	52,200,740	54,295,798	56,116,713	60,302,292	62,931,186	62,233,623	70,471,484
Revenues over (under) expenditures	(12,778,310)	(6,388,134)	(2,224,892)	(360,087)	11,425	178,835	(595,571)	(2,883,813)	(3,125,333)	(9,747,276)
Other Financing Sources (Uses)										
Payments to refunded bond escrow agent	-	(6,420,977)	(4,640,371)	(13,445,368)	-	-	-	-	-	(5,277,343)
Transfers from other funds	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	3,590,426
Transfers to other funds	(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)	(1,716,546)
Operating transfers from component unit	-	-	-	-	-	-	-	-	-	-
Section 108 loan proceeds	-	-	-	-	-	-	-	-	-	-
Issuance of long term debt	5,270,000	10,328,911	4,705,000	13,575,000	-	-	2,550,020	-	-	46,070,930
Bond premium received	1,675	132,517	30,038	141,102	-	-	-	-	-	1,671,930
Total other financing sources (uses)	7,044,616	6,547,112	2,223,736	1,681,428	1,671,357	1,261,051	3,565,977	1,203,642	769,537	44,339,397
Net change in fund balances	\$ (5,733,694)	\$ 158,978	\$ (1,156)	\$ 1,321,341	\$ 1,682,782	\$ 1,439,886	\$ 2,970,406	\$ (1,680,171)	\$ (2,355,796)	\$ 34,592,119
Debt service as a percentage of noncapital expenditures	9.93%	10.90%	11.54%	11.53%	10.49%	9.89%	8.70%	8.04%	6.96%	9.36%

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		Beer and Wine Tax	Intangibles Tax	Inventory Tax	Rental Vehicle Tax	Total
				Franchise Tax	Tax					
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
2011	27,136,501	9,456,007	3,637,666	628,273	-	331,788	-	-	59,379	41,249,614

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 was revised

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
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
2011	4,159,158	470,599	373,641	108,636	5,112,034	0.5300	5,112,034

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

⁽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	Total Direct Rate		
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	0.0000	0.5400	0.8930	1.4330
2006	0.4275	0.1125	0.0000	0.5400	0.8930	1.4330
2007	0.4275	0.1125	0.0000	0.5400	0.8800	1.4200
2008	0.4175	0.1125	0.0000	0.5300	0.8400	1.3700
2009	0.4175	0.1125	0.0000	0.5300	0.8350	1.3650
2010	0.4175	0.1125	0.0000	0.5300	0.8350	1.3650
2011	0.4175	0.1125	0.0000	0.5300	0.8350	1.3650

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

	2011				2002			
	Taxable		Percentage of Total		Taxable		Percentage of Total	
Taxpayer	Assessed Value	Rank	City Taxable	Assessed Value	Assessed Value	Rank	City Taxable	Assessed Value
Daimler Trucks North America	\$ 47,946,908	1	1.01%	\$ 63,992,761	1	1.71%		
Triangle Real Estate	45,871,280	2	0.97%	-	-	-	-	-
PSNC Energy	36,947,217	3	0.78%	40,405,167	5	1.08%		
Wix Corporation	35,641,428	4	0.75%	41,615,135	3	1.11%		
Stabilus Inc.	34,130,695	5	0.72%	41,341,215	4	1.11%		
BellSouth Company	29,310,158	6	0.62%	37,201,187	6	1.00%		
Centro Bradley Spe 1 LLC	27,293,721	7	0.58%	-	-	-	-	-
Southwood Realty	26,190,733	8	0.55%	-	-	-	-	-
E & A Franklin Square LTD	23,649,095	9	0.50%	37,159,350	7	0.99%		
Eastridge Mall Inc.	22,469,209	10	0.47%	23,625,661	9	0.63%		
Parkdale Mills	-	-	-	46,912,790	2	1.26%		
American & Efird	-	-	-	23,733,976	8	0.64%		
Danaher Tools	-	-	-	22,735,191	10	0.61%		

Source: City of Gastonia Treasurer

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	\$ 18,406	\$ 17,668	95.99%	\$ 682	\$ 18,350	99.70%
2003	20,452	19,614	95.04%	772	20,386	99.68%
2004	22,506	22,168	98.50%	247	22,415	99.60%
2005	23,053	22,036	95.59%	957	22,993	99.74%
2006	23,687	22,715	95.90%	894	23,609	99.67%
2007	24,167	23,238	96.16%	837	24,075	99.62%
2008	26,447	25,366	95.91%	949	26,315	99.50%
2009	27,115	25,950	95.70%	961	26,911	99.25%
2010	27,283	26,195	96.01%	733	26,928	98.70%
2011	27,247	26,243	96.32%	-	26,243	96.32%

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		Certificates of Participation	Installment Financing	Section 108 Loan	General		Water		State						
	Obligation Bonds	Bonds				Obligation Bonds	Revenue Bonds	Revolving Loans								
2002	\$	28,330	\$	20,990	\$	4,162	\$	15,360	\$	44,855	\$	8,750	\$	125,692	6.78%	\$ 1,842
2003		26,154		17,921		9,658		13,486		43,225		7,600		121,154	6.42%	1,775
2004		23,914		16,595		7,547		11,206		41,450		6,450		110,122	5.57%	1,614
2005		21,944		15,485		8,248		9,056		39,610		5,300		102,333	4.98%	1,487
2006		19,238		13,821		9,445		6,976		46,545		4,150		102,585	4.73%	1,460
2007		16,610		12,105		10,287		5,125		44,215		3,000		93,832	4.16%	1,315
2008		16,558		11,010		11,286		3,837		41,780		2,000		88,756	3.74%	1,218
2009		14,494		9,925		12,130		2,772		39,290		1,750		82,441	3.44%	1,106
2010		12,547		8,955		10,374		1,523		36,715		1,576		73,553	NA	977
2011		12,547		8,955		10,374		1,523		36,715		1,576		73,553	NA	1,025

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		Population	Per Capita
		General Obligation Bonds	Taxable Value of Property		
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		0.27%	75,280	187
2011	40,480		0.79%	71,741	564

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. The 2011 increase in general obligation debt is due to the issuance of \$29,495,000 in general obligation bonds. The decrease in the 2011 population is the result of the 2010 census. Prior years estimates were overstated.

Schedule 12
City of Gastonia
Direct and Overlapping Governmental Activities Debt
As of June 30, 2011
(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	\$ 39,941 ⁽¹⁾	100%	\$ 39,941
Overlapping Debt Gaston County	<u>211,900 ⁽³⁾</u>	34.81%	<u>78,281</u>
Total direct and overlapping debt	<u>\$ 251,841</u>		<u>\$ 118,222</u>

Notes:

- (1) Net bonded debt was calculated as general obligation bonds, less general obligation bonds incurred for water & sewer.
- (2) Allocated based on assessed valuation.
- (3) Overlapping debt is owned by Gaston County and benefits all areas within the county. Payment of this debt is the responsibility of Gaston County. Net debt is calculated as general obligation bonds 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 2011

Assessed value	\$ 5,112,034
Debt limit (8% of assessed value)	408,963
Debt applicable to limit:	
Authorized & Outstanding bonded debt	90,205
Outstanding debt not evidenced by bonds	18,483
	<u>108,688</u>
Statutory Deductions:	
Bonds and other debt not evidenced by bonds applicable to Enterprise Funds	40,971
Amount designated for payment of gross debt other than Enterprise Funds	30
	<u>41,001</u>
Net Debt	<u>67,687</u>
Legal Debt Limit	<u>\$ 341,276</u>

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 298,984	\$ 302,047	\$ 339,725	\$ 341,532	\$ 350,923	\$ 358,036	\$ 407,191	\$ 411,642	\$ 411,546	\$ 408,963
Total net debt applicable to limit	56,727	56,842	51,016	48,341	44,888	41,463	41,110	38,598	31,847	67,687
Legal debt margin	<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>	<u>\$ 341,276</u>
Total net debt applicable to the limit as a percentage of debt limit	18.97%	18.82%	15.02%	14.15%	12.79%	11.58%	10.10%	9.38%	7.74%	16.55%

Schedule 14
City of Gastonia
Pledged-Revenue Coverage,
Last Ten Fiscal Years
(dollars in thousands)

Fiscal Year	Water Revenue Bonds					
	Gross Utility Revenues ⁽¹⁾	Less: Operating Expenses ⁽²⁾	Net Available Revenue	Debt Service Principal ⁽³⁾	Debt Service Interest ⁽⁴⁾	Coverage
2002	\$ 24,959	\$ 13,995	\$ 10,964	\$ 4,400	\$ 3,604	\$ 1.37
2003	25,231	13,942	11,289	4,800	3,327	1.39
2004	25,255	15,689	9,566	5,205	2,774	1.20
2005	26,921	15,632	11,289	5,141	2,634	1.45
2006	29,898	14,986	14,912	5,464	2,645	1.84
2007	29,238	16,939	12,299	5,331	2,585	1.55
2008	29,438	13,580	15,858	5,155	2,389	2.10
2009	27,590	19,443	8,147	3,805	2,181	1.36
2010	27,951	18,993	8,958	4,379	1,612	1.50
2011	29,463	19,744	9,719	4,079	1,614	1.71

⁽¹⁾ "Gross Revenues" shall mean all rates, fees, charges, assessments or other income received by the City or accrued to the City or any agency thereof in control of the management and operation of said Water and Sewer Utility. Excluded from "Gross Revenues" are revenue and interest earned in the Water and Sewer Capital Projects Fund.

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

⁽³⁾ "Principal" excludes refunding activity. Includes all subordinated debt service.

⁽⁴⁾ "Interest" includes all subordinated debt.

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

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

Calendar Year	Population ⁽¹⁾	Personal Income (thousands of dollars) ⁽²⁾	Per Capita Personal Income ⁽³⁾	Unemployment Rate ⁽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	2,372,368	32,566	7.5%
2009	74,518	2,397,319	32,171	13.3%
2010	75,280	NA	NA	10.4%
2011	71,741	NA	NA	10.9%

Notes:

⁽¹⁾ North Carolina Office of State Budget and Management - 2011 Based on 2010 Census - Prior Years Estimates Were Overstated

⁽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

	2011			2012		
	Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank
	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	4
	FKA Wix Filtration Corp	1,000 & Over	5	-	1,000 & Over	3
	Pharr Yarns	1,000 & Over	6	-	1,000 & Over	5
	American & Efird	1,000 & Over	7	-	500-999	9
	City of Gastonia	500-999	8	-	1,000 & Over	7
	Dole Fresh Foods	500-999	9	-	1,000 & Over	-
	Freightliner	500-999	10	-	1,000 & Over	6
	Stabilus, Inc.	-	-	-	500-999	10
	Parkdale Mills	-	-	-	1,000 & Over	8

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

	Full-Time Equivalent Employees as of June 30									
Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government	188	163	134	113	139	135	185	187	177	158
Police	195	195	192	193	181	188	170	170	178	171
Fire	146	146	143	146	142	141	139	140	140	139
Public Works and Cemeteries	167	167	157	167	141	145	152	158	158	141
Cultural and Recreation	61	61	61	61	51	51	56	56	54	51
Water and Sewer	146	146	146	146	129	125	121	127	133	128
Electric	40	40	40	40	40	40	40	44	44	47
Transit	20	20	15	20	18	21	17	20	20	21
Golf Course	9	9	9	9	8	8	8	0	0	0
Stormwater	11	11	11	11	8	6	5	5	5	5
Total	983	958	908	906	857	860	893	907	909	861

Notes: Fiscal years 2011, 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).

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

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
Commercial Construction										
Commercial Building permits issued	376	437	516	381	629	577	548	514	563	564
Commercial Building permit value	41,085	104,117	59,836	51,347	80,082	60,589	62,785	57,213	25,221	26,487
Residential Construction										
Residential Building permits issued	531	1,040	621	649	439	789	800	586	461	480
Residential Building permit value	42,297	55,825	63,955	69,706	40,903	109,402	98,364	49,945	39,607	56,445
Police										
Physical arrests	4,412	5,056	5,292	5,517	5,936	6,067	7,867	8,116	8,127	7,963
Parking violations	614	607	371	354	152	34	19	22	38	51
Traffic violations	10,376	9,110	7,669	5,721	6,570	5,984	8,615	9,103	11,269	9,750
Fire										
Number of calls answered	7,525	8,023	7,611	7,750	7,611	8,648	8,810	8,968	8,624	8,856
Fires extinguished	-	-	-	-	390	329	491	403	332	361
Inspections	1,634	2,337	2,185	1,637	1,337	2,776	2,123	2,662	3,051	3,625
Sanitation/Solid Waste										
Residential Refuse collected (tons annually)	25,086	26,709	25,590	25,919	25,810	27,687	26,650	25,421	29,865	29,984
Commercial Refuse collected (tons annually)	21,131	20,912	20,371	30,530	32,370	36,441	24,483	24,908	23,632	20,922
Contractor/Recyclables collected (tons annually)	812	853	1,188	1,374	549	364	806	896	1,253	1,226
City Crews/Recyclables collected (tons annually)	376	348	204	122	72	104	126	161	143	120
Other public works										
Street resurfacing (miles)	-	-	-	-	-	5	9	7	4	10
Potholes repaired	-	-	-	-	-	597	499	637	1,104	739
Water										
Number of service connections	24,609	23,863	25,997	26,361	26,854	27,140	27,931	25,591	25,879	25,784
Water main breaks	-	-	-	-	-	168	176	608	934	162
Average daily consumption (thousands of gallons)	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	12.79 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)	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	8.1 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	21,146	20,800	21,491	22,130	22,238	22,731	23,247	23,324	23,534	23,680
Transit										
Total route miles	293,413	287,838	296,121	289,677	300,871	191,045	295,495	286,726	286,382	285,024

Sources: Various City Departments

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	129	131	134	130	132	131	133	133	133	154
Fire Stations	8	8	8	8	8	8	8	8	8	8
Refuse collection										
Collection trucks	NA	NA	NA	NA	22	22	22	22	22	22
Other Public Works										
Streets (miles)	312	315.14	318	321	323.05	329.05	334.73	335.56	335.56	335.6
Streetsights	9037	9245	9408	9401	9423	9466	9566	9687	9696	9770
Parks and recreation										
Acresage	587	587	587	587	587	587	587	587	587	587
Parks	16	16	16	16	16	16	16	16	16	16
Baseball/softball diamonds	17	17	17	17	17	17	19	19	19	19
Soccer fields	4	4	4	4	4	4	4	4	4	4
Community Centers	6	6	6	6	6	6	6	6	6	6
Golf Courses	1	1	1	1	1	1	1	1	1	1
Swimming Pools	2	2	2	2	2	2	2	2	2	2
Tennis Courts	50	54	46	46	46	46	46	46	46	46
Jogging Tracks	8	8	8	8	8	8	8	8	8	8
Skeet & Trap Range	1	1	1	1	1	1	1	1	1	1
Skate Park	NA	NA	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	513	520	526	531	534.87	537.85	547	548.2	548	556
Fire Hydrants	2907	2907	3027	3075	3,107	3,143	3,226	3,776	3,237	3,308
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	25.4 MGD	25.4 MGD
Wastewater										
Number of treatment plants	2	2	2	2	2	2	2	2	2	2
Sanitary Sewers (miles)	485	485	486	490	490	497	528	504.9	505	509
Storm sewers (miles)	250	250	250	250	250	255	265	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	8	8	8	8	8	9
ADA vans	NA	NA	NA	NA	5	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 basic financial statements of the governmental activities, the business-type activities, the 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, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 9, 2011. 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

Management of the City of Gastonia, North Carolina, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Gastonia's internal control over financial reporting as a basis for designing 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 entity's 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.

730 13th Avenue Drive SE ♦ Hickory, North Carolina 28602 ♦ Phone 828-327-2727 ♦ Fax 828-328-2324
13 South Center Street ♦ Taylorsville, North Carolina 28681 ♦ Phone 828-632-9025 ♦ Fax 828-632-9085
Toll Free Both Locations 1-800-948-0585 ♦ Website: www.martinstarnes.com

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 9, 2011

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

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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

Independent Auditors' Report

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

Compliance

We have audited the City of Gastonia's compliance 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 the City of Gastonia's major federal programs for the year ended June 30, 2011. The City of Gastonia's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Gastonia's management. Our responsibility is to express an opinion on the City of Gastonia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether 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 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, 2011.

Internal Control Over Compliance

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

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of 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 9, 2011

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 Section of OMB Circular A-133 And The State Single Audit Implementation Act

Independent Auditors' Report

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

Compliance

We have audited the City of Gastonia's compliance with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Gastonia's major State programs for the year ended June 30, 2011. The City of Gastonia's major State programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major State programs is the responsibility of the City of Gastonia's management. Our responsibility is to express an opinion on the City of Gastonia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act. Those standards, applicable sections of *OMB Circular A-133*, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether 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 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, 2011.

Internal Control Over Compliance

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 weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of 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 9, 2011

CITY OF GASTONIA, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

1. Summary of Auditors' Results

Financial Statements

An unqualified opinion was issued on the financial statements of the City of Gastonia, North Carolina.

Our audit of the basic financial statements disclosed no significant deficiencies or material weaknesses in internal controls.

Our audit of the basic financial statements disclosed no instances of non-compliance with laws, regulations, and the provisions of contracts and grant agreements that are material to the basic financial statements.

Federal Awards

Our audit of compliance with the types of compliance requirements applicable to the City's major federal programs disclosed no significant deficiencies or material weaknesses in internal controls over major programs.

An unqualified opinion was issued on the City of Gastonia's compliance with the types of compliance requirements applicable to its major federal programs.

Our audit disclosed no audit compliance findings which related to federal awards.

Major federal programs for the City of Gastonia, North Carolina, for the fiscal year ended June 30, 2011 are:

CFDA #	Program Name
14.218, 14.253	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
20.507	Urbanized Area Formula Program Grants
20.205, 20.219	Highway Planning Construction Cluster
97.044	Assistance to Firefighters Grant Program

The threshold for determining Type A programs for the City of Gastonia, North Carolina, is \$300,000.

The City of Gastonia, North Carolina, 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 QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

1. Summary of Auditors' Results (continued):

State Awards

Our audit of compliance with the types of compliance requirements applicable to the City's major State programs disclosed no significant deficiencies or material weaknesses in internal controls over major programs.

An unqualified opinion was issued on the City of Gastonia's compliance with the types of compliance requirements applicable to its major State programs.

Our audit disclosed no audit compliance findings which related to State awards.

Major State programs for the City of Gastonia, North Carolina, for the fiscal year ended June 30, 2011 are:

Powell Bill

2. Findings Related to the Audit of the Basic 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 YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

None.

CITY OF GASTONIA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Grantor/Pass-Through	Grantor/Program Title	Federal CFDA Number	Pass-Through/ Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State 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		\$ 1,566,815	\$ -
	Section 108 Loan Guarantee Program	14.218		802,568	-
	Community Development Block Grant/Home Investment Trust Fund	14.239		548,264	-
Passed-Through Gaston County:					
	Community Development Block Grant/Brownfields Economic Development Initiative	14.246		97,975	-
	ARRA Office of Community Planning and Development		Award #		
	CDBG-Recovery Grant-Entitlement Program	14.253	B-09-MY-37-0006	106,095	-
	Total U.S. Department of Housing and Urban Development			<u>3,121,717</u>	<u>-</u>
<u>N.C. Department of Commerce: Division of Community Assistance</u>					
Passed-Through the State:					
	ARRA Neighborhood Stabilization Program	14.228	Grantee # 08-N-1891	792,928	-
	Total U.S. Department of Commerce: Division of Community Assistance			<u>792,928</u>	<u>-</u>
<u>U.S. Department of Energy</u>					
Direct Program:					
	ARRA Office of Energy Efficiency & Renew-Energy Efficient Block Grant	81.128	Award # DE-SC0002829	129,104	-
	Total U.S. Department of Energy			<u>129,104</u>	<u>-</u>
<u>U.S. Department of Transportation</u>					
Direct Program:					
	Urbanized Area Formula Program- Operating Expenditures-10/11	20.507	NC90X454, 468	696,415	-
	Urbanized Area Formula Program- Capital Expenditures-10/11	20.507	NC90X433, 454, 468	407,545	-
	ARRA Urbanized Area Formula Program-Capital	20.507	NC-96-X009-00	2,072,132	-
Passed-Through N.C. Department of Transportation:					
	Highway Planning, Research and Construction:				
	Section 104(f)	20.205		245,233	-
	Section 5303	20.205		21,552	1,197
	Federal-Aid Highway Bridge Replacement and Rehabilitation Program	20.205	B-4860 W Davidson Bridge	594,154	-
Division of Aviation:					
	Aviation Grant	20.106	36244.13.3.1, 36237.55.5.1, 36237.55.4.1	144,157	-
Passed-through N.C. Department of Environment and Natural Resources:					
	Division of Parks and Recreation	20.219	Contract # 3420	266,388	-
	Total U.S. Department of Transportation			<u>4,447,577</u>	<u>1,197</u>
<u>U.S. Department of Justice</u>					
Direct Program:					
	Edward Byrne Memorial Justice Assistance Grant Program				
	Grant Program passed through Gaston County: Radios	16.738	2010 JAG	70,032	-
	ARRA Edward Byrne Memorial Justice Assistance Grant Program passed through Gaston County: Equip for new officers	16.804	2009 JAG	160,975	-
	ARRA COPS CHRP-Hiring Personnel Grant	16.710	ORI# NC03606/ Grant #2009RKWX0552	255,375	-
	Total U.S. Department of Justice			<u>486,382</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>					
Passed-through N.C. Department of Crime Control and Public Safety:					
	ARRA Assistance to Firefighters Grant Program	97.044	EMW-2009-FP-03334	429,719	-
	Total U.S. Department of Homeland Security			<u>429,719</u>	<u>-</u>

CITY OF GASTONIA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

<u>Grantor/Pass-Through</u>	<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through/ Grantor's Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>	<u>State Expenditures</u>
<u>U.S. Environmental Protection Agency-GRADE Grant</u>					
Passed through Mecklenburg County:					
	National Clean Diesel Emissions Reduction Program	66.039		19,375	-
	Total U.S. Environmental Protection Agency			19,375	-
	Total assistance-Federal programs			9,426,802	1,197
STATE GRANTS- Cash Programs:					
<u>N.C. Department of Transportation</u>					
	Powell Bill	NA		-	1,908,414
	State Maintenance Assistance Program	NA		-	247,481
	Total N.C. Department of Transportation			-	2,155,895
	Total assistance-State programs			-	2,155,895
	Total assistance			\$ 9,426,802	\$ 2,157,092

The U.S. Department of Housing and Urban Development Section 108 Loan Guarantee Program received \$2,570,000, \$249,930, \$745,930 in loan proceeds in the fiscal years 2002, 2007 and 2011, respectively. The loan balances outstanding at June 30, 2011 totaled \$2,388,857. In 2010 the City also received an American Recovery and Reinvestment Act of 2009 (ARRA) loan through the State of North Carolina Department of Environment and Natural Resources in the amount of \$157,077 of which \$79,538 of principal was forgiven and the note bears no interest. In 2011 the City assumed from Cramerton, North Carolina, an ARRA loan with the State of North Carolina Department of Environment and Natural Resources in the amount of \$479,851. The loan agreement calls for principal forgiveness of \$239,926 and the notes bears no interest. The outstanding balance at June 30, 2011 was \$227,929.

Awards Which Have Been Passed Through to Subrecipients

Federal:

U.S. Department of Justice-2010 JAG Grant \$70,032
Gaston County-\$19,100
Gaston County Sheriffs Office-\$22,284

State:

Reinvestment in Communities- \$30,000

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.

