

City of Gastonia *North Carolina*

Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2017



Prepared by
The Financial Services
Department

City of Gastonia

North Carolina

Comprehensive Annual Financial Report

Year Ended June 30, 2017

John D. Bridgeman, Mayor

Council Members

Ward 1 – Robert J. Kellogg

Ward 2 – Dave Kirlin

Ward 3 – Jim Gallagher

Ward 4 – Todd Pierceall, Mayor Pro Tem

Ward 5 – Porter L. McAteer

Ward 6 – David Humphries

**City Manager
Michael C. Peoples**

**Assistant City Manager / Acting Director of Financial Services
Melody Braddy**



CITY OF GASTONIA, NORTH CAROLINA
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FOR THE YEAR ENDED JUNE 30, 2017

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INTRODUCTORY SECTION

Letter of Transmittal

City Facts

Certificate of Achievement for Excellence in Financial Reporting

Organizational Chart





OFFICE OF
THE CITY MANAGER

City of Gastonia

A COMMITMENT TO EXCELLENCE

December 6, 2017

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

Dear Mayor and Council Members:

It is our pleasure to present the Comprehensive Annual Financial Report of the City of Gastonia, North Carolina for the fiscal year ended June 30, 2017, with comparative numbers for the fiscal year ended June 30, 2016.

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, 2017, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by

management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon their audit, that an unmodified opinion be issued and that the City of Gastonia's financial statements for the fiscal year ended June 30, 2017 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

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

COMMERCE, INDUSTRY and ECONOMIC OUTLOOK

The City's economy has benefited from its proximity to the major population center of Charlotte, access to major interstate highways, and Charlotte-Douglas International Airport. For many years, the primary industry in the City was textiles; however, the continuing 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 its commercial and industrial base through a variety of industry, 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 rich economic development incentives package. These incentives promote new well-paying jobs, entrepreneurialism, industrial projects, as well as, major retail and office development.

Gastonia has proven to be a strong economic market in 2016 and 2017. Loray Mill opened Phase I of their project with over \$22 million invested. Loray is boasting nearly a 100% occupancy rate for its residential units and most closely compares to Charlotte's successful

South End. Loray is now home to the Loray Athletic Club and Growler USA Pub and two business offices are scheduled to open soon. Construction on Phase II is slated to begin in the near future.

Gaston County YMCA has completed construction of a new \$20 million, 55,230 square foot, 115 acres flagship complex situated on the banks of the 34 acre Robinwood Lake. It is the largest YMCA in North Carolina and is scheduled to open December 17, 2017. We are looking forward to additional opportunities that may be evolving from other commercial developers in this area.

A \$10 million, 29,506 sq. ft., LEED-certified conference center with attached parking deck has become the centerpiece of downtown redevelopment. The Conference Center has already attracted additional investments and is currently serving as an economic driver to recruit an additional downtown hotel that will allow the Conference Center to service multiple day events.

In addition, a nationally branded boutique hotel is currently being completed in another historic building, along with other various new businesses and restaurants. Life of Pie and Webb Custom Kitchen have joined our existing restaurants. Webb Custom Kitchen has grown into a regional destination with up-scale dining and movie-themed décor. Its success has led investors of the Webb Custom Kitchen to acquire additional downtown property for a new high-end art gallery and cooking school. A developing arts district is also spurring development with an artists' center of studios and galleries located in a 30,000 sq. ft. City-owned building, a new artists supply store, and numerous private studios and galleries nearby. A \$1.5 million renovation to another historic building housing the business district's third antique mall became the catalyst for highlighting downtown as an emerging arts & antiques district.

The most notable project is Gastonia's new Franklin Urban Sports & Entertainment (FUSE) district. This visionary project is located in the former Trenton Mill neighborhood and will serve as a catalyst for redevelopment. The FUSE district will be anchored by a new multi-sport and entertainment venue that will be home to the Gastonia Grizzlies team. Property acquisition is complete and the project is currently in the design phase.

The downtown area of the City is undergoing notable revitalization. Gastonia's FUSE project has energized Downtown as never before, for example the former Smith Drug store is under renovation, the large "Gunn" property has been sold for redevelopment and Sleepy Poet Antique Mall (that opened in 2016) has already purchased an additional building for expansion. In the past year, two coffee shop concepts, Java House & Gaston Pour House, have opened near the South Street promenade. Gastonia is also planning on actively promoting redevelopment along the Main Ave west corridor to reach the FUSE district.

Commerce and Industry

Gastonia's retail market has been competitive with a steady rise in new stores. The grocery sector has been nothing short of explosive. Two new high-end grocery stores opened in 2016. Publix occupied an existing grocery store space bringing a \$4 million remodel investment. Harris Teeter returned to the Gastonia market with a \$7 million new shopping complex. Additionally, Lidl and WOW supermarkets have entered the Gastonia market.

Gastonia has aggressively worked with property owners of fading retail areas to look at ways for promoting growth and redevelopment. This includes both Eastridge Mall and Akers Center shopping centers. A thorough economic development study was done for Highway 7 that runs east/west through Gastonia. This corridor serves as an entrance into our Downtown and connection to the FUSE district. This study will allow better positioning moving forward to develop this area.

The Gastonia Technology Park, the area's premier international business park, welcomed Owens Corning in 2016 with 120 jobs and \$120 million investment. Now at almost full build-out, several of the existing industries have already begun expansions. Lanxess has expanded with additional warehouse space and a new production line. Dixon Quick Coupling has also expanded from their original operation. Although just newly opened, Owens Corning is planning for additional investment and expansion.

CaroMont Health, Inc., the parent corporation for a multi-state, integrated health care system consisting of CaroMont Regional Medical Center (the "Hospital"), physician office practices, imaging centers, outpatient centers, an ambulatory surgery center, a nursing home, occupational medicine, and hospice, maintains its principal offices in the City. The health system's service area includes Gaston, Cleveland and Lincoln Counties in North Carolina and York County in South Carolina. The Hospital is located in the City on an 83-acre medical campus and is one of the City's largest employers. The Hospital's physical plant is approximately 1,300,000 square feet and includes 435 licensed beds, a specialty surgery center, a diagnostic center, medical office buildings and a business services annex. The campus is owned by the County and leased to CaroMont Health, Inc. 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 Thomson Reuters' "Top 100 Hospitals" award for Quality and Safety and the Advanced Diabetes Certification and Advanced Certification in Heart Failure from the Joint Commission. In 2017, CaroMont opened their new administrative offices on Court Drive; solidifying that corridor as a prime medical employment center.

During the twelve-month period from July 2016 through June 2017, total retail sales tax distributed by the State to Gaston County and Municipalities within the County was \$55,250,542 as compared to \$51,587,947 for the same period in the 2016 fiscal year, an increase of \$3,662,595 (7.1%). The City of Gastonia received \$10,798,202 of the fiscal year 2017 distribution, or approximately 19.540%. During the twelve-month period from July 2016 through June 2017, total taxable sales for Gaston County were \$2,102,944,605 as compared to \$1,940,105,647 for the same period in the 2016 fiscal year, an increase of \$162,838,958 (8.40%). Since July 2009, the North Carolina Department of Revenue no longer prepares monthly sales and use tax statistical reports for cities with populations in excess of 5,000. The City has historically represented approximately 70% of the County's taxable retail sales.

Unemployment in the City was 4.4%, higher than the County rate of 4.2%, and higher than the State rate of 4.2% and the same as the national average of 4.4% at fiscal year-end June 2017. The prior year rate for the City at fiscal year-end June 2016 was 5.5%. These rates are not seasonally adjusted.

Construction permits within the City decreased slightly with 1,129 permits issued on construction of \$206,158,428 as compared to 1,114 permits issued on construction of \$222,101,750 in the prior year. This included residential permits of 748 and commercial permits of 381, with construction costs of \$133,064,511 and \$73,093,917, respectively. These figures exclude “other trade permits” of 1,465 issued on construction costs of \$128,781. Prior year residential permits issued were 718 and commercial permits issued were 396, with construction costs of \$117,327,738 and \$104,774,012, respectively.

The North Carolina economic outlook based on University of North Carolina Charlotte economist John Connaughton’s September 7, 2017 quarterly forecast is as follows: (1) real Gross State Product for 2017 is expected to increase by 1.9 percent over 2016; (2) of the State’s fifteen economic sectors thirteen are forecast to experience output increases during 2017; (3) sectors with the strongest expected growth are wholesale trade with a projected real increase of 4.1 percent, construction with a projected real increase of 3.8 percent, business and professional services with a real increase of 3.6 percent, mining with a projected real increase of 3.5 percent, other services with a projected real increase of 2.8 percent, and durable goods manufacturing with a projected real increase of 2.4 percent. For 2017, North Carolina establishments are forecast to add 60,500 net additional jobs, an increase of 1.4 percent.

Fourteen of the state’s fifteen economic sectors are forecast to experience output increases during 2018. The sectors with the strongest expected growth are business and professional services with a projected real increase of 4.1 percent, durable goods manufacturing with a projected real increase of 2.8 percent, wholesale trade with a projected real increase of 2.4 percent, other services with a projected real increase of 2.4 percent, and transportation, warehousing; utilities (TWU) with a projected real increase of 2.3 percent. For 2018, North Carolina establishments are forecast to add 82,700 net additional jobs, an increase of 1.9 percent. By December of 2017, the North Carolina unemployment rate is expected to be around 4.0 percent.

MAJOR INITIATIVES

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

With the implementation of the Electric Transfer Policy in February of 1994, the City established a set policy on the allowable transfer from the Electric Fund to supplement the General Fund. In prior years, all profits remaining after operating costs were transferred to the General Fund at year-end. The rationale behind this was that this enabled the City to keep the property tax rate as low as possible. However, due to a request by the bond rating agencies and the Local Government Commission, beginning in Fiscal Year 1994-95, the City began to reduce its reliance on electric transfers. The transfer from the Electric Fund to the General fund was reduced each Fiscal Year until a level approximating 3% of gross capital assets was attained. This mark is reflective of Council’s April 1997 change to the Electric Transfer Policy

from a target of 8% to a maximum of 3%. The total transfer budgeted and transferred for Fiscal Year 2017 was \$2,000,000 (1.93% of gross capital assets) and was \$1,108,851 below the level established by City Council as acceptable – 3 percent of Gross Electric Capital Assets.

Since fiscal year 2002, the City has increased its Available Fund Balance to total expenditures ratio in the General Fund from a low of 4% as of June 30, 2002 to a ratio 29.09% as of June 30, 2017. Through a disciplined approach to expenditures, Gastonia is now sufficiently over the 8% minimum Available Fund Balance recommended by the Local Government Commission. The City's goal as defined in the City's Reserve Policy is that Available Fund Balance should be between 12% and 15%.

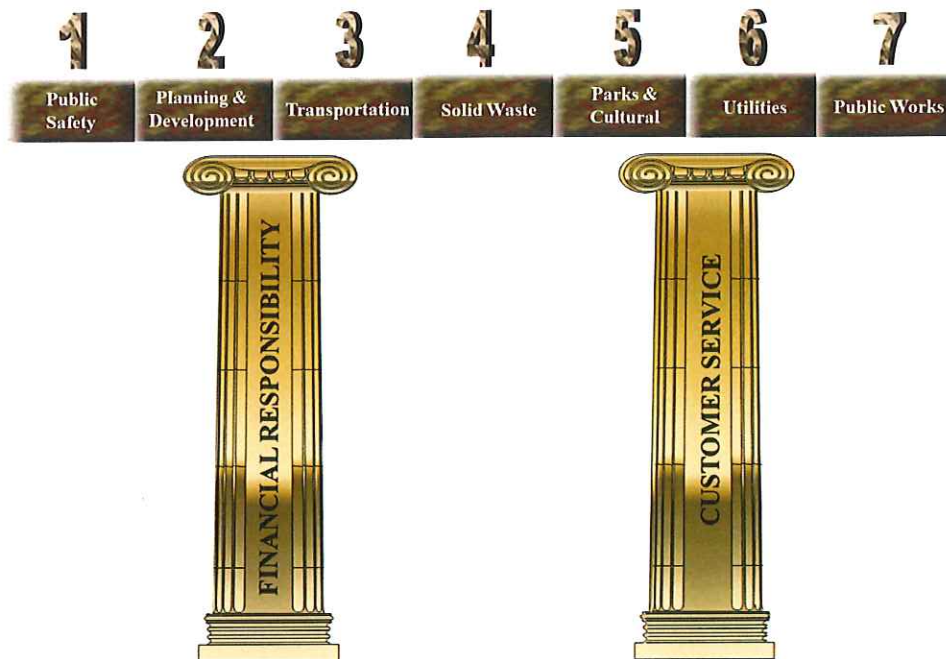
The City of Gastonia's total financing debt obligations increased from \$102,288,181 to \$108,158,789 during the current fiscal year, an increase of \$5,870,608 (5.74%). The key factors in this increase were the overall scheduled debt retirements of \$11,077,785, while the City incurred \$16,948,393 of new financing debt obligations. New debt obligations consisted of a \$3,250,000 vehicle equipment-financing instrument and \$13,698,393 for a State Revolving Loan. The proceeds from the State Revolving Loan is being used to fund, along with \$20,130,000 Combined Utility System Revenue Bonds and equity contributions from the City's Water & Sewer Fund, an approximate \$65,000,000 Water Plant rehabilitation project. The City was awarded a \$30,000,000 of State Revolving Loan, at a zero percent interest rate, for this project and has expended and drawn down \$20,088,740 of the awarded funds as of June 30, 2017.

CHALLENGES FOR THE FUTURE

Fiscal Management and Economic Condition:

The City's 2018 budget addresses, within the scope of available revenues, the goals and many of the action steps identified by the Mayor and City Council. As reflected by the graphic below, financial responsibility and excellent customer service are the pillars that support all our City goals.

Supporting economic development that produces jobs and capital investment is to be the focus, as the City makes decisions on where to spend our limited resources. Basic municipal services such as water, sewer, electricity, streets, solid waste, and public safety must be in place to support economic development throughout the City. Parks, recreation, sidewalks, greenways, and museum amenities also support the goal of city-wide quality economic development within Gastonia.



Budget / Fiscal Principles and Objectives

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

Financial Responsibility means that the City promotes and initiates programs and functions for which their related expenditures are supported by adequate and predictable revenues. Also, financial responsibility means that capital projects, equipment, and human resource costs are budgeted each year so that the City is not faced with deterioration that would create a crisis in future years. The City's 2018 budget focuses on a three-year operating budget horizon.

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

Economic Development means that the City should invest in specific ways to grow Gastonia's economic base. Expenditures in the annual budget are targeted to encourage private economic investment are important because they stimulate additional jobs and commerce in our City. Public sector expenditures and carefully designed revenues can grow the tax base, to prevent an increase in the tax rate.

Fiscal Objectives:

1. Provide Adequate Funding for the Basic Operations of the City.
2. Provide Adequate Funding for City Facilities and Equipment.
3. Provide Excellent Customer Service Through Effective and Efficient Programs and Projects.

4. Maintain a Three-Year Financial Plan.
5. Maintain Appropriate Fund Balances.
6. Provide Competitive Compensation for Employees.
7. Stabilize the City's Health Self-Insurance Fund.
8. Maintain the City's Existing Infrastructure.
9. Expand the City's Infrastructure to Promote Economic Development.
10. Fund Capital Projects that Enhance the City.
11. Make Improvements to Neighborhoods and Commercial Areas Throughout the City as Funds are Available.
12. Look for Opportunities to Reduce the Cost of Municipal Operations.
13. Avoid a Property Tax Increase.
14. Limit Fee Increases to Amounts Necessary to Provide Acceptable City Services.
15. Look for Opportunities to Grow our Local Economy.

General Fund

The 2018 budget does not include a change to the City's current tax rate. Property tax revenue resulting from tax base growth is projected to increase again this year. The 2015 County Revaluation of real property resulted in a slight decrease in values, but currently the net revenues from all property tax categories are projected to increase by .22% over last year's budget. The tax rate remains the same at \$0.53 per hundred dollars of value. The City will continue to closely monitor the general economic conditions as well as any changes by State government to the City's revenues.

The General Fund has had revenue and expenditure challenges. Fortunately, the City has been able to balance each year's budget with additional revenue, expenditure reductions, and the careful use of fund balance. For the future, the General Fund will continue to be the area where expenditures and revenues will be pressured. For this reason the staff will continue to focus on the General Fund and manage to a three-year horizon. In upcoming fiscal years, debt service payments begin to fall which will help, but as salary increases are embedded, the pressure on the General Fund will increase. Finally, the City must closely monitor the general economic conditions, and any further changes to the City's revenues controlled by the State.

Electric Fund

No general retail electric rate increase was implemented in the 2018 fiscal year. The ElectriCities NC Municipal Power Agency 1 (NCMPA1) Board approved a small decrease in wholesale rates that were made effective July 1, 2017. With this wholesale power decrease, the City will be able to reserve funds in a rate stabilization account in order to stabilize rates for the next five years. It is important to expand economic development into the areas served by City's electric system. The City will continue to advocate for rate equity in NCMPA1 according to the approved schedule. The City will move forward with the implementation of the second phase of the cost of services study to further adjust and simplify our rate classifications which is necessary to provide equity and consistency within the complete rate structure. Capital funds will be available for redevelopment as well as for new growth corridors. The 2018 budget maintains the same amount of transfers to the General Fund as in the 2017 budget. Gastonia needs to maintain the level of transfers approved by the Local Government Commission as

acceptable: 3% of Gross Electric Fixed Asset. The 2018 budget provides funding for maintenance and capital projects (including the new substation planned for the Gastonia Technology Park). Expenditures in the Electric Fund are organized into priority areas: safety & maintenance, peak shaving & generation, load growth initiatives, and use of innovative ideas and technology.

Water and Sewer Fund

There is no Water and Sewer rate increase planned in the 2018 budget. In future years, Water and Sewer rates will require periodic modest increases to help support the utility's long term financial health as major capital projects move forward. The focus of the Water and Sewer Fund continues to be completing the Water Plant renovation currently underway (\$65,000,000), meeting demands for economic development extensions, rehabilitation of older water and sewer lines, and continuing to develop cooperative agreements with surrounding municipal systems and the County. The Water Plant project is scheduled to be completed in 2019. The City was able to secure two zero interest loans from the North Carolina Department of Natural Resources totaling \$35,000,000. The zero interest loans are expected to save the City approximately \$19,000,000 over the life of the twenty-year loans. In addition, the City will partner with the Town of McAdenville and Pharr Yarns, LLC to construct a major sewer collection line that will pump to the Duharts Creek Pump Station. Gastonia will treat 100% of sewer flow from the Town of McAdenville and Pharr Yarns, LLC when the project is complete in 2019.

The City has and will continue to partner financially with the State, the private sector, other municipalities, and the County to extend lines into important growth areas. This is particularly important now as the City and County see renewed development pressure following the last recession. New developments planned between the Union Road and New Hope Road corridors are underway and our water and sewer system will need to accommodate this growth. The City will also seek to increase water and sewer usage through infill development utilizing existing infrastructure. The City's priority for the Water and Sewer Fund will be safety, increasing sales, infrastructure maintenance, system performance, system expansion in those areas that provide a viable return on investment, and use of innovative ideas and technology.

Solid Waste Fund

The City's Solid Waste fund was created over five years ago and receives revenues directly from solid waste fees and from transfers from the General Fund. The City is completing the first year of a new five year contract for recycling services which will continue to result in significant cost savings. The introduction of improved equipment and stable landfill tipping fees help to maintain the effective operations in this Fund.

Stormwater Fund

The changes to the City's Stormwater Fund, approved by City Council in November 2013, were fully implemented in the 2015 budget. The revenues have been directed to stormwater improvement projects throughout the City. Currently the Stormwater Fund pays for a wide variety of maintenance and capital improvement projects. The priority for stormwater projects is concentrated on projects within public rights-of-way that the City has an obligation to

maintain and repair. Improvements proposed for stormwater problems outside of the rights-of-ways are given priorities by the Stormwater Citizen's Advisory Committee. Projects are rated according to a three-tier priority system. In addition, the City will be working on the Durharts Creek Conservation Area – Short and Long Term Land Management Plan, approved by City Council in November 2015.

Employee Compensation and Benefits

The total number of budgeted full time employees for the upcoming fiscal year is 881. The size of our workforce has grown slightly following the cutbacks initiated during the recession. The infill of existing residential subdivisions under construction are placing increased demands on City services. The 2018 budget includes a 2.5% - 4.0% salary increase, which was effective June 24, 2017, for all full-time and part-time employees, plus market adjustments. The City will continue funding the 401(k) program for all full time employees. The 2018 budget provides continued funding for the Employee Education Reimbursement Program (\$500 maximum per employee).

Like other public and private organizations, controlling health care costs remains a budgetary challenge and will be so for the foreseeable future. The 2018 budget increase for the City's Health Insurance Fund is \$583,811 (6.9%) higher as compared to 2017. The 2018 budget also provides funding for a \$750 payment to the Health Savings Account for all employees covered by the City's Health Insurance Program. Wellness initiatives and incentives that positively impact employee health and claims will be implemented during 2018. The City plans to use employee wellness committees and focus groups to supplement our Health Insurance Program. Staff will continue to monitor claims filed throughout the year and will provide consistent updates through the City Council Audit, Bids, and Insurance Committee.

Infrastructure

The City is responsible for approximately 441 miles of paved streets (341 miles of local streets) with sidewalks and traffic control systems, 598 miles of water lines, 559.5 miles of sewer lines, and 473 miles of electrical distribution lines. Our municipal facilities are spread from Mountain Island Lake to the South Carolina state line. One of the most important responsibilities of our City and most cities is to provide and maintain the critical public infrastructure. The City maintains the water plant, storage tanks, electric distribution system, stormwater systems, wastewater treatment plants, parks, and rights-of-ways. Additional challenges related to maintaining other aspects of our vast infrastructure will be addressed through the 2018 budget and future budgets. Maintenance of our infrastructure, such as streets, water, sewer, electric, and other City facilities, while not glamorous, is critically important and commands significant resources. In order to capture new economic development opportunities, the City must consistently maintain and expand, when necessary, our diverse infrastructure.

Funding For Equipment

Vehicles, large equipment, and computer/communications hardware are funded through an annual equipment loan. The loan for the equipment is spread over a fifty-nine month period, thereby leveling the impact of equipment needs from year to year. More than \$5.2 million of vehicle equipment was requested by City departments for replacement or additional

equipment. In the 2018 budget, the City is funding equipment replacement for a total of \$3,108,197. This includes, \$448,873 for the replacement and upgrade of necessary computer and communication equipment. The City is proposing to replace various vehicles, including 15 police vehicles, a new fire pumper truck, and for Solid Waste vehicles and equipment.

Transportation

The street bond projects approved by the voters in 2010 should be completed in fiscal year 2018: Titman Road and Myrtle School Road are now finished. The contract for the South New Hope widening project has been let by the State and the Union Road project is currently under agreement with NCDOT. The 2018 budget provides \$1,715,862 for resurfacing and repairing local City streets. Funding comes from Powell Bill funds— \$165,862, new auto tag fee revenues \$800,000 and \$750,000 from the General Fund Fund Balance. Traffic calming devices such as speed humps, continue to be funded in the 2018 budget to address neighborhood safety issues. The State Highway Project upgrading the US 321/I-85 Interchange should move forward to construction in the coming year. During the 2018 fiscal year, the City will begin implementing the results of the Comprehensive Transit Study. Funding scheduled for the Gastonia Municipal Airport this year includes \$166,667 for multiple projects, including a comprehensive relocation or realignment study and the renovation of the existing fueling area and tarmac (90% State and Federal funding). Ongoing communications with NCDOT will continue to identify and fund pedestrian improvements, medians and lane realignments along the Franklin Boulevard Corridor. The City will continue to partner with NCDOT to prepare the proposed widening project for I-85 throughout Gaston County. Finally, the City will continue to support the Catawba Crossings Project (bridge crossings over the South Fork and Catawba Rivers). It is a critically important transportation project, connecting South New Hope Road to I-485 and Charlotte-Douglas International Airport.

Maintaining the Fund Balance

Gastonia is well over the required 8% minimum Available Fund Balance for the General Fund as recommended by the Local Government Commission. In the General Fund, the City is currently at 29.09% of annual expenditures. This is well above the minimum, as defined in the City's Reserve Policy: that the Available Fund Balance should be between 12% and 15% as a minimum. A total of \$1,185,733 of General Fund Balance is appropriated in 2018 to balance the operating and capital budgets. It should be noted that although the City uses fund balance appropriations to balance the budget each year, these funds may not actually be needed, over the past several fiscal years, with the exception for fiscal year 2017, revenues have increased beyond budgeted amounts and expenditures have been contained thus use of appropriated fund balance was not required to cover actual expenditures.

The 2018 budget will increase fund balances for both the Electric and Water & Sewer Funds so that funds will be available for capital projects and rate stabilization. The Hotel Occupancy Tax Fund revenues currently fund the Conference Center debt service and operating deficit. The conference center management company has significantly reduced the projected operating deficits for this year and next. However, beginning in fiscal year 2020, the annual debt service

rises from \$422,400 to \$724,400, exclusive of the 45% Federal interest subsidy the City receives, so all savings in operational costs may be needed for future debt service payments.

Economic Development

Gastonia has experienced some return of positive economic growth. Several new retail commercial developments are under construction throughout the City. The Gastonia Technology Park is almost at full capacity. Additional industrial sites will need to be identified to sustain further industrial growth. The County and the City are perusing potential properties for a new technology park. Previously approved residential developments, primarily in the southeastern portion of the City, that were halted during the 2008 recession, have restarted. The challenge for Gastonia is to encourage developments of high quality. Developments with high values are more fiscally sustainable and contribute more to the expansion of the tax base. Consistent with our land development plans, Gastonia encourages commercial, office, industrial, and residential development in each sector of the City. In particular, infill developments are the most desirable form of economic growth because the infrastructure is already in place, thereby reducing the cost to serve the new development.

The City will also partner with the Greater Gaston Development Corporation, Gaston County, and other neighboring Gaston municipalities to complete the Gaston County addition of the Charlotte-Douglas International Airport Economic Impact Study in the 2018 budget year. The City will take steps towards being more proactive and focused with the creation of a dedicated economic development position to initiate economic development. High value growth is important to the General Fund and also to our utility funds that need the growth of customers to broaden their revenue base. It is our objective to grow our tax and utility bases and not our rates.

Gastonia's Center City area has been identified as being critical to economic development and to our image. However, significant areas in the northern and western portions of the City still have not experienced economic growth that is otherwise occurring throughout the region. Specifically, the City will focus on the West Franklin corridor and the surrounding neighborhoods. The Loray neighborhood will receive continued focus so that the \$40 million redevelopment effort underway at the Mill, Optimist Park on Vance Street, and the focused efforts of Preservation NC can be leveraged and the surrounding community revitalized.

The largest economic development project moving forward in fiscal year 2018 will be the Franklin Urban Sports and Entertainment (FUSE) Economic Development District. The City has completed the purchase of approximately 16 acres of contiguous property and is currently working on the demolition of a portion of the site. Staff should complete the recruitment process for an architectural/engineering firm in the 2018 fiscal year and then move forward with the development of the proposed concept. The City has entered into a partnership with the UNC School of Government Development Finance Initiative group to assist the City in leveraging public investment with necessary private funding. The City will also continue to partner with ElectriCities and Retail Strategies to market and recruit potential developers and businesses to the area. The FUSE should include a mix of entertainment, restaurants, offices, multi-family residential, and other attractive uses that will make downtown Gastonia a destination for the region.

Despite the challenges facing the City, the long-range future for Gastonia remains bright. We are located in one of the fastest growing and most affluent metropolitan areas in the United States. Our region is home to the second largest financial center in the country. Gastonia is located only twenty-five minutes west of the center of the region. The geographical location is excellent. Interstate 85, the transportation link between Atlanta and Charlotte, bisects our City with eight interchanges. US Highway 321 links the City to Hickory and Interstate 40.

The City needs to make wise investments that capitalize on location within the metropolitan region. Also, the City needs to capitalize on our current strengths - an abundant water source at Mountain Island Lake, natural features such as Crowders Mountain State Park, the Schiele Museum, our City parks, the Conference Center, the quality of our neighborhoods and our schools. To further enhance our ability to attract quality new investment, the City must create a positive private investment climate. Streamlining our regulatory process while delivering excellent citizen services will be a challenge every year.

Creating and Maintaining a Fiscally Sustainable Organization for the Future

In planning for the 2018 fiscal year, Council and staff looked beyond the 2018 budget to identify revenue and expenditure trends focused on the next three years. On the revenue side, the General Fund depends upon tax base growth, which is tied so closely to the economic condition of our community. Regarding future expenditures, over 59% of the General Fund consists of salary and fringe benefits. Therefore, most meaningful changes to General Fund expenditures in the future will have human resource implications.

The City must always be vigilant for ways to reduce operating costs. Some operating costs will increase no matter what the City does. In some cases services may be reduced or even eliminated. There may be some services that simply cannot or should not be reduced at all. In those cases, the City will carefully examine operating procedures to produce savings. The nature of these changes will be developed cooperatively with the City Manager, each City department, and the Department of Financial Services. Expenditure reductions can be accomplished by using the following tools when appropriate: process simplification, technology and automation, program reduction, program elimination, consolidation, privatization, and innovation.

Our organization and regulations should be streamlined to allow decision-making easier and more efficient. The City's organizational structure should be as flat as possible. Fewer levels of organization will provide a higher level of efficiency. The City will search for best practices for delivering services by examining other jurisdictions and benchmarking our efforts with theirs.

New and expanded expenditures are carefully evaluated and must be viewed as an investment. Questions should be asked. If the City makes this expenditure, what kind of investment return will the City receive? The City must view each new expenditure as one that may cause us to reduce an expenditure elsewhere within the City. A request to spend funds must always be viewed within the larger context of our budget. What is the choice the City is making? Is the City sure that this is the best utilization of our very scarce resources? The City must also ask

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

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

CHALLENGES AHEAD

There were many worthy operating and capital projects that were considered for the 2018 fiscal year, but limited funding means they must be considered in subsequent years. Employee related costs will continue to be the most significant challenge to fund each year. As pay increases are implemented and embedded into our budget, the new total becomes the floor for the following year. Growing our revenues through economic development will be our way to provide the services expected for our City.

For the new fiscal year, our efforts will focus on implementing actions that support the Mayor and City Council goals to build a City with increased economic development and livability. The City will continue to evaluate operations and processes for methods of efficiency and effectiveness. The City will persistently strive to improve the quality of City services at the lowest cost possible, while seeking opportunity to improve all of our citizens' quality of life.

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. The City believes 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, 2017 provided two instances, in the internal controls over financial reporting and compliance, of reportable conditions or material violations of applicable laws and regulations relating to Federal and State financial awards. The City has evaluated the processes surrounding these findings and have implemented controls to assure no such findings occur in future years.

DEBT ADMINISTRATION

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

Pursuant to the North Carolina General Statutes, the City's outstanding general obligation debt is subject to a legal limitation based on 8 percent of the total assessed valuation of real and personal property. As of June 30, 2017, the City's legal debt limit was \$442,276,860. The outstanding debt subject to this limit was \$47,598,615, leaving a net legal debt margin of \$394,678,245. The total gross bonded debt at June 30, 2017, was \$70,724,000. The only other jurisdiction within the City limits having property taxing power is Gaston County. The assessed property valuation (100% assessment ratio) for the County totaled \$15.943 billion, which includes the City's valuation of \$5.528 billion, resulting in a City to County ratio of 34.67%.

INDEPENDENT AUDIT

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

Their opinion indicates that the accompanying City of Gastonia's basic financial statements for the fiscal year ended June 30, 2017, 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, 2016. The 2016 report was judged to conform to the high standards of financial reporting put forth by GFOA. The certificate is valid for a period of one year. The City has been awarded the certificate for the past twenty-four (24) years. The City believes the report for Fiscal Year 2017 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 2017. The City has received this award for the past twenty-four (24) 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 2018 budget continues to conform to program requirements and it has been submitted to the GFOA to determine its eligibility for another award.

ACKNOWLEDGMENTS

The City wishes to express our appreciation to each member of the Financial Services Department who has assisted in the preparation of this report. The City would also like to recognize the cooperation of each City department as the City works 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. They have played a vital role in enabling the City of Gastonia to achieve and maintain a high degree of fiscal responsibility.

The City believes 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,



Michael C. Peoples
City Manager



Melody A. Braddy
Assistant City Manager

City of Gastonia

North Carolina



- Gastonia is located in south-central North Carolina on the South Carolina border.
- Gastonia is located 20 minutes west of Charlotte.
- Gastonia is the County Seat for Gaston County
- Gastonia is the largest of the County's thirteen municipalities with 51.69 square miles and more than 74,413 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 thirteenth largest city in the State and is the second largest city in the Charlotte-Concord-Gastonia-Rock Hill Metropolitan Statistical Area (MSA) as defined by the United States Bureau of the Census. The MSA currently has a 2016 estimated population of just over 2,500,000 persons. The City is located approximately 22 miles west of downtown Charlotte, the largest city in the state. The City has served as the County seat for Gaston County since 1911, and is the largest of the County's 13 municipalities with approximately 51.69 square miles and an estimated population of 74,413 within its corporate limits. Its location along Interstate 85, equidistant from Atlanta and Raleigh, places the City in the heart of the rapidly developing Piedmont region of North Carolina; and, it is midway between the Florida Keys and New England, and just 200 miles from the Atlantic Ocean, making it a strategic center for serving Eastern United States.

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

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

The City's History

The City of Gastonia was incorporated in 1877, the year reconstruction ended. The impetus for the early development of Gastonia, which began in 1873 as a small depot, was the combined effect of the realignment of the Atlanta & Charlotte Airline Railroad (now Norfolk Southern) from its original intended path several miles to the north of the City, the charter of the Chester & Lenoir Narrow Gauge Railroad (now CSX) which crossed the Atlanta & Charlotte railroad and the introduction of the steam powered textile mill. The crossing of these two railroads and the beginning of the City's textile industry brought opportunity for employment and social life. The initial population of the town was approximately 200 persons, and the land area was only .5 miles.

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

The City provides a wide range of services that include public safety, electric distribution, water and sewer services, stormwater management, public transportation, community development, solid waste collection and disposal, cultural and recreational activities, general administration, and other amenities not often found in a city of 74,413 people.

City Recognitions

The City is a three-time All America City. The All America City Award is the oldest and most respected community recognition program in the nation. In its 68th year, the National Civic League recognizes neighborhoods, villages, towns, cities, counties, and metro regions for outstanding civic accomplishments. To receive this award, communities have to demonstrate an ability to address serious challenges with innovative, grassroots strategies that promote civic engagement and cooperation between the public, private and nonprofit sectors.

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

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

Governmental Structure

The City of Gastonia is an incorporated city established under the Constitution and the laws of the State of North Carolina. Legislative control is vested with a Mayor elected biennially on a non-partisan basis and a six-member City Council, each of whom is elected for a four-year term. Each member of the City Council represents a defined geographical ward, but elections are determined by an at-large vote. Terms run on a staggered election format. 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 a Deputy City Manager and two Assistant City Managers. Under the direction of an Assistant 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 a Deputy City Manager, two Assistant City Managers, the City Attorney, and 14 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 July 1, 2017, the City of Gastonia has 897 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 and expenditure estimate worksheets in mid-January. These estimates are due back to the Budget Department in early February and the department begins to formulate a draft budget. During April, discussions are held between staff and the City Manager to make modifications to the original submissions. A tentative budget is then detailed and submitted to Council in mid-May. The City Council then holds a series of workshops and public hearings prior to the adoption in mid-June.

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

Property Taxes

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

Property Tax Rate

The tax rate is set each year by the City Council when the budget ordinance is adopted. The City of Gastonia's tax rate of \$.53 for the new fiscal year beginning July 1, 2017 places it at the tenth lowest of the 20 largest cities in North Carolina. North Carolina General Statute 105-286 requires that an octennial reappraisal of real property be conducted and may be done sooner upon adoption of local ordinance and approval by the Department of Revenue. The City's most recent reappraisal was completed by the County in the 2014/15 fiscal year and was

applicable to ad valorem tax revenues beginning in the City's 2015/16 fiscal year. The next State required reappraisal will be performed in the 2022/23 fiscal year and will be applicable to ad valorem tax revenues beginning in the City's 2023/24 fiscal year.

Economy, Commerce and Industry

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

For many years, the primary industry in the City was textiles. However, the recent national trend of companies relocating manufacturing facilities outside the United States has resulted in significant losses of jobs and investments in the textile industry. Over the past decade, the City's economy has diversified and expanded its commercial and industrial base through a variety of industry, trade and tourism sectors, while the significance of the textile industry has declined. The expansion and diversification of the City's economy can be attributed to the City's proximity to the City of Charlotte, and the City's access to major interstate highways.

The City and surrounding area has been defined as a metropolitan-dominated region, with Charlotte serving as the central economic engine and employment center. Within this context, the City and Gaston County are fast becoming what economists refer to as a "regional retail center." With the establishment of the City as a retail destination, an influx of shoppers from surrounding counties such as Lincoln, Cleveland, York and Mecklenburg has been noted. The redeveloped Gaston Mall includes Dick's Sporting Goods, TJMaxx, a SuperTarget, and numerous other retail stores. Eastridge Mall is an approximately 1,560,000 square-foot retail facility; Belk and Dillard's anchor this facility, which is supported by 70 smaller retailers. Franklin Square is another retail shopping area consisting of over 1,000,000 square feet, anchored by Wal-Mart, K-Mart, Lowe's, Sam's Club, Best Buy and Kohl's. Numerous retailers, restaurants and a 13-screen movie theater are also located in Franklin Square and the Shops at Franklin Square include additional retail space with Ashley Furniture as an anchor store.

Daimler Trucks North America is the City's largest taxpayer with 1.58% 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 8.58% 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.

There are approximately 441 linear miles of paved streets in the City. The City and State maintain approximately 341 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 years. Construction of new streets within subdivisions is the responsibility of the private sector development community and once constructed the City provides maintenance for the local streets and appurtenances.

Gastonia residents are also served by Gastonia Transit, which provides eight fixed bus routes throughout the City. Passengers have access to destinations such as Gaston Memorial Hospital, Eastridge and Franklin Square malls, and the Health Department. The City and Charlotte Metropolitan Transit are parties to a commuter bus program, the Gastonia I-85 Express, which provides a reliable, comfortable alternative to commuting by automobile and helps reduce vehicular traffic between the two urban areas. In addition, the City recently approved an interlocal agreement with the NC Department of Natural and Cultural Resources to provide bus shuttle services to Crowders Mountain State Park on weekends and holidays.

Gastonia is within a 15-minute drive of the Charlotte-Douglas International Airport. Charlotte-Douglas is the 6th busiest airport in operations in the nation and the 11th busiest in passengers in the nation. American Airlines, formerly US Airways, maintains an operational hub at the airport. The airport offers non-stop flights to 170 destinations. The airport is as accessible to Gastonia as it is to the downtown Charlotte area, providing Gastonia with a tremendous intra-regional advantage. Additionally, the City owns the Gastonia Municipal Airport, a general aviation facility that serves both the City and the County for both business and pleasure flights. The facility has one lighted runway of 3,770 feet and one unlighted emergency runway of 2,500 feet. Fly Carolina serves as the fixed base operator for the airport.

The Norfolk Southern Railway and CSX Transportation provide transportation to interchange points with other railroads throughout the eastern United States. Norfolk Southern Railway has completed and begun operations at its newly constructed intermodal rail and trucking facility located along the southern end of Charlotte-Douglas International Airport's center parallel runway. The facility, which is capable of 200,000 lifts annually, transfers containers between trucks and trains and is projected to bring the region \$7 billion in business over the next two decades. The new facility further enhances Gastonia's position as a transportation hub. Freight service is available through this railroad and 50 truck lines. Passenger rail service is available through Amtrak.

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

Education

There is one public school system that serves Gaston County. The Gaston County School Administrative Unit is governed by a Board of Education consisting of nine members elected for four-year terms. A school superintendent is appointed by the Board of Education. The school district is the 10th largest in the State of North Carolina. There are currently 29 elementary schools (grades K-5), 11 middle schools (grades 6-8), 11 high schools (grades 9-12), 1 intermediate school, 1 special needs school, 1 alternative school, and 1 virtual school. Total enrollment is approximately 32,000 students.

There are several post-secondary institutions located in the County area. Gaston College is composed of three campuses with the main campus located in the approximate geographic center of the County. Gaston College is part of the North Carolina Community College System and is also accredited by the Southern Association of Colleges and Schools to award Associate degrees. The College enrolls over 5,000 students each term and averages over 16,000 students in its Continuing Education programs. Beginning July 1, 2005, the North Carolina Center for Applied Textile Technology, a state-supported institution also in the North Carolina System of Community Colleges, became part of Gaston College and was renamed Gaston College East Campus and Textile Technology Center. Through affiliation with the constituent institutions of The University of North Carolina, course credits transfer between these educational institutions based on a plan jointly developed and approved by the North Carolina Community College System and The University of North Carolina. Also, Belmont Abbey College is a private liberal arts college located five miles east of the City with an enrollment of over 1,500 students and offers undergraduate and adult degree programs.

Cultural and Recreational Activities

City residents have available many different national, regional and local recreational facilities. A National Football League team, the Carolina Panthers, and a National Basketball Association team, the Charlotte Hornets, play in facilities located in Charlotte, approximately 25 miles from the City. A professional minor league hockey team, the Charlotte Checkers, and a Triple A minor league baseball team, the Charlotte Knights, are also located within 25 miles of the City. A Summer Baseball – College All-Star League team, the Gastonia Grizzlies, play at the City owned and operated Sims Park. The City has recently completed the property acquisition phase of the Franklin Urban Sports & Entertainment (FUSE) project and has transitioned to the design phase. Once completed this facility will be the new home of the Grizzlies. The U.S. National Whitewater Center is located just across the Catawba River in Mecklenburg County, approximately 15 miles from the City. The Center provides over 300 acres of woodlands along the Catawba River and is the world's only multi-channels re-circulating whitewater river. It has been designated by the United States Olympic Committee as an official Olympic Training Site. The U.S. National Whitewater Center hosts World Cup competitions and

Olympic Trials. In addition, the NASCAR Hall of Fame opened in Charlotte in May 2010.

The City sponsors a full range of recreational programs. Recreation facilities are located on approximately 587 acres of land including 6 community centers, 8 jogging tracks, 28 tennis courts, 19 baseball/softball fields, 2 swimming pools, 16 parks, 4 soccer fields, 2 disc golf courses and a municipal skeet and trap range. The first portion of the City's Greenway System was dedicated in 2002 and consists of a 2.5 mile paved walking trail stretching from Lineberger Park to the Gastonia Armory. A half-mile trail section has been added and serves as a connector to Ferguson Park. An additional 1.2 miles of abandoned railway bed was converted as part of the Rails to Trails program. The walking trail is within walking distance of almost 10,000 City residents.

Rankin Lake Park is newly renovated, and the improvements take full advantage of the 80-acre water impoundment. The lake is now open to the public for fishing from either of the 2 piers, a 100 yard long stretch open for bank fishing, or from rental boats equipped with electric trolling motors. The lakefront amenities include a lakefront boat rental office, 2 corporate picnic shelters, adequate restroom facilities, a 1.6 mile paved walking trail around the lake, an outdoor classroom and an 18 hole disc golf course.

Crowder's Mountain State Park, a 3,000-plus acre natural mountain park area, is located in the City at its western edge. The park offers hiking, rock climbing, fishing, picnicking and other nature and environmental related activities. This is one of only two state parks located within a municipality in the State. The City also owns an approximately 58-acre park and youth sports complex named Martha Rivers Park. The sport complex consists of 4 soccer fields, 4 little league baseball fields with a center control tower, restrooms and concession stand, approximately two miles of paved walking trails, picnic tables and parking for approximately 290 cars. The Park also includes a community-built playground that includes splash pad, pirate ship, observatory, fun house and a maze of slides, swings and sandboxes.

Summary

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



Government Finance Officers Association

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North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

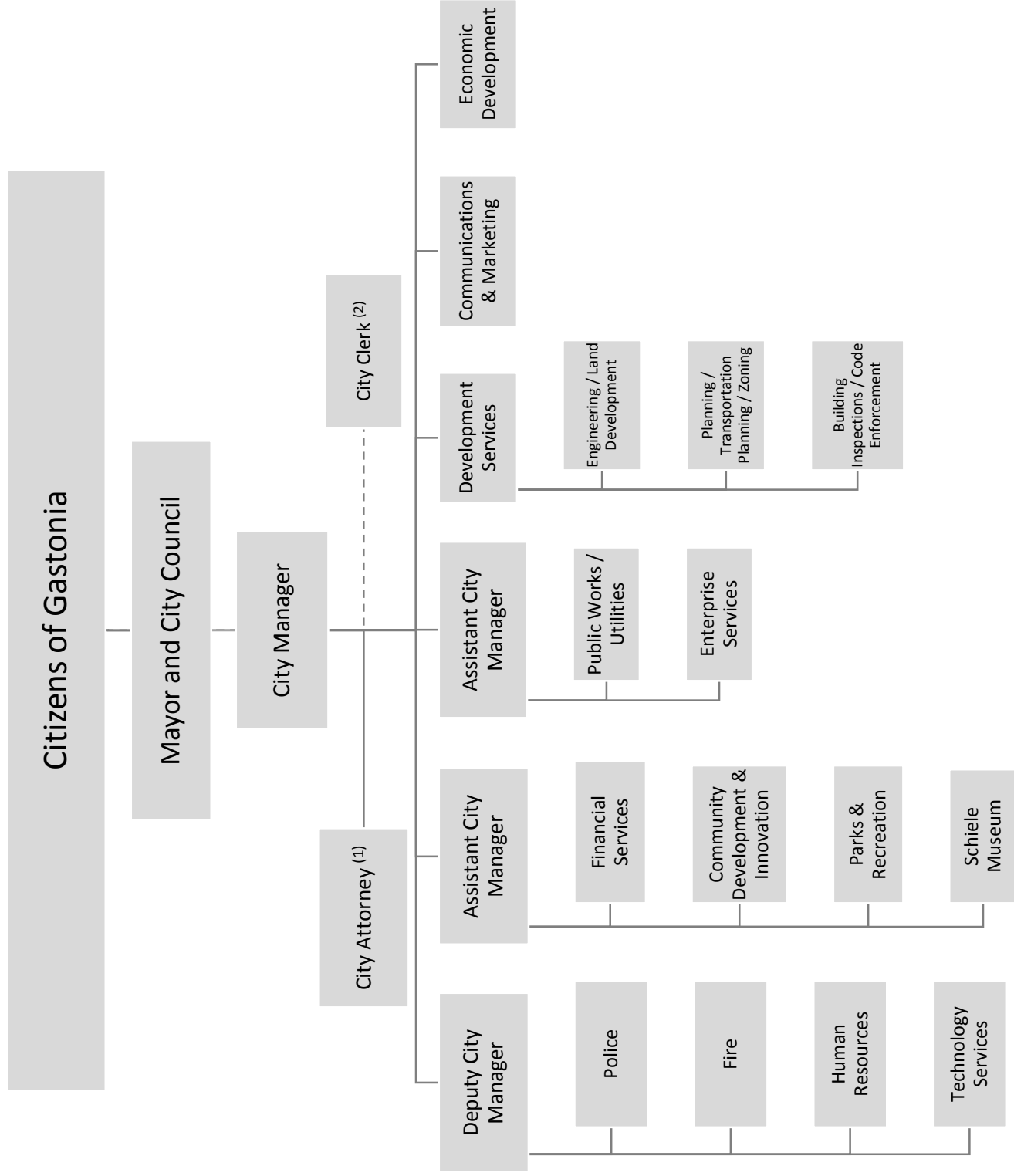
June 30, 2016

A handwritten signature in black ink, reading "Jeffrey R. Emen". The signature is fluid and cursive.

Executive Director/CEO

City of Gastonia, North Carolina

Organizational Chart



(1) Appointed by the City Council

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



FINANCIAL SECTION

Independent Auditor's Report

Management Discussion and Analysis

Financial Statements (Combined Statements – Overview)

Combining and Individual Fund Statements and Schedules

Other Supplementary Financial Data



INDEPENDENT AUDITOR'S REPORT



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

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

INDEPENDENT AUDITOR'S REPORT

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

Report On the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gastonia, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Gastonia ABC Board, which represents 83.29 percent, 79.81 percent, and 94.15 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by another auditor, whose report has been furnished to us and, our opinion, insofar as it relates to the amounts included for the City of Gastonia ABC Board, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. The financial statements of the Gastonia Tourism Development Authority and the City of Gastonia ABC Board were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation

and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditor, 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, 2017, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 9 to the financial statements for fiscal year ended June 30, 2017, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gastonia's basic financial statements. The introductory section, combining and individual fund statements, budgetary schedules, other schedules, statistical tables, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors the combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2017, on our consideration of the City of Gastonia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the City of Gastonia's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 25, 2017

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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, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the City of Gastonia exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$408,256,532 (*net position*). This is a \$12,797,509 increase from the restated beginning net position. The beginning net position was restated due to the implementation of GASB Statement No. 73, Accounting And Financial Reporting For Pensions And Related Assets That Are Not Within The Scope Of GASB Statement 68, And Amendments To Certain Provisions Of GASB Statements 67 And 68, see Change in Accounting Principles / Restatement in footnote 9. Beginning net position was decreased by \$17,376,319 as a result of this accounting change. Beginning net position was also increased by \$1,118,376 as the result of a prior period adjustment, see Prior Period Adjustment in footnote 10.
- Governmental activities' net position increased by \$3,193,710 from the restated beginning net position, and business-type activities increased by \$9,603,799.
- As of the close of the current fiscal year, the City of Gastonia's General Fund reported an ending fund balance of \$27,727,640, a decrease of \$1,821,116 from the prior year ending fund balance.
- Approximately 61.03% of this total amount, or \$16,923,448, is *unassigned fund balance* and has not been committed or assigned.
- At the end of the current fiscal year, *available fund balance* for the General Fund was \$18,723,805, or 29.09%, of total General Fund expenditures, including transfers to other funds, for the fiscal year. Prior year *available fund balance* was \$20,604,669, or 34.15%, of total General Fund expenditures, including transfers to other funds. This is a \$1,880,864 decrease in *available fund balance* and is mostly due to a \$1,821,116 decrease in total fund balance along with a decrease of \$100,397 in reserves for inventories, a \$16,867 decrease in reserves for prepaids, and a \$177,042 increase in the stabilization by State statute (stabilization by State statute is mostly restrictions related to receivables and carryover encumbrances) from the previous year balances.
- The City's Health Self-Insurance Internal Service Fund, a high-deductible medical insurance plan with an HSA (Health Savings Account), ended the 2017 fiscal year with a net position of \$780,562, as compared to a 2016 fiscal year ending net position of \$177,176. For the year ended June 30, 2017, charges for services and transfers in exceeded claims, HSA contributions, administration fees, and stop/loss premiums by \$603,386. Charges for services and interest revenue were up by \$936,281 from 2016, claims and other administrative expenses were down by \$1,030,626, of which \$1,001,379 was directly related to a reduction in claims, and transfers in from other funds were down by \$1,363,524. The reduction in transfers in was due to management increasing the City's portion of premium contributions in lieu of funding through transfers in. The Internal Service Fund predominantly services the governmental funds; thus, the fund's activities are included in the City's governmental activities.

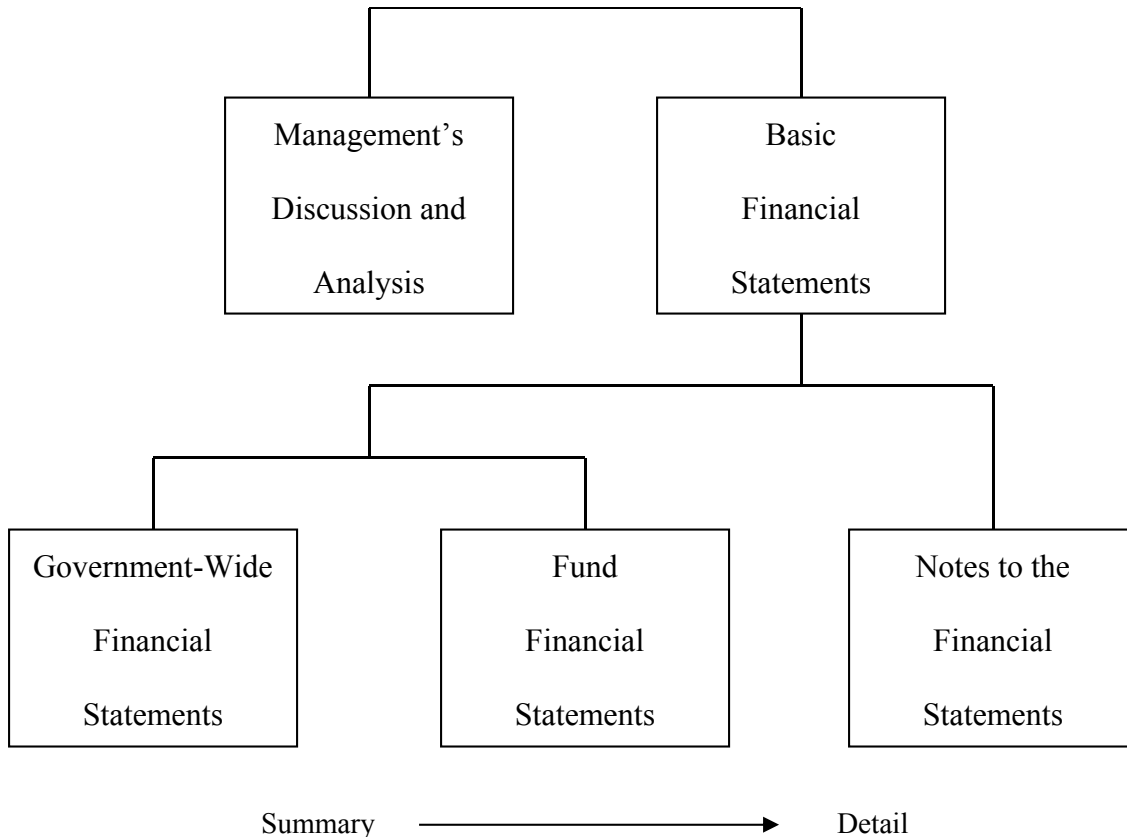
- The City's major enterprise funds are the Water and Sewer Operating Fund, the Electric Operating Fund, and the Stormwater Operating Fund. These funds had revenues and other financing sources over (under) expenditures and other financing uses (budgetary basis) of \$2,001,934, \$2,520,130, and (\$42,977) for the year ended June 30, 2017, respectively, as compared to changes in net position of \$6,405,686, \$2,472,351, and \$302,904, respectively, on the full accrual basis. The City's nonmajor enterprise funds are the Transit Fund and the Solid Waste Fund. These funds had revenues and other financing sources over (under) expenditures and other financing uses (budgetary basis) of \$37,685 and \$273,517 for the year ended June 30, 2017, respectively, as compared to changes in net position of (\$35,890) and \$234,018, respectively, on the full accrual basis.
- The City of Gastonia's total financing debt obligations increased from \$102,288,181 to \$108,158,789 during the current fiscal year, an increase of \$5,870,608 (5.74%). The key factors in this increase were the overall scheduled debt retirements of \$11,077,785, while the City incurred \$16,948,393 of new financing debt obligations. New debt obligations consisted of a \$3,250,000 vehicle equipment-financing instrument, and \$13,698,393 of State Revolving loans. The proceeds from the State Revolving Loans are being used to fund, along with equity contributions from the City's Water & Sewer Fund and the proceeds from the \$20,130,000 Series 2015 Combined Utility System Revenue bonds, an approximate \$59,500,000 water plant rehabilitation and an approximate \$5,000,000 water storage project. The City was awarded \$35,000,000 of State Revolving loans for these projects and has expended and drawn down \$25,088,740 of the awarded funds as of June 30, 2017.
- The current credit ratings for general obligation debt are: Standard and Poor's Corporation AA-, Moody's Investor Service Aa2, and Fitch AA. The current credit ratings for revenue bond debt are: Standard and Poor's Corporation AA-, Moody's Investor Service Aa2, and Fitch AA.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

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

Government-Wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the City's basic services, such as public safety, public works, cultural and recreation, and general government services. Property taxes, local option sales taxes, utility sales taxes, payments in lieu of taxes, auto tag fees, licenses, permits and fees, business-type activities' transfers, investment earnings, and federal and State shared revenues finance most of these activities. The business-type activities are those for which the City charges customers to provide services. These include the water and sewer, electric, solid waste, transit, and stormwater services offered by the City of Gastonia. The final category is the component units. Although these two entities are legally separate from the City, the ABC Board's financial activities are important to the City, because the City exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the City. The Gastonia Tourism Development Authority's financial activities are important to the City because the City appoints all members of the governing board and the Authority's major source of revenues is derived from a 3.0% room occupancy tax levied by the City pursuant to Session law 2001-439 of the North Carolina General Assembly.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Gastonia, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Gastonia can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

Proprietary Funds. The City of Gastonia has two different kinds of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Gastonia uses enterprise funds to account for its water and sewer activity, electric operations, solid waste operations, transit operations, and stormwater operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the functions of the City of Gastonia. The City uses internal service funds to account for four activities: the accumulation and allocation of the costs associated with the City's vehicle and equipment replacement, the accumulation and the allocation of the costs of computer support and other technology services, the accumulation and the allocation of the costs of providing self-insured medical coverage to the City's employees, and the accumulation and the allocation of the costs of providing self-insured dental coverage to the City's employees. Because these operations benefit predominantly governmental rather than business-type activities, these internal service funds have been included within the governmental activities in the government-wide financial statements.

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

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

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

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

Government-Wide Financial Analysis

City of Gastonia's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	Total
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	\$ 49,141,176	\$ 59,158,199	\$ 79,370,509	\$ 80,463,386	\$ 128,511,685	\$ 139,621,585
Capital assets	162,528,588	151,255,263	296,347,454	271,372,317	458,876,042	422,627,580
Total assets	<u>211,669,764</u>	<u>210,413,462</u>	<u>375,717,963</u>	<u>351,835,703</u>	<u>587,387,727</u>	<u>562,249,165</u>
Deferred Outflows of Resources	<u>10,579,108</u>	<u>2,165,199</u>	<u>2,918,075</u>	<u>646,749</u>	<u>13,497,183</u>	<u>2,811,948</u>
Liabilities:						
Long-term liabilities outstanding	88,425,589	63,890,717	67,570,559	55,582,065	155,996,148	119,472,782
Other liabilities	13,730,814	14,915,777	21,804,045	16,973,084	35,534,859	31,888,861
Total liabilities	<u>102,156,403</u>	<u>78,806,494</u>	<u>89,374,604</u>	<u>72,555,149</u>	<u>191,531,007</u>	<u>151,361,643</u>
Deferred Inflows of Resources	<u>917,516</u>	<u>1,532,981</u>	<u>179,855</u>	<u>449,523</u>	<u>1,097,371</u>	<u>1,982,504</u>
Net Position:						
Net investment in capital assets	124,133,499	118,307,559	255,523,817	239,879,539	379,657,316	358,187,098
Restricted	13,115,395	16,304,671	-	-	13,115,395	16,304,671
Unrestricted	(18,073,941)	(2,373,044)	33,557,762	39,598,241	15,483,821	37,225,197
Total net position	<u>\$ 119,174,953</u>	<u>\$ 132,239,186</u>	<u>\$ 289,081,579</u>	<u>\$ 279,477,780</u>	<u>\$ 408,256,532</u>	<u>\$ 411,716,966</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the City of Gastonia exceeded its liabilities and deferred inflows of resources by \$408,256,532 as of June 30, 2017. The City's net position increased by \$12,797,509 from the restated beginning net position (see previous discussion for details on net position restatement) for the fiscal year ended June 30, 2017. However, the largest portion, \$379,657,316 (93.00%), reflects the City's net investment in capital assets (e.g. land, buildings, roads, bridges, utility infrastructure, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The City of Gastonia uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Gastonia's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. \$13,115,395 of the City's net position is restricted by State statute or external parties. The remaining balance of unrestricted net position, \$15,483,821, may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net position as of June 30, 2016 was \$37,225,197. The main reason for the decrease is due to a \$17,376,319 beginning net position restatement resulting from the implementation effect of GASB Statement No. 73. See Change in Accounting Principles / Restatement in Note 9 of the notes to the financial statements.

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

- Continued low cost of debt due to the City's high bond rating
- A continued effort on the part of management to perform the City's services with the same or fewer permanent staffing. Staff's dedicated efforts in assuming added responsibilities during staff turnover and a mandated hiring freeze for non-critical positions resulted in a salaries and benefits favorable budget-to-actual variance, approximating \$2,000,000 city-wide. Approximately \$1,000,000 in the governmental funds and \$1,000,000 in the business-type funds.
- 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 and future economic uncertainties resulted in an operating expenditures / expenses favorable budget-to-actual variance approximating \$5,300,000. The General Fund realized an approximate \$2,800,000 favorable budget-to-actual variance in operating expenditures other than salaries and benefits; and the business-type funds realized an approximate \$2,500,000 favorable budget-to-actual variance in operating expenditures other than salaries and benefits and budgeted reserves.
- The City's General Fund ended the year with a \$1,069,162 favorable revenues budget to actual variance. The City received \$287,080 more ad valorem taxes than budgeted, \$500,000 more ABC Board distribution than budgeted, \$239,279 more permit revenues than budgeted, \$214,857 more sales, services, and rents than budgeted; however, the City received \$207,060 less local options sales tax than budgeted and \$106,909 less auto tag fees than budgeted. Most of these favorable variances are the result of a more than anticipated improved economy and higher than expected ABC Board profits.
- The Water and Sewer Fund once again budgeted a working capital reserve for bond issues in the amount of \$1,473,729 in order to accumulate funds to reduce future financing requirements surrounding the planned water plant renovation.

City of Gastonia's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	Total
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 11,372,888	\$ 10,728,132	\$ 119,646,148	\$ 116,177,240	\$ 131,019,036	\$ 126,905,372
Operating grants and contributions	4,932,336	4,325,061	2,207,607	1,054,568	7,139,943	5,379,629
Capital grants and contributions	2,359,934	877,236	1,943,040	2,535,405	4,302,974	3,412,641
General revenues:						
Ad valorem taxes	30,201,787	29,100,257	-	-	30,201,787	29,100,257
Local option sales tax	10,798,202	10,115,362	-	-	10,798,202	10,115,362
Other taxes	10,235,936	9,776,705	-	-	10,235,936	9,776,705
Interest earned on investments	745,380	715,572	398,904	146,241	1,144,284	861,813
Total revenues	<u>70,646,463</u>	<u>65,638,325</u>	<u>124,195,699</u>	<u>119,913,454</u>	<u>194,842,162</u>	<u>185,551,779</u>
Expenses:						
General government	6,189,619	10,606,593	-	-	6,189,619	10,606,593
Public safety	30,763,350	29,343,196	-	-	30,763,350	29,343,196
Public works and cemeteries	1,989,690	6,802,354	-	-	1,989,690	6,802,354
Cultural and recreation	6,313,795	6,113,970	-	-	6,313,795	6,113,970
Economic and physical development	18,796,473	8,503,949	-	-	18,796,473	8,503,949
Interest on long-term debt	1,935,901	2,065,476	-	-	1,935,901	2,065,476
Water and sewer	-	-	32,065,945	31,411,780	32,065,945	31,411,780
Electric	-	-	73,998,222	72,267,809	73,998,222	72,267,809
Transit	-	-	2,306,486	2,236,449	2,306,486	2,236,449
Golf	-	-	36,726	46,814	36,726	46,814
Stormwater	-	-	2,809,426	2,546,945	2,809,426	2,546,945
Solid waste	-	-	4,839,020	4,754,935	4,839,020	4,754,935
Total expenses	<u>65,988,828</u>	<u>63,435,538</u>	<u>116,055,825</u>	<u>113,264,732</u>	<u>182,044,653</u>	<u>176,700,270</u>
Increase (decrease) in net position before transfers	4,657,635	2,202,787	8,139,874	6,648,722	12,797,509	8,851,509
Transfers	<u>(1,463,925)</u>	<u>(2,063,679)</u>	<u>1,463,925</u>	<u>2,063,679</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	<u>3,193,710</u>	<u>139,108</u>	<u>9,603,799</u>	<u>8,712,401</u>	<u>12,797,509</u>	<u>8,851,509</u>
Net Position:						
Beginning of year - July 1	132,239,186	132,100,078	279,477,780	270,765,379	411,716,966	402,865,457
Restatement and prior period adjustment	<u>(16,257,943)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,257,943)</u>	<u>-</u>
Beginning of year - July 1	<u>115,981,243</u>	<u>132,100,078</u>	<u>279,477,780</u>	<u>270,765,379</u>	<u>395,459,023</u>	<u>402,865,457</u>
End of year - June 30	<u>\$ 119,174,953</u>	<u>\$ 132,239,186</u>	<u>\$ 289,081,579</u>	<u>\$ 279,477,780</u>	<u>\$ 408,256,532</u>	<u>\$ 411,716,966</u>

Governmental Activities. The 2017 fiscal year governmental activities increased the City's net position from the restated beginning net position, see the Changes in Accounting Principal/Restatement and the Prior Period Adjustment sections in Footnotes No. 9 and 10 in the notes to the financial statements by \$3,193,710. Key elements of the 2017 fiscal year governmental activities increase to net position are as follows:

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

The governmental funds modified accrual basis fund balances decreased by (\$11,249,933). The General Fund modified accrual basis expenditures and other financing uses exceeded revenues and other financing sources by (\$1,720,719), and the combined other governmental funds' modified accrual basis expenditures and other financing uses exceeded revenues and other financing sources by (\$9,257,036). The change in inventories decreased fund balances by (\$272,178).

The General Fund modified accrual basis revenues came in \$1,069,162 over budget. The City received \$287,080 more ad valorem taxes than budgeted, \$500,000 more ABC Board distribution than budgeted, \$239,279 more permit revenues than budgeted, \$214,857 more sales, services, and rents than budgeted; however, the City received \$207,060 less local options sales tax than budgeted and \$106,909 less auto tag fees than budgeted. Most of these favorable variances are the result of a more than anticipated improved economy and higher than expected ABC Board profits. The remaining budget to actual favorable revenue variance was a combination of less significant favorable and unfavorable budget-to-actual variances spread out amongst various other taxes and licenses, unrestricted intergovernmental revenues, restricted intergovernmental revenues, investment earnings, and miscellaneous revenues. (See budget-to-actual revenues in Schedule B-1.)

In addition, expenditures were under budget by \$3,011,648. Salaries and benefits accounted for \$705,742 of the favorable variance and were mostly attributable to the hiring lag related to terminations and retirements and the effects of a management implemented hiring freeze for non-critical positions. \$2,296,392 of the favorable expenditure budget variance was spread out over numerous operating expenditure account types influenced by a City-wide effort-to-hold down operating costs in light of continued economic uncertainties. Capital outlay accounted for \$224,322 of the favorable variance, overhead reimbursement ended the year with an unfavorable variance of (\$170,193), on-behalf payments ended the year with an unfavorable variance of (\$56,221), and debt service accounted for \$11,606 of the overall favorable variance. (See budget to actual expenditures in Schedule B-1.)

In addition to the revenues and expenditures favorable budget-to-actual variances, the City had a (\$5,801,529) unfavorable budget to actual variance relating to other financing sources and uses. (\$6,181,539) of this was related to appropriated fund balance. The City budgeted to utilize \$2,219,036 of General Fund balance in order to balance the original budget, to use \$239,163 for prior year purchase order carryovers, to use \$2,379,889 to fund an additional transfer to the Mayor / Council Capital Project Fund to purchase land for the Downtown Sports & Entertainment Complex, \$1,330,044 was to carryover certain unspent prior year budget amounts, \$13,407 to fund other non-budgeted expenditures; however, only \$1,720,719 of this fund balance appropriation was needed to cover expenditures and other financing uses. The General Fund also ended the year with a \$380,000 favorable budget-to-actual variance for transfers to the Electric Fund. This was due to the City deciding not to make the transfer since the Electric Fund finished the year with favorable operating results.

The combined other governmental funds (\$9,257,036) decrease in fund balances was mainly due to the incurrence of expenditures on major projects that were funded by debt issued in previous years. The issuance of debt in the previous years increased fund balances whereas the expending of these funds in subsequent years decrease fund balance. The Streets Capital Project Fund expenditures and other financing uses exceeded revenues and other financing sources by (\$11,227,908). The other non-major governmental funds' revenues and other financing sources exceeded expenditures and other financing uses by \$1,970,872 and was mostly the result of unspent transfers in from the General Fund.

The net change in governmental funds fund balances under the modified accrual basis of accounting resulted in a (\$10,977,755) decrease in net position. The modified accrual basis of accounting to full accrual basis of accounting adjustments resulted in an increase in net position of \$14,171,465. Readers need to refer the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Net Position, Exhibit E, to understand what modified accrual basis of accounting to full accrual basis of accounting differences influenced the \$14,171,465 increase in governmental-type net position.

Business-Type Activities. The 2017 fiscal year business-type activities increased the City of Gastonia's net position by \$9,603,799. Key elements of this increase are as follows:

The 2017 fiscal year business-type activities increase in net position of \$9,603,799 was primarily due to the following: fiscal year 2017 charges for services, operating grants, and capital grants and contributions exceeded program expenses by \$7,740,970, as compared to \$6,502,481 for the 2016 fiscal year. The business-type funds reported a net transfer in from the governmental funds of \$1,463,925, as compared to \$2,063,679 in the 2016 fiscal year. Investment earnings were \$398,904, as compared to \$146,241 in the 2016 fiscal year.

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

Under the modified accrual basis of accounting (budgetary basis), the Electric Fund revenues came in over budgeted revenues by \$2,785,768. The majority of this favorable variance is due to an increase of \$2,071,424 in electricity sales from fiscal year 2016 with only a \$270,844 increase in budgeted electricity sales from 2016. This increase was mostly due to a rise in consumption due to weather changes and system growth. Expenditures came in under budget by \$3,347,632 mostly due to a \$1,525,384 favorable budget-to-actual variance in emergency replacement and renewal of system infrastructure cost, a \$155,467 favorable budget-to-actual variance in purchased power, a \$75,289 favorable budget-to-actual variance in salaries and benefits, a \$1,204,952 favorable budget-to-actual variance in the rate stabilization reserve, a \$234,694 favorable budget-to-actual variance in controllable operating expenditures, a (\$36,721) unfavorable budget-to-actual variance in capital outlay, and a \$188,567 favorable budget-to-actual variance in reimbursement for services. The Electric Fund budgeted revenues under expenditures and other financing uses of \$2,520,130. Budgetary basis of accounting to full accrual basis of accounting adjustments decreased net position by (\$47,779). Readers need to refer to the Reconciliation from Budgetary Basis to Full Accrual Basis at the end of the Electric Fund Schedule of Revenues and Expenditures - Budget-to-Actual, Schedule E-6, to understand what modified accrual basis of accounting to full accrual basis of accounting differences influenced the Electric Fund's \$2,472,351 increase in business-type net position.

Under the modified accrual basis of accounting (budgetary basis), Water and Sewer Fund revenues came in over budgeted revenues by \$286,773. Expenditures came in under budget by \$7,491,077, mostly due a \$1,694,814 favorable budget-to-actual variance in emergency replacement and renewal of system infrastructure expenditures, a \$1,473,729 favorable variance in the working capital reserve / bond issues in the operating fund, and a \$1,729,752 favorable budget-to-actual variance for the reserve to reduce debt in the Capital Expansion Fund, which is a reserve to reduce the debt service requirements from the operating fund relating to the Water Plant Renovation project, a \$560,951 favorable budget-to-actual variance in salaries and benefits, and a \$1,904,213 favorable budget-to-actual variance in controllable operating expenditures, a \$651 favorable budget-to-actual variance in capital outlay, and a \$126,967 favorable budget-to-actual variance in overhead charged by other funds. The Water and Sewer Fund budgeted expenditures and other financing uses over revenues and other financing sources of (\$5,775,916), but ended the fiscal year with revenues and other financing sources over expenditures and other financing uses of \$2,001,934. Budgetary basis of accounting to full accrual basis of accounting adjustments increased net position by \$4,403,752. Readers need to refer the Reconciliation from Budgetary Basis to Full Accrual Basis at the end of the Water & Sewer Fund Schedule of Revenues and Expenditures - Budget to Actual, Schedule E-4, to understand what modified accrual basis of accounting to full accrual basis of accounting differences influenced the Water & Sewer Fund's \$6,405,686 increase in business-type net position.

All other business-type funds operated fairly close to break-even on the budgetary basis of accounting. Revenues and other financing sources over (under) expenditures and other financing uses were (\$42,977), \$37,685, and \$273,517 for the Stormwater Fund, Transit Fund, and the Solid Waste Fund, respectively. Budgetary basis of accounting to full accrual basis of accounting adjustments increased (decreased) net position by \$345,881, (\$73,575), and (\$39,499) for the Stormwater Fund, Transit Fund, and the Solid Waste Fund, respectively. Readers need to refer to the Reconciliation from Budgetary Basis to Full Accrual Basis section in Schedules E-8, E-10, and E-12 to understand what modified accrual basis of accounting to full accrual basis of accounting adjustments influenced these funds \$501,032 increase in business-type net position.

Financial Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City of Gastonia. At the end of the current fiscal year, available fund balance of the General Fund was \$18,723,805, a (\$1,880,864) decrease from the prior year. Total fund balance decreased by (\$1,821,116) to \$27,737,640 from the prior year amount of \$29,548,756. Please refer back to the available fund balance and total fund balance discussion in the Financial Highlights section for reasons for the decreases. 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 29.09% of total General Fund expenditures and transfers out to other funds, while total fund balance represents 43.10% of that same amount.

At June 30, 2017, the governmental funds of the City of Gastonia reported a combined fund balance of \$39,364,295, a (\$11,249,933) decrease from the restated beginning fund balances. See the Prior Period Adjustment section of footnote No. 10 in the notes to the financial statements. Included in this change in fund balance is a (\$1,821,116) decrease in fund balance in the General Fund, a (\$11,227,908) decrease in the Streets Capital Project Fund, and a \$1,799,091 increase from the restated beginning fund balances in the other nonmajor governmental funds. See the earlier discussion concerning the reasons for these increases and decreases under the governmental activities section above.

General Fund Budgetary Highlights. During the fiscal year, the City revised the budget on several occasions. Budget adjustments were processed during the fiscal year that increased the overall original budget by \$4,432,959. The majority of this increase was funded through an increase in appropriate fund balance, which consisted of the following: purchase order carryovers from the 2017 fiscal year accounted for \$239,163 of the increase, \$2,379,889 was to fund the Mayor/Council Capital Project Fund for the purchase of land for the Downtown Sports & Entertainment Complex, \$1,330,044 was to carryover certain unspent prior year budget amounts in the smaller funds that make up the total General Fund, and the remaining adjustments were various other increases in appropriations or revenues that became necessary to maintain services or to supply new services.

Factors concerning the 2017 budget-to-actual results have already been addressed in the above governmental activities discussion.

Proprietary Funds. The City of Gastonia's proprietary funds provide the same type of information found in the government-wide statements, but in more detail.

Net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$192,597,115; the Electric Fund amounted to \$61,228,664; the Stormwater Fund amounted to \$31,789,384; and the other nonmajor funds, Transit, Golf, and Solid Waste amounted to \$2,632,745. 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, 2017 totals \$458,876,042 (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 \$55,920,709 and \$2,218,539, respectively, and the net effect of depreciation of \$17,453,708 resulted in an overall increase of \$36,248,462.

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

- Construction in progress for the design and engineering phase of the water plant renovation and various other water and sewer infrastructure improvements in the amount of \$25,173,950. Construction in progress water and sewer infrastructure improvements placed in service totaled \$3,686,292. Various other water and sewer capital asset improvements of \$2,056,040 were incurred along with the purchase of \$168,714 of machinery, equipment, and vehicles.
- Construction in progress of \$15,813,105 in governmental-type activities, which was mostly related to FUSE project of \$2,532,438, street resurfacing projects of \$1,453,611, Optimist Park project of \$128,764, Modena Street sidewalks of \$308,561, museum foundation settlement issue of \$275,318, Myrtle School Road project of \$4,086,911, Union Road project of \$5,000,000 and Titman Road project of \$1,470,925
- Various general infrastructure additions and other improvements of \$1,985,158 in the governmental-type activities
- Construction in progress for electrical capital asset improvements of \$2,756,049 and \$312,208 placed in service
- Construction in progress for stormwater infrastructure of \$483,733 and \$528,680 completed stormwater infrastructure
- Electrical distribution capital assets of \$1,356,681 for new line construction
- Internal Service Fund capital assets of \$3,160,377 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	
	2017	2016	2017	2016	2017	2016
Land, land improvements, and buildings	\$ 92,707,039	\$ 90,475,479	\$ 21,120,000	\$ 20,968,917	\$ 113,827,039	\$ 111,444,396
Water and sewer treatment facilities	-	-	69,518,031	69,369,105	69,518,031	69,369,105
Machinery/equipment/vehicles	52,581,781	50,971,652	19,953,099	19,731,977	72,534,880	70,703,629
Electrical distribution	-	-	92,344,498	90,675,609	92,344,498	90,675,609
Water and sewer system	-	-	195,017,962	189,431,312	195,017,962	189,431,312
General infrastructure	275,517,918	273,532,760	-	-	275,517,918	273,532,760
Stormwater infrastructure	-	-	50,331,155	49,802,475	50,331,155	49,802,475
Construction in progress	22,551,360	7,395,130	48,980,645	24,566,902	71,532,005	31,962,032
Total	443,358,098	422,375,021	497,265,390	464,546,297	940,623,488	886,921,318
Less accumulated depreciation	280,829,510	271,119,758	200,917,936	193,173,980	481,747,446	464,293,738
Capital assets, net	<u>\$ 162,528,588</u>	<u>\$ 151,255,263</u>	<u>\$ 296,347,454</u>	<u>\$ 271,372,317</u>	<u>\$ 458,876,042</u>	<u>\$ 422,627,580</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, 2017, the City of Gastonia had total financing debt outstanding of \$108,158,789. Of this, \$26,671,000 is debt backed by the full faith and credit of the City. The remainder of the City's financing debt represents bonds secured solely by buildings, equipment, or specified revenue sources (i.e. revenue bonds).

City of Gastonia's Financing Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 26,241,000	\$ 29,010,000	\$ 430,000	\$ 430,000	\$ 26,671,000	\$ 29,440,000
Limited obligation bonds	11,290,000	12,190,000	-	-	11,290,000	12,190,000
Installment loans	9,099,615	9,225,151	200,000	275,000	9,299,615	9,500,151
State Revolving loans	-	-	28,135,174	14,779,030	28,135,174	14,779,030
Revenue bonds	-	-	32,763,000	36,379,000	32,763,000	36,379,000
Total	<u>\$ 46,630,615</u>	<u>\$ 50,425,151</u>	<u>\$ 61,528,174</u>	<u>\$ 51,863,030</u>	<u>\$108,158,789</u>	<u>\$102,288,181</u>

The City of Gastonia's total financing debt obligations increased from \$102,288,181 to \$108,158,789 during the current fiscal year, an increase of \$5,870,608 (5.74%). The key factors in this increase were the overall scheduled debt retirements of \$11,077,785 while the City incurred \$16,948,393 of new financing debt obligations. New debt obligations consisted of a \$3,250,000 vehicle equipment-financing instrument, and \$13,698,393 of State Revolving loans. The proceeds from the State Revolving loans are being used to fund, along with equity contributions from the City's Water & Sewer Fund and the proceeds from the \$20,130,000 Series 2015 Combined Utility System Revenue bonds, an approximate \$59,500,000 water plant rehabilitation and an approximate \$5,000,000 water storage project. The City was awarded \$35,000,000 of State Revolving loans for these projects and has expended and drawn down \$25,088,740 of the awarded funds as of June 30, 2017.

As mentioned in the financial highlights section of this document, the current credit ratings for general obligation debt are: Standard and Poor's Corporation AA-, Moody's Investor Service Aa2, and Fitch AA. The current credit ratings for revenue bond debt are: Standard and Poor's Corporation AA-, Moody's Investor Service Aa2, and Fitch AA.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. At June 30, 2017, the City had a legal debt margin of approximately \$395,000,000. Additional information regarding the City of Gastonia's long-term debt can be found in note 2.B. of this report.

Economic Factors and Next Year's Budgets and Rates

Economic Factors

- Unemployment in the City was 4.4%, higher than the County rate of 4.2%, and higher than the State rate of 4.2% and the same as the national average of 4.4% at fiscal year-end June 2017. Unemployment in the City was 4.6% as of August 2017. The prior year rates for the City were 5.5% and 5.5% for the months ended June 2016 and August 2016, respectively. These rates are not seasonally adjusted.
- The current population growth has been fairly stagnant. The current year estimated population per the United States Bureau of the Census is 75,536. This estimate is up by 3,795 from the 2010 Census number of 71,741.

- The North Carolina economic outlook based on University of North Carolina Charlotte economist John Connaughton's September 7, 2017 quarterly forecast is as follows:

For 2017, North Carolina real GSP is expected to increase by 1.9% over the 2016 level.

- Thirteen of the State's 15 economic sectors are forecast to experience output increases during 2017. The sectors with the strongest expected growth are wholesale trade with a projected real increase of 4.1%; construction with a projected real increase of 3.8%; business and professional services with a projected real increase of 3.6%; mining with a projected real increase of 3.5%; other services with a projected real increase of 2.8%; and durable goods manufacturing with a projected real increase of 2.4%.
- For 2017, North Carolina establishments added 60,500 net additional jobs, an increase of 1.4%.
- For 2018, North Carolina real GSP is forecast to increase by 1.9% over the 2017 level.
- 14 of the State's 15 economic sectors are forecast to experience output increases during 2018. The sectors with the strongest expected growth are business and professional services with a projected real increase of 4.1%; durable goods manufacturing with a projected real increase of 2.8%; wholesale trade with a projected real increase of 2.4%; other services with a projected real increase of 2.4%; and transportation, warehousing; utilities (TWU) with a projected real increase of 2.3%.
- For 2018, North Carolina establishments are forecast to add 82,700 net additional jobs, an increase of 1.9%.
- By December of 2017, the North Carolina unemployment rate is expected to be around 4.0%.
- Construction within the City decreased slightly with 1,129 permits issued on construction of \$206,158,428 as compared to 1,114 permits issued on construction of \$222,101,750 in the prior year. This included residential permits of 748 and commercial permits of 381, with construction costs of \$133,064,511 and \$73,093,917, respectively. These figures exclude "other trade permits" of 1,465 issued on construction costs of \$128,781. Prior year residential permits issued were 718 and commercial permits issued were 396, with construction costs of \$117,327,738 and \$104,774,012, respectively.
- The City of Gastonia is located within the Charlotte, North Carolina, Metropolitan area, one of the fastest growing and most affluent areas in the country. The Charlotte-Metropolitan area is the second largest financial center in the United States.

Budget Highlights for the Fiscal Year Ending June 30, 2018

Governmental Activities. The fiscal year 2018 budget was balanced while achieving strategic objectives and priorities established by the City Council. The ad valorem tax rate remained the same as the prior year property tax rate of \$.53/100.

In July 2017, all full-time and part-time employees received a pay increase. The funding for a compensation plan for all employees was based on new salary ranges and an additional across the board increase based on years of service; 2.5% with 2 years of service; 2.75% with between 2-5 years of service; 3.25% with between 5-10 years for service; 3.75% with between 10-15 years of service and 4% for employees with over 15 years of service. The City's fiscal year 2009 implemented hiring freeze, to only fill critical positions, is still in place for fiscal year 2018.

Like other public and private organizations controlling health care costs remains a budgetary challenge and will be for the foreseeable future. The fiscal year 2018 Health Self-Insurance Fund budget increased by \$583,811, a 6.9% increase from the 2017 fiscal year. The adopted budget included a \$750 payment in July to the Health Savings Account for all employees covered by the City's health insurance program.

Business-Type Activities. In the Water and Sewer Fund budget, there were no water and sewer rate increases and expenses for water and sewer operations increased by 2.43%. Water and sewer rates will most likely incur modest increases going forward in order to support the utility's long-term financial stability as an approximate \$65,000,000 Water Treatment Plant Renovation project moves forward. Funding for the project is coming from a \$30,000,000 non-interest-bearing loan from the State of North Carolina, issuance of revenue bonds in the amount of \$20,130,000, and the remaining funding will be from equity contributions from the Water and Sewer Capital Expansion Fund. The project is expected to be completed in 2019. In addition to the aforementioned Water Plant Renovation project, the Water and Sewer Fund has been awarded a \$5,000,000 non-interest-bearing loan from the State of North Carolina for the Water Plant Clearwell project. The project was completed in 2016.

The 2018 Electric Fund budget again does not include a general electric rate increase. ElectriCities Power Agency One implemented a debt restructuring plan a couple of years ago, which is projected to lower our wholesale electric costs and stabilize it for the next four years. The transfer to the General Fund from the Electric Fund remained the same, \$2,000,000. Gastonia is under the maximum transfer level established by the Local Government Commission as acceptable, 3.0% of gross electric capital assets. Funding for new electric capital projects is \$2,000,000 in the adopted budget.

Requests for Information

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

FINANCIAL STATEMENTS

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



CITY OF GASTONIA, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	City of Gastonia ABC Board	Gastonia Tourism Development Authority
Assets:					
Cash and cash equivalents	\$ 27,509,808	\$ 38,308,166	\$ 65,817,974	\$ 1,824,588	\$ 777,696
Taxes receivable, net	1,034,807	-	1,034,807	-	-
Accounts receivable, net	5,451,035	13,536,582	18,987,617	452	-
Interest receivable	31,974	-	31,974	-	-
Due from other governments	5,323,674	495,187	5,818,861	-	115,019
Internal balances	(833,671)	833,671	-	-	-
Inventories	1,811,301	1,394,406	3,205,707	1,033,883	-
Prepaid items	75,143	-	75,143	45,178	-
Cash and cash equivalents, restricted	8,737,105	24,802,497	33,539,602	-	-
Non-depreciable assets	34,787,079	62,540,386	97,327,465	688,637	-
Capital assets, net	127,741,509	233,807,068	361,548,577	855,553	-
Total assets	211,669,764	375,717,963	587,387,727	4,448,291	892,715
Deferred Outflows of Resources:					
Contributions to pension plan in current fiscal year	2,516,855	751,789	3,268,644	52,447	-
Pension deferrals	8,062,253	2,166,286	10,228,539	158,007	-
Total deferred outflows	10,579,108	2,918,075	13,497,183	210,454	-
Liabilities:					
Current liabilities:					
Accounts payable	3,813,438	14,593,779	18,407,217	1,123,905	-
Accrued salaries and benefits	761,749	216,924	978,673	-	-
Accrued interest	536,005	214,927	750,932	-	-
Liabilities paid from restricted assets:					
Customer deposits	-	1,654,531	1,654,531	-	-
Current portion of long-term liabilities	8,619,622	5,123,884	13,743,506	-	-
Long-term liabilities:					
Net Pension liability (LEOSSA)	19,498,226	-	19,498,226	-	-
Net Pension liability (LGRS)	11,329,077	3,384,010	14,713,087	-	-
Due in more than one year	57,598,286	64,186,549	121,784,835	-	-
Total liabilities	102,156,403	89,374,604	191,531,007	1,123,905	-
Deferred Inflows of Resources:					
Prepaid taxes	6,507	-	6,507	-	-
Pension deferrals	911,009	179,855	1,090,864	7,065	-
Total deferred inflows of resources	917,516	179,855	1,097,371	7,065	-
Net Position:					
Net investment in capital assets	124,133,499	255,523,817	379,657,316	1,544,190	-
Restricted for:					
Stabilization by State statute	12,886,942	-	12,886,942	-	115,019
Tourism promotion	-	-	-	-	777,696
Community development and improvements	228,453	-	228,453	-	-
Working capital	-	-	-	311,324	-
Unrestricted	(18,073,941)	33,557,762	15,483,821	1,672,261	-
Total net position	\$ 119,174,953	\$ 289,081,579	\$ 408,256,532	\$ 3,527,775	\$ 892,715

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, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 6,189,619	\$ 8,671,960	\$ 51,139	\$ -
Public safety	30,763,350	1,382,880	300,553	-
Public works and cemeteries	1,989,690	49,641	2,475,776	1,985,158
Cultural and recreation	6,313,795	780,680	-	-
Economic and physical development	18,796,473	487,727	2,104,868	374,776
Interest on long-term debt	1,935,901	-	-	-
Total governmental activities	<u>65,988,828</u>	<u>11,372,888</u>	<u>4,932,336</u>	<u>2,359,934</u>
Business-Type Activities:				
Water and sewer	32,065,945	36,296,497	2,207,607	-
Electric	73,998,222	78,441,784	-	-
Transit	2,306,486	278,780	-	1,414,360
Golf	36,726	-	-	-
Stormwater	2,809,426	2,573,238	-	528,680
Solid waste	4,839,020	2,055,849	-	-
Total business-type activities	<u>116,055,825</u>	<u>119,646,148</u>	<u>2,207,607</u>	<u>1,943,040</u>
Total primary government	<u>\$ 182,044,653</u>	<u>\$ 131,019,036</u>	<u>\$ 7,139,943</u>	<u>\$ 4,302,974</u>
Component Units:				
ABC Board	\$ 10,531,442	\$ 10,553,195	\$ -	\$ -
Tourism Development Authority	<u>508,206</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total component units	<u>\$ 11,039,648</u>	<u>\$ 10,553,195</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF GASTONIA, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Net (Expense) Revenue and Changes in Net Position				
	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	City of Gastonia ABC Board	Gastonia Tourism Development Authority
Primary Government:					
Governmental Activities:					
General government	\$ 2,533,480	\$ -	\$ 2,533,480		
Public safety	(29,079,917)	-	(29,079,917)		
Public works and cemeteries	2,520,885	-	2,520,885		
Cultural and recreation	(5,533,115)	-	(5,533,115)		
Economic and physical development	(15,829,102)	-	(15,829,102)		
Interest on long-term debt	(1,935,901)	-	(1,935,901)		
Total governmental activities	(47,323,670)	-	(47,323,670)		
Business-Type Activities:					
Water and sewer	-	6,438,159	6,438,159		
Electric	-	4,443,562	4,443,562		
Transit	-	(613,346)	(613,346)		
Golf	-	(36,726)	(36,726)		
Stormwater	-	292,492	292,492		
Solid waste	-	(2,783,171)	(2,783,171)		
Total business-type activities	-	7,740,970	7,740,970		
Total primary government	(47,323,670)	7,740,970	(39,582,700)		
Component Units:					
ABC Board				\$ 21,753	\$ -
Tourism Development Authority				-	(508,206)
Total component units				21,753	(508,206)
General Revenues:					
Taxes:					
Ad valorem taxes	30,201,787	-	30,201,787	-	-
Sales taxes	10,798,202	-	10,798,202	-	-
Payments in lieu of taxes	3,549,931	-	3,549,931	-	-
Franchise taxes	1,716	-	1,716	-	-
Other taxes	6,684,289	-	6,684,289	-	654,002
Interest earned on investments	745,380	398,904	1,144,284	3,314	1,808
Total general revenues	51,981,305	398,904	52,380,209	3,314	655,810
Transfers	(1,463,925)	1,463,925	-	-	-
Total general revenues and transfers	50,517,380	1,862,829	52,380,209	3,314	655,810
Change in net position	3,193,710	9,603,799	12,797,509	25,067	147,604
Net Position:					
Beginning of year - July 1	132,239,186	279,477,780	411,716,966	3,502,708	745,111
Prior period adjustment note 10	1,118,376	-	1,118,376	-	-
Restatement (GASB 73)	(17,376,319)	-	(17,376,319)	-	-
Beginning of year - July 1 as restated	115,981,243	279,477,780	395,459,023	3,502,708	745,111
End of year - June 30	\$ 119,174,953	\$ 289,081,579	\$ 408,256,532	\$ 3,527,775	\$ 892,715

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



CITY OF GASTONIA, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Streets Capital Project Fund	Other Nonmajor Governmental Funds	Total
Assets:				
Cash and cash equivalents	\$ 21,678,172	\$ -	\$ 3,820,923	\$ 25,499,095
Taxes receivable, net	1,022,490	-	12,317	1,034,807
Accounts receivable, net	2,007,846	107,494	256,709	2,372,049
Long-term receivable	356,250	-	2,249,999	2,606,249
Interest receivable	31,974	-	-	31,974
Prepaid items	75,143	-	-	75,143
Inventory	566,576	-	1,244,725	1,811,301
Cash and investments, restricted	614,624	4,723,755	947,187	6,285,566
Due from other funds	657,958	-	-	657,958
Due from other governments	5,266,871	-	56,803	5,323,674
Total assets	<u>\$ 32,277,904</u>	<u>\$ 4,831,249</u>	<u>\$ 8,588,663</u>	<u>\$ 45,697,816</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,249,209	\$ 847,241	\$ 395,978	\$ 2,492,428
Accrued salaries and benefits	702,122	-	-	702,122
Due to other funds	1,322,444	-	520,921	1,843,365
Total liabilities	<u>3,273,775</u>	<u>847,241</u>	<u>916,899</u>	<u>5,037,915</u>
Deferred Inflows of Resources:				
Prepaid taxes	6,507	-	-	6,507
Property taxes receivable	1,022,490	-	12,317	1,034,807
Unavailable revenue	247,492	-	6,800	254,292
Total deferred inflows of resources	<u>1,276,489</u>	<u>-</u>	<u>19,117</u>	<u>1,295,606</u>
Fund Balances:				
Non-Spendable:				
Long-term receivable	356,250	-	-	356,250
Inventories	566,576	-	-	566,576
Prepays	75,143	-	-	75,143
Restricted:				
Stabilization by State statute	8,005,866	1,473,717	3,407,359	12,886,942
Restricted, all other	614,624	4,723,755	1,175,640	6,514,019
Assigned	1,185,733	-	3,745,679	4,931,412
Unassigned	16,923,448	(2,213,464)	(676,031)	14,033,953
Total fund balances	<u>27,727,640</u>	<u>3,984,008</u>	<u>7,652,647</u>	<u>39,364,295</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 32,277,904</u>	<u>\$ 4,831,249</u>	<u>\$ 8,588,663</u>	<u>\$ 45,697,816</u>

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

CITY OF GASTONIA, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>Total</u>
Reconciliation with Net Position of Governmental Activities - Government-Wide (Exhibit A):	
Total fund balances - modified accrual (see above)	\$ 39,364,295
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	152,528,588
Net pension liability LGERS	(11,329,077)
Net pension liability LEOSSA	(19,498,226)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	2,516,855
Pension related deferrals	6,341,338
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position.	809,906
Internal service funds are used by management to charge the costs of equipment and vehicles to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	5,497,791
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.	(833,671)
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(56,513,369)
The governmental activities net position includes an accrual for interest on long-term debt.	(509,271)
Unamortized bond premium is a revenue source in the governmental funds statement and a deferred liability in the governmental activities Statement of Net Position.	(501,579)
Unbilled services of the governmental activities are not considered revenues in the governmental funds statement until collected.	12,274
Deferred inflows of resources in the governmental funds are used to offset accounts receivable not expected to be available within 90 days of year-end. These receivables are a component of net position in the Statement of Net Position.	<u>1,289,099</u>
Net position of governmental activities - government-wide (Exhibit A)	<u>\$ 119,174,953</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, 2017

	General Fund	Streets Capital Project Fund	Other Nonmajor Governmental Funds	Total
Revenues:				
Ad valorem taxes	\$ 30,120,248	\$ -	\$ 129,882	\$ 30,250,130
Other taxes and licenses	20,380,136	-	654,002	21,034,138
Unrestricted intergovernmental revenues	2,216,249	-	-	2,216,249
Restricted intergovernmental revenues	2,837,635	(163,740)	2,172,143	4,846,038
Permits and fees	1,287,879	-	-	1,287,879
Sales and services	2,904,789	-	487,727	3,392,516
Investment earnings	540,945	-	22,793	563,738
Miscellaneous	272,848	144	314,599	587,591
Total revenues	<u>60,560,729</u>	<u>(163,596)</u>	<u>3,781,146</u>	<u>64,178,279</u>
Expenditures:				
Current:				
General government	8,611,305	-	-	8,611,305
Public safety	29,290,869	-	-	29,290,869
Public works and cemeteries	5,828,965	-	-	5,828,965
Cultural and recreation	5,545,275	-	-	5,545,275
Economic and physical development	-	-	2,643,288	2,643,288
Capital outlay	-	11,141,636	4,839,768	15,981,404
Debt service:				
Principal repayments	3,969,667	-	-	3,969,667
Interest	1,801,477	-	19,859	1,821,336
Total expenditures	<u>55,047,558</u>	<u>11,141,636</u>	<u>7,502,915</u>	<u>73,692,109</u>
Revenues over (under) expenditures	<u>5,513,171</u>	<u>(11,305,232)</u>	<u>(3,721,769)</u>	<u>(9,513,830)</u>
Other Financing Sources (Uses):				
Transfers from other funds	2,073,334	77,324	5,919,965	8,070,623
Transfers (to) other funds	(9,307,224)	-	(227,324)	(9,534,548)
Total other financing sources (uses)	<u>(7,233,890)</u>	<u>77,324</u>	<u>5,692,641</u>	<u>(1,463,925)</u>
Net change in fund balances	<u>(1,720,719)</u>	<u>(11,227,908)</u>	<u>1,970,872</u>	<u>(10,977,755)</u>
Fund Balances:				
Beginning of year - July 1	29,548,756	15,211,916	4,735,180	49,495,852
Restatement	-	-	1,118,376	1,118,376
Beginning of year - July 1, as restated	<u>29,548,756</u>	<u>15,211,916</u>	<u>5,853,556</u>	<u>50,614,228</u>
Increase (decrease) in inventories and property/ land acquired redevelopment/rehabilitation	<u>(100,397)</u>	<u>-</u>	<u>(171,781)</u>	<u>(272,178)</u>
End of year - June 30	<u>\$ 27,727,640</u>	<u>\$ 3,984,008</u>	<u>\$ 7,652,647</u>	<u>\$ 39,364,295</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, 2017**

Net change in fund balances - total governmental funds per Exhibit D	\$ (10,977,755)
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.	(48,343)
Miscellaneous revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	4,254
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.	(272,178)
Expenses related to compensated absences, law enforcement officers' separation allowance, and other post-employment benefits that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(1,804,229)
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.	17,980,860
Change in deferred outflow - pension	7,604,003
Change in deferred inflows - pension	902,801
Change in net pension liability	(8,943,425)
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(8,931,977)
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.	1,985,158
Principal repayments and bond refunding payments on long-term debt are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	3,969,667
Gain (loss) on disposal of capital assets is reported in the Statement of Activities; however, proceeds from the sale of assets are not affected by gain (loss) in the governmental funds statement.	(326,702)
Bond premium received is reported as a deferred item in the Statement of Activities, rather than a revenue in the fund financial statements. Amortization of bond premium is a reduction of interest expense in the Statement of Activities.	167,193
Benefit payments paid and administrative expense for the LEOSA are not included on the Statement of Activities.	809,906
Interest on long-term debt incurred, but not paid, is reported as an expense in the governmental activities statements.	28,655
Portion of Internal Service Fund activities change in net position allocable to the governmental activities are reported with governmental activities.	<u>1,045,822</u>
Change in net position of governmental activities per Exhibit B	<u>\$ 3,193,710</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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over/Under
Revenues:				
Ad valorem taxes	\$ 29,833,168	\$ 29,833,168	\$ 30,120,248	\$ 287,080
Other taxes and licenses	20,625,276	20,625,276	20,380,136	(245,140)
Unrestricted intergovernmental revenues	1,648,165	1,648,165	2,216,249	568,084
Restricted intergovernmental revenues	2,602,949	2,845,320	2,837,635	(7,685)
Permits and fees	1,048,600	1,048,600	1,287,879	239,279
Sales and services	2,660,592	2,689,932	2,904,789	214,857
Interest earned on investments	487,584	487,584	540,945	53,361
Miscellaneous	138,101	313,522	272,848	(40,674)
Total revenues	<u>59,044,435</u>	<u>59,491,567</u>	<u>60,560,729</u>	<u>1,069,162</u>
Expenditures:				
General government	8,760,375	9,492,504	8,611,305	881,199
Public safety	29,477,614	30,305,684	29,290,869	1,014,815
Public works and cemeteries	6,086,731	6,214,833	5,828,965	385,868
Cultural and recreation	5,904,493	6,263,435	5,545,275	718,160
Debt service:				
Principal	3,957,668	3,969,668	3,969,667	1
Interest and fees	<u>1,823,278</u>	<u>1,813,082</u>	<u>1,801,477</u>	<u>11,605</u>
Total expenditures	<u>56,010,159</u>	<u>58,059,206</u>	<u>55,047,558</u>	<u>3,011,648</u>
Revenues over (under) expenditures	<u>3,034,276</u>	<u>1,432,361</u>	<u>5,513,171</u>	<u>4,080,810</u>
Other Financing Sources (Uses):				
Transfers from other funds	2,050,000	2,073,334	2,073,334	-
Transfers (to) other funds	(7,303,312)	(9,687,224)	(9,307,224)	380,000
Appropriated fund balance	<u>2,219,036</u>	<u>6,181,529</u>	<u>-</u>	<u>(6,181,529)</u>
Total other financing sources (uses)	<u>(3,034,276)</u>	<u>(1,432,361)</u>	<u>(7,233,890)</u>	<u>(5,801,529)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(1,720,719)</u>	<u>\$ (1,720,719)</u>
Fund Balance:				
Beginning of year - July 1			29,548,756	
Increase (decrease) in inventories and property/ land acquired redevelopment/rehabilitation/loan receivable			<u>(100,397)</u>	
End of year - June 30			<u>\$ 27,727,640</u>	

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

CITY OF GASTONIA, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	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	\$ 22,501,579	\$ 13,473,720	\$ 1,467,761	\$ 865,106	\$ 38,308,166	\$ 2,010,713
Accounts receivable, net	3,751,588	9,131,357	318,113	335,524	13,536,582	460,377
Inventory	170,464	1,212,943	-	10,999	1,394,406	-
Due from other governments	-	-	-	495,187	495,187	-
Due from other funds	-	-	-	-	-	1,322,444
Cash and cash equivalents, restricted	23,151,646	1,650,851	-	-	24,802,497	2,451,539
Total current assets	49,575,277	25,468,871	1,785,874	1,706,816	78,536,838	6,245,073
Non-current assets:						
Depreciable capital assets, net	164,179,099	38,307,086	29,852,891	1,467,992	233,807,068	10,000,086
Non-depreciable capital assets	54,319,815	7,273,741	588,052	358,778	62,540,386	-
Total capital assets, net	218,498,914	45,580,827	30,440,943	1,826,770	296,347,454	10,000,086
Total assets	268,074,191	71,049,698	32,226,817	3,533,586	374,884,292	16,245,159
Deferred Outflows of Resources:						
Contributions to pension plan in current fiscal year	457,610	196,119	32,687	65,373	751,789	-
Pension deferrals	1,318,609	565,118	94,186	188,373	2,166,286	-
Total deferred outflows	1,776,219	761,237	126,873	253,746	2,918,075	-
Liabilities:						
Current liabilities:						
Accounts payable	7,691,968	6,507,054	187,136	207,621	14,593,779	1,321,010
Accrued salaries and benefits	112,602	39,812	7,600	56,910	216,924	59,627
Compensated absences	359,779	174,300	11,384	139,172	684,635	177,505
Accrued interest	214,927	-	-	-	214,927	26,734
Current portion of long-term debt	4,439,249	-	-	-	4,439,249	2,927,774
Due to other funds	-	-	-	-	-	137,037
Liabilities paid from restricted assets:						
Customer deposits	446,046	1,208,485	-	-	1,654,531	-
Total current liabilities	13,264,571	7,929,651	206,120	403,703	21,804,045	4,649,687
Non-current liabilities:						
Non-current portion of compensated absences	119,926	58,100	3,795	14,272	196,093	59,168
Non-current portion of long-term debt	59,102,354	430,000	-	-	59,532,354	6,038,513
Net pension liability	2,059,832	882,785	147,131	294,262	3,384,010	-
Other post-employment benefits obligation	2,597,135	1,234,816	199,441	426,710	4,458,102	-
Total non-current liabilities	63,879,247	2,605,701	350,367	735,244	67,570,559	6,097,681
Total liabilities	77,143,818	10,535,352	556,487	1,138,947	89,374,604	10,747,368
Deferred Inflows of Resources:						
Pension deferrals	109,477	46,919	7,819	15,640	179,855	-
Net Position:						
Net investment in capital assets	177,662,911	45,593,193	30,440,943	1,826,770	255,523,817	3,485,338
Unrestricted	14,934,204	15,635,471	1,348,441	805,975	32,724,091	2,012,453
Total net position	\$ 192,597,115	\$ 61,228,664	\$ 31,789,384	\$ 2,632,745	\$ 288,247,908	\$ 5,497,791
Total net position - proprietary funds presentation					\$ 288,247,908	
Portion of profit generated by Internal Service Fund allocated to business-type activities - history to date					833,671	
Net position of business-type activities - government-wide					\$ 289,081,579	

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

CITY OF GASTONIA, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	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	\$ 34,421,924	\$ 76,185,599	\$ 2,509,378	\$ 2,228,080	\$ 115,344,981	\$ 16,358,317
Utilities for City use	1,491,496	1,603,736	62,182	-	3,157,414	-
Other operating revenues	121,621	652,449	1,678	106,549	882,297	1,595,997
Total operating revenues	<u>36,035,041</u>	<u>78,441,784</u>	<u>2,573,238</u>	<u>2,334,629</u>	<u>119,384,692</u>	<u>17,954,314</u>
Operating Expenses:						
Water treatment/electric and other purchases	3,756,964	61,950,884	-	-	65,707,848	-
Administration	8,861,407	6,503,719	1,230,240	1,007,654	17,603,020	-
Facility maintenance	1,609,193	-	-	-	1,609,193	-
Payseur Mountain resource recovery	1,150,858	-	-	-	1,150,858	-
Sewage treatment	6,594,407	-	-	-	6,594,407	-
Substation operations	-	592,111	-	-	592,111	-
Maintenance	3,966,523	2,188,933	386,015	302,644	6,844,115	-
ADA/Para-transit expenses	-	-	-	210,282	210,282	-
Operations area	-	-	513,800	5,490,479	6,004,279	14,058,300
Street lights	-	656,118	-	-	656,118	-
Depreciation and amortization	4,816,527	2,092,742	679,371	171,173	7,759,813	2,582,301
Total operating expenses	<u>30,755,879</u>	<u>73,984,507</u>	<u>2,809,426</u>	<u>7,182,232</u>	<u>114,732,044</u>	<u>16,640,601</u>
Operating income (loss)	<u>5,279,162</u>	<u>4,457,277</u>	<u>(236,188)</u>	<u>(4,847,603)</u>	<u>4,652,648</u>	<u>1,313,713</u>
Non-Operating Revenues (Expenses):						
Miscellaneous	-	-	-	-	-	141,084
Investment earnings	293,150	92,956	10,412	2,386	398,904	14,449
Gain (loss) on disposal of capital assets	(56,975)	3,154	-	-	(53,821)	(18,748)
Expansion fee	151,567	-	-	-	151,567	-
Interest on long-term debt	(1,253,091)	(16,869)	-	-	(1,269,960)	(143,220)
Total non-operating revenues (expenses)	<u>(865,349)</u>	<u>79,241</u>	<u>10,412</u>	<u>2,386</u>	<u>(773,310)</u>	<u>(6,435)</u>
Income (loss) before capital contributions and transfers	4,413,813	4,536,518	(225,776)	(4,845,217)	3,879,338	1,307,278
Capital Contributions:						
Federal and State grants	-	-	-	1,414,360	1,414,360	-
Local contributions	2,056,040	-	528,680	-	2,584,720	-
Transfers:						
Transfers from other funds	-	-	-	3,592,259	3,592,259	-
Transfers to other funds	<u>(64,167)</u>	<u>(2,064,167)</u>	<u>-</u>	<u>-</u>	<u>(2,128,334)</u>	<u>-</u>
Change in net position	6,405,686	2,472,351	302,904	161,402	9,342,343	1,307,278
Net Position:						
Beginning of year - July 1	<u>186,191,429</u>	<u>58,756,313</u>	<u>31,486,480</u>	<u>2,471,343</u>	<u>278,905,565</u>	<u>4,190,513</u>
End of year - June 30	<u>\$ 192,597,115</u>	<u>\$ 61,228,664</u>	<u>\$ 31,789,384</u>	<u>\$ 2,632,745</u>	<u>\$ 288,247,908</u>	<u>\$ 5,497,791</u>
Reconciliation with Exhibit B Change in Net Position - Business-Type Activities:						
Change in net position - fund perspective					\$ 9,342,343	
Internal Service Fund profits allocated to business-type activities					<u>261,456</u>	
Change in net position - entity-wide perspective - Exhibit B					<u>\$ 9,603,799</u>	

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

CITY OF GASTONIA, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	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	\$ 40,150,250	\$ 79,051,548	\$ 2,561,474	\$ 2,271,078	\$ 124,034,350
Cash paid to suppliers	(13,257,096)	(69,059,103)	(1,483,034)	(3,569,729)	(87,368,962)
Cash paid to employees	(7,943,158)	(3,330,031)	(464,738)	(3,446,131)	(15,184,058)
Net cash provided (used) by operating activities	18,949,996	6,662,414	613,702	(4,744,782)	21,481,330
Cash Flows from Non-Capital Financing Activities:					
Changes in due to/from other funds	-	-	-	-	-
Transfers from other funds	-	-	-	3,592,259	3,592,259
Transfers to other funds	(64,167)	(2,064,167)	-	-	(2,128,334)
Net cash provided (used) by non-capital financing activities	(64,167)	(2,064,167)	-	3,592,259	1,463,925
Cash Flows from Capital and Related Financing Activities:					
Federal and State grants	-	-	-	1,239,434	1,239,434
Expansion fee	151,567	-	-	-	151,567
Proceeds from issuance of debt	13,698,393	-	-	-	13,698,393
Principal paid on long-term debt	(4,033,249)	-	-	-	(4,033,249)
Proceeds from sale of capital assets	900	4,643	-	-	5,543
Acquisition and construction of capital assets	(25,458,414)	(4,248,198)	(483,733)	(19,249)	(30,209,594)
Interest paid on long-term debt	(1,442,358)	(16,869)	-	-	(1,459,227)
Net cash provided (used) by capital and related financing activities	(17,083,161)	(4,260,424)	(483,733)	1,220,185	(20,607,133)
Cash Flows from Investing Activities:					
Interest on investments	293,150	92,956	10,412	2,386	398,904
Net increase (decrease) in cash and cash equivalents	2,095,818	430,779	140,381	70,048	2,737,026
Cash and Cash Equivalents:					
Beginning of year - July 1	43,557,407	14,693,792	1,327,380	795,058	60,373,637
End of year - June 30	\$ 45,653,225	\$ 15,124,571	\$ 1,467,761	\$ 865,106	\$ 63,110,663

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, 2017

	Business-Type Activities					Governmental Activities
	Water and Sewer Fund	Electric Fund	Stormwater Fund	Other Nonmajor Funds	Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ 5,279,162	\$ 4,457,277	\$ (236,188)	\$ (4,847,603)	\$ 4,652,648	\$ 1,313,713
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	4,816,527	2,092,742	679,371	171,173	7,759,813	2,582,301
Bad debt expense (recovery)	-	-	-	-	-	141,084
Change in assets and liabilities:						
(Increase) decrease in accounts receivables	4,065,769	489,307	(11,764)	(63,551)	4,479,761	(42,082)
Decrease deferred outflows - pension	(1,382,546)	(592,520)	(98,753)	(197,507)	(2,271,326)	-
Increase in net pension liability	1,626,077	696,890	116,148	232,297	2,671,412	-
Decrease deferred inflows - pension	(164,146)	(70,348)	(11,725)	(23,449)	(269,668)	-
(Increase) decrease in inventories	(8,440)	(205,027)	-	-	(213,467)	-
Increase (decrease) in accounts payable	4,728,471	(315,520)	176,973	53,420	4,643,344	404,604
Increase (decrease) in accrued salaries	(234,266)	(109,807)	(16,085)	(91,395)	(451,553)	-
Increase (decrease) in compensated absences	59,568	44,580	6,942	3,040	114,130	18,473
Increase (decrease) in other post- employment benefits	114,380	54,383	8,783	18,793	196,339	-
Increase (decrease) in customer deposits	49,440	120,457	-	-	169,897	-
Net cash provided (used) by operating activities	<u>\$ 18,949,996</u>	<u>\$ 6,662,414</u>	<u>\$ 613,702</u>	<u>\$ (4,744,782)</u>	<u>\$ 21,481,330</u>	<u>\$ 4,418,093</u>
Non-Cash Transactions:						
Local developer contributions	<u>\$ 2,056,040</u>	<u>\$ -</u>	<u>\$ 528,680</u>	<u>\$ -</u>	<u>\$ 2,584,720</u>	<u>\$ -</u>

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

CITY OF GASTONIA, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017

	<u>Agency Fund</u>
Assets:	
Cash and cash equivalents	\$ 19,203
Accounts receivable	<u>24,074</u>
Total assets	<u>\$ 43,277</u>
Liabilities:	
Accounts payable	<u>\$ 43,277</u>

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Blended Component Unit

Gastonia/Gaston County HOME Consortium

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

Discretely Presented Component Units

City of Gastonia ABC Board

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Gastonia Tourism Development Authority

The seven members of the Gastonia Tourism Development Authority's governing board are appointed by the City. The City levies a three percent (3.0%) room occupancy tax, pursuant to Session Law 2001-439 of the North Carolina General Assembly, and remits on a monthly basis the net proceeds of the tax to the Gastonia Tourism Development Authority. The Gastonia Tourism Development Authority has a June 30 year-end, and complete financial statements for the Gastonia Tourism Development Authority may be obtained from the Director of Financial Services of the City of Gastonia, who serves, ex-officio, as the Finance Director of the Authority, at 186 West Franklin Street, Gastonia, North Carolina 28052. The Gastonia Tourism Development Authority is a discretely presented component unit.

B. Government-Wide and Fund Financial Statements

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

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

The fund financial statements provide information about the City's funds, including the fiduciary fund. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 and cemeteries, cultural and recreation, economic and physical development and general government services.

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

The City reports the following major enterprise funds:

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

Electric Fund. The Electric Fund includes the accounts of the Electric Operation Fund, Renewal and Replacement Fund, Power Agency Settlement Fund, and the Electric Capital Projects Fund. Financing of these funds, except for the Power Agency Settlement Fund, comes principally from charges to the users. Financing of the Power Agency Settlement Fund was from allocations from the North Carolina Electric Agency related to a contract settlement with the power generation plant's management company.

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

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

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

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, 2017. Property tax revenue and other taxes and licenses, except for local option sales tax and utility franchise tax, are recognized when collected. Local option sales tax and utility franchise tax are recognized if collected within 90 days and 60 days of June 30 year-end, respectively. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes, other taxes and licenses, and utility franchise tax. Ad valorem taxes receivable and other taxes and licenses receivables, except for local option sales tax and utility franchise tax, are not accrued as revenue because the amount is not considered susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Sales taxes collected and held by the State at year-end, on behalf of the City, are recognized as revenue. Sales taxes are considered a shared revenue for the City of Gastonia because the tax is levied by Gaston County and then remitted to and distributed by the State. Certain intergovernmental revenues, such as utility franchise tax and sales and services, are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenditures are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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

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

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

D. Basis of Presentation – Fund Accounting

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 District Fund, Occupancy Tax Fund, and the Economic Stimulus Grants Fund.

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

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

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

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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.

E. Budgetary Data

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

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City and its component units to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The City's and its component units investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

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. 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.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Cash, Cash Equivalents, and Investments

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

Restricted Assets

Unexpended debt proceeds are presented as restricted cash as their use is completely restricted to the purposes for which the funds were received or designated for by an outside third party. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

Governmental Activities:

General Fund:

Unexpended bond proceeds	\$ 614,624
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Internal Service Fund:

Vehicle Renewal and Replacement Fund:

Unexpended bond proceeds	2,451,539
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Other Nonmajor Governmental Fund:

Unexpended bond proceeds	947,187
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Streets Project Fund:

Capital outlays - unexpended bond proceeds	<u>4,723,755</u>
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Total governmental activities	<u>8,737,105</u>
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Business-Type Activities:

Electric Fund:

Unexpended bond proceeds	442,366
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Customer deposits	1,208,485
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Water and Sewer Fund:

Unexpended bond proceeds	22,705,600
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Customer deposits	<u>446,046</u>
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Total business-type activities	<u>24,802,497</u>
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Total restricted cash	<u>\$ 33,539,602</u>
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CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City ad valorem taxes, except for ad valorem taxes on certain vehicles, are levied by the Gaston County Tax Collector on July 1, the beginning of the fiscal year. These taxes are due on September 1; however, no interest or penalties are assessed until the following January 6, when property taxes attach as enforceable liens. The taxes levied are based on the assessed values as of January 1, 2016. Collections of City taxes are made by the County and remitted to the City as collected.

Allowances for Doubtful Accounts

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

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. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. 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.

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

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

Deferred Outflows/Inflows of Resources

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

Compensated Absences

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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.

Long-Term Debt

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

Defined Benefit Cost-Sharing Plans

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

Net Position/Fund Balances

Net Position

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 intact.

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.

Long-Term Receivable – portion of fund balance that is not an available resource because it represents the amount not expected to be converted to cash during the subsequent fiscal year.

Restricted Fund Balance

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

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

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

Restricted fund balance at June 30, 2017 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Streets Capital Project Fund</u>	<u>Other Governmental Funds</u>
Restricted, All Other:			
Capital outlays	\$ 614,624	\$ 4,723,755	\$ 1,175,640

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Restricted fund balance/net position on Exhibit A varies from Exhibit C by the amount of unexpended bond proceeds of \$6,285,566 at June 30, 2017.

Committed Fund Balance

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

Assigned Fund Balance

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

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

Assigned for Economic and Physical Development – portion of fund balance budgeted by Council for future economic and physical development activities.

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

Assigned fund balance at June 30, 2017 is as follows:

Purpose	General	Other
	Fund	Governmental
		Funds
Subsequent year's expenditures	\$ 1,185,733	\$ -
Economic and Physical Development	-	1,244,725
Capital outlays	-	2,500,954
Total	<u>\$ 1,185,733</u>	<u>\$ 3,745,679</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Unassigned Fund Balance

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

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

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

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

Total fund balance - General Fund	\$ 27,727,640
Less:	
Inventories	566,576
Prepays	75,143
Long term receivable	356,250
Stabilization by State statute	8,005,866
Total available fund balance	<u>\$ 18,723,805</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Outstanding encumbrances represent amounts needed to pay commitments related to purchase orders and contracts that remain unperformed at year-end. Encumbrances at June 30, 2017 are detailed as follows:

	<u>Encumbrances</u>
General Fund	\$ 288,709
Streets Capital Project Fund	1,366,223
Nonmajor Governmental Funds:	
Special revenue funds:	
CDBG Program Fund	31,885
Home Investment Trust Fund	30,060
Uptown Municipal Tax District Fund	7,485
Capital project funds:	
Mayor/Council Capital Project Fund	753,018
Infrastructure Rehabilitation Fund	21,400
Total	<u>\$ 2,498,780</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, 2017

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, 2017, the City's deposits had a carrying amount of \$68,668,076 and a bank balance of \$69,881,844. Of the bank balance, \$750,000 was covered by federal depository insurance and the remaining bank balance is insured under the Pooling Method. The City had \$1,126 cash on hand as of June 30, 2017.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Investments

At June 30, 2017, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2017</u>	<u>Maturity</u>	<u>Rating</u>
Abbey National CP	Fair Value - Level 1	\$ 994,395	9/20/2017	A1
AGRI Bank China NY CP	Fair Value - Level 1	996,516	7/11/2017	A1
Natixis NY Branch CP	Fair Value - Level 1	988,900	1/2/2018	A1
ING Funding CP	Fair Value - Level 1	990,210	10/27/2017	A1
GE Capital CP	Fair Value - Level 1	995,981	7/24/2017	A1+
GE Capital CP	Fair Value - Level 1	994,828	8/24/2017	A1+
GE Capital CP	Fair Value - Level 1	994,042	9/21/2017	A1+
Bayer Landesbank NY CP	Fair Value - Level 1	996,269	8/3/2017	P1
Federal Home Loan Bank Bonds	Fair Value - Level 2	998,300	4/27/2018	N/A
Federal Home Loan Bank Bonds	Fair Value - Level 2	1,000,080	5/24/2019	N/A
Federal Home Loan Bank Bonds	Fair Value - Level 2	999,420	8/25/2017	N/A
NC Capital Management Trust Government Portfolio	Amortized Cost	9,695,362	N/A	AAAm
NC Capital Management Trust Term Portfolio	Fair Value - Level 1	10,063,274	.14 years	Unrated
Total		<u>\$ 30,707,577</u>		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The City has no formal policy regarding credit risk, but has internal management procedures that limit the City's investments to the provisions of North Carolina G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. Investments in the N.C. Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2017. The investments in Abbey National - CP carried credit rating of A1 by Standard & Poor's. The investments in AGRI Bank China NY - CP carried credit rating of A1 by Standard & Poor's. The investments in Natixis NY - CP carried credit rating of A1 by Standard & Poor's. The investments in ING - CP carried credit rating of A1 by Standard & Poor's. The investments in GE Capital - CP carried credit rating A1+ with Standard and Poor's. The investments in Bayer Landesbank NY - CP carried a credit rating of P1 by Standard and Poor's. The investments in Federal Home Loan Bank Bonds were not rated. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

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

Receivables

The amounts presented in Exhibit A, the Statement of Net Position, are net of the following allowances for doubtful accounts as of June 30, 2017:

General Fund:

Property taxes	\$ 333,738
Other receivables	1,530,048
Vehicle tags receivable	161,679

Enterprise Funds:

Water and Sewer Fund - utility receivables	687,339
Electric Fund - utility receivables	1,881,502
Stormwater Fund - utility receivables	115,366

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Due from other governments at the government-wide level at June 30, 2017:

	<u>County</u>	<u>State</u>	<u>Total</u>
Governmental Funds:			
General Fund:			
Sales and use tax distribution	\$ -	\$ 3,595,450	\$ 3,595,450
Property taxes	456,230	-	456,230
Sales tax refund	<u>355,756</u>	<u>859,435</u>	<u>1,215,191</u>
Total General Fund	<u>811,986</u>	<u>4,454,885</u>	<u>5,266,871</u>
Other Governmental Funds:			
Occupancy tax	<u>56,803</u>	<u>-</u>	<u>56,803</u>
Total governmental funds	<u>\$ 868,789</u>	<u>\$ 4,454,885</u>	<u>\$ 5,323,674</u>
Business-Type Funds:			
Transit System Fund:			
Grants	<u>\$ -</u>	<u>\$ 495,187</u>	<u>\$ 495,187</u>
Total business-type funds	<u>\$ -</u>	<u>\$ 495,187</u>	<u>\$ 495,187</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Capital Assets

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

	Balance July 1, 2016	Additions	Retirements	Transfers	Balance June 30, 2017
Non-Depreciable Assets:					
Land	\$ 10,163,377	\$ 2,072,342	\$ -	\$ -	\$ 12,235,719
Construction in progress	7,395,130	15,813,105	(297,298)	(359,577)	22,551,360
Depreciable Assets:					
Other improvements	25,935,616	-	-	269,879	26,205,495
Buildings	54,254,872	-	(110,661)	-	54,144,211
Building - Internal Service Fund	121,614	-	-	-	121,614
Equipment	11,863,892	95,413	(226,527)	89,698	11,822,476
Equipment - Internal Service Fund	39,107,760	3,160,377	(1,508,832)	-	40,759,305
General infrastructure	273,532,760	1,985,158	-	-	275,517,918
Total capital assets	<u>422,375,021</u>	<u>23,126,395</u>	<u>(2,143,318)</u>	<u>-</u>	<u>443,358,098</u>
Less Accumulated Depreciation:					
Other improvements	11,334,953	1,101,325	-	-	12,436,278
Buildings	22,593,552	1,382,414	(81,257)	-	23,894,709
Building - Internal Service Fund	44,567	3,808	-	-	48,375
Equipment	9,632,681	372,075	(226,527)	-	9,778,229
Equipment - Internal Service Fund	29,750,707	2,578,493	(1,496,742)	-	30,832,458
General infrastructure	197,763,298	6,076,163	-	-	203,839,461
Total accumulated depreciation	<u>\$ 271,119,758</u>	<u>\$ 11,514,278</u>	<u>\$ (1,804,526)</u>	<u>\$ -</u>	<u>280,829,510</u>
Capital assets, net	<u>\$ 151,255,263</u>				<u>\$ 162,528,588</u>

Depreciation Allocation

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

	Governmental Funds	Internal Service Funds	Total
Governmental Activities:			
General government	\$ 803,878	\$ 232,407	\$ 1,036,285
Public safety	714,558	206,584	921,142
Public works	6,698,983	1,936,726	8,635,709
Cultural and recreation	714,558	206,584	921,142
Total	<u>\$ 8,931,977</u>	<u>\$ 2,582,301</u>	<u>\$ 11,514,278</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Enterprise Fund Capital Assets

The capital assets for the major enterprise funds of the City at June 30, 2017 are as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2017</u>
Water and Sewer Fund:					
Non-Depreciable Assets:					
Land	\$ 12,023,812	\$ 115,750	\$ (57,875)	\$ 538	\$ 12,082,225
Construction in progress	20,749,932	25,173,950	-	(3,686,292)	42,237,590
Depreciable Assets:					
Land improvements	4,689,487	-	-	-	4,689,487
Buildings	69,369,105	-	(6,218)	155,144	69,518,031
Machinery, equipment, and vehicles	13,875,630	168,714	-	-	14,044,344
Water and sewer system	189,431,312	2,056,040	-	3,530,610	195,017,962
Total capital assets	<u>310,139,278</u>	<u>27,514,454</u>	<u>(64,093)</u>	<u>-</u>	<u>337,589,639</u>
Less Accumulated Depreciation:					
Land improvements	2,312,865	138,443	-	-	2,451,308
Buildings	34,744,659	1,422,262	(6,218)	-	36,160,703
Machinery, equipment, and vehicles	9,127,455	391,087	-	-	9,518,542
Water and sewer system	68,095,437	2,864,735	-	-	70,960,172
Total accumulated depreciation	<u>\$ 114,280,416</u>	<u>\$ 4,816,527</u>	<u>\$ (6,218)</u>	<u>\$ -</u>	<u>119,090,725</u>
Capital assets, net	<u>\$ 195,858,862</u>				<u>\$ 218,498,914</u>

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2017</u>
Electric Fund:					
Non-Depreciable Assets:					
Land	\$ 973,598	\$ 92,670	\$ -	\$ -	\$ 1,066,268
Construction in progress	3,765,121	2,756,049	(1,489)	(312,208)	6,207,473
Depreciable Assets:					
Land improvements	20,404	-	-	-	20,404
Buildings	117,132	-	-	-	117,132
Electrical distribution	90,675,609	1,356,681	-	312,208	92,344,498
Machinery, equipment, and vehicles	3,839,449	42,798	(9,639)	-	3,872,608
Total capital assets	<u>99,391,313</u>	<u>4,248,198</u>	<u>(11,128)</u>	<u>-</u>	<u>103,628,383</u>
Less Accumulated Depreciation:					
Land improvements	16,378	565	-	-	16,943
Buildings	60,164	5,533	-	-	65,697
Electrical distribution	52,343,515	2,033,158	-	-	54,376,673
Machinery, equipment, and vehicles	3,544,396	53,486	(9,639)	-	3,588,243
Total accumulated depreciation	<u>\$ 55,964,453</u>	<u>\$ 2,092,742</u>	<u>\$ (9,639)</u>	<u>\$ -</u>	<u>58,047,556</u>
Capital assets, net	<u>\$ 43,426,860</u>				<u>\$ 45,580,827</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2017</u>
Stormwater Fund:					
Non-Depreciable Assets:					
Land	\$ 52,470	\$ -	\$ -	\$ -	\$ 52,470
Construction in progress	51,849	483,733	-	-	535,582
Depreciable Assets:					
Buildings	5,360	-	-	-	5,360
Stormwater infrastructure	49,802,475	528,680	-	-	50,331,155
Machinery, equipment, and vehicles	128,163	-	-	-	128,163
Total capital assets	<u>50,040,317</u>	<u>1,012,413</u>	<u>-</u>	<u>-</u>	<u>51,052,730</u>
Less Accumulated Depreciation:					
Buildings	4,853	357	-	-	5,210
Stormwater infrastructure	19,807,501	676,748	-	-	20,484,249
Machinery, equipment, and vehicles	120,062	2,266	-	-	122,328
Total accumulated depreciation	<u>\$ 19,932,416</u>	<u>\$ 679,371</u>	<u>\$ -</u>	<u>\$ -</u>	<u>20,611,787</u>
Capital assets, net	<u>\$ 30,107,901</u>				<u>\$ 30,440,943</u>

The capital assets for the nonmajor enterprise funds of the City at June 30, 2017 are as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2017</u>
Transit, Solid Waste and Golf Funds:					
Non-Depreciable Assets:					
Land	\$ 358,778	\$ -	\$ -	\$ -	\$ 358,778
Depreciable Assets:					
Land improvements	1,179,632	-	-	-	1,179,632
Buildings	1,548,244	-	-	-	1,548,244
Machinery, equipment, and vehicles	1,888,735	19,249	-	-	1,907,984
Total capital assets	<u>4,975,389</u>	<u>19,249</u>	<u>-</u>	<u>-</u>	<u>4,994,638</u>
Less Accumulated Depreciation:					
Land improvements	822,477	33,527	-	-	856,004
Buildings	817,996	36,001	-	-	853,997
Machinery, equipment, and vehicles	1,356,222	101,645	-	-	1,457,867
Total accumulated depreciation	<u>\$ 2,996,695</u>	<u>\$ 171,173</u>	<u>\$ -</u>	<u>\$ -</u>	<u>3,167,868</u>
Capital assets, net	<u>\$ 1,978,694</u>				<u>\$ 1,826,770</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2017 is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 162,528,588	\$ 296,347,454
Long-term debt	(47,700,194)	(63,971,603)
Unspent debt proceeds	8,737,105	23,147,966
Long-term debt for assets not owned by the City	568,000	-
Net investment in capital assets	<u>\$ 124,133,499</u>	<u>\$ 255,523,817</u>

B. Liabilities

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The City is a participating employer in the State-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Gastonia employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Gastonia's contractually required contribution rate for the year ended June 30, 2017, was 8.00% of compensation for law enforcement officers and 7.25% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Gastonia were \$3,268,644 for the year ended June 30, 2017.

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

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

At June 30, 2017, the City reported a liability of \$14,713,087 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the City's proportion was 0.69%, which was an increase of 0.0029% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$3,835,672. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 276,433	\$ 515,563
Changes of assumptions	1,007,715	-
Net difference between projected and actual earnings on pension plan investments	8,134,485	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	266,414
City contributions subsequent to the measurement date	3,268,644	-
Total	<u>\$ 12,687,277</u>	<u>\$ 781,977</u>

\$3,268,644 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2018	\$ 1,238,245
2019	1,240,098
2020	3,827,546
2021	2,330,767
2022	-
Thereafter	-
Total	<u>\$ 8,636,656</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement. The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term
		Expected Real Rate of Return
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	<u>100.0%</u>	

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability (asset)	<u>\$ 34,921,020</u>	<u>\$ 14,713,087</u>	<u>\$ (2,166,080)</u>

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	100
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>317</u>
Total	<u><u>417</u></u>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 73:

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Projected salary increases	3.50 to 7.35 percent for LEO and 3.50 to 7.75 for firefighters, including inflation and productivity factor
Discount rate	3.86 percent

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The discount rate is based on the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond index determined at the end of each month.

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on the MP-2015.

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$1,458,582 as benefits came due for the reporting period.

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

At June 30, 2017, the City reported a total pension liability of \$19,498,226. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the City recognized pension expense of \$1,080,055.

	Deferred Outflows of Resources	Deferred Inflow of Resources
Changes of assumptions and other inputs	\$ -	\$ 308,887
Benefit payments and administrative expenses subsequent to the measurement date	809,906	-
Total	<u>\$ 809,906</u>	<u>\$ 308,887</u>

\$809,906 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2018	\$ 75,708
2019	75,708
2020	75,708
2021	75,708
2022	6,055
Thereafter	-
Total	<u>\$ 308,887</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

\$809,906 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the City's Total Pension Liability to Changes in the Discount Rate. The following presents the City's total pension liability calculated using the discount rate of 3.86 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total pension liability	<u>\$ 20,864,890</u>	<u>\$ 19,428,226</u>	<u>\$ 18,242,588</u>

Schedule of Changes in Total Pension Liability Law Enforcement Officers' Special Separation Allowance

Beginning balance	\$ 20,191,374
Service cost	455,233
Interest	694,796
Changes of assumptions and other inputs	(384,595)
Benefit payments	<u>(1,458,582)</u>
Ending balance of total pension liability	<u>\$ 19,498,226</u>

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements. The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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, 2017 were \$778,721, which consisted of \$482,184 from the City and \$296,537 from the law enforcement officers. No amounts were forfeited.

Supplemental Retirement Income Plan for Firemen

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

Funding Policy. The City contributes on a bi-weekly basis an amount equal to five percent of each fireman's salary and all amounts are vested immediately. Also, the firemen may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2017 were \$544,201, which consisted of \$378,218 from the City and \$165,983 from the firemen. No amounts were forfeited.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Supplemental Retirement Income Plan

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

Funding Policy. The City contributes to the North Carolina 401(k) Plan on a bi-weekly basis an amount equal to 5.0% of each employee's salary, and all amounts are vested immediately. Also, the employees may make voluntary contributions to the plans. Contributions to the North Carolina 401(k) Plan for the year ended June 30, 2017 were \$1,955,957, which consisted of \$1,336,685 from the City and \$619,272 from the employees.

Deferred Compensation Plan

City employees can elect to participate in a City-sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457 and administered by ICMA Retirement Corporation. The Plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available until termination, retirement, death, or an unforeseeable emergency. The City contributes to the Plan 5.0% of the City Attorney's and City Manager's salaries. Contributions to the 457 Plan for the year ended June 30, 2017 were \$31,953, which consisted of \$16,298 from the City and \$15,655 from the employees.

Other Post-Employment Benefits

Healthcare Benefits

Plan Description. According to a City resolution, the City provides post-retirement healthcare benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five years of creditable service with the City and have not become eligible for Medicare. The City pays the full cost of coverage for these benefits for employees hired prior to September 1, 2000 and a percentage of the premium cost based on years of service for employees hired on or after September 1, 2000. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. There is a small premium required for retirees who elect the PPO Plan. Also, the City's retirees can purchase coverage for their dependents at the City's group rates. For the fiscal year ended June 30, 2017, the City made payments for post-retirement health benefit premiums of \$2,166,610. As of July 1, 2006, the City became self-insured, and subsequent premium payments are made to the City's Medical Self-Insurance Internal Service Fund.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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, 2017, the City made payments for post-retirement life insurance benefit premiums of \$48,477.

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:

Years of Service	Percentage of Premium Paid By The City
Up to 15	0.00%
15-19	25.00%
20-24	50.00%
25 or more	100.00%

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

Membership of the healthcare plan consisted of the following at December 31, 2015, the date of the latest actuarial valuation:

Retirees	505
General employees	527
Law enforcement	166
Firefighters	138
Total	<u>1,336</u>

Funding Policy. The City pays the full cost of coverage for these benefits for employees hired prior to September 1, 2000 and a percentage of the premium cost based on years of service for employees hired on or after September 1, 2000, as noted above. Also, the City's retirees can purchase coverage for their dependents at the City's group rates. The City pays from \$475.33 to \$550.33 per month for retiree and dependent coverage, based on dependents covered. The City's members pay from \$136.54 to \$485.82 per month for retiree and dependent coverage, based on dependents covered. The City has chosen to fund the healthcare benefits on a pay-as-you-go basis.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The current ARC rate is 7.33% of annual covered payroll. For the current year, the City contributed \$2,166,610, or 5.31% of annual covered payroll. The City is self-insured on healthcare. The City has purchased specific stop/loss coverage for any claim that exceeds \$175,000. The City does not carry aggregate stop/loss coverage. Contributions made by retirees for retiree and dependent coverage were \$196,401 for the year ended June 30, 2017.

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 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 2,991,712
Interest on net OPEB obligation	745,308
Adjustment to annual required contribution	<u>(712,001)</u>
Annual OPEB cost (expense)	3,025,019
Contributions made	<u>2,166,610</u>
Increase (decrease) in net OPEB obligation	858,409
Net OPEB obligation:	
Beginning of year, July 1	<u>18,632,714</u>
End of year, June 30	<u><u>\$ 19,491,123</u></u>

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

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 2,902,667	37.80%	\$ 18,319,546
2016	3,024,460	89.65%	18,632,714
2017	3,025,019	71.62%	19,491,123

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Funded Status and Funding Progress. As of December 31, 2015, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) were \$40,790,179. The covered payroll (annual payroll of active employees covered by the Plan) was \$40,807,902, and the ratio of the UAAL to the covered payroll was 99.96%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations, and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing, over time, relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the Plan at the valuation date, and an annual medical cost trend increase of 7.75 to 5.00 percent annually. Both rates included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected pay on an open basis. The remaining amortization period at December 31, 2015 was 30 years.

Other Employment Benefits

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

Deferred Outflows and Inflows of Resources

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

	<u>Amount</u>
Differences between expected and actual experience - LGERS	\$ 276,433
Changes of assumptions - LGERS	1,007,715
Net difference between projected and actual earnings on pension plan investments - LGERS	8,134,485
Benefit payments made for LEOSSA	<u>809,906</u>
Total	<u><u>\$ 13,497,183</u></u>

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

	<u>Amount</u>
Taxes receivable, net (General Fund)	\$ 1,022,490
HUD loans and mortgages	6,800
Prepaid taxes	6,507
Other receivables, net	247,492
Pension deferrals	1,090,864
Taxes receivable, net (SRF)	<u>12,317</u>
Total	<u><u>\$ 2,386,470</u></u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Commitments

The City had the following outstanding or planned projects as of June 30, 2017. These projects are evidenced by contractual obligations. The projects are funded by a combination of City monies and long-term debt.

<u>Governmental Activities Projects</u>	<u>Remaining Commitment</u>
Street Improvements:	
Various resurfacing and road widening	\$ 1,366,223
General Government - Mayor/Council, Airport Capital Projects, and Downtown Capital Projects:	
Various projects and equipment	2,092,822
Total commitments - governmental activities	\$ 3,459,045
<u>Business Activities Projects</u>	
Water and Sewer Capital Projects	\$ 25,759,223
Stormwater Capital Projects	699,305
Electric Capital Projects	645,807
Total commitments - business activities	\$ 27,104,335

In September 2015, the City entered into an agreement with a new conference center management company to supervise, direct, manage, and operate City of Gastonia Conference Center.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtains insurance through multiple commercial companies. The current coverage includes general liability coverage of one million per occurrence with a three million aggregate limit, auto liability coverage of one million per single limit coverage, police liability coverage of one million per occurrence with a three million aggregate limit, public official's liability coverage of one million per occurrence with a three million aggregate limit. The City also purchases excess liability coverage of four million per occurrence with a four million aggregate limit on the aforementioned liability coverages. The deductible on the liability coverages mentioned above is \$100,000 per occurrence. The City also purchases a separate Airport Liability insurance policy with a limit of \$25,000,000.

The City purchases property coverage up to the total insured values of the property which is \$277,737,833 for the 2017 coverage year. This coverage includes earthquake and flood coverage of five million. The City also purchases a fine arts policy covering articles at the Schiele Museum and Military Museum in the amount of \$5,438,024 as well as an inland marine policy in the amount of \$5,930,545 to cover various types of contractor equipment and \$6,855,478 for computer equipment. The deductible on the property coverages is \$50,000 per incident. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three years.

The City obtains a self-insurance retention policy for workers' compensation coverage with statutory limits. This policy has a self-insurance retention of \$600,000 per incident.

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

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Reconciliation of Claims Liability

Changes in the City's claims liability balance during fiscal year 2017 are as follows:

	Dental Self-Insurance Fund	Medical Self-Insurance Fund	Total
Balance, June 30, 2015	\$ -	\$ 768,839	\$ 768,839
Add incurred claims (including IBNRs) and changes in estimates	292,305	7,417,760	7,710,065
Deduct claims payments	<u>(292,305)</u>	<u>(7,440,959)</u>	<u>(7,733,264)</u>
Balance, June 30, 2016	-	745,640	745,640
Add incurred claims (including IBNRs) and changes in estimates	308,463	6,416,381	6,724,844
Deduct claims payments	<u>(308,463)</u>	<u>(6,360,006)</u>	<u>(6,668,469)</u>
Balance, June 30, 2017	<u>\$ -</u>	<u>\$ 802,015</u>	<u>\$ 802,015</u>

Claims and Judgments

At June 30, 2017, the City was a defendant in various matters of litigation. While any litigation contains an element of uncertainty, attorneys engaged by the City's insurance carrier believe that the outcome of any lawsuit or claim, which is pending, or all of them combined, will not have a material adverse effect on the City's financial position. These matters are generally covered by insurance.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Long-Term Obligations

\$2,114,020 Installment Financing Agreement

In January 2013, the City entered into a loan agreement with JP Morgan Chase Bank. The City was approved for a loan of \$2,114,020 from Chase Bank for various vehicles and equipment. The loan agreement calls for 10 semi-annual installments of \$216,337 each on July 23 and January 23 of each year, with interest at 1.1719% semi-annually on July 23 and January 23 of each year. The amount outstanding at June 30, 2017 is \$448,536. The loan is being carried in the Internal Service Fund.

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

Year Ending			
June 30	Principal	Interest	Total
2018	\$ 448,536	\$ 3,775	\$ 452,311

\$3,164,000 Installment Financing Agreement

In January 2014, the City entered into a loan agreement with JP Morgan Chase Bank. The City was approved for a loan of \$3,164,000 from Chase Bank for various vehicles and equipment. The loan agreement calls for annual principal installments of \$632,800 January 15 of each year, with interest at 1.18% annually on January 15 of each year. The amount outstanding at June 30, 2017 is \$1,265,600. The loan is being carried in the Internal Service Fund.

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

Year Ending			
June 30	Principal	Interest	Total
2018	\$ 632,800	\$ 14,971	\$ 647,771
2019	632,800	6,860	639,660
Total	\$ 1,265,600	\$ 21,831	\$ 1,287,431

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

\$2,883,000 Installment Financing Agreement

In November 2014, the City entered into a loan agreement with First Tennessee Bank. The City was approved for a loan of \$2,883,000 from First Tennessee Bank for various vehicles and equipment. The loan agreement calls for annual principal installments of \$576,600 December 1 of each year, with interest at 1.38% semi-annually on December 1 and June 1 of each year. The amount outstanding at June 30, 2017 is \$1,729,800. The loan is being carried in the Internal Service Fund.

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

Year Ending			
June 30	Principal	Interest	Total
2018	\$ 576,600	\$ 19,950	\$ 596,550
2019	576,600	11,979	588,579
2020	576,600	3,323	579,923
Total	<u>\$ 1,729,800</u>	<u>\$ 35,252</u>	<u>\$ 1,765,052</u>

\$3,215,000 Installment Financing Agreement

In February 2016, the City entered into a loan agreement with Bank of America. The City was approved for a loan of \$3,215,000 from Bank of America for various vehicles and equipment. The loan agreement calls for semi-annual installments of \$333,681 August 1 and February 1 of each year, including interest at 1.39%. The amount outstanding at June 30, 2017 is \$2,587,311. The loan is being carried in the Internal Service Fund.

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

Year Ending			
June 30	Principal	Interest	Total
2018	\$ 633,359	\$ 34,004	\$ 667,363
2019	642,254	25,108	667,362
2020	651,275	16,088	667,363
2021	660,423	6,941	667,364
Total	<u>\$2,587,311</u>	<u>\$ 82,141</u>	<u>\$2,669,452</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

\$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, 2017 is \$47,723. 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
2018	\$ 3,977	\$ -	\$ 3,977
2019	3,977	-	3,977
2020	3,977	-	3,977
2021	3,977	-	3,977
2022	3,977	-	3,977
2023-2027	19,885	-	19,885
2028-2029	7,953	-	7,953
Total	<u>\$ 47,723</u>	<u>\$ -</u>	<u>\$ 47,723</u>

\$300,000 Water and Sewer State Revolving Loan

In 2015, the City entered into a loan agreement with the State of North Carolina Department of Environment and Natural Resources. The loan is due in annual principal installments of \$60,000 from May 1, 2016 through May 1, 2020. The loan bears no interest. The amount outstanding at June 30, 2017 is \$180,000. 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
2018	\$ 60,000	\$ -	\$ 60,000
2019	60,000	-	60,000
2020	60,000	-	60,000
Total	<u>\$ 180,000</u>	<u>\$ -</u>	<u>\$ 180,000</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

\$30,000,000 Water and Sewer State Revolving Loan

In 2015, the City entered into a loan agreement with the State of North Carolina Department of Environment and Natural Resources. The loan is due in projected annual principal installments of \$1,004,437 from May 1, 2019 through May 1, 2038. Debt service will not begin until the project is complete. The loan bears no interest. The amount outstanding at June 30, 2017 is \$20,088,740. 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
2018	\$ -	\$ -	\$ -
2019	1,004,437	-	1,004,437
2020	1,004,437	-	1,004,437
2021	1,004,437	-	1,004,437
2022	1,004,437	-	1,004,437
2023-2027	5,022,185	-	5,022,185
2028-2032	5,022,185	-	5,022,185
2033-2037	5,022,185	-	5,022,185
2038	1,004,437	-	1,004,437
Total	<u>\$ 20,088,740</u>	<u>\$ -</u>	<u>\$ 20,088,740</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

\$5,000,000 Water and Sewer State Revolving Loan

In 2015, the City entered into a loan agreement with the State of North Carolina Department of Environment and Natural Resources. The loan is due in projected annual principal installments of \$250,000 from May 1, 2018 through May 1, 2037. Debt service will not begin until the project is complete. The loan bears no interest. The amount outstanding at June 30, 2017 is \$5,000,000. 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	
2018	\$ 250,000	\$ -	\$ 250,000	
2019	250,000	-	250,000	
2020	250,000	-	250,000	
2021	250,000	-	250,000	
2022	250,000	-	250,000	
2023-2027	1,250,000	-	1,250,000	
2028-2032	1,250,000	-	1,250,000	
2033-2037	1,250,000	-	1,250,000	
Total	<u>\$5,000,000</u>	<u>\$ -</u>	<u>\$5,000,000</u>	

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

The City entered into a loan agreement with the State of North Carolina Department of Environment and Natural Resources. The loan is due in annual principal installments of \$266,276 from May 1, 2012 through May 1, 2027; semi-annual interest payments at 2.305% from November 1, 2011 through May 1, 2027. The amount outstanding at June 30, 2017 is \$2,662,760. 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
2018	\$ 266,276	\$ 61,377	\$ 327,653
2019	266,276	55,239	321,515
2020	266,276	49,101	315,377
2021	266,276	42,964	309,240
2022	266,276	36,826	303,102
2023-2027	1,331,380	92,065	1,423,445
Total	<u>\$ 2,662,760</u>	<u>\$ 337,571</u>	<u>\$ 3,000,331</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

\$479,851 Water and Sewer State Revolving Loan

The City entered into a loan agreement with the State of North Carolina Department of Environment and Natural Resources. The loan agreement calls for \$239,926 of principal to be forgiven. The loan agreement calls for 20 annual principal installments of \$11,996, each on May 1 of each year. The first principal payment was due May 1, 2010. The loan bears no interest. The amount outstanding at June 30, 2017 is \$155,951. 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	
2018	\$ 11,996	\$ -	\$ 11,996	
2019	11,996	-	11,996	
2020	11,996	-	11,996	
2021	11,996	-	11,996	
2022	11,996	-	11,996	
2023-2027	59,982	-	59,982	
2028-2030	35,989	-	35,989	
Total	<u>\$ 155,951</u>	<u>\$ -</u>	<u>\$ 155,951</u>	

Section 108 Loan Guarantee

In March 2002, the City received a \$2,000,000 loan under this Section 108 Loan Guarantee. The loan agreement calls for eighteen (18) annual principal installments from \$110,000 to \$120,000 beginning August 1, 2004, with semi-annual interest payments due on February 1 and August 1 of each year at rates ranging from 1.21% to 5.69%. The amount outstanding at June 30, 2017 is \$275,000.

In July 2010, the City received a \$252,000 loan under this Section 108 Loan Guarantee. The loan agreement calls for nineteen (19) annual principal installments from \$10,000 to \$15,000 beginning August 1, 2012; semi-annual interest payments on February 1, 2011 and August 1, 2011, \$4,580 and \$4,339, respectively. The amount outstanding at June 30, 2017 is \$130,000.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

In September 2010, the City received a \$496,000 loan under this Section 108 Loan Guarantee. The loan agreement calls for twenty (20) annual principal installments from \$20,000 to \$30,000 beginning August 1, 2011; interest payments on February 1, 2011, April 1, 2011, and August 1, 2011, \$628, \$621, and \$580, respectively. The amount outstanding at June 30, 2017 is \$163,000.

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

Future minimum payments on the Section 108 Loan Guarantee as of June 30, 2017 are as follows:

Year Ending			
June 30	Principal	Interest	Total
2018	\$ 34,000	\$ 17,523	\$ 51,523
2019	37,000	16,764	53,764
2020	37,000	15,888	52,888
2021	38,000	15,888	53,888
2022	40,000	13,765	53,765
2023-2027	215,000	48,642	263,642
2028-2030	167,000	11,542	178,542
Total	<u>\$ 568,000</u>	<u>\$ 140,012</u>	<u>\$ 708,012</u>

In June 2011, the City entered into a \$500,000 installment note with the Town of Cramerton, North Carolina. Annual principal installments of \$25,000 to \$100,000 begin August 1, 2011 and continue through August 1, 2018. The loan bears no interest. The installment loan is in relation to the transfer of the Town of Cramerton's water and sewer operations and related assets to the City of Gastonia. The amount outstanding at June 30, 2017 is \$200,000. The debt is being carried in the Water and Sewer Fund.

Debt service requirements to maturity as of June 30, 2017 are as follows:

Year Ending			
June 30	Principal	Interest	Total
2018	\$ 100,000	\$ -	\$ 100,000
2019	100,000	-	100,000
Total	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 200,000</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

In December 1 2016, the City entered into a financing agreement for the acquisition of various vehicles and equipment. Total loan proceeds received by the City amounted to \$3,250,000. The terms of the agreement call for semi-annual payments of \$337,473 from June 1, 2017 through November 1, 2021, including interest at 1.3855%. The amount outstanding at June 30, 2017 is \$2,935,040. The loan is related to Internal Service Fund activity and is, therefore, reported in the fund Statement of Net Position as Internal Service Fund debt and in the government-wide Statement of Net Position as governmental activity debt.

Debt service requirements to maturity as of June 30, 2017 are as follows:

Year Ending				
June 30	Principal	Interest	Total	
2018	\$ 636,479	\$ 38,467	\$ 674,946	
2019	645,328	29,619	674,947	
2020	654,300	20,647	674,947	
2021	663,397	11,550	674,947	
2022	335,536	1,937	337,473	
Total	<u>\$2,935,040</u>	<u>\$ 102,220</u>	<u>\$3,037,260</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, 2017 is \$133,328. The debt is related to General Fund activity and, therefore, is reported in the governmental activities of the government-wide Statement of Net Position.

The future minimum payments on the installment financing as of June 30, 2017 are as follows:

Year Ending				
June 30	Principal	Interest	Total	
2018	<u>\$ 133,328</u>	<u>\$ 2,493</u>	<u>\$ 135,821</u>	

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

General Obligation and Revenue Bond Indebtedness

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Bonds payable at June 30, 2017 are comprised of the following individual issues:

General Obligation Bonds

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.	340,000
\$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.	6,875,000
\$17,805,000 Series 2010C Street and Sidewalk General Obligation Bonds, due in annual principal installments of \$1,750,000 to \$1,925,000 from September 1, 2021 through September 1, 2030; interest payable semi-annually beginning March 1, 2011 at rates of 3.861% to 4.961%. Proceeds to be used for various street and sidewalk projects.	17,805,000
\$1,694,000 GOB Refunding, Series 2011, due in annual principal installments of \$15,000 to \$324,000 from June 1, 2012 through June 1, 2018; interest payable semi-annually beginning June 1, 2012 at a rate of 1.89%. Proceeds to be used for refunding \$2,700,000 Series 2002 Streets GOB.	<u>196,000</u>
Total general obligation bonds - governmental activities	<u>26,241,000</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

General Obligation Bonds (continued)

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 - governmental and business-type activities

\$ 26,671,000

Revenue Bonds:

Serviced by the Water and Sewer Fund:

\$20,130,000 2015 Combined Utility System Revenue Bonds, series 2015 due in annual principal installments from \$660,000 to \$1,455,000 from May 1, 2017 through May 1, 2036, with semi-annual interest payments from May 1, 2016 through May 1, 2036 at rates ranging from 3.00% to 5.00%.

\$ 19,470,000

\$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.

5,530,000

\$4,318,000 Combined Utility System Revenue Bonds, due in annual principal installments from \$11,000 to \$642,000 from May 1, 2012 through May 1, 2025, with semi-annual interest payments from May 1, 2012 at a rate of 2.91%. Bond proceeds were used to refund \$4,230,000 of the Series 2001 revenue bonds.

3,063,000

\$5,895,000 Combined Enterprise System Refunding Bonds, Series 2013 due in annual principal installments of \$55,000 to \$630,000 from May 1, 2014 through May 1, 2025; interest payable semi-annually beginning November 1, 2013 at 2.15%

4,700,000

Total revenue bonds

\$ 32,763,000

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

At June 30, 2017, the City had a legal debt margin of \$395,000,000.

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, 2017 is as follows:

Gross revenues available for debt service	\$ 36,090,012
Expenses, as defined in the covenants	<u>23,396,982</u>
Income available for debt service	<u>\$ 12,693,030</u>
Debt service , principal and interest, parity indebtedness	<u>\$ 4,978,943</u>
Debt service coverage ratio	<u>254.93%</u>
Debt service, principal and interest, parity and subordinated indebtedness	<u>\$ 5,463,706</u>
Debt service coverage ratio	<u>232.32%</u>

At June 30, 2017, the City was in compliance with the requirements described above.

The City has pledged future water and sewer revenues, net of specified operating expenses, to repay \$61,098,175 in combined utility system revenue bonds, State revolving loans, and an installment loan issued from 2009 to 2017. Proceeds from the bonds were used to finance capital improvements to the water and sewer infrastructure or to advance refund previously issued bonds. The bonds are payable from water and sewer customer net revenues and are payable through 2038. Annual principal and interest requirements are expected to require less than 16 percent of water and sewer customer net revenues. Total principal and interest remaining to be paid on the bonds, State revolving loans, and the installment loan is \$71,850,256. Principal and interest paid for the current year, and total customer net revenues, were \$5,436,706 and \$36,090,012, respectively.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Annual debt service requirements to maturity for general obligation bonds as of June 30, 2017 are as follows:

Governmental Activities:

Year Ending June 30	Principal	Interest	Total
2018	\$ 2,006,000	\$ 1,097,579	\$ 3,103,579
2019	1,855,000	1,035,287	\$ 2,890,287
2020	1,856,237	974,987	2,831,224
2021	1,926,237	898,988	2,825,225
2022	1,992,715	812,795	2,805,510
2023-2027	9,492,096	2,842,065	12,334,161
2028-2032	7,112,715	699,049	7,811,764
Total	<u>\$ 26,241,000</u>	<u>\$ 8,360,750</u>	<u>\$ 34,601,750</u>

Business-Type Activities:

Year Ending June 30	Principal	Interest	Total
2018	\$ -	\$ 16,869	\$ 16,869
2019	-	16,869	16,869
2020	48,763	16,869	65,632
2021	48,763	14,919	63,682
2022	48,763	12,968	61,731
2023-2027	236,426	37,024	273,450
2028	47,285	1,891	49,176
Total	<u>\$ 430,000</u>	<u>\$ 117,409</u>	<u>\$ 547,409</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Annual debt service requirements to maturity for revenue bonds as of June 30, 2017 are as follows:

Business-Type Activities:

Year Ending June 30	Principal	Interest	Total
2018	\$ 3,747,000	\$ 1,228,321	\$ 4,975,321
2019	3,892,000	1,088,654	\$ 4,980,654
2020	1,737,000	943,465	2,680,465
2021	1,923,000	884,661	2,807,661
2022	1,987,000	817,016	2,804,016
2023-2027	8,307,000	3,115,805	11,422,805
2028-2032	5,730,000	1,769,288	7,499,288
2033-2036	5,440,000	567,300	6,007,300
Total	<u>\$ 32,763,000</u>	<u>\$ 10,414,510</u>	<u>\$ 43,177,510</u>

Limited Obligation Bond Indebtedness

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

Limited Obligation Bonds

Serviced by the General Fund:

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

\$ 3,290,000

\$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

\$ 11,290,000

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Annual debt service requirements to maturity for limited obligation bonds as of June 30, 2017 are as follows:

Governmental Activities:

Year Ending June 30	Principal	Interest	Total
2018	\$ 905,000	\$ 570,127	\$ 1,475,127
2019	915,000	542,977	1,457,977
2020	925,000	506,377	1,431,377
2021	935,000	467,873	1,402,873
2022	930,000	427,404	1,357,404
2023-2027	2,755,000	1,654,198	4,409,198
2028-2032	3,215,000	803,527	4,018,527
2032	710,000	42,543	752,543
Total	<u>\$ 11,290,000</u>	<u>\$ 5,015,026</u>	<u>\$ 16,305,026</u>

Changes in Long-Term Liabilities

During the year ended June 30, 2017, the following changes occurred in long-term liabilities:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year
Governmental Activities:					
General Fund:					
General obligation bonds	\$ 29,010,000	\$ -	\$ 2,769,000	\$ 26,241,000	\$ 2,006,000
Limited obligation bonds	12,190,000	-	900,000	11,290,000	905,000
Bond premium	668,772	-	167,193	501,579	-
Compensated absences	3,185,916	2,063,219	2,001,115	3,248,020	2,436,015
Net pension (LERS)	2,385,652	8,943,425	-	11,329,077	-
Net pension (LEO)	1,350,739	18,147,487	-	19,498,226	-
Other post-employment benefits obligation	14,370,951	2,333,123	1,671,053	15,033,021	-
Installment financing	399,995	-	266,667	133,328	133,328
Section 108 Loan Guarantee	602,000	-	34,000	568,000	34,000
Internal Service Funds:					
Installment financing	8,825,156	3,250,000	3,108,869	8,966,287	2,927,774
Compensated absences	218,200	18,473	-	236,673	177,505
Governmental activity long-term liabilities	<u>\$ 73,207,381</u>	<u>\$ 34,755,727</u>	<u>\$ 10,917,897</u>	<u>\$ 97,045,211</u>	<u>\$ 8,619,622</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
Electric Fund:					
General obligation bonds	\$ 430,000	\$ -	\$ -	\$ 430,000	\$ -
Net pension (LGERS)	185,895	696,890	-	882,785	-
Compensated absences	187,820	44,580	-	232,400	174,300
Other post-employment benefits obligation	<u>1,180,433</u>	<u>191,643</u>	<u>137,260</u>	<u>1,234,816</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 1,984,148</u>	<u>\$ 933,113</u>	<u>\$ 137,260</u>	<u>\$ 2,780,001</u>	<u>\$ 174,300</u>

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
Water and Sewer Fund:					
Compensated absences	\$ 420,137	\$ 59,568	\$ -	\$ 479,705	\$ 359,779
Other post-employment benefits obligation	2,482,755	403,075	288,695	2,597,135	-
Net pension (LGERS)	433,755	1,626,077	-	2,059,832	-
Revenue bonds	36,379,000	-	3,616,000	32,763,000	3,747,000
Bond premium	2,609,238	-	165,809	2,443,429	-
Installment debt	275,000	-	75,000	200,000	100,000
State revolving loans	<u>14,779,030</u>	<u>13,698,393</u>	<u>342,249</u>	<u>28,135,174</u>	<u>592,249</u>
Business-type activity long-term liabilities	<u>\$ 57,378,915</u>	<u>\$ 15,787,113</u>	<u>\$ 4,487,753</u>	<u>\$ 68,678,275</u>	<u>\$ 4,799,028</u>

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
Stormwater and All Other Nonmajor Business-Type Activities:					
Compensated absences	\$ 158,641	\$ 9,982	\$ -	\$ 168,623	\$ 150,556
Net pension (LGERS)	92,948	348,445	-	441,393	-
Other post-employment benefits obligation	<u>598,575</u>	<u>97,179</u>	<u>69,603</u>	<u>626,151</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 850,164</u>	<u>\$ 455,606</u>	<u>\$ 69,603</u>	<u>\$ 1,236,167</u>	<u>\$ 150,556</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.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

C. Revenues, Expenditures, and Expenses

On-Behalf Payments for Fringe Benefits and Salaries

Also, the City has recognized as revenue and an expenditure on-behalf payments for fringe benefits and salaries of \$56,221 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, 2017. 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, 2017 were \$61,950,884.

Centralina Council of Governments

The Centralina Council of Governments is a voluntary association of eight County governments and 60 municipalities. The Council was established by the participating governments to coordinate funding from Federal and State agencies. Each participating government appoints one member to the Council's governing board, whose responsibilities include approving the budget and designating the management of the Council. The City paid membership dues of \$17,890 during the fiscal year ended June 30, 2017.

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, 2017, the City reported

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

revenues and expenditures for the payments of \$56,221 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, 2017. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local Board of Trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

5. Related Organization

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

6. Summary Disclosure of Significant Contingencies

Federal and State-Assisted Programs

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

7. Related Party Transactions

In 2017, 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>
Electricity	\$ 684,234
Electricity for street lights	739,358
Electricity charges for street lights billed by outside parties	294,248
Total	<u>\$ 1,717,840</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

8. Interfund Balances and Activity

Transfers From/To Other Funds

In 2017, the City made the following transfers within its fund structure. Transfers to the General Fund from the Electric Fund and the Water and Sewer Fund were made to distribute profits to the general government. Transfers from the General Fund to the Transit Fund were made to underwrite the enterprise funds activities. Transfers from the General Fund to the capital project funds were made to provide the local support of the capital projects capital outlay activities. Transfers from the General Fund and Uptown Municipal Tax District Fund were made to provide support for the Downtown Revitalization Capital Projects Fund. Transfers from the Community Development Fund to the Mayor Council Capital Project Fund were made to support various capital activities. Transfers from the Medical Health Insurance Fund to the General Fund were made to provide funding for a Council approved employee one-time bonus. Various other transfers of an immaterial nature were made between funds to supplement various operating activities.

Transfers From/To Other Funds:	Transfers	
	From	To
General	\$ 9,307,224	\$ 2,073,334
Enterprise funds:		
Electric Fund	2,064,167	-
Water and Sewer Fund	64,167	-
Transit System Fund	-	575,070
Solid Waste Fund	-	3,017,189
Special revenue funds:		
Program Fund	120,000	-
Uptown Municipal Tax District Fund	50,000	-
Capital project funds:		
Developer Sidewalk	57,324	-
Airport Fund	-	16,667
Streets	-	77,324
Mayor/Council	-	5,903,298
Total	<u>\$ 11,662,882</u>	<u>\$ 11,662,882</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2017 is as follows:

Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor special revenue funds and internal service funds	\$ 657,958
Internal service funds	General Fund	1,322,444
Total		<u>\$ 1,980,402</u>

The City uses a single central depository account to simplify banking and maximize the return on assets. Each fund has an equity interest in the pooled account equal to the amount of cash that is being held on behalf of the fund. Certain special revenue funds, capital project funds, and enterprise funds have overdrawn their account in the pool and, thus, report a current liability (a “due to”) to the General Fund central depository. The due to internal service funds from the General Fund is for their portion of the dental and medical insurance at year-end.

9. Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the City to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the City to the Law Enforcement Officers’ Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased \$17,376,319.

10. Prior Period Adjustment

Fund balance for the Community Block Grant Fund was restated \$131,324 for long term loan balances to properly reflect the outstanding loan balances. Also, the Economic Stimulus Grants Fund has been restated \$1,249,700 for long term loan balances to properly reflect the outstanding loan balances. The net effect of the prior period adjustment is \$1,118,376.



REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

- Schedule of Changes in Total Pension Liability for Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a percentage of covered payroll for the Law Enforcement Officers' and Firemen's Special Separation Allowance
- Schedule of Funding Progress for the Other Post-Employment Retiree Health Plan
- Schedule of Employer Contributions for the Other Post-Employment Retiree Health Plan
- Notes to the Required Schedules for the Other Post-Employment Retiree Health Plan
- Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Liability (Asset) and its Contributions



CITY OF GASTONIA, NORTH CAROLINA**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' AND FIREMEN'S
SPECIAL SEPARATION ALLOWANCE****FOR THE YEAR ENDED JUNE 30, 2017****Law Enforcement Officers' and Firemen's Special Separation Allowance**

	2017
Beginning balance	\$ 20,191,374
Service cost	455,233
Interest on the total pension liability	694,796
Changes in assumptions or other inputs	(384,595)
Benefit payments	<u>(1,458,582)</u>
Ending balance of the total pension liability	<u>\$ 19,498,226</u>

The amounts presented for each fiscal year were determined as of the prior year ending December 31.

Pension schedules are intended to show information for ten years,
additional years' information will be displayed as it comes available

CITY OF GASTONIA, NORTH CAROLINA**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' AND FIREMEN'S
SPECIAL SEPARATION ALLOWANCE****FOR THE YEAR ENDED JUNE 30, 2017**

Law Enforcement Officers' and Firemen's Special Separation Allowance

	<u>2017</u>
Total pension liability	\$ 19,498,226
Covered payroll	16,621,291
Total pension liability as a percentage of covered payroll	117.31%

Notes to Schedules:

The City of Gastonia has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits

Pension schedules are intended to show information for ten years,
additional years' information will be displayed as it comes available

CITY OF GASTONIA, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS - RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
12/31/2006	\$ -	\$ 40,569,078	\$ 40,569,078	0.00%	\$ 36,767,010	110.34%
12/31/2009	-	46,086,802	46,086,802	0.00%	42,482,474	108.48%
12/31/2011	-	48,679,559	48,679,559	0.00%	41,571,549	117.10%
12/31/2013	-	34,380,526	34,380,526	0.00%	39,645,327	86.72%
12/31/2015	-	40,790,179	40,790,179	0.00%	40,807,902	99.96%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Amount Contributed By Employer	Percentage of ARC Contributed
2008	\$ 3,428,106	\$ 773,600	22.57%
2009	3,428,106	779,997	22.75%
2010	3,622,695	809,806	22.35%
2011	3,622,695	1,015,298	28.03%
2012	3,970,966	1,661,056	41.83%
2013	3,970,966	1,676,929	42.23%
2014	2,873,145	1,813,527	63.12%
2015	2,873,145	1,098,101	38.22%
2016	2,991,712	2,711,292	90.63%
2017	2,991,712	2,166,610	72.42%

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	12/31/2015
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets

Actuarial Assumptions:

Investment rate of return*	4.00%
Medical cost trend rate	7.75%-5.00%
Year of Ultimate trend rate	2022

* Includes inflation at 3.00%

CITY OF GASTONIA, NORTH CAROLINA**CITY OF GASTONIA'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST FOUR FISCAL YEARS***

Local Government Employees' Retirement System				
	2017	2016	2015	2014
City of Gastonia's proportion of the net pension liability (asset) (%)	0.69325%	0.69035%	0.71165%	0.74470%
City of Gastonia's proportion of the net pension liability (asset) (\$)	\$ 14,713,087	\$ 3,098,250	\$ (4,196,931)	\$ 8,976,495
City of Gastonia's covered-employee payroll	\$ 42,022,437	\$ 40,219,591	\$ 40,354,967	\$ 39,442,754
City of Gastonia's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	35.01%	7.70%	(10.40%)	22.76%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

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

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

Pension schedules are intended to show information for ten years,
additional years' information will be displayed as it comes available

CITY OF GASTONIA, NORTH CAROLINA

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 3,268,644	\$ 2,811,948	\$ 2,850,955	\$ 2,841,669
Contributions in relation to the contractually required contribution	<u>3,268,644</u>	<u>2,811,948</u>	<u>2,850,955</u>	<u>2,841,669</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Gastonia's covered-employee payroll	\$ 44,613,473	\$ 42,022,437	\$ 40,219,591	\$ 40,354,967
Contributions as a percentage of covered-employee payroll	7.33%	6.69%	7.09%	7.04%

Pension schedules are intended to show information for ten years,
additional years' information will be displayed as it comes available

CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017

	Nonmajor		
	Special Revenue Funds	Capital Project Funds	Total
Assets:			
Cash, cash equivalents, and investments	\$ 291,622	\$ 3,529,301	\$ 3,820,923
Taxes receivable, net	12,317	-	12,317
Accounts receivable, net	137,636	119,073	256,709
Due from other governments	56,803	-	56,803
Loan term receivable	2,249,999	-	2,249,999
Cash and cash equivalents, restricted	-	947,187	947,187
Property acquired for rehabilitation and resale	1,244,725	-	1,244,725
Total assets	<u>\$ 3,993,102</u>	<u>\$ 4,595,561</u>	<u>\$ 8,588,663</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 150,116	\$ 245,862	\$ 395,978
Due to General Fund	520,921	-	520,921
Total liabilities	<u>671,037</u>	<u>245,862</u>	<u>916,899</u>
Deferred Inflows of Resources:			
Unavailable taxes	12,317	-	12,317
Unavailable revenue	6,800	-	6,800
Total deferred inflows of resources	<u>19,117</u>	<u>-</u>	<u>19,117</u>
Fund Balances:			
Restricted:			
Stabilization by State statute	2,513,868	893,491	3,407,359
Restricted, all other	220,386	955,254	1,175,640
Assigned	1,244,725	2,500,954	3,745,679
Unassigned	(676,031)	-	(676,031)
Total fund balances (deficits)	<u>3,302,948</u>	<u>4,349,699</u>	<u>7,652,647</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,993,102</u>	<u>\$ 4,595,561</u>	<u>\$ 8,588,663</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, 2017

	Nonmajor		
	Special Revenue Funds	Capital Project Funds	Total
Revenues:			
Ad valorem taxes	\$ 129,882	\$ -	\$ 129,882
Other taxes and licenses	654,002	-	654,002
Restricted intergovernmental	1,633,627	538,516	2,172,143
Sales and services	487,727	-	487,727
Investment earnings	978	21,815	22,793
Miscellaneous	6,269	308,330	314,599
Total revenues	<u>2,912,485</u>	<u>868,661</u>	<u>3,781,146</u>
Expenditures:			
Economic and physical development	2,643,288	-	2,643,288
Capital outlay	-	4,839,768	4,839,768
Debt service:			
Interest	19,859	-	19,859
Total expenditures	<u>2,663,147</u>	<u>4,839,768</u>	<u>7,502,915</u>
Revenues over (under) expenditures	<u>249,338</u>	<u>(3,971,107)</u>	<u>(3,721,769)</u>
Other Financing Sources (Uses):			
Transfers from other funds	-	5,919,965	5,919,965
Transfers to other funds	(170,000)	(57,324)	(227,324)
Total other financing sources (uses)	<u>(170,000)</u>	<u>5,862,641</u>	<u>5,692,641</u>
Net change in fund balances	<u>79,338</u>	<u>1,891,534</u>	<u>1,970,872</u>
Fund Balances:			
Beginning of year - July 1	2,277,015	2,458,165	4,735,180
Prior period adjustment	1,118,376	-	1,118,376
Beginning of year - July 1, as restated	<u>3,395,391</u>	<u>2,458,165</u>	<u>5,853,556</u>
Increase (decrease) in inventories and property/ land acquired redevelopment/rehabilitation	<u>(171,781)</u>	<u>-</u>	<u>(171,781)</u>
End of year - June 30	<u>\$ 3,302,948</u>	<u>\$ 4,349,699</u>	<u>\$ 7,652,647</u>

CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2017

<u>Fiscal Year</u>	<u>Balance July 1, 2016</u>	<u>Additions and Adjustments</u>	<u>Collections and Credits</u>	<u>Balance June 30, 2017</u>
2016-2017	\$ -	\$ 29,300,842	\$ 28,964,552	\$ 336,290
2015-2016	354,733	50,719	238,174	167,278
2014-2015	206,366	901	58,152	149,115
2013-2014	158,722	15	37,841	120,896
2012-2013	135,429	-	27,446	107,983
2011-2012	120,172	-	16,958	103,214
2010-2011	123,372	-	12,528	110,844
2009-2010	103,126	-	7,085	96,041
2008-2009	95,775	-	5,101	90,674
2007-2008	78,929	-	5,036	73,893
2006-2007	<u>63,709</u>	<u>-</u>	<u>63,709</u>	<u>-</u>
Total	\$ <u>1,440,333</u>	\$ <u>29,352,477</u>	\$ <u>29,436,582</u>	1,356,228
Less: Allowance for uncollectible ad valorem taxes receivable				(333,738)
Add: Motor vehicle tag receivable				161,679
Less allowance for uncollectible motor vehicle tag receivable				<u>(161,679)</u>
Ad valorem taxes receivable - net				<u>\$ 1,022,490</u>
Reconcilement with Revenues:				
Taxes - ad valorem				\$ 30,120,248
Reconciling items:				
Penalties and interest				(153,259)
Amounts written off for tax year 2006-2007				63,709
Prior year NCVTS motor vehicle collections				(666,000)
Prior year releases and adjustments of uncollected taxes				<u>71,884</u>
Total collections and credits				<u>\$ 29,436,582</u>

CITY OF GASTONIA, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2017

	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>\$5,522,431,887</u>	\$ 0.0053	<u>\$ 29,268,889</u>	<u>\$ 26,954,399</u>	<u>\$ 2,314,490</u>
Discoveries:					
Current year taxes	<u>77,537,736</u>	0.0053	<u>410,950</u>	<u>410,883</u>	<u>67</u>
Abateements:					
Current year taxes	<u>(71,508,868)</u>		<u>(378,997)</u>	<u>(378,997)</u>	<u>-</u>
Total property valuation	<u><u>\$5,528,460,755</u></u>				
Net Levy			29,300,842	26,986,285	2,314,557
Uncollected taxes at June 30, 2017			<u>336,290</u>	<u>336,290</u>	<u>-</u>
Current year's tax collections			<u>\$ 28,964,552</u>	<u>\$ 26,649,995</u>	<u>\$ 2,314,557</u>
Current Levy Collection Percentage			<u>98.85%</u>	<u>98.75%</u>	<u>100.00%</u>
Prior Year Collection Percentage			<u>98.74%</u>	<u>98.64%</u>	<u>99.99%</u>



GENERAL FUND

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

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

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



CITY OF GASTONIA, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Final Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Current year	\$ 28,683,168	\$ 28,920,831	\$ 237,663	\$ 27,738,735
Prior year	950,000	1,046,158	96,158	1,137,601
Penalties and interest	200,000	153,259	(46,741)	179,117
Total	<u>29,833,168</u>	<u>30,120,248</u>	<u>287,080</u>	<u>29,055,453</u>
Other Taxes and Licenses:				
Local option sales tax	11,005,262	10,798,202	(207,060)	10,115,362
Utility sales tax	4,375,000	4,374,029	(971)	4,810,587
Payments in lieu of taxes	3,527,414	3,549,931	22,517	3,366,991
Utility franchise tax	2,500	1,716	(784)	2,240
Privilege licenses	-	214	214	1,157
Penalties and interest	100	-	(100)	736
Auto tag fee	1,650,000	1,543,091	(106,909)	863,659
Rental vehicle tax	65,000	112,953	47,953	94,897
Total	<u>20,625,276</u>	<u>20,380,136</u>	<u>(245,140)</u>	<u>19,255,629</u>
Unrestricted Intergovernmental Revenues:				
Beer and wine	344,388	334,226	(10,162)	321,943
N.C. Highway Commission	385,000	444,802	59,802	573,910
City of Gastonia ABC Board	400,000	900,000	500,000	660,900
Court costs	15,000	16,901	1,901	13,227
Video franchise tax	503,777	520,320	16,543	516,055
Total	<u>1,648,165</u>	<u>2,216,249</u>	<u>568,084</u>	<u>2,086,035</u>
Restricted Intergovernmental Revenues:				
Powell Bill allocation	2,053,258	2,030,974	(22,284)	2,045,768
Section 104(f) - Federal Grant	256,755	292,954	36,199	387,035
Section 5303 - Federal/State	35,150	24,578	(10,572)	29,605
Federal asset forfeitures	132,542	90,017	(42,525)	112,948
State asset forfeitures	20,000	37,340	17,340	46,851

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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Final Budget	Actual	Variance Over/Under	Actual
State grants	20,000	-	(20,000)	7,394
Miscellaneous Federal and State grants	199,794	153,709	(46,085)	68,905
Gaston County	35,092	34,867	(225)	50,216
US DOJ JAG Grant	58,023	74,144	16,121	-
Federal grants - vest	34,706	42,831	8,125	-
On-behalf payments - firemen	-	56,221	56,221	43,182
Total	<u>2,845,320</u>	<u>2,837,635</u>	<u>(7,685)</u>	<u>2,791,904</u>
Permits	<u>1,048,600</u>	<u>1,287,879</u>	<u>239,279</u>	<u>1,368,815</u>
Sales, Services, and Rents:				
Administration fees	600,000	654,210	54,210	591,260
Airport fees and rents	112,000	125,222	13,222	117,950
Commercial waste disposal fee	40,000	49,497	9,497	50,820
Fire protection charges	100	2,400	2,300	-
Hanson surcharge	25,000	50,238	25,238	53,333
Museum	283,600	345,761	62,161	273,126
Reconnection fees	130,000	121,330	(8,670)	112,645
Recreation	408,600	434,919	26,319	411,380
Recycling fees	-	-	-	179
Reimbursement for services	709,887	649,008	(60,879)	664,640
Rents	194,634	196,204	1,570	187,353
Report copies	3,260	3,892	632	2,620
Sale of property	90,851	147,189	56,338	90,019
Skeet, trap, and pistol/rifle fees	92,000	124,919	32,919	101,013
Total	<u>2,689,932</u>	<u>2,904,789</u>	<u>214,857</u>	<u>2,656,338</u>
Investment Earnings:				
Regular investments	487,484	535,654	48,170	520,583
Federal asset forfeitures	-	3,896	3,896	1,400
State asset forfeitures	-	159	159	295
Block Grant - Fund 76	-	-	-	12
Hanson surcharge	100	1,236	1,136	475
Total	<u>487,584</u>	<u>540,945</u>	<u>53,361</u>	<u>522,765</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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Final Budget	Actual	Variance Over/Under	Actual
Miscellaneous:				
Donations	50,606	51,139	533	5,050
Parking violations	1,500	542	(958)	1,158
Discounts earned	300	520	220	199
Other	261,116	212,735	(48,381)	557,476
Insurance proceeds	-	7,912	7,912	5,205
Total	<u>313,522</u>	<u>272,848</u>	<u>(40,674)</u>	<u>569,088</u>
Total revenues	<u>59,491,567</u>	<u>60,560,729</u>	<u>1,069,162</u>	<u>58,306,027</u>
Expenditures:				
General Government:				
Mayor and Council:				
Salaries and employee benefits	139,777	139,739	38	137,410
Operating expenditures	233,350	193,633	39,717	268,105
Overhead allocated to other funds	<u>(128,693)</u>	<u>(118,814)</u>	<u>(9,879)</u>	<u>(139,476)</u>
Total	<u>244,434</u>	<u>214,558</u>	<u>29,876</u>	<u>266,039</u>
Miscellaneous Grants and Donations:				
Operating expenditures	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
Communications and Marketing:				
Salaries and employee benefits	99,676	99,624	52	96,105
Operating expenditures	26,937	24,046	2,891	24,433
Overhead allocated to other funds	<u>(47,979)</u>	<u>(45,624)</u>	<u>(2,355)</u>	<u>-</u>
Total	<u>78,634</u>	<u>78,046</u>	<u>588</u>	<u>120,538</u>
City Manager:				
Salaries and employee benefits	381,655	378,407	3,248	351,885
Operating expenditures	78,966	76,304	2,662	49,387
Overhead allocated to other funds	<u>(129,396)</u>	<u>(135,180)</u>	<u>5,784</u>	<u>(121,274)</u>
Total	<u>331,225</u>	<u>319,531</u>	<u>11,694</u>	<u>279,998</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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Final Budget	Actual	Variance Over/Under	Actual
Assistant City Manager - Director of Human Resources and Administration:				
Salaries and employee benefits	165,488	164,799	689	95,362
Operating expenditures	16,520	69,289	(52,769)	6,595
Capital outlay	89,762	-	89,762	-
Overhead allocated to other funds	(6,122)	(5,965)	(157)	(3,473)
Total	<u>265,648</u>	<u>228,123</u>	<u>37,525</u>	<u>98,484</u>
Assistant City Manager - Public Infrastructure:				
Salaries and employee benefits	224,019	211,021	12,998	187,250
Operating expenditures	10,997	9,469	1,528	5,629
Overhead allocated to other funds	(153,497)	(188,285)	34,788	(105,396)
Total	<u>81,519</u>	<u>32,205</u>	<u>49,314</u>	<u>87,483</u>
Archives and History:				
Operating expenditures	<u>14</u>	<u>13</u>	<u>1</u>	<u>-</u>
Human Resources:				
Salaries and employee benefits	1,846,562	1,837,600	8,962	1,686,068
Operating expenditures	1,785,074	1,617,755	167,319	1,637,917
Overhead allocated to other funds	(577,134)	(582,915)	5,781	(645,244)
Total	<u>3,054,502</u>	<u>2,872,440</u>	<u>182,062</u>	<u>2,678,741</u>
Admin Apps:				
Operating expenditures	<u>17,327</u>	<u>12,183</u>	<u>5,144</u>	<u>6,467</u>
Communication Division:				
Operating expenditures	<u>-</u>	<u>585</u>	<u>(585)</u>	<u>-</u>
Geographic Information Systems AM/FM:				
Operating expenditures	<u>-</u>	<u>2</u>	<u>(2)</u>	<u>-</u>
Technology - City Equipment:				
Operating expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>13</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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Final Budget	Actual	Variance Over/Under	Actual
Tech Services - 800 Mhz System:				
Operating expenditures	-	56	(56)	-
Total technology services	17,327	12,826	4,501	6,480
Financial Services:				
Accounting Division:				
Salaries and employee benefits	500,480	485,774	14,706	494,491
Operating expenditures	98,109	90,647	7,462	84,622
Overhead allocated to other funds	(200,186)	(183,463)	(16,723)	(142,068)
Total	398,403	392,958	5,445	437,045
Budget Division:				
Salaries and employee benefits	175,870	172,262	3,608	155,446
Operating expenditures	62,756	52,358	10,398	62,777
Overhead allocated to other funds	(140,122)	(130,269)	(9,853)	(58,883)
Total	98,504	94,351	4,153	159,340
Accounts Receivable Division:				
Salaries and employee benefits	378,865	376,510	2,355	361,594
Operating expenditures	275,346	267,429	7,917	272,270
Overhead allocated to other funds	(626,779)	(616,749)	(10,030)	(620,774)
Total	27,432	27,190	242	13,090
Purchasing Division:				
Salaries and employee benefits	212,350	211,772	578	191,397
Operating expenditures	30,449	27,888	2,561	25,909
Overhead allocated to other funds	(117,684)	(114,349)	(3,335)	(69,939)
Total	125,115	125,311	(196)	147,367
Warehouse Division:				
Salaries and employee benefits	110,938	97,706	13,232	103,361
Operating expenditures	59,334	37,750	21,584	29,695
Overhead allocated to other funds	(141,702)	(121,645)	(20,057)	(112,371)
Total	28,570	13,811	14,759	20,685

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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Final Budget	Actual	Variance Over/Under	Actual
Financial Services Administration:				
Salaries and employee benefits	187,418	179,961	7,457	192,059
Operating expenditures	11,021	16,844	(5,823)	12,358
Capital outlay	22,775	14,755	8,020	-
Overhead allocated to other funds	(97,146)	(97,895)	749	(88,083)
Total	<u>124,068</u>	<u>113,665</u>	<u>10,403</u>	<u>116,334</u>
Garage Parts Room:				
Salaries and employee benefits	114,982	113,933	1,049	110,356
Operating expenditures	6,936	1,254	5,682	(18,595)
Overhead allocated to other funds	(34,634)	(33,270)	(1,364)	(27,291)
Total	<u>87,284</u>	<u>81,917</u>	<u>5,367</u>	<u>64,470</u>
Revenue Administration:				
Salaries and employee benefits	210,873	210,240	633	202,039
Operating expenditures	2,544	1,675	869	8,570
Overhead allocated to other funds	(207,025)	(203,739)	(3,286)	(208,839)
Total	<u>6,392</u>	<u>8,176</u>	<u>(1,784)</u>	<u>1,770</u>
Customer Service:				
Salaries and employee benefits	568,675	566,351	2,324	513,097
Operating expenditures	512,408	501,330	11,078	482,886
Overhead allocated to other funds	(778,213)	(780,630)	2,417	(764,848)
Total	<u>302,870</u>	<u>287,051</u>	<u>15,819</u>	<u>231,135</u>
Meter Services:				
Salaries and employee benefits	608,574	597,398	11,176	566,997
Operating expenditures	124,274	114,405	9,869	99,495
Overhead allocated to other funds	(738,324)	(701,714)	(36,610)	(664,622)
Total	<u>(5,476)</u>	<u>10,089</u>	<u>(15,565)</u>	<u>1,870</u>
Total financial services	<u>1,193,162</u>	<u>1,154,519</u>	<u>38,643</u>	<u>1,193,106</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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Final Budget	Actual	Variance Over/Under	Actual
City Attorney:				
Salaries and employee benefits	379,942	370,393	9,549	368,349
Operating expenditures	69,545	49,170	20,375	48,219
Overhead allocated to other funds	(79,506)	(75,479)	(4,027)	(78,702)
Total	369,981	344,084	25,897	337,866
Special Project and Strategic Development:				
Operating expenditures	100,000	92,703	7,297	95,540
Development Services:				
Planning:				
Salaries and employee benefits	557,252	546,097	11,155	516,007
Operating expenditures	61,608	49,751	11,857	44,494
Overhead allocated to other funds	(67,608)	(64,893)	(2,715)	(61,222)
Total	551,252	530,955	20,297	499,279
Zoning:				
Operating expenditures	300	278	22	-
Economic Development:				
Operating expenditures	388,280	336,563	51,717	379,185
Overhead allocated to other funds	(240,386)	(222,132)	(18,254)	(250,262)
Total	147,894	114,431	33,463	128,923
Transportation Planning:				
Salaries and employee benefits	366,670	288,542	78,128	402,198
Operating expenditures	199,080	162,889	36,191	173,944
Total	565,750	451,431	114,319	576,142
Building Services:				
Salaries and employee benefits	843,343	843,939	(596)	703,982
Operating expenditures	506,529	251,040	255,489	272,939
Total	1,349,872	1,094,979	254,893	976,921

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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Final Budget	Actual	Variance Over/Under	Actual
Neighborhoods and Housing:				
Salaries and employee benefits	145,468	145,212	256	129,968
Operating expenditures	83,942	79,522	4,420	79,397
Capital outlay	124	123	1	184,552
Overhead allocated to other funds	(60,307)	(59,881)	(426)	(101,965)
Total	169,227	164,976	4,251	291,952
Keep Gastonia Beautiful:				
Salaries and employee benefits	168,971	167,389	1,582	164,509
Operating expenditures	53,548	52,567	981	16,015
Total	222,519	219,956	2,563	180,524
Land Development:				
Salaries and employee benefits	702,589	688,029	14,560	744,406
Operating expenditures	38,985	30,148	8,837	23,638
Overhead allocated to other funds	(330,526)	(298,231)	(32,295)	(354,812)
Total	411,048	419,946	(8,898)	413,232
Neighborhood and Community Resources:				
Operating expenditures	79	78	1	-
Sister Cities:				
Salaries and employee benefits	29,158	29,044	114	28,061
Operating expenditures	8,650	8,502	148	6,811
Total	37,808	37,546	262	34,872
Community Improvement - Downtown:				
Salaries and employee benefits	114,242	105,315	8,927	103,264
Operating expenditures	7,276	6,766	510	4,399
Overhead allocated to other funds	(21,876)	(21,784)	(92)	(18,944)
Total	99,642	90,297	9,345	88,719
Neighborhood Stabilization Program:				
Operating expenditures	32,004	29,438	2,566	14,900
Total development services	3,587,395	3,154,311	433,084	3,205,464

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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Final Budget	Actual	Variance Over/Under	Actual
Loray Mills:				
Operating expenditures	120,000	107,946	12,054	120,000
Non-Departmental:				
Operating expenditures	43,663	-	43,663	5,013
Total general government	9,492,504	8,611,305	881,199	8,494,752
Public Safety:				
Police Department:				
Administration:				
Salaries and employee benefits	587,256	569,464	17,792	559,856
Operating expenditures	1,450,006	1,433,922	16,084	1,551,104
Total	2,037,262	2,003,386	33,876	2,110,960
Recruiting:				
Operating expenditures	7,000	4,422	2,578	3,317
2014 JAG Grant:				
Operating expenditures	21,349	20,745	604	-
2012 JAG Grant:				
Operating expenditures	20,738	23,280	(2,542)	-
Justice Funds:				
Operating expenditures	455,141	122,943	332,198	-
Treasury Funds:				
Operating expenditures	257,570	-	257,570	34,305
Investigations:				
Salaries and employee benefits	3,157,992	3,088,180	69,812	2,836,955
Operating expenditures	341,810	302,068	39,742	266,776
Total	3,499,802	3,390,248	109,554	3,103,731

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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Final Budget	Actual	Variance Over/Under	Actual
Field Services:				
Salaries and employee benefits	8,262,634	8,254,399	8,235	7,776,153
Operating expenditures	1,043,664	962,444	81,220	916,901
Capital outlay	10,605	6,206	4,399	53,498
Total	<u>9,316,903</u>	<u>9,223,049</u>	<u>93,854</u>	<u>8,746,552</u>
P.A.R.C.:				
Salaries and employee benefits	284,594	271,062	13,532	278,621
Operating expenditures	34,101	29,400	4,701	23,454
Total	<u>318,695</u>	<u>300,462</u>	<u>18,233</u>	<u>302,075</u>
M.I.S.:				
Operating expenditures	<u>6,191</u>	<u>-</u>	<u>6,191</u>	<u>11,154</u>
Support Services:				
Salaries and employee benefits	442,595	416,058	26,537	521,596
Operating expenditures	254,339	193,284	61,055	228,580
Total	<u>696,934</u>	<u>609,342</u>	<u>87,592</u>	<u>750,176</u>
ABC Enforcement:				
Salaries and employee benefits	68,300	65,731	2,569	50,091
Operating expenditures	5,407	5,460	(53)	3,491
Total	<u>73,707</u>	<u>71,191</u>	<u>2,516</u>	<u>53,582</u>
Early Police Retirement:				
Salaries and employee benefits	<u>943,778</u>	<u>929,627</u>	<u>14,151</u>	<u>914,498</u>
Asset Forfeiture:				
Operating expenditures	<u>151,000</u>	<u>137,710</u>	<u>13,290</u>	<u>9,913</u>
Police Memorial Trust:				
Operating expenditures	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>2,000</u>
Special Situations:				
Operating expenditures	34,816	32,868	1,948	26,888
Capital outlay	5,800	5,800	-	-
Total	<u>40,616</u>	<u>38,668</u>	<u>1,948</u>	<u>26,888</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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Final Budget	Actual	Variance Over/Under	Actual
Police Department Grants:				
Operating expenditures	28,268	25,045	3,223	24,703
Police Records Bureau:				
Salaries and employee benefits	574,604	556,301	18,303	532,869
Operating expenditures	9,250	7,372	1,878	8,019
Total	583,854	563,673	20,181	540,888
Total police department	18,460,808	17,463,791	997,017	16,634,742
Fire Department:				
Administration:				
Salaries and employee benefits	406,225	405,472	753	395,850
Operating expenditures	404,163	401,040	3,123	408,502
Total	810,388	806,512	3,876	804,352
Life Safety:				
Salaries and employee benefits	383,054	380,339	2,715	371,711
Operating expenditures	40,233	37,867	2,366	39,864
Total	423,287	418,206	5,081	411,575
Operations:				
Salaries and employee benefits	8,616,890	8,589,290	27,600	8,229,014
Operating expenditures	1,270,284	1,264,859	5,425	1,144,369
Capital outlay	4,760	-	4,760	37,773
Total	9,891,934	9,854,149	37,785	9,411,156
Training:				
Salaries and employee benefits	100,742	93,250	7,492	90,175
Operating expenditures	6,161	4,155	2,006	5,668
Total	106,903	97,405	9,498	95,843
Early Fire Retirement:				
Salaries and employee benefits	612,364	594,585	17,779	528,347

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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Final Budget	Actual	Variance Over/Under	Actual
On-Behalf Payments:				
Operating expenditures	-	56,221	(56,221)	43,182
Total fire department	11,844,876	11,827,078	17,798	11,294,455
Total public safety	30,305,684	29,290,869	1,014,815	27,929,197
Public Works:				
Enterprise Services:				
Refuse Collection:				
Operating expenditures	-	420	(420)	-
Refuse Disposal:				
Operating expenditures	60,000	32,879	27,121	19,328
Garage Inventory:				
Operating expenditures	33,690	37,196	(3,506)	(6,433)
Overhead allocated to other funds	(9,050)	(6,045)	(3,005)	(5,018)
Total	24,640	31,151	(6,511)	(11,451)
Equipment Services:				
Salaries and employee benefits	1,027,980	1,015,318	12,662	979,965
Operating expenditures	198,668	214,397	(15,729)	189,924
Capital outlay	49,294	46,126	3,168	-
Overhead allocated to other funds	(459,836)	(431,595)	(28,241)	(417,039)
Total	816,106	844,246	(28,140)	752,850
Airport Operations:				
Operating expenditures	142,319	143,205	(886)	91,916
Capital outlay	4,761	-	4,761	-
Total	147,080	143,205	3,875	91,916
Total enterprise services	1,047,826	1,051,901	(4,075)	852,643

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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Final Budget	Actual	Variance Over/Under	Actual
Public Works:				
Building and Grounds:				
Salaries and employee benefits	707,315	700,459	6,856	706,423
Operating expenditures	514,563	467,254	47,309	251,889
Overhead allocated to other funds	(81,280)	(69,379)	(11,901)	(112,413)
Total	1,140,598	1,098,334	42,264	845,899
Engineering:				
Salaries and employee benefits	1,181,522	1,178,443	3,079	1,000,092
Operating expenditures	197,717	185,249	12,468	174,040
Overhead allocated to other funds	(730,504)	(771,042)	40,538	(649,860)
Total	648,735	592,650	56,085	524,272
Traffic Services:				
Salaries and employee benefits	492,866	483,006	9,860	457,772
Operating expenditures	163,954	154,174	9,780	145,792
Capital outlay	7,211	7,210	1	-
Total	664,031	644,390	19,641	603,564
Street Department:				
Supervision				
Salaries and employee benefits	243,350	242,791	559	236,124
Operating expenditures	122,114	114,838	7,276	26,828
Overhead allocated to other funds	(225,577)	(215,833)	(9,744)	(159,749)
Total	139,887	141,796	(1,909)	103,203
Powell Bill Street Funds:				
Salaries and employee benefits	1,252,628	1,133,914	118,714	1,187,496
Operating expenditures	1,028,900	877,079	151,821	932,597
Capital outlay	420	420	-	13,600
Overhead allocated to other funds	(122,619)	(102,788)	(19,831)	(110,180)
Total	2,159,329	1,908,625	250,704	2,023,513

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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Final Budget	Actual	Variance Over/Under	Actual
Landscape:				
Salaries and employee benefits	290,632	273,493	17,139	283,294
Operating expenditures	44,350	37,228	7,122	37,220
Overhead allocated to other funds	(142,445)	(126,375)	(16,070)	(20,998)
Total	192,537	184,346	8,191	299,516
Cemeteries:				
Salaries and employee benefits	171,854	167,609	4,245	145,699
Operating expenditures	50,036	39,314	10,722	36,782
Total	221,890	206,923	14,967	182,481
Total public works	6,214,833	5,828,965	385,868	5,435,091
Cultural and Recreational:				
Recreational:				
Operation Playground Pride:				
Operating expenditures	4,900	-	4,900	-
Administration:				
Salaries and employee benefits	222,219	219,746	2,473	158,289
Operating expenditures	110,021	104,085	5,936	82,475
Total	332,240	323,831	8,409	240,764
Athletics and Special Facilities:				
Salaries and employee benefits	459,452	456,666	2,786	434,440
Operating expenditures	464,352	458,379	5,973	539,118
Total	923,804	915,045	8,759	973,558
Roland E. Bradley Community Center:				
Salaries and employee benefits	171,427	160,918	10,509	164,505
Operating expenditures	31,578	28,379	3,199	27,891
Capital outlay	34,450	-	34,450	-
Total	237,455	189,297	48,158	192,396

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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Final Budget	Actual	Variance Over/Under	Actual
Erwin Community Center:				
Salaries and employee benefits	186,853	185,243	1,610	182,853
Operating expenditures	118,291	111,741	6,550	92,088
Capital outlay	75,000	-	75,000	-
Total	380,144	296,984	83,160	274,941
Martha Rivers Park:				
Salaries and employee benefits	245,056	229,514	15,542	259,035
Operating expenditures	74,057	68,776	5,281	60,594
Total	319,113	298,290	20,823	319,629
Phillips Community Center:				
Salaries and employee benefits	164,452	161,598	2,854	152,072
Operating expenditures	49,313	46,375	2,938	35,799
Total	213,765	207,973	5,792	187,871
Jeffers Community Center:				
Salaries and employee benefits	168,118	167,125	993	159,671
Operating expenditures	25,214	22,268	2,946	24,735
Total	193,332	189,393	3,939	184,406
Maintenance and Development:				
Salaries and employee benefits	435,176	431,391	3,785	398,351
Operating expenditures	113,067	106,920	6,147	102,107
Total	548,243	538,311	9,932	500,458
Golf Course:				
Operating expenditures	1,500	72	1,428	318
Adult Recreation Center:				
Salaries and employee benefits	184,180	177,941	6,239	158,491
Operating expenditures	99,884	85,106	14,778	59,374
Total	284,064	263,047	21,017	217,865

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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Final Budget	Actual	Variance Over/Under	Actual
Sims Park:				
Operating expenditures	20,813	19,499	1,314	35,482
Capital outlay	-	-	-	72,633
Total	20,813	19,499	1,314	108,115
Southeast Community Center:				
Operating expenditures	1,500	1,339	161	1,318
Skeet/Trap Range:				
Salaries and employee benefits	42,480	41,477	1,003	39,196
Operating expenditures	70,072	66,419	3,653	69,265
Capital outlay	7,395	7,395	-	-
Total	119,947	115,291	4,656	108,461
Lineberger Park:				
Salaries and employee benefits	13,015	10,244	2,771	11,196
Operating expenditures	8,650	7,239	1,411	9,029
Total	21,665	17,483	4,182	20,225
Rankin Lake:				
Salaries and employee benefits	123,900	114,345	9,555	122,780
Operating expenditures	25,770	21,426	4,344	17,737
Total	149,670	135,771	13,899	140,517
Greenways:				
Operating expenditures	11,324	10,684	640	8,976
Recreation Grants:				
Operating expenditures	7,908	420	7,488	1,578
Total recreational	3,771,387	3,522,730	248,657	3,481,396
Museum:				
Collections/Research:				
Salaries and employee benefits	141,097	140,739	358	136,118
Operating expenditures	10,650	10,028	622	10,528
Total	151,747	150,767	980	146,646

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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Final Budget	Actual	Variance Over/Under	Actual
Education:				
Salaries and employee benefits	392,935	374,930	18,005	397,942
Operating expenditures	54,955	54,521	434	53,822
Total	447,890	429,451	18,439	451,764
Exhibits:				
Salaries and employee benefits	169,262	159,784	9,478	166,585
Operating expenditures	34,809	34,540	269	32,038
Total	204,071	194,324	9,747	198,623
Administration:				
Salaries and employee benefits	331,151	327,947	3,204	319,606
Operating expenditures	279,962	373,559	(93,597)	309,225
Total	611,113	701,506	(90,393)	628,831
Operations:				
Salaries and employee benefits	206,135	200,775	5,360	188,486
Operating expenditures	144,401	141,905	2,496	98,046
Total	350,536	342,680	7,856	286,532
Programs:				
Salaries and employee benefits	94,692	92,639	2,053	90,460
Operating expenditures	7,195	7,098	97	4,932
Total	101,887	99,737	2,150	95,392
Special Projects:				
Operating expenditures	3,600	3,323	277	4,317
Total museum	1,870,844	1,921,788	(50,944)	1,812,105
Webb Theatre - Nicks:				
Operating expenditures	229,612	-	229,612	134
Conference Center:				
Operating expenditures	391,592	100,757	290,835	173,566
Total cultural and recreational	6,263,435	5,545,275	718,160	5,467,201

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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Final Budget	Actual	Variance Over/Under	Actual
Debt Service:				
Principal	3,969,668	3,969,667	1	4,489,668
Interest	1,797,778	1,797,077	701	1,942,093
Service charges	15,304	4,400	10,904	4,956
Total	<u>5,782,750</u>	<u>5,771,144</u>	<u>11,606</u>	<u>6,436,717</u>
 Total expenditures	<u>58,059,206</u>	<u>55,047,558</u>	<u>3,011,648</u>	<u>53,762,958</u>
 Revenues over (under) expenditures	<u>1,432,361</u>	<u>5,513,171</u>	<u>4,080,810</u>	<u>4,543,069</u>
 Other Financing Sources (Uses):				
Transfers from other funds:				
Water and Sewer Fund	11,667	11,667	-	-
Electric Fund	2,011,667	2,011,667	-	2,000,000
Special revenue funds	50,000	50,000	-	69,000
Capital project funds	-	-	-	1,300,000
Transfers to other funds:				
Electric Fund	(380,000)	-	380,000	(380,000)
Transit Fund	(575,070)	(575,070)	-	(686,069)
Solid Waste	(3,017,189)	(3,017,189)	-	(3,476,769)
Internal service funds	-	-	-	(932,509)
Special revenue funds	-	-	-	(305,636)
Capital project funds	(5,714,965)	(5,714,965)	-	(786,667)
Budgetary amounts:				
Appropriated fund balance	<u>6,181,529</u>	<u>-</u>	<u>(6,181,529)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,432,361)</u>	<u>(7,233,890)</u>	<u>(5,801,529)</u>	<u>(3,198,650)</u>
 Net change in fund balance	<u>\$ -</u>	<u>(1,720,719)</u>	<u>\$ (1,720,719)</u>	<u>1,344,419</u>
 Fund Balance:				
Beginning of year - July 1		29,548,756		28,103,665
Increase (decrease) in inventories and property/ land acquired redevelopment/rehabilitation		<u>(100,397)</u>		<u>100,672</u>
 End of year - June 30		<u>\$ 27,727,640</u>		<u>\$ 29,548,756</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, 2017

	Community Development Block Grant				
	Program Fund	Affordable Housing Fund	Rehabilitation Fund	Home Investment Trust Fund	108 Loan/Revitalization
Assets:					
Cash, cash equivalents, and investments	\$ -	\$ 65,378	\$ 1,014	\$ -	\$ -
Taxes receivable, net	-	-	-	-	-
Accounts receivable, net	45,321	40,315	-	51,986	-
Due from other governments	-	-	-	-	-
Long term receivable	54,316	363,921	-	275,750	19,630
Property acquired for rehabilitation and resale	549,452	-	39,779	462,030	-
Total assets	<u>\$ 649,089</u>	<u>\$ 469,614</u>	<u>\$ 40,793</u>	<u>\$ 789,766</u>	<u>\$ 19,630</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 20,785	\$ -	\$ -	\$ 10,225	\$ -
Due to General Fund	311,949	-	-	166,820	19,630
Deferred revenues	6,800	-	-	-	-
Total liabilities	<u>332,734</u>	<u>-</u>	<u>-</u>	<u>177,045</u>	<u>19,630</u>
Deferred Inflows of Resources:					
Property taxes receivable	-	-	-	-	-
Unavailable revenue	6,800	-	-	-	-
Total deferred inflows of resources	<u>6,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted:					
Stabilization by State statute	131,522	404,236	-	357,796	19,630
Restricted, all other	-	65,378	1,014	-	-
Assigned	549,452	-	39,779	462,030	-
Unassigned	(371,419)	-	-	(207,105)	(19,630)
Total fund balances	<u>309,555</u>	<u>469,614</u>	<u>40,793</u>	<u>612,721</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 649,089</u>	<u>\$ 469,614</u>	<u>\$ 40,793</u>	<u>\$ 789,766</u>	<u>\$ 19,630</u>

CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017

	CDBG (continued)					
	108 Loan/ Economic	Economic Development	Occupancy Tax Fund	Uptown Municipal Tax District	Economic Grants Fund	Total
Assets:						
Cash, cash equivalents, and investments	\$ -	\$ 16	\$ 59,664	\$ 49,746	\$ 115,804	\$ 291,622
Taxes receivable, net	-	-	-	12,317	-	12,317
Accounts receivable, net	-	-	-	14	-	137,636
Due from other governments	-	-	56,803	-	-	56,803
Long term receivable	-	-	-	-	1,536,382	2,249,999
Property acquired for rehabilitation and resale	193,464	-	-	-	-	1,244,725
Total assets	<u>\$ 193,464</u>	<u>\$ 16</u>	<u>\$ 116,467</u>	<u>\$ 62,077</u>	<u>\$ 1,652,186</u>	<u>\$ 3,993,102</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:						
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 115,019	\$ 1,493	\$ 2,594	\$ 150,116
Due to General Fund	22,522	-	-	-	-	520,921
Deferred revenues	-	-	-	12,317	-	19,117
Total liabilities	<u>22,522</u>	<u>-</u>	<u>115,019</u>	<u>1,493</u>	<u>2,594</u>	<u>671,037</u>
Deferred Inflows of Resources:						
Property taxes receivable	-	-	-	12,317	-	12,317
Unavailable revenue	-	-	-	-	-	6,800
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,317</u>	<u>-</u>	<u>19,117</u>
Fund Balances:						
Restricted:						
Stabilization by State statute	-	-	56,803	7,499	1,536,382	2,513,868
Restricted, all other	-	16	-	40,768	113,210	220,386
Assigned	193,464	-	-	-	-	1,244,725
Unassigned	(22,522)	-	(55,355)	-	-	(676,031)
Total fund balances	<u>170,942</u>	<u>16</u>	<u>1,448</u>	<u>48,267</u>	<u>1,649,592</u>	<u>3,302,948</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 193,464</u>	<u>\$ 16</u>	<u>\$ 116,467</u>	<u>\$ 62,077</u>	<u>\$ 1,652,186</u>	<u>\$ 3,993,102</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, 2017

	Community Development Block Grant			
	Program Fund	Affordable Housing Fund	Rehabilitation Fund	Home Investment Trust Fund
Revenues:				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	-	-	-	-
Restricted intergovernmental	981,145	-	-	590,282
Sales and services	143,527	3,523	-	340,677
Investment earnings	-	68	6	-
Miscellaneous	363	-	-	149
Total revenues	<u>1,125,035</u>	<u>3,591</u>	<u>6</u>	<u>931,108</u>
Expenditures:				
Economic and physical development	1,056,515	-	-	788,836
Debt service:				
Interest	-	19,859	-	-
Total expenditures	<u>1,056,515</u>	<u>19,859</u>	<u>-</u>	<u>788,836</u>
Revenues over (under) expenditures	68,520	(16,268)	6	142,272
Other Financing Sources (Uses):				
Transfers (to) other funds	(120,000)	-	-	-
Net change in fund balances	<u>(51,480)</u>	<u>(16,268)</u>	<u>6</u>	<u>142,272</u>
Fund Balances:				
Beginning of year - July 1	467,750	505,693	40,787	647,028
Prior period adjustment	-	(19,811)	-	(111,513)
Beginning of year - July 1, as restated	467,750	485,882	40,787	535,515
Increase (decrease) in inventories and property/ land acquired redevelopment/rehabilitation	(106,715)	-	-	(65,066)
End of year - June 30	<u>\$ 309,555</u>	<u>\$ 469,614</u>	<u>\$ 40,793</u>	<u>\$ 612,721</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, 2017

	<u>CDBG (continued)</u>					
	<u>108 Loan/ Economic</u>	<u>Economic Development</u>	<u>Occupancy Tax Fund</u>	<u>Uptown Municipal Tax District</u>	<u>Economic Stimulus Grants Fund</u>	<u>Total</u>
Revenues:						
Ad valorem taxes	\$ -	\$ -	\$ -	\$ 129,882	\$ -	\$ 129,882
Other taxes and licenses	-	-	654,002	-	-	654,002
Restricted intergovernmental	-	-	-	-	62,200	1,633,627
Sales and services	-	-	-	-	-	487,727
Investment earnings	-	-	-	393	511	978
Miscellaneous	-	-	-	2,862	2,895	6,269
Total revenues	-	-	654,002	133,137	65,606	2,912,485
Expenditures:						
Economic and physical development	-	-	654,002	82,671	61,264	2,643,288
Debt service:						
Interest	-	-	-	-	-	19,859
Total expenditures	-	-	654,002	82,671	61,264	2,663,147
Revenues over (under) expenditures	-	-	-	50,466	4,342	249,338
Other Financing Sources (Uses):						
Transfers (to) other funds	-	-	-	(50,000)	-	(170,000)
Net change in fund balances	-	-	-	466	4,342	79,338
Fund Balances:						
Beginning of year - July 1	170,942	16	1,448	47,801	395,550	2,277,015
Prior period adjustment	-	-	-	-	1,249,700	1,118,376
Beginning of year - July 1, as restated	170,942	16	1,448	47,801	1,645,250	3,395,391
Increase (decrease) in inventories and property/ land acquired redevelopment/rehabilitation	-	-	-	-	-	(171,781)
End of year - June 30	<u>\$ 170,942</u>	<u>\$ 16</u>	<u>\$ 1,448</u>	<u>\$ 48,267</u>	<u>\$ 1,649,592</u>	<u>\$ 3,302,948</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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental revenues	\$ 1,534,643	\$ 981,145	\$ (553,498)
Sales and services	195,924	153,476	(42,448)
Miscellaneous	32,433	363	(32,070)
Total revenues	<u>1,763,000</u>	<u>1,134,984</u>	<u>(628,016)</u>
Expenditures:			
Economic and physical development:			
Administration	34,541	131,906	(97,365)
Housing rehabilitation	1,721,520	917,178	804,342
Fair housing	9,218	7,431	1,787
Total expenditures	<u>1,765,279</u>	<u>1,056,515</u>	<u>708,764</u>
Revenues over (under) expenditures	<u>(2,279)</u>	<u>78,469</u>	<u>80,748</u>
Other Financing Sources (Uses):			
Transfers to other funds	(120,000)	(120,000)	-
Appropriated fund balance	122,279	-	(122,279)
Total other financing sources (uses)	<u>2,279</u>	<u>(120,000)</u>	<u>(122,279)</u>
Net change in fund balance	<u>\$ -</u>	<u>(41,531)</u>	<u>\$ (41,531)</u>
Reconciliation from Budgetary Basis to Modified Accrual Basis:			
Current year loan repayments		<u>(9,949)</u>	
Net change in fund balance - modified accrual basis		(51,480)	
Fund Balance:			
Beginning of year - July 1		<u>467,750</u>	
Increase (decrease) in inventories and property/land acquired for redevelopment/rehabilitation		<u>(106,715)</u>	
End of year - June 30		<u>\$ 309,555</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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Sales and services	\$ 16,680	\$ 16,680	\$ -
Investment earnings	-	68	68
Total revenues	<u>16,680</u>	<u>16,748</u>	<u>68</u>
Expenditures:			
Economic and physical development:			
Affordable housing	50,204	-	50,204
Debt service:			
Interest	<u>49,157</u>	<u>19,859</u>	<u>29,298</u>
Total expenditures	<u>99,361</u>	<u>19,859</u>	<u>79,502</u>
Revenues over (under) expenditures	(82,681)	(3,111)	79,570
Other Financing Sources (Uses):			
Appropriated fund balance	<u>82,681</u>	<u>-</u>	<u>(82,681)</u>
Net change in fund balance	<u>\$ -</u>	(3,111)	<u>\$ (3,111)</u>
Reconciliation from Budgetary Basis to Modified Accrual Basis:			
Current year loan repayments		<u>(13,157)</u>	
Net change in fund balance - modified accrual basis		<u>(16,268)</u>	
Fund Balance:			
Beginning of year - July 1		505,693	
Prior period adjustment		<u>(19,811)</u>	
Beginning of year - July 1, as restated		<u>485,882</u>	
End of year - June 30		<u>\$ 469,614</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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ -	\$ 6	\$ 6
Net change in fund balance	\$ -	6	\$ 6
Fund Balance:			
Beginning of year - July 1		40,787	
End of year - June 30		<u>\$ 40,793</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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental revenues	\$ 1,491,523	\$ 590,282	\$ (901,241)
Sales and services	240,680	365,980	125,300
Miscellaneous	4,000	149	(3,851)
Total revenues	<u>1,736,203</u>	<u>956,411</u>	<u>(779,792)</u>
Expenditures:			
Economic and physical development:			
Home program	<u>1,763,566</u>	<u>788,836</u>	<u>974,730</u>
Revenues over (under) expenditures	(27,363)	167,575	194,938
Other Financing Sources (Uses):			
Appropriated fund balance	<u>27,363</u>	<u>-</u>	<u>(27,363)</u>
Net change in fund balance	<u>\$ -</u>	<u>167,575</u>	<u>\$ 167,575</u>
Reconciliation from Budgetary Basis to Modified Accrual Basis:			
Current year loan repayments		<u>(25,303)</u>	
Net change in fund balance - modified accrual basis		<u>142,272</u>	
Fund Balance:			
Beginning of year - July 1		647,028	
Prior period adjustment		<u>(111,513)</u>	
Beginning of year - July 1, as restated		535,515	
Increase (decrease) in inventories and property/land acquired for redevelopment/rehabilitation		<u>(65,066)</u>	
End of year - June 30		<u>\$ 612,721</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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Sales and services	\$ -	\$ 370	\$ 370
Reconciliation from Budgetary Basis to Modified Accrual Basis:			
Current year loan repayments		(370)	
Net change in fund balance - modified accrual basis		-	
Fund Balance:			
Beginning of year - July 1		-	
End of year - June 30		\$ -	

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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Fund Balance:			
Beginning of year - July 1		\$ 170,942	
End of year - June 30		\$ 170,942	

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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Fund Balance:			
Beginning of year - July 1		\$ 16	
End of year - June 30		\$ 16	

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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Other taxes and licenses	\$ <u>675,000</u>	\$ <u>654,002</u>	\$ <u>(20,998)</u>
Expenditures:			
Economic and physical development:			
Gastonia Tourism Development Authority	<u>675,000</u>	<u>654,002</u>	<u>20,998</u>
Net change in fund balance	\$ <u>-</u>	-	\$ <u>-</u>
Fund Balance:			
Beginning of year - July 1		<u>1,448</u>	
End of year - June 30		<u>\$ 1,448</u>	

CITY OF GASTONIA, NORTH CAROLINA

UPTOWN MUNICIPAL TAX DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad valorem taxes	\$ 126,740	\$ 129,882	\$ 3,142
Investment earnings	170	393	223
Miscellaneous	<u>1,760</u>	<u>2,862</u>	<u>1,102</u>
Total revenues	<u>128,670</u>	<u>133,137</u>	<u>4,467</u>
Expenditures:			
Economic and physical development:			
Community improvement downtown	<u>125,670</u>	<u>82,671</u>	<u>42,999</u>
Revenues over (under) expenditures	<u>3,000</u>	<u>50,466</u>	<u>47,466</u>
Other Financing Sources (Uses):			
Transfers to other funds	(50,000)	(50,000)	-
Appropriated fund balance	<u>47,000</u>	<u>-</u>	<u>(47,000)</u>
Total other financing sources (uses)	<u>(3,000)</u>	<u>(50,000)</u>	<u>(47,000)</u>
Net change in fund balance	<u>\$ -</u>	466	<u>\$ 466</u>
Fund Balance:			
Beginning of year - July 1		<u>47,801</u>	
End of year - June 30		<u>\$ 48,267</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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental revenues	\$ 134,000	\$ 62,200	\$ (71,800)
Investment earnings	-	511	511
Miscellaneous	5,182	6,659	1,477
Total revenues	<u>139,182</u>	<u>69,370</u>	<u>(69,812)</u>
Expenditures:			
Economic and physical development:			
Neighborhood Stabilization Grant	173,946	61,264	112,682
Neighborhood Stabilization Project 3	10,364	-	10,364
Total expenditures	<u>184,310</u>	<u>61,264</u>	<u>123,046</u>
Revenues over (under) expenditures	(45,128)	8,106	53,234
Other Financing Sources (Uses):			
Appropriated fund balance	<u>45,128</u>	<u>-</u>	<u>(45,128)</u>
Net change in fund balance	<u>\$ -</u>	<u>8,106</u>	<u>\$ 8,106</u>
Reconciliation from Budgetary Basis to Modified Accrual Basis:			
Current year loan repayments		<u>(3,764)</u>	
Net change in fund balance - modified accrual basis		<u>4,342</u>	
Fund Balance:			
Beginning of year - July 1		395,550	
Prior period adjustment		<u>1,249,700</u>	
Beginning of year - July 1, as restated		<u>1,645,250</u>	
End of year - June 30		<u>\$ 1,649,592</u>	



CAPITAL PROJECTS FUNDS

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

Mayor / Council Fund

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

Streets Fund

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

Developer Sidewalk Fund

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

Airport Fund

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

Downtown Revitalization Fund

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

CAPITAL PROJECTS FUNDS (cont)

Infrastructure Rehabilitation Fund

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

CITY OF GASTONIA, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND - STREETS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental revenues	\$ 4,607,839	\$ (163,740)	\$ (4,771,579)
Miscellaneous revenues	-	144	144
Total revenues	<u>4,607,839</u>	<u>(163,596)</u>	<u>(4,771,435)</u>
Expenditures:			
Capital outlay:			
Joint Venture - Street Improvements	25,820	25,820	-
Walgreens at Cox Road	157,828	157,828	-
Miscellaneous Sidewalk Construction	319,724	308,561	11,163
Aquatic Center	350,000	-	350,000
Speed humps	45,802	-	45,802
West Davidson Bridge Replacement	6,200	-	6,200
General Obligation Bonds Road Widening	17,633,901	10,596,087	7,037,814
General Obligation Bonds Sidewalks	1,314,104	30,142	1,283,962
2010 GO Bonds - links and sidewalks	<u>29,890</u>	<u>23,198</u>	<u>6,692</u>
Total expenditures	<u>19,883,269</u>	<u>11,141,636</u>	<u>8,741,633</u>
Revenues over (under) expenditures	<u>(15,275,430)</u>	<u>(11,305,232)</u>	<u>3,970,198</u>
Other Financing Sources (Uses):			
Transfers from other funds	77,324	77,324	-
Appropriated fund balance	<u>15,198,106</u>	<u>-</u>	<u>(15,198,106)</u>
Total other financing sources (uses)	<u>15,275,430</u>	<u>77,324</u>	<u>(15,198,106)</u>
Net change in fund balance	<u>\$ -</u>	<u>(11,227,908)</u>	<u>\$ (11,227,908)</u>
Fund Balance:			
Beginning of year - July 1		<u>15,211,916</u>	
End of year - June 30		<u>\$ 3,984,008</u>	

CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017

	Mayor/Council Fund	Developer Sidewalk Fund	Airport Fund
Assets:			
Cash and cash equivalents	\$ 2,286,676	\$ 10,161	\$ 144,945
Cash and cash equivalents, restricted	947,187	-	-
Accounts receivable	116,515	-	-
Total assets	<u>\$ 3,350,378</u>	<u>\$ 10,161</u>	<u>\$ 144,945</u>
Liabilities, Deferred Inflows of Resources, Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	<u>\$ 243,024</u>	<u>\$ -</u>	<u>\$ 2,796</u>
Fund Balances:			
Restricted:			
Stabilization by State statute	869,533	-	-
Restricted, all other	947,187	-	-
Assigned	<u>1,290,634</u>	<u>10,161</u>	<u>142,149</u>
Total fund balances	<u>3,107,354</u>	<u>10,161</u>	<u>142,149</u>
Total liabilities and fund balances	<u>\$ 3,350,378</u>	<u>\$ 10,161</u>	<u>\$ 144,945</u>

CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017

	Downtown Revitalization Fund	Infrastructure Rehabilitation Fund	Total
Assets:			
Cash and cash equivalents	\$ 8,067	\$ 1,079,452	\$ 3,529,301
Cash and cash equivalents, restricted	-	-	947,187
Accounts receivable	275	2,283	119,073
Total assets	<u>\$ 8,342</u>	<u>\$ 1,081,735</u>	<u>\$ 4,595,561</u>
Liabilities, Deferred Inflows of Resources, Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	<u>\$ -</u>	<u>\$ 42</u>	<u>\$ 245,862</u>
Fund Balances:			
Restricted:			
Stabilization by State statute	275	23,683	893,491
Restricted, all other	8,067	-	955,254
Assigned	<u>-</u>	<u>1,058,010</u>	<u>2,500,954</u>
Total fund balances	<u>8,342</u>	<u>1,081,693</u>	<u>4,349,699</u>
Total liabilities and fund balances	<u>\$ 8,342</u>	<u>\$ 1,081,735</u>	<u>\$ 4,595,561</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, 2017**

	Mayor/Council Fund	Developer Sidewalk Fund	Airport Fund
Revenues:			
Restricted intergovernmental revenues	\$ 483,623	\$ -	\$ 54,893
Investment earnings	15,310	132	639
Miscellaneous revenues	51,223	-	-
Total revenues	<u>550,156</u>	<u>132</u>	<u>55,532</u>
Expenditures:			
Capital outlay	<u>4,786,434</u>	<u>-</u>	<u>4,016</u>
Revenues over (under) expenditures	<u>(4,236,278)</u>	<u>132</u>	<u>51,516</u>
Other Financing Sources (Uses)			
Transfers to other funds	-	(57,324)	-
Transfers from other funds	5,903,298	-	16,667
Total other financing sources (uses)	<u>5,903,298</u>	<u>(57,324)</u>	<u>16,667</u>
Net change in fund balances	1,667,020	(57,192)	68,183
Fund Balances:			
Beginning of year - July 1	<u>1,440,334</u>	<u>67,353</u>	<u>73,966</u>
End of year - June 30	<u>\$ 3,107,354</u>	<u>\$ 10,161</u>	<u>\$ 142,149</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, 2017

	Downtown Revitalization Fund	Infrastructure Rehabilitation Fund	Total
Revenues:			
Restricted intergovernmental revenues	\$ -	\$ -	\$ 538,516
Investment earnings	46	5,688	21,815
Miscellaneous revenues	-	257,107	308,330
Total revenues	<u>46</u>	<u>262,795</u>	<u>868,661</u>
Expenditures:			
Capital outlay	-	49,318	4,839,768
Revenues over (under) expenditures	<u>46</u>	<u>213,477</u>	<u>(3,971,107)</u>
Other Financing Sources (Uses)			
Transfers to other funds	-	-	(57,324)
Transfers from other funds	-	-	5,919,965
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>5,862,641</u>
Net change in fund balances	46	213,477	1,891,534
Fund Balances:			
Beginning of year - July 1	<u>8,296</u>	<u>868,216</u>	<u>2,458,165</u>
End of year - June 30	<u>\$ 8,342</u>	<u>\$ 1,081,693</u>	<u>\$ 4,349,699</u>

CITY OF GASTONIA, NORTH CAROLINA

CAPITAL PROJECT FUND - MAYOR / COUNCIL
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
Revenues:			
Restricted intergovernmental revenue	\$ 2,740,702	\$ 483,623	\$ (2,257,079)
Sales and services	28,225	28,953	728
Investment earnings	-	15,310	15,310
Miscellaneous revenues	59,000	22,270	(36,730)
Total revenues	<u>2,827,927</u>	<u>550,156</u>	<u>(2,277,771)</u>
Expenditures:			
Capital outlay:			
Mayor's Youth Council	300	-	300
Financial services - accounting	119,538	7,600	111,938
F.S. Equipment Services	383,240	49,187	334,053
Transportation planning	1,888,938	32,063	1,856,875
Public Works - Powell Bill	1,683,476	1,483,215	200,261
Keep Gastonia Beautiful	2,819	-	2,819
Downtown Sports & Entertainment Complex	4,177,981	2,532,529	1,645,452
Marth Rivers Park	6,019	-	6,019
2010 LOBs - recreation projects	11,987	-	11,987
Farmer's Market	92,000	83,134	8,866
Greenways	766,761	112,807	653,954
Gastonia Optimist Club Park	33,719	-	33,719
Miscellaneous Park Projects	661,746	394,357	267,389
Capital Project Reserve	84,116	-	84,116
Smyre Community Park	94,340	91,542	2,798
Total expenditures	<u>10,006,980</u>	<u>4,786,434</u>	<u>5,220,546</u>
Revenues over (under) expenditures	<u>(7,179,053)</u>	<u>(4,236,278)</u>	<u>2,942,775</u>
Other Financing Sources (Uses):			
Transfers from other funds	5,903,298	5,903,298	-
Appropriated fund balance	1,275,755	-	(1,275,755)
Total other financing sources (uses)	<u>7,179,053</u>	<u>5,903,298</u>	<u>(1,275,755)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,667,020</u>	<u>\$ 1,667,020</u>
Fund Balance:			
Beginning of year - July 1		<u>1,440,334</u>	
End of year - June 30		<u>\$ 3,107,354</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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ -	\$ 132	\$ 132
Expenditures:			
Redbud-Eckerds	5,876	-	5,876
Revenues over (under) expenditures	(5,876)	132	6,008
Other Financing Sources (Uses):			
Transfers to other funds	(57,324)	(57,324)	-
Appropriated fund balance	63,200	-	(63,200)
Total other financing sources (uses)	5,876	(57,324)	(63,200)
Net change in fund balance	\$ -	(57,192)	\$ (57,192)
Fund Balance:			
Beginning of year - July 1		67,353	
End of year - June 30		\$ 10,161	

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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental revenues	\$ 1,030,610	\$ 54,893	\$ (975,717)
Investment earnings	-	639	639
Total revenues	<u>1,030,610</u>	<u>55,532</u>	<u>(975,078)</u>
Expenditures:			
Airport operations/non-routine	<u>1,119,574</u>	<u>4,016</u>	<u>1,115,558</u>
Revenues over (under) expenditures	<u>(88,964)</u>	<u>51,516</u>	<u>140,480</u>
Other Financing Sources (Uses):			
Transfers from other funds	16,667	16,667	-
Appropriated fund balance	<u>72,297</u>	<u>-</u>	<u>(72,297)</u>
Total other financing sources (uses)	<u>88,964</u>	<u>16,667</u>	<u>(72,297)</u>
Net change in fund balance	<u>\$ -</u>	<u>68,183</u>	<u>\$ 68,183</u>
Fund Balance:			
Beginning of year - July 1		<u>73,966</u>	
End of year - June 30		<u>\$ 142,149</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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ -	\$ 46	\$ 46
Net change in fund balance	<u>\$ -</u>	46	<u>\$ 46</u>
Fund Balance:			
Beginning of year - July 1		<u>8,296</u>	
End of year - June 30		<u>\$ 8,342</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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ 200	\$ 5,688	\$ 5,488
Miscellaneous	207,059	257,107	50,048
Total revenues	<u>207,259</u>	<u>262,795</u>	<u>55,536</u>
Expenditures:			
Economic and physical development:	61,506	39,849	21,657
Administration	119,858	9,469	110,389
Capital project reserve	518,978	-	518,978
General Obligation Bonds properties	<u>112,127</u>	<u>-</u>	<u>112,127</u>
Total expenditures	<u>812,469</u>	<u>49,318</u>	<u>763,151</u>
Revenues over (under) expenditures	(605,210)	213,477	818,687
Other Financing Sources (Uses):			
Appropriated fund balance	<u>605,210</u>	<u>-</u>	<u>(605,210)</u>
Net change in fund balance	<u>\$ -</u>	213,477	<u>\$ 213,477</u>
Fund Balance:			
Beginning of year - July 1		<u>868,216</u>	
End of year - June 30		<u>\$ 1,081,693</u>	

ENTERPRISE FUNDS

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

Water and Sewer Fund

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

Electric Fund

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

Stormwater Fund

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

Transit System Fund

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

Municipal Golf Course Fund

The Municipal Golf Course Fund includes the accounts of the Golf Course operations.

Solid Waste Fund

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



CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF NET POSITION

JUNE 30, 2017

	Transit System Fund	Municipal Golf Course Fund	Solid Waste Fund	Total
Assets:				
Current assets:				
Cash, cash equivalents, and investments	\$ 103,888	\$ 1,969	\$ 759,249	\$ 865,106
Accounts receivable, net	-	-	335,524	335,524
Inventory	-	10,999	-	10,999
Due from other governments	495,187	-	-	495,187
Total current assets	599,075	12,968	1,094,773	1,706,816
Non-current assets:				
Depreciable capital assets, net	728,274	443,260	296,458	1,467,992
Non-depreciable capital assets	290,786	67,992	-	358,778
Total capital assets	1,019,060	511,252	296,458	1,826,770
Total assets	1,618,135	524,220	1,391,231	3,533,586
Deferred Outflows of Resources:				
Contributions to pension plan in current fiscal year	65,373	-	-	65,373
Pension deferrals	188,373	-	-	188,373
Total deferred outflows	253,746	-	-	253,746
Liabilities, Deferred Inflows of Resources, and Net Position:				
Liabilities:				
Current liabilities:				
Accounts payable	58,283	-	149,338	207,621
Accrued salaries and benefits	21,981	-	34,929	56,910
Compensated absences	42,816	-	96,356	139,172
Total current liabilities	123,080	-	280,623	403,703
Non-current liabilities:				
Compensated absences, non-current	14,272	-	-	14,272
Net Pension liability	294,262	-	-	294,262
Other post-employment benefits obligation, non-current	426,710	-	-	426,710
Total non-current liabilities	735,244	-	-	735,244
Total liabilities	858,324	-	280,623	1,138,947
Deferred Inflows of Resources:				
Pension deferrals	15,640	-	-	15,640
Net Position:				
Net investment in capital assets	1,019,060	511,252	296,458	1,826,770
Unrestricted	(21,143)	12,968	814,150	805,975
Total net position	\$ 997,917	\$ 524,220	\$ 1,110,608	\$ 2,632,745

CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Transit System Fund	Municipal Golf Course Fund	Solid Waste Fund	Total
Operating Revenues:				
Charges for services	\$ 181,096	\$ -	\$ 2,046,984	\$ 2,228,080
Other operating revenues	97,684	-	8,865	106,549
Total operating revenues	<u>278,780</u>	<u>-</u>	<u>2,055,849</u>	<u>2,334,629</u>
Operating Expenses:				
Administration	706,787	-	300,867	1,007,654
Maintenance	302,644	-	-	302,644
ADA/Para-transit expenses	210,282	-	-	210,282
Operations area	1,022,623	-	4,467,856	5,490,479
Depreciation and amortization	64,150	36,726	70,297	171,173
Total operating expenses	<u>2,306,486</u>	<u>36,726</u>	<u>4,839,020</u>	<u>7,182,232</u>
Operating income (loss)	<u>(2,027,706)</u>	<u>(36,726)</u>	<u>(2,783,171)</u>	<u>(4,847,603)</u>
Non-Operating Revenues (Expenses):				
Investment earnings	<u>2,386</u>	<u>-</u>	<u>-</u>	<u>2,386</u>
Income (loss) before capital contributions and transfers	(2,025,320)	(36,726)	(2,783,171)	(4,845,217)
Capital contributions:				
Federal and State grants	1,414,360	-	-	1,414,360
Transfers:				
Transfers from other funds	<u>575,070</u>	<u>-</u>	<u>3,017,189</u>	<u>3,592,259</u>
Change in net position	(35,890)	(36,726)	234,018	161,402
Net Position:				
Beginning of year - July 1	<u>1,033,807</u>	<u>560,946</u>	<u>876,590</u>	<u>2,471,343</u>
End of year - June 30	<u>\$ 997,917</u>	<u>\$ 524,220</u>	<u>\$ 1,110,608</u>	<u>\$ 2,632,745</u>

CITY OF GASTONIA, NORTH CAROLINA

**NONMAJOR ENTERPRISE FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2017**

	Transit System Fund	Municipal Golf Course Fund	Solid Waste Fund	Total
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 278,780	\$ -	\$ 1,992,298	\$ 2,271,078
Cash paid to suppliers	(843,652)	-	(2,726,077)	(3,569,729)
Cash paid to employees	(1,365,731)	-	(2,080,400)	(3,446,131)
Net cash provided (used) by operating activities	(1,930,603)	-	(2,814,179)	(4,744,782)
Cash Flows from Non-Capital Financing Activities:				
Transfers from other funds	575,070	-	3,017,189	3,592,259
Cash Flows from Capital and Related Financing Activities:				
Federal and State grants received	1,239,434	-	-	1,239,434
Acquisition and construction of capital assets	(19,249)	-	-	(19,249)
Net cash provided (used) by capital and related financing activities	1,220,185	-	-	1,220,185
Cash Flows from Investing Activities:				
Interest on investments	2,386	-	-	2,386
Net increase (decrease) in cash and cash equivalents	(132,962)	-	203,010	70,048
Cash and Cash Equivalents:				
Beginning of year - July 1	236,850	1,969	556,239	795,058
End of year - June 30	\$ 103,888	\$ 1,969	\$ 759,249	\$ 865,106
Reconciliation of Operating Income to Cash Flows from Operating Activities:				
Operating income (loss)	\$ (2,027,706)	\$ (36,726)	\$ (2,783,171)	\$ (4,847,603)
Depreciation and amortization	64,150	36,726	70,297	171,173
Change in assets and liabilities:				
Increase deferred outflows - pension	(197,507)	-	-	(197,507)
Increase in net pension liability	232,297	-	-	232,297
Decrease deferred inflows - pension	(23,449)	-	-	(23,449)
(Increase) decrease in accounts receivables	-	-	(63,551)	(63,551)
Increase (decrease) in accounts payable	43,146	-	10,274	53,420
Increase (decrease) in accrued salaries	(38,867)	-	(52,528)	(91,395)
Increase (decrease) in compensated absences	(1,460)	-	4,500	3,040
Increase (decrease) in other post-employment benefits	18,793	-	-	18,793
Net cash provided (used) by operating activities	\$ (1,930,603)	\$ -	\$ (2,814,179)	\$ (4,744,782)

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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Water sales and sewer charges	\$ 34,152,092	\$ 34,140,526	\$ (11,566)	\$ 33,748,194
Utilities for City use	1,316,084	1,491,496	175,412	1,355,901
Water and sewer taps	80,000	112,098	32,098	120,132
Other operating revenues	189,391	176,630	(12,761)	244,630
Pretreatment monitoring charge	55,000	66,325	11,325	52,850
Total	<u>35,792,567</u>	<u>35,987,075</u>	<u>194,508</u>	<u>35,521,707</u>
Non-operating revenues:				
Proceeds from sale of capital assets	13,000	900	(12,100)	6,748
Investment earnings	21,000	115,860	94,860	53,948
Other non-operating revenues	51,200	60,705	9,505	92,826
Total	<u>85,200</u>	<u>177,465</u>	<u>92,265</u>	<u>153,522</u>
Total revenues	<u>35,877,767</u>	<u>36,164,540</u>	<u>286,773</u>	<u>35,675,229</u>
Expenditures:				
Operating expenditures:				
Administration:				
General services:				
Salaries and employee benefits	964,771	773,631	191,140	769,567
Other operating expenditures	6,330,662	3,906,685	2,423,977	3,760,144
Capital outlay	58,500	57,875	625	-
Renewal and replacement	1,694,814	-	1,694,814	-
Overhead charged by other departments	3,267,441	3,173,227	94,214	3,073,218
Total	<u>12,316,188</u>	<u>7,911,418</u>	<u>4,404,770</u>	<u>7,602,929</u>
Customer service:				
Salaries and employee benefits	460,902	424,985	35,917	453,382
Other operating expenditures	384,166	351,056	33,110	263,336
Overhead charged by other departments	(1,000)	-	(1,000)	-
Total	<u>844,068</u>	<u>776,041</u>	<u>68,027</u>	<u>716,718</u>
Total administration	<u>13,160,256</u>	<u>8,687,459</u>	<u>4,472,797</u>	<u>8,319,647</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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Operations area:				
AM/FM GIS:				
Other operating expenditures	25,717	19,793	5,924	10,562
PW Landscape:				
Salaries and employee benefits	131,933	129,799	2,134	116,537
Other operating expenditures	29,123	22,679	6,444	19,417
Total	161,056	152,478	8,578	135,954
Water and sewer street maintenance:				
Salaries and employee benefits	214,358	166,628	47,730	183,009
Other operating expenditures	155,608	110,547	45,061	115,721
Total	369,966	277,175	92,791	298,730
Utility locator:				
Other operating expenditures	-	130	(130)	-
Water line maintenance:				
Salaries and employee benefits	1,085,677	1,034,548	51,129	983,493
Other operating expenditures	412,006	353,405	58,601	300,817
Overhead charged by other departments	(40,040)	(37,013)	(3,027)	(34,420)
Total	1,457,643	1,350,940	106,703	1,249,890
Sewer line maintenance:				
Salaries and employee benefits	917,807	850,393	67,414	842,342
Other operating expenditures	952,413	849,605	102,808	626,384
Capital outlay	93,052	89,290	3,762	37,919
Sewer line extensions	5,547	5,547	-	481
Overhead charged by other departments	(37,430)	(32,400)	(5,030)	(29,589)
Total	1,931,389	1,762,435	168,954	1,477,537
Total operations area	3,945,771	3,562,951	382,820	3,172,673
Water supply and treatment:				
Salaries and employee benefits	1,354,447	1,293,505	60,942	1,339,431
Other operating expenditures	2,840,359	2,440,019	400,340	2,464,748
Overhead charged by other departments	65,250	23,440	41,810	12,370
Total	4,260,056	3,756,964	503,092	3,816,549

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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Facility maintenance:				
Salaries and employee benefits	881,532	838,741	42,791	763,904
Other operating expenditures	809,909	747,512	62,397	717,258
Overhead charged by other departments	22,940	22,940	-	20,798
Total	1,714,381	1,609,193	105,188	1,501,960
Sewage treatment:				
Salaries and employee benefits	2,728,791	2,667,037	61,754	2,703,772
Other operating expenditures	4,318,614	3,921,696	396,918	3,509,741
Capital outlay	5,700	5,674	26	11,164
Total	7,053,105	6,594,407	458,698	6,224,677
Payseur Mountain Resource Recovery:				
Other operating expenditures	1,239,058	1,150,858	88,200	1,685,497
Debt service:				
Debt principal	4,033,250	4,033,249	1	3,268,249
Interest and fees	2,922,639	1,442,358	1,480,281	982,062
Total	6,955,889	5,475,607	1,480,282	4,250,311
Total expenditures	38,328,516	30,837,439	7,491,077	28,971,314
Revenues over (under) expenditures	(2,450,749)	5,327,101	7,777,850	6,703,915
Other Financing Sources (Uses):				
Intrafund transfers	(3,261,000)	(3,261,000)	-	(4,208,600)
Transfers to other funds	(64,167)	(64,167)	-	(195,011)
Appropriated fund balance	5,775,916	-	(5,775,916)	-
Total other financing sources (uses)	2,450,749	(3,325,167)	(5,775,916)	(4,403,611)
Net change in fund balance	\$ -	\$ 2,001,934	\$ 2,001,934	\$ 2,300,304

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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Reconciliation from Budgetary Basis to Full Accrual Basis:				
Net change in fund balance		\$ 2,001,934		
Reconciling items:				
Depreciation		(4,816,527)		
Amortization of debt premiums		165,809		
Long-term debt principal repayments		4,033,249		
Gain/(loss) on sale of capital assets		(57,875)		
Intrafund transfers to capital project funds		3,261,000		
Capital project revenues		389,773		
Capital project expenditures		(25,782,601)		
Capital assets purchased/capitalized		25,458,414		
Contributed capital - developers		2,056,040		
Change in unbilled revenues receivable		(86,330)		
Change in accrued vacation pay		(59,568)		
Increase deferred outflows - pension		1,382,546		
Increase in net pension liability		(1,626,077)		
Decrease deferred inflows - pension		164,146		
Change in deferred revenues and inventories		12,675		
Change in accrued interest payable		23,458		
Other post-employment benefits		(114,380)		
Change in net position		<u>\$ 6,405,686</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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Water and Sewer System expansion fee	\$ 1,147,000	\$ 151,567	\$ (995,433)
Investment earnings	-	177,290	177,290
Other	26,578	60,916	34,338
Total revenues	<u>1,173,578</u>	<u>389,773</u>	<u>(783,805)</u>
Expenditures:			
Rankin Lake	1	-	1
Non-departmental	143,492	-	143,492
Regionalization	4,341,626	86,863	4,254,763
Crowders Creek	1,961,110	585,610	1,375,500
Municipal operations	239,512	239,512	-
Collection system	1,451,938	1,358,228	93,710
Special assessment	123,224	101,502	21,722
Pumpstation Force Main	301,617	119,749	181,868
Long Creek Wastewater Treatment Plant	279,321	262,447	16,874
Water improvements - NCDOT conflicts	91,330	91,330	-
Water distribution	515,470	52,400	463,070
Plant renovation	47,227,051	22,884,960	24,342,091
Bond issuance costs	10,871	-	10,871
Total expenditures	<u>56,686,563</u>	<u>25,782,601</u>	<u>30,903,962</u>
Revenues over (under) expenditures	<u>(55,512,985)</u>	<u>(25,392,828)</u>	<u>30,120,157</u>
Other Financing Sources (Uses):			
Intrafund transfers	3,261,000	3,261,000	-
Issuance of long-term debt	26,609,492	13,698,393	(12,911,099)
Appropriated fund balance	25,642,493	-	(25,642,493)
Total other financing sources (uses)	<u>55,512,985</u>	<u>16,959,393</u>	<u>(38,553,592)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (8,433,435)</u>	<u>\$ (8,433,435)</u>

CITY OF GASTONIA, NORTH CAROLINA

ELECTRIC FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Electricity sales	\$ 73,919,769	\$ 76,525,778	\$ 2,606,009	\$ 74,737,144
Utilities for City use	1,533,257	1,603,736	70,479	1,320,946
Other operating revenues	588,300	652,324	64,024	594,223
Total	<u>76,041,326</u>	<u>78,781,838</u>	<u>2,740,512</u>	<u>76,652,313</u>
Non-operating revenues:				
Investment earnings	10,000	65,613	55,613	25,884
Proceeds from sale of equipment	15,000	4,643	(10,357)	6,619
Total	<u>25,000</u>	<u>70,256</u>	<u>45,256</u>	<u>32,503</u>
Total revenues	<u>76,066,326</u>	<u>78,852,094</u>	<u>2,785,768</u>	<u>76,684,816</u>
Expenditures:				
Operating expenditures:				
Administration:				
Salaries and employee benefits	1,227,587	1,211,017	16,570	824,652
Overhead charged by other departments	2,403,335	2,328,758	74,577	2,188,792
Other operating expenditures	4,049,131	2,548,788	1,500,343	2,408,820
Capital outlay	58,500	57,875	625	-
Total	<u>7,738,553</u>	<u>6,146,438</u>	<u>1,592,115</u>	<u>5,422,264</u>
Operations:				
AM/FM GIS:				
Other operating expenditures	<u>68,270</u>	<u>53,999</u>	<u>14,271</u>	<u>45,022</u>
Utility locator:				
Salaries and employee benefits	127,364	123,745	3,619	111,868
Other operating expenditures	38,455	36,372	2,083	34,695
Reimbursement for services	(92,591)	(94,899)	2,308	(87,933)
Total	<u>73,228</u>	<u>65,218</u>	<u>8,010</u>	<u>58,630</u>

CITY OF GASTONIA, NORTH CAROLINA

ELECTRIC FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Electric service:				
Salaries and employee benefits	718,659	712,037	6,622	759,401
Other operating expenditures	312,652	319,115	(6,463)	283,349
Capital outlay	40,755	40,578	177	-
Reimbursement of services	(12,000)	(10,000)	(2,000)	-
Total	<u>1,060,066</u>	<u>1,061,730</u>	<u>(1,664)</u>	<u>1,042,750</u>
Electric substation:				
Salaries and employee benefits	340,556	333,452	7,104	345,233
Other operating expenditures	313,559	258,659	54,900	332,572
Total	<u>654,115</u>	<u>592,111</u>	<u>62,004</u>	<u>677,805</u>
Street lights:				
Salaries and employee benefits	214,682	210,842	3,840	209,556
Other operating expenditures	468,736	445,276	23,460	472,573
Total	<u>683,418</u>	<u>656,118</u>	<u>27,300</u>	<u>682,129</u>
Electric line maintenance:				
Salaries and employee benefits	388,416	379,845	8,571	354,397
Other operating expenditures	914,786	878,728	36,058	869,310
Reimbursement for services	(70,000)	(169,470)	99,470	(130,774)
Total	<u>1,233,202</u>	<u>1,089,103</u>	<u>144,099</u>	<u>1,092,933</u>
Line construction:				
Salaries and employee benefits	699,316	682,836	16,480	672,163
Other operating expenditures	78,648	67,206	11,442	83,292
Capital outlay	80,000	83,485	(3,485)	42,301
Total	<u>857,964</u>	<u>833,527</u>	<u>24,437</u>	<u>797,756</u>
Underground line construction:				
Salaries and employee benefits	332,443	319,960	12,483	297,892
Other operating expenditures	73,294	72,303	991	62,659
Capital outlay	80,500	114,538	(34,038)	112,220
Total	<u>486,237</u>	<u>506,801</u>	<u>(20,564)</u>	<u>472,771</u>

CITY OF GASTONIA, NORTH CAROLINA

ELECTRIC FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Financial services / warehouse:				
Other operating expenditures	225,986	224,296	1,690	-
Electric service - generators:				
Other operating expenditures	115,786	102,915	12,871	62,549
Reimbursement for services	(20,000)	(32,212)	12,212	(20,000)
Total	95,786	70,703	25,083	42,549
Renewal and replacement	1,315,384	-	1,315,384	-
Total operations	6,753,656	5,153,606	1,600,050	4,912,345
Purchased power:				
Cost of electricity purchased	62,106,351	61,950,884	155,467	61,122,465
Debt service:				
Interest and fees	16,869	16,869	-	16,869
Total expenditures	76,615,429	73,267,797	3,347,632	71,473,943
Revenues over (under) expenditures	(549,103)	5,584,297	6,133,400	5,210,873
Other Financing Sources (Uses):				
Transfers to other funds	(1,684,167)	(2,064,167)	(380,000)	(1,688,840)
Intrafund transfer	(1,000,000)	(1,000,000)	-	(4,035,391)
Appropriated fund balance	3,233,270	-	(3,233,270)	-
Total other financing sources (uses)	549,103	(3,064,167)	(3,613,270)	(5,724,231)
Net change in fund balance	\$ -	\$ 2,520,130	\$ 2,520,130	\$ (513,358)

CITY OF GASTONIA, NORTH CAROLINA

ELECTRIC FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	<u>2017</u>			<u>2016</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		\$ 2,520,130		
Reconciling items:				
Depreciation		(2,092,742)		
Loss on disposal		(1,489)		
Intrafund transfers to capital project funds		1,000,000		
Capital project revenues		27,468		
Capital project expenditures		(2,756,050)		
Capital assets purchased/capitalized		4,248,198		
Change in unbilled revenues receivable		(542,831)		
Increase deferred outflows - pension		592,520		
Increase in net pension liability		(696,890)		
Decrease deferred inflows - pension		70,348		
Change in accrued vacation pay		(44,580)		
Change in deferred revenues and inventories		202,652		
Other post-employment benefits		(54,383)		
Change in net position		<u>\$ 2,472,351</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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental revenues	\$ 141,044	\$ -	\$ (141,044)
Miscellaneous	-	125	125
Investment earnings	-	27,343	27,343
Total revenues	<u>141,044</u>	<u>27,468</u>	<u>(113,576)</u>
Expenditures:			
Economic development	184,507	-	184,507
Electric truck shed	141,380	-	141,380
Electric service - generators	3,223,566	2,175,834	1,047,732
SCADA replacement	65,800	-	65,800
Capital project reserve	505	-	505
Long Creek Generator Project	78,373	-	78,373
City electrical tie lines	975,033	96,444	878,589
Kendrick extension	65,001	-	65,001
US 74 line extension	687,343	181,663	505,680
Electric development	188,197	138,834	49,363
Residential development	252,819	130,471	122,348
NCDOT City Fiber	69,144	3,064	66,080
Loray Mill	15,801	-	15,801
GO Bonds Project	56,598	29,740	26,858
Total expenditures	<u>6,004,067</u>	<u>2,756,050</u>	<u>3,248,017</u>
Revenues over (under) expenditures	<u>(5,863,023)</u>	<u>(2,728,582)</u>	<u>3,134,441</u>
Other Financing Sources (Uses):			
Intrafund transfers	1,000,000	1,000,000	-
Appropriated fund balance	4,863,023	-	(4,863,023)
Total other financing sources (uses)	<u>5,863,023</u>	<u>1,000,000</u>	<u>(4,863,023)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (1,728,582)</u>	<u>\$ (1,728,582)</u>

CITY OF GASTONIA, NORTH CAROLINA

STORMWATER FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Stormwater fees	\$ 2,482,317	\$ 2,503,913	\$ 21,596	\$ 2,461,973
Stormwater fees to other funds	57,121	62,182	5,061	60,134
Other operating revenues	362	1,525	1,163	3,519
Total	2,539,800	2,567,620	27,820	2,525,626
Non-operating revenues:				
Investment earnings	650	3,948	3,298	1,678
Total revenues	2,540,450	2,571,568	31,118	2,527,304
Expenditures:				
Operating expenditures:				
Administration:				
Salaries and benefits	204,143	134,416	69,727	150,272
Other operating expenditures	231,385	230,233	1,152	223,988
Overhead allocation from General Fund	865,610	858,649	6,961	690,027
Total	1,301,138	1,223,298	77,840	1,064,287
Operations:				
Salaries and benefits	369,368	329,962	39,406	358,289
Other operating expenditures	226,128	169,385	56,743	170,504
Total	595,496	499,347	96,149	528,793
AM/FM/GIS:				
Other operating expenditures	6,850	4,934	1,916	5,116
Total expenditures	1,903,484	1,727,579	175,905	1,598,196
Revenues over (under) expenditures	636,966	843,989	207,023	929,108

CITY OF GASTONIA, NORTH CAROLINA

STORMWATER FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Transfers to other funds	-	-	-	(11,467)
Intrafund transfer	(886,966)	(886,966)	-	(942,413)
Appropriated fund balance	250,000	-	(250,000)	-
Total other financing sources (uses)	(636,966)	(886,966)	250,000	(953,880)
Net change in fund balance	\$ -	\$ (42,977)	\$ (42,977)	\$ (24,772)

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

Net change in fund balance	\$ (42,977)
Reconciling items:	
Depreciation	(679,371)
Capital project revenues	6,617
Capital project expenditures	(864,814)
Intrafund transfer to Capital Project Fund	886,966
Capital assets purchased/capitalized	483,733
Developer capital contributions	528,680
Change in unbilled revenues receivable	(7,088)
Increase deferred outflows - pension	98,753
Increase in net pension liability	(116,148)
Decrease deferred inflows - pension	11,725
Change in accrued vacation pay	(6,942)
Change in deferred revenues and inventories	12,553
Other post-employment benefits	(8,783)
Change in net position	\$ 302,904

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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ -	\$ 6,464	\$ 6,464
Miscellaneous revenues	10,000	153	(9,847)
Total revenues	<u>10,000</u>	<u>6,617</u>	<u>(3,383)</u>
Expenditures:			
Stormwater system	1,073,721	470,632	603,089
Stormwater, non-capital	828,521	394,182	434,339
Total expenditures	<u>1,902,242</u>	<u>864,814</u>	<u>1,037,428</u>
Revenues over (under) expenditures	<u>(1,892,242)</u>	<u>(858,197)</u>	<u>1,034,045</u>
Other Financing Sources (Uses):			
Intrafund transfer in	886,966	886,966	-
Appropriated fund balance	1,005,276	-	(1,005,276)
Total other financing sources (uses)	<u>1,892,242</u>	<u>886,966</u>	<u>(1,005,276)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 28,769</u>	<u>\$ 28,769</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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	<u>2017</u>			<u>2016</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Operating revenues:				
Bus user fees	\$ 217,000	\$ 181,096	\$ (35,904)	\$ 204,162
Restricted intergovernmental	2,624,137	1,414,360	(1,209,777)	1,551,157
Miscellaneous	9,300	97,684	88,384	17,140
Total operating revenues	<u>2,850,437</u>	<u>1,693,140</u>	<u>(1,157,297)</u>	<u>1,772,459</u>
Non-operating revenues:				
Investment earnings	<u>-</u>	<u>2,386</u>	<u>2,386</u>	<u>961</u>
Total revenues	<u>2,850,437</u>	<u>1,695,526</u>	<u>(1,154,911)</u>	<u>1,773,420</u>
Expenditures:				
Fleet services	<u>-</u>	<u>5,529</u>	<u>(5,529)</u>	<u>14,398</u>
Administration:				
Salaries and benefits	283,359	243,715	39,644	244,244
Other operating expenditures	91,702	54,475	37,227	53,696
Overhead allocation from General Fund	<u>386,487</u>	<u>378,463</u>	<u>8,024</u>	<u>380,186</u>
Total	<u>761,548</u>	<u>676,653</u>	<u>84,895</u>	<u>678,126</u>
Operations:				
Salaries and benefits	652,818	621,881	30,937	606,992
Other operating expenditures	495,964	396,673	99,291	377,306
Capital outlay	<u>1,276,598</u>	<u>19,249</u>	<u>1,257,349</u>	<u>23,000</u>
Total	<u>2,425,380</u>	<u>1,037,803</u>	<u>1,387,577</u>	<u>1,007,298</u>
Maintenance:				
Salaries and benefits	293,360	282,673	10,687	289,006
Other operating expenditures	30,625	19,971	10,654	15,234
Capital outlay	<u>500</u>	<u>-</u>	<u>500</u>	<u>-</u>
Total	<u>324,485</u>	<u>302,644</u>	<u>21,841</u>	<u>304,240</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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
ADA / Paratransit:				
Salaries and benefits	209,214	195,928	13,286	200,784
Other operating expenditures	25,750	14,354	11,396	176,369
Capital outlay	-	-	-	9,302
Total	<u>234,964</u>	<u>210,282</u>	<u>24,682</u>	<u>386,455</u>
 Total expenditures	 <u>3,746,377</u>	 <u>2,232,911</u>	 <u>1,513,466</u>	 <u>2,390,517</u>
 Revenues over (under) expenditures	 <u>(895,940)</u>	 <u>(537,385)</u>	 <u>358,555</u>	 <u>(617,097)</u>
 Other Financing Sources (Uses):				
Transfers from other funds	575,070	575,070	-	686,069
Transfers to other funds	-	-	-	(34,399)
Appropriated fund balance	<u>320,870</u>	<u>-</u>	<u>(320,870)</u>	<u>-</u>
Total other financing sources (uses)	<u>895,940</u>	<u>575,070</u>	<u>(320,870)</u>	<u>651,670</u>
 Net change in fund balance	 <u>\$ -</u>	 <u>\$ 37,685</u>	 <u>\$ 37,685</u>	 <u>\$ 34,573</u>

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

Net change in fund balance	\$ 37,685
Reconciling items:	
Depreciation	(64,150)
Increase deferred outflows - pension	197,507
Increase in net pension liability	(232,297)
Decrease deferred inflows - pension	23,449
Capital assets purchased	19,249
Increase in accrued vacation pay	1,460
Other post-employment benefits	<u>(18,793)</u>
 Change in net position	 <u>\$ (35,890)</u>

CITY OF GASTONIA, NORTH CAROLINA

MUNICIPAL GOLF COURSE FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Non-operating revenues:				
Investment earnings	\$ -	\$ -	\$ -	\$ 74
Revenues over (under) expenditures	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 74</u>
Reconciliation from Budgetary Basis to Full Accrual Basis:				
Revenues over (under) expenditures		\$ -		
Reconciling items:				
Depreciation		<u>(36,726)</u>		
Change in net position		<u>\$ (36,726)</u>		

CITY OF GASTONIA, NORTH CAROLINA

SOLID WASTE FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Collection and recycling fees	\$ 1,918,030	\$ 2,011,686	\$ 93,656	\$ 1,285,738
Other operating revenues	4,400	8,865	4,465	7,159
Total	<u>1,922,430</u>	<u>2,020,551</u>	<u>98,121</u>	<u>1,292,897</u>
Expenditures:				
Operating expenditures:				
Administration:				
Salaries and benefits	200,282	197,834	2,448	185,508
Other operating expenditures	128,988	117,390	11,598	117,119
Overhead allocation from General Fund	(18,991)	(18,857)	(134)	(18,372)
Total	<u>310,279</u>	<u>296,367</u>	<u>13,912</u>	<u>284,255</u>
Refuse collection:				
Salaries and benefits	1,977,361	1,834,538	142,823	1,757,028
Other operating expenditures	2,737,218	2,558,837	178,381	2,005,703
Overhead allocation from General Fund	(27,201)	(23,426)	(3,775)	(41,357)
Total	<u>4,687,378</u>	<u>4,369,949</u>	<u>317,429</u>	<u>3,721,374</u>
Refuse disposal:				
Other operating expenditures	<u>120,791</u>	<u>97,907</u>	<u>22,884</u>	<u>684,248</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>420,756</u>
Total expenditures	<u>5,118,448</u>	<u>4,764,223</u>	<u>354,225</u>	<u>5,110,633</u>
Revenues over (under) expenditures	<u>(3,196,018)</u>	<u>(2,743,672)</u>	<u>452,346</u>	<u>(3,817,736)</u>

CITY OF GASTONIA, NORTH CAROLINA

SOLID WASTE FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Transfers from other funds	3,017,189	3,017,189	-	3,476,769
Transfers to other funds	-	-	-	(62,287)
Appropriated fund balance	178,829	-	(178,829)	-
Total other financing sources (uses)	3,196,018	3,017,189	178,829	3,414,482
Net change in fund balance	\$ -	\$ 273,517	\$ 273,517	\$ (403,254)

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

Net change in fund balance	\$ 273,517
Reconciling items:	
Depreciation	(70,297)
Change in deferred revenues and inventories	37,544
Change in unbilled revenues receivable	(2,246)
Change in accrued vacation pay	(4,500)
Change in net position	\$ 234,018



INTERNAL SERVICE FUNDS

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

The Vehicle and Equipment Renewal and Replacement Fund

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

Information Technology Fund

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

Dental Self-Insurance Fund

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

Medical Self-Insurance Fund

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



CITY OF GASTONIA, NORTH CAROLINA

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF NET POSITION
 JUNE 30, 2017

	Vehicle Replacement Fund	Information Technology Fund	Dental Self-Insurance Fund	Medical Self-Insurance Fund	Total
Assets:					
Current assets:					
Cash, cash equivalents, and investments	\$ -	\$ 1,542,654	\$ 123,999	\$ 344,060	\$ 2,010,713
Accounts receivable, net	-	445,895	-	14,482	460,377
Due from other funds	-	-	56,359	1,266,085	1,322,444
Cash and cash equivalents, restricted	2,451,539	-	-	-	2,451,539
Total current assets	2,451,539	1,988,549	180,358	1,624,627	6,245,073
Non-current assets:					
Depreciable capital assets, net	9,952,706	47,380	-	-	10,000,086
Total assets	12,404,245	2,035,929	180,358	1,624,627	16,245,159
Liabilities:					
Current liabilities:					
Accounts payable	389,059	87,886	-	844,065	1,321,010
Accrued salaries and benefits	-	59,627	-	-	59,627
Compensated absences, current	-	177,505	-	-	177,505
Accrued interest	26,734	-	-	-	26,734
Due to other funds	-	-	137,037	-	137,037
Current portion of long-term debt	2,927,774	-	-	-	2,927,774
Total current liabilities	3,343,567	325,018	137,037	844,065	4,649,687
Non-current liabilities:					
Compensated absences, non-current	-	59,168	-	-	59,168
Non-current portion of long-term debt	6,038,513	-	-	-	6,038,513
Total non-current liabilities	6,038,513	59,168	-	-	6,097,681
Total liabilities	9,382,080	384,186	137,037	844,065	10,747,368
Net Position:					
Net investment in capital assets	3,437,958	47,380	-	-	3,485,338
Unrestricted	(415,793)	1,604,363	43,321	780,562	2,012,453
Total net position	\$ 3,022,165	\$ 1,651,743	\$ 43,321	\$ 780,562	\$ 5,497,791

CITY OF GASTONIA, NORTH CAROLINA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Vehicle Replacement Fund	Information Technology Fund	Dental Self-Insurance Fund	Medical Self-Insurance Fund	Total
Operating Revenues:					
Charges for services	\$ 2,941,277	\$ 4,626,145	\$ 318,788	\$ 8,472,107	\$ 16,358,317
Other revenues	-	1,595,997	-	-	1,595,997
Total	<u>2,941,277</u>	<u>6,222,142</u>	<u>318,788</u>	<u>8,472,107</u>	<u>17,954,314</u>
Operating Expenses:					
Operations area	184,088	5,666,893	337,331	7,869,988	14,058,300
Depreciation and amortization	<u>2,534,432</u>	<u>47,869</u>	<u>-</u>	<u>-</u>	<u>2,582,301</u>
Total	<u>2,718,520</u>	<u>5,714,762</u>	<u>337,331</u>	<u>7,869,988</u>	<u>16,640,601</u>
Operating income (loss)	<u>222,757</u>	<u>507,380</u>	<u>(18,543)</u>	<u>602,119</u>	<u>1,313,713</u>
Non-Operating Revenues (Expenses):					
Miscellaneous	141,084	-	-	-	141,084
Investment earnings	6,352	6,600	230	1,267	14,449
Gain (loss) on disposal of fixed assets	(18,748)	-	-	-	(18,748)
Interest on long-term debt	<u>(143,220)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(143,220)</u>
Total non-operating revenues (expenses)	<u>(14,532)</u>	<u>6,600</u>	<u>230</u>	<u>1,267</u>	<u>(6,435)</u>
Income (loss) before and transfers	208,225	513,980	(18,313)	603,386	1,307,278
Net Position:					
Beginning of year - July 1	<u>2,813,940</u>	<u>1,137,763</u>	<u>61,634</u>	<u>177,176</u>	<u>4,190,513</u>
End of year - June 30	<u>\$ 3,022,165</u>	<u>\$ 1,651,743</u>	<u>\$ 43,321</u>	<u>\$ 780,562</u>	<u>\$ 5,497,791</u>

CITY OF GASTONIA, NORTH CAROLINA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

	Vehicle Replacement Fund	Information Technology Fund	Dental Self-Insurance Fund	Medical Self-Insurance Fund	Total
Cash Flows from Operating Activities:					
Cash received from customers and users	\$ 3,082,361	\$ 6,194,542	\$ 318,788	\$ 8,457,625	\$ 18,053,316
Cash paid to suppliers	197,640	(4,855,976)	(337,331)	(7,814,497)	(12,810,164)
Cash paid to employees	-	(825,059)	-	-	(825,059)
Net cash provided (used) by operating activities	<u>3,280,001</u>	<u>513,507</u>	<u>(18,543)</u>	<u>643,128</u>	<u>4,418,093</u>
Cash Flows from Non-Capital Financing Activities:					
Change in due to/from other funds	-	-	(24,812)	(1,336,426)	(1,361,238)
Cash Flows from Capital and Related Financing Activities:					
Proceeds from issuance of debt	3,250,000	-	-	-	3,250,000
Principal paid on long-term debt	(3,108,869)	-	-	-	(3,108,869)
Acquisition and construction of capital assets	(3,121,813)	(38,564)	-	-	(3,160,377)
Interest paid on long-term debt	(146,754)	-	-	-	(146,754)
Net cash provided (used) by capital and related financing activities	<u>(3,127,436)</u>	<u>(38,564)</u>	<u>-</u>	<u>-</u>	<u>(3,166,000)</u>
Cash Flows from Investing Activities:					
Interest on investments	<u>6,352</u>	<u>6,600</u>	<u>230</u>	<u>1,267</u>	<u>14,449</u>
Net increase (decrease) in cash and cash equivalents	158,917	481,543	(43,125)	(692,031)	(94,696)
Cash and Cash Equivalents:					
Beginning of year - July 1	<u>2,292,622</u>	<u>1,061,111</u>	<u>167,124</u>	<u>1,036,091</u>	<u>4,556,948</u>
End of year - June 30	<u>\$ 2,451,539</u>	<u>\$ 1,542,654</u>	<u>\$ 123,999</u>	<u>\$ 344,060</u>	<u>\$ 4,462,252</u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:					
Operating income (loss)	\$ 222,757	\$ 507,380	\$ (18,543)	\$ 602,119	\$ 1,313,713
Depreciation and amortization	2,534,432	47,869	-	-	2,582,301
Non-operating revenues (expenses)	141,084	-	-	-	141,084
Change in assets and liabilities:					
(Increase) decrease in accounts receivables	-	(27,600)	-	(14,482)	(42,082)
Increase (decrease) in accounts payable	381,728	(32,615)	-	55,491	404,604
Increase (decrease) in compensated absences	-	18,473	-	-	18,473
Net cash provided (used) by operating activities	<u>\$ 3,280,001</u>	<u>\$ 513,507</u>	<u>\$ (18,543)</u>	<u>\$ 643,128</u>	<u>\$ 4,418,093</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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

	2017			2016
	Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Vehicle and equipment rentals	\$ 2,941,278	\$ 2,941,277	\$ (1)	\$ 2,666,642
Non-Operating Revenues:				
Miscellaneous	-	141,084	141,084	76,463
Investment earnings	-	6,352	6,352	2,150
Total	-	147,436	147,436	78,613
Total revenues	2,941,278	3,088,713	147,435	2,745,255
Expenditures:				
Equipment manager:				
Capital outlay	20	20	-	-
Technology Systems 2015:				
Other operating expenditures	-	-	-	95,999
Technology Systems 2016:				
Other operating expenditures	25,620	25,620	-	328,984
Capital outlay	34,557	-	34,557	31,310
Total	60,177	25,620	34,557	360,294
Technology Systems 2017:				
Other operating expenditures	223,800	146,515	77,285	-
Capital outlay	188,000	47,958	140,042	-
Total	411,800	194,473	217,327	-
Equipment Manager 2014:				
Capital outlay	38,320	-	38,320	11,191
Equipment Manager 2015:				
Capital outlay	-	-	-	942,946

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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

	2017			2016
	Plan	Actual	Variance Over/Under	Actual
Equipment Manager 2016:				
Capital outlay	<u>1,736,901</u>	<u>1,002,489</u>	<u>734,412</u>	<u>1,747,019</u>
Equipment Manager 2017:				
Capital outlay	<u>2,808,245</u>	<u>2,071,366</u>	<u>736,879</u>	<u>-</u>
Financial services - customer service:				
Other operating expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,459</u>
Police field services:				
Other operating expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>713</u>
Fire operations:				
Other operating expenditures	<u>18,702</u>	<u>18,592</u>	<u>110</u>	<u>15,826</u>
Police Administration:				
Other operating expenditures	<u>4,153</u>	<u>-</u>	<u>4,153</u>	<u>95,848</u>
Capital reserve:				
Other operating expenditures	<u>22,671</u>	<u>-</u>	<u>22,671</u>	<u>-</u>
Total operating expenditures	<u>5,100,989</u>	<u>3,312,560</u>	<u>1,788,429</u>	<u>3,312,295</u>
Debt service:				
Principal repayments	3,109,496	3,108,869	627	2,545,042
Interest and fees	127,411	127,382	29	99,154
Debt issuance costs	20,000	15,250	4,750	15,250
Other debt service costs	<u>56,853</u>	<u>4,122</u>	<u>52,731</u>	<u>5,627</u>
Total	<u>3,313,760</u>	<u>3,255,623</u>	<u>58,137</u>	<u>2,665,073</u>
Total expenditures	<u>8,414,749</u>	<u>6,568,183</u>	<u>1,846,566</u>	<u>5,977,368</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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

	2017			2016
	Plan	Actual	Variance Over/Under	Actual
Revenues over (under) expenditures	<u>(5,473,471)</u>	<u>(3,479,470)</u>	<u>1,994,001</u>	<u>(3,232,113)</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	3,240,045	3,250,000	9,955	3,215,000
Appropriated fund balance	<u>2,233,426</u>	<u>-</u>	<u>(2,233,426)</u>	<u>-</u>
Total other financing sources (uses)	<u>5,473,471</u>	<u>3,250,000</u>	<u>(2,223,471)</u>	<u>3,215,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (229,470)</u>	<u>\$ (229,470)</u>	<u>\$ (17,113)</u>

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

Net change in fund balance	\$ (229,470)	
Reconciling items:		
Depreciation and amortization	(2,534,432)	
Gain/(loss) on sale of capital assets	(18,748)	
Proceeds from issuance of long-term debt	(3,250,000)	
Long-term debt principal repayments	3,108,869	
Capital outlay, capitalized	3,121,813	-
Change in accrued interest	<u>10,193</u>	
Change in net position	<u>\$ 208,225</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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Technology services	\$ 4,591,737	\$ 4,626,145	\$ 34,408	\$ 4,667,359
Miscellaneous	1,660,668	1,595,997	(64,671)	1,525,806
Total	6,252,405	6,222,142	(30,263)	6,193,165
Non-Operating Revenues:				
Investment earnings	600	6,600	6,000	1,732
Total revenues	6,253,005	6,228,742	(24,263)	6,194,897
Expenditures:				
Technology services - administration:				
Salaries and employee benefits	163,842	158,577	5,265	147,540
Other operating expenditures	40,569	33,855	6,714	23,999
Total	204,411	192,432	11,979	171,539
Admin - apps:				
Salaries and employee benefits	171,088	166,639	4,449	159,345
Other operating expenditures	93,732	87,100	6,632	81,444
Total	264,820	253,739	11,081	240,789
Database administration:				
Salaries and employee benefits	197,007	126,974	70,033	203,331
Other operating expenditures	117,953	78,609	39,344	126,651
Total	314,960	205,583	109,377	329,982
Geographic Information Systems AM/FM:				
Salaries and employee benefits	242,071	238,999	3,072	217,927
Other operating expenditures	45,023	42,949	2,074	41,337
Total	287,094	281,948	5,146	259,264
Tech services - website:				
Other operating expenditures	118,977	38,162	80,815	26,681

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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

	2017			2016
	Plan	Actual	Variance Over/Under	Actual
Tech services - CIS apps:				
Salaries and employee benefits	389,550	298,215	91,335	338,915
Other operating expenditures	263,289	210,454	52,835	251,040
Total	652,839	508,669	144,170	589,955
Communication division:				
Salaries and employee benefits	742,909	731,808	11,101	712,616
Other operating expenditures	167,657	148,385	19,272	134,583
Capital outlay	38,564	38,564	-	-
Total	949,130	918,757	30,373	847,199
Tech services - 800Mhz system:				
Other operating expenditures	290,489	279,295	11,194	282,503
Tech services - public safety:				
Salaries and employee benefits	455,156	368,510	86,646	441,800
Other operating expenditures	331,279	315,050	16,229	87,821
Total	786,435	683,560	102,875	529,621
Telephone communications:				
Salaries and employee benefits	64,678	63,199	1,479	61,388
Other operating expenditures	490,926	466,879	24,047	478,075
Total	555,604	530,078	25,526	539,463
Technology services - public safety:				
Other operating expenditures	5,206	848	4,358	-
Technology services - computer support:				
Salaries and employee benefits	451,673	407,461	44,212	399,704
Other operating expenditures	70,283	56,461	13,822	69,527
Total	521,956	463,922	58,034	469,231
Technology-city equipment:				
Other operating expenditures	281,847	281,847	-	368,193

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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

	2017			2016
	Plan	Actual	Variance Over/Under	Actual
Technology services - support administration:				
Salaries and employee benefits	197,907	196,884	1,023	156,725
Other operating expenditures	540,475	474,401	66,074	490,761
Total	738,382	671,285	67,097	647,486
Technology services - core services:				
Salaries and employee benefits	144,382	142,899	1,483	113,485
Other operating expenditures	92,734	85,137	7,597	128,854
Total	237,116	228,036	9,080	242,339
Technology services - admin services:				
Other operating expenditures	-	-	-	757
IT/Core applications:				
Other operating expenditures	251,100	148,823	102,277	245,623
Technology services - capital projects:				
Other operating expenditures	930,402	-	930,402	-
Total expenditures	7,390,768	5,686,984	1,703,784	5,790,625
Revenues over (under) expenditures	(1,137,763)	541,758	1,679,521	404,272
Other Financing Sources (Uses):				
Appropriated fund balance	1,137,763	-	(1,137,763)	-
Total other financing sources (uses)	1,137,763	-	(1,137,763)	(54,097)
Net change in fund balance	\$ -	\$ 541,758	\$ 541,758	\$ 350,175

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

Net change in fund balance	\$ 541,758
Reconciling items:	
Depreciation and amortization	(47,869)
Capital outlay, capitalized	38,564
Change in accrued vacation pay	(18,473)
Change in net position	\$ 513,980

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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Plan	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Charges for services	\$ 340,000	\$ 318,788	\$ (21,212)	\$ 306,344
Non-operating revenues:				
Investment earnings	-	230	230	272
Total revenues	340,000	319,018	(20,982)	306,616
Expenditures:				
Operating expenditures:				
Administration:				
Operating expenditures	340,000	337,331	2,669	321,042
Revenues over (under) expenditures	\$ -	\$ (18,313)	\$ (18,313)	\$ (14,426)

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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services	\$ 8,415,203	\$ 8,472,107	\$ 56,904	\$ 7,536,018
Non-Operating Revenues:				
Investment earnings	750	1,267	517	1,075
Total revenues	8,415,953	8,473,374	57,421	7,537,093
Expenditures:				
Operating expenditures:				
Administration:				
Operating expenditures	8,415,953	7,869,988	545,965	8,900,614
Revenues over (under) expenditures	-	603,386	603,386	(1,363,521)
Other Financing Sources (Uses):				
Transfers from other funds	-	-	-	1,363,524
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 603,386	\$ 603,386	\$ 3



AGENCY FUND

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

Individual fund description:

Cramerton Stormwater Fund

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



CITY OF GASTONIA, NORTH CAROLINA

AGENCY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2017

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2017</u>
Cramerton Stormwater Fund:				
Assets:				
Cash and cash equivalents	\$ 17,948	\$ 168,601	\$ 167,346	\$ 19,203
Accounts receivable	<u>23,771</u>	<u>84,575</u>	<u>84,272</u>	<u>24,074</u>
Total assets	<u>\$ 41,719</u>	<u>\$ 253,176</u>	<u>\$ 251,618</u>	<u>\$ 43,277</u>
Liabilities:				
Accounts payable	<u>\$ 41,719</u>	<u>\$ 84,329</u>	<u>\$ 82,771</u>	<u>\$ 43,277</u>



STATISTICAL SECTION

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

Financial Trends - Schedules 1-4

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

Revenue Capacity – Schedules 5-9

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

Debt Capacity – Schedules 10-14

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

Demographic and Economic Information – Schedules 15-17

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

Operating Information – Tables 18-19

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

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



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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities										
Net investment in capital assets										
Restricted	\$124,133,499	\$118,307,559	\$118,844,527	\$120,843,698	\$126,226,919	\$133,748,816	\$138,540,308	\$139,559,976	\$141,102,212	\$136,620,839
Unrestricted	13,115,395	16,304,671	19,904,920	10,490,248	9,627,851	11,607,308	15,584,703	-	-	-
Total governmental activities net position	(18,073,941)	(2,373,044)	(6,649,369)	2,587,020	(527,578)	(5,919,857)	(10,820,650)	9,452,047	12,175,237	20,046,618
	<u>\$119,174,953</u>	<u>\$132,239,186</u>	<u>\$132,100,078</u>	<u>\$133,920,966</u>	<u>\$135,327,192</u>	<u>\$139,436,267</u>	<u>\$143,304,361</u>	<u>\$149,012,023</u>	<u>\$153,277,449</u>	<u>\$156,667,457</u>
Business Type activities										
Net investment in capital assets										
Restricted	\$255,523,817	\$239,879,539	\$236,950,245	\$229,381,517	\$225,259,816	\$226,763,782	\$224,855,825	\$218,955,191	\$220,064,680	\$218,603,743
Unrestricted	33,557,762	39,598,241	33,815,134	37,939,875	36,849,517	32,314,759	29,242,547	28,646,390	24,800,189	24,571,909
Total Business Type activities net position	<u>\$289,081,579</u>	<u>\$279,477,780</u>	<u>\$270,765,379</u>	<u>\$267,321,392</u>	<u>\$262,109,333</u>	<u>\$259,078,541</u>	<u>\$254,098,372</u>	<u>\$247,601,581</u>	<u>\$244,864,869</u>	<u>\$243,175,652</u>
Primary Government										
Net investment in capital assets										
Restricted	\$379,657,316	\$358,187,098	\$355,794,772	\$350,225,215	\$351,486,735	\$360,512,598	\$363,396,133	\$358,515,167	\$361,166,892	\$355,224,582
Unrestricted	13,115,395	16,304,671	19,904,920	10,490,248	9,627,851	11,607,308	15,584,703	-	-	-
Total primary government net position	<u>\$408,256,532</u>	<u>\$411,716,966</u>	<u>\$402,865,457</u>	<u>\$401,242,358</u>	<u>\$397,436,525</u>	<u>\$398,514,808</u>	<u>\$397,402,733</u>	<u>\$396,613,604</u>	<u>\$398,142,318</u>	<u>\$399,843,109</u>

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental activities:										
General government										
Public Safety	\$6,189,619	\$10,606,593	\$10,806,827	\$14,384,930	\$13,066,786	\$12,786,945	\$13,757,722	\$14,984,907	\$14,927,520	\$13,338,063
Public Works and Cemeteries	30,763,350	29,343,196	27,478,999	26,786,547	27,337,102	27,808,577	28,459,755	27,143,754	26,558,148	25,412,069
Cultural and Recreation	1,989,690	6,802,354	8,257,303	9,215,118	10,628,247	12,267,869	18,653,955	16,745,302	17,418,712	17,082,502
Economic and physical development	6,313,795	6,113,970	6,076,535	5,311,960	5,477,231	5,692,774	5,536,988	4,789,198	5,421,420	5,240,922
Interest on long-term debt	18,796,473	8,503,949	5,574,798	4,289,451	5,366,599	2,439,359	3,561,667	4,125,961	2,530,015	4,163,290
Intra-annual activities expenses	1,935,901	2,065,476	2,251,262	2,406,042	2,599,970	2,834,675	2,982,111	992,757	1,566,308	1,265,501
Total governmental activities expenses	65,988,828	63,435,538	60,446,714	62,374,048	64,475,935	63,830,199	72,952,196	68,781,879	68,422,123	66,502,347
Business-type activities:										
Water and Sewer	32,065,945	31,411,780	30,100,924	29,574,629	29,094,851	29,633,999	27,806,172	27,530,541	27,710,123	21,923,630
Electric	73,998,222	72,267,809	75,415,945	73,735,847	70,939,145	65,639,003	65,738,586	61,777,655	60,517,626	58,629,603
Transit	2,306,486	2,236,449	2,112,884	2,400,929	2,382,934	2,394,328	4,559,377	2,346,151	2,493,516	2,371,622
Golf	36,726	46,814	36,959	22,265	38,958	39,634	46,058	43,125	351,034	1,350,589
Stormwater	2,809,426	2,546,945	2,505,707	2,160,888	2,296,654	2,586,383	3,114,638	2,671,930	2,495,300	2,597,473
Solid Waste	4,839,020	4,754,935	4,383,528	4,261,659	4,456,951	5,394,611	-	-	-	-
Total business-type activities expenses	116,055,825	113,264,732	114,555,947	112,166,217	109,209,493	105,687,958	101,264,831	94,369,402	93,567,599	86,872,917
Total primary government expenses	\$182,044,653	\$176,700,270	\$175,001,661	\$174,530,265	\$173,685,428	\$169,518,157	\$174,217,029	\$163,151,281	\$161,989,722	\$153,375,264
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$8,671,960	\$8,828,665	\$7,266,484	\$7,654,425	\$9,066,339	\$8,852,324	\$6,508,600	\$6,426,452	\$7,980,309	\$7,376,991
Public Safety	1,382,880	1,100,861	1,092,265	841,503	1,063,056	850,748	1,285,505	925,868	915,682	976,090
Public Works and Cemeteries	49,641	51,016	46,644	40,739	53,677	81,070	1,580,194	1,491,713	1,632,041	1,480,559
Cultural and Recreation	780,680	684,506	628,538	608,559	605,687	616,093	570,237	574,519	557,575	534,573
Economic and physical development	487,727	63,084	134,659	53,384	66,640	127,886	107,524	79,408	256,297	129,767
Operating grants and contributions	4,932,336	4,325,061	4,581,909	4,595,445	5,306,834	4,426,430	6,056,309	7,254,047	5,016,361	5,513,514
Capital grants and contributions	2,359,934	877,236	428,810	439,408	505,279	1,406,920	4,086,757	770,492	1,767,264	5,030,594
Total governmental activities program revenues	18,665,158	15,930,429	14,177,309	14,233,463	15,667,512	16,361,471	20,195,126	17,522,499	18,125,529	21,042,088
Business-type activities:										
Charges for services:										
Water and Sewer	36,296,497	35,561,282	34,338,725	34,121,040	33,348,282	32,558,363	29,512,890	27,832,309	27,324,795	28,829,972
Electric	78,441,784	76,514,684	75,350,298	75,152,951	72,269,496	69,229,324	71,003,575	67,631,621	64,915,490	64,204,033
Transit	278,780	221,302	201,679	213,649	266,732	221,549	195,491	186,699	194,563	199,307
Golf	-	-	-	-	-	-	-	-	203,286	952,578
Stormwater	2,573,238	2,549,033	2,526,881	2,140,036	2,090,130	2,056,131	2,052,610	2,072,081	2,075,115	2,017,308
Solid Waste	2,055,849	1,330,939	1,222,829	1,223,413	1,146,749	1,511,139	-	-	-	-
Operating grants and contributions	2,207,607	1,054,568	2,498,530	2,259,217	914,077	1,333,951	3,423,573	1,341,804	1,478,376	1,322,680
Capital grants and contributions	1,943,040	2,535,405	1,069,587	486,064	557,133	1,603,308	3,261,820	184,523	457,237	1,761,894
Total business-type activities program revenues	123,796,795	119,767,213	117,208,509	115,996,370	110,592,599	106,513,765	109,449,959	99,249,037	96,648,862	99,287,772
Total primary government program revenues	\$142,461,953	\$135,697,642	\$131,386,818	\$129,829,833	\$128,260,111	\$124,875,236	\$129,645,085	\$116,771,536	\$114,774,391	\$120,329,860

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	Fiscal Year 2008
Net (Expense)/Revenue										
Governmental activities	(\$47,323,670)	(\$47,505,109)	(\$46,268,405)	(\$46,140,585)	(\$48,808,423)	(\$47,468,728)	(\$52,757,072)	(\$51,259,380)	(\$50,286,594)	(\$45,460,259)
Business-type activities	7,740,970	6,502,481	2,652,562	3,440,153	1,383,106	2,825,807	8,185,128	4,879,635	3,081,263	12,414,895
Total primary government net expense	(\$39,582,700)	(\$41,002,628)	(\$43,615,843)	(\$44,700,432)	(\$47,425,317)	(\$44,642,921)	(\$44,571,944)	(\$46,379,745)	(\$47,215,331)	(\$33,045,404)
General Revenues and Other Changes in Net Position										
Governmental activities										
Ad valorem taxes	\$30,201,787	\$29,100,257	\$29,226,233	\$29,677,867	\$28,142,234	\$27,224,338	\$27,376,171	\$27,442,703	\$27,318,145	\$26,666,751
Sales taxes	10,798,202	10,115,362	9,638,696	9,188,630	9,245,172	9,461,249	9,456,007	9,728,777	9,988,923	9,988,922
Payments in lieu of taxes	3,549,931	3,366,991	3,328,873	-	-	-	-	-	-	-
Utility franchise taxes	1,716	2,240	903,042	-	-	-	-	-	-	-
Other taxes	6,684,289	6,407,474	6,450,830	8,902,787	8,524,417	8,284,811	7,920,147	7,385,674	7,292,414	6,931,381
Interest earned on investments	745,380	715,572	670,356	670,401	682,081	701,594	476,840	139,237	506,639	1,314,797
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Special Item-Contribution of Infrastructure to Stormwater Fund	-	-	-	-	-	-	-	-	-	-
Gain (loss) on disposal of assets	-	-	-	-	-	-	-	-	-	-
Transfers	-1,463,925	-2,063,679	-2,144,444	-1,705,326	-1,894,556	-2,051,358	1,820,244	2,297,562	1,800,465	1,010,957
Total governmental activities	50,517,380	47,844,217	48,073,586	46,734,359	44,689,348	43,600,634	47,049,409	46,983,953	46,906,586	45,912,808
Business-type activities:										
Interest earned on investments	398,904	146,241	57,992	66,580	74,924	103,004	131,907	154,639	408,419	922,801
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Liquidated Damages Recovery	-	-	-	-	-	-	-	-	-	-
Gain (loss) on disposal of assets	-	-	-	-	-	-	-	-	-	-
Transfers	1,463,925	2,063,679	2,144,444	1,705,326	1,894,556	2,051,358	(1,820,244)	(2,297,562)	(1,800,465)	(1,010,957)
Total Business-type activities	1,862,829	2,209,920	2,202,436	1,771,906	1,969,480	2,154,362	(1,688,337)	(2,142,923)	(1,392,046)	(88,156)
Total primary government	\$52,380,209	\$49,854,137	\$50,276,022	\$48,506,265	\$46,688,828	\$45,754,996	\$45,361,072	\$44,841,030	\$45,514,540	\$45,824,652
Changes in Net Position										
Governmental activities	\$3,193,710	\$139,108	\$1,805,181	(\$1,406,226)	(\$4,109,075)	(\$3,868,094)	(\$5,707,663)	(\$4,265,427)	(\$3,390,008)	\$452,649
Business-type activities	9,603,799	8,712,401	4,854,998	5,212,059	3,352,586	4,980,169	6,496,791	2,736,712	1,689,217	12,326,699
Total primary government	\$12,797,509	\$8,851,509	\$6,660,179	\$3,805,833	(\$756,489)	\$1,112,075	\$789,128	(\$1,528,715)	(\$1,700,791)	\$12,779,248

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

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Non Spendable	-	-	-	547,632	561,648	1,337,871	674,941	623,318	1,115,263	997,969
Restricted	-	-	-	8,318,593	6,609,664	5,840,423	6,656,217	7,109,193	7,828,824	8,620,490
Assigned	-	-	-	177,856	79,500	885,000	1,359,364	1,075,528	2,219,036	1,185,733
Unassigned	-	-	-	7,992,950	11,004,582	12,853,607	16,255,458	19,295,626	18,385,633	16,923,448
Reserved	\$7,374,962	\$6,777,335	\$8,872,364	-	-	-	-	-	-	-
Unreserved	10,435,150	9,637,414	7,132,237	-	-	-	-	-	-	-
Total general fund	<u>\$17,810,112</u>	<u>\$16,414,749</u>	<u>\$16,004,601</u>	<u>\$17,037,031</u>	<u>\$18,255,394</u>	<u>\$20,916,901</u>	<u>\$24,945,980</u>	<u>\$28,103,665</u>	<u>\$29,548,756</u>	<u>\$27,727,640</u>
All other Governmental Funds										
Non Spendable	-	-	-	\$1,667,572	\$1,599,078	\$1,735,269	\$1,599,078	\$2,531,330	-	-
Other Governmental Funds	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	6,103,037	4,678,039	-	-	-	\$340,937	1,816,720
Mayor/Council Capital Project Fund	-	-	-	26,373,447	26,586,512	24,607,933	24,567,467	31,829,717	23,126,995	6,197,472
Streets Capital Project Fund	-	-	-	6,865,013	1,940,844	2,387,157	1,672,903	966,264	3,334,565	2,766,279
Other Governmental Funds	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	584,454	-	-	-	-	1,099,397	1,290,634
Mayor/Council Capital Project Fund	-	-	-	374,248	300,949	1,942,921	2,397,336	2,918,019	935,511	2,455,045
Other Governmental Funds	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	(1,627,203)	(1,955,138)	(1,760,494)	(1,542,588)	(829,029)	(975,230)	(676,031)
Other Governmental Funds	-	-	-	-	(1,083,288)	-	-	-	-	-
Mayor/Council Capital Project Fund	-	-	-	-	(798,496)	-	(1,633,558)	(11,529,005)	(7,915,079)	(2,213,464)
Streets Capital Project Fund	-	-	-	-	-	-	-	-	-	-
Reserved, reported in:										
Mayor/Council Capital Project Fund	\$1,157,677	\$803,631	\$708,310	-	-	-	-	-	-	-
Other Governmental Funds	4,671,316	4,462,211	5,862,568	-	-	-	-	-	-	-
Unreserved, reported in:										
Mayor/Council Capital Project Fund	1,634,921	1,418,181	1,386,361	-	-	-	-	-	-	-
Other Governmental Funds	2,088,019	2,291,756	(556,559)	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$9,551,933</u>	<u>\$8,975,779</u>	<u>\$7,400,680</u>	<u>\$40,340,568</u>	<u>\$31,268,500</u>	<u>\$28,912,786</u>	<u>\$27,060,638</u>	<u>\$25,887,296</u>	<u>\$19,947,096</u>	<u>\$11,636,655</u>

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

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Ad valorem taxes	\$26,581,312	\$27,238,368	\$27,446,629	\$27,453,644	\$27,347,456	\$27,875,770	\$29,598,524	\$29,416,567	\$29,182,589	\$30,250,130
Other taxes and licenses	16,920,303	17,281,337	17,114,451	17,376,154	17,726,080	17,769,589	18,091,417	20,321,441	19,892,067	21,034,138
Unrestricted intergovernmental revenues	1,633,727	1,811,720	1,821,361	2,481,664	1,629,995	1,883,441	1,724,860	1,844,467	2,086,035	2,216,249
Restricted intergovernmental revenues	6,444,156	6,058,245	6,975,492	6,434,710	4,640,456	5,395,363	4,618,211	4,680,242	4,673,553	4,846,038
Permits and fees	999,738	743,410	549,800	626,451	809,381	782,845	942,613	1,075,019	1,368,815	1,287,879
Sales and services	5,002,323	5,033,550	4,494,145	4,705,447	3,066,550	3,992,089	3,582,150	2,921,922	2,719,422	3,392,516
Investment earnings	1,081,437	458,517	145,188	314,173	538,938	518,166	500,644	497,689	543,150	563,738
Miscellaneous	1,043,725	1,422,226	561,224	1,331,963	3,128,408	917,813	736,893	836,479	947,822	587,591
Total revenues	59,706,721	60,047,373	59,108,290	60,724,206	58,887,244	59,135,076	59,795,312	61,593,826	61,413,453	64,178,279
Expenditures										
Current:										
General government	9,089,348	9,553,424	9,598,133	8,709,365	8,391,686	8,045,356	8,392,694	7,652,922	8,432,653	8,611,305
Public Safety	24,527,453	25,704,818	26,426,963	26,964,024	26,706,437	26,463,281	25,884,059	26,361,638	27,929,197	29,290,869
Public works and cemeteries	10,795,304	11,257,939	10,596,754	11,216,635	5,759,727	5,226,613	5,244,937	5,449,447	5,497,190	5,828,965
Cultural and recreation	4,555,067	4,804,856	4,811,947	4,830,337	4,973,676	5,133,096	4,971,730	5,382,186	5,467,201	5,545,275
Economic and physical development	3,655,570	2,236,652	4,328,382	2,540,421	1,688,954	2,588,573	1,730,797	1,579,764	1,666,099	2,643,288
Capital outlay	2,662,256	4,691,159	2,298,712	10,610,351	11,771,548	3,436,766	2,472,047	3,869,762	6,780,550	15,981,404
Debt Service:										
Principal repayments	3,833,152	3,491,529	3,182,767	3,577,924	3,297,770	3,260,527	4,335,667	5,036,666	4,819,668	3,969,667
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	-
Interest	1,184,142	1,190,809	989,965	2,022,227	2,641,881	2,482,836	2,327,797	2,146,625	1,986,270	1,821,336
Total expenditures	60,302,292	62,931,186	62,233,623	70,471,484	65,211,679	56,637,048	55,359,728	57,479,010	62,578,828	73,692,109
Revenues over (under) expenditures	(595,571)	(2,883,813)	(3,125,333)	(9,747,278)	(6,324,435)	2,498,028	4,435,584	4,114,816	(1,165,375)	(9,513,830)
Other Financing Sources (Uses)										
Payments to refunded bond escrow agent	-	-	-	(5,277,343.00)	(1,649,848.00)	-	-	-	-	-
Transfers from other funds	3,990,273	4,117,105	3,061,405	3,590,426	3,621,460	2,908,766	3,696,367	3,486,766	4,683,368	8,070,623
Transfers to other funds	(2,974,316)	(2,913,463)	(2,291,868)	(1,716,546)	(5,194,957)	(5,303,164)	(5,823,167)	(6,543,465)	(8,056,474)	(9,534,548)
Operating transfers from component unit	-	-	-	-	-	-	-	-	-	-
Section 108 loan proceeds	-	-	-	-	-	-	-	-	-	-
Issuance of long term debt	2,550,020	-	-	46,070,930.00	1,694,000.00	-	-	-	-	-
Bond premium received	-	-	-	1,671,930.00	-	-	-	-	-	-
Total other financing sources (uses)	3,565,977	1,203,642	769,537	44,339,397	(1,529,345)	(2,394,398)	(2,126,800)	(3,056,699)	(3,373,106)	(1,463,925)
Net change in fund balances	\$2,370,406	-\$1,680,171	-\$2,355,796	\$34,592,119	-\$7,853,780	\$103,630	\$2,308,784	\$1,058,117	-\$4,538,481	-\$10,977,755
Debt service as a percentage of noncapital expenditures	8.61%	8.01%	6.99%	8.93%	11.12%	10.88%	12.84%	13.63%	12.55%	10.39%

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

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

Fiscal Year	Property Tax	Local Option Sales Tax	Utility Sales Tax	Video		Beer and Wine Tax	Rental Vehicle Tax	Total
				Franchise Tax	Tax			
2008	26,581,312	9,988,923		3,397,786	571,029	328,786	61,364	40,929,200
2009	27,238,368	9,988,923		3,604,081	635,429	327,159	56,976	41,850,936
2010	27,446,629	9,728,777		3,525,229	634,707	106,282	54,439	41,496,063
2011	27,136,501	9,456,007		3,637,666	628,273	331,788	59,379	41,249,614
2012	27,019,001	9,461,249		3,636,750	543,537	331,310	73,580	41,065,427
2013	27,586,250	9,245,172		3,734,179	540,586	291,396	64,728	41,462,311
2014	29,244,897	9,188,630		3,739,996	533,480	317,167	68,196	43,092,366
2015	29,097,588	9,638,696	4,689,016	903,042	543,977	347,911	79,337	45,299,567
2016	28,876,336	10,115,362	4,810,587	2,240	516,055	321,943	94,897	44,737,420
2017	29,966,989	10,798,202	4,374,029	1,716	520,320	334,226	112,953	46,108,435

Note: In 2004, the Gaston County Commissioners announced their intent to change the Sales Tax distribution formula from the per capita method to the ad valorem method. This change, if immediately implemented, would have resulted in an annual loss to the City of Gastonia of approximately \$2.5 million in our General Fund. Through determined efforts of municipal officials and a willingness of County officials to compromise, an Inter-Local Agreement was signed that capped the municipal share of Sales Tax revenues at the 2003-2004 amount. All future growth in the Sales Tax revenues, historically averaging 4.5%, would be assigned to the County, until the economic growth equals 92% of the Ad Valorem method. The Inter-Local Agreement specified that the County must divide their newly captured money – 50% to the public schools and 50% for water and sewer improvements. During this time the county made hold harmless payments to the City that made sure the City received \$9,988,893 each year. However, in 2009 the County once again amended the agreement whereas the County capped their hold harmless payment for 2010 at the 2009 amount and began reducing this cap by 20% per year. The County's last hold harmless payment will be only \$379,531 for the 2014 fiscal year and will not make further payments in subsequent years.

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

Fiscal Year	Real Property ⁽¹⁾	Personal Property ⁽²⁾	Motor Vehicles	Public Service Companies	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
2008	3,947,041	500,405	433,678	110,132	4,991,256	0.5300	4,991,256
2009	4,094,513	482,831	423,268	116,429	5,117,041	0.5300	5,117,041
2010	4,153,487	489,271	390,143	116,435	5,149,336	0.5300	5,149,336
2011	4,183,538	470,599	379,132	108,636	5,141,905	0.5300	5,141,905
2012	4,199,448	461,499	404,534	120,953	5,186,434	0.5200	5,186,434
2013	4,224,588	481,162	424,165	115,685	5,245,600	0.5300	5,245,600
2014	4,273,933	495,290	589,129	113,014	5,471,366	0.5300	5,471,366
2015	4,329,645	526,332	376,073	116,399	5,348,449	0.5300	5,348,449
2016	4,216,481	552,606	406,494	132,616	5,308,197	0.5300	5,308,197
2017	4,260,390	660,221	460,177	147,673	5,528,461	0.5300	5,528,461

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 2007 tax assessment is approximately 90% of taxable value (market value). For years subsequent to the 1998 octennial revaluation we will interpolate an annual 1.25% taxable value increase. Based on the economic condition in the current housing market, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016 and the 2017 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. The next required reappraisal was completed in 2015 and was applicable to ad valorem tax revenues in the City's 2015/2016 fiscal year.

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	Debt Retirement	Total Direct Rate		
	General Fund			Gaston County	City and County
2008	0.4175	0.1125	0.5300	0.8400	1.3700
2009	0.4175	0.1125	0.5300	0.8350	1.3650
2010	0.4175	0.1125	0.5300	0.8350	1.3650
2011	0.4175	0.1125	0.5300	0.8350	1.3650
2012	0.4075	0.1125	0.5200	0.8350	1.3550
2013	0.4175	0.1125	0.5300	0.8350	1.3650
2014	0.4175	0.1125	0.5300	0.8700	1.4000
2015	0.4175	0.1125	0.5300	0.8700	1.4000
2016	0.4175	0.1125	0.5300	0.8700	1.4000
2017	0.4175	0.1125	0.5300	0.8700	1.4000

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

	2017				2008			
	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	\$80,214,174	1	1.58%		\$56,449,397	2	1.24%	
Owens Corning	\$61,493,960	2	1.21%		-	-	-	
PSNC Energy	48,199,452	3	0.95%		35,112,312	7	0.77%	
Mann+Hummel Filtration - Wix	45,504,877	4	0.90%		44,853,345	4	0.99%	
Southwood Realty	39,698,366	5	0.78%		-	-	-	
CTL Packaging USA Inc	37,442,014	6	0.74%		-	-	-	
Duke Energy	34,928,927	7	0.69%		-	-	-	
Centro Bradley Spe 1 LLC	29,748,358	8	0.59%		-	-	-	
Stabilus Inc.	29,227,611	9	0.58%		41,122,579	5	0.91%	
Roechling Engineered Plastics	28,250,558	10	0.56%		-	-	-	
Triangle Real Estate	-	-	-		66,954,861	1	1.47%	
Walmart	-	-	-		27,301,469	8	0.60%	
Parkdale Mills	-	-	-		45,234,447	3	1.00%	
BellSouth Company	-	-	-		37,400,403	6	0.82%	
Heritage Properties	-	-	-		27,002,864	9	0.59%	
E & A Franklin Square LTD	-	-	-		24,960,327	10	0.55%	

Source: City of Gastonia Treasurer from the Gaston County Assessors Office

- (a) Triangle Real Estate was number 9 in 2016 and number 1 in 2008 however the company spun-off a portion of its property holdings to another legal entity.
- (b) Owens Corning just recently finished construction on a new facility in the Gastonia Technology Park.

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$ 26,447	\$ 25,366	95.91%	\$ 1,007	\$ 26,373	99.72%
2009	27,115	25,950	95.70%	1,074	27,024	99.66%
2010	27,283	26,195	96.01%	991	27,186	99.64%
2011	27,247	26,243	96.32%	893	27,136	99.59%
2012	26,969	26,139	96.92%	727	26,866	99.62%
2013	27,802	26,930	96.87%	763	27,693	99.61%
2014	28,998	28,420	98.01%	457	28,877	99.58%
2015	28,347	27,931	98.53%	267	28,198	99.47%
2016	28,134	27,779	98.74%	188	27,967	99.41%
2017	29,301	28,965	98.85%	-	28,965	98.85%

Source: City Of Gastonia Treasurer

Schedule 10

Governmental Activities

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements of the 2010 census. Previous years' estimates were much higher than the census results.

Schedule 11
City of Gastonia
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(dollars in thousands, except per capita)

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Population	Per Capita
2008	\$ 20,395	0.41%	72,848	280
2009	17,266	0.34%	74,518	232
2010	14,070	0.27%	75,280	187
2011	40,480	0.79%	71,741	564
2012	38,749	0.75%	72,173	537
2013	37,051	0.71%	72,507	511
2014	34,612	0.63%	72,507	477
2015	32,100	0.60%	72,947	440
2016	29,440	0.55%	73,698	399
2017	26,671	0.48%	74,413	358

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

Schedule 12
City of Gastonia
Direct and Overlapping Governmental Activities Debt
As of June 30, 2017
(dollars in thousands)

<u>Governmental Unit</u>	<u>Total Debt</u>	<u>Estimated Percentage Applicable ⁽²⁾</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Direct Debt:			
City of Gastonia	\$47,700 ⁽¹⁾	100%	\$47,700
Overlapping Debt			-
Gaston County	<u>195,723 ⁽³⁾</u>	34.67%	<u>\$67,857</u>
Total direct and overlapping debt	<u><u>\$243,423</u></u>		<u><u>\$115,557</u></u>

Notes:

- (1) Total debt was calculated as general obligation bonds, certificates of participation, section 108 loan, installment purchases, limited obligation bonds less general obligation bonds incurred for water & sewer.
- (2) Allocated based on assessed valuation.
- (3) Overlapping debt is owned by Gaston County and benefits all areas within the county. Payment of this debt is the responsibility of Gaston County. Net debt is calculated as general obligation bonds, certificates of participation, state revolving loans, installment purchases, capital leases, less debt incurred for enterprise funds.

Schedule 13
City of Gastonia
Legal Debt Margin Information,
Last Ten Fiscal Years
(dollars in thousands)

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed value	\$5,528,461
Debt limit (8% of assessed value)	442,277
Debt applicable to limit:	
Authorized & Outstanding bonded debt	70,724
Outstanding debt not evidenced by bonds	38,003
	<u>108,727</u>
Statutory Deductions:	
Bonds and other debt not evidenced by	61,098
bonds applicable to Enterprise Funds	
Amount designated for payment of gross	30
debt other than Enterprise Funds	<u>61,128</u>
Net Debt	<u>47,599</u>
Legal Debt Limit	<u><u>\$394,678</u></u>

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$407,191	\$411,642	\$411,546	\$408,963	\$414,915	\$418,317	\$411,170	\$427,876	\$424,656	\$442,277
Total net debt applicable to limit	41,110	38,598	31,847	67,687	66,505	60,980	60,049	55,577	51,427	47,599
Legal debt margin	<u>\$366,081</u>	<u>\$373,044</u>	<u>\$379,699</u>	<u>\$341,276</u>	<u>\$348,410</u>	<u>\$357,337</u>	<u>\$351,121</u>	<u>\$372,299</u>	<u>\$373,229</u>	<u>\$394,678</u>
Total net debt applicable to the limit	10.10%	9.38%	7.74%	16.55%	16.03%	14.58%	14.60%	12.99%	12.11%	10.76%
as a percentage of debt limit										

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

Water Revenue Bonds						
Fiscal Year	Gross Utility Revenues ⁽¹⁾	Less: Operating Expenses ⁽²⁾	Net Available Revenue	Debt Service Principal ⁽³⁾	Debt Service Interest ⁽⁴⁾	Coverage
2008	29,438	13,580	15,858	5,155	2,389	2.10
2009	27,590	19,443	8,147	3,805	2,181	1.36
2010	27,951	18,993	8,958	4,379	1,612	1.50
2011	29,484	19,743	9,741	4,079	1,614	1.71
2012	32,860	21,295	11,565	3,612	1,480	2.27
2013	33,557	20,950	12,607	4,405	1,301	2.21
2014	33,760	20,985	12,775	3,570	961	2.82
2015	34,350	22,126	12,224	3,693	902	2.66
2016	35,608	22,097	13,511	3,268	972	3.19
2017	36,090	23,397	12,693	4,033	1,431	2.32

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

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

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

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

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

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

Fiscal Year	Population⁽¹⁾	Personal Income (thousands of dollars)⁽²⁾	Per Capita Personal Income⁽³⁾	Unemployment Rate⁽⁴⁾
2008	72,848	\$ 2,384,096	\$ 32,727	7.5%
2009	74,518	1,780,757	23,897	13.3%
2010	75,280	1,762,079	23,407	10.4%
2011	71,741	1,636,269	22,808	11.3%
2012	72,173	1,558,287	21,591	10.5%
2013	72,507	1,591,094	21,944	9.7%
2014	72,507	1,561,148	21,531	6.7%
2015	72,947	1,657,575	22,723	6.7%
2016	73,698	1,724,165	23,395	5.5%
2017	74,413	NA	NA	4.4%

Notes:

⁽¹⁾ North Carolina Office of State Budget and Management

⁽²⁾ Per Capita Personal Income Extended By Population

⁽³⁾ NC Department of Commerce

⁽⁴⁾ NC Employment Security Commission

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

	2017			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Employer						
Gaston County Schools	1,000 & Over	1	-	1,000 & Over	2	-
Caromont Health	1,000 & Over	2	-	1,000 & Over	1	-
Freightliner	1,000 & Over	3	-	1,000 & Over	8	-
Gaston County	1,000 & Over	4	-	1,000 & Over	4	-
Wal-mart Association, Inc.	1,000 & Over	5	-	1,000 & Over	6	-
American & Efird	1,000 & Over	6	-	1,000 & Over	7	-
FKA Wix Filtration Corp	1,000 & Over	7	-	1,000 & Over	3	-
City of Gastonia	500-999	8	-	1,000 & Over	9	-
Pharr Yarns	500-999	9	-	1,000 & Over	5	-
Gaston College	500-999	10	-	500-999	10	-

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

Source: Gaston County Economic Development Commission.

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

Schedule 17
City of Gastonia
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government	185	187	177	158	148	151	164	172	172	163
Police	170	170	178	171	171	170	164	158	168	167
Fire	139	140	140	139	137	134	137	137	137	137
Public Works	152	158	158	141	92	89	74	74	73	70
Cultural and Recreation	56	56	54	51	49	48	46	53	52	53
Water and Sewer	121	127	133	128	134	130	131	131	122	119
Electric	40	44	44	47	46	45	44	43	44	42
Transit	17	20	20	21	20	20	21	22	21	27
Golf Course	8	0	0	0	0	0	0	0	0	0
Solid Waste	0	0	0	0	48	40	38	39	40	40
Stormwater	5	5	5	5	8	7	6	7	6	6
Total	893	907	909	861	853	834	825	836	835	824

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

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

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Commercial Construction										
Commercial Building permits issued	548	514	563	564	636	629	467	368	396	381
Commercial Building permit value	62,785	57,213	25,221	26,487	97,074	64,292	120,524	62,040	104,774	73,094
Residential Construction										
Residential Building permits issued	800	586	461	480	514	347	545	733	718	748
Residential Building permit value	98,364	49,945	39,607	56,445	68,468	46,624	53,848	94,602	117,328	133,065
Police										
Physical arrests	7,867	8,116	8,127	7,963	7,605	7,454	6,359	7,612	6,191	5,940
Parking violations	19	22	38	51	53	34	23	17	10	22
Traffic violations	8,615	9,103	11,269	9,750	8,836	9,092	8,634	7,003	9,619	7,440
Fire										
Number of calls answered	8,810	8,968	8,624	8,856	8,689	9,082	9,567	10,060	10,729	11,307
Fires extinguished	491	403	332	361	293	336	283	326	325	274
Inspections	2,123	2,662	3,051	3,625	4,293	3,066	4,505	3,848	4,084	5,087
Sanitation/Solid Waste										
Residential Refuse collected (tons annually)	26,650	25,421	29,865	29,984	21,532	18,939	18,710	18,707	19,394	20,783
Commercial Refuse collected (tons annually)	24,483	24,908	23,632	20,922	20,395	0	0	0 (A)	0 (A)	0
Contractor/Recyclables collected (tons annually)	806	896	1,253	1,226	2,348	3,741	4,042	4,025	4,148	3,868
City Crews/Recyclables collected (tons annually)	126	161	143	120	103	32	28	27	24	25
Other public works										
Street resurfacing (miles)	9	7	4	10	0	0.44	1.23	1.06	1.70	6.20
Potholes repaired	499	637	1,104	739	1,052	691	1,052	460	1,586	1,412
Water										
Number of service connections	27,931	25,591	25,879	25,784	27,684	27,648	28,095	28,899	29,523	30,125
Water main breaks	176	608	934	162	111	144	149	110	204	170
Average daily consumption	11.48 MGD	11.40 MGD	12.09 MGD	12.79 MGD	13.07 MGD	12.18MGD	11.98MGD	12.7 MGD	13.8 MGD	14.4 MGD
(thousands of gallons)										
Maximum daily capacity of plant in gallons	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	25.2MGD	26MGD	25.3 MGD	26 MGD	25.2 MGD
(thousands of gallons)										
Wastewater										
Average daily sewage treatment	7.8 MGD	8.0 MGD	8.9 MGD	8.1 MGD	8.3 MGD	8.8 MGD	10.8 MGD	9.05 MGD	10.32 MGD	9.6 MGD
(thousands of gallons)										
Maximum daily capacity of treatment in gallons	22 MGD	22 MGD	22 MGD	22 MGD	26 MGD	26 MGD	26 MGD	26 MGD	26 MGD	26 MGD
Number of service connections	23,247	23,324	23,534	23,680	25,244	25,210	25,610	26,389	26,934	27,562
Transit										
Total route miles	295,495	286,726	286,382	285,024	289,028	293,896	284,602	280,808	291,530	292,204

Sources: Various City Departments

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

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	133	128	137	145	159	154	152	157	155	156
Fire Stations	8	8	8	8	8	8	8	8	8	8
Refuse collection										
Collection trucks	22	22	22	22	22	21	21	21	25	26
Other Public Works										
Streets (miles)	334.73	335.56	335.56	335.56	335.56	336	337.23	338.29	339.99	340.97
Streetlights	9566	9687	9696	9770	9874	9891	9915	9924	9937	10081
Parks and recreation										
Acreage	587	587	587	587	587	587	587	587	587	587
Parks	16	16	16	16	16	16	16	16	16	16
Baseball/softball diamonds	19	19	19	19	19	19	19	19	19	19
Soccer fields	4	4	4	4	4	4	4	4	4	4
Community Centers	6	6	6	6	6	6	6	6	6	6
Golf Courses	1	1	1	1	1	1	1	1	1	1
Swimming Pools	2	2	2	2	2	2	2	2	2	2
Tennis Courts	46	46	46	46	46	32	32	32	32	28
Jogging Tracks	8	8	8	8	8	8	8	8	8	8
Skeet & Trap Range	1	1	1	1	1	1	1	1	1	1
Skate Park	1	1	1	1	1	0	0	0	0	0
Water										
Water mains (miles)	547	548.2	548	556	589	591.77	593.2	594.95	597.42	600.62
Fire Hydrants	3,226	3,776	3,237	3,308	3,497	3512	3538	3564	3592	3622
Maximum daily capacity of plant in gallons	27.3 MGD	27.3 MGD	25.4 MGD	25.4 MGD	27.3 MGD	25.2MGD	25.4MGD	25.3 MGD	25.2 MGD	25.2 MGD
Wastewater										
Number of treatment plants	2	2	2	2	3	3	3	3	3	3
Sanitary Sewers (miles)	528	504.9	505	509	542	553.19	554.7	556.9	558.91	561.55
Storm sewers (miles)	265	265	265	265	265	265	265	265	265	265
Maximum daily capacity of treatment in gallons	22 MGD	22 MGD	22 MGD	22 MGD	26 MGD	26 MGD	26 MGD	26 MGD	26 MGD	26 MGD
Transit										
Buses	8	8	8	9	9	9	9	8	8	8
ADA vans	5	5	5	5	5	5	5	5	5	5
Electric										
Distribution miles	471	474	476	476	471	473	483	474	474	487
Customers	25929	26256	26063	26133	26067	26268	26850	27054	27906	28208
Conference Centers	-	-	-	-	1	1	1	1	1	1

Sources: Various City Departments

SUPPLEMENTARY INFORMATION
COMPLIANCE SECTION



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

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable of the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gastonia, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 25, 2017. Our report includes a reference to other auditors who audited the financial statements of the City of Gastonia ABC Board, as described in our report on the City of Gastonia, North Carolina's financial statements. The financial statements of the Gastonia Tourism Development Authority and the City of Gastonia ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings, Responses, and Questioned Costs as Finding 2017-001 that we consider to be a material weakness.

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*.

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 25, 2017

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

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

Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With Uniform Guidance; And The State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of the City of Gastonia, North Carolina, with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017. The City of Gastonia's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Gastonia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Gastonia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Gastonia's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Gastonia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 25, 2017

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

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Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With Uniform Guidance; And The State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the compliance of the City of Gastonia, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the City of Gastonia's major State programs for the year ended June 30, 2017. The City of Gastonia's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Gastonia's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; applicable sections of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City of Gastonia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State program. However, our audit does not provide a legal determination of the City of Gastonia's compliance.

Basis for Qualified Opinion on Powell Bill

As described in the accompanying Schedule of Findings, Responses, and Questioned Costs, the City of Gastonia did not comply with requirements regarding Powell Bill as described in Finding 2017-002 for payroll cost allocation charged to Powell Bill. Compliance with such requirements is necessary, in our opinion, for City of Gastonia to comply with the requirements applicable to that program.

Qualified Opinion on Powell Bill

In our opinion, except for the non-compliance described in the Basis for Qualified Opinion paragraph, City of Gastonia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Powell Bill for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a State program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material non-compliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings, Responses, and Questioned Costs as Finding 2017-002 to be a material weakness.

The City of Gastonia's responses to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. The City of Gastonia's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 25, 2017

CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

1. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(s) identified?

Yes

None reported

Non-compliance material to financial statements noted?

No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?
- Significant deficiency(s) identified?

No

None reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?

No

Identification of major federal programs:

Program Name

CFDA

Drinking Water State Revolving Fund Cluster

66.468

Dollar threshold used to distinguish between Type A and Type B programs

\$762,458

Auditee qualified as low-risk auditee?

Yes

CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

1. Summary of Auditor's Results (continued)

State Awards

Internal control over major State programs:

- | | |
|---|---------------|
| • Material weakness identified? | Yes |
| • Significant deficiency(s) identified? | None reported |

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?	Yes
---	-----

Identification of major State programs:

Program Name

Powell Bill

CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

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

Material Weakness

Finding 2017-001

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: A prior period adjustment is required to correct material errors that occurred in periods prior to the current fiscal year under audit. The necessity of a prior period adjustment indicates that the City's system of controls did not detect and prevent a material error in financial reporting. A long-term loan receivable was not recorded in the governmental activities and fund balance was understated for the year ended June 30, 2016. A restatement for the Community Development Block Grant Funds and the Economic Stimulus Grants Fund was made for long-term loans not recorded in the prior years.

Effect: Errors in financial reporting occurred in governmental activities.

Cause: Failure to properly recognize long-term receivables once certain criteria for a receivable has been met.

Recommendation: Care should be taken to ensure that long-term receivables are properly recognized and classified on the general ledger.

Contact Person: Melody Braddy

Views of Responsible Officials and Planned Corrective Actions: The City agrees with this finding and will adhere to the corrective action plan in the Corrective Action Plan section of this audit report.

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

None.

CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

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

N.C. Department of Transportation
Program Name: Powell Bill
Finding 2017-002

Material Non-Compliance
Material Weakness

Eligibility

Criteria: Management should have an adequate system of internal control procedures in place to properly review and assess the eligibility of payroll costs to ensure the accuracy of the payroll costs charged is within program requirements. Verification of accuracy of information used in determining payroll costs to be charged to the Powell Bill program should be performed by management. Evidence of the review should be documented and include authorized signatures.

Condition: The City of Gastonia did not have a system in place to adequately document and review the proration of eligible payroll costs performed by Powell Bill crews.

Context: While performing tests of internal control over compliance on the programs listed above, we noted the above condition.

Effect: Payroll costs charged to the Powell Bill program are not eligible.

Cause: Documentation and review procedures for prorated labor are not being performed by management in accordance with the State compliance supplement surrounding prorated labor.

Questioned Costs: \$1,133,915

Recommendation: Management should strengthen the City's policy for performing reviews of staffs time to ensure what time is eligible for Powell Bill reimbursement. Evidence of documentation of reviews should be retained and include signatures of all parties involved during the review. Any deficiencies noted during the review should be corrected within a timely manner and documented as such.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with this finding. Please refer to the Corrective Action Plan.



Financial Services Department

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2017**

Section II – Financial Statement Findings

Finding: 2017-001

Name of Contact Person:	Melody Braddy, Assistant City Manager
Corrective Action:	Management concurs and will implement stringent internal controls surrounding the issuance and identification of long-term loans in order to assure proper accounting and reporting.
Proposed Completion Date:	Immediately

Section IV – State Award Findings and Questioned Costs

Finding: 2017-002

Name of Contact Person:	Melody Braddy, Assistant City Manager
Corrective Action:	Management concurs and is designing and implementing stringent procedures and policies surrounding the proper tracking and reporting of Powell Bill personnel costs along with putting in to place additional internal controls to ensure future compliance with procedures and policies.
Proposed Completion Date:	Immediately

CITY OF GASTONIA, NORTH CAROLINA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

None

CITY OF GASTONIA, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2017

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-through to subrecipients</u>
Federal Grants:					
<u>U.S. Dept. of Housing and Urban Development</u>					
Direct Program:					
Community Development Block/Entitlement Grants Cluster:					
Community Development Block Grant/Entitlement Grants	14.218		\$ 973,458		
Total Community Development Block/Entitlement Grants Cluster			973,458		
Home Investment Partnerships Program	14.239		590,282		
<u>U.S. Dept. of Housing and Urban Development</u>					
Passed-through N.C. Department of Commerce:					
ARRA Neighborhood Stabilization Program -NSP1	14.264	Grant # 08-N-1891	61,264		
<u>U.S. Dept. of Transportation</u>					
Direct Program:					
Federal Transit Cluster					
Federal Transit Formula Grants					
Urbanized Area Formula-Operating	20.507	NC90X600,NC90X561	671,630		
Urbanized Area Formula-Capital	20.507	NC90X600,NC90X561	487,729		
Urbanized Area Formula-Capital	20.507	NC902600 Transit Study	49,957		
Total Federal Transit Cluster			1,209,316		
Federal Transit Formula Grants					
Passed-through the N.C. Department of Transportation:					
Highway Planning and Construction Cluster					
		CMS-1213(37)/			
Highway Planning and Construction	20.205	Vehicle Locator Program	43,910	\$ -	
Highway Planning and Construction	20.205	Planning Funds	242,997	-	
Highway Planning and Construction	20.205	Planning Funds	24,578	-	
		SPR Funding Planning			
Highway Planning and Construction	20.205	Funds-Agreement #5964	74,122	-	
Highway Planning and Construction	20.205	NCDOT Project #C-4934	3,974	-	
Total Highway Planning and Construction Cluster			389,581	-	
Federal Aviation Administration:					
Airport Improvement Program	20.106	36237.55.9.1	54,893		
<u>U.S. Environmental Protection Agency</u>					
Passed-through N.C. Department of Environmental Quality					
Drinking Water State Revolving Fund Cluster (note 3)					
Capitalization Grants for Drinking Water State Revolving Fund	66.468	H-LRX-F-15-1878	472,594		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	H-LRX-F-13-1879	21,440,008		
Total Drinking Water State Revolving Fund Cluster			21,912,602		
<u>U.S. Department of Justice</u>					
Direct Program:					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014 JAG	20,745		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015 JAG	31,215		\$ 22,184
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016 JAG	33,427		
Bullet Proof Vest Partnership Program	16.607	2016 BPV	15,562		
Equitable Sharing Program	16.922		122,943		
Total U.S. Department of Justice			223,892		
Total assistance - Federal programs			25,415,288	-	22,184

CITY OF GASTONIA, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2017

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-through to subrecipients</u>
State Grants:					
N.C. Department of Transportation:					
State Maintenance Assistance Program	NA	SMAP	-	255,001	
Powell Bill	NA		-	2,064,717	
<u>North Carolina Department of Commerce</u>					
Passed-through Rural Economic Development Division:					
Downtown Revitalization Grant			-	91,542	
<u>U.S. Dept. of Public Safety</u>					
Governors Crime Comm HERO & Internet Crimes Against Children	NA		-	64,495	
Total assistance - State programs			<u>-</u>	<u>2,475,755</u>	<u>-</u>
Total assistance			<u>\$ 25,415,288</u>	<u>\$ 2,475,755</u>	<u>\$ 22,184</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of the City of Gastonia under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of *Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Gastonia, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Gastonia.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The City of Gastonia has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Loans Outstanding

The City of Gastonia had the following loan balances outstanding at June 30, 2017 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2017 consist of:

<u>Program Name</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Capitalization Grants for Drinking WaterState Revolving Funds	66.468	H-LRX-F-15-1878	\$ 5,000,000
Capitalization Grants for Drinking WaterState Revolving Funds	66.468	H-LRX-F-13-1879	20,088,740

